

The Individual Pension Plan

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Summary

Although it has been in existence for some time now, modifications made to the Supplemental Pension Plans Act (SPP Act), effective January 1, 2001, have increased the popularity of the Individual Pension Plan (IPP) among persons connected to a company.

Plans for connected persons (shareholders of the company) are no longer subject to the SPP Act, resulting in:

- Amounts deposited in an IPP are not locked-in
- Administrative tasks are simplified
- Flexible payment of contributions
- There are no annual fees with respect to the registration of the plan

What is an IPP?

- A defined benefit pension plan, guaranteeing an annuity upon retirement;
- Implemented for only one participant, or one participant and his / her married spouse;
- Takes advantage of the maximum permissible provisions of the Income Tax Act;
- Financed by company contributions.

What is the Profile of a Typical Participant?

- Age: 40 years of age or older (benefit increases with age)
- Salary: More than \$60,000 of employment income (benefit increases with salary)
- Periods of service: Service since the date of hire with the company (multiplier effect on benefit related to age and salary)
- Sector of activity: Additional benefits for certain sectors, such as the construction industry with the CCQ plan

What are the Benefits of an IPP?

- Annual contributions greater than those made to an RRSP
- Capital growth assumption of 7.5% (if the investment return is less than 7.5%, the company may be permitted to make an additional contribution)
- Additional contributions permitted in the following cases:
 - Retirement before 65 years of age
 - Recognition of service prior to the date of implementation of the plan
- Employer contribution:
 - An expense for the company
 - Exempted from payroll taxes (such as Health Services Fund)
- Foreseeable retirement income
- Death benefit is taxable through beneficiaries (versus taxable through the deceased) if no spouse
- Flexibility with respect to remittance of contributions
- Better protection from creditors
- Possibility of transferring the plan to another company if current company is sold (under certain conditions)

What Investment Products are Permitted for the Plan?

- Insurance Company
 - Segregated funds
- Trust
 - Mutual funds
 - Bonds and other fixed income funds
 - Stocks

Illustration of a Typical Scenario

Attached is an illustration for a typical participant, age 55 and with 33 years of credited service.

In summary, during the first year of implementation, the IPP allows for the following contributions from the company:

- Contribution for current service cost: **\$43,261**
- Contribution for past service: **\$759,133**

A transfer in the amount of **\$668,476** from the participant's RRSP is, however, required under the Income Tax Act for the recognition of past service after 1990.

Data for Scenario

Personal Information	
Date of Birth:	January 2, 1969
Date of hire:	January 1, 1991
Total contributions made by the employer to a Pension Plan before 1991:	\$0
Unused RRSP Contribution Room:	\$0
RRSP market value of assets:	\$700,000
Connected Person Since:	January 1, 1991

Historical Information		
Year	Annual Salary*	Service (months)
2023	\$175,267	12
2022	\$170,980	12
2021	\$162,186	12
2020	\$154,574	12
2019	\$151,260	12
2018	\$147,293	12
2017	\$145,701	12
2016	\$144,500	12
2015	\$141,051	12
2014	\$138,204	12
2013	\$134,732	12
2012	\$132,287	12
2011	\$127,534	12
2010	\$124,723	12
2009	\$122,207	12
2008	\$117,776	12
2007	\$114,023	12
2006	\$110,274	12
2005	\$107,068	12
2004	\$104,182	12
2003	\$101,382	12
2002	\$100,363	12
2001	\$98,939	12
2000	\$97,056	12
1999	\$95,964	12
1998	\$94,668	12
1997	\$92,125	12
1996	\$91,048	12
1995	\$89,721	12
1994	\$88,493	12
1993	\$85,900	12
1992	\$82,805	12
1991	\$78,985	12

* The salary rate for 2024 is \$180,500

Salaries from 1991 to 2023 were determined based on the salary indexation rate determined in accordance with the plan provisions.

**Individual Pension Plan for a connected participant age 55 with a salary of \$180,500
Retirement on February 1, 2034
Projected Contributions**

Year	Contributions past service after 1990 IPP	Contributions current service IPP	Contributions past service before 1991 IPP	Contributions RRSP with IPP	Contributions RRSP only	Advantage	Expenses**
*2024	\$759 133	\$43 261	\$0	\$12 048	\$31 548	\$782 894	\$3 175
2025	\$0	\$46 505	\$0	\$600	\$32 490	\$14 615	\$575
2026	\$0	\$49 993	\$0	\$600	\$34 277	\$16 316	\$575
2027	\$0	\$53 743	\$0	\$600	\$36 162	\$18 181	\$2 825
2028	\$0	\$57 774	\$0	\$600	\$38 151	\$20 223	\$575
2029	\$0	\$62 107	\$0	\$600	\$40 249	\$22 458	\$575
2030	\$0	\$66 765	\$0	\$600	\$42 463	\$24 902	\$2 825
2031	\$0	\$71 772	\$0	\$600	\$44 799	\$27 573	\$575
2032	\$0	\$77 155	\$0	\$600	\$47 263	\$30 492	\$575
2033	\$0	\$82 941	\$0	\$600	\$49 862	\$33 679	\$2 825
2034	\$0	\$7 430	\$0	\$600	\$52 604	-\$44 574	\$575
Total	\$759 133	\$619 446	\$0	\$18 048	\$449 868	\$946 759	\$15 675

* During the first year, an additional contribution of \$759 133 may be made to recognize the past service after 1990.

** The current fee schedule is as follows: \$3 175 for the implementation of the Plan (plus \$750 if the spouse participates and/or plus \$1,550 if past service before 1991 is recognized) and \$2 250 every three years for the actuarial valuation (plus \$360 if the spouse participates and/or plus \$995 if past service before 1991 is recognized). Annual administrative fees of \$575 are also added for all years (except for the implementation year). Please note that this fee schedule is subject to changes.

	IPP 1	RRSP with IPP 2	RRSP Only 3	Advantage*** 1+2-3
Accumulation at 7.5%	\$3 864 619	\$33 521	\$2 028 223	\$1 869 917
Projected life annuity	\$265 669	n.a.	n.a.	n.a.

*** The accumulation of the IPP and the RRSP include the minimum transfer from the RRSP

Past Service After 1990

Past service cost		\$1 427 609
Sum of PA	\$676 476	
Permissible contribution for past service	\$8 000	
Minimal transfer from RRSP		\$668 476
Additional contribution for past service after 1990		\$759 133

Please note that the above-mentioned contributions are estimates, and will be revised at least once every three years, upon preparation of the actuarial valuation. These estimates have been determined according to the information provided and from the following assumptions:

- Maximum pension of \$3,610.00 per year of service as of 2024
- Increase of the maximum pension: 5.5% per annum starting as of 2025
- Increase of the average industrial earnings: 5.5% per annum
- Discount rate of benefits: 7.5% per annum
- Accumulation rate of assets: 7.5% per annum
- Pension increase after retirement: 3% per annum