



SECTION: Transfer Values

INDEX NO.: T800-901

TITLE: Subsidized Early Retirement and Bridge Benefits where Eligibility Requirements have been Met and Plan Provides for Transfer Options – PBA ss. 40(2), 40(3) and 42(3)

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Note: Where this policy conflicts with the Financial Services Commission of Ontario Act, 1997, S.O. 1997, c. 28 (FSCO Act), Pension Benefits Act, R.S.O. 1990, c. P.8 (PBA) or Regulation 909, R.R.O. 1990 (Regulation), the FSCO Act, PBA or Regulation govern.

*Note: The electronic version of this policy, including direct access to all linked references, is available on FSCO's website at www.fsrao.ca. All pension policies can be accessed from the **Pensions** section of the website through the **Pension Policies** link.*

Q. An employer currently provides a subsidized early retirement pension and bridge benefits for members who retire from active service. Members terminating prior to eligibility for early retirement are not eligible for any early retirement subsidies or bridge benefits (i.e. on early retirement, they receive the actuarial equivalent of the benefit at normal retirement age). Pursuant to section 42(3) of the PBA, the plan sponsor now wishes to add a commuted value option for active members who terminate employment after eligibility for early retirement. Does the commuted value option need to reflect the full value of the early retirement subsidies and bridge benefits?

A. Yes, as long as the member has met all of the conditions of eligibility for the early retirement and bridge benefits in question. Note that employer consent is also deemed to be given pursuant to section 40(3) if all other conditions have been met.

Section 40(2) of the PBA states that:

An ancillary benefit for which a member has met all eligibility requirements under the pension plan necessary to exercise the right to receive payment of the benefit shall be included in calculating the member's pension benefit or the commuted value of the pension benefit. (emphasis added)

This section provides that the value of all ancillary benefits *for which the member has met all eligibility requirements* (in this case the subsidized early retirement pension and bridge benefits) must be included in the calculation of the commuted value. Therefore, it is not acceptable to calculate and offer the commuted value for an eligible member without the early retirement subsidies or the bridging benefits. To comply with section 40(2) of the PBA, the plan member's commuted value option must include these ancillary benefits. Alternatively, the commuted value option need not be added for those who are eligible for early retirement and bridge benefits.