



SECTION:	Transfer Values
INDEX NO.:	T800-403
TITLE:	Recalculation of Transfer Values - PBA ss. 42, 72(2) and 73(2) - Regulation 909 ss. 19(1), 20(1), 24.2, 24.4, 28(2)(15), 28(3), 29(2), 41(1)(p) and 41(2)
APPROVED BY:	Superintendent of Financial Services
PUBLISHED:	FSCO website (January 2012)
EFFECTIVE DATE:	January 1, 2012 [references updated – July 1, 2012]
REPLACES:	T800-401

This policy replaces T800-401 (Recalculation of Transfer Values) as of the effective date of this policy.

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.fSCO.gov.on.ca. All pension policies can be accessed from the **Pensions** section of the website through the **Pension Policies** link.*

The purpose of this policy is to consider the calculation of transfer values when an individual pension plan member is terminated or when a pension plan is wound up.

Calculation of Commuted Values

Since January 1, 1988, the PBA has provided mandatory portability rights for individual pension plan members on termination of employment (s. 42) and wind-up of a pension plan (s. 73). In both circumstances, members are entitled to transfer the commuted value of their deferred pension to another pension fund, if the administrator of that plan agrees to accept the transfer, transfer the commuted value into a prescribed retirement savings arrangement, or use the commuted value to purchase a life annuity.

When calculating the commuted value to be transferred on member termination as provided in section 42(1) of the PBA, section 19(1) of the Regulation requires that the commuted value shall not be less than the value determined in accordance with section 3500 of the *Standards of Practice* of the Actuarial Standards Board, published by the Canadian Institute of Actuaries, revised June 3, 2010 (the "CIA standards").

When a person elects to exercise his or her entitlement under section 73(2) of the PBA on plan wind-up, section 29(2) of the Regulation provides that the commuted value of the pension benefit shall not be less than the value determined in accordance with the CIA standards.

In both situations, some period of time may elapse between the date of computation and the date of transfer. The CIA standards suggest in section 3520.02 that an actuary should establish the period for which the transfer value applies before recomputation is required.

A distinction must be made between commuted values calculated for two separate purposes:

- when a calculation is made with respect to a mandatory portability right that becomes effective on an individual's termination date or the date of plan wind-up; and
- when a calculation is made with respect to any other portability right provided for under a pension plan which becomes effective after an individual's termination date.

It is FSCO's view that section 3520.02 of the CIA standards does not apply to commuted values calculated in the first instance, when a member has a mandatory right to make a portability election within a prescribed period and has made the election within this period. In this situation, transfer values calculated under sections 19(1) and 29(2) or the Regulation should not be recomputed when the transfer occurs after the computation date.

Prescribed Election Periods

Section 42 of the PBA stipulates that terminated members (individual members who terminate employment or cease to be members of the pension plan) who are not eligible to receive an immediate pension at date of termination have the right to elect a portability option. Section 73(2) of the PBA requires that a person entitled to a pension benefit on the wind-up of a pension plan, other than a person receiving a pension, is also entitled to a portability option. These rights, however, are time-limited.

The required time period for making a transfer election under section 42 of the PBA is prescribed under section 20(1) of the Regulation. In accordance with clause 41(1)(p) of the Regulation, the election period must be identified in the termination statement provided to the member. If an individual does not make an election within the prescribed period, the right to require the administrator to transfer the commuted value is extinguished (section 42(4) of the PBA). In this case, the default option is a deferred pension payable from the pension plan.

Of course, in circumstances where an administrator fails to provide a written statement within the period prescribed under section 41(2) of the Regulation, a terminated member's election period cannot be shortened as a consequence of late notice. Accordingly, the appropriate election period would commence at the date the statement is provided.

The required time period for making a transfer election under section 73(2) is prescribed in section 28(3) of the Regulation. In accordance with clause 28(2)(15) of the Regulation, the election period must be identified in the notice statement provided to the member. If an individual does not make an election within the prescribed period, the right to require the administrator to transfer the commuted value is extinguished (section 72(2) of the PBA). In this case, the default option is a pension payable from the pension plan.

Computation Dates

Sections 19(1) and 29(2) of the Regulation specify the method of determining a commuted value for the purposes of section 42 and section 73(2) of the PBA. The commuted value of the pension benefit may not be less than the value determined in accordance with the CIA standards on pension commuted values.

According to Section 3520.06 of the CIA standards the transfer value should be computed as of the date the member becomes entitled to a deferred pension. For a transfer under section 42(1) of the PBA, this entitlement occurs on the date of termination. Where a person exercises his or her entitlement under section 73(2) of the PBA, section 29(2) of the Regulation requires the commuted value to be determined as of the effective date of the wind-up.

When a pension plan provides portability entitlements for terminating members who are entitled to an immediate pension, the computation date will be the date of termination. When a plan provides or is amended to provide portability entitlements for former members (deferred vested members) who previously either had no statutory or plan rights or did not make a transfer election within the prescribed period, the computation date will be the date the transfer value is determined in accordance with the plan provisions.

Interest Accrual

Transfer values calculated under sections 19(1) and 29(2) of the Regulation, where a member has a mandatory right to make a portability election within a prescribed period, should not be recomputed when the transfer occurs after the computation date. These values, however, may be subject to an interest adjustment as prescribed in sections 24.2 and 24.4 of the Regulation.

When a commuted value is calculated for the purposes of section 42 of the PBA and time has elapsed between the date of termination and the date of payment, section 24.2 of the Regulation requires that interest at the rate used to calculate the commuted value at the date of termination be credited from the date of termination to the beginning of the month in which the payment is made.

When a plan administrator fails to provide a written termination statement within the prescribed period, no downward adjustment of the commuted value plus interest is permitted. At the date the transfer is made from the pension plan, the amount transferred with respect to an individual should not be less than the commuted value computed as at the individual's date of termination, plus interest credited at the rate and over the period indicated above.

In accordance with section 24.4 of the Regulation, if an individual makes an election under section 73(2) of the PBA to transfer a pension benefit, the commuted value of the pension benefit shall accumulate interest at the same rate used to calculate the commuted value of the pension benefit in the wind-up report. This interest shall accumulate from the effective date of the wind-up to the beginning of the month in which the payment is made.