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TO: Financial Advisors and Accountants in Canada

FROM: INTEGRIS Pension Management Corp.

RE: Comparing the PPP® to the IPP

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EXECUTIVE SUMMARY

In this document, we compare and contrast the older, "individual pension plan" or IPP with the newer Personal Pension Plan or PPP® offered by INTEGRIS Pension Management Corp. The key tax and non-tax advantages are discussed in Part I. We also provide in Part II, a list of common "pain points" facing business owners that can be solved or greatly mitigated by making use of a PPP®.

By virtue of its triple account flexible nature[1] the PPP® is superior to all other tax-assisted retirement savings plans made possible by the *Income Tax Act* (Canada) and allows individuals who qualify to accumulate substantially higher savings than TFSAs, RRSPs **and IPPs** by retirement age. While the additional wealth that can be accumulated in excess of an IPP varies depending on a variety of factors, independent verification from a Fellow of the Canadian Institute of Actuaries suggests at least a $750,000 advantage over a 25year period.

As a result, because the PPP® generates more tax savings (or refunds) as well as greater retirement assets for the client, they are in pure economic terms, **less expensive than IPPs** (even though most IPPs have slightly lower posted annual fees).

Moreover, in addition to being cheaper for the customer (and more profitable for investment advisors who are compensated based on assets under management…) because all PPP®s come with **fiduciary oversight**, the advisor and client gain access to a new layer of critically important legal services to maintain the plan in full compliance and to optimize it from a tax perspective along the way that would have to be purchased separately under an IPP. Being able to appoint a corporate trustee for example is now unique to the PPP® and provides further protection to INTEGRIS clients, something not possible in Canada with a traditional IPP. Ironically, because more wealth can be saved in a PPP®, and greater tax savings can be claimed along the way, **the true economic cost of the PPP® is lower than with an IPP**.[2]

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[1] A PPP has three accounts: (i) defined benefit or DB, (ii) defined contribution or DC and (iii) additional voluntary contribution or AVC.

[2] By analogy, consider an RRSP that has an annual limit of $5,000 with one offering a limit of $50,000. Once tax refunds are considered, the $50,000 generates more wealth.

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PART I: The Advantages of the PPP® over the IPP

At its core a PPP® is a combination-style registered pension plan, governed in part by the rules that regulate IPPs but offering a lot more. The distinctions to be drawn between an IPP and a PPP® fall into two main categories:

- Tax Optimization
- Legal Governance

In short, a PPP® provides significantly greater tax-sheltering capabilities over the IPP due to a number of structural reasons discussed in greater detail in this memorandum – but mainly because of the triple account, flexible architecture of the PPP®. Because it allows for greater wealth to accumulate tax sheltered and therefore for less taxes to be payable over time, the PPP® provides more value and costs less in real economic terms than the IPP.

In addition to costing less and sheltering more, the PPP® is also administered differently than IPPs because of the unique role played by INTEGRIS Pension Management as a fiduciary of the pension plans it sets up. For example, unlike with IPPs, clients of PPP® s usually have the option of appointing a Corporate Trustee to act as the fund-holder of their pension fund eliminating the risk posed by IPPs of asking clients, spouses and third parties to act as legal trustees.

In many ways, the PPP® reproduces to the extent possible, the highest levels of sophistication that multi- billion dollar pension funds enjoy and have enjoyed for decades but that is foreign to the sphere of IPPs, because of the absence of fiduciary oversight.

A) Tax Optimization

There are a number of legal and tax reasons to explain why the PPP® provides more tax assistance than the IPP over the lifetime of a customer. Some reasons apply at all times and others, only under certain circumstances such as funding status or province of registration.

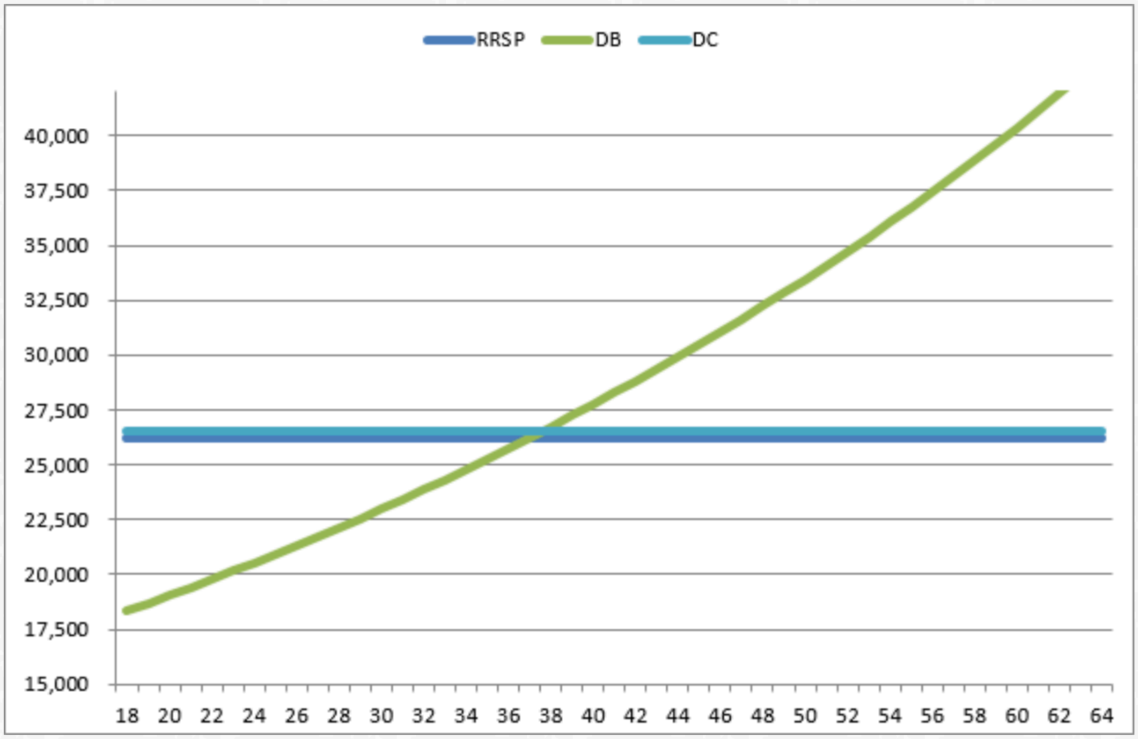
It is important to remember that seemingly modest differences can have significant long-term consequences over extended periods of time due to the time-value of money within a tax-sheltered environment such as a registered pension plan.

i) The Age Advantage

It is a peculiarity of pension and tax legislation that those saving for retirement under a Defined Benefit provision can shelter more than those using an RRSP typically from age 40 until age 71. This explains why many financial institutions market IPPs to business owners within that age range. The converse is equally true: one can contribute and shelter more money using the RRSP rules than the IPP limits from age 18 to age 39. Chart 1 below illustrates this peculiar aspect of pension funding rules.

Chart 1: Annual (2018) Tax Contribution Limits Depending on registered vehicle

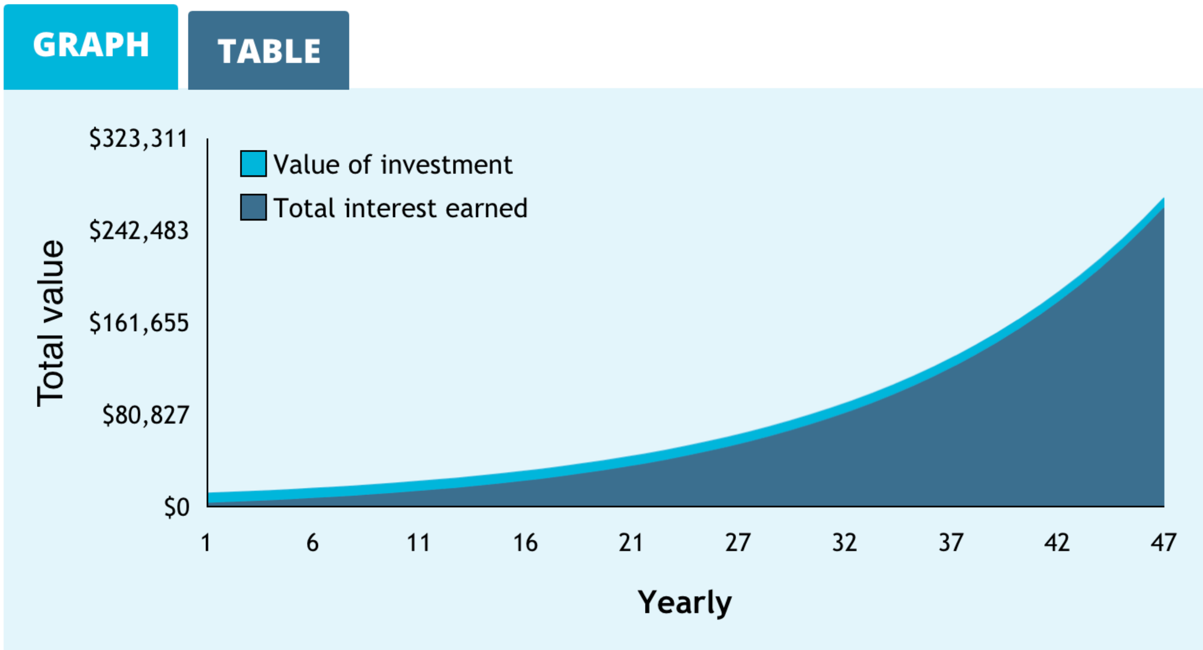
(RRSP vs DC vs DB)



[Source: INTEGRIS Pension Management Corp. https://www.integris-mgt.com/PPP® -Memorandum]

PPP® clients aged **18 to 39** can use the Defined Contribution component of the plan and thus greatly exceed the contribution limits of the IPP. Since these additional contributions will compound in a tax deferred environment over longer periods of time, the total wealth accumulated in a PPP® over an IPP cannot be underestimated.

By way of illustration, the $9,000 additional contribution made by an 18-year-old in 2018, will with a compound interest rate of 7.5% translate into an additional $ 269,427 by retirement at age 65.



[Source: Ontario Securities Commission site: https://www.getsmarteraboutmoney.ca/calculators/compound-interest-calculator/]

With the PPP®, this process repeats to a lesser degree every year that the under-39 employee uses the PPP® instead of an IPP.

<u>What about just doing an RRSP until age 40 and then set up an IPP instead of a PPP®?</u>

We are often told by financial advisors that their way around this inexorable conclusion is to keep the under-40 clients in a simple RRSP (and thus avoid any annual fees payable to INTEGRIS) because the RRSP limit is virtually the same as the PPP® /DC limit. For example, the 2018 RRSP limit is $26,230 and the money purchase limit (PPP® /DC+AVC) is $26,500, a mere $220 apart.[3]

While this would seem like a sound cost saving strategy on the surface, it fails to recognize that a PPP® client can also, in the year of plan set up make a contribution to his or her RRSP as well! This is commonly known as the “Double Dip”.

Thus, a young 19 year old PPP® client earning $100,000 in the past 2 years from the family business, would be able to contribute the following amounts in 2018:

[3] In 2019, the difference between the money purchase limit and the RRSP limit will be $730. See https://www.canada.ca/en/revenue-agency/services/tax/registered-plans-administrators/pspa/mp-rrsp-dpsp-tfsa-limits-ympe.html

- $1,000 from the company to the DC account
- $17,000 from the salary to the AVC account
- $18,000 from the salary to the RRSP (and then rolled into the AVC account)

The same 19-year old who opted first to use an RRSP until age 40, would only be able to contribute the $18,000. Being able to put an additional $18,000 at 7.5% over 46 years (age 65 minus age 19) translates into another $501,208. Even if this extra $18,000 only earned 2% in a GIC compounding annually, the IPP client using an RRSP would be $44,759 poorer. This accretion of new wealth covers almost 18 years of INTEGRIS fees. However, being able to also contribute an additional $18,000 translates into a tax-refund of approximately $9,000 owing to the PPP® client. That's another $22,379 of value (using a 2% GIC growing in a TFSA) that cannot be overlooked – or seen another way, another 9 years of INTEGRIS fees already covered. Thus, **at a minimum**, for the first 27 years of INTEGRIS fees are 'looked after' by the extra wealth generated by the "first year double dip". Obviously, if the money was invested in higher yielding securities instead of a GIC, this time horizon would get progressively longer.[4]

While the PPP® does impose a cost not found with setting up an RRSP, the multitude of additional opportunities to shelter wealth and claim deductions at the same time ensures that our clients increase their net worth from the day the pension plan is established. An example will suffice to demonstrate. Let us assume a worst-case scenario of $3,000 annual fees growing at 2% over 46 years (includes compliance, actuarial, corporate trustee and sales taxes) or $230,451 for the period.

These fees are tax deductible so that once we factor the tax savings resulting from their deductibility, the entire net cost is $199,341. If we factor in the additional wealth generated by a modest 5% growth on the first year RRSP double dip and its accompanying tax refund, this generates an extra $254,724 before tax. In actual fact, ignoring all of the other deductions and contributions permitted by the PPP® (including the deductibility of investment management fees), the PPP® client in this example starts with a $55,383 credit!

Cumulative Effects

It is the totality of the wealth-creation aspects of the PPP® that, taken as a whole, sets into motion a framework within which the client captures an "economic rent" or windfall. When one tabulates all of the tax-advantaged elements of the PPP® , it becomes obvious that not only does the solution pay for

[4] $18,000 invested at 8% within the AVC account after transferring it from the RRSP where it was contributed at age 19, and invested for 46 years, would yield $620,533. The $9,000 tax refund resulting from the initial RRSP contribution also invested at 8% in the member's TFSA for 46 years would yield another $310,266. Together, this foregone income totals $930,799 or 372 years of INTEGRIS Fees at $2,500 per annum. If we apply a very conservative 4% rate of return, this first year RRSP double dip would generate new value of $164,019 or 65 years' worth of annual INTEGRIS fees.

itself many times over, it also does so automatically, without reliance on stock market performance or investment luck.

The value creation chain follows the client at various stages of life.

While the IPP shares these features, the PPP® magnifies them over time.

ii) Smarter Asset Allocations

It is a principle of Defined Benefit arrangements for connected persons (like business owners that own their own businesses) that in order for the pension to remain fully funded, the assets set aside inside the pension fund ought to grow at 7.5%. While the calculation of annual current service cost contributions depends on a number of factors, all else being held equal, a pension fund whose rate of return is significantly less than 7.5% will create an actuarial deficit within the pension plan.

The flip side is that deficits should normally be topped up with additional funds called "Special Payments" – these being made by the company sponsoring the IPP or the PPP®. In an IPP there is usually one single account designed to receive the contributions made to the pension fund. Thus, in a typically well diversified and well-balanced portfolio, investment advisors will keep safer, lower yielding assets such as GICs or bonds alongside more speculative, but hopefully higher yielding growth stocks. The result of blending these asset-specific rates of return is that the overall returns of the pension fund approximate the 7.5% target rate. As a result, there is little scope for special payments.

In a PPP®, however, the distinctive nature of the combination plan means that the investment advisor can put all of the safer, lower yielding securities in the DB component, while keeping the higher risk and higher return securities in the money purchase accounts (DC and AVC).

This simple strategy has two effects:

(a) The guaranteed 'underperformance' of the safer assets will trigger larger special payments, and therefore additional tax deductions for the corporate sponsor.

(b) The ability to isolate the higher yielding securities in the money purchase account means that while the overall balance of the portfolio is maintained, exceeding the 7.5% target has no impact on the funding status of the DB component.

Moreover, by moving more corporate dollars out of the PPP® sponsor into the plan has these additional advantages:

(A) Less corporate taxes payable
(B) Less passive income thus protecting the small business rate of the company
(C) More capital capable of passing to the hands of other plan members on death tax-sheltered.

What about Market Downturns?

One could easily question the logic of putting volatile growth stocks in a money purchase environment where, should a deep market correction occur, there would be no ability to use special payments to pick up 'bargains' as is the case with stocks held in an IPP or in the DB component of the PPP® .

However, this assumes that a financial advisor never changes this strategy and always purchases safe assets with DB contributions (including the regular special payments coming in). In a deep market downturn, nothing prevents a financial advisor from converting the GICs/bonds into cash and purchasing cheap securities while the market recovers.

Once the internal rate of return of the DB component finally approaches the full funding target rate, profits can be taken to purchase more safe securities, thereby constantly increasing the safe portion of the portfolio.

Using GICs to build wealth?

Another common criticism made by investment advisors and accountants who might not have had the chance to study pension plans in depth is the incredulous belief that a GIC-strategy as discussed in this memorandum makes no financial/investment sense. On the surface, unless one is allergic to volatility and cannot tolerate market risk, it seems unlikely that one can generate enough capital using safe GICs to sustain any significant levels of sustained pension income. It is, after all, no accident that the target rate is 7.5%, not 2%, the standard GIC rate of late.

This view, on the surface, unimpeachable, forgets to take into consideration the fact that by contributing to the PPP®, a company can claim significantly more tax deductions than under the *status quo*. If a company is taxed at 13.5% (lowest corporate rate in Ontario – for example), for every additional $10,000 of 'special payments', this means that $1,350 in taxes is retained by the company, instead of being sent to the Canada Revenue Agency. In other words, the company has guaranteed itself a 13.5% rate of return on the contributions made to the PPP®. It is very difficult to find any guaranteed investment paying 13.5% in Canada, in this market environment.

Moreover, the nature of the asset being purchased within the DB component also brings a stabilizing effect, because it is no longer at the mercy of stock market gyrations. If a PPP® client finds out in opening the morning paper that the TSX has lost 40% as it did in 2008, the wealth of this individual would be protected with a GIC strategy since there is no correlation between a guaranteed GIC and the stock market index.

Can't I do the same with an IPP?

One might be tempted to argue that someone using a pure IPP could replicate this particular strategy and put all of the money into GICs, thereby creating similarly large special payments and thereby competing with the PPP® with respect to corporate tax-sheltering.

It would be true to a certain extent, but begs the question: where is the rest of the well-diversified and balanced portfolio (necessary to meet regulatory standards of prudence and sound financial wisdom) being held?

If all of the registered room of the IPP client is used up with GICs, then by implication, this means that the rest of the portfolio (e.g. any stocks) are held in non-registered accounts. Unfortunately, non-registered accounts are exposed to ongoing taxation as soon as income is realized, which means that mathematically, the IPP with a non-registered side account cannot compete with a PPP® since the stocks in the PPP® are tax-sheltered by virtue of being part of the registered pension plan – via the DC and AVC accounts.[5]

(iii) When the Plan is in Excess Surplus… (the 25% rule)

The flip side of special payments and deficits that cause them, is a situation where the assets exceed expectations and too many assets accumulate inside of the pension fund. While pension plans are given a 25% surplus buffer, where no consequences impact the sponsor, if an IPP ever breached this 25% surplus buffer, it would be considered to be in 'excess surplus'.

Excess surplus obliges the sponsor to cease making any further contributions or risk putting the plan in a revocable position (potentially leading to de-registration and catastrophic taxation). By ceasing all ongoing contributions, the sponsor therefore loses its ability to claim corporate tax deductions. Moreover, when an employee in an IPP adds another year of credited service to the formula that specifies the size of the pension promised in retirement, a 'pension adjustment' or "PA" is created to reflect the tax assistance granted by the addition of another year of service. The PA virtually eliminates the IPP member's personal RRSP room, thereby precluding personal contributions that might have provided some personal tax relief.

The PPP® client in the very same situation has the option to elect to move from the overfunded DB component into the DC side of the plan. The consequence is that the 1% mandatory employer contribution due to the DC account will be made by transferring a small amount of surplus from the DB component – and of course, creating a tiny PA. By having 'frozen' the DB liabilities for that year, we are not adding another year of credited service to the DB pension formula. In other words, aside from the very small PA (1% of salary transferred from DB surplus to the DC account), the individual's RRSP room is hereby restored. A PPP® client cannot contribute to the AVC component of the PPP® while the DB side is in excess surplus, but nothing prevents him or her from making a substantial personal contribution to an RRSP, thereby triggering a large personal tax deduction (and tax refund). The same day, via a CRA T2033 form, those same RRSP funds can be rolled in, tax-sheltered into the AVC component of the Plan, where they will enjoy a number of privileges unique to pension plans:

- Creditor protection even in the case of insolvency
- Tax deductibility of the investment management fees

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[5] It is true that non-registered assets at retirement are considered 'after tax' dollars whereas funds in the DB component of the PPP are pre-tax so that the numbers must be compared carefully. However, since taxation of PPP pensions is only applied to the annual pension benefit paid out, and eligible for the pension amount credit and potentially, pension income splitting with a spouse, the full brunt of the tax is spread out over time and cannot be automatically deducted from the pre-tax pension account to compare its total value to the non-registered funds.

- Eligibility for the HST pension entity rebate
- Ability to be invested in non-RRSP eligible asset classes

The important lesson here is that given the volatile nature of stock markets (see graph below) it is not inconceivable that a pension plan could hit periods of 'excess surplus' over a typical 30 year accumulation period. Looking back over the past 30 years, one sees that rates of return are rarely, if ever, flat and constant over time.

[source: Bloomberg]

Freezing IPP service to achieve the same result?

We often hear some people claim that a similar result can be achieved within a traditional IPP that is facing excess surplus, namely that it is possible to 'freeze' the benefits formula of the pension plan through a plan amendment. This does surely ensure that no new PA is created and reported, and therefore opens up the possibility to contribute to an RRSP, much in the same way as the PPP® client.

Of course, this requires a plan amendment (typically a board resolution) and at minimum a filing with the Registered Plans Directorate (T920). Professional fees could be charged for doing this extra work. Moreover, once the plan is no longer in excess surplus and the company wishes to contribute again, a second filing is required to 'unfreeze' the plan formula, and again potentially trigger additional professional fees. None of this unnecessary complexity and potential costs exist within the PPP®

environment given that there are absolutely no transactional costs to shift from one component to the next one: no new valuation or cost certificates, no plan amendments required, no governmental filings, no delays. In some provinces, the provincial pension regulator also reserves the right to 'terminate' pension plans where contributions have ceased to occur and where no new benefits are being accrued. A prolonged bull market might make this IPP 'freeze' strategy impossible to follow.

(iv) **Where provincial pension legislation does not require funding…**

A similar phenomenon occurs in provinces where IPPs are not required under provincial pension legislation to fund contributions or deficits. Here the converse is occurring: it is not that the company wants to contribute (and deduct) but that the company does not wish to contribute at all.

Various market forces might be the cause of this reluctance on the part of the sponsor to make additional contributions. However, where a company still pays an individual T4 income (mandatory to have a pension plan in the first place), the individual might still wish to get some tax relief at the personal level.

The addition of another year of credited service to the IPP formula will generate a pension adjustment regardless of whether that extra year was in fact funded by the corporation or not. This is another peculiar aspect of pension legislation, namely that the calculation of the tax assistance one is deemed to have received under a DB arrangement is not based on the actual contributions made by the sponsor to the pension plan, but on a specific formula found in tax laws.

Thus, in a case of an IPP where the sponsor refuses to contribute (short of a 'freeze') a pension adjustment will be generated with the effect of virtually eliminating the IPP member's RRSP room.

The very same individual in a PPP® can move to the DC side of the plan and have the company make the miniscule 1% of salary contribution to respect CRA administrative rules and give that same individual an ability to at the very least claim a personal tax deduction for making a voluntary member contribution to the AVC account of the PPP®.

(v) **On Plan Termination….**

Perhaps the most powerful tax savings feature that PPP® s possess over IPPs is their ability to protect taxpayers from the impact of Income Tax Regulation 8517, when a pension plan is wound up, and the assets of the pension fund must transfer to a Locked In Retirement Account (LIRA), Life Income Fund (LIF) or some other capital accumulation plan (RRSP etc.)

Briefly-put, because pension legislation governing DB provisions is usually significantly more generous in terms of tax relief than money purchase (DC/RRSP) rules, if an individual ultimately decides to forego receiving a DB pension and opts for a lump sum under a money purchase arrangement, the tax legislation only allows a set percentage of the DB pool of money to flow on a tax-sheltered basis into the LIRA, LIF etc. Anything above that regulatorily-determined amount is an excess amount and must be included in the individual taxable income for the year, thereby exposing this heretofore sheltered capital to personal tax rates.

This feature of IPPs (and DB-PPP® s) can sometimes come as a surprise to clients (and even financial advisors) who felt deservedly proud for having amassed significantly more money than those who had persisted in using RRSPs up until the point of plan termination.

The PPP® solution is simple, and elegant. If a business owner knows that the sponsoring company wishes to dissolve the pension plan in a given number of years, a plan amendment can be made to the PPP® to increase the DC contribution level from 1% all the way up to the maximum permitted, namely 18% of T4 income (never exceeding that year's money purchase limit - $26,500 in 2018). By electing to shift into DC mode, assets from the DB component of the plan can be used to fund the mandatory employer contribution under the DC provisions. This process can go on for a number of years prior to the wind up of the PPP®.

This process is called "cross-subsidization" and was confirmed as a legitimate practice by the Supreme Court of Canada in the *Kerry (Canada) Inc.* [2009] 2 S.C.R. 678 (S.C.C.) case. Mr. Justice Rothstein, speaking for the majority concluded at paragraph [113] of the decision that cross-subsidization was perfectly legal:

> [113] LeBel J. says that an amendment that purports to make DC employees beneficiaries of the same single trust as DB employees and to allow the employer to take contribution holidays in respect of the DC employees affects the benefits of the DB employees in the sense that assets in the pension fund are being reduced. DB members may well prefer higher actuarial surpluses in the pension fund. Indeed, the Committee argued against the use of the actuarial surplus for the payment of Plan expenses and the taking of DB contribution holidays, as well as for the taking of DC contribution holidays. However, absent legislation stating otherwise, DB members have no right to require surplus funding of the Plan in order to increase their security. In *National Grid Co. plc v. Mayes*, [2001] UKHL 20, [2001] 2 All E.R. 417, Lord Hoffmann stated: "Caution is a matter for the actuary in certifying the surplus and certifying the arrangements as reasonable" (para. 17). It is the plan documents and trust law that govern. **Nothing in the Plan documents or trust law gives the DB members a vested interest in the actuarial surplus of the Trust Fund or prevents the use of the actuarial surplus for Plan expenses or DB or DC contribution holidays.**

The result is that if a client has 'harvested' DB dollars via cross-subsidization and placed them in a DC account, on the eventual wind up of the plan, 100% of the assets residing in the DC account can flow tax-sheltered into the LIRA, LIF etc. because Income Tax Regulation 8517 only applies to DB transfers.

(vi) To Permit Inter-Generational Wealth Transfers on Death…even for young family members

There is probably no better place to implement a PPP® than within a family business where various members of the family collect a salary for services rendered to the corporate employer. We assume here that the salaries are reasonable and given in exchange for real services that are well documented and would withstand an audit.

DB Pension vs RRSP – a difficult distinction

The concept of a defined benefit pension is sometimes difficult to grasp for individuals who are used to and understand the principles of RRSP investing. The simple logic of an RRSP boils down to this: I know how much I have contributed over the years, and I know what kind of return I got on those contributions. Therefore, I know how large my "pension fund" will be and I must therefore carefully withdraw the right amount to make the pot last as long as possible. Should I pass away (and assuming I have no spouse or disabled children to roll these funds to tax-sheltered) my remaining assets will be subjected to a 'deemed disposition' under the *Income Tax Act* and my estate trustee will have to pay taxes before my beneficiaries can receive the balance of the funds. Hopefully, my beneficiaries were designated under the terms of the RRSP contract and therefore I can avoid probate fees.

The DB Pension is very different in nature. First of all, what I am entitled to is a fixed amount of money (e.g. the "defined" benefit) arrived at by applying the pension formula found in the plan text and based on inputs such as my salary and years of 'credited service'. If I have no spouse at retirement, my DB Pension is a "life only" pension, meaning that at my demise, the pension plan will have discharged its obligation to me, and the rest of the funds (unless I sought out a limited 'guarantee period') are considered 'surplus' at my death. Studies have shown that since the sponsor of the plan stands by the pension promise and can make up deficiencies in times of market corrections, the amount of pension payable under a DB pension on an annual basis, can be much higher than what someone in an RRSP might decide to withdraw, all things being equal. The simple reason for this is that the RRSP annuitant does not know how long he or she will live and must build in a measure of conservatism to create a buffer of capital. This prudence buffer necessarily means a lowering of the drawdowns on an annual basis.

But, putting aside the generous nature of DB Pensions due to the sponsor guarantee, it is the 'surplus' feature that is the most important from a tax planning perspective. Conceptually, surplus are assets that are no longer necessary to fund promised benefits. Bullish stock markets can create surplus. Reducing accrued benefits might also create surplus. Death always creates surplus. The key factor here is that surplus is trapped within the DB component of a PPP® and as such is not taxed until the funds are withdrawn.

Therefore, in a family context, it is possible for the parents and the adult children who work together to all participate in a communal DB account within a family PPP®. Based on the age of the parents, they would almost invariably use the DB component for past service and current service accruals. The adult children, depending on their age, might use the DB account as well or if under age 39, use the DC and AVC money purchase accounts instead. The key would be for all adult children to recognize at least 1 year of past service under the DB provision of the plan.

- Optimization 1: Terminal Funding on Retirement of Parents

Corporate dollars invested passively within the operating company or even within associated companies will, after a certain amount of earnings $50,000, grind down the revenues of the company benefiting from the small business rate on a 1:5 basis.

One strategy that may be used is to turn on the pension of the parents and purchase additional benefits via “terminal funding”. Taxable corporate cash can then be transferred to the communal DB pool where it will now grow sheltered from tax until a pension is paid out. Some terminal funding amounts exceed $1,000,000 although for older folks the range is often in the $100,000 to $400,000 range.

- Optimization 2: Waiver of Joint Pension

By waiving each other’s rights to receive a survivor pension from one another, the parents are automatically going to create surplus upon their death because there is no one for the pension dollars to go to. Their death creates a windfall, or ‘actuarial gain’ for the remaining members of the communal DB pool, namely their children.

- Optimization 3: Excess Surplus & RRSPs

While the capital trapped in the communal pool created by the death(s) is not taxed, the DB component of the plan would normally be in ‘excess surplus’. Those adult children not using the DC component already would be able to shift into DC mode for the next year and thus continue to tax-shelter a portion of the salary by making personal contributions to their RRSP given that use of the DC component freezes the DB accruals and eliminates most of the PA.

- Optimization 4: Surplus reversion if company has losses

Under the PPP®, surplus legally belongs to the corporation. Nothing prevents the board of directors, presumably made up of the children, if they were shareholders, or under the Will of the parents, to apply for a surplus withdrawal. Funds can therefore be brought back into corporate coffers. These funds are taxed at the corporate level as an investment income (not active business income), but these gains can be offset with losses that the company might have suffered through its operations.

Therefore, while the cash from the pension fund will end up in the corporate bank account of the sponsoring company, some or all of the taxes accompanying this money might no longer be owing. The company might then wish to use some of this surplus cash to purchase a corporately-owned universal life policy or whole life policy designating the company as the beneficiary of the face value of the policy. Upon death, the face value paid by the insurer would flow through the capital dividend account and end up in the hands of the children free of tax (assuming they are shareholders at some point in the time line).

- Optimization 5: Use of Parent's surplus to fund children's own retirement

Perhaps the simplest solution is to take an extended contribution holiday since no capital from the company or from the individual's own salaries will be required to ensure that they have a generous pension in retirement. In effect, they step into the shoes of their parents and no longer have to worry about retirement income.

One further option is to take early retirement and take advantage of two special rules that only apply to pension plans:

(A) Pension income splitting
(B) The $2,000 per person ($4,000 per couple) annual non-refundable pension amount credit.

Can't I just use an IPP in a family context??

It is permissible to use an IPP to replicate this type of strategy within a family business. However, a few observations are necessary:

a) If the children are under age 40, the total contributions made by the company to the IPP will necessarily be lower than under a PPP® (as discussed in Section i). To enable the possibility of inter-generational wealth transfer, the children must participate in a Defined Benefit structure.

b) Upon death, the excess surplus created won't allow for continued tax sheltering at the RRSP-personal level because of the PA issues discussed above.

c) The risk profile of young children with very long investment horizons and higher capacity to take risks might be diametrically opposed to the risk profile of the parents who want safer guaranteed income. By having the younger folks investing most of their capital in segregated individualize money purchase accounts provides a better alignment.

You can't remove the designated plan funding restrictions if you accrue within the DC side of a PPP®!!

Some have pointed out that the IPP is superior to a PPP® in a very narrow situation where a person retires and wishes the plan to no longer be considered a "designated plan" because no further accruals of 'connected persons' exist. The tax advantage of lifting the 'designated plan' label is that an actuary is no longer forced to use the prescribed assumptions found in Income Tax Regulation 8515 and can use reasonable assumptions permitted by professional standards such as the guidelines offered by the Canadian Institute of Actuaries. In the current economic context, use of the professional assumptions would increase the cost of funding the PPP® and therefore allow more tax-sheltering. The argument made is that if a connected person continues to accrue under the PPP®, the CRA will not be able to lift the "designated plan" status and these additional corporate tax deductions won't be available.

This is actually not a problem facing the PPP® because:

(i) A PPP® can always be severed into two smaller PPP® s, one for the older employee retiring and trying to capture more corporate funds out of the company and the other for the younger plan member. Thus, through a plan amendment, the PPP® client wishing to maximize the cost of funding the PPP® can still achieve the intended result.

(ii) This IPP strategy might actually be myopic in the first place and provide additional minor tax advantages for the corporation but depriving the younger employee from a massive windfall opportunity. Consider this situation: by lifting the designated plan rules, a corporation can increase its tax-deductible contributions by $300,000. However, since there are $2,000,000 in the pension fund, upon the death of the retiree, close to $1,000,000 would be considered taxable under the 'deemed disposition' rules under the Income Tax Act. Thus, the IPP family members have now destroyed $700,000 of family wealth because they used an IPP instead of a PPP®. The $300,000 of additional corporate cash would be taxed on death within the IPP if the younger employee isn't a plan member with accruals.

Summary of the Tax Optimization section: complex actuarial and financial modelling would be required to quantify the absolute numerical advantage of using a PPP® over an IPP over time. Suffice it to say that the numerous elements described above, especially when combined with one another could generate significant and material differences in net worth available for retirement. The ability to continually shelter money whether stock markets are up (surplus) or down (deficits) has a long-term beneficial consequence due to the magic of tax-sheltered compounding. One analysis done by a third party actuary suggested that the PPP® advantage over an IPP over a 30 year period usually starts at about $500,000. This number does not factor in the additional tax savings created by having higher contribution opportunities nor the tax savings possible if preparations are made prior to plan termination under the cross-subsidization method.

B) Governance Advantages of the PPP® over the IPP

(i) Fiduciary Responsibility

If the comparison between an IPP and a PPP® was restricted to the number of accounts (1 (or 2) versus 3…) it would be relatively easy to judge them relative to one another. In fact, by simply adopting the PPP® model, all IPPs in Canada would become identical to the INTEGRIS pension solution, and we anticipate that over time, the PPP® will eliminate and replace the IPP as the primary tool for retirement savings in the small business world.

But an INTEGRIS PPP® is <u>more</u> than just another registered pension plan because in addition to the tax optimization features discussed in the previous section, all INTEGRIS PPP® s benefit from a variety of additional features that further demarcate it from the IPP. These differences and enhancements are summarized below.

Much like the most sophisticated and largest pension plans in Canada that have a dedicated “Pension Committee”, the clients of INTEGRIS are served through ‘fiduciary oversight’ by a legal fiduciary, INTEGRIS Pension Management Corp. The source of this fiduciary duty stems from the common law and statutory rules found in pension legislation. Under the *Pension Benefit Act*, or similar legislation the agent (INTEGRIS™) of the plan administrator (the corporation) is held to the fiduciary standard of care. In other words, INTEGRIS™ must act in the best interests of the client in order to avoid legal repercussions. A fiduciary is someone the law recognizes as having a special duty of care towards a beneficiary (the Member, in the case of a PPP®.)

For example, section 22(8) of the Ontario pension statute states:

Employee or agent

> **22**(8) An employee or agent of an administrator is also subject to the standards that apply to the administrator under subsections (1), (2) and (4). R.S.O. 1990, c. P.8, s. 22 (8).[6]

This legal obligation sets INTEGRIS™ apart from most other financial institutions, where there is no special protection granted and where the member is deemed to be looking after their own interests. In practical terms, the fiduciary duty translates into concrete steps in a variety of ways. For example, INTEGRIS™ acts as a buffer between the business and the governmental regulatory bodies that supervise the pension plan, such as the Registered Plans Directorate of the Canada Revenue Agency ("CRA") and, in Ontario for example, the Financial Services Commission of Ontario ("FSCO").

Another example is that INTEGRIS™ routinely finds ways to generate economies of scale from the service providers that offer the PPP® ® to their clientele. Fee reductions are common because of the bulk purchasing power of INTEGRIS™ when it deals with organizations, groups of businesses or associations.

INTEGRIS, in its role as delegated plan administrator, also supervises the work of those service providers under its supervisory mandate, like the actuarial and administrative staff of its back-office partner: Industrial Alliance Insurance and Financial Services Inc.[7]

Some of the Pension Commission services that INTEGRIS offers through its team of pension lawyers include:

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[6] **Reference must be made to subsections 22(1), (2) and (4) to get a sense of the duty of care imposed on INTEGRIS by this legislation:**

Care, diligence and skill

22 (1) The administrator of a pension plan shall exercise the care, diligence and skill in the administration and investment of the pension fund that a person of ordinary prudence would exercise in dealing with the property of another person. R.S.O. 1990, c. P.8, s. 22 (1).

Special knowledge and skill

(2) The administrator of a pension plan shall use in the administration of the pension plan and in the administration and investment of the pension fund all relevant knowledge and skill that the administrator possesses or, by reason of the administrator's profession, business or calling, ought to possess. R.S.O. 1990, c. P.8, s. 22 (2). […]

Conflict of interest

(4) An administrator or, if the administrator is a pension committee or a board of trustees, a member of the committee or board that is the administrator of a pension plan shall not knowingly permit the administrator's interest to conflict with the administrator's duties and powers in respect of the pension fund. R.S.O. 1990, c. P.8, s. 22 (4).

[7] Industrial Alliance is the 4th largest insurance company in Canada, administering assets for over 4,000,000 customers through 5,500 employees, coast to coast, in both official languages. It is headquartered in Quebec City and has been in existence for 126 years. It is the largest player in the IPP space amongst the life insurers.

Dimension	Traditional IPP	INTEGRIS PPP
Fiduciary Oversight	NOT PROVIDED	Provided
Audit of Actuarial work	NOT PROVIDED	Provided
Legal Issues to be resolved (i.e. $400/hr)	NOT PROVIDED	Provided
Economies of Scale with rising number of plans	NOT PROVIDED	$100 per plan rebate with each 200 PPPs sold
Pension Law Expertise to Your Compliance Department	NOT PROVIDED	Provided

It is a truism that pension legislation in Canada is complex. It is a thick web of provincial, federal, common law and regulatory rules developed over decades to supervise economic agents who have the power to impose hardship on unsuspecting retirees. The regulation of pension plans has grown over the past 30 years at an accelerating rate and the number of cases, regulations and policies generated by governments and regulators has not let up.

In such an environment, the presence of highly trained pension lawyers is no longer a luxury but a necessity. Therefore, to emulate the most sophisticated pension plans in the country, INTEGRIS has adopted the fiduciary standard of care. One of the specific tasks undertaken by INTEGRIS is the audit of the work undertaken by actuarial service providers, especially when a plan is converted from being an IPP into a PPP®. Part of the audit would be, for example, a verification that the corporation setting up the IPP has paid the plan member/employee/shareholder employment-based (T4) income over the past years. Another service would be a governance audit to comply with Guideline No. 4 issued by the association of pension regulators, CAPSA. Guideline No. 4 (Pension Plan Governance Guideline)[8]. Because lawyers at INTEGRIS can produce client-solicitor privileged reports, any governance audit would ensure that technical or material non-compliance does not become admissible in legal proceedings and provides a safer framework to undertake remedial action in cooperation with regulators to bring the plan back into full compliance.

[8] https://www.capsa-acor.org/Documents/View/52

(ii) A Unique value proposition: the use of a Corporate Trustee

While pension legislation in Canada allows a registered pension plan to take many different forms the most common forms are: insurance or trust. Where a life insurance company is used to custody the assets of the pension fund, no trust is necessary. In all other cases, a trust fund is established to hold the assets of the pension plan. The trust can either be created through a corporate trust company or by having at least 3 individuals agree to hold plan assets in trust with a custodian.

While many corporate trust companies currently service Canadians and act as corporate trustees for large pension plans, in the realm of IPPs, the last two companies offering corporate trustee services across the board withdrew from this line of business effective December 31, 2016. Aside from multi-employer pension plans, all large pension plans for large companies appoint a corporate trustee to hold on to the assets of the pension plan.

In keeping with best practices in the industry, INTEGRIS clients do have the ability to appoint **IA Trust Inc.** a federally regulated trust and loan company to act as the corporate trustee of their PPP®.

The corporate trustee is responsible for the following functions:

- It is the legal "Owner" of the property (assets of the pension fund)
- Statutory obligation to act as a prudent person
- Might potentially be liable for certain acts or omissions that could adversely affect plan beneficiaries
- Has on obligation to deal with impartiality with beneficiaries of the plan with an even hand
- Cannot use assets to benefit themselves
- Must provide accurate accounting via quarterly statements
- Has a statutory obligation to adhere to pension and tax legislation
- Must comply with the terms of the trust agreement and produce and issue CRA tax filings

In essence, by forcing unsuspecting individuals to play the part of a pension fund trustee, the promoter of the IPP are exposing their clients and their friends to unnecessary risks described below:

	Corporate Trustee	Individuals
Knowledge	The corporate trustee is in the business of discharging these types of obligations and has experience.	Routine tasks may be foreign to individuals who are not familiar with the requirements of a Trustee. Since there is no compensation given to the trustee, and usually no budget to provide training, Canadians are being asked to sign legal documents often without the benefit of legal advice.
Impartiality	The corporate trustee acts solely for plan beneficiaries.	As with any human relationships, there could be possible emotional ties (e.g., marriage breakup) that affect the actions of the Board of trustees. If the Board of Trustees does nothing, then it is not actually discharging its obligations at all.
Trustworthiness	The corporate trustee is bound to a higher standard of care under pension legislation	Individuals must use knowledge they *ought* to have, but is not guaranteed that this is knowledge they *will* have.
Longevity	Perpetual tenure and relationship with the corporate trustee which is not dependent on any one individual leaving the company or divorcing the plan member.	It can be difficult to obtain replacements if one or more of the individual trustees wishes to be released from their obligations.

Liability	The corporate trustee's experience within the industry helps to mitigate errors or omissions because lessons learned from one pension plan experience can be applied across the board to all of the pension clients.	Individuals are responsible and may be held liable for any errors or omissions made because of lack of knowledge and since trustees are often isolated and not part of a community and without legal support, 'lessons learned' usually cannot be applied outside of the IPP.

My actuary does all this for me under our 3 individual trustee model…

To circumvent the statutory role of the individual acting as a pension fund trustee, some IPP providers have their client sign a Direction or other instruction letter delegating to the actuarial firm the supervisory or other duties conferred on them by the trust agreement, plan text or Statement of Investment Policies and Procedures.

This is done as a 'band-aid' solution for the sake of expediency and usually as a reaction to the highly regulated nature of pension plan. By washing one's hands from the supervision of the assets of the pension plan, the board of trustees is acting contrary to their legally acquired obligation to provide oversight of the pension fund.

My actuary IS the third independent trustee!

Under fiduciary laws, a trustee must act in the best interests of the plan members, for whose money the pension plan assets have been put aside in the pension fund. Have competing duties to anyone but the plan member is not recommended even if technically allowed.

When the same actuary that signs the actuarial valuation report also acts as the third independent trustee, there is overlap of duties, because it is the plan sponsor/corporation that retains the actuary and pays its compensation, not the individual pension plan members or beneficiaries.

A simple example illustrates this real issue: an IPP has a plan member who has two children. The company sponsoring the IPP is partially owned by the plan member alongside other family members. The IPP has a surplus due to good market returns. The actuary makes a recommendation to take a contribution holiday because the other shareholders of the sponsor wish to pay out dividends. Or worse, suggests applying to the regulator to do a 'surplus reversion application' and return pension assets back to corporate coffers. If the plan member were to pass away after the surplus is stripped out of the pension fund, the beneficiaries would see a lot of the money that had been there for them disappear to the profit of others. A trustee acting in the best interest of the plan beneficiaries would oppose this recommendation.

Any pension lawyer coming out of law school would strenuously oppose this practice, but since actuaries are not lawyers (usually) this practice was allowed to continue. As reported in its February 4, 2013 Blakes pension bulletin, commenting on the Supreme Court of Canada decision in *Slater Steel*:

> **FIDUCIARY DUTIES AND ADMINISTRATION OF PENSION PLANS**
> For pension plan sponsors and administrators, there are a number of important statements from the Supreme Court of Canada with respect to how sponsors who are also plan administrators need to conduct themselves in light of the fiduciary duties that apply to certain of their actions. The statements with respect to fiduciary duties in the two portions of the decision which constitute the majority are of particular importance.
>
> The reasons of Justice Deschamps (with whom Justice Moldaver concurred) begin the fiduciary duties analysis by confirming that the Supreme Court has previously recognized that there are circumstances in which a pension plan administrator has fiduciary obligations to plan members both at common law and under statute (*Burke v. Hudson's Bay Co.*).
>
> The decision also includes an express repudiation of the "two hats" analogy where a corporate employer chooses to act as plan administrator.
>
> Instead, Justice Deschamps noted that where a corporate employer is also the plan administrator, which as we know in practice is the dominant model for the administration of Canadian single employer pension plans, the corporate employer must be prepared to resolve conflicts where they arise:
>
> "[66] *When the interests the employer seeks to advance on behalf of the corporation conflict with interests the employer has a duty to preserve as plan administrator, a solution must be found to ensure that the plan members' interests are taken care of. This may mean that the corporation puts the members on notice, or that it finds a replacement administrator, appoints representative counsel or finds some other means to resolve the conflict. The solution has to fit the problem, and the same solution may not be appropriate in every case*." (emphasis added).[9] [Emphasis added].

(iii) Actuarial and administration backed by some of the largest insurers in Canada….

The way in which the IPP industry developed since 1991 when they first codified into the Income Tax Regulations as 'designated plans' centered around small, disparate actuarial consulting firms. Sometimes individual actuaries decided to specialize in providing valuation reports for businesses establishing IPPs for their key shareholder.

A whole host of conditions conspired to keep IPP sales virtually non-existent. These are summarized below:

- Due to the complexity of pension and tax legislation, the cost of setting up an IPP was seen by many as prohibitive. Some consultants might charge $15,000 simply to prepare the basic plan documents for example. This is no longer the case now that the industry has matured and software and mechanization has eliminated these types of start-up expenditures.

- The heavy regulation of the product by two levels of government and the fact that from a regulatory perspective, the IPP is not treated much differently than a multi-billion dollar pension

[9] https://www.blakes.com/English/Resources/Bulletins/Pages/Details.aspx?BulletinID=1572

plan for thousands of employees also created administrative complexities that required an entire team of professionals (lawyers, accountants, trustees, custodians, investment advisors etc.) to coordinate their work and ensure a smooth client experience. Without a unifying framework for this to occur, aside from "full service" IPPs offered by some insurance companies, the responsibility to manage the plan fell solely on the shoulders of the small business owner sponsoring the plan.

- For many years, provincial governments reduced their provincial corporate tax rates in order to attract business creation. This created an incentive for business owners to pay themselves in the form of dividends instead of salary. Unfortunately, dividends are not 'pensionable' which means that relying exclusively on that form of compensation precludes the ability to save under pension rules.

- The complexity of pension legislation also meant that financial advisors facing the choice between selling 10 RRSPs in one day (given the extreme simplicity of the product versus selling a single IPP, were incentivized to forego pension training and pursue RRSP sales instead. None of the large MFDA and IIROC firms undertook "IPP Sales" initiatives, and while the product was available on the shelf if needed, it has never been promoted the way that RRSPs have. We have "RRSP Season" but not "IPP Season" in Canada. Therefore, with no bottom up pressure from clients (since no advertising was made) and no 'top down' initiatives to initiate the marketplace to this solution either, the IPP remained an anecdotal solution restricted to those 'in the know…'

- It should also be pointed out that prior to 2004, many of the professions in Ontario (the largest marketplace in the country) did not have the legal right to incorporate. Without an employer-employee relationship, it is impossible under the Income Tax Act to create a registered pension plan. Thus, with the provincial corporate law changes that enabled professional corporations, the potential market for IPPs and now PPP® s has exploded exponentially.

- Generally speaking there is a trend in the employment market place for traditional employment with larger employers to convert to 'consulting' mandates operated through 1-person professional corporations. This macro-economic trend is also expanding the size of the market for PPP® s. Our best estimate is that 1.3 million Canadians could save through a PPP®. CRA only has approximately 13,000 individual pension plans registered at the current time.

Part of the vision that sustains INTEGRIS is that the small and medium size business owner in Canada should be entitled to the same quality of pension solution as if he or she worked for the federal or provincial government or for a multinational with thousands of employees. Thus, every facet of the pension plan must be of the highest caliber. This would include the provision of actuarial and administrative services. Thus, INTEGRIS immediately partnered with Industrial Alliance Insurance and Financial Services Inc. to ensure that its clients would be given top-level service from a well-capitalized, well-regulated, bilingual and cross-Canada service provider. Recently, INTEGRIS also partnered with another financial partner, Desjardins Financial Security Insurance Company, to service Quebec clients whose investment advisors belong to the SFL network. Desjardins is the largest financial player in that province with over 45,500 employees across Canada.

Both financial institutions that act as the "back office" to INTEGRIS have internally validated the PPP® solution before offering it to our common clients.

(iv) Regulatory Support from the *Canada Revenue Agency*

Given that the PPP® synthesizes and offers everything that the *Income Tax Act* can provide business owners by way of tax deductions to help them build a retirement nest egg[10], many have questioned over the years whether the Canada Revenue Agency might consider the PPP® to be abusive from a tax perspective.

Since the PPP® offers potentially hundreds of thousands of additional tax deductions over the RRSP that 98% of Canadians use, and that even compared to the traditional IPP, it further protects the client from immediate taxation, and this concern is a well-founded.

However, to mitigate that risk, INTEGRIS took a number of measures early in its history. The first was to submit the PPP® plan text to the director of policy and the director of registration of the Registered Plans Directorate of the Canada Revenue Agency, asking them to scrutinize the plan design to ensure full compliance with all existing laws prior to commercialization. After a six months review, the Registered Plans Directorate approved the registration of the first PPP®. The standard approval letter we receive is found at Appendix "E".

Interestingly-enough, when INTEGRIS first sought to register the PPP®, it asked that the plan text be confirmed as a "specimen" so that automatic approval of the plan provisions could take place. The CRA took the position that because a PPP® offers both Defined Benefit and Defined Contribution accruals they were unwilling to provide specimen approval and that the PPP® would have to go through the formal registration procedure, the same one that is used for multi-billion dollar registered pension plans.

Under the formal registration procedure, each PPP® plan text is given to a CRA official who must review every single clause of the plan text and provide formal CRA approval. 100% of the PPP® s set up for INTEGRIS clients have received formal approval under this more rigorous review process. On October 6th, 2016, the CRA changed its internal policy of refusing specimens to combination plans in the individual pension plan space, and formally granted INTEGRIS the right to submit a specimen plan for our PPP® text. A copy of this letter is attached at Appendix "C".

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[10] See Appendix "A" summarizing these additional tax deductions that RRSP annuitants cannot utilize.

The CRA has also amended its Registered Plans Technical Manual as a result of the innovation brought by INTEGRIS to the marketplace. The change is found in Section 2.4 of the RPD Technical Manual[11]. It relates to the special additional registration conditions that the Minister of National Revenue can impose to deal with different aspects of plans submitted for registration.

> 2.4 147.1(5) – Additional Conditions
>
> Subsection 147.1(5) of the Act allows the Minister to impose reasonable conditions to RPPs, a class of such plans, or a particular RPP. The following publications are some examples of additional conditions imposed by the Minister under subsection 147.1(5):
>
> Newsletter No. 95-LR, Quebec Simplified Pension Plans
> Newsletter No. 98-1, Simplified Pension Plans
> Newsletter No. 96-3, Flexible Pension Plans
> Newsletter No. 93-2, Foreign Service Newsletter
> Newsletter No. 00-1, Foreign Service Newsletter Update
>
> The following condition has also been imposed by the Minister under subsection 147.1(5):
>
> **Excess assets**
>
> This issue concerns excess assets under DB provisions of IPPs and designated plans where the pension coverage ceases under the provision and continues under an MP provision of the same plan. The condition we are imposing under subsection 147.1(5) is to prohibit MP contributions from being made to an IPP or designated plan if the DB actuarial surplus exceeds the limit set out in paragraph 147.2(2)(d) of the Act. In this case, the MP contribution can only be made by using DB surplus. The condition also applies where pension coverage continues under an MP provision of a separate plan.

Thus, where the DB account of the PPP® is in excess surplus, the INTEGRIS plan member is not allowed to contribute to either the DC or AVC accounts because they are classified as "MP or Money Purchase" contributions. There is, however, the ability to contribute surplus from the DB account into the DC (money purchase) account of the PPP®, which we describe earlier in this memorandum under the theme of "Cross-subsidization".

<u>What is the Regulatory Risk of the PPP® given its novelty and superior tax consequences?</u>

To answer this question, one must look at the industry as a whole and understand the motivations of the regulator.

In spite of all of its advantages, the PPP® cannot even claim to be the most tax aggressive strategy permitted by the *Income Tax Act.* In fact, the use of exempt life insurance products costs the public treasury a lot more money than PPP® s. Why? Because under an exempt life insurance solution, while premiums grow inside of the policy in the investment side account (monies not required to satisfy the

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[11] https://www.canada.ca/en/revenue-agency/services/tax/registered-plans-administrators/registered-plans-directorate-technical-manual-1.html#ddtnl5

cost of insurance component of the policy), they accumulate tax-sheltered. If these assets are pledged to a bank to open up a line of credit, the withdrawals made by the client against the line of credit are loans in nature and therefore not income. As such, indirectly, the policyholder can extract money without paying any income taxes. And upon the death of the insured person, the face value of the life insurance policy is paid tax-free to the beneficiary (typically the corporation) because life insurance proceeds are never taxed in Canada. These new windfall dollars then get credited against the capital dividend account of the corporation that purchased the policy, and these monies may be paid out tax-free to the shareholders of the company.

While each element of this strategy is legal and that CRA accepts it, from a public policy point of view, it occasions much greater tax losses for the federal government than PPP® s since PPP® pensions are fully taxed as ordinary income, and furthermore create a claw back of publicly funded pensions such as the Old Age Security pension and the Guaranteed Income Supplement.

From a public policy point of view, the PPP® shifts the burden of saving for one's retirement off the shoulders of the public taxpayer (via Welfare, OAS and GIS programs funded by general tax revenues) unto the shoulders of the private taxpayer. In effect, the future pressure on common tax revenues is lessened by having Canadians look after their own retirement, and since the higher pensions paid by PPP® s are fully-taxed (less so if pension income splitting with a spouse is in effect…) the government ends up getting the deferred taxes with interest!

If the federal and provincial governments abhorred tax planning within a regulated environment like registered pension plans, presumably they would not have enacted a number of new forms of pension arrangements in the past 10 years: Pooled Registered Pension Plans, an enhanced Canada Pension Plan, Jointly Sponsored Pension Plans, Tax Free Savings Accounts, Voluntary Retirement Savings Plans (Quebec) and the ill-fated Ontario Retirement Pension Plan (that cost the Ontario taxpayer $70,000,000 but never began operations.)

Finally, while Parliament is supreme and can rescind any laws subject to the constitution, it is important to remember that the PPP® is a registered pension plan or RPP. RPPs trace their origins to the very first Income Tax Act adopted in 1917 to help finance the First World War. The RPP rules are utilized by millions of Canadians who depend on their pension to live in old age. The civil servants, teachers and unionized workers of Canada virtually all benefit from RPPs. To eliminate those rules in order to punish PPP® clients would have political repercussions especially if the legislation only penalizes Canadians in the private sector, since, after all, it is the taxes paid by that constituency that ultimately funds the RPPs of the public sector workers.

Does the CRA accept the PPP®?

As discussed above, not only does the CRA accept and registers each INTEGRIS PPP® submitted via the formal and more rigorous registration procedure, it modified its internal policies to allow the PPP® to be granted 'specimen' treatment (automatic approval) in 2016. One should also bear in mind that the supervision of the PPP® by the CRA is ongoing. This suggests that regulatory oversight is not transitory but sustained, such that if material issues were to crop up, an early warning system would entitle our clients to take corrective measures to bring any perceived non-compliance issues to a conclusion.

The CRA is not the only government body providing surveillance over this pension plan. In provinces like Ontario, the provincial pension regulator, FSCO, is also constantly monitoring the pension plan, adding a second layer of protection for clients. Some of the provinces also require registration of the PPP®. To date, none of our PPP® s have been audited. In fact, part of the added value of INTEGRIS is to be 'super compliant' and cooperate with regulators to ensure the highest levels of statutory compliance for our clients. For example, the suggestion to make the PPP® plan text a specimen was made by INTEGRIS in 2013. While it took 3 years for the CRA to ultimately accept it, this improvement eventually came to pass and all Canadians will now be able to enjoy the power of combination pension plans under a specimen.

What if the Department of Finance attacks the PPP®?

Once legislation is passed to strip away all of the advantages that the PPP® has over the IPP, an INTEGRIS client would still have the corporate power to pass a resolution and convert the PPP® into a vanilla IPP (assuming its own underlying legislation remains intact).

The federal government is not obliged to grandfather tax structures it has blessed and approved in the past, but given the particular nature of registered pension plan (long term investments controlled by innocent third parties and regulated by multiple levels of government) the better view is that the PPP® would be grandfathered as a solution and given the opportunity to comply with any new regulatory regime imposed by Parliament.

How "novel" and untested are combination registered pension plans like the PPP®?

Ironically, not only are combination pension plans provided for in legislation that goes back over 30 years, but some very large companies have adopted this type of plan design for a long time without incident.

The FSCO Pension Plan Extract, a list of all the plans FSCO regulates in Ontario (excluding IPPs and PPP® s) provides a running tally of the combination plans and provides some information about the number of members. There are 615 combination plans covering employees at the Hudson's Bay, Toyota, Honda, RBC Dominion Securities, Manulife etc. Appendix "D" provides a partial listing of these combination plans that were the inspiration for the PPP®. Together, these combination pension provide coverage to 435,520 Ontarians. Some of these were put in place in the 1970s.

Calling combination plans “untested” and therefore ‘risky’ is therefore an overstatement.

(v) Breaking New Grounds: solicitor client privileged pension governance audits and audits of the work the actuaries.

Last but not least, the INTEGRIS PPP® offers two specialized services under its annual administration fee that actuarial firms offering IPPs don’t: solicitor-client privileged pension governance audits and an ongoing supervision of the work done by the actuaries employed to service the plan.

We review these in further detail below:

(A) Governance Audits

One of the long-term trends in Canada is a move by regulators to demand greater governance within the pension world. For example, Ontario recently adopted a requirement that administrators of pension plans consider Environmental, Social and Governance factors (“**ESG Factors**”) in determining how to invest the assets of the pension fund. This novel requirement forced all pension plans registered in Ontario to consider whether ESG Factors would form part of the investment decision-making process and to document the decision of the administrator in the Statement of Investment Policies and Procedures of the plan.

British Columbia recently decided to oblige its regulated pension plans to prepare governance policies that are meant to document how the pension plan is to be managed. Ontario has indicated it might copy the British Columbia example.

Aside from pressure from regulatory bodies, it remains ‘best practice’ for any pension plan to have a proper pension governance framework in place, as suggested by the Canadian Association of Pension Supervisory Authorities (CAPSA) and as embodied in CAPSA Guideline No. 4.

The way in which pension plan administrators exceed regulatory requirements is by performing a pension governance audit to:

- Identify the roles and responsibilities of the various actors playing a role in ensuring that the pension fund is managed properly
- Describing the decision-making process at all relevant levels
- Ensuring that documentation exists to memorialize these processes, mandates etc.
- Stress-test the system to make sure that the company or the plan members won’t be adversely affected
- Review and confirm that all plan documentation and administration is fully compliance with all applicable laws

The results of such audits typically uncover a number of areas of non-compliance. Having a pension lawyer from INTEGRIS prepare the report gives it “Solicitor Client Privilege” means that the regulatory body cannot see the contents of that report. If the report uncovers serious issues, corrective measures may be taken immediately, often before an audit is ever undertaken, to bring the plan back into compliance.

(B) Actuarial/administrative audits

The last service offered by INTEGRIS that is unique to the PPP® is the provision of audits of the work done by previous actuaries for IPPs that get upgraded to PPP® status. Because of the fragmentation of the IPP industry, individual business owners have relied on the services of small actuarial firms with limited experience and a lack of legal expertise.

Because the Canada Revenue Agency provided light oversight of plans designed for connected persons, and in the absence of an industry association, administrative practices vary from province to province and provider to provider. This means that while most IPP actuaries are well meaning and some have extensive experience with actuarial rules in the context of a pension plan, many ‘non-core’ functions were not always well understood by this community of professionals.

INTEGRIS routinely reviews the documentation produced by the previous actuaries to ascertain whether the plan is compliant with all applicable laws and regulations and more often than not, identifies administrative deficiencies that, on audit by CRA or a provincial pension regulator, would expose the plan sponsor to potential sanctions.

(vi) Funding Flexibility via the “DC Switch” mechanism

In jurisdictions where funding the plan is not optional for connected persons (SK, ON, NB, NS, Federal) having the ability to dial down contributions as set by the actuary (e.g. 24% of salary) to the minimum 1% required employer contribution rate is a substantial advantage over the IPP.

Not only does the election conserve scarce corporate cash, by not adding another year of credited service to the defined benefit component of the plan, the overall liabilities do not increase as they would normally do. Given the 7.5% prescribed rate of growth on Defined Benefit liabilities, the ‘freezing’ of accruals has this secondary beneficial impact.

While this particular feature is not relevant in “non-funding” jurisdictions for connected persons (BC, AB, MB, QC, PEI, etc.), the ability to switch between components enables a variety of tax optimization strategies already discussed in Part I, Section A above.

PART II: Common "Pain Points" and Uses of the PPP® to remedy them

Business owners are constantly facing challenges in the running of their corporations. When it isn't environmental, labour or competitive issues, taxation or legal matters drive up the costs of operation.

To make matters worse, since business owners do not work for a government or large company, they must fend for themselves and plan for their retirement while struggling to make the payroll. Advisors who support this constituency receive calls for help across multiple dimensions. We review some of the common 'pain points' of the entrepreneurial class and how advisors who understand PPP® s can now provide partial or full solutions.

1) Sale of assets

Situation: client has finally found a buyer for the crown jewels of the business, but is unwilling to purchase the shares because of liabilities attaching to the company. Some of these assets will trigger recaptured depreciation which imposes a tax burden on the company selling its assets.

Solution: by establishing a PPP® and recognizing past service and terminal funding to retire early, post-sale, the cash provided by the purchaser of the assets will be used to contribute to the pension plan (PPP®). The corporate tax deductions thus claimed by said contributions offset (or even eliminate) the tax created by the recapture of depreciation.

Result: Instead of being trapped in the corporation, or paid out in corporate taxes, the purchaser's money now grows tax sheltered in the shareholder's PPP® account and can be income split with the spouse of the shareholder/member. The capital thus invested is not subjected to passive income tax rules inside the corporation (which by now is more a holding company since it has divested itself of its productive assets via the sale).

2) Sale of shares

Situation: client has found a buyer for her shares and she wants to trigger the lifetime capital gains exemption within the 2-year period of the sale. She must ensure that her company is 'purified' of passive assets in order for her to qualify for the $840,000 + capital gains exemption.

Solution: by establishing a PPP® and recognizing past service and terminal funding, the passive assets that were tainting the corporation's status as a qualifying small business corporation are now removed and the exemption can be triggered.

Result: not only is the company qualified for the exemption ($848,000 in taxes saved on the capital gain), the company itself claims a tax refund. The ex-passive assets are now compounding tax-sheltered for many years within the PPP®. The monthly pension amount is also eligible for pension-income splitting and the annual $4000 non-refundable pension amount credit for the couple as early as age 55. (RRIF income can only be income split at 65)

3) Creditor protection

Situation: client is a risky business where lawsuits abound. The litigious nature of the business means that a successful judgment against the business owner could result in execution by the sheriff.

Solution: client decides early on to put a PPP® in place for himself and his family members. The annual contributions made by the company amount to $100,000. If the company goes into receivership, the $100,000 current service cost owned to the PPP® will rank as a super creditor and rank above the claims of secured creditors of the company.

Result: The family members see their wealth enhanced by another $100,000 before other creditors are allowed to seize the remaining assets of the company. The sheriff is not allowed to collapse the PPP® to get to the cash accumulated over the years because of the statutory protection given to registered pension plans.

4) Morneau tax measures

Situation: the accountant of the business owner has always counselled against taking a salary and to rather pay the low corporate tax rate and then invest the rest at the corporate level or in a holding company. Because substantial sums of money now sit in passive investments of the holding company, the $500,000 small business advantage is being eroded by the passive income above the $50,000 safe limit.

Solution: by establishing a PPP® and purchasing past service and contributing more each year than under RRSP rules (and with the help of special payments), passive assets that were creating a "Morneau tax problem" are being removed from the holding company and are creating tax deductions within the operating company.

Results: protection of the $500,000 small business limit tax rate. New tax deductions within the operating company (for contributions and for interest paid to the holding company). As a side benefit, this is also preparing the operating company for the purification process in case the shareholder wishes to trigger the lifetime capital gains exemption. The ex-passive assets now grow tax sheltered within the PPP® environment for years to come.

5) By-passing the 'deemed disposition' On death

Situation: in a family business, the widow working in the business with her daughter passes away and leaves her RRSP to her daughter. The 'deemed disposition' rules of the *Income Tax Act* (Canada) will create tax in the estate of the widow, such that the daughter will only get a fraction of the funds that had been accumulated over decades.

Solution: create a family PPP® where both the widow and the daughter participate in the same plan. Upon retirement, if the widow passes on, the large sums of money in the PPP® earmarked to pay her pension (that has ceased since she has no spouse) are considered pension surplus and trapped within the PPP®. Her daughter is still a plan member and as such she has a legal right to call upon some of that surplus to fund her own pension entitlement over the next 30 years of working for the business.

Result: immediate taxation is bypassed. Wealth transfers across generations seamlessly. Since the funds did not flow via the estate of the widow, there are no probate fees either.

6) Leaving the government with a large pension entitlement…

Situation: employee working for the government decides to join the family business. Because of employment with the province, or municipality, employee is entitled to a sizeable commuted value. Because of income tax regulation 8517, only a fraction of this pension money can flow tax-sheltered into a LIRA. The rest is taxed at the person's marginal rate (say 50% loss).

Solution: so long as the employee is entitled to receive a salary of comparable level from the family business he or she joins, the family business sets up a PPP®. The entire commuted value transfers from the governmental plan into the Defined Benefit component of the PPP® tax sheltered, since income tax regulation 8517 does not apply between DB transfers.

Result: employee has significantly more assets than had the LIRA been selected. Employee also has control over how the pension assets are to be invested. If other family members are added to the PPP®, upon the death of the employee, those family members avoid the deemed disposition that will impact the LIRA.

7) Company is, on audit, reclassified as a Personal Service Business….(e.g. IT professionals)

Situation: In certain industries such as Information Technology and Oil and Gas Resource Extraction, individuals are asked to form corporations and act as 'contractors' instead of traditional employees. This removes employment payroll tax responsibilities for the larger entities using contractors and is a more flexible way of doing business in often cyclical employment.

The income tax rules do state that where a corporation only has 1 client, it may qualify as a 'personal service corporation' which triggers a host of tax consequences:

- Inability of the company to rely on the small business corporate tax rate
- Most normal business expenses are disallowed.

To make matters worse, most contractors operating personal corporations only find out on audit by the CRA that they are a personal service business. This means that tax deductions claimed might be disallowed and on re-assessment large amounts of tax would become owing.

This begs the question of which corporate taxes are legitimate and can still be claimed by a personal service corporation? These are:

- Salaries paid (since those get taxed at marginal personal rates)
- Premiums for employee benefits (dental, etc.)
- Contributions to registered pension plans (like the PPP®)

Solution: Set up a PPP®.

Result: Thus, if a personal service corporation is able to move most or all of its retained earnings into a PPP® and the company is audited by the CRA and found in Tax Court to be a personal service corporation, all of the deductions taken by the company would be legitimate.

This dramatically reduces the adverse consequences of the audit.

8) Client Decides to become a Non-Resident of Canada and faces the 'departure tax'.

Situation: Client has decided to move to another country to retire and will become a non-resident of Canada. Under the Income Tax Act, a special 'deemed disposition' will be triggered based on the assets of the client, except for 'exempt assets'.

Solution: Establishment of a PPP® means that pension assets will be exempt assets should the individual decide to become a non-resident.

Result: The monies set aside for retirement will not be taxed. As an additional bonus, the taxes withheld by Canada on the pension payments will be based on non-resident rates (25% or lower if a tax treaty exists with Canada dealing with reducing this rate).

9) Client is a US person and faces additional forms because has assets in Canada

Situation: Client happens to also be a "US Person" due to citizenship, birth in the US or other reasons. Under US Tax laws, the client must report foreign assets held in RRSPs, TFSAs etc. using various IRS prescribed forms.

Solution: The PPP® is a superannuation plan under the Canada US Tax Convention and as such exempted from the various IRS requirements[12]. It is not treated differently from participating in a regular employer-sponsored registered pension plan (e.g. Teachers, OMERS, GM Pension Plan etc.)

Result: The likelihood of facing administrative penalties under US tax laws for failure to report 'foreign' assets is reduced when RRSP assets are transferred into the AVC component of the PPP®.

***

[12] US Tax law matters are outside of the scope of this memorandum. Readers must consult with US tax lawyers licensed to opine on US tax and pension matters to satisfy themselves that the PPP continues to provide tis tax treatment.

APPENDIX "A"

ADDITIONAL TAX DEDUCTIONS PPP® CLIENTS UNAVAILABLE TO RRSP CLIENTS

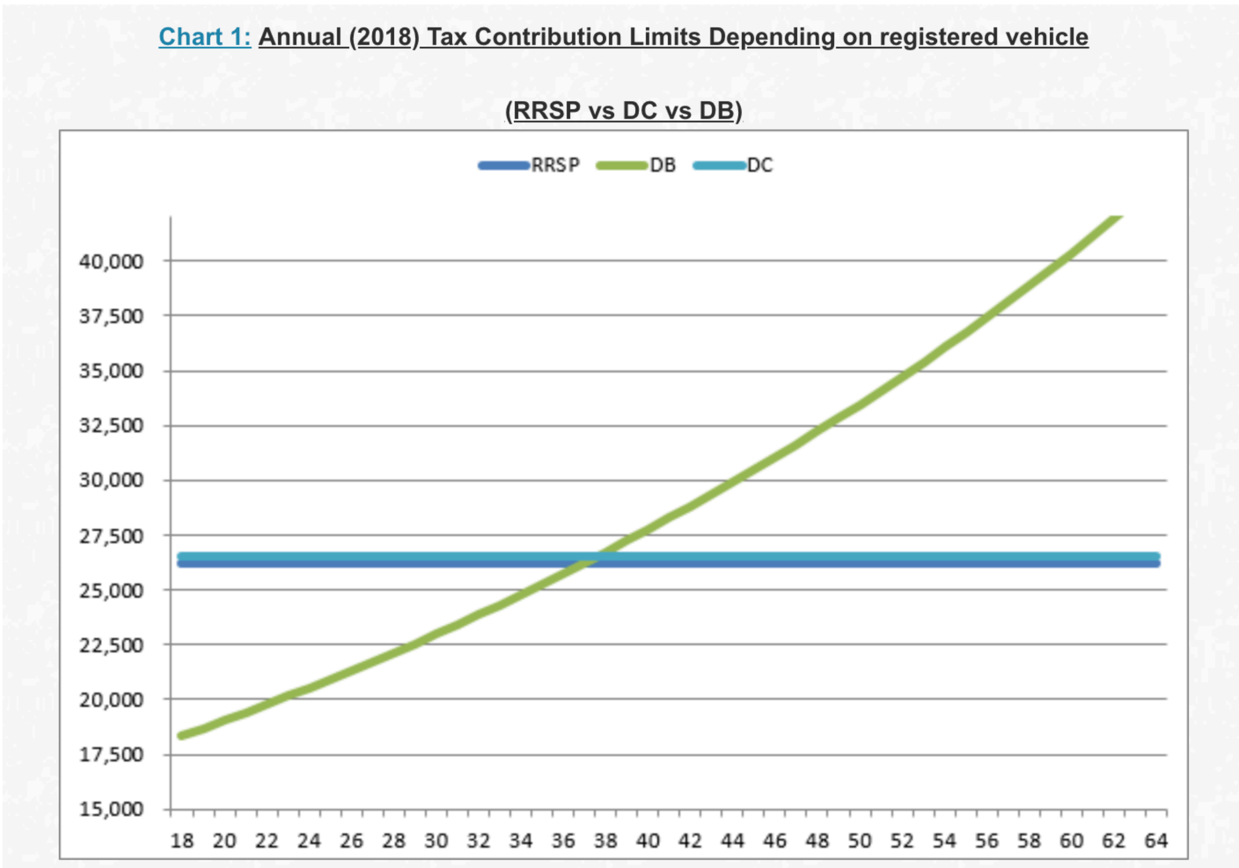
Type of Deduction	Application	Who Claims the Deduction?	Typical Amount of Deduction
Buy Back of Past Service (1 time)	Used to fund the cost of enhancing the pension benefits promised to the member by retroactively 'buying back' years of credited service.	Corporation. Can be amortized over time.	$30,000 - $200,000
Terminal Funding (1 time)	Used to fund the cost of enhancing the pension benefits of a member who decides to retire early and seeks to index the benefits to inflation.	Corporation. Can be amortized over time.	$55,000 - $1,000,000
RRSP Double Dip (1 time)	In the year that the PPP® is established, Member can claim a deduction for the PPP® and their RRSP	Member.	$6,540 to $26,230 (Will depend income of Member in the year 1990, if any)
Annual Contributions[13] **(current service cost)**	Contributions exceed the RRSP maximum limits every year and keep growing with age.	Corporation, but could also be 50% Member and 50% Corporation. Special rules for DC account.	$730 to $18,231 more than the RRSP Max. [Range: $26,500 to $43,532]
Deductions for fees (including Investment Management Fees)	Permitted under Income Tax Act Section 18(1)(a)	Corporation.	Varies with quantum of fees under the plan.
Interest on borrowed funds to contribute to PPP®	Permitted under Income Tax Act, under general interest deduction rules	Corporation.	Varies with quantum of interest

[13] See Appendix "B" for a comparison of the various tax contribution limits for 2018.

Type of Deduction	Application	Who Claims the Deduction?	Typical Amount of Deduction
			paid to lenders (if any)
Special Payments (every 3 years)	Applicable when assets in the DB component of the PPP® do not yield the prescribed 7.5% rate of return expectation.	Corporation.	Grows with the size of the liabilities and depends on actual rate of return of assets in pension fund.

APPENDIX "B"

2018 CONTRIBUTION LIMITS



APPENDIX "C"

LETTER FROM THE CANADA REVENUE AGENCY MAKING IT POSSIBLE FOR INTEGRIS TO SUBMIT A SPECIMEN PLAN TEXT FOR ITS PPP® ...

Canada Revenue Agency | Agence du revenu du Canada

INTEGRIS Pension Management Corp.
940 The East Mall, Suite 110
Toronto ON M9B 6J7

Attention: Jean-Pierre A. Laporte, CEO

October 6, 2016

Dear Mr. Laporte:

Re: Specimen pension plans

If you currently use standard wording in your plan terms, you are the ideal candidate to adopt the specimen process. RPP specimens are an efficient, reliable and cost-effective way to administer your pension plan files.

The advantages of using specimens include the certainty that plan terms have been accepted, and the need to amend only one document in the event of plan changes (including those required by legislative change).

We've recently updated Newsletter No. 95-6R1, *Specimen Pension Plans – Speeding up the Process*. One of the changes has further simplified the process for consultants and plan administrators. Now, when a specimen is amended, we no longer require a separate Form T920, *Application to Amend a Registered Pension Plan*, for each registered pension plan based on the specimen.

In addition, a specimen can now be used for all types of pension plans, including combination plans.

.../2

Registered Plans Directorate, Ottawa, ON K1A 0L5
www.cra.gc.ca/rpd

Canada

We encourage you to review the newsletter to see how to get your specimen approved. It can be found on our website at cra.gc.ca/rpd under "Newsletters and technical manual."

Please direct any questions about how to set up your new specimen to our general enquiries line at 1-800-267-3100.

If you are not the right person to be receiving this message, please forward this letter to the appropriate person or area of your organization.

Sincerely,

Allan Robusky
Manager, Registration Group
Registration Division
Registered Plans Directorate

APPENDIX "D"

[SAMPLE ENTRIES (NON EXHAUSTIVE LISTING)]

COMBINATION PLANS IN ONTARIO on PENSION EXTRACT

plan_no	plan name	effective date	plan type	benefit type	plan status	total membership	sponsor name
200907	Morguard Corporation Employees' Retirement Plan	11/30/1956	Single-Employer	Combination DB / DC	Active	1014	Morguard Corporation
205690	BWXT Canada Ltd. Salaried Employees' Retirement Plan	01/01/1966	Single-Employer	Combination DB / DC	Active	468	BWXT Canada Ltd.
207290	Staff Pension Plan of Chartered Professional Accountants of Ontario	09/01/1989	Single-Employer	Combination DB / DC	Active	281	Chartered Professional Accountants of Ontario
208595	The Employees' Pension Plan of Rexel North America Inc.	01/01/1964	Single-Employer	Combination DB / DC	Active	1654	Rexel North America Inc.
209528	Pension Plan for Employees of OUTFRONT Media Canada LP	01/01/1974	Single-Employer	Combination DB / DC	Active	253	OUTFRONT Media Canada LP
210070	Rio Algom Limited Pension Plan for Salaried Employees	01/01/1966	Single-Employer	Combination DB / DC	Winding Up	11	Rio Algom Limited
210328	Pension Plan For the Employees of the Art Gallery Of Ontario	07/01/1956	Single-Employer	Combination DB / DC	Active	437	Art Gallery of Ontario
211243	The Pension Plan for Employees of FLSmidth Ltd.	06/01/1968	Single-Employer	Combination DB / DC	Active	38	FLSmidth Ltd.
211425	Pension Plan for Employees of Economical Mutual Insurance Company	04/01/1939	Single-Employer	Combination DB / DC	Active	2536	Economical Mutual Insurance Company
211771	Stackpole International Retirement Plan	01/01/1976	Single-Employer	Combination DB / DC	Active	1178	Stackpole Powertrain International ULC
212159	Spicers Canada Pension Plan for Employees	12/01/1953	Single-Employer	Combination DB / DC	Active	471	Spicers Canada ULC
213736	Steelcase Canada Ltd. Revised Pension Plan	03/01/1964	Single-Employer	Combination DB / DC	Active	64	Steelcase Canada Ltd.
214197	Sales Force Management Pension Plan of Sun Life Assurance Company of Canada	02/07/1957	Single-Employer	Combination DB / DC	Active	317	Sun Life Assurance Company of Canada
214585	Willis Towers Watson Canada Retirement Income Plan	01/01/1964	Single-Employer	Combination DB / DC	Active	1014	Towers Watson Canada Inc.
214668	Kraft Canada Inc. Retirement Plan for Canadian Salaried Employees	09/01/1934	Single-Employer	Combination DB / DC	Winding Up	508	Kraft Heinz Canada ULC
214981	Pension Plan for Employees of Merrill Lynch Canada Inc.	01/01/1966	Single-Employer	Combination DB / DC	Active	14	Merrill Lynch Canada Inc.
215038	Pension Plan for Employees of National Steel Car Limited (Amended and Restated effecti	07/01/1965	Single-Employer	Combination DB / DC	Active	1655	National Steel CarLimited
215426	Ontario Medical Association Pension Plan	01/01/1955	Single-Employer	Combination DB / DC	Active	368	Ontario Medical Association
215772	Aon Canada Inc. Pension Plan for Employees	01/01/1969	Single-Employer	Combination DB / DC	Active	2511	AON Canada Inc.
216572	The Retirement Plan for Employees of Baxter Corporation	01/01/1971	Single-Employer	Combination DB / DC	Active	800	Baxter Corporation
217372	Pension Plan For Employees Of Hatch Ltd.	12/31/1960	Single-Employer	Combination DB / DC	Active	2842	Hatch Ltd.
217828	Pension Plan for Employees of Aviscar Inc. and Associated Companies	01/01/1960	Single-Employer	Combination DB / DC	Active	123	Aviscar Inc.
218420	Pension Plan for the Employees of S. A. Armstrong Limited	07/01/1957	Single-Employer	Combination DB / DC	Active	296	S.A. Armstrong Limited
218750	Pension Plan for Employees of Atlas Copco Canada Inc.	04/01/1952	Single-Employer	Combination DB / DC	Active	637	Atlas Copco Canada Inc.
220459	Pension Plan for Employees of SUEZ Water Technologies & Solutions Canada	07/01/1960	Single-Employer	Combination DB / DC	Active	656	SUEZ Water Technologies & Solutions Canada
222257	Retirement Plan for Salaried Employees of Georgia-Pacific Canada LP	12/31/1981	Single-Employer	Combination DB / DC	Active	23	Georgia-Pacific Canada LP
222695	Honeywell ASCa Inc. Retirement Plan For Salaried Employees	11/01/1962	Single-Employer	Combination DB / DC	Active	6	Honeywell ASCa Inc.
223297	The Boiler Inspection and Insurance Company of Canada Employees' Retirement Plan	12/31/1961	Single-Employer	Combination DB / DC	Active	152	The Boiler Inspection and Insurance Company of Canada
223602	Pension Plan for the Employees of the Hincks-Dellcrest Treatment Centre	01/01/1974	Single-Employer	Combination DB / DC	Active	124	The Hincks-Dellcrest Treatment Centre
223826	Retirement Plan for Salaried Employees of Arterra Wines Canada, Inc.	01/01/1972	Single-Employer	Combination DB / DC	Active	616	Arterra Wines Canada, Inc.
224170	Pension Plan for the Employees of The Bishop Strachan School (Part A and Part B)	07/01/1952	Single-Employer	Combination DB / DC	Active	92	The Bishop Strachan School
224212	Pension Plan for Salaried Employees of Bissell Canada Corporation	01/01/1992	Single-Employer	Combination DB / DC	Active	10	Bissell Canada Corporation
224733	Pension Plan for Employees of Scouts Canada	04/01/1950	Single-Employer	Combination DB / DC	Active	166	Scouts Canada
226787	Pension Plan for the Salaried Employees of National Concrete Accessories Company Inc.	07/01/1949	Single-Employer	Combination DB / DC	Winding Up	199	National Concrete Accessories Company Inc.
227033	Pension Plan for the Employees of Nova Scotia Corporation Number 3078632 and its Affili	01/01/1998	Single-Employer	Combination DB / DC	Active	2838	Emco Corporation
227694	Pension Plan of Chartered Professional Accountants of Canada	09/01/1955	Single-Employer	Combination DB / DC	Active	390	Chartered Professional Accountants of Canada
228015	K+S Windsor Salt Ltd. Employees' Pension Plan	12/31/1951	Single-Employer	Combination DB / DC	Active	677	K+S Windsor Salt Ltd.
228304	Pension Plan for Employees of ICI Canada Inc. and Participating Associated Companies	07/01/1954	Single-Employer	Combination DB / DC	Active	17	PPG Architectural Coatings Canada Inc.
228460	Pension Plan for Employees of Campbell Company of Canada	07/01/1938	Single-Employer	Combination DB / DC	Active	593	Campbell Company of Canada
228502	Pension Plan for Employees of the Canadian Seed Growers Association	01/01/1949	Single-Employer	Combination DB / DC	Active	9	Canadian Seed Growers' Association
228544	Pension Plan for Salaried Employees of Diageo Canada Inc.	07/01/1970	Single-Employer	Combination DB / DC	Active	236	Diageo Canada Inc.
229047	The Canadian Medical Association Pension Plan	09/01/1951	Single-Employer	Combination DB / DC	Active	1865	Canadian Medical Association
229153	Retirement Plan for Employees of Sunbeam Corporation (Canada) Limited	12/01/1958	Single-Employer	Combination DB / DC	Active	89	Sunbeam Corporation (Canada) Limited
229344	Pension Plan For Employees of Transportation Association of Canada and Its Associated o	09/28/1952	Single-Employer	Combination DB / DC	Active	28	Transportation Association of Canada
229799	Lafarge Canada Inc. Salaried Employees' Pension Plan	10/01/1967	Single-Employer	Combination DB / DC	Active	1103	Lafarge Canada Inc.
229864	Retirement Plan for Salaried Employees of Canada Bread Company, Limited and Subsidia	06/01/1946	Single-Employer	Combination DB / DC	Active	1211	Canada Bread Company, Limited
231761	Xylem Canada Company Pension Plan	01/01/1966	Single-Employer	Combination DB / DC	Active	222	Xylem Canada Company
231878	CNIB Pension Plan	01/01/1955	Single-Employer	Combination DB / DC	Active	556	CNIB
232124	Canadian Bank Note Company, Limited Employees' Pension Plan	07/01/1957	Single-Employer	Combination DB / DC	Active	858	Canadian Bank Note Company, Limited
232546	Pension Plan for Salaried Employees of Carlton Cards Limited	08/01/1960	Single-Employer	Combination DB / DC	Active	141	Carlton Cards Limited
232785	The Canadian Red Cross Pension Plan	01/01/1959	Single-Employer	Combination DB / DC	Active	1233	The Canadian Red Cross Society
232827	Revised Pension Plan for the Employees of Canadian Cancer Society and Affiliated Organi	01/01/1949	Single-Employer	Combination DB / DC	Active	822	Canadian Cancer Society
233056	Staff Employees' Pension Plan of Redpath Sugar Ltd.	01/01/1961	Single-Employer	Combination DB / DC	Active	120	Redpath Sugar Ltd
233064	Pension Plan for Employees of the Canadian Life and Health Insurance Association Inc.	01/01/1942	Single-Employer	Combination DB / DC	Active	59	Canadian Life and Health Insurance Association Inc.
233080	Canada Colors and Chemicals Limited and Associated Companies Employees' Pension Pla	01/01/1961	Single-Employer	Combination DB / DC	Active	325	Canada Colors And Chemicals Limited
233213	Canadian General Electric Pension Plan	01/01/1938	Single-Employer	Combination DB / DC	Active	4324	General Electric Canada
233726	Xerox Canada Employees' Retirement Plan	01/01/1962	Single-Employer	Combination DB / DC	Active	2802	Xerox Canada Inc.
233734	Ernst & Young Pension Plan	09/01/1950	Single-Employer	Combination DB / DC	Active	2182	Ernst & Young LLP
233957	Pension Plan for Employees of the College of Nurses of Ontario	04/01/1971	Single-Employer	Combination DB / DC	Active	179	College Of Nurses Of Ontario
234260	The Pension Plan for IUDC Employees of the Mission Systems Division of General Dynami	11/01/1955	Single-Employer	Combination DB / DC	Active	110	General Dynamics Land Systems - Canada Corporation
234294	Pension Plan for Employees of the Society of Composers, Authors and Music Publishers of	01/01/1961	Single-Employer	Combination DB / DC	Active	256	Society of Composers, Authors and Music Publishers of Canada
235523	Aviva Canada Inc. Pension Plan	12/22/1964	Single-Employer	Combination DB / DC	Active	4239	Aviva Canada Inc.
235804	Pension Plan for Employees of Intact and Its Affiliated Companies (formerly Halifax Plan)	01/01/1969	Single-Employer	Combination DB / DC	Active	1180	Intact Financial Corporation
235853	Registered Pension Plan A for Employees of Primerica Financial Services (Canada) Ltd.	01/01/1956	Single-Employer	Combination DB / DC	Active	220	Primerica Financial Services (Canada) Ltd.
236000	Pension Plan for Employees of The College of Family Physicians of Canada	02/01/1965	Single-Employer	Combination DB / DC	Active	141	The College of Family Physicians of Canada
236398	Retirement Income Plan for Employees of UTC Fire & Security Canada	10/01/1961	Single-Employer	Combination DB / DC	Active	731	UTC Fire & Security Canada
236729	Colgate-Palmolive Canada Inc. Pension Plan	07/01/1949	Single-Employer	Combination DB / DC	Active	127	Colgate-Palmolive Canada Inc
237164	Revised Pension Plan for NEI Salaried Employees of Rolls-Royce Canada Limited	01/01/1960	Single-Employer	Combination DB / DC	Active	143	Rolls-Royce Canada Limited
239053	John Crane Canada Inc. Retirement Pension Plan for United Steelworkers of America Emp	08/17/1973	Single-Employer	Combination DB / DC	Winding Up	59	John Crane Canada Inc
239061	Pension Plan for Non-Bargaining Salaried Employees of Crane Canada Co.	01/01/1964	Single-Employer	Combination DB / DC	Active	474	Crane Canada Co
240465	The Retirement Plan for Salaried Employees of Del Equipment Limited	12/15/1947	Single-Employer	Combination DB / DC	Active	58	Del Equipment Limited
240481	Nuance Communications Pension Plan	05/01/1952	Single-Employer	Combination DB / DC	Winding Up	340	Nuance Communications Canada, Inc.
240606	RBC Dominion Securities Pension Plan	01/01/1963	Single-Employer	Combination DB / DC	Active	6531	RBC Dominion Securities Inc.
240952	The Dominion of Canada General Insurance Company Staff Pension Plan (2008)	12/30/1944	Single-Employer	Combination DB / DC	Winding Up	1158	The Dominion of Canada General Insurance Company
241174	de Havilland/BRAD Salaried Employees Pension Plan	06/01/1972	Single-Employer	Combination DB / DC	Active	1581	Bombardier Inc.
241273	Pension Plan for Employees of Parsons Inc.	10/31/1962	Single-Employer	Combination DB / DC	Active	690	Parsons Inc.
241992	Lafarge Canada Inc. Non-Salaried Employees' Pension Plan	01/01/1987	Single-Employer	Combination DB / DC	Active	390	Lafarge Canada Inc.
242008	O-I Canada Corp. Pension Plan I	10/01/1956	Single-Employer	Combination DB / DC	Active	139	O-I Canada Corp.
242016	Pension Plan for Employees of Enbridge Gas Distribution Inc. and Affiliates	01/01/1971	Single-Employer	Combination DB / DC	Active	2194	Enbridge Gas Distribution Inc.
243253	The Planned Security Program For Employees of The Cumis Group Limited	06/01/1962	Single-Employer	Combination DB / DC	Active	293	The CUMIS Group Limited
244046	Safran Landing Systems Canada Inc. Retirement Plan for Management and Executive Emp	04/04/1963	Single-Employer	Combination DB / DC	Active	85	Safran Landing Systems CanadaInc.
244608	Pension Plan for Employees of Timothy Eaton Memorial Church	12/01/1951	Single-Employer	Combination DB / DC	Active	7	Timothy Eaton Memorial Church

245415 The John Deere Canadian Pension Plan 04/01/1955
Single-Employer Combination DB / DC Active 724 John Deere
Canada ULC 245688 Pension Plan for Salaried Employees of Solvay Canada Inc. 02/01/1951
Single-Employer Combination DB / DC Active 9 Solvay Canada Inc.
246058 Pension Plan for Professional Staff of Lakehead University 09/01/1965 Single-Employer Combination DB / DC Active 473 Lakehead University
246322 Owens Corning Canada Consolidated Retirement Plan 06/01/1967 Single-
Employer Combination DB / DC Active 418 Owens Corning
Canada GP Inc. 246355 Fetherstonhaugh L.P. Employees' Pension Plan 07/01/1948 Single-
Employer Combination DB / DC Active 190 Fetherstonhaugh
L.P.
247320 Pension Plan for Salaried Employees of Alfa Laval Inc. 02/01/1958 Single-Employer Combination DB / DC Active 82 Alfa Laval Inc.
248013 The Group Pension Plan for the Employees of The Equitable Life Insurance Company of Ca 01/01/1942 Single-Employer Combination
DB / DC Active 636 The Equitable Life Insurance Company
of Canada 248393 Employees' Retirement Plan of Coca-Cola Ltd. 12/31/1948 Single-Employer
Combination DB / DC Active 320 Coca-Cola Ltd.
248690 The Empire Life Insurance Company Staff Pension Plan 12/01/1942 Single-Employer Combination DB / DC Active 790 The Empire Life Insurance
Company
250548 Pension Plan for Salaried Employees of Cooper-Standard Automotive Canada Limited 07/01/1969 Single-Employer
Combination DB / DC Active 416 Cooper-Standard Automotive
Canada Limited 251629 Revised Balanced Retirement Income Plan for Employees of Griffith Laboratories Ltd. 12/01/1960 Single-
Employer Combination DB / DC Active 292 Griffith Laboratories Ltd
252247 Pension Plan for Employees of ERIKS Industrial Services LP 02/01/1961 Single-Employer Combination DB / DC Active 119 ERIKS Industrial Services LP
252908 Salaried Pension Plan for Employees of GCAN Insurance Company and Associated Particip 06/01/1959 Single-Employer Combination DB / DC Active 23 Royal & Sun Alliance Insurance
Company of Canada
254151 Pension Plan for the Union Employees of Gunther Mele Limited 01/01/1971 Single-Employer Combination DB / DC Active 25 Gunther Mele Limited
254532 Pension Plan for Employees of H.B. Fuller Canada and its Associated Company 01/11/2001 Single-Employer Combination DB / DC Active 12 H.B. Fuller Canada
254813 1977 Pension Plan For Employees of Gore Mutual Insurance Company 01/01/1943 Single-Employer Combination DB / DC Active 329 Gore Mutual Insurance Company
254854 The Retirement Plan for Employees of McCormick Canada 01/01/1976 Single-Employer Combination DB / DC Active 551 La Cie McCormick Canada Co.
255216 Schneider Electric Canada Inc. Salaried Employees Pension Plan 01/01/1960 Single-Employer Combination DB / DC Active 1875 Schneider Electric Canada Inc.
256362 Gates Canada Inc. Retirement Plan for Brantford Employees 01/01/1958 Single-Employer Combination DB / DC Active 89 Gates Canada Inc
256743 Pension Plan for Employees of Glaxo Wellcome Inc. 03/01/1962 Single-Employer Combination DB / DC Active 508 GlaxoSmithKline Inc.
257584 Retirement Plan for Non-Union Salaried Employees of Lear Canada 12/31/1957 Single-Employer Combination DB / DC Active 129 Lear Canada
257774 The Retirement Plan for Employees of Sealed Air Canada and Affiliates 07/01/1959 Single-Employer Combination DB / DC Active 406 Sealed Air (Canada) Co./Cie.
258053 The Hospital For Sick Children Employee Pension Plan 05/01/1955 Single-Employer Combination DB / DC Active 5313 Hospital For Sick Children
258186 Retirement Plan for Employees of John Howard Society of Ontario, Its Affiliates and Parti 06/01/1954 Single-Employer Combination DB / DC Active 317 John Howard Society Of Ontario
258566 Pension Plan for Salaried Employees of Houghton Canada Inc. 12/31/1963 Single-Employer Combination DB / DC Winding Up 21 Houghton Canada Inc.
259556 Mondelez Canada Inc. Trusteed Hourly Retirement Plan 05/01/1946 Single-Employer Combination DB / DC Active 933 Mondelez Canada Inc.
259598 Retirement Plan for Toronto Hourly Employees of ACCO Brands Canada LP 12/01/1962 Single-Employer Combination DB / DC Active 56 ACCO Brands Canada LP
260281 Pension Plan for Employees of Hershey Canada Inc. 07/01/1962 Single-Employer Combination DB / DC Active 106 Hershey Canada Inc.
262576 Pension Plan for the Salaried Employees of IMT 10/01/1960 Single-Employer Combination DB / DC Active 73 IMT Partnership
263335 The Retirement Benefit Plan for Hourly Paid Employees of The International Group, Inc. 09/01/1955 Single-Employer Combination DB / DC Active 54 The International Group, Inc.
264671 MERSEN Canada Toronto Inc. Retirement Plan 01/01/1966 Single-Employer Combination DB / DC Winding Up 107 MERSEN Canada Toronto Inc.
264713 The Retirement Plan for Employees of PricewaterhouseCoopers 10/01/1962 Single-Employer Combination DB / DC Active 2704 PricewaterhouseCoopers LLP
264796 Whirlpool Canada LP Pension Plan for Salaried Non-Union Employees 01/01/1958 Single-Employer Combination DB / DC Active 248 Whirlpool Canada LP
264861 Retirement Benefit Plan for the Employees of The Insurance Institute of Canada and Parti 01/01/1965 Single-Employer Combination DB / DC Active 113 The Insurance Institute of Canada
264945 Pension Plan for the Employees of S. C. Johnson and Son, Limited 03/01/1940 Single-Employer Combination DB / DC Active 375 S. C. Johnson and Son, Limited
265090 The Pension Plan for Employees of G.N. Johnston Equipment Co. Limited (Ltee) 05/01/1962 Single-Employer Combination DB / DC Active 763 G.N. Johnston Equipment Co. Limited (LtÈe)
266189 AstenJohnson, Inc. Pension Plan for Salaried Employees 01/01/1999 Single-Employer Combination DB / DC Active 99 AstenJohnson, Inc.
267013 Retirement Plan of Laurentian University of Sudbury and its Federated and Affiliated Univ 09/01/1962 Single-Employer Combination DB / DC Active 999 Laurentian University Of Sudbury
271247 FortisOntario Inc. Employees' Retirement Plan 09/01/1941 Single-Employer Combination DB / DC Active 81 FortisOntario Inc.
271833 UPS SCS, Inc. Employees' Pension Plan 12/01/1959 Single-Employer Combination DB / DC Active 1237 UPS SCS, Inc.
273565 The Canadian Staff Pension Plan of the Manufacturers Life Insurance Company 01/01/1925 Single-Employer Combination DB / DC Active 12061 The Manufacturers Life Insurance Company
273755 The Retirement Plan of Eli Lilly Canada Inc. 01/01/1952 Single-Employer Combination DB / DC Active 550 Eli Lilly Canada Inc.
273953 Pension Plan for Salaried Employees of TFAAC 12/15/1960 Single-Employer Combination DB / DC Active 41 The Financial Advisors Association of Canada
274134 Mack Volvo Canada Retirement Plan 09/15/1964 Single-Employer Combination DB / DC Active 52 Volvo Group Canada Inc.
274498 Pension Plan for Employees of The War Amputations of Canada - Key Tag Service 01/01/1952 Single-Employer Combination DB / DC Active 96 War Amputations of Canada - Key Tag Service
274779 Pension Plan For Employees Of Lincoln Electric Company Of Canada LP and Associates 06/01/1952 Single-Employer Combination DB / DC Active 307 Lincoln Electric Company of Canada LP
276022 The Flexible Retirement Plan for Employees of The Canadian Subsidiaries of Marsh & McL 01/01/1963 Single-Employer Combination DB / DC Active 2706 Marsh & McLennan, William M Mercer
276741 Pension Plan for Employees of Bayer Inc. 01/01/1959 Single-Employer Combination DB / DC Active 836 Bayer Inc.
277566 Pension Plan for Employees of Siemens Milltronics 11/01/1973 Single-Employer Combination DB / DC Active 280 Siemens Canada Limited
281006 Wajax Limited Pension Plan 07/01/1959 Single-Employer Combination DB / DC Active 2121 Wajax Limited
281733 Thomson Reuters Canada Limited Pension Plan 03/31/1948 Single-Employer Combination DB / DC Active 1246 Thomson Reuters Canada Limited
282673 Honeywell ASCa Inc. Pension Plan 'D' 07/01/1943 Single-Employer Combination DB / DC Funds in Existence 206 Honeywell ASCa Inc.
284398 Retirement Pension Plan for Ontario Based Employees of Central 1 Credit Union 09/01/1962 Single-Employer Combination DB / DC Active 93 Central 1 Credit Union
284760 Recreation Association of the Public Service of Canada Employees' Pension Plan 09/01/1962 Single-Employer Combination
DB / DC Active 37 Recreation Association of the Public Service of
Canada 285015 Communication Technologies Credit Union Limited Staff Pension Plan 01/01/1951 Single-Employer Combination
DB / DC Active 36 Comtech Fire Credit Union Limited
286294 Pension Plan for Salaried Employees of Nacan Products Limited and its Associated and Su 07/01/1971 Single-
Employer Combination DB / DC Active 9 Henkel Canada Corporation
286310 National Silicates Partnership Retirement Plan 05/01/1963 Single-
Employer Combination DB / DC Active 106 National Silicates
Partnership
286377 Retirement Annuity Plan for Employees of the Ontario Mutual Insurance Association and 01/01/1974 Single-Employer Combination DB / DC Active 998 Ontario Mutual Insurance
Association
286898 ACNielsen Pension Plan 09/01/1955 Single-Employer Combination DB / DC Active 553 ACNielsen Company of Canada
287664 Nestle Salaried Employees Pension Plan 01/01/1952 Single-Employer Combination DB / DC Active 1735 Nestle Canada Inc.
288233 The Pension Plan for Hourly Employees of Inscape Corporation 01/01/1966 Single-Employer Combination DB / DC Active 86 Inscape Corporation
289488 Salaried Employees' Pension Plan of Voith Fabrics Canada Inc. 08/01/1950 Single-Employer Combination DB / DC Active 36 Voith Canada Inc.
291005 Rothmans, Benson & Hedges Inc. Pension Plan for Salaried Employees 05/01/1961 Single-Employer Combination DB / DC Active 540 Rothmans, Benson & Hedges Inc.
291179 Pension Plan for Employees of The Pepsi Bottling Group (Canada), Co. 11/01/1953 Single-Employer Combination DB / DC Active 1482 The Pepsi Bottling Group (Canada), ULC
291419 Hudson's Bay Company Pension Plan 07/01/1961 Single-Employer Combination DB / DC Active 9471 Hudson's Bay Company
291443 KPMG Canada Staff Pension Plan 10/01/1955 Single-Employer Combination DB / DC Active 4153 KPMG LLP
292268 NCR Canada Corp. Pension Plan 01/01/1943 Single-Employer Combination DB / DC Active 798 NCR Canada Corp.
293944 Northbridge Financial Corporation Registered Pension Plan 01/01/1984 Single-Employer Combination DB / DC Active 1474 Northbridge Financial Corporation
294215 Retirement Plan For Eastern Canadian Salaried Employees Of Nova Chemicals Corporatio 02/01/1960 Single-Employer Combination DB / DC Active 990 NOVA Chemicals Corporation
294728 CAA South Central Ontario Pension Plan 01/01/1974 Single-Employer Combination DB / DC Active 763 CAA Club Group
295469 FCAN Employees' Pension Plan 01/01/1988 Single-Employer Combination DB / DC Active 230 Fujifilm Canada Inc
296673 Rohm and Haas Canada Retirement Plan 12/31/1956 Single-Employer Combination DB / DC Active 72 Rohm and Haas Limited Partnership
296889 Retirement Plan for Employees of SmithKline Beecham Inc. 01/01/1959 Single-Employer Combination DB / DC Active 981 GlaxoSmithKline Inc.
297556 Royal College of Physicians & Surgeons of Canada Employees' Pension Plan 01/01/1975 Single-Employer Combination DB / DC Active 290 Royal College of Physicians & Surgeons of Canada
298356 Ridley College Pension Plan 01/01/1956 Single-Employer Combination DB / DC Active 44 Ridley College
298869 Pension Plan for St. Andrew's College Employees 09/28/1948 Single-Employer Combination DB / DC Active 115 St. Andrew's College
299289 Pension Plan for Employees of The Priory of Canada of the Most Venerable Order of the H 11/01/1947 Single-Employer Combination DB / DC Active 269 The Priory of Canada of the Most Venerable Order
of the Hospital of St. John of Jerusalem via its National Office
299883 Pension Plan for Employees of the Rosedale Golf Association Limited 04/01/1953 Single-Employer Combination DB / DC Active 48 The Rosedale Golf Association Limited

300368 Retirement Plan for Employees of ivari Holdings ULC and Affiliated Companies 01/01/1968 Single-Employer Combination DB / DC Active 484 ivari Holdings ULC
300582 The Retirement Pension Plan for Former Employees of Rochdale Credit Union Limited 06/01/1962 Single-Employer Combination DB / DC Active 27 FirstOntario Credit Union Limited
300939 Retirement Plan for Salaried Employees of Tenneco Canada Inc. 01/01/1962 Single-Employer Combination DB / DC Active 77 Tenneco Canada Inc.
301465 Nestle Canada Inc. Pension Plan For Employees At The Sterling Road Factory 12/31/1956 Single-Employer Combination DB / DC Active 340 NestlÈ Canada Inc.
303222 RBC Insurance Pension Plan 07/01/1959 Single-Employer Combination DB / DC Active 3608 RBC Life Insurance Company

APPENDIX "E"

Canada Revenue Agency | Agence du revenu du Canada

March 1, 2017

Plan Number
1286XXX

XXXXXXX Professional
Corporation
2392 GIXXXXX Lane
Oakville ON L6M XXX

Anthony Pinnock
Tel. 613-670-9854
Fax. 613-952-0199

Attention: J W XXXXXXXX

Dear Mr. WXXXX:

Re: Individual Pension Plan of XXXXXXXXX Professional Corporation for J XXXXXXXX (the "Plan")

We have accepted the Plan for registration under section 147.1 of the *Income Tax Act* with effect from January 1, 2015.

We have assigned the registration number **12869XX** to the Plan. Everyone who communicates with the Canada Revenue Agency (CRA) about the Plan must use this registration number.

Please note that a condition imposed by the Minister under subsection 147.1(5) of the Act applies to this plan. Subsection 147.1(5) of the Act allows the Minister to impose reasonable conditions to registered pension plans, a class of such plans, or a particular plan. This condition concerns excess assets under defined benefit (DB) provisions of individual pension plans (IPPs) and designated plans where the pension coverage ceases under the provision and continues under a money purchase (MP) provision of the same plan. The condition also applies where pension coverage continues under an MP provision of a separate plan. Your plan provides members the option to accrue under either a DB or MP basis each year. Whenever a member changes from DB to MP the criteria described in this condition is met. The additional condition imposed by the Minister prohibits MP contributions from being made to an IPP or designated plan if the DB actuarial surplus exceeds the limit set out in paragraph 147.2(2)(d) of the Act. In this case, the MP contribution can only be made by using DB surplus. The condition is published in section 2.4 of our on-line technical manual (http://www.cra-arc.gc.ca/tx/rgstrd/mnnl/tch-tc-eng.html).

Send all future amendments or revisions to the Plan and information about any change in funding media to us as soon as possible. The prescribed form for sending amendments is the Form T920, *Application to Amend a Registered Pension Plan*. For copies of the form, go to **www.cra.gc.ca/rpd**.

A registered pension plan is subject to the filing of prescribed forms and information returns as and when required by the Act or the *Income Tax Regulations*. The CRA can impose financial penalties under subsection 162(7) of the Act for failure to file an information return, and under subsection 162(5) of the Act for failure of any person to provide any information required on a prescribed form made pursuant to the Act or Regulations. For more information, call 613-954-0419 in the Ottawa area or 1-800-267-3100 elsewhere in Canada.

A trustee of every trust governed by a registered pension plan fund or plan must file, with or without notice, a T3P, *Employees' Pension Plan Income Tax Return*, for each taxation year that the trust continues to exist. See Information Circular 78-14R4, *Guidelines for trust companies and other persons responsible for filing T3GR, T3D, T3P, T3S, T3RI, and T3F returns*, for more information on the filing requirements of this return. For copies of the return and circular, visit **www.cra.gc.ca**.

...2

Canada

Registered Plans Directorate, Ottawa ON K1A 0L5
www.cra.gc.ca/rpd

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Actuarial Valuation Report as at January 1, 2015

We approve the recommendation in the actuarial valuation report (AVR). Contributions that employers make to the Plan that will be eligible contributions according to subsection 147.2(2) of the Act, as long as they are in accordance with the actuary's recommendation, all other requirements are satisfied, and the approval has not been cancelled.

Our approval of the actuary's recommendation is based on information provided in the AVR. If the information upon which our approval was granted is later determined to be incorrect or incomplete, this approval will be cancelled as at the effective date of the AVR.

For information on our cyclical review of pension plans, please see Newsletter 15-1, *Comprehensive Risk-Based Cyclical Review of Registered Pension Plans.*

It is the responsibility of the administrator to ensure that, at all times, the Plan complies with and is administered in accordance with the requirements of the Act and the Regulations.

If you have any questions or concerns, please contact us.

Sincerely,

for Director General

c.c.: INTEGRIS Pension
Management Corp.