Guidance

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Subsection 2(1) of the *Pension Benefits Standards Act* (PBSA) defines pensionable age as the earliest age at which a pension benefit is payable to the member under the terms of the plan without the consent of the administrator and without reduction by reason of early retirement.

The purpose of pensionable age under the PBSA is to ensure that plan entitlements are provided consistently. Plan administrators and actuaries should verify how pensionable age is defined in plan texts and costed in valuation reports. Misunderstandings typically lead to wrong determinations concerning deferred vested members' pension entitlements, inappropriate early retirement eligibility provisions and death benefit calculations.

Pensionable age may be referred to as "normal retirement age" under the plan; however, a plan may also have other pensionable ages in addition to the normal retirement age.

Pursuant to section 17 of the PBSA, a vested member terminating before pensionable age is entitled to a deferred pension payable on the same terms and conditions as the immediate pension the member would have received upon attaining pensionable age.

In accordance with subsection 16(2) of the PBSA, an immediate early retirement benefit must be available to members and former members 10 years before pensionable age as it is defined under the terms of the plan. Plan administrators should also note that the minimum pre-retirement death benefits under section 23 of the PBSA are

tied to the pensionable age provisions of the plan.

Pensionable age establishes the following for valuation purposes:

1. members and former members are entitled to an immediate pension benefit upon attaining pensionable age (R);
2. members and former members are eligible to receive an immediate pension benefit 10 years before pensionable age (R-10);
3. an immediate pension benefit commencing before pensionable age may be reduced provided that its actuarial present value is not less than the aggregate of:
    a. the actuarial present value of the pension that would have been payable commencing at pensionable age; and
    b. the actuarial present value of any other benefit to which the member would have been entitled had the member remained a member of the pension plan until pensionable age.

Examples:

	Pensionable Age	10 Years Before Pensionable Age
Example 1	Age 60	Age 50
Example 2	Age 55 with 20 years of service	Age 45 with 20 years of service
Example 3	85 points	75 points

Some plan texts define normal retirement age as age 65, with an early retirement reduction from age 65. If the plan is later amended to change the early retirement reduction factor and the plan now grants an unreduced pension at age 62, this amendment establishes a new pensionable age for the plan at age 62 and the “R-10” age is now age 52.

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