

November 2016

Ontario's Pooled Registered Pension Plans Act Takes Effect

On November 8, 2016, Ontario *Pooled Registered Pension Plans Act, 2015* ("PRPP Act") and its regulations came into force. We previously commented on this anticipated legislation [here](#).

The new *Act* establishes the Pooled Registered Pension Plan ("PRPP") as another tool for Ontario workers – both employees and self-employed – to save for retirement. As a voluntary and relatively low-cost scheme, PRPPs may also be a helpful option for small and medium-sized businesses, for whom the operation of a full pension plan may be too onerous.

PRPPs are a form of defined contribution pension plan that are administered by an approved financial institution – typically banks and insurance companies. Once an employee has a PRPP account, all contributions are credited to the employee's account. The funds in the employee's account are pooled with the other funds in the same PRPP.

The employer's obligation is limited to enrolling in a given PRPP and making contributions, if any, once enrolled. An employer's contract with the PRPP administrator must specify the amounts of employee and employer contributions, if any, along with the frequency of those contributions. Unlike typical pension plans, employers have no role in managing PRPPs; PRPPs are, instead, managed by an administrator appointed by the financial institution that set them up.

Contributions made by both the employer and employee are deductible in calculating their respective incomes under the *Income Tax Act*.

The Ontario *PRPP Act* and regulations largely incorporate by reference the federal Act of the same name and its regulations, which were established in 2012. The Ontario legislation does have, however, its own appeal and enforcement framework.

The province has also signalled its intention to work multilaterally with the federal government and other provinces on a single framework for the administration and supervision of PRPPs across the country.

As indicated above, PRPPs could become a useful vehicle for Ontario employers that want to offer competitive retirement benefit options to current or future employees.

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[a cautionary note](#)

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