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FSRA is actively reviewing all FSCO regulatory direction, including but not limited to forms, guidelines and FAQs.

Until FSRA issues new regulatory direction, all existing regulatory direction remains in force.

## Payment of a Small Amount under Section 50(1) of the Pension Benefits Act

Effective July 1, 2012, a new section 50(1) of the Pension Benefits Act (PBA) comes into force and the old section 50(1) is repealed.

The new section 50(1) allows small amount unlocking to be extended to more people by making the maximum "small amount" higher and adding a new way to calculate a "small amount." However, small amount unlocking continues to be available only if the pension plan provides for it.

Under the old section 50(1), small amount unlocking was only available to a former member of a pension plan whose annual benefit payable at normal retirement was not more than 2 percent of the Canada Pension Plan Year's Maximum Pensionable Earnings (YMPE) in the year he or she terminated employment.

The new section 50(1) provides that if either:

- (a) the annual benefit payable at a former member's or retired member's normal retirement date is not more than 4 percent of the YMPE in the year that he or she terminated employment; or
  - (b) the commuted value of the former member's or retired member's benefit is less than 20 percent of the YMPE in the year that he or she terminated employment;
- then the former member or retired member is entitled to receive a lump sum payment equivalent to the commuted value of the benefit (small amount), instead of a pension under the pension plan.

Note that under a multi-employer pension plan or jointly sponsored pension plan, a member is deemed to have terminated employment upon termination of plan membership, in accordance with section 38(2) of the PBA.

### Transfers to an RRSP or RRIF

Effective July 1, 2012, former members and retired members entitled to payment of a small amount may request that it be paid into an RRSP or RRIF. See [Transfers to a Registered Retirement Savings Plan \(RRSP\) or to a Registered Retirement Income Fund \(RRIF\)](#).

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Frequently Asked Questions regarding (new) section 50(1) of the PBA:

**Q1. Can a member who is still working take a small amount out of the pension plan?**

**A1.** No. Section 50(1) only applies when a member has terminated employment, which includes retirement or death. -06/2012

**Q2. If the plan terms do not provide for the payment of small amounts, can the plan administrator still make a payment?**

**A2.** No. The plan terms must explicitly provide for the payment of small amounts. Otherwise, the benefit must be paid as a pension from the pension plan. -09/2017

**Q2.1. Can the plan terms use generic wording to allow the payment of small amounts, instead of referring to the exact percentages that are set out in section 50(1) of the PBA?**

**A2.1.** Yes, the plan terms may use generic wording that refers to the limits that are allowed under the PBA. - 10/2012

**Q3. Does the former member's or retired member's benefit have to satisfy both criteria (a) and (b) of section 50(1) of the PBA in order to qualify as a small amount?**

**A3.** No, the benefit has to satisfy only one of (a) or (b). -09/2017

**Q4.1. If the plan terms provide for the payment of small amounts based on the old criteria, can the plan administrator automatically apply the new criteria for the payment of small amounts as of July 1, 2012?**

**A4.1.** No, the new criteria cannot be automatically applied. The use of the small amounts provisions of the PBA is discretionary and must be set out in the plan terms. The plan administrator must continue to apply the old criteria for the payment of small amounts, until the plan terms are amended to reflect the new criteria. The plan terms should correspond to the requirements of the amended section 50(1) of the PBA, or use generic wording. - 10/2012

**Q5.1 If a former member's benefit qualifies as a small amount under section 50(1) of the PBA, can a pension plan's terms require a lump sum payment of his or her benefit?**

**A5.1** Yes, the plan terms can require a lump sum payment of the benefit. -09/2017

**Q5.2. If a retired member's benefit qualifies as a small amount under section 50(1) of the PBA, can a pension plan's terms require a lump sum payment of his or her benefit?**

**A5.2.** The plan terms can require a lump sum payment of the benefit if it qualifies as a small amount. However, in FSCO's view, the small amount payment must be calculated and paid before pension payments commence. In other words, the plan terms cannot require a lump sum payment of the benefit to those who are already in receipt of a pension from the plan. -09/2017

**Q6. What is the 'commuted value of the benefit' under criteria (b) of section 50(1) of the PBA for a defined contribution benefit?**

**A6.** For a defined contribution benefit, the “commuted value of the benefit” is the defined contribution account balance. -06/2012

**Q7. How is the small amount to be determined under section 50(1) of the PBA for a pension plan that provides a combination of a defined benefit and a defined contribution benefit?**

**A7.** For a pension plan that provides a combination of a defined benefit and defined contribution benefit, the benefits must be added together before applying criteria (a) and/or (b). For example, the commuted value of the defined benefit can be added to the defined contribution account balance and the total compared to criteria (b) which is 20% of the YMPE in the year in which he or she terminates employment. -06/2012

**Q8. Is the payment of a benefit that qualifies as a small amount under section 50(1) of the PBA subject to any of the transfer restrictions that apply under section 19 of Regulation 909, i.e., in cases where the pension plan making the payment has a funding deficiency at the time payment is made?**

**A8.** No. The payment of a benefit that qualifies as a small amount under section 50(1) of the PBA is not subject to Regulation 909’s section 19 transfer restrictions. -06/2012

**Q9: Can we apply the new criteria for payment of small amounts to a former member who has a deferred pension under the plan, if he/she terminated employment prior to July 1, 2012?**

**A9:** Yes. However, you must use the Year’s Maximum Pensionable Earnings (YMPE) for the year in which the former member terminated his/her employment. -10/2012

**Q10: What Year’s Maximum Pensionable Earnings (YMPE) should I use for determining the payment of small amounts under section 50(1) of the PBA?**

**A10:** You must use the YMPE for the year in which the member terminated his/her employment. The YMPE for any other year, such as the year payment of the benefit is actually made, is irrelevant to section 50(1) of the PBA. -10/2012

**Q11. For purposes of the small amounts test, should we use the commuted value of the benefit that was calculated at the time of termination of employment, or the benefit that is payable now?**

**A11.** For the small amounts test under section 50(1) of the PBA, you must use the commuted value of the benefit that was calculated at the time of termination of employment. -09/2017

**Q12. What options are available for payment of small amounts if the plan terms include this provision?**

**A12.** If the plan terms provide for payment of small amounts, a person who is entitled to the payment must be given the option to:

- receive the amount in cash;
- transfer the amount to an RRSP; or
- transfer the amount to a RRIF. -09/2017

