

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 34 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: **\$45,019**
- Contribution for past service: **\$830,016**

A transfer in the amount of **\$700,612** 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, 1970
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:	\$725,000
Connected Person Since:	January 1, 1991

Historical Information		
Year	Annual Salary*	Service (months)
2024	\$180,583	12
2023	\$175,298	12
2022	\$171,036	12
2021	\$162,254	12
2020	\$154,619	12
2019	\$151,284	12
2018	\$147,313	12
2017	\$145,733	12
2016	\$144,546	12
2015	\$141,096	12
2014	\$138,226	12
2013	\$134,777	12
2012	\$132,338	12
2011	\$127,612	12
2010	\$124,759	12
2009	\$122,225	12
2008	\$117,793	12
2007	\$114,079	12
2006	\$110,328	12
2005	\$107,121	12
2004	\$104,234	12
2003	\$101,432	12
2002	\$100,413	12
2001	\$98,988	12
2000	\$97,104	12
1999	\$96,011	12
1998	\$94,715	12
1997	\$92,171	12
1996	\$91,093	12
1995	\$89,765	12
1994	\$88,536	12
1993	\$85,943	12
1992	\$82,846	12
1991	\$79,024	12

* The salary rate for 2025 is \$187,834

Salaries from 1991 to 2024 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 \$187,834
Retirement on february 1, 2035
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**
*2025	\$830 016	\$45 019	\$0	\$12 990	\$32 490	\$855 535	\$3 275
2026	\$0	\$48 395	\$0	\$600	\$33 810	\$15 185	\$590
2027	\$0	\$52 025	\$0	\$600	\$35 670	\$16 955	\$590
2028	\$0	\$55 926	\$0	\$600	\$37 631	\$18 895	\$2 905
2029	\$0	\$60 121	\$0	\$600	\$39 701	\$21 020	\$590
2030	\$0	\$64 630	\$0	\$600	\$41 885	\$23 345	\$590
2031	\$0	\$69 477	\$0	\$600	\$44 188	\$25 889	\$2 905
2032	\$0	\$74 688	\$0	\$600	\$46 619	\$28 669	\$590
2033	\$0	\$80 290	\$0	\$600	\$49 183	\$31 707	\$590
2034	\$0	\$86 311	\$0	\$600	\$51 888	\$35 023	\$2 905
2035	\$0	\$7 732	\$0	\$600	\$54 742	-\$46 410	\$590
Total	\$830 016	\$644 614	\$0	\$18 990	\$467 806	\$1 025 814	\$16 120

* During the first year, an additional contribution of \$830 016 may be made to recognize the past service after 1990.

** The current fee schedule is as follows: \$3 275 for the implementation of the Plan (plus \$775 if the spouse participates and/or plus \$1,600 if past service before 1991 is recognized) and \$2 315 every three years for the actuarial valuation (plus \$370 if the spouse participates and/or plus \$1,050 if past service before 1991 is recognized). Annual administrative fees of \$590 are also added for all years (except for the implementation year). Please note that this fee schedule is subject to changes.

Accumulation at 7.5%

Projected life annuity

IPP 1	RRSP with IPP 2	RRSP Only 3	Advantage*** 1+2-3
\$4 114 978	\$35 474	\$2 120 242	\$2 030 210
\$282 880	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		\$1 530 628
Sum of PA	\$708 612	
Permissible contribution for past service	\$8 000	
Minimal transfer from RRSP		\$700 612
Additional contribution for past service after 1990		\$830 016

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 \$3,756.67 per year of service as of 2025
- Increase of the maximum pension: 5.5% per annum starting as of 2026
- 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