

Pooled Registered Pension Plans

Q&A

What are Pooled Registered Pension Plans?

A Pooled Registered Pension Plan (PRPP) is a voluntary retirement savings vehicle that will help employees save for retirement. PRPPs provide a simple, low-cost, effective way of improving pension coverage for employees of small and medium sized businesses and the self employed.

PRPPs are portable, defined-contribution plans.

Who will be able to join a PRPP?

Anyone will be able to join a PRPP. Specifically, employees who work for a company that does not currently offer any kind of workplace pension saving program will benefit from having access to a PRPP.

Employees working for different employers across Alberta and the self-employed can benefit from pooling their resources together, much like a big public sector pension plan.

Employers that are considered too small for registered pension plans (RPPs) or group RRSPs could offer a PRPP, which might serve as a good recruiting and retention tool. PRPPs are also beneficial for individuals who are self-employed, and currently unable to enter into a group RRSP.

What are the benefits of joining a PRPP?

Many people have difficulty making investment decisions due to lack of information and/or motivation. Some Albertans may benefit from a retirement savings vehicle that is professionally managed in the investors' collective interest.

Because of their pooled nature, PRPPs will have a large number of members and low management costs – meaning more money stays in the pockets of plan members. They can also enjoy the benefit of belonging to a large pension plan without having to work for a large company.

PRPPs will be portable, meaning members have the flexibility to move their PRPP contributions from one fund to another PRPP or retirement savings product should they leave their job.

If an employer chooses to participate, their employees are automatically enrolled – but employees can still opt out.

Members are able to choose how their savings are invested based on their tolerance for risk and other factors.

Like other pension plans, funds are locked in but may be accessed under certain circumstances, such as financial hardship.

Employees may temporarily suspend their contributions to help them deal with changing personal circumstances.

How will PRPPs benefit employers?

Administrative burden on employers is minimal, and employer contributions are optional.

PRPPs will be much simpler for the employer than RPPs, and at least as simple as group RRSPs.

Canada Pension Plan and Employment Insurance premiums will not apply to employer contributions to a PRPP like they do with a group RRSP.

Employers are not liable for investment decisions or results, benefit guarantees or administrative burden and costs. Responsibility is limited to enrolling employees and deducting and remitting contributions.

Employers that currently offer group RRSPs may switch to a PRPP to reduce administration costs and remove their fiduciary duty (a legal obligation of one party to act in the best interest of another).

How are PRPPs different from a group RRSP?

PRPPs will offer employers a tax advantage on contributions made to employees' plans over group RRSPs. Employers do not actually contribute to group RRSPs; rather, they provide a salary top-up, which is contributed on the employee's behalf. This results in additional payroll taxes paid out on the salary top-up (CPP and EI contributions).

Under PRPPs, employer contributions are optional, but if the employer contributes, they do not have to pay CPP and EI contributions on that contributed amount.

RRSPs typically have a higher management cost than pension plans, and funds are not locked in to the same degree as pension plans. Pension plans are also administered and regulated at a higher standard of protection for employees.

Who will create and manage the plans?

The plans will be created and administered by private sector providers like large insurance companies and financial institutions. These plan providers will market their plans to employers. These corporations must hold a license from the Superintendent of Pensions.

When will PRPPs become available?

PRPPs will likely be available by 2015. It is important to realize legislation does not establish pooled plans; rather, it provides a legal framework that allows for their creation. It is up to providers to create and market their plans.

How can I join a PRPP?

At this time, PRPPs are not yet available in Alberta. PRPP legislation enables administrators to create and offer plans. Once regulations are created and administrators are licensed to offer PRPPs in Alberta, PRPPs will become available. If your employer decides to offer one, you will be automatically enrolled. If not, or if you are self-employed, you will still have the opportunity to join a plan on your own initiative.

Are all employers required to offer a PRPP?

Employers are not required to offer a PRPP. But if they do, employees must be automatically enrolled, unless an employee chooses to opt out. Employer contributions are optional.

If I am part of a pension plan offered by my employer, can I also join a PRPP?

PRPPs are another retirement tool and can be used to complement a person's existing retirement saving