

The Individual Pension Plan

Prepared by Gamma Actuarial Consulting Inc.

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 35 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: **\$47,122**
- Contribution for past service: **\$932,279**

A transfer in the amount of **\$717,000** 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, 1971 |
| 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) |
| 2025 | \$187,808 | 12 |
| 2024 | \$180,558 | 12 |
| 2023 | \$175,274 | 12 |
| 2022 | \$171,012 | 12 |
| 2021 | \$162,232 | 12 |
| 2020 | \$154,598 | 12 |
| 2019 | \$151,263 | 12 |
| 2018 | \$147,293 | 12 |
| 2017 | \$145,713 | 12 |
| 2016 | \$144,526 | 12 |
| 2015 | \$141,077 | 12 |
| 2014 | \$138,207 | 12 |
| 2013 | \$134,758 | 12 |
| 2012 | \$132,319 | 12 |
| 2011 | \$127,595 | 12 |
| 2010 | \$124,742 | 12 |
| 2009 | \$122,208 | 12 |
| 2008 | \$117,786 | 12 |
| 2007 | \$114,034 | 12 |
| 2006 | \$110,292 | 12 |
| 2005 | \$107,078 | 12 |
| 2004 | \$104,180 | 12 |
| 2003 | \$101,385 | 12 |
| 2002 | \$100,405 | 12 |
| 2001 | \$98,975 | 12 |
| 2000 | \$97,091 | 12 |
| 1999 | \$95,998 | 12 |
| 1998 | \$94,702 | 12 |
| 1997 | \$92,158 | 12 |
| 1996 | \$91,081 | 12 |
| 1995 | \$89,753 | 12 |
| 1994 | \$88,524 | 12 |
| 1993 | \$85,931 | 12 |
| 1992 | \$82,835 | 12 |
| 1991 | \$79,013 | 12 |

* The salary rate for 2026 is \$196,611

Salaries from 1991 to 2025 were determined based on the salary indexation rate determined in accordance with the plan provisions.

**Individual Pension Plan for a connected participant aged 55 with a salary of \$196,611
Retirement on February 1, 2036
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** |
|--------------|---|---|--|--------------------------------|----------------------------|--------------------|-----------------|
| *2026 | \$932 279 | \$47 122 | \$0 | \$14 305 | \$33 805 | \$959 901 | \$3 375 |
| 2027 | \$0 | \$50 656 | \$0 | \$600 | \$35 390 | \$15 866 | \$605 |
| 2028 | \$0 | \$54 456 | \$0 | \$600 | \$37 336 | \$17 720 | \$605 |
| 2029 | \$0 | \$58 540 | \$0 | \$600 | \$39 390 | \$19 750 | \$2 980 |
| 2030 | \$0 | \$62 930 | \$0 | \$600 | \$41 556 | \$21 974 | \$605 |
| 2031 | \$0 | \$67 650 | \$0 | \$600 | \$43 842 | \$24 408 | \$605 |
| 2032 | \$0 | \$72 724 | \$0 | \$600 | \$46 253 | \$27 071 | \$2 980 |
| 2033 | \$0 | \$78 178 | \$0 | \$600 | \$48 797 | \$29 981 | \$605 |
| 2034 | \$0 | \$84 041 | \$0 | \$600 | \$51 481 | \$33 160 | \$605 |
| 2035 | \$0 | \$90 345 | \$0 | \$600 | \$54 313 | \$36 632 | \$2 980 |
| 2036 | \$0 | \$8 093 | \$0 | \$600 | \$57 300 | -\$48 607 | \$605 |
| Total | \$932 279 | \$674 735 | \$0 | \$20 305 | \$489 463 | \$1 137 856 | \$16 550 |

* During the first year, an additional contribution of \$932 279 may be made to recognize the past service after 1990.

** The current fee schedule is as follows: \$3 375 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 \$2 375 every three years for the actuarial valuation (plus \$370 if the spouse participates and/or plus \$1050 if past service before 1991 is recognized). Annual administrative fees of \$605 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% | \$4 404 980 | \$38 201 | \$2 184 994 | \$2 258 187 |
| Projected life annuity | \$302 816 | 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 | | \$1 649 279 |
| Sum of PA | \$725 000 | |
| Permissible contribution for past service | \$8 000 | |
| Minimal transfer from RRSP | | \$717 000 |
| Additional contribution for past service after 1990 | | \$932 279 |

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