

Frequently asked questions

General

1. I am an employer. How do I participate and enroll my employees in a PRPP?

You will have to contact a PRPP administrator who has obtained registration for their PRPP with the PRPP supervisory authority and the Canada Revenue Agency. They will assist you in participating and enrolling your employees in a PRPP.

2. How does PRPP standards legislation affect PRPPs?

All PRPPs will be subject to PRPP standards legislation. Each jurisdiction will have to enact standards legislation to enable individuals and employers in those jurisdictions to participate in a PRPP. PRPP standards legislation may govern topics concerning:

- administrator requirements and/or licensing
- membership rules and opting out of membership
- locking-in provisions
- member and employer rights to information

For further information concerning PRPP standards legislation and to determine whether PRPPs are available in your jurisdiction, please consult the [PRPP supervisory authority](#) in your jurisdiction.

3. What is a qualifying annuity?

A qualifying annuity is an annuity purchased from a licensed annuities provider with the proceeds from the member's PRPP account that meets the following conditions:

1. The annuity is payable either for the individual's life or for the joint lives of the individual and his or her spouse or common-law partner.
2. Payments begin no later than the later of the end of the year in which the individual turns 71 and the year in which the annuity is acquired.
3. The annuity is paid in equal periodic amounts at least annually, unless it is subsequently commuted, or the amounts are not equal due to adjustments that would be permissible under subparagraphs 146(3)(b)(iii) to (v) if the annuity were an annuity under an RSP.
4. If the annuity includes a guarantee period, it must not exceed 15 years, and in the event of the death of the individual and the individual's spouse or common-law partner, the remaining amounts payable under the guarantee period must be commuted into a single amount and paid as soon as practicable after the later death.

5. The annuity must not permit any premiums to be paid, other than the premium from the PRPP to acquire the annuity.

PRPP webinar

1. Is it mandatory for employers to offer PRPPs?

It is not mandatory under federal legislation for employers to offer PRPPs. However, participation will be mandatory in Quebec for employers with 5 or more employees. Therefore, depending on the supervisory authority, employer participation could vary. The level of employer participation in a PRPP could also vary from employer to employer, with some employers offering to contribute to their employee's PRPP accounts. Other employers may offer a PRPP to their employees, but choose not to contribute.

2. What's the difference between a PRPP and a group RRSP?

There are many differences between a group RRSP and a PRPP. One important distinction is that the employers in a PRPP contribute directly to the PRPP and receive a corresponding tax deduction. These employer contributions to the PRPP are not considered as taxable income to the employee. In a group RRSP, amounts that employers designate as a contribution are taxable income to the employee, and the employer does not receive a tax deduction.

3. Do you know the status of provincial legislation to enact PRPPs?

Alberta's PRPP Bill was introduced at the Alberta Legislative Assembly in April 2013 and will come into force upon proclamation. The expected date is January 1, 2015.

Saskatchewan's Bill received Royal Assent on May 15, 2013 but the "Coming into Force" or "proclamation date" is to be determined.

Quebec's version of the PRPP is called the Voluntary Retirement Savings Plan (VRSP). The VRSP Bill received Royal Assent in December 2013 and comes into force on July 1, 2014.

British Columbia's PRPP Bill had first reading in February 2014.

Other provinces are expected to introduce PRPP legislation. Please consult the appropriate jurisdiction for further information.

4. Is there a requirement to calculate and report a pension adjustment (PA) for PRPPs? Similar to RRSPs, a PA does not arise as a result of participating in a PRPP.

5. What is a Restricted Life Income Fund (RLIF)?

A restricted Life Income Fund (the RLIF) is similar to a Life Income Fund.

However, the holder of a RLIF who has reached age 55 or in any subsequent calendar year is permitted to transfer 50% of the funds in their account to an RRSP or a RRIF within 60 days of the establishment of the RLIF. The RLIF holder is also required to provide an attestation that their spouse or common-law partner agrees to the unlocking.

6. Is it the Administrator's responsibility to ensure that the Business Number of a company participating in the PRPP is accurate?

It is the responsibility of the administrator to ensure that all of the information necessary to complete a return is accurate. If an invalid Business Number is submitted on an information return, CRA will follow up with the administrator to rectify the error.

7. The retirement savings plan and retirement income fund rules require contracts to be registered at the individual level, using Form T550, Application for Registration of RSP's, ESP's or RIF's Under Section 146, 146.1 and 146.3 of the Income Tax Act. Do PRPP rules also require member registration at the contract level?

No, a PRPP is registered at the plan level using Form RC364, Application to register a plan as a pooled registered pension plan. The Canada Revenue Agency (CRA) does not register each individual contract or contracts with employers.

8. Is the PRPP considered to be a defined contribution or defined benefit vehicle?

A PRPP is a defined contribution vehicle and must meet all the prescribed conditions for registration under the Act. This includes the condition under paragraph 147.5(2)(b) of the Act which requires that a single and separate account is maintained for each member to which all contributions are credited and all payments to the member are charged. A PRPP is intended to work similarly to a money purchase RPP. However, employer contributions are not mandatory and members may be provided with investment options to choose from.

9. Can individuals who are members of an RPP also participate in a PRPP?

Yes, a member of an RPP can also participate in a PRPP. A member's pension adjustment from the RPP will reduce available PRPP/RRSP contribution room in the following year.

10. In the event an individual leaves the PRPP participating organization - does the new place of employment have to offer the PRPP to all employees for the individual to continue making contributions?

When a member is no longer employed by an employer that offers a PRPP, the member is eligible to exercise the transfers options under subsection 54(2) of the PRPP Act or they may leave the funds in their PRPP account. Any subsequent employer may, but is not required to submit contributions on the members behalf.

11. Does the CRA expect the Régie des rentes du Québec to register and licence the voluntary retirement savings plan (VRSP) prior to the plan being submitted to the CRA?

We will review and provide our comments on VRSP applications, similar to what we do for plans subject to the federal PRPP legislation; however, we cannot register any PRPP until it has been formally registered by the appropriate regulatory body.

12. What are the main differences between a PRPP and a registered DPSP?

Under a deferred profit sharing plan (DPSP), only employer contributions from profits are allowed into the plan. Under a PRPP, an individual can participate if they are employed by an employer who does not participate in the PRPP or if they are self-employed. A participating employer under a PRPP is not required to contribute to the plan.

13. Will contributions made by self-employed individuals be reported as employer or employee contributions on the pooled registered pension plan (PRPP) receipt? Contributions for self-employed individuals will be reported as employee contributions on the PRPP contribution receipt and summary.

To be clear, while the PRPP contribution receipt and summary information reference “employee contributions”, the tax legislation only refers to member or employer contributions to a PRPP under subparagraphs 147.5(3)(a)(i) and (ii) of the *Income Tax Act*. Self-employed individuals are not employees because there is no employee-employer relationship. Since participation in a registered pension plan (RPP) is contingent on the existence of an employer-employee relationship, the PRPP was specifically set up to allow self-employed individuals to participate in a pension plan.

We will determine whether the information on the PRPP contribution receipt slip and summary should be updated to refer to member contributions instead of employee contributions to reflect the fact that both self-employed and employed members can contribute.

Please see www.cra-arc.gc.ca/tx/bsnss/tpcs/slps/fnncl/prpp-rpac/menu-eng.html for current information regarding the PRPP contribution receipt slip and summary.

14. If member application forms do not have to be submitted to the CRA, what ongoing information will the PRPP administrator have to send to the CRA?

Member application forms should not be submitted to the CRA. The administrator of a PRPP must file PRPP contribution receipt slips and a summary with respect to all contributions made to the plan. The administrator will also have to file an annual information return (AIR) for the PRPP containing prescribed information which may include member information. The CRA, OSFI and other jurisdictions are currently working on whether a joint AIR will be required. The administrator must file the contribution receipts slips and summary with the CRA on or before May 1. The PRPP administrator may issue contribution receipts to PRPP members prior to the deadline for filing with the CRA just as registered retirement savings plan (RRSP) issuers issue RRSP contribution receipts to RRSP contributors prior to filing the RRSP contribution receipts and summary with the CRA.

15. Slide 36 indicates that the PRPP contribution slips are due on or before May 1. This is after the T1 personal filing due date of April 30 for many Canadians. Is my understanding correct that taxpayers filing a T1 before the April 30 deadline may not be able to see their PRPP slip?

The administrator must file the contribution receipts slips and summary with the CRA on or before May 1. The PRPP administrator may issue contribution receipts to PRPP members prior to the deadline for filing with the CRA just as registered retirement savings plan (RRSP) issuers issue RRSP contribution receipts to RRSP contributors prior to filing the RRSP contribution receipts and summary with the CRA.

16. Can the PRPP be inherited, transferred or paid to the heirs or to the spouse?

A member of a federal PRPP can designate a beneficiary who will receive the balance of his or her account when he or she dies and can modify that designation at any time

subject only to the legal restrictions. Regardless of the designated beneficiary, the spouse or common law partner of a member who dies is considered, if applicable, as the beneficiary within the meaning of the PRPP. Without a designated beneficiary or a spouse or common law partner at the time of the member's death, the balance of the account will be paid to the estate.

Note

The answers to the remaining questions were provided by the Office of the Superintendent of Financial Institutions (OSFI).

17. Is there a minimum level of capital required for a licensed PRPP administrator?

The *Pooled Registered Pension Plan Regulations* (PRPP Regulations) do not refer to a minimum level of capital required for a corporation to be licensed to be an administrator of a pooled registered pension plan (PRPP).

Section 7 of the PRPP Regulations sets out, for the purposes of subsection 11(1) of the *Pooled Registered Pension Plans Act*, the conditions that must be met in order that the Superintendent may, on application, issue a licence authorizing a corporation to be an administrator of a PRPP. Paragraph 7(b) of the PRPP Regulations provides that one of these conditions is that the corporation has the financial resources required for the administration of a PRPP. The adequacy of financial resources will be reviewed by OSFI in its review of the corporation's business plan.

OSFI would expect an applicant to demonstrate in its business plan that the corporation has an initial level of capital to support a PRPP, including if there's a period of time during which the business is not profitable.

Factors that OSFI would look at to determine the adequacy of the corporation's financial resources in relation to its business plan include:

- the feasibility of the business plan and the identified risks;
- whether the corporation has other lines of business or forms of revenue that would help support the PRPP business;
- whether the corporation has capital or liability insurance relative to the risks associated with administering a PRPP;
- how long will it take for the corporation's PRPP business to become profitable and whether the corporation has adequate resources to support the PRPP during that time.

The corporation's business plan should address whether the corporation has access to capital on an ongoing basis. Qs and As have been posted on OSFI's website in order to provide guidance as to the information that should be included in a licence application in order to assist OSFI in determining whether the conditions in the PRPP Regulations have been met. http://www.osfi-bsif.gc.ca/Eng/pp-rr/ppa-rra/prpp-rpac/Pages/prpp_lcn_qa.aspx

18. What would be some key differences in the information required for registering a plan that offers different investment options versus one that doesn't?

The federal *Pooled Registered Pension Plans Act* (PRPP Act) allows for different possible approaches to the investment of member contributions. An administrator of a pooled registered pension plan (PRPP) may permit members to make their own investment choices from among options offered, or may provide that the administrator invests the funds in a member's account.

If a PRPP permits members to make investment choices, the administrator must offer investment options of varying degrees of risk and expected return that would allow a reasonable and prudent person to create a portfolio of investments that is appropriate for retirement savings. If a PRPP either does not permit members to make investment choices, or if it does so but a member fails to make a choice, then the PRPP administrator is responsible for investing the funds and must do so in a manner that a reasonable and prudent person would apply in respect of a portfolio of investments appropriate for retirement savings.

Section 7 of the *Pooled Registered Pension Plans Regulations* (PRPP Regulations) sets out, for the purposes of subsection 11(1) of the *PRPP Act*, the conditions that must be met in order that the Superintendent may, on application, issue a license authorizing a corporation to be an administrator. Paragraph 7(d) of the PRPP Regulations provides that the Superintendent may issue a licence to a corporation if the corporation has the operational capability to administer a PRPP. The following information would assist OSFI in making this determination:

- Evidence that the applicant is of sufficient size and has the experience necessary to administer a PRPP. This would generally include:
 - Information that demonstrates a proven track record in:
 - investing assets for retirement savings or selecting investment managers for that purpose; and
- An overview of the investment approach and investment options that may be offered, including:
 - Whether the administrator intends to offer investment options to PRPP members or intends to invest members' assets on their behalf.
 - If the administrator intends to offer investment options to members:
 - The default option
 - description of the type of investment option;
 - the name of the proposed investment manager; and
 - the proposed cost of the option.
 - the non-default investment option(s)
 - description of the type of investment option(s);
 - the name of the proposed investment manager(s); and
 - the proposed cost of the option(s).
 - If the administrator intends to invest members' assets on their behalf:
 - An overview of the proposed investment strategy; and
 - The name of the manager responsible for investing the assets.

With respect to investment options and the registration of a pooled registered pension plan (PRPP) with OSFI, licensed administrators would complete an application for registration form indicating whether the Plan permits members to make investment choices, including details of each investment option provided. The registration package would provide any documents supporting the Plan. In relation to information relating to investments, the package should include sample fund summaries, explanations provided to members, confirmation of investment management fees as well as information on optional services and services covered by the contract. OSFI would expect that the applicant would provide a summary of any differences between the licensing and registration packages, for example a change in fund manager, fees or services.

19. Is it possible for an administrator to amend the cost of the PRPP?

It is a legislative requirement that an administrator must provide the pooled registered pension plan to its members at a low cost. It is possible for a PRPP administrator to increase the cost of a PRPP; however, any amendments to the plan that affect cost must continue to meet the low cost requirement.

20. What is the rationale for using "a defined contribution plan with 500 or more members" as the benchmark for determining the fees?

The government's policy intent was to establish a simple benchmark that would help ensure that members of PRPPs would be charged costs comparable to costs charged to members of large DC plans. While the costs of large DC plans vary, and will depend on a number of factors, the government's policy objective is that pooled registered pension plan costs be in line with "institutional" pricing of investment and savings products rather than retail pricing. In other words, it wants PRPP members to be charged the kinds of fees that members of large DC pension plans are charged and not the fees that retail customers typically pay.

21. Individuals can join a PRPP even if their employer doesn't offer one, correct? If so, do they need to contribute for 12 months before they can set their contribution rate to 0%?

A pooled registered pension plan may allow for individual members to join the plan. All members of a PRPP, including individual members, are able to set their contribution rate to 0% if 12 months have elapsed since the member's contributions to the PRPP began.

22. How long will it take OSFI to approve a plan that has been submitted by a licensed administrator?

All requests seeking the Superintendent's approval or permission under the *Pooled Registered Pension Plans Act* are subject to a rigorous approvals process. OSFI will make a determination whether to register the PRPP based on the information that is provided in the registration application package, and will communicate its decision to the applicant in writing. Turnaround times for OSFI's review of PRPP registration applications will depend on a number of factors, including the information received in the application package. PRPP applicants may contact the Approvals Officer responsible for the review of the registration application for more information on the status of the approval case.

23. What information on low cost will be provided by OSFI to the Financial Consumer Agency of Canada website?

Pursuant to paragraph 23(m) of the *Pooled Registered Pension Plan Regulations*, members of a pooled registered pension plan (PRPP) must be provided with a notice of plan membership that includes the address of the Financial Consumer Agency of Canada's (FCAC) web page pertaining to the cost of PRPPs. The PRPP Regulations define "costs" as all fees, levies and other charges that reduce a member's return on investment other than those that are triggered by the actions of a member.

OSFI will be responsible for providing information to FCAC on each PRPP's costs once the PRPP is registered, and in the event that these costs change. The FCAC will post the cost information for each PRPP to its website. Cost information will consist of the investment management fee that is charged by each investment option that is offered, as well as any administrative fee that meets the definition of cost.

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