Guidance

Title	Opting out of a PBSA Regulated Pension Plan
Publication type	Guidance
Topics	Eligibility to join a plan
Plans	Defined benefit plans Defined contribution plans
Year	2009

No

2009-014

A pension plan may allow members to voluntarily opt out of the pension plan. The plan text as well as the member booklet must clearly explain the loss of rights and entitlements to a plan member who wishes to opt out of the plan.

Cessation of Membership

If a pension plan permits a member to opt out of the plan, the plan must specify if the opting out results in a cessation of membership.

The *Pension Benefits Standards Act, 1985* (PBSA) does not prevent a plan from defining the opting out as a cessation of membership. Subsection 2(2) of the PBSA specifies circumstances in which a member of a pension plan shall be deemed to cease membership in the plan, however, a pension plan may provide for cessation of membership in circumstances other than those described in subsection 2(2). Cessation of membership entitles the member to vesting and portability rights under sections 16 and 17 of the PBSA.

If a pension plan specifies that opting out of the plan does not constitute a cessation of membership but is instead considered an interruption in benefit accruals, membership service for vesting purposes would continue. Conditions for resuming benefit accruals should also be described in the plan text and clearly communicated to the member.

Re-entry after Opting out

The PBSA does not require the pension plan to provide for re-entry after a member has voluntarily opted out of the plan, however, plans may provide re-entry options.

Replaces article published in PBSA Update, Issue No. 15 August 1997