Is an employer who funds a pension plan which provides plan members with an indexed pension benefit at retirement obligated to include indexation in the calculation of the deferred pension of a terminating member who has not elected to retire immediately?

Yes, if a pension plan contains a contractual provision for the payment of an indexed pension benefit, indexation must be included in the calculation of the deferred pension as required under sections 36(3) and 37(3) of the PBA. Upon commencement of the payment of a retirement pension, a deferred vested member is entitled to receive increases calculated in accordance with the indexation formula in effect at that individual’s date of termination.

Where transfer options are available at termination, as required by section 42 of the PBA and as permitted under the terms of a pension plan, the commuted value of the deferred pension (including indexation) must be determined in accordance with the Standard of Practice for Determining Pension Commuted Values issued by the Canadian Institute of Actuaries.