Termination or Wind Up of a Pension Plan

An employer (or **plan administrator**, in the case of a **multi-employer pension plan** or generally a **jointly sponsored pension plan**) may choose to terminate or discontinue a pension plan in **full** at any time. However, a pension plan can only be terminated in **part**, if the effective date of termination or wind up is before July 1, 2012. (For more information, see the sections on **full wind ups** and **partial wind ups** below.)

If your employer or plan administrator (in the case of a multi-employer pension plan, or generally a jointly sponsored pension plan) terminates your pension plan, a **wind up** of the pension plan must occur.

The Superintendent of Financial Services may order that a plan be wound up in certain situations, such as when:

- the employment of all or substantially all **active plan members** is terminated;
- an **employer becomes bankrupt**;
- the business is sold to a new employer who does not have a pension plan for its employees;
- the employer fails to make the required pension contributions; or
- **employer contributions** end or are suspended.

For more information on wind ups, see **if your employer goes bankrupt**.

Transfer Rights

If you are a **member** of a plan that is being wound up, and are currently not receiving a pension (i.e., you are not a retired member who is receiving a pension from the plan), you generally have the same transfer rights as a member whose employment ends under normal circumstances, even if you have reached early retirement age.

For more information on your transfer rights, read **if you leave your job**.

Wind Up Date of the Plan

The **wind up** date for the plan (i.e., the date the wind up of the plan comes into effect) is usually determined by the employer. On this date, all affected members also stop earning (or **accruing**) benefits under the plan, even though they may continue to work for the employer if the company remains in business.

All affected members also stop **earning (or accruing)** benefits under the plan as of the wind up date, even though they may continue to work for the employer if the company remains in business.

Full Wind Ups

If your pension plan is fully **wound up**, the plan will cease to exist once the wind up is complete and all of the pension assets are paid out. All plan members who are owed a pension under the plan, and who have not exercised their transfer rights, will have their pensions purchased from an insurance company by the **plan administrator** as a part of the wind up process.

Partial Wind Ups

In a partial wind up situation, the plan administrator may choose one of the following options for members who have not exercised their transfer rights:

1. Purchase **annuities** from an insurance company for the affected plan members who are eligible and have chosen to receive an immediate or a **deferred pension**, and for any retired members that are included in the partial wind up. This means that these individuals will receive all future pension payments from the insurance company and have no further entitlement under the pension plan.
2. Pay all immediate and deferred pensions from the pension plan.

Elimination of Partial Wind Ups

Effective July 1, 2012, partial plan wind ups are only permitted under the **Pension Benefits Act (PBA)**, if the effective date of the partial wind up is before July 1, 2012.

The Superintendent of Financial Services may order that a plan be partially wound up, if the effective date of the wind up is before July 1, 2012 and certain conditions are met. This may include one of the following:

- the employment of a significant number of active plan members is terminated, as a result of the discontinuation or reorganization of the employer's business;
- the entire business, or a significant part of the employer's business, at a specific location is shut down;
- an employer becomes bankrupt;
- part of the business is sold to a new employer who does not have a pension plan for its employees;
- the employer fails to make the required pension contributions; or
- employer contributions end or are suspended.

Learn More

- **If You Leave Your Job**
- **If Your Employer Goes Bankrupt**
- **Vesting of Pension Benefits**
- **Grow-in Rights for Older or Long-Service Workers**

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Anita's Story

Anita is 45 years old and had 20 years of service with her employer on the day her pension plan was **wound up**. The **normal retirement age** for her plan is 65 (i.e., the date she would normally be entitled to an unreduced pension). However, Anita's plan also has enhanced early retirement benefits that allow her to retire with an unreduced pension when her age and years of service equal 85.

If her plan had not been wound up, she would have been able to retire with an unreduced pension at age 55, by which time she would have had 30 years of service.

Anita qualifies for **grow-in rights** because her combined age and service on the wind up date meet the **rule of 55**(i.e., her age 45 plus 20 years of service equals 65). Therefore, she is still entitled to receive an unreduced pension when she reaches age 55. The amount of pension however, is based on the 20 years of service she had earned up to the wind up date (i.e., Anita will not be credited with additional years of service in the calculation of her pension benefit entitlement).

Marion's Story

Marion is 39 years old and had 16 years of **continuous** service with her employer when the manufacturing plant she worked at was shut down on August 31, 2012. Since Marion's pension plan offers enhanced early retirement benefits, anyone with at least 25 years of pensionable service would be eligible for a **bridge benefit**.

Marion does not currently qualify for her plan's bridge benefit, since she only has 16 years of service with her employer. However, since she met the criteria under the rule of 55 (i.e., her age 39 plus 16 years of service equaled 55 on August 31, 2012) and she had at least 10 years of continuous employment with her employer, she will still be eligible for this bridge benefit once she reaches the age of 55. When Marion becomes 55 years of age, she will receive a bridge benefit based on her 16 years of service. She will not be credited with additional service past the wind up date of her pension plan.

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