Should I combine my defined benefit pensions?

The pros and cons of amalgamating a HOOP defined benefit plan with an OMERs pension plan

by Tom Feigs
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Q: I have a defined benefit pension plan with OMERs which will pay $24,000 a year. I have three years in a HOOPP defined benefit pension plan which currently will pay about $5,000 a year. HOOPP and OMERs have a reciprocal agreement. Am I better off keeping the plans separate or moving my OMERs into HOOPP?
—Walter Winkler, B.C.

A: Reciprocal agreements among DB pension plans have been created to offer a fair consolidation of entitlement. It is based on the actuarial value of your entitlement plus the plan features and ancillary benefits such as inflation protection, early retirement options and survivor benefits. The credit you receive is intended to be fair value but may not result in the same amount of service credit.

These transfer agreements provide employees with the comfort that they can manage their career among a wider scope of opportunities. The end result is as if you were enrolled in the successor pension plan all along. So your pension entitlement is easier to calculate and forecast.

On the other hand, you may value the flexibility of keeping the pension entitlements separate in the context of your overall financial picture. You may wish to trigger each of your pension income entitlements at different dates. You may be anticipating a second career or part-time employment after retiring that affects your start date(s). You may wish to commute the value of one of the pensions and not the other.

Pension transfer options have a deadline. I suggest you go ahead with the application to transfer your OMERS to HOOPP. You can always decline later. You'll receive a detailed package that explains all of the factors that affect your decision. Get further advice from a Certified Financial Planner to help broaden your financial outlook or tackle specific financial issues on the horizon.

Tom Feigs is a fee-for-service financial planner, money coach and retirement planning expert based in Calgary, Alberta.