

Pension News Minute

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Immediate Vesting Coming to Ontario

Source: Government of Ontario Bill 236 – Pension Benefits Amendment Act

As part of pension reform in Ontario, Bill 236 was approved in mid-May 2010. While there are several amendments in Bill 236, the most urgent and relevant legislative change to all defined benefit and defined contribution plans, such as your pension plan, is the move to an immediate vesting rule for Ontario plan members. Prior to Bill 236, the vesting rule for Ontario members was 24 months of service.

The effective date of the immediate vesting will be the date this rule is proclaimed in force. We will keep you informed of the effective date.

How will this impact your plan? The cost to the plan sponsor will increase, not only due to the additional administration for short-service terminating members, but because of the payment of the short service benefit. The magnitude of the impact would depend on the turnover rate of your short-service employees.

Your Action Plan:

1. To help alleviate the cost impact, you may wish to increase the waiting period to join the plan. The maximum waiting period for full-time employees is 24 months of continuous service.
2. Amend the plan text accordingly.
3. Communicate the changes to the plan members.

We will contact you shortly to further discuss the immediate vesting rule and the other changes in Bill 236.