



SECTION:	Gradual and Uniform
INDEX NO.:	G100-602
TITLE:	Benefit Accrual in Defined Benefit and Defined Contribution Plans - PBA s. 14.1
APPROVED BY:	Superintendent of Financial Services
PUBLISHED:	FSCO website (December 2011)
EFFECTIVE DATE:	December 15, 2011
REPLACES:	G100-601

This policy replaces G100-601 (Benefit Accrual in Defined Benefit and Defined Contribution Plans) 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.*

Gradual and Uniform Accrual of Pension Benefits

This policy provides guidance on what is considered to be a gradual and uniform accrual of pension benefits as contemplated by section 14.1 of the PBA. The purpose of section 14.1 of the PBA is to ensure that pension benefits accrue predictably and evenly during an employee's period of membership in a plan. Specifically, a pension plan may not provide for benefits to be accrued based on intermittent or variable factors or at the discretion of the employer.

For example, a pension plan may not provide for a variation in the rate of accrual of pension benefits based on the length of service of an employee or the age of an employee, such as where a plan provides a large increase in benefits if the employee stays with the employer until retirement age. Such a provision in the pension plan would not meet the requirement in section 14.1 of the PBA that pension benefits accrue in a gradual and uniform manner. Similarly, a pension plan that has a formula that provides for a significant increase in the rate of accrual of pension benefits such as when the employee reaches age 40, 45 or 50 or when the employee's length of service reaches 25 years or 30 years would not meet the requirement in section 14.1 of the PBA that pension benefits accrue in a uniform and gradual manner.

Notwithstanding the above, the Superintendent may register a plan that does not comply with section 14.1 of the PBA or continue to permit a plan that does not comply with section 14.1 of the PBA to be registered, if the Superintendent is satisfied that the registration of such a plan is reasonable and or fair in the circumstances of the plan and the members.

(a) **Defined Benefit Plans**

The gradual and uniform accrual requirements of section 14.1(1) apply only to the accrual of basic pension benefits and not to ancillary benefits as set out in section 40(1). When early retirement windows are being provided, the basic pension benefit must accrue in a gradual and uniform manner. However the ancillary benefit is not required to accrue in a gradual and uniform manner.

(b) **Defined Contribution Plans**

- (i) Once the initial rate of contribution has been established, the contribution formula should provide for increases in reasonably equal increments and intervals of time. The rate of contribution established at the outset should not be less than subsequent rate increases.
- (ii) A plan may use a step formula for an early period of membership and a level formula for all subsequent periods.
- (iii) A plan may also use a formula for variable employer contributions based on criteria approved by the Régie des rentes du Québec (Régie). The [criteria to satisfy the Régie's requirement](#) can be found at their website at:
http://www.rrq.gouv.qc.ca/en/professionnels/rrs/cotisation_patronale_variable/Pages/default.aspx.