How Contributions are Made

Your pension plan can be **contributory** or **non-contributory**. Specific information about contributions should be explained in the pension plan brochure or booklet given to you when you joined the plan.

All employer and employee contributions must be deposited in the pension fund, and held (usually with an insurance or trust company) separate from the employer and its assets.

With a contributory plan:

- You are required under the plan's terms to make pension contributions along with the employer.
- Your specific contributions are usually based on a percentage of your earnings, as set out in the plan and explained in your pension plan brochure or booklet.
- In some cases, your pension plan may allow you to make **additional voluntary contributions (AVC)** that get you extra pension benefits.

With a non-contributory plan:

- Only your employer contributes to the pension plan.
- In some cases, your pension plan may allow you to make AVCs that get you extra pension benefits.
- In some **multi-employer pension plans** (MEPPs) employers are required by a collective agreement, to contribute a certain amount per hour worked by the employee. These contributions are considered to be contributions made by the employer, not the employee.

Learn More

Read additional information on contributions:

- **Member Contributions**
- **Employer Contributions**
- **How Contributions Earn Interest or Investment Income**

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Contributions to Pension Plans

Member Contributions

Your employer must deposit your pension contributions into the **pension fund** within 30 days, after the end of the month in which contributions are received or deducted.

Your pension contributions would consist of your required contributions, and if your pension plan allows you to make **additional voluntary contributions (AVCs)**, they would also be included.

Employer Contributions

If You Belong to a Defined Contribution Plan

Each employer's contributions (on behalf of an employee) are usually based on a percentage of the employee's earnings. To determine your employer's specific contributions, refer to the information in the pension plan brochure, your plan's most recent employee booklet, or your annual statement from the **plan administrator**.

If You Belong to a Defined Benefit Plan

Your employer's contributions are based on estimates of what your future **pension benefits** will cost. These estimates are made by an **actuary** and are based on a number of assumptions (e.g., what your future salary will be, when you will retire, the investment return the pension fund will earn).

This information is included in a funding valuation report, which must be filed with the Financial Services Commission of Ontario (FSCO) every three years, or more often if the plan has funding concerns.

If the actuary estimates that the pension fund will need more money to pay for all future pension benefits than is currently contained in the pension fund, your employer must generally make extra payments to cover the shortfall. However, this is not necessarily the case for **multi-employer pension plans** (MEPPs) where benefits may be reduced.

In the case of **jointly sponsored pension plans** (JSPPs), **plan members** as a whole, generally pay 50 per cent of the cost of these extra payments, and the employer(s) must pay the other 50 per cent.

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How Contributions Earn Interest or Investment Income

If You Belong to a Defined Benefit Pension Plan

The **plan administrator** must keep a record of the value of your required pension contributions to the pension plan. The value of your contributions must be credited with interest at least once per year. Interest begins from the first of the month, following the month when the contribution must be paid into the **pension fund**. The rate of interest that is credited on required member contributions is:

- not less than the **bank deposit rate**; or
- the **pension fund's rate of return** (if this is provided under the plan's terms).

This record of your contributions plus interest does not affect the pension benefits you earn under the pension plan. This information is only used when you die, retire, or when your employment ends, to ensure that you did not pay for more than half the cost of the benefits you earned.

If you are making **additional voluntary contributions (AVCs)**, they will be credited with the pension fund's rate of return, or the part of the pension fund to which the contributions are made, no later than the first day of the month after the contributions are paid into the pension fund. If you die, retire, or your employment ends, you will be provided with your AVC's rate of return.

If You Belong to a Defined Contribution Pension Plan

Your contributions must be credited with interest or investment income at one of the following (as set out in the terms of the pension plan):

- a rate that is not less than the **pension fund's rate of return**, or
- the rate of return for that part of the pension fund to which the contributions are made (i.e., the investment return on your account).

If your pension benefits are guaranteed by an insurance company, interest on the contributions must not be less than the bank deposit rate.

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