Canada Revenue Agency   Agence du revenu du Canada

Registered Pension Plans

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Canada

Before you start

Is this guide for you?

This guide has 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

If you have any comments or suggestions to help improve our publication, we would like to hear from you.

Please email your comments to **rpd/dre@cra-arc.gc.ca**.

Or write to us at:

Registered Plans Directorate
Canada Revenue Agency
Ottawa ON K1A 0L5

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La version française de cette publication s'intitule *Régimes de pension agréés*.

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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 keep its registration under the Act. Since this guide is not a legal text, see the Act and the 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 part of the year or who makes contributions, or for whom contributions are made, for 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 has an original signature or original initials. We will also accept a photocopy of the signed documents listed below. If you send a photocopy, you must make the documents with the original signatures available to the CRA when asked.

A certified copy is:

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

These do not qualify as a certified copy:

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

Common-law partner

A common-law partner with respect to a taxpayer is a person who lives in a conjugal relationship, and to whom at least **one** of these situations applies. The person:

- has lived with the taxpayer for at least 12 continuous months; or
- is the natural or adoptive parent (legal or in fact) of the taxpayer's child.

The term 12 continuous months in this definition includes any period that the common-law partners were separated for less than 90 days because of a breakdown in the relationship.

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 a specified shareholder of the employer under paragraph (d) of the definition of specified shareholder in subsection 248(1) of the Act.

Defined benefit provision

A defined benefit provision is a provision in a registered pension plan in which members' benefits are determined in any way other than a money purchase provision.

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 at the time of the individual's death and:

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

Forfeited amount

Forfeited amounts happen only in a money purchase provision. They are amounts that a member of the pension plan no longer has a right to, other than the part payable to a beneficiary of the member because of the member's death or to a spouse or common-law partner because of the breakdown of their marriage or common-law partnership.

A forfeited amount usually happens when a member stops participating in a pension plan before the end of the vesting period and does not receive the employer's contributions made for him or her.

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, have to be paid until the member's death, unless the benefits are commuted or payment of the benefit is suspended. Lifetime retirement benefits usually have to start by the end of the year in which the member turns 71 years old, and they must be paid at least once a year. Variable benefits payable under a money purchase provision are also considered lifetime retirement benefits.

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 another individual is participating in the plan (for example, the member's beneficiary is not a member of the plan).

Money purchase provision

A money purchase provision is a provision of a registered pension plan in which separate accounts are maintained for each member, in which the account is i) credited with contributions made by or on behalf of the member, as well as any other allocations made to the member; and ii) charged for payments made in respect of the member. Under a money purchase provision, the member's benefits are determined solely on amounts in the member's account.

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. A prescribed employer is also a participating employer.

Past service pension adjustment

The past service pension adjustment 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 how to calculate and report a past service pension adjustment, see Guide T4104, *Past Service Pension Adjustments*.

Pension adjustment

The pension adjustment 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 to calculate and report a pension adjustment, see Guide T4084, *Pension Adjustments*.

An individual's pension adjustment in a year affects how much 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 contribution room may be reduced in the current year.

Each employer has to report a pension adjustment for each plan member before the end of February of the year after the year in which the benefits accrued. The pension adjustment is reported on the T4 slip.

For more information on the T4 slip, see Guide RC4120, *Employers' Guide – Filing the T4 Slip and Summary*, and Guide T4001, *Employers' Guide – Payroll Deductions and Remittances*, or call business enquiries at **1-800-959-5525**.

Pension adjustment reversal

A pension adjustment reversal 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 pension adjustment reversal on Form T10, *Pension Adjustment Reversal*.

For information on how to calculate and report a pension adjustment reversal, see Guide RC4137, *Pension Adjustment Reversal*.

Pension credit

A pension credit reflects the value of the benefits that a member earns under a deferred profit sharing plan (DPSP), as well as a money purchase and defined benefit provision of a registered pension plan.

Prescribed employer

Under the Regulations, there is a rule for when an employee is on loan to an employer (the borrowing employer) and that employer does not participate in the lending employer's pension plan. During the period of the loan, the borrowing employer compensates the employee and the employee continues to accrue benefits under the lending employer's pension plan. Under this rule, the borrowing employer is treated as a participating employer under the pension plan. The borrowing employer is a prescribed employer for the definition of participating employer.

Registered pension plan

A registered pension plan is a pension plan that we have registered and that has 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

The year's maximum pensionable earnings (YMPE) are the amount of earnings that contributions to the Canada Pension Plan and the Quebec Pension Plan are based on. You can get the exact numbers at **cra.gc.ca/limits** or by calling business enquiries at **1-800-959-5525**.

Plan administrator

Who is 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 most of the persons in the group that is the administrator, must be resident in Canada, unless we allow otherwise 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, you must let us know of these changes within 60 days.

Responsibilities of the plan administrator

These are some of the administrator's responsibilities:

- applying to register the plan (Form T510, *Application to Register a Pension Plan*);
- applying for approval of amendments to the plan within 60 days of the date the change is made (Form T920, *Application to Amend a Registered Pension Plan*);
- making sure the plan is administered as registered, or, when the terms of the plan do not comply with the Act and the Regulations, administering the plan as if it had been amended to comply;
- filing actuarial valuation reports with the CRA, if required;
- 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 pension adjustment purposes, if required;
- applying for past service pension adjustment certifications;
- reporting pension adjustment reversals to the CRA;
- reporting information to participating employers so they can report pension adjustments and past service pension adjustments, if required; and
- reporting pension adjustments to the CRA in certain situations.

General information about pension plans

A pension plan is a contractual arrangement between an employer and its employees, or between the employer and a union acting on behalf of employees. The intention in setting up the plan is to provide employees with lifetime retirement benefits, at retirement, in respect of their service as employees. This must be the primary purpose of the plan for it to qualify for registration under the Act. We can consider pension 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 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 benefits provided on a money purchase basis. Both money purchase and defined benefit plans (see the description below) can allow members to make additional voluntary contributions.

Defined benefit plan

In a defined benefit pension plan, retirement benefits are not based on accumulated contributions. The terms of a defined benefit plan, or provision, guarantee a specified level of pension income to a plan member when he or she retires. The level is set by a benefit formula in the plan. For example:

- **Flat benefit** – The member receives a certain dollar amount for every month or year of pensionable service or for every unit of production.
- **Career average earnings** – The member receives a benefit based on a percentage of his or her career earnings.
- **Final or best average earnings** – The member receives a benefit based on a percentage of his or her earnings averaged over a short period, such as the final few years of service or the three or five years of highest earnings, multiplied by pensionable service.
- **Percentage of contributions** – The member's benefit is based on a percentage of the contributions he or she 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. As an example, a plan that is primarily a defined benefit plan, but allows members to make additional voluntary contributions (which is a money purchase provision), is a combination plan.

Individual pension plan

An individual pension plan (IPP) is a registered pension plan that has a defined benefit provision and:

- has less than four members and at least one of them is related to a participating employer; or
- is a designated plan and it is reasonable to conclude that the rights of one or more members to receive benefits under the plan exist mainly to avoid the first condition.

Multi-employer plan

A multi-employer plan (MEP) is a registered pension plan sponsored by a group of employers. However, not every plan with more than one participating employer is a MEP.

A registered pension plan is a MEP in a calendar year if, at the beginning of the year (or when the plan is set up, if later), it is reasonable to expect that at no time in the year will more than 95% of the active members be employed by a single participating employer or by a related group of participating employers. The term **active member** is defined in subsection 8500(1) of the Regulations. The terms related persons and related group are defined in subsections 251(2) and 251(4) of the Act respectively. You can find more information on these terms in Income Tax Folio S1-F5-C1, *Related persons and dealing at arm's length*. A MEP includes a plan that is a specified multi-employer plan (SMEP).

Specified multi-employer plan

A specified multi-employer plan (SMEP) is a MEP that meets these conditions:

- It is reasonable to expect that at no time in that year will more than 95% of the active members be employed by a single participating employer or by a related group of participating employers.
- It is reasonable to expect that:

(a) at least 15 non-related 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 two or more non-related participating employers,

and for this condition, all employers that are related to each other are considered to be a single employer.

- The employers participate in the plan under a collective bargaining agreement.
- All or substantially all (at least 90%) of the employers that participate in the plan are persons that 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 that does not offer any change in contributions as a result of the financial experience of the plan.
- The contributions each employer will make in the year are determined, 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. The administrator is a board of trustees (or similar body) that is not controlled by representatives of the employers. The administrator has the power to determine the plan benefits, even if such power is subject to the terms of a collective bargaining agreement.

If all the conditions are met when the plan is set up, the administrator will identify the plan as a SMEP on Form T510, *Application to Register a Pension Plan*. If a registered pension plan is amended so that all the conditions are met, the administrator will identify the plan as a SMEP on Form T920, *Application to Amend a Registered Pension Plan*. In both situations, we need a copy of the collective bargaining agreement.

A plan will also be a SMEP if:

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

Generally, we only consider designating a plan as a SMEP if at least the first three conditions listed above are met and the difficulty of calculating pension adjustments in the normal manner (that is, as a defined benefit plan) is clearly shown.

Simplified pension plan

A simplified pension plan is a money purchase pension plan marketed by a financial institution and designed to reduce the administrative burden on employers. Typically, participation is open to any employer that wants to join the plan, although the administrator can set limits. We consider a plan to be a simplified pension plan in either of these 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); or
- no participating employer (other than a participating employer that is also the plan administrator) or plan member has any significant involvement in setting up the plan or in determining its terms.

Also, we can tell the plan administrator in writing that we consider the plan to be a simplified pension plan.

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

Designated plan

A defined benefit pension plan is a designated plan throughout a calendar year when:

- it is not maintained under a collective bargaining agreement; and
- the total of the pension credits of all specified individuals under all defined benefit provisions of the plan for the year is more than 50% of the total of the pension credits of all individuals under the defined benefit provisions of the plan for the year. Specified individuals are plan members who are connected with a participating employer or who earn 2½ times the year's maximum pensionable earnings or more.

The Act and the Regulations have rules that restrict the funding of these plans. A defined benefit plan keeps its designated status in the following years unless the Minister waives the designated status in writing.

Flexible pension plan

A flexible pension plan is a defined benefit pension plan that allows members to make voluntary defined benefit contributions to buy or improve ancillary benefits offered in connection with the plan's basic pension benefits. 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

A responsibility of the plan administrator is to make sure the plan is being administered as registered. The expression **plan as registered** means the terms of the plan that we have registered. It includes any amendments made to the plan that we have approved and amendments that have been sent to us for approval but that we have not yet accepted or rejected, as long as it is reasonable to expect that we will accept them. It also includes terms that are not in the plan documents but are considered terms of the plan under the *Pension Benefits Standards Act, 1985* or a similar provincial law.

Contributions

We must approve, in writing, contributions that an employer makes to a defined benefit provision of a registered pension plan. The Act requires the employer to send us an actuarial valuation report at least every four years. The *Pension Benefits Standards Act, 1985* or a similar provincial law that the plan is subject to may require an employer to send in such a report more often. Our approval is required for the employer contributions to be deductible from income.

An employer that participates in a money purchase pension plan must contribute an amount that is acceptable to the Minister. If the plan only contains a money purchase provision, the employer must contribute at least 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 plan text has to specify the amount the employer has to contribute to the plan.

Employees can be required to make contributions to a money purchase or a defined benefit provision. If employees have to contribute, the plan text has to specify the amount.

The Act and the Regulations limit the amounts that plan members and participating employers can contribute. For more information on member contributions, see Interpretation Bulletin IT-167, *Registered Pension Funds or Plans – Employee's Contributions*.

How are pension benefits paid?

Retirement benefits provided under a defined benefit pension plan can be paid directly to the member from the plan fund or an annuity can be purchased from a company that is licensed to provide annuities in Canada.

Retirement benefits provided under a money purchase plan, which includes additional voluntary contributions, must be provided outside of the plan through a purchase of an annuity from a company that is licensed to provide annuities in Canada. A money purchase plan can, however, provide retirement benefits (known as variable benefits) from the member's account to the member and to his or her beneficiary after the member's death.

Types of benefits that can be paid

These are some of the benefits that a pension plan can provide:

- **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**.
- **IPP minimum amount** – An IPP must pay an annual amount, after the year the member turns 71 years old, that is equal to the retirement benefits under the plan terms or the IPP minimum amount, whichever is greater. The IPP minimum amount is calculated by multiplying the fair market value (FMV) of the plan assets at the beginning of the year by a prescribed factor that is based on the member's age. If the plan has more than one member, the FMV of the plan's assets is pro-rated for each member when calculating his or her IPP minimum amount. For more information, see our Newsletter No. 14-2, *IPP minimum amount*.
- **Lump-sum payments** – Instead of periodic payments, the plan can allow members to receive the value of their benefits in one or more lump-sum payments. The recipient has to pay tax on these amounts in the year he or she receives them. An exception to this occurs when a lump-sum amount is transferred tax-free to another registered plan, such as a registered retirement savings plan, within the limits set out in the Act.
- **Variable benefits** – Variable benefits under a money purchase provision are payments made to the member (or to a beneficiary after the member's death) from his or her money purchase account. These benefits are offered in the same way benefits are paid from a registered retirement income fund.

  The amount of the variable benefits payable each year from the member's account must not be less than the minimum amount calculated according to the rules set out in the Regulations.
- **Survivor benefits** – Benefits can be paid to the surviving spouse, former spouse, common-law partner, former common-law partner, and dependants of the member after the member's death 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 paid to a dependant are paid until the beneficiary no longer qualifies as a dependant. A pension plan can also allow benefits payable to a beneficiary to be paid in one or more lump-sum payments instead of in periodic payments.
- **Bridging benefits** – These benefits, if provided by the pension plan, are paid to the member until he or she reaches age 65. They are designed to provide benefits up to the Canada Pension Plan, Quebec Pension Plan, and old age security benefits as if the member was 65 years of

age. These benefits are added to the member's lifetime retirement benefits and cannot begin prior to the start of 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 a percentage of the balance of the bridging benefits that would have been paid to the member if the plan allows it.

- **Guarantee period** – A guarantee period occurs when a pension plan allows a member's retirement benefits to continue to be paid for a period of time after the member's death. The Regulations limit the length of the guarantee period.
- **Benefits on marriage or common-law partnership breakdown** – Certain benefits can be paid as a result of the breakdown of a marriage or common-law partnership if required by law. The spouse or common-law partner, or the former spouse or former common-law partner, of the member can receive periodic payments or a lump-sum cash amount.
- **Indexing** – A pension plan can provide for cost-of-living increases to the member's, or the beneficiary's, retirement benefits, within certain limits.

Service

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

The Regulations outline what is acceptable for periods of service in defined benefit provisions after 1991. This is referred to as **eligible service**.

Acceptable periods of service for years before 1992 are outlined in Information Circular IC72-13R8, *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.*

Legal owner of registered pension plan funds

Acceptable types of ownership

We must approve the arrangements under which the plan assets are held. 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.

When 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 allowed 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 these acceptable legal title arrangements:

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

Pension benefits are to be paid by, or the annuity is to be purchased by, the insurer, trustee, pension corporation, or government that holds the plan assets. The insurer, trustee, or pension corporation can 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 that pension funds are held under:

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 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 that must have power to deal fully with all the contracts, including assigning or transferring each contract to the applicable member when he or she retires or his or her employment is ended.

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 does not allow amounts to be paid (other than a certified actuarial surplus to be refunded and administrative costs to be paid) by the insurance company to a participating employer, or to a person who was not an eligible member under the plan or his or her beneficiary.

A pension plan that has its funds held under a segregated fund or deposit administration contract that does not 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 a trust company or three or more individuals, at least three of whom live in Canada. As noted above under Deposit administration or segregated fund contract, a trust can 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 do not have to give 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 directors' resolution, or any document that lists the names and addresses of the pension committee members.

Pension corporation or pension fund society

These are societies or companies incorporated only to administer a registered pension plan or a retirement compensation arrangement where the terms of the arrangement are only to provide benefits to members of a registered pension plan. Most are incorporated under a federal or provincial pension fund society's statute. Some are incorporated by special acts of the federal or a provincial parliament.

Self-insured annuity contracts

Money purchase pension plans that are funded through self-insured annuity arrangements are no longer acceptable. Any self-insured arrangement that we already approved can continue. However, in respect of these previously approved arrangements, no further contributions can be made to fund an unfunded liability or a solvency deficiency.

Investment restrictions – Prohibited investments

A registered pension plan is subject to investment restrictions under paragraph 8502(h) of the Regulations. 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. Under the Regulations, if the plan is not subject to any such provincial law, it must 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) a participating employer;

(b) a person who is connected with a participating employer;

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

Prohibited investments do not include:

- a debt obligation described in paragraph (a) of the definition of fully exempt interest in subsection 212(3) of the Act;
- a share listed on a designated stock exchange, 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 designated stock exchange, or an interest in or a right to acquire such a property; or
- a mortgage for real property in Canada that meets all of these conditions:
  - The amount paid for the mortgage (together with the amount of any outstanding debt when the mortgage was acquired under any mortgage or hypothec that ranks equally with or superior to the mortgage) is more than 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.
  - When 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 on the date of the change and it could 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 the plan except under **either of these** two conditions:

1) When the term of the loan is 90 days or less:
   - the loan 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 income-producing real property:
   - the loan will not be more than 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 pension plan that uses identical wording (plan terms) for all employers, except for some permitted variables. Examples of permitted 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 or 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. 95-6R1, *Specimen Pension Plans – Speeding up the Process*.

Registration of a pension plan

Applying to register a pension plan

As an employer, you can set up a pension plan to provide retirement benefits for your employees. Under the Regulations, the primary purpose of a pension plan is to provide periodic payments to individuals after retirement and until death for their service as employees.

Occasionally, a union will set up a pension plan for a group of employers for the employers' employees.

A pension plan cannot be registered under the Act for partners of a partnership since the partners are not employees of the partnership.

We can consider a plan for registration under the Act only if its terms and conditions are set out in writing.

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

- a completed Form T510, *Application to Register a Pension Plan*;
- a certified copy of the plan text and any other documents with the terms of the plan;
- a certified copy of all trust deeds, insurance contracts, and other documents relating to the funding of benefits under the plan;
- a certified copy of all related agreements; and
- a certified copy 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 do not have to send in 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 directors' resolution, or any document that lists the names and addresses of the pension committee members.

Send these documents by registered mail to:

Information Holdings Operation Section – Registered Plans
Registered Plans Directorate
Canada Revenue Agency
875 Heron Road, A-200
Ottawa ON K1A 1A2

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

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

Deemed registration

Registration of a pension plan under the Act is effective from January 1 of the calendar year in which you send a complete application for registration **or** the day the plan began, whichever is later. You will need to tell us the date the plan becomes effective.

A complete application must include all the documents described above. They must be originals or be certified to be true copies of the originals. If a board resolution exists, you have to send it to us. If there is no board resolution, it must be clear that the administrator has authorized the registration application (for example, the administrator has certified the copies and signed Form T510).

Once the complete application is made, the Act deems the plan to be a registered pension plan until we notify you in writing that the plan has been registered. Transfers to or from other registered pension plans are not allowed until we have notified you in writing that the plan is registered.

Approval of an amendment to a registered pension plan

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

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

You have to send us these documents within 60 days of the date the amendment is made. We consider an amendment to be made on the date of the board resolution or certification approving the amendment(s) to the plan or funding arrangement.

Send these documents to:

Registered Plans Directorate
Canada Revenue Agency
Ottawa ON K1A 0L5

If we ask for the amendment, we do not need Form T920.

Information returns

Returns required under the Act

The Act imposes certain filing obligations in respect of a registered pension plan.

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

You also have to tell us in writing of the date of the distribution and the method of settlement no later than 60 days after a registered pension plan has been terminated and all the property held in the plan has been distributed.

Every trust or corporation governing a registered pension plan during all or part of the year has to file Form T3P, *Employees' Pension Plan Income Tax Return*. This form must be filed no later than 90 days after the end of the tax year.

When a connected person becomes a member of a registered pension plan or starts to accrue lifetime retirement benefits under a defined benefit provision, the employer must complete Form 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 starts to accrue benefits under a defined benefit provision.

For information on filing obligations related to the pension adjustment (PA), past service pension adjustment (PSPA), and pension adjustment reversal (PAR), consult the appropriate guide listed below.

Joint annual information return

Most provinces and the Office of the Superintendent of Financial Institutions require an annual information return to be filed. We have developed harmonized filing agreements with Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Quebec, Saskatchewan, and the Office of the Superintendent of Financial Institutions (for federally regulated plans and plans originating from the Yukon, the Northwest Territories, and Nunavut).

If your pension plan is registered with a provincial or federal pension regulator, you do not need to file Form T244, *Registered Pension Plan Annual Information Return*, with us. But you do have to file the annual information with the regulatory body that you are subject to. The regulator of the plan will send us our part of the completed return for you. 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. Administrators for these plans have to file Form T244, *Registered Pension Plan Annual Information Return,* directly with us.

Penalties for filing late or not filing

We may charge penalties and may revoke the plan's registration if a return is filed late or not filed at all. In addition to penalties for late or non-filing of an annual information return, penalties can also be assessed for late or non-filing returns related to T3Ps, T1007, PA, PSPA, and PARs.

For more information on penalties associated with the annual information return, see our Newsletter No. 16-2, *Annual Information Return – reminder of filing obligation and late filing penalties*.

You can get Form T244 and the other publications mentioned in this guide at **cra.gc.ca/forms** or by calling **1-800-959-5525**.

Please print or type when filling out 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 the Regulations allow exemptions and waivers from certain conditions. We consider requests for exemptions and waivers on a case-by-case basis, using established criteria.

You have to ask us for exemptions or waivers in writing. For the address, see the section of this guide called Where to get help. You can also use Form T2014, *Request for a Priority Review of a Registered Pension Plan*, to inform us that your submission includes such a request.

Revocation of registration

Non-compliance with registration rules

The Act has provisions that allow the Minister to revoke the registration of a pension plan if any of these situations occurs:

- The plan does not comply with the prescribed conditions for registration.
- The plan is not administered as registered.
- The plan becomes a revocable plan.
- A condition imposed by the Minister in writing that applies to the plan or class of such plans 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 does not file an information return or actuarial valuation report relating to the plan or to a member of the plan as and when required by regulation.
- The plan's registration under the *Pension Benefits Standards Act, 1985* or a 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 if there is an employee/employer relationship. The date of revocation is at the discretion of the Minister and will normally be the date 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 taxable at the same rate. Both of these taxes are refundable as distributions are made to the beneficiary. For more information on RCAs, see Guide T4041, *Retirement Compensation Arrangements Guide*.

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 ask for the plan's registration to be terminated at any time.

Termination happens in two stages:

1) The plan becomes inactive. When a plan becomes inactive, members no longer accrue benefits under the plan and contributions stop being made to the plan.
2) The plan assets are disbursed. Once the assets are disbursed, the plan's registration must end.

Pension benefit regulators

Regulatory bodies

The provincial governments have their own 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*, which sets standards for pension benefits provided to employees in the Yukon, the Northwest Territories, and Nunavut, and individuals engaged in certain interprovincial employment and federally regulated industries.

In addition to registration under these jurisdictions, employer-sponsored pension plans must apply for registration under the Act. Registration under the Act results in preferred tax treatment for the plan (that is, contributions to the plan by the employer and by employees are tax-deductible and investment earnings are tax-sheltered). The Act and the Regulations have rules that apply to registered pension plans that are intended to control the amount of tax assistance provided to these plans.

The provincial pension benefits statutes and the *Pension Benefits Standards Act, 1985* 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 to make sure they comply with the legislation. Pension plan administrators have to fulfill other reporting and filing requirements with the regulatory body over the lifetime of the plan.

Although certain types of pension plans (for example, plans for connected persons) might not have to be registered with certain federal or provincial regulators, they must still be registered with us to enjoy the tax advantages, and they also have to meet our reporting and filing requirements. A pension plan must comply with the Act and the Regulations at all times to become and stay registered under the Act.

Where to get help

Registered Plans Directorate

If you need more information, call:

In the Ottawa area

For service in English:	613-954-0419
For service in French:	613-954-0930

Toll free elsewhere in Canada

For service in English:	1-800-267-3100
For service in French:	1-800-267-5565

You can find more information at:
cra.gc.ca/rpd (English)
arc.gc.ca/dre (French)

You can also write to:

By mail:

Registered Plans Directorate
Canada Revenue Agency
Ottawa ON K1A 0L5

By courier:

Information Holdings Operation Section - Registered Plans
Registered Plans Directorate
Canada Revenue Agency
875 Heron Road, A-200
Ottawa ON K1A 1A2

General enquiries

Individual income tax and trust enquiries:

For service in English:	1-800-959-8281
For service in French:	1-800-959-7383

Businesses and self-employed individuals enquiries:

For service in English:	1-800-959-5525
For service in French:	1-800-959-7775
General enquiries for the hearing impaired:	1-800-665-0354

Pension benefit regulators

If you have questions about harmonization or pension benefits requirements (including locked-in RRSPs and RRIFs), contact the relevant pension supervisory authority. You can find the list by visiting our website at **cra.gc.ca/rpd**

Forms and publications

For all of our forms and publications, visit our website at **cra.gc.ca/rpd**.

Forms

T10	*Pension Adjustment Reversal (PAR)*
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*
T2014	*Request for a Priority Review of a Registered Pension Plan*

Guides

T4001	*Employers' Guide – Payroll Deductions and Remittances*
RC4120	*Employers' Guide – Filing the T4 Slip and Summary*
T4104	*Past Service Pension Adjustments*
T4084	*Pension Adjustments*
RC4137	*Pension Adjustment Reversal*
T4041	*Retirement Compensation Arrangements Guide*

Newsletters

91-4R	*Registration Rules for Money Purchase Provisions*
92-8R	*Eligible Service*
93-2	*Foreign Service Newsletter*
95-LR	*Quebec Simplified Pension Plans*
95-6R1	*Specimens Pension Plans – Speeding up the Process*
96-3	*Flexible Pension Plans*
98-1	*Simplified Pension Plans*
00-1	*Foreign Service Newsletter Update*
04-2R	*Registered Pension Plan Applications – Processing an Incomplete Application*
14-2	*IPP minimum amount*
16-2	*Annual Information Return – reminder of filing obligation and late filing penalties*

Interpretation bulletins

IT-167R6	*Registered Pension Plan Funds or Plans – Employee's Contributions*

Information circulars

IC72-13R8	*Employees' Pension Plans*

Income tax folios

S1-F5-C1	*Related persons and dealing at arm's length*