

Pooled Registered Pension Plan Backgrounder

What is a Pooled Registered Pension Plan?

A Pooled Registered Pension Plan (PRPP) is a new type of savings plan that will provide Saskatchewan residents who do not have access to a workplace pension a way to save for retirement.

PRPPs operate much like defined contribution registered pension plans, but will hold assets pooled together from multiple participating employers and will be administered by eligible Canadian corporations, such as insurance companies and banks. PRPPs are designed to provide a low-cost option to Saskatchewan workers.

How will PRPPs be offered?

Corporations will be able to apply to the Financial and Consumer Affairs Authority (FCAA) to be licensed to act as an administrator of a PRPP. Administrators will also be required to register any PRPP with the FCAA.

Unlike other workplace pensions, a PRPP is not managed by the employer, but by an administrator.

Participation in a PRPP by employers is voluntary. If an employer elects to participate in a PRPP for a class of employees, it must offer participation in the PRPP to all employees in that class.

Eligible full-time employees will be automatically enrolled in the PRPP, and eligible part-time employees will be enrolled after 24 months of employment. Employees will have an opportunity to opt-out of a PRPP offered by their employer if they wish.

How will contributions be made to PRPPs?

Once an individual has a PRPP account, his or her contributions and any contributions made for him or her by a participating employer are credited to the individual's account.

Contribution rates for members are set by the administrator and a range of contribution rates may be offered. Contributions made by the employer and the individual are deductible in calculating their respective incomes, in line with the requirements of the *Income Tax Act*. The funds in the individual's account are pooled with the other funds in the plan.

Who can administer a PRPP?

The *Income Tax Act* states that, to be an administrator of a PRPP, you have to be a corporation resident in Canada and be authorized under either the federal or provincial PRPP legislation. It is anticipated that financial institutions such as insurance companies will make up the majority of the administrators.

There will be licensing criteria established by FCAA which will have to be met in order for an administrator to be licensed.

Can an individual who does not have an employer participating in the plan become a member?

Yes. A self-employed individual who is resident in Saskatchewan and an individual who works in Saskatchewan whose employer chooses not to participate can open a PRPP account by approaching an administrator directly. This is one of the differences between PRPPs and other types of pension plans.

What's the difference between a PRPP and a group Registered Retirement Savings Plan (RRSP)?

There are many differences between a group RRSP and a PRPP. One important distinction is that, for a PRPP, employers contribute to the PRPP directly and get a corresponding tax deduction. Further, employers' PRPP contributions are not taxable income to the employee. For a group RRSP, amounts employers designate as contributions are taxable income to the employee, and there is no tax deduction for the employer.

An employer's contributions to a PRPP are excluded from salaried compensation, and therefore they will not be subject to Canada Pension Plan contributions and Employment Insurance premiums. This is not the case with a group RRSP.