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President's Blog

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October 22, 2018

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Pensions are for life. In both the current U of T pension plan and the proposed University Pension Plan (UPP) members receive their pensions as long as they live. When a plan member dies their pension stops, but their spouse receives spousal pension payments (or survivor benefits) for as long as the spouse lives. (In the language of the pension world, "benefits" means pension income.)

See "survivor benefits" on page 17 of the Ontario government pension brochure at the link below:

http://www.fSCO.gov.on.ca/en/about/brochures/Documents/your_pension_rights.pdf

Below is some of the text from page 17. The term "joint and survivor" below refers to a pension that is designed with two people in mind. It is paid to the plan member for life and then to the survivor after the plan member's death. The two pensions are intertwined:

"If you have a spouse when you retire, your pension must be paid as a joint and survivor pension unless you and your spouse waive this right. This allows your surviving spouse to receive a lifetime pension after your death that will be at least 60% of the monthly pension that was paid to you. Your surviving spouse would also continue to receive these payments if he or she later became the spouse of another person. In a joint and survivor pension arrangement, the dollar amount of the monthly pension you would have received if you did not have a spouse may be reduced to fund the payments that will continue throughout your lifetime and that of your spouse. If your spouse dies before you, the pension will continue to be paid at the reduced amount."

What follows describes UPP plan provisions for benefits earned after the inception of the UPP. For years of service (eligible employment) under the current plan, the current plan provisions will apply and will be taken into account in the calculation of a member's benefit at the time of retirement.

The UPP will pay for a 50% survivor pension. If, at retirement, a member chooses a 60% spousal pension, then their pension would be actuarially reduced to fund the remaining 10%. However, it would also be possible to arrange to have the spouse receive 80% or 100% of the plan member's pension—but the actuarial reduction would, of course, be greater. These actuarial reductions to the plan member's pension while the member is alive take into account the age of the spouse and are intended to deliver a combination of member and survivor benefits that is the same estimated value as the 50% survivor benefit.

For retired members who do not have a spouse at the time of their retirement, pension plans typically offer a guaranteed payment period. The word "guarantee" refers to the minimum number of years during which the pension will be paid. If the member dies before the end of the guarantee period, the pension for the remainder of the guarantee period is paid to the member's beneficiary or estate. If the member lives beyond the end of the guarantee period, the pension continues to be paid until their death, but no residual amount is payable to a beneficiary or the estate.

In the proposed UPP, the five-year "guarantee" of the current U of T plan has been improved. In the UPP, it would be a ten-year guarantee. What does this mean? It means that if a plan member has no spouse and dies after receiving pension payments for, say, six years, the remaining four years of payments in the ten-year "guarantee" period are paid to the plan member's beneficiary or estate. But there is no guarantee of any payment to the estate after the ten-year period. If the plan member dies in year eleven, they continue to receive a pension until death, but nothing is paid to the beneficiary or estate.

More Pension information:

[UTFA Pension Newsletter #1](#)

[University Pension Plan \(UPP\) website](#)

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