



Dimension

IPP

vs.

PPP®

Advantage

1	Legal Framework	Offers DB only and could offer AVC side account	Combination registered pension plan that offers; - Defined Benefit (DB) accruals like an IPP - Defined Contributions (DC) and Additional Voluntary Contributions (AVC)	PPP® - since everything an IPP offers is already part of the DB component of the PPP®.
2	Fund holders permissible	3 individual trustees - Insurance company	<u>Corporate Trustee</u> 3 individual trustees - Insurance company	PPP® - Corporate Trustee shields clients from taking on legal liability and potential risks of non-compliance.
3	Fiduciary* oversight provided? <i>*Fiduciary: someone legally bound to put the client's interests ahead of those of the fiduciary. See Schedule "A" for details.</i>	No. Only an actuary and support staff provided.	Yes. Team of pension lawyers and staff act as the pension committee of the PPP®. See Schedule "A" below for a description of the fiduciary oversight services offered by INTEGRIS to PPP® clients.	PPP® - virtually all large sophisticated pension plans have a fiduciary appointed to oversee the pension plan. IPPs do not provide this.
4	Tax: If plan is in 'excess surplus' and <u>additional accruals offered</u>, can tax deductions be claimed?	No. Pension Adjustments generated eliminate contribution room in RRSP and excess surplus forces company into a contribution holiday.	Yes. via the DC mode and contributions to the member's RRSP in the next calendar year.	PPP® - up to 17% of salary can be contributed to the RRSP in the next year to generate personal tax deductions every year that the plan is in 'excess surplus'.



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Tax: Can deductions be claimed if the company decides not to contribute to the Defined Benefit provision of the plan?

N.B.: Important for BC, AB, MB, QC, NS and PEI

No. Even in provinces where there is no mandatory years of credited services, this generates a pension adjustment that eliminates personal RRSP contributions room.

Yes, an individual can contribute to their AVC account (up to 17% of T4 income subject to money purchase limit) and claim personal tax deductions even if the company is taking a contribution holiday.

PPP® - since the PPP® client can obtain tax deductions personally even though the corporation wishes to forgo contributions (and deductions) in a given year. The same result can be achieved with an IPP with additional efforts and potential costs.

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Tax: Can larger tax deductible special payments be generated?

No. When the IPP account has a blend of diversified asset classes, the average rate of return is higher which mitigates the size of the 'special payment'.

Yes. Lower yielding asset classes can be held within the DB component of the PPP® while higher yielding (but riskier) assets can remain in the DC or AVC component.

PPP® - while it is possible for an IPP to invest in very low yielding asset classes to create larger special payments, the rest of the portfolio must necessarily be held in non-registered taxable accounts which impairs long term growth.

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Tax: Is use of an RRSP from age 18 to 37 followed by an IPP thereafter, more advantageous than a PPP® at all ages?

No.

The PPP® client can contribute in the first year to both the RRSP and PPP® (DC & AVC) accounts.

PPP® - since being able to contribute a full PPP® contribution over an extended period of time translates wealth over the RRSP + IPP option. (see below)



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Tax: How much additional funds can someone who makes a single PPP® contribution (\$27,830) at age 18 turn into by age 71 if assets grow at 7.5%?

n/a (only RRSP contribution being done as is the case with the PPP® client in year 1)

\$1,285,765.63

PPP® - Even if INTEGRIS Fees are deducted, the client is still \$1M richer over this time horizon.

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Tax: Is there a way to mitigate the taxes owing when a pension plan is wound up under Income Tax Regulation 8517 (maximum transfer value) and assets are transferred to a LIRA/LIF?

No. The full IPP account will be subjected to the maximum transfer value tax under Income Tax Regulation 8517 on plan wind up.

Yes. By increasing the DC contribution rate from 1% to 18% and using DB surplus to fund this employer required contribution. [See Supreme Court of Canada decision of *Nolan v. Kerry (Canada) inc.* for details on cross-subsidization.]

PPP® - No tax is owing when DC funds are transferred into a (LIRA) Locked-In Retirement Account or Life Income Fund (LIF) at plan termination.

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Fee: what is the lowest possible yearly administration fee for the type of plan offered by a large actuarial consulting firm?

\$800 + HST/GST per person.

\$1,000 + HST/GST per person, all in.

PPP® - since fiduciary oversight and pension law expertise must be purchased separately, in this narrow optic, the IPP' posted rate can be \$200 cheaper - however, since more deductions can be claimed over time under the PPP®, the total overall cost of the PPP® are significantly lower.

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Fees: is the GST/HST pension entity rebate available?

Unknown

Yes. Consultants with extensive GST/HST expertise can assist clients in claiming the rebate.

Available to IPPs and PPPs but INTEGRIS has the sales tax expertise in-house.



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12 Does the program auto-finance itself in terms of cost/benefits?	Yes.		Yes.	n/a
13 Are investment management fees tax-deductible?	Yes.		Yes.	n/a
14 Is 'past service' available and available and tax-deductible?	Yes.		Yes.	n/a
15 Is 'terminal funding' available and tax-deductible?	Yes.		Yes.	n/a
16 Can wealth pass from one generation to the next, if the younger generation prefers to use an RRSP when under the age of 37 upon the death of the first generation of member?	No. Being in an RRSP means that on the second person to die, there is a taxable event for the IPP assets.		Yes - the deemed disposition on the death of the first generation in retirement does not apply to the younger PPP® client who has credited service under the PPP®' DB component.	PPP®



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17	Are there any internal control mechanisms under the pension plan to audit the work of the service provider?	No.	Yes. INTEGRIS provides fiduciary oversight.	PPP®
18	Extra tax-deductible contributions that PPP® can receive over IPP from age 18 to age 71 (assumes \$155K T4 and rate of return on assets set at 7.5%)	n/a	\$71,000**	PPP® **Projection courtesy of Bernard Dussault, FCIA Former Chief Actuary of the Canada Pension Plan (CPP)
19	Additional registered assets within the PPP® over IPP accumulations when rate of return on assets is set at 7.5% and T4 is \$155,000 net of ALL INTEGRIS Fees	n/a	\$2.581 M**	PPP® **Projection courtesy of Bernard Dussault, FCIA Former Chief Actuary of the Canada Pension Plan (CPP)



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SCHEDULE "A"

(NON EXHAUSTIVE) DESCRIPTION OF SAMPLE FIDUCIARY OVERSIGHT SERVICES

- Assistance with marriage breakdown procedures to split pension income with ex-spouse
- Surplus reversion application and communications with regulatory authorities and appeals.
- Corporate law support relating to pension plan in sale of a business context – assignment of plan to new sponsor etc.
- Audit of the work done by the actuarial service providers
- Advocacy work with tax and pension authorities at the highest levels in Canada (Dept of Finance, Provincial governments etc.)
- Tax optimization reviews (inter-generational wealth transfers, terminal funding, lifetime capital gains exemption, surplus management etc.) and coordination with tax and legal advisors on the transaction.
- Setting up and management of specialized tax-exempt pension holding corporations for alternative investing