



A GUIDE TO UNDERSTANDING YOUR PENSION PLAN

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Vesting and Locking-in of Pension Benefits

Vesting of Pension Benefits

When your **pension benefits** are "vested" you are unconditionally entitled to receive the pension benefits you have **earned (or accrued)** under your pension plan.

If You Belong to a Defined Contribution Plan

Being vested means you are entitled to receive a pension benefit equal to the value of your individual **defined contribution** account. This includes the contributions you have made (if any), and your employer's contributions, plus the interest or investment return credited to the contributions.

If You Belong to a Defined Benefit Plan

Being vested means you are entitled to receive a pension benefit that is based on the **defined benefit formula** that is used by your pension plan.

If Your Pension Benefits are Vested

If you are (or were) a member of a pension plan, and your employment or plan membership ended **on or after July 1, 2012**, your pension benefits are immediately vested.

However, if your employment or plan membership ended before **July 1, 2012**, you would have been required to satisfy certain age, service and/or membership requirements in order to become vested. This is because different vesting rules were in effect before July 1, 2012, and they apply to your pension benefits. In addition, your pension plan may have provided for earlier vesting than required by the legislation.

If Your Pension Benefits are Not Vested

If your employment or plan membership ended before July 1, 2012, and you were not vested, you are not entitled to any benefits under the pension plan — except for a refund of any contributions you made, plus interest or investment income. (Note that you are not entitled to any contributions your employer made on your behalf.)

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Locking-in of Pension Benefits

Once your **pension benefits** are **vested**, they are usually "locked-in." This means that the pension money payable to you is to be used only for the purpose of providing you with a lifetime retirement income. In other words, once your pension benefits are locked-in, you normally cannot take any money out of the pension plan as a cash payment.

There are two significant advantages to having your pension benefits locked-in:

- You will have a regular income at retirement.
- Creditors cannot seize locked-in pension money.

If You Leave the Plan

If you leave the plan before you retire, you may be able to transfer the value of your pension benefit out of your plan — for example, to a **Locked-in Retirement Account** (LIRA), a **Life Income Fund** (LIF), to another pension plan (if that plan allows it), or to buy a **life annuity** from an insurance company — but the money remains locked-in.

For more information on your options, refer to the following web pages:

- [If You Leave Your Job](#)
- [If You Leave Your Job – Options for Vested Members](#)
- [If You Leave Your Job – Options for Non-vested Members](#)

Exceptions

There are some exceptions to the locking-in rule. For example, you may be able to access the money in your pension plan before retirement if:

- you have a medical condition that is expected to considerably shorten your life; or
- your employment ends and the annual benefit payable to you is small (i.e., four per cent or less of the **Year's Maximum Pensionable Earnings** or the **commuted value** of your pension is less than 20 per cent of the Year's Maximum Pensionable Earnings in the year your employment ends).

The locking-in rules do not normally apply to any **additional voluntary contributions (AVCs)** you may have made.

Other unlocking options may be available to you if your employment or plan membership ends, and you have transferred the **commuted value** of your pension benefit to a LIRA or LIF. To learn more, visit the web page entitled **Access to Locked-in Accounts**.

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