



SECTION: Early Retirement Windows
INDEX NO.: E050-100
TITLE: Early Retirement Benefits
PUBLISHED: Supplement to January 1998 Bulletin, Vol. 6, Issue 5
EFFECTIVE DATE: When Published [No longer applicable - replaced by T800-901 – September 2008]

Please see the disclaimer at the beginning of the Bulletin.

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 subsection 42(3) of the Act, 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?

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 subsection 40(3) if all other conditions have been met.

Subsection 40(2) of the Pension Benefits Act, R.S.O. 1990, Chapter P.8 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. [our emphasis]

This subsection 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 subsection 40(2) of the Act, 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.