

Policy Bulletin #2 Registration of a Pension Plan

Issued June 2000 / Revised July 2007

This bulletin is designed to assist those employers who want to set up a pension plan for their employees but need information about the requirements and the process for registering a pension plan under the *Employment Pension Plans Act* (the Act).

This Bulletin is a revision of a previous Bulletin. It reflects changes made to the Act and *Employment Pension Plans Regulation* (the Regulation) effective August 10, 2006. It has no legal authority. The Act and Regulation should be used to determine specific legislative requirements.

Legislative Requirements for Plan Registration

The requirements for registering a pension plan under the Act are covered under section 19(1), (2), and (3) of the Act, and sections 26 and 29 of the Regulation.

A pension plan must be filed for registration not later than 60 days after the establishment of the plan. To do this, the administrator (usually the employer sponsoring the plan) must complete an Application for Registration of a Pension Plan and forward it, along with the pension plan documents, to the Superintendent's office. Click here for [Application for Registration of a Pension Plan](#). This form is available from the office of the Superintendent of Pensions or can be obtained from your consultant or insurance company.

Please note that your pension plan must also be submitted to the Canada Revenue Agency for registration.

Initial Decisions

The initial step for the employer is to decide which type of pension plan best fits the needs of the company and its employees. There are two basic types of pension plans: defined benefit plans or defined contribution plans. Defined contribution plans are also referred to as money purchase plans.

A *defined contribution plan* sets out an employer contribution rate and, if the plan is contributory, an

employee contribution rate. The pension earned cannot be determined until retirement, at which time a pension is purchased from a financial institution in the form of an annuity, Life Income Fund, or DC RIA (if the plan permits), using the contributions and investment earnings credited to the member. The level of the benefit is determined solely by the amount of contributions available at retirement to make the purchase and the prevailing market rate of interest at that time.

A *defined benefit plan* provides benefits based on a formula setting out how the member's monthly pension will be calculated at retirement. Using the formula, it is possible to determine the amount of pension a member has earned at any point in time up to and including retirement. The benefit formula takes into consideration factors such as pensionable earnings, years of continuous service and the member's age at retirement. A defined benefit plan may be fully funded by the employer or there may be required member contributions. The employer must fund at least 50% of the cost of accrued benefits if the members contribute. The employer must file an actuarial valuation when the plan is established, and regular valuations every three years thereafter, performed by an actuary. The valuations set out the cost of providing benefits under the defined benefits plan. The valuations show whether the plan meets the minimum funding and solvency tests set out for defined benefit plans in the Act.

Once the employer has decided which type of pension plan to adopt, the next step is to determine the type of fund holder best suited to the company's needs. Under section 49 of the Act, three types of fund holders can be considered: an insurance company (insurance contract); a trust company (trust agreement or deed); or individual trustees. The cost to the plan and responsibilities undertaken by each type of fund holder differ.

Before you make your decision about the type of pension plan you will sponsor and the fund holder you

will choose for that plan, you may want to discuss the various options with knowledgeable people in the pension industry such as consultants, insurance and trust agents. Once you have decided on a plan and a fund holder, and have had the appropriate documentation prepared, you can apply to the Superintendent of Pensions for registration of the plan under the Act.

Filing for Registration

REQUIRED DOCUMENTS

The following documents must accompany the registration application:

1) Certified copies of:

- the pension plan text
- any document that creates the plan or under which the plan is constituted (e.g., a resolution of a board of directors or a union)
- a funding agreement (insurance contract, corporate trust agreement or individual trust agreement)

NOTE: in the case of an individual trust agreement a custodial agreement with a financial institution is also required.

NOTE: in the case of a corporate trust, the document must be subject to the laws of Alberta.

- any other by-law or resolution relating to the establishment or operation of the plan
- any of the following relevant documents relating to the governance or administration of

the particular plan:

- for a Multi Unit Pension Plan, any participation agreements that bind the employer to the terms of the plan,
- for Specified Multi-Employer Plans (union-sponsored, collectively bargained plans), any custodian agreements between the Board of Trustees and the plan's custodian,
- any "paying agent agreements" between the fund holder or custodian and the plan administrator that give responsibility for making actual pension payments to the administrator rather than to the fund holder,

2) a copy of the valuation report and cost certificate (if a defined benefit plan) as at the effective date of the plan

3) the explanation or summary of the plan (and any amendments) that the Act requires to be given to new plan members.

For DC pension plans, the Superintendent also prefers if a copy of the service-provider application form, which is completed by the plan sponsor when they initially establish the pension plan, is submitted along with the other documents for registration.

By filing the document, the Superintendent is able to review and compare that document for consistency against the plan documents submitted for registration.

This is **not** a requirement of legislation and can be done on a voluntary basis.

ESTABLISHED DATE AND EFFECTIVE DATE

Registration Process

The plan's effective date may differ from the date the plan is established. The date the plan is established refers to the date of a board resolution, minutes of a meeting or any other document that confirms the establishment of the pension plan. The plan's effective date is the first date in respect of which contributions are payable to the plan fund and benefits begin to accrue.

An application for registration will not be processed until all required documents have been reviewed and approved for compliance with the requirements of the Act and Regulation. The legislation sets out a number of required contractual provisions which must be included in every pension plan text and outlines the minimum standard requirements for vesting, locking-in, portability, et cetera. Any problems or discrepancies in the pension plan text or other plan documentation must be resolved before the plan can be registered.

Once all pension plan documents are approved, a certificate of registration will be mailed to the plan sponsor indicating that the plan has been registered under the Act. The plan must be administered beginning on the established date (remittance of contributions must begin if the established date is after the effective date all contribution released to service back to the effective date must be immediately remitted) regardless of whether the plan has been approved for registration under the Act.

Assistance

The Superintendent of Pension's staff is pleased to answer any questions plan sponsors may have on the required contractual provisions for pension plans or any other requirement for registering a pension plan under the Act. Employers can obtain an [Application for Registration of a Pension Plan](#) by writing, faxing or telephoning our office, or by visiting our website.

For further information please contact:

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