Nova Scotia PRPP Q and A

Pooled Registered Pension Plans (PRPPs)

1. **What are Pooled Registered Pension Plans?**
   A: A PRPP is a voluntary retirement savings vehicle. It is very much like a defined contribution (DC) pension plan, but the PRPP will hold assets for many employees in multiple businesses and firms. PRPPs allow a small company to pool together with other employers across Canada to provide a pension plan for their employees. They are administered by large financial institutions such as insurance companies.

2. **Who asked for this legislation?**
   A: In response to widespread concern about the adequacy of retirement savings in Canada, the federal government has been exploring the notion of a new kind of defined contribution plan since 2010- one that would reduce the regulatory burden on smaller employers. PRPPs leave the administration to a third party insurance company, and allow a company to offer a PRPP with very little cost.

   The federal government passed legislation to establish PRPPs for employers in federally regulated industries, but the Provinces have to do so for provincial workplaces. Western provinces (British Columbia, Alberta and Saskatchewan) have passed similar PRPP legislation. Nova Scotia will now be able to work with the western provinces and the federal government to implement these pension plans. Quebec has also implemented Voluntary Retirement Savings Pension Plans in that province.

   Many groups commented on the legislation in the course of the federal government's consultation, including the Canadian Federation of Independent Business (CFIB), CARP, and many actuarial and insurance firms.

3. **Who will use this type of pension plan?**
   A: This type of plan will benefit many of the 60% of Nova Scotians that don't have a workplace pension plan. They can help families save for retirement. If employees are working for a company that does not offer a pension plan at work, they can contact a licensed PRPP administrator to enroll in a PRPP.

   PRPPs will offer advantages over other types of savings plans for the self-employed, small businesses and volunteer groups, and by those who have contract people working for them on a term basis. Some universities have suggested that this will be useful for researchers who work on a grant project for a few years.

4. **How much will PRPPs cost?**
   A: The costs of a PRPP are expected to generally be lower than one would pay for a Group RRSP or mutual fund. By pooling pension savings, the cost of administering the pension funds will be spread over a larger group of people, allowing plan members to benefit from lower investment management costs.

5. **How much can a person put in a PRPP each year?**
   A: The maximum amount that a member or employer can contribute to a PRPP in a given tax year without tax implications is determined by the member's RRSP deduction

limit. Safeguards will be put in place to help ensure that a member does not over-contribute to their account.

6. **When will PRPPs be offered in Nova Scotia?**
A: Most provinces are working with the federal government to complete their regulations and have the framework to offer PRPPs in place in early 2015. Nova Scotia will work to develop regulations and have PRPPs in place in concert with the other provinces.

7. **What are employers' obligations with respect to a PRPP?**
A: Employers' participation in PRPPs is voluntary, like the Federal Government and Western Provinces. If an employer sets up a PRPP, the employer may choose to make contributions. The main obligation of the employer is to ensure monies collected from employees are paid to the administrator.

8. **Must employees contribute to a PRPP?**
A: No. Many employees will benefit from regular contributions to a pension plan, but employees may choose to opt out of the program.

   If an employer offers a PRPP to employees, the employees will be automatically enrolled, but each employee has the right to opt out within 60 days. Additionally, an employee may set their contribution rate at 0% at any time. For example, if an employee is going on maternity leave, or cannot afford to contribute much in a particular year, the employee can reduce their contributions to 0%.

9. **What happens to a PRPP if a member switches employers or stops working?**
A: Portability of pension benefits is a key component of the PRPP framework and will facilitate an easy transfer between plans. Members who leave an employer could choose to remain in their particular PRPP or move their assets to another plan or another retirement savings vehicle. Members who are self-employed or whose employer does not participate in a PRPP could choose to move their assets at any time to another plan or retirement savings vehicle, subject to certain requirements specified in their plan.

10. **Are PRPPs the best retirement savings option for everyone?**
A: PRPPs are for workers who do not have a registered pension plan. However, there may be circumstances in which it may not be advantageous to an employee to enroll in a PRPP. In particular, employees who earn less than $25,000/year and do not anticipate their income to increase substantially may not benefit from a PRPP as savings may reduce the amount that can be collected from programs such as old age security. Other types of savings, such as through a tax-free savings account may be more beneficial. Individuals should carefully explore their options before committing to a PRPP.

11. **Can money invested in a PRPP be withdrawn?**
A: Contributions to a PRPP will be 'locked in' and generally cannot be withdrawn. Locking-in provisions are intended to ensure that funds are available for retirement income purposes. There are limited circumstances where unlocking may be permitted, for example due to disability.

12. **Will the proposed PRPPs require government to hire additional staff to oversee them?**
A: No. In order to establish an efficient and low cost regulatory environment for PRPPs, Nova Scotia intends to enter into a multi-lateral agreement with the federal government

and other provinces that have put in place PRPP legislation. This agreement is expected to provide that the federal Office of the Superintendent of Financial Institutions (OSFI) will be responsible for licensing, registration and supervision of PRPPs. OSFI's regulatory costs will be recovered from the financial institutions that administer PRPPs.

More information about PRPPs can be found at the following links:

Information from Finance Canada on PRPPs is available at:

www.fin.gc.ca/act/prpp-prac/index-eng.asp

Canada Revenue Agency has up-to-date information on PRPPs at:

www.cra-arc.gc.ca/tx/ndvdls/tpcs/prpp-rpac/menu-eng.html

The Office of the Superintendent of Financial Institutions contains information on PRPPs at:

http://www.osfi-bsif.gc.ca/Eng/pp-rr/ppa-rra/prpp-rpac/Pages/default.aspx