



SECTION:	Transfer Values
INDEX NO.:	T800-900
TITLE:	Contractual Provision for Indexation - PBA ss. 36(3), 37(3) and 42
APPROVED BY:	Superintendent of Financial Services
PUBLISHED:	December 1993 - January 1994 (PCO Bulletin 4/2)
EFFECTIVE DATE:	When Published [references updated – September 2008]

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.*

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.