Canada Revenue Agency / Agence du revenu du Canada

# Registered Pension Plan Guide

T4099(E) Rev. 05

Canada

## Before you start

### Is this guide for you?

This guide contains general information about pension plans. It is designed to help employers and plan administrators register or apply for approval of an amendment to a pension plan with the Canada Revenue Agency.

This guide also outlines the responsibilities of the plan administrator and gives details on who can sponsor a pension plan.

This guide is not intended for members of pension plans. Pension plan members should contact their plan administrator for information about their pension plan.

## Your opinion counts

We review this guide each year. If you have any comments or suggestions to help improve our publication, we would like to hear from you.

Please send your comments to:

Registered Plans Directorate
Canada Revenue Agency
875 Heron Road, A-200
Ottawa ON K1A 0L5

In this publication, we use the name "Canada Revenue Agency" and the acronym "CRA" to represent the Canada Customs and Revenue Agency. This reflects recent changes in the structure of the Agency.

La version française de cette publication est intitulée *Guide des régimes de pension agréés*.

# Table of contents

# Glossary

In this section, we define or explain terms and expressions used in this guide. References to the "Act" mean the *Income Tax Act*, and references to the "Regulations" mean the *Income Tax Regulations*.

We have tried to use plain language to explain the laws and terms you need to know to register a pension plan with the Canada Revenue Agency (CRA) and to maintain its registration under the Act. Since this guide is not a legal text, see the Act and related Regulations for the exact wording of the rules it describes, or contact us at the CRA's Registered Plans Directorate. For our telephone number and address, see "Where to get help" near the end of this guide.

## Active member

An active member is a member of the plan to whom benefits accrue under a defined benefit provision of the plan during all or any part of the year or who makes contributions, or on whose behalf contributions are made, in relation to the year under a money purchase provision of the plan.

## Certified copies

We will accept a signed original or any type of certified copy as long as the certification that it is a true copy contains an original signature or initials.

The following qualify as certified copies:

- document with original signature or original initials from the administrator
- document with the company's seal
- board resolution or by-laws with an original signature that clearly refers to the attached documents

The following do not qualify as certified copies:

- faxed copies;
- the original Form T920, *Application to Amend a Registered Pension Plan*, or T510, *Application to Register a Pension Plan*, accompanied by unsigned documents; and
- letters signed by the plan administrator or the consultant certifying that documents previously submitted are certified copies.

## Common-law partner

A common-law partner is a person of the opposite or same sex who is not your spouse, with whom you live and have a relationship, and to whom at least **one** of the following situations applies. He or she:

- is the natural or adoptive parent (legal or in fact) of your child;
- has been living and having a relationship with you for at least **12 continuous months**; or
- lived with you previously for at least **12 continuous months** as your spouse or common-law partner.

**Note**
Under proposed changes, the last condition will no longer apply. A person will be considered your common-law partner only after your **current** relationship with the person has lasted at least 12 continuous months. The proposed change applies to years after 2000.

The term "**12 continuous months**" in this definition includes any period that you were separated for less than 90 days because of a breakdown in the relationship.[1]

## Connected person

A connected person is one who:

- owns, directly or indirectly, at least 10% of the issued shares of any class of the capital stock of the employer or a corporation related to the employer;
- does not deal with the employer at arm's length (see section 251 of the Act for details); or
- is considered, by paragraph (d) of the definition of "specified shareholder" in subsection 248(1) of the Act, to be a specified shareholder of the employer.

## Dependant

A dependant is defined as a parent, grandparent, brother, sister, child, or grandchild of an individual who is both dependent on the individual for support and:

- under 19 years of age and will not attain 19 years of age in the calendar year;
- in full-time attendance at an educational institution; or
- dependent on the individual by reason of mental or physical infirmity.

## Forfeited amount

Forfeited amounts can only occur in money purchase provisions. They are amounts to which a member of the pension plan has ceased to have any rights. This usually happens when someone stops participating in a plan before the end of the vesting period and is not entitled to the employer's contributions made on his or her behalf.

## Lifetime retirement benefits

Lifetime retirement benefits are benefits provided to a member under a benefit provision of a pension plan that, after they start being paid, are payable until the member's death, unless the benefits are commuted or payment of the benefit is suspended.

---

[1] Proposed changes to definition of "common-law partner" in subsection 248(1) under the Technical Bill of December 20, 2002.

## Member

A member of a pension plan is an individual who has a right to receive benefits under the plan or provision. This does not include an individual who has such a right only because of the participation of another individual in the plan (e.g., the member's beneficiary is not a member of the plan).

## Participating employer

A participating employer is an employer that has made, or is required to make, contributions to the plan for its employees or former employees. A participating employer is also an employer that has made, or is required to make, payments under the plan to its employees or former employees.

## Past service pension adjustment (PSPA)

The PSPA is an individual's total new pension credits created when benefits are improved retroactively, or when benefits for past service are granted in a defined benefit provision.

For more information on calculating and reporting of a PSPA, see the *Past Service Pension Adjustment Guide* (T4104).

## Pension adjustment (PA)

The PA is an individual's total pension credits for the year. It reflects the benefits or level of savings a member accumulates in a year by participating in a registered pension plan or a deferred profit sharing plan. For information on how the PA is calculated, see the *Pension Adjustment Guide* (T4084).

An individual's PA in a year affects the limit on the amount he or she can deduct for registered retirement savings plan (RRSP) contributions for the next year. For connected persons who join a registered pension plan in a year, their RRSP contributions room may be reduced in the current year.

Each employer has to report a PA for each plan member before February 28 of the year following the year in which the benefits accrued. The PA is reported on the T4 Supplementary. For more information on the T4, see our publication called *Employers' Guide – Payroll Deductions (Basic Information)* (T4001), or contact us at **1-800-959-8281**.

## Pension adjustment reversal (PAR)

A PAR is reported when an individual ends his or her membership in a registered pension plan or a deferred profit sharing plan and the value of the benefits received from the plan is less than the total of all pension adjustments and past service pension adjustments calculated during the individual's membership in the plan. The plan administrator, not the employer, must report the individual's PAR on Form T10, *Pension Adjustment Reversal*. For information on calculating and reporting a PAR, see the *Pension Adjustment Reversal Guide* (RC4137).

## Registered pension plan

A registered pension plan is a pension plan that has been registered by the Minister for the purposes of the *Income Tax Act* and not had its registration revoked.

## Retirement benefits

Retirement benefits are benefits provided to an individual from a pension plan that are payable on a periodic basis.

## Year's maximum pensionable earnings (YMPE)

The YMPE is the amount of earnings on which contributions to the Canada Pension Plan and Quebec Pension Plan are based. You can get the exact numbers by contacting us at **1-800-959-8281**.

# Plan administrator

## Who is considered to be a plan administrator?

All registered pension plans must have an administrator. The administrator is the person or body of persons with the ultimate responsibility for administering the plan. In many cases, the plan administrator will be the employer or a board of trustees.

The administrator, or the majority of the persons in the group that constitutes the administrator, must be resident in Canada, unless otherwise permitted by us in writing. For more information, see the section of this guide called "Waiver of regulatory conditions."

If there are any changes to the names or addresses of the administrator or the members of the administering group, the Registered Plans Directorate has to be informed of these changes within 60 days.

## Responsibilities of the plan administrator

The administrator's responsibilities include the following:

- applying to register the plan (Form T510, *Application to Register a Pension Plan*);
- applying for approval of amendments to the plan no later than 60 days from the date the amendment is made (Form T920, *Application to Amend a Registered Pension Plan*);
- making sure that the plan is administered according to the terms of its registration, or, where the terms of the plan fail to comply with the Act and Regulations, administering the plan as if it had been amended to comply;
- filing actuarial reports with the CRA, if necessary;
- filing annual information returns with a participating pension supervisory authority or with the CRA (Form T244, *Registered Pension Plan Annual Information Return*);

- dividing benefits between participating employers for PA purposes, if necessary;
- applying for PSPA certifications;
- reporting PARs to the CRA;
- reporting information to participating employers so they can report PAs and PSPAs, if necessary; and
- in certain circumstances, reporting PAs to the CRA.

## Plan sponsor

Any employer that wants to provide retirement benefits to its employees can sponsor a pension plan. Occasionally, a union will sponsor a pension plan on behalf of a group of employers.

The Regulations state that the primary purpose of a pension plan must be "to provide periodic payments to individuals after retirement and until death in respect of their service as employees."

In order to sponsor a pension plan an employer must have employees. Partners in a partnership, for example, cannot sponsor a pension plan for themselves since they are not employees of the partnership.

## General information about pension plans

A pension plan is a definite arrangement established as a continuing contract by an employer or group of employers or by a union with employers to provide a lifetime income to retired employees for the service they have provided. This must be the primary purpose of the plan for it to qualify for registration under the Act.

We can consider plans for registration under the Act only if their terms and conditions are set out in writing.

### Types of pension plans

- **Money purchase plan**

  A money purchase pension plan is one in which contributions made by the employer (and by employees, if the plan requires or allows them to contribute) are placed to the credit of each member. The pension benefits provided will be based on the total of the accumulated contributions and interest earnings. Forfeited amounts may also be credited to the member. These plans are also known as defined contribution plans.

  A plan may allow employees to make **additional voluntary contributions**. The benefits derived from these contributions are considered to be benefits provided on a money purchase basis. Both money purchase and defined benefit plans (see description below) can allow members to make additional voluntary contributions. We consider a defined benefit plan that allows for additional voluntary contributions to be a combination plan as described below.

- **Defined benefit plan**

  In a defined benefit pension plan, retirement benefits are defined in some way other than benefits at retirement from accumulated contributions. The terms of a defined benefit plan, or provision, guarantee a specified level of pension income to a plan member on retirement. The level is set by a benefit formula in the plan. There are various forms of benefit possible, such as:

  – **Flat benefit** – The member receives a certain dollar amount for every month or year of service or for every unit of production.

  – **Career average earnings** – The member receives a benefit based on the member's average earnings over the entire period of service under the plan.

  – **Final or Best average earnings** – The member receives a benefit based on the member's earnings averaged over a short period, such as the final few years of service, or the three or five years of highest earnings.

  – **Percentage of contributions** – The member's benefit is based on a percentage of the contributions the member made to the plan.

  Benefits can also be provided in a combination of these forms.

- **Combination plan**

  In these plans, benefits are a combination of money purchase and defined benefits.

- **Multi-employer plan (MEP)**

  A MEP is a registered pension plan sponsored by a group of employers. However, not every plan in which more than one employer participates is considered a MEP.

  We consider a registered pension plan to be a MEP if, at the beginning of the year, it is reasonable to expect that at no time in the year will more than 95% of the active plan members be employed by a single participating employer, or by a related group of participating employers. The terms "related persons" and "related group" are defined in subsections 251(2) and 251(4) of the Act. More information on these terms is available in the current version of Interpretation Bulletin IT-419, *Meaning of Arm's Length*.

- **Specified multi-employer plan (SMEP)**

  A SMEP is a MEP that meets the following conditions:

  – The employers participate in the plan under a collective bargaining agreement or similar agreement.

  – All or substantially all (at least 90%) of the employers who participate in the plan are persons who are not exempt from tax under Part I of the Act. Examples of persons exempt from tax are labour organizations, municipalities, corporations owned by the Crown, and registered charities. You can find a complete list of exempt persons in subsection 149(1) of the Act.

- The employers make contributions according to a contribution formula negotiated under a collective bargaining agreement or similar agreement that does not provide for any variation in contributions as a result of the financial experience of the plan.
- The administrator is a board of trustees (or similar body) that is not controlled by representatives of the employers. The concept of "control" in the case of a trust relates to the control a person or persons have over the property and activities of the trust. For more information on the control of a trust, see the current version of Interpretation Bulletin IT-447, *Residence of a Trust or Estate*. In the case of a corporation, "control" means the right that rests in ownership of the number of shares necessary to provide a majority of the votes in the election of the board of directors of the corporation or authorize the wind-up of the corporation. If there is no share capital, a person who has the ability to appoint the board of directors of the corporation will be considered to control the corporation.
- The administrator has the power to determine the benefits the plan will provide, whether or not such power is subject to the terms of a collective bargaining agreement or a similar agreement.
- The contributions each employer will make in the year are based, in whole or in part, by referring to the number of hours worked by individual employees of the employer, or some other measure that is specific to each employee for whom contributions are made to the plan.
- It is reasonable to expect that:
  (a) at least 15 employers will contribute to the plan for the year; or
  (b) at least 10% of the active members of the plan will be employed by more than one participating employer (for this condition, all employers who are related to each other are considered to be a single employer).

A plan will also be a SMEP if:

- it was a SMEP that met the requirements described above in the previous calendar year and we have not given notice that it no longer qualifies as a SMEP; or
- we have designated it to be a SMEP in the year.

We only designate a plan to be a SMEP if it has satisfied several of the characteristics described above and the designation is needed to overcome serious PA reporting difficulties. Typically, this designation will only be given when it is reasonable to expect that at least 15 employers will contribute to the plan in the year **or** at least 10% of the active members will be employed by more than one participating employer.

- **Simplified pension plan (SPP)**

A simplified pension plan is a money purchase pension plan marketed by a financial institution and designed to reduce the administrative burden on employers. An SPP is subject to additional registration requirements. Typically, participation is open to any employer who wants to join the plan, although the administrator can set limits. We consider a plan to be an SPP in either of the following situations:

- The administrator of the plan is not a representative of participating employers or plan members (although the administrator may be one of the participating employers).
- No participating employer (other than a participating employer who is also the plan administrator) or plan member has any significant involvement in setting up the plan or in determining its terms.

Also, the Minister can send a written notice to a plan administrator to advise that we consider the plan to be an SPP.

For more information on the additional registration and administration requirements for an SPP, see our Newsletter No. 98-1, *Simplified Pension Plans*. For the registration of SPPs in the province of Quebec, see the limited release Newsletter No. 95-LR, *Quebec Simplified Pension Plans*.

- **Designated plan**

A designated plan is a defined benefit pension plan in which more than 50% of the pension credits are for specified active members. Specified active members are active members of the plan who are connected with an employer or who earn more than 2 ½ times the YMPE. The Act and Regulations contain rules that restrict the funding of these plans.

- **Flexible pension plan**

A flexible pension plan is a defined benefit pension plan that allows members to make voluntary defined benefit contributions to acquire or improve ancillary benefits provided in connection with basic pension benefits accruing under the plan. A flexible pension plan allows members to improve their pension benefits to address their personal needs. For more information on flexible pension plans, see our Newsletter No. 96-3, *Flexible Pension Plans*.

## Meaning of "plan as registered"

We mentioned that a responsibility of the plan administrator is to ensure that the plan is being administered according to the terms of its registration. The expression "plan as registered" means the terms of the plan that have been registered by the CRA's Registered Plans Directorate. It includes any amendments made to the plan that have been approved by us as well as amendments that have been submitted for our approval but have not been accepted or rejected, if it is reasonable to expect that they will be accepted. It also includes terms that are not contained in the plan documents but are considered terms of the plan by virtue of the *Pension Benefits Standards Act, 1985,* or similar provincial law.

## Contributions

The Registered Plans Directorate must approve, in writing, contributions that an employer makes to a defined benefit registered pension plan or provision. The Act requires the employer to submit an actuarial valuation report at least every four years. The *Pension Benefits Standards Act, 1985*, or the provincial pension benefits act to which the plan is subject, may require an employer to submit such a report more frequently.

Our approval is required for the employer contributions to be deductible from income.

An employer who sponsors a money purchase provision must contribute an amount that is acceptable to the Minister. We require the employer to contribute a minimum of 1% of the total remuneration of the active members, as specified in paragraph 10 of our Newsletter No. 91-4R, *Registration Rules for Money Purchase Provisions*.

The amount the employer is required to contribute to the plan must be specified in the plan text.

Employees can be required to make contributions to either a money purchase or defined benefit provision. If employees are required to contribute, the amount must be specified in the plan text.

The Act and Regulations place a cap on the amounts that can be contributed by the plan members and by the sponsoring employer or employers. See the current version of Interpretation Bulletin IT-167, *Registered Pension Funds or Plans – Employee's Contributions,* for more information on permitted contributions for employees.

## How are pension benefits paid?

Benefits provided by a defined benefit plan may be paid directly to the member from the plan fund, or an annuity may be purchased from a company that is licensed to provide annuities in Canada.

Benefits provided by a money purchase plan, or from additional voluntary contributions, must be provided by the purchase of an annuity from a company licensed to provide annuities in Canada.[2]

## Types of benefits that can be paid

The following are some benefits that can be provided under a pension plan:

- **Lifetime retirement benefits** – These are benefits that are paid on an equal and periodic basis to the member of a pension plan. They are paid until the death of the member. **All registered pension plans must provide for lifetime retirement benefits**.
- **Lump sum payments** – Instead of periodic payments, the plan may allow members to receive the value of their benefits in one or more lump sum payments. These amounts are fully taxable to the recipient in the year they are received.
- **Survivor benefits** – Benefits may be paid to the surviving spouse, former spouse, common-law partner, former common-law partner, and/or dependants of the member after the member's death either before or after the member starts to receive lifetime retirement benefits. The benefits paid to the spouse, former spouse, common-law partner, or former common-law partner are typically paid for the life of the beneficiary. The benefits are paid to a dependant until the beneficiary no longer qualifies as a dependant. The pension plan may also allow that the benefits paid to the spouse, former spouse, common-law partner, or former common-law partner be paid in one or more lump-sum payments instead of in periodic payments.
- **Bridging benefits** – This benefit, if provided by the pension plan, is paid to the member until he or she reaches age 65. It is designed to mirror the Canada Pension Plan/Quebec Pension Plan and Old Age Security benefits the member would be entitled to if he or she was 65. This benefit is in addition to the member's lifetime retirement benefits and must begin at the same time as the lifetime retirement benefits. If the member dies before reaching age 65, the member's spouse, former spouse, common-law partner, or former common-law partner can receive the balance of the bridging benefit if the plan allows it.
- **Guarantee period** – A pension plan may provide that a member's lifetime retirement benefits will be paid for a minimum amount of time regardless of how long the retired member lives. There are, however, limits on the length of the guarantee.
- **Benefits on marriage breakdown** – Certain benefits can be paid as a result of the breakdown of a marriage if required by law. The spouse, common-law partner, former spouse, or former common-law partner of the member may receive a periodic payment or a lump-sum cash amount.
- **Indexing** – A pension plan may provide for cost-of-living increases to the member's and/or the beneficiary's benefits, subject to certain limits.

## Service

The Act and Regulations place certain limits on the periods of employment that can be used to calculate an individual's benefits or during which contributions can be made by or on behalf of the individual.

The Regulations outline what is acceptable for periods of service after 1991. This is referred to as "eligible service."

Acceptable periods of service for years before 1992 are outlined in Information Circular 72-13, *Employees' Pension Plans*, and our Newsletters No. 92-8R, *Eligible Service*, No. 93-2, *Foreign Service Newsletter* and No. 00-1, *Foreign Service Newsletter Update.*

[2] Under proposed amendments under the Technical Bill of December 20, 2002, money purchase plans will be allowed to make RRIF-type payments directly from the plan.

# Legal owner of registered pension plan funds

## Acceptable types of ownership

We must approve the arrangements under which the assets are held in connection with the plan. You need to send us certified copies of all documents relating to the legal title of the plan assets when you apply to register a plan or when the legal title changes after the plan is registered.

Where the legal owner of a plan's assets is replaced and funds are being transferred to the new owner, the contracts or agreements must provide for the transfer, and the transfer must be permitted under the plan rules. All documents in support of the change must be sent to us for approval as a plan amendment.

Plan funds can be held in any of the following acceptable legal title arrangements:

- under a contract for insurance;
- under a trust agreement;
- by a pension corporation;
- under an arrangement administered by the government of Canada, or by the government of a province of Canada, or an agent of either one; or
- through any combination of the above, as long as the arrangement meets the appropriate conditions described below.

Pension benefits are to be paid by or the pension annuity is to be purchased by the insurer, trustee, pension corporation, or government that holds the plan assets. However, the insurer, trustee, or pension corporation may designate a participating employer to be its agent for paying benefits when a member terminates employment or dies.

## Contract for insurance

Plan funds can be held under a contract for insurance with a company authorized to carry on a life insurance business in Canada. There are two broad categories of insurance contracts under which pension funds are held:

- **Group or individual annuity insurance contract** – A group or individual annuity insurance contract is a contract issued by an insurance company under which deferred retirement pensions are purchased for an individual plan member or a group of plan members. Each premium payment by the plan sponsor results in a guaranteed number of pension units.

  If benefits are to be provided under individual contracts for insurance, the contracts have to be held on the terms of an express trust. The trust must have at least two individual trustees or a corporate trustee. The contracts have to be issued to or assigned to the trustees who must have power to deal fully with all the contracts, including assignment or transfer of each contract to the applicable member on retirement or termination of employment.

- **Deposit administration or segregated fund contract** – A deposit administration contract is issued by an insurance company to administer a pension fund. It generally offers guarantees of capital value, rates of interest, and ultimate annuity purchase rates. A segregated fund is one through which insurance companies hold the assets of the pension plan for investment management only. Funds are kept separate from the assets of the insurance company and the principal and interest are not guaranteed.

We will treat a contract that is described as a segregated fund or deposit administration contract as a contract for insurance if:

- retirement benefits are provided through a life annuity contract, or by regular periodic payments out of the fund; and
- the contract prohibits the payment of amounts (other than the refund of a certified actuarial surplus and the payment of administrative costs) by the insurance company to a participating employer or to a person who was not an eligible member under the plan or the beneficiary of that member.

A pension plan whose funds are held under a segregated fund or deposit administration contract that fails to meet these requirements must be funded as a trusteed plan. The contract must then be owned by the trust.

- **Trust agreement**

  Plan funds can be held under a trust in Canada governed by a written trust agreement under which the trustees are either a trust company or three or more individuals, at least three of whom live in Canada. As noted under "Deposit administration or segregated fund contract," a trust may own these types of contracts as fund investments. Funds of the pension plan, including those invested in these contracts, are kept separate from the assets of the trust company, and the principal and interest are not guaranteed.

- **Pension Committee**

  Non-insured pension plans registered in Quebec, British Columbia, Newfoundland and Labrador, or Saskatchewan are not required to submit evidence of a trust agreement or a contractual arrangement. However, we need evidence of who has been appointed to the pension committee, such as letters of acceptance from committee members, a board of director's resolution, or any document that lists the name and address of the members of the pension committee.

- **Pension corporation or pension fund society**

  These are societies or companies incorporated solely to administer a registered pension plan. Most are incorporated under a federal or provincial pension fund societies statute. Some are incorporated by special acts of the federal or a provincial parliament.

- **Self-insured annuity contracts**

  Although previously accepted, money purchase pension plans that are funded through self-insured annuity arrangements are no longer acceptable. However, any self-insured arrangement that we approved in the past can continue.[3]

## Investment restrictions – Prohibited investments

A registered pension plan is subject to investment restrictions under paragraph 8502(h) of the Act. This provision prohibits certain investments from being held as the property of a plan. It also requires the plan to comply with the investment restrictions imposed on it by the federal *Pension Benefits Standards Act, 1985,* or a similar provincial law. If the plan is not subject to any such provincial law, then the Regulations require it to comply with the investment restrictions in the *Pension Benefits Standards Act, 1985*.

Pension plan funds cannot hold property that is a share of the capital stock of, an interest in, or a debt of:

(a) an employer who participates in the plan;

(b) a person who is connected with an employer who participates in the plan;

(c) a person or partnership that controls, directly or indirectly, in any way, a person or partnership referred to in (a) and (b);

(d) a member of the plan; or

(e) a person or partnership that does not deal at arm's length with a person or partnership referred to in (a), (b), (c), or (d).

An interest in, or a right to acquire, a share, interest, or debt described above is also prohibited.

However, prohibited investments do not include:

- a bond, debenture, note, mortgage, hypothec, or similar obligation described in clause 212(1)(b)(ii)(C) of the Act;
- a share listed on a stock exchange referred to in section 3200 or 3201 of the Regulations, or an interest in or a right to acquire such a share;
- a bond, debenture, note or similar obligation of a corporation for which any shares are listed on a stock exchange referred to in section 3200 or 3201, or an interest in or a right to acquire such a property; or
- a mortgage in respect of real property in Canada that meets all the following conditions:
  - The amount paid for the mortgage (together with the amount of any indebtedness outstanding at the time the mortgage was acquired under any mortgage or hypothec that ranks equally with or superior to the mortgage) exceeds 75% of the fair market value, at that time, of the real property that is subject to the mortgage and is insured under the *National Housing Act* or by a corporation that offers its services to the public in Canada as an insurer of mortgages.
  - Where the registered pension plan holding the mortgage would be considered a designated pension plan only because of specified member participation, and not because of their remuneration, the plan is administered by an approved lender under the *National Housing Act*.
  - The mortgage bears an interest rate that would be considered reasonable if the mortgagor dealt with the mortgagee at arm's length.

No investment is prohibited if it was acquired by the registered pension plan before March 28, 1988. If a debt instrument acquired before March 28, 1988, increases in value after this date because of additional lending, or if the maturity date of the debt instrument is extended, the investment will be considered to have been acquired at the date of the change and could thus become a prohibited investment.

## Restrictions on borrowing

A trustee or any other person holding property in connection with a registered pension plan cannot borrow money for purposes of the plan except under **either of the following** two conditions:

1) On a short-term basis where the term of the borrowing does not exceed 90 days:
   - the borrowing is not part of a series of loans; and
   - the plan property is not held as loan security except to avoid the distressed sale of plan property.
2) If money is borrowed to acquire real property:
   - the real property is acquired for the purpose of producing income from property;
   - the loan will not exceed the cost of the property; and
   - no plan property, other than the real property itself, will be used as security for the borrowed money.

# Specimen plans

A specimen is a base plan that uses identical wording for all employers, except for some permitted variables. Examples of variables are contribution rates, benefit accrual rates, vesting schedules, and retirement ages. This is in addition to the employer's identity and the effective date of the plan. A specimen plan can be set up for a plan text, a funding document, or both. The purpose of a specimen plan is to speed up the registration process.

For information on the approval of a specimen plan and the registration of a pension plan based on an approved specimen, see our Newsletter No. 95-6R, *Specimen Pension Plans – Speeding up the Process*.

---

[3] Under proposed amendments under the Technical Bill of December 20, 2002, money purchase plans will be allowed to make RRIF-type payments directly from the plan.

# Registration of a pension plan

## Applying to register a pension plan

To apply to register a pension plan, you have to send us the following documents:

- a completed Form T510, *Application to Register a Pension Plan*;
- certified copies of the plan text and any other documents that contain the terms of the plan;
- certified copies of all trust deeds, insurance contracts, and other documents relating to the funding of benefits under the plan;
- certified copies of all agreements that relate to the plan; and
- certified copies of all resolutions and by-laws relating to the above documents.

Non-insured pension plans registered in Quebec, British Columbia, Newfoundland and Labrador, or Saskatchewan are not required to submit evidence of a trust agreement or a contractual arrangement. However, we need evidence of who has been appointed to the pension committee, such as letters of acceptance from committee members, a board of director's resolution, or any document that lists the name and address of the members of the pension committee.

Send these documents by registered mail to:

Registered Plans Directorate
Canada Revenue Agency
875 Heron Road, A-200
Ottawa ON  K1A 0L5

We do not accept incomplete applications for registering pension plans (see Newsletter No. 04-2, *Registered Pension Plan Applications – Processing an Incomplete Application*). Incomplete applications will be returned to the submitter, and for the purposes of paragraph 147.1(2)(c) of the Act, an application for registration will not have been made.

For instructions on how to apply for approval of or revision to the plan, see the section of this guide called "Approval of an amendment to a registered pension plan."

## Deemed registration

For a plan submitted for registration after 1991, the registration is effective from whichever is later: January 1 of the calendar year in which application for registration is made **or** the day the plan began. You will need to tell us the date the plan becomes effective.

A complete application has to contain all the documents described above. They must be either originals or be certified to be true copies of the originals. If a board resolution exists, it must be submitted. If there is no board resolution, it must be clear that the administrator has authorized the application for registration (e.g., the administrator has certified the copies and Form T510 has been signed by the administrator).

Once the complete application is made, the Act deems the plan to be a registered pension plan until the Registered Plans Directorate notifies you in writing that the plan has been registered. Until the administrator is notified in writing, transfers to or from other registered pension plans are not permitted.

# Approval of an amendment to a registered pension plan

To apply for approval of an amendment or revision to a registered pension plan or its funding arrangements, you have to send us the following documents:

- a completed Form T920, *Application to Amend a Registered Pension Plan*; and
- certified copies of the amendment, plan revision, or change in funding media.

You have to send us these documents no later than 60 days from the date the amendment is made. We consider an amendment to be "made" on the date of the board resolution or certification approving the plan or funding arrangement amendment(s).

Send these documents by registered mail to:

Registered Plans Directorate
Canada Revenue Agency
875 Heron Road, A-200
Ottawa ON  K1A 0L5

Do not use Form T920 to apply to register a pension plan. Remember that to register a pension plan, you must use Form T510, *Application to Register a Pension Plan* (see "Applying to register a pension plan" on page 10).

If the Registered Plans Directorate requests the amendment, a Form T920 is not required.

As the administrator of the plan, you are responsible for making sure you administer the pension plan according to the Act and the Regulations. According to the Act, the plan as registered includes any amendments that you have sent to us for acceptance that we have not yet accepted or rejected but which you reasonably expect the Minister will accept.

# Information returns

## Returns required under the Act

The insurer, trustee, or pension corporation is responsible for ensuring that returns required by the Act or the Regulations are properly filed.

As the administrator of a registered pension plan (including a plan that is deemed to be registered), you have to file a Form T244, *Registered Pension Plan Annual Information Return,* for the plan no later than 180 days after the end of the fiscal period of the plan (but see "Joint return" below).

You also have to file a return no later than 60 days after a registered pension plan has been terminated and all the property held in the plan has been distributed.

Where a termination and final distribution of funds occur in the first four months after the end of the fiscal period of the plan, the return for the preceding fiscal period would have to be filed within the 60-day period, rather than 180 days after the end of the fiscal period of the plan.

In addition every trust or corporation governing a registered pension plan during all or part of the year has to file the Form T3P, *Employees' Pension Plan Income Tax Return*. This form must be filed no later than 90 days from the end of the tax year. The form contains instructions for completing it.

When a "connected person" becomes a member of a registered pension plan or commences to accrue lifetime retirement benefits under a defined benefit provision, the employer must complete a T1007, *Connected Person Information Return*. This form must be filed no later than 60 days after the connected person becomes a member of the plan or commences to accrue benefits under a defined benefit provision.

## Joint return

As mentioned on page 13 of this guide in the section called "Pension harmonization," most provinces as well as the Office of the Superintendent of Financial Institutions require an annual information return to be filed. CRA has developed harmonized filing agreements with Nova Scotia, New Brunswick, Newfoundland and Labrador, Ontario, Manitoba, Saskatchewan, Alberta, British Columbia, the Office of the Superintendent of Financial Institutions (for federally regulated plans as well as plans originating from the Yukon, the Northwest Territories, or Nunavut), and Quebec. As a result, you need not file a Form T244, *Registered Pension Plan Annual Information Return*, but only the annual information with the provincial or federal regulatory body that you are subject to. The different regulatory bodies may have different filing deadlines for the annual information return.

Prince Edward Island does not have a pension supervisory authority and certain plans for connected persons are not governed by pension regulators, so administrators for these plans have to file Form T244, *Registered Pension Plan Annual Information Return,* directly with CRA.

## Penalties for filing late or not filing

The CRA may impose penalties and may revoke the plan's registration if a return is filed late or not filed at all.

A labelled T244 return will be mailed to you each year. You can also get this return and the others mentioned in this guide on our website at **www.cra.gc.ca** or by calling **1-800-959-2221**. If you receive a label with your return, make sure the following are correct:

- your mailing address;
- the plan's registration number; and
- the official name of the plan.

If any of these is not correct, please update the information.

Please print or type when completing a return. If there is not enough space in an area of the return for the required information, attach additional sheets of paper.

# Waiver of regulatory conditions

The Act and Regulations allow exemptions and waivers from certain conditions. Requests for exemptions and waivers are considered on a case-by-case basis, using established criteria.

Any requests for exemptions or waivers must be made to the Registered Plans Directorate in writing. For the address, see the section of this guide called "Where to get help."

# Revocation of registration

## Non-compliance with registration rules

The Act contains provisions that allow the Minister to revoke the registration of a pension plan if any of the following occurs:

- The plan does not comply with the prescribed conditions for registration.
- The plan is not administered in accordance with the terms of the plan as registered.
- The plan becomes a revocable plan.
- A condition imposed by the Minister in writing that applies to the plan is not complied with.
- A requirement of the plan administrator is not complied with.
- A benefit is paid by the plan, or a contribution is made to the plan, for past service benefits that is contrary to the requirements of the Act.
- The administrator or a participating employer of the plan fails to file an information return or actuarial report relating to the plan or to a member of the plan as and when required by regulation.
- Registration of the plan under the *Pension Benefits Standards Act, 1985,* or similar provincial law is refused or revoked.

If the registration of a pension plan is revoked, the plan will generally become a retirement compensation arrangement (RCA) on the date of revocation. The date of revocation is at the discretion of the Minister and will normally be the date when the plan became non-compliant as described above.

An RCA is a non-registered retirement savings vehicle. Contributions made to an RCA are taxable at a rate equal to 50% of the amount of the contribution. Any earnings on the contributions are also taxable at the same rate. Both of these taxes are refundable as distributions are made to the beneficiary. For more information on RCAs, see the *Retirement Compensation Arrangements Guide* (T4041).

## Appeal rights

Under the Act, plan administrators and participating employers can appeal a decision by the CRA to:

- refuse to register a plan;
- propose to revoke the registration of a plan; or
- refuse to accept an amendment to a plan.

The Notice of Appeal should be sent directly to the Registry of the Federal Court of Appeal.

## Voluntary termination of a plan

The administrator of a registered pension plan can, at any time, request the termination of the registration of the plan.

Termination occurs in two stages:

1) The plan becomes inactive. When a plan becomes inactive, members no longer accrue benefits under the plan, and contributions cease to be made to fund the cost of new benefit accruals.
2) The plan assets are disbursed. Once the assets are disbursed, the plan's registration must be terminated.

The plan administrator has to notify us in writing at each stage of the termination process.

We will not terminate the registration of a pension plan at the request of the plan administrator until all amendments required to bring the plan into compliance with the Act and Regulations are submitted to and approved by us.

# Pension harmonization

## Regulatory bodies

The provincial governments have each established standards for operating pension plans that provide benefits to employees in the province. Similarly, the federal Office of the Superintendent of Financial Institutions administers the *Pension Benefits Standards Act, 1985* (PBSA), which sets standards for pension benefits provided to employees in the Yukon, the Northwest Territories, and Nunavut, as well as individuals engaged in certain interprovincial employment and federally regulated industries.

In addition to registration at the provincial level, pension plans must be submitted to the CRA for registration as a registered pension plan under the Act. Registration under the Act results in preferred tax treatment for the plan (i.e., contributions to the plan by the employer and by employees are tax-deductible and investment earnings are tax-sheltered). The Act and Regulations contain rules that apply to registered pension plans that are intended to control the amount of tax assistance provided to these plans.

While the plan remains registered under the Act, plan administrators have reporting and filing requirements with the CRA.

Provincial regulators and the CRA are working to combine their administration of duties to reduce their own administrative burden as well as the burden on pension plan administrators. The goal is to allow an administrator to make one report to one body, which will then share it with the other jurisdiction that needs the same information.

The provincial pension benefits statutes and the PBSA operate to safeguard employees' rights to benefits promised under pension plans. The pension standards legislation generally requires pension plans to be registered with the regulatory body that has jurisdiction over the plan so that the terms and conditions of the plan can be monitored for compliance with the legislation. Pension plan administrators have to fulfill other reporting and filing requirements with the regulatory body over the lifetime of the plan.

Please note that although certain types of pension plans (e.g., plans for connected persons) no longer have to be registered with certain provincial regulators, they must still be registered with the CRA to enjoy the tax advantages and are subject to the CRA's reporting and filing requirements.

## How pension harmonization works

Initial efforts to harmonize administration focused on the annual information return that each plan has to file with both the regulatory body and with the CRA. Now, most plans are able to file one annual information return with the province or with the Office of the Superintendent of Financial Institutions (which also satisfies the requirement to file a Form T244 annual information return with the CRA).

To accomplish joint filing, the reporting period and filing deadline have to be co-ordinated for the regulator participating in the program and the CRA. In many cases, we have also been able to co-ordinate registration numbers.

# Where to get help

## Registered Plans Directorate

If you need more information, contact the Registered Plans Directorate at the following telephone numbers:

| | |
|---|---|
| General enquiries in English: | 613-954-0419 |
| General enquiries in French: | 613-954-0930 |
| PA calculation information in English: | 613-954-5102 |
| or toll free at | 1-800-267-3100 |
| PA calculation information in French: | 613-954-5104 |
| or toll free at | 1-800-267-5565 |

Additional information is also available on our Web site:
**www.cra.gc.ca/rpd** (English)
**www.arc.gc.ca/dre** (French)

You can also write to us at the following address:

Registered Plans Directorate
Canada Revenue Agency
875 Heron Road, A-200
Ottawa ON  K1A 0L5

## Tax services general enquiries

| | |
|---|---|
| General enquiries in English: | 1-800-959-8281 |
| General enquiries in French: | 1-800-959-7383 |
| General enquiries for the hearing impaired: | 1-800-665-0354 |
| Request for forms: | 1-800-959-2221 (English)<br>1-800-959-3376 (French) |

## Pension benefit regulators

If you have questions about harmonization or pension benefits requirements (including locked-in RRSPs and RRIFs), contact the relevant regulator:

Employment Pensions
Alberta Finance
#401, 9515 – 107 Street
Edmonton AB T5K 2C3
Tel.: 780-427-8322
**www.finance.gov.ab.ca**

Pensions Department Financial Institutions Commission
Suite 1200-13450-102nd Avenue
Surrey BC V3T 5X3
Tel.: 604-953-5200
**www.fic.gov.bc.ca**

The Manitoba Pension Commission
Suite 1004, 401 York Street
Winnipeg MB R3C 0P8
Tel.: 204-945-2740
**www.gov.mb.ca**

Office of the Superintendent of Pensions
Department of Training and Employment Development
P.O. Box 6000
Fredericton NB E3B 5H1
Tel.: 506-453-2055
**www.gnb.ca**

Office of the Superintendent of Pensions
Department of Government Services and Lands
P.O. Box 8700
St. John's NL A1B 4J6
Tel.: 709-729-2570
**www.gov.nf.ca**

Department of Environment and Labour
P.O. Box 2531, 5151 Terminal Rd.
Halifax NS B3J 3N5
Tel.: 902-424-8915
**www.gov.ns.ca**

Pension Plans Branch
Financial Services Commission of Ontario
4th floor, 5160 Yonge Street
P.O. Box 85
North York ON M2N 6L9
Tel.: 416-250-7250
**www.fsco.gov.on.ca**

Régie des rentes du Québec
Opérations
5e étage, local 548
2600, boulevard Laurier
Sainte-Foy QC G1V 4T3
Tel.: 418-643-8282
**www.rrq.gouv.qc.ca**

Pension Benefits Branch
Saskatchewan Justice
6th floor, 1919 Saskatchewan Drive
Regina SK S4P 3V7
Tel.: 306-787-7650
**www.saskjustice.gov.sk.ca**

Office of the Superintendent of Financial Institutions
255 Albert Street
Ottawa ON K1A 0H2
Tel.: 1-800-385-8647
**www.osfi-bsif.gc.ca**

# Forms and publications

## Forms

T10 *Pension Adjustment Reversal*

T244 *Registered Pension Plan Annual Information Return*

T3P *Employees' Pension Plan Income Tax Return*

T510 *Application to Register a Pension Plan*

T920 *Application to Amend a Registered Pension Plan*

T1007 *Connected Person Information Return*

## Guides

*Employers' Guide – Payroll Deductions (Basic Information)* (T4001)

*Past Service Pension Adjustment Guide* (T4104)

*Pension Adjustment Guide* (T4084)

*Pension Adjustment Reversal Guide* (RC4137)

*Retirement Compensation Arrangements Guide* (T4041)

## Newsletters

91-4R *Registration Rules for Money Purchase Provisions*

92-8R *Eligible Service*

93-2 *Foreign Service Newsletter*

95-LR *Quebec Simplified Pension Plans*

95-6R *Specimens Pension Plans – Speeding up the Process*

96-3 *Flexible Pension Plans*

98-1 *Simplified Pension Plans*

00-1 *Foreign Service Newsletter Update*

04-2 *Registered Pension Plan Applications – Processing an Incomplete Application*

## Interpretation Bulletins

IT-167 *Registered Pension Plan Funds or Plans – Employee's Contributions*

IT-419 *Meaning of Arm's Length*

IT-447 R*esidence of a Trust or Estate*

## Information Circular

72-13 *Employees' Pension Plans*

Think Recycling!

Printed in Canada