Financial Services Commission of Ontario
Commission des services financiers de l'Ontario

SECTION:	Transfer Values
INDEX NO.:	T800-950
TITLE: -	Commuted Value Transfer Where Plan Underfunded PBA, 1990, s. 42, O. Reg. 909 ss. 19(7)
PUBLISHED:	Bulletin 4/2 (December 1993 - January 1994)
EFFECTIVE DATE:	When Published [No longer applicable - replaced by T800-951 - February 2011]

Taken from the "Your Questions Answered" column published in the PCO Bulletin. Please see the disclaimer at the beginning of the directory.

Does the 5-year period for the transfer of the commuted value by the employer to a former member where the plan is underfunded apply to former members between age 55 and 65?

A pension plan member who terminates employment before his or her normal retirement date may elect to receive the commuted value of his/her pension pursuant to the transfer rights in section 42 of the PBA. However, where the plan is underfunded, the full amount cannot be transferred because of the resulting funding shortfall. The employer may take up to 5 years to complete the transfer pursuant to subsection 19(7) of the Regulations, regardless of the age of the terminating plan member.

The funding shortfall problem can be overcome if the employer is prepared to contribute the amount necessary to make up the difference between the full commuted value of the pension benefit and the amount the employee can take from an underfunded plan when the employee terminates.

This may result in the retired member receiving an initial lump sum payment that is large enough to annuitize, and over the next 5 years pension payments which are too small to be used to purchase separate annuity contracts. Where the initial payment has been annuitized, the former member must use the subsequent small payments to purchase a life annuity, or transfer to a locked-in RRSP, or into a LIF.