

Registered pension plan (RPP) (defined contribution)

Advantages

- Employer has more control than with a group registered retirement savings plan (RRSP) and/or deferred profit sharing plan (DPSP) since required contributions and growth must be used for retirement benefits.
- Members and employer have rights and obligations determined by pension legislation of the applicable jurisdiction. Legislation creates a framework for the plan design to support the interests of both parties.
- Voluntary member contributions are not locked in.
- In-service withdrawals are allowed on voluntary member contributions.
- Employer contributions do not attract payroll taxes.
- Fully portable to other registered plans [i.e. locked-in retirement accounts (LIRAs), locked-in retirement income funds (LRIFs), life income funds (LIFs) and annuities] on death, termination and retirement; however, locked-in assets must be used only for retirement purposes in most jurisdictions. Non-locked-in assets can be taken in cash, transferred to an RRSP or registered retirement income fund (RRIF) or used to purchase an annuity.
- Administration fees paid by the employer are not a taxable benefit and are a deductible business expense.

Considerations

- Part-time employees in eligible classes must be allowed to join after completing specified earnings/hours within a specified time period, which varies by jurisdiction.
- Allowable vesting varies by jurisdiction.
- Some employees and employers dislike locking in.
- Minimum employer contribution of at least one per cent as per the Income Tax Act.
- Employer and member contributions must generally be made within 30 days of the end of the month in which they were deducted (may vary by jurisdiction).
- Retirement options vary by jurisdiction.
- Annual report necessary to pension regulator and Canada Revenue Agency.
- Large plans require auditing and some jurisdictions have additional requirements.
- Annual filing fee to pension regulator.

For informational purposes only. While the material is believed to be true as of May 2013, this is not intended to provide individual or business tax advice. It does not represent a full description of all applicable legislation, which varies by jurisdiction and is subject to change. Plan sponsors may impose restrictions on their plans. Always check with your professional advisors for legal or tax advice.