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# Guide

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This Member Guide has been prepared for members of a federally registered PRPP whose employment and participation in the PRPP fall under federal jurisdiction. Areas of employment that fall under federal jurisdiction include work in connection with navigation and shipping, banking, inter-provincial transportation and communications, and any work of a local or private nature in the Yukon, Northwest Territories or Nunavut. This Member Guide also applies to individuals who are self-employed persons in the Yukon, Northwest Territories or

## 1. Introduction

A pooled registered pension plan (PRPP) is a type of pension plan in which your contributions and your employer's contributions are deposited into an account in your name. Employer contributions, however, are not mandatory. A PRPP pools contributions together for investment and cost efficiency purposes. Investment earnings are credited to your PRPP account and accumulate on a tax deferred basis, meaning you do not pay income tax until your funds are withdrawn from the PRPP. The amount of money that accumulates in your PRPP account depends on how much you contribute, how much your employer contributes, and the investment income generated by your investments.

Your PRPP account is transferable, meaning that you have the flexibility, should you leave your job, to transfer the funds in your PRPP account to another PRPP, to a pension plan, or to a permitted retirement savings plan. You also have the option to leave the funds in your PRPP account.

The Office of the Superintendent of Financial Institutions (OSFI) supervises PRPPs that are registered under the federal *Pooled Registered Pension Plans Act* (PRPP Act). Such plans can accept members whose employment falls under federal jurisdiction as well as members whose employment falls under the jurisdiction of those provinces that have, along with the federal government, entered into the Multilateral Agreement Respecting Pooled Registered Pension Plans and Voluntary Retirement Savings Plans. Areas of employment that fall under federal jurisdiction include work in connection with navigation and shipping, banking, inter-provincial transportation, and communications. PRPPs provided to employees and self-employed persons in the Yukon, Northwest Territories or Nunavut also fall under federal jurisdiction and are supervised by OSFI.

This Member Guide describes how the PRPP Act and the federal *Pooled Registered Pension Plans Regulations* (PRPP Regulations) apply to members of a federally registered PRPP whose employment is subject to federal jurisdiction. Separate member guides are available for members of a federally registered PRPP whose employment is subject to provincial jurisdiction.

## 2. Application of the *Pooled Registered Pension Plans Act*

The PRPP Act and the PRPP Regulations set out rules for how a PRPP must be administered, including how members' funds are to be invested and when and what type of information must be provided to members. The PRPP Act provides the Superintendent of Financial Institutions with the ability to address situations where the administrator of a PRPP does not comply with the PRPP Act, the PRPP Regulations, or the terms of the PRPP, or does not follow safe and sound financial or business practices.

This Member Guide explains, in general terms, many of the rules that apply to a federally registered PRPP and to those of its members whose employment is under federal jurisdiction. To obtain more information concerning your PRPP, you should contact your plan administrator. See Section 5 - The Administrators Role.

## 3. Multilateral Agreement for Pooled Registered Pension Plans

The federal government has entered into an agreement with a number of provincial governments regarding the regulation and supervision of PRPPs across Canada called the Multilateral Agreement Respecting Pooled Registered Pension Plans and Voluntary Retirement Saving Plans (PRPP MLA). The PRPP MLA streamlines the licensing of administrators, PRPP registration, the laws applicable to PRPPs, and PRPP supervision. Pursuant to the PRPP MLA, the Office of the Superintendent of Financial Institutions is responsible for supervising federally registered PRPPs, including those that have members subject to provincial jurisdiction.

## 4. Your Employer's Role

An employer is not required to provide a PRPP to its employees. However, if it does, the employer must choose a PRPP from a licensed administrator (Administrator) and enter into a contract with that Administrator to provide the PRPP to its employees. The contract will outline the terms of how the employer will participate in the PRPP, including whether they will contribute to the PRPP, and if so, how much. The Administrator is responsible for the overall design and operation of the PRPP. See Section 5 - The Administrator's Role.

Generally, employers who choose to offer a PRPP will have to

- evaluate and select an Administrator;
- enrol employees in the PRPP;
- notify employees of their enrolment (unless the Administrator agrees to do this);
- deduct and remit member contributions and employer contributions (if the employer chooses to contribute);  
and
- notify the Administrator when a member: terminates membership by opting out of the PRPP, terminates employment or dies.

Self-employed persons in the Yukon, Northwest Territories and Nunavut can enter into a contract with an Administrator to join a federally registered PRPP. PRPPs provided to self-employed persons in the Yukon, Northwest Territories and Nunavut are subject to the requirements of the PRPP Act. See Section 6.1 – Self-employed Individuals.

## 5. The Administrator’s Role

A corporation must be licensed by the Office of the Superintendent of Financial Institutions (OSFI) to be an Administrator to offer PRPPs. In considering whether to issue a licence authorizing a corporation to be an Administrator, OSFI will review, among other things

- a five-year business plan that describes the reasons why the PRPPs that the corporation intends to offer will be sustainable and how the corporation intends to meet the requirement to provide the PRPPs to its members at low cost;
- the corporation’s financial resources;
- the procedures in place to identify, manage and control the risks associated with a PRPP; and
- the corporation’s operational capability to administer a PRPP.

An Administrator must register the PRPP with OSFI and the Canada Revenue Agency (CRA) before it can enter into contracts with employers or self-employed individuals.

Under the PRPP MLA (described in Section 3), corporations that hold an authorization granted by the Autorité des Marchés Financiers (AMF) to act as the administrator of a voluntary retirement savings plan in Quebec are exempt

from the requirement to obtain a licence and may register a PRPP under the federal PRPP Act.

The Administrator is responsible for the day-to-day administration of the PRPP, which means it must

- register the PRPP and file plan amendments;
- provide information to members;
- respond to member questions about the plan;
- prudently manage the plan and its assets; and
- file the required documents with OSFI and the CRA.

The PRPP Act provides that the Administrator has the duties of a trustee in respect of PRPP members, which means that the Administrator must act in the best interests of members. In investing the funds in members' accounts, the Administrator "...must exercise the degree of care that a reasonably prudent person would exercise in dealing with the property of another person and the diligence and skill that it possesses, or ought to possess, taking into account the administrator's business".

## 6. Membership in a PRPP

Employers do not have to provide a PRPP to their employees. However, if your employer provides a PRPP, and you are an eligible full-time employee in the class of employees to whom membership in the PRPP is offered,<sup>1</sup> you will automatically be enrolled in the PRPP provided by your employer.

Every part-time employee<sup>2</sup> in a class of employees whose employer provides a PRPP to that class, will automatically be enrolled in the PRPP once the employee completes 24 months of continuous employment with the employer, or earlier if the PRPP permits.

An employer can choose to provide a PRPP for all its employees or only for certain groups or classes of employees. A class of employees is usually determined by the terms and nature of employment. For example, although not an exhaustive list, any of the following groups could constitute a class:

- salaried employees
- hourly employees

- unionized employees
- non-unionized employees
- supervisors
- managers
- executives/corporate officers
- employees at a specific location or in a specific division

## 6.1 Self-employed Individuals

A PRPP may permit self-employed individuals to become members of the PRPP. To become a member of a PRPP, a self-employed individual can enter into a contract directly with an Administrator.

This Member Guide applies in respect of self-employed individuals in the Yukon, Northwest Territories and Nunavut who join a federally registered PRPP. Self-employed individuals other than those who live in the Yukon, Northwest Territories and Nunavut are considered to be under the jurisdiction of the province in which they work and should refer to the Member Guide for that jurisdiction.

## 6.2 Advance Notice to Employees

At least 30 days before entering into a contract with an Administrator to provide a PRPP to a class of employees, an employer must notify in writing each employee of that class of its intention to enter into the contract and provide the information that is set out in Section 7.1 of this Guide.

## 6.3 Notice of Plan Membership and the Right to Opt Out

The PRPP Act provides that all members must be given the opportunity to terminate their membership in the PRPP within 60 days after receiving their notice of plan membership. You also have the right to notify your employer at any time that you object to being a member of a PRPP because of your religious beliefs.

To terminate your membership in the PRPP within 60 days of being notified of your plan membership, you must provide written notice to your employer that includes the date of the notice, your date of birth and signature, and a statement that you have decided to terminate your membership in the PRPP.

If you do not terminate your membership in the PRPP within 60 days of being notified of your plan membership, you cannot terminate your membership while you are still employed with the employer who is providing the PRPP (except, as noted above, in a situation where you object on the basis of your religious beliefs). Your employer is not permitted to deduct contributions to the PRPP from your remuneration until after the expiry of this 60 day period. You may set your contribution rate to 0% if 12 months have passed since you began making contributions to the PRPP. See Section 9.1 - Contribution Rates.

A self-employed individual may terminate their membership in the PRPP at any time by notifying the Administrator.

## 6.4 Options after Terminating Membership

If you are no longer employed by the employer who is participating in the PRPP or you are a self-employed individual who has terminated membership by providing notice to the Administrator, you will be provided with options regarding the funds in your PRPP account. These options include

- maintaining your membership in the PRPP by leaving your funds in your PRPP account;
- transferring the funds to another PRPP;
- transferring the funds to a registered pension plan, if that plan allows the transfer;
- transferring the funds to a locked-in retirement savings plan; or
- using the funds in your PRPP account to purchase an annuity.

Further details on the options available are set out in Section 12 - Options on Termination of Membership or Employment.

## 7. Information Provided to Plan Members

As a member of a PRPP, you have the right to receive certain information from the Administrator on request, and at specific times.

The following tables outline the various documents and notices that must be provided to you and your spouse or common-law partner at certain times before and during your membership in a PRPP and when you terminate your membership:



## 7.1 Before and on Becoming a Member of a PRPP

Document/notice	Description	Information that must be included in the document/notice
Advance notice to employees	An employer who intends to provide a PRPP must notify employees, in writing, at least 30 days before entering into a contract with an Administrator to provide a PRPP.	<ul style="list-style-type: none"><li>• The employer's intention to enter into the contract</li><li>• The expected effective date of the contract</li><li>• Employees will be automatically enrolled and become members of the PRPP once the employer enters into the contract</li><li>• Employees will receive a notice of plan membership</li><li>• Any existing business relationship the employer has with the Administrator</li><li>• The right of any employee to object to being a member of the plan because of their religious beliefs</li></ul>

Document/notice	Description	Information that must be included in the document/notice
Notice of plan membership	As soon as possible after an employer enters into a contract with an Administrator to provide a PRPP, or as soon as feasible after the employer hires an employee who becomes a member of the PRPP, either the employer or the Administrator must notify each employee in writing of their membership in the PRPP.	<ul style="list-style-type: none"> <li>• A member’s right to terminate their membership within 60 days of receiving the notice of plan membership (including a termination form that an employee wishing to terminate their membership can fill out)</li> <li>• An explanation of an employee’s right to opt back into the PRPP</li> <li>• If an Administrator offers investment choices to members and a member has not communicated an investment choice within 60 days after receiving the notice of plan membership, contributions will be invested in the default option</li> <li>• A description of each investment option that indicates the following: <ul style="list-style-type: none"> <li>◦ its investment objective</li> <li>◦ the type of investments and the degree of risk associated with it</li> <li>◦ its top ten holdings by market value</li> <li>◦ its performance history</li> <li>◦ a statement that its past performance is not necessarily an indication of its future performance</li> <li>◦ the name and a description of the benchmark that best reflects the composition of the investment option</li> <li>◦ the cost associated with the investment option, expressed as a percentage or a fixed amount</li> <li>◦ its target asset allocation</li> </ul> </li> <li>• The contribution rates offered to members</li> <li>• The default contribution rate if a member does not make a choice</li> <li>• The employer’s contribution rate (0% if the employer does not contribute to the PRPP)</li> </ul>

## 7.2 While a Member of a PRPP

Document/notice	Description	Information that must be included in the document/notice
Explanation of the plan	The explanation shall be provided on a website and, on request, directly to the member.	<ul style="list-style-type: none"><li>• An explanation of the provisions of the plan and any applicable amendments</li></ul>

Document/notice	Description	Information that must be included in the document/notice
Annual Statement	The main form of disclosure to members is the annual statement. Each member of the plan must be given an annual statement within 45 days after the end of the year, unless a longer period is specified by the Superintendent.	<ul style="list-style-type: none"> <li>• The investment option(s) to which the member is contributing</li> <li>• For the current year, the opening balance, any contributions, the change in the investments' value – net of costs – and the closing balance</li> <li>• A summary of any transactions in the year. If not included in the annual statement, the details of your transaction history should be made available to you upon request. This includes: the date of any transaction, the transaction type (e.g., transfer between investment options), dollar amount of the transaction, the unit price or interest rate and the number of units purchased, transferred or withdrawn</li> <li>• The name and description of the benchmark(s) that best reflects the composition of the member's investment option(s) as well as an explanation of the choice of that benchmark</li> <li>• The historical performance of the investment option(s) compared to that of the benchmark</li> <li>• The degree of risk associated with the investment option(s)</li> <li>• A statement that past performance of the investment option is not necessarily an indication of future performance</li> <li>• Any costs, expressed as a percentage or a fixed amount</li> <li>• Any fees, levies or other charges triggered by the member's actions</li> <li>• The member's and employer's contributions for the year</li> <li>• The name of the member's spouse or common-law partner or designated beneficiary, if any</li> </ul>

Document/notice	Description	Information that must be included in the document/notice
	<p>Additional information for a member who has elected to receive variable payments.</p>	<ul style="list-style-type: none"> <li>• The date of birth used to determine the minimum variable payment<sup>4</sup></li> <li>• The date the variable payment began to be paid</li> <li>• The minimum and maximum allowable variable payments as well as the variable payment that the member is to receive</li> <li>• The investment options from which the variable payments were made and in what proportion they were made from each option</li> <li>• The payment frequency over the year</li> <li>• An indication of how the member may change their election regarding the amount to be paid during the year and from which investment option the amount is to be paid</li> <li>• A list of the transfer options that are available as described in Section 12 - Options on Termination of Membership or Employment</li> </ul>
<p>Variable payments eligibility notice</p>	<p>If the PRPP offers a variable payment option, each member shall be given a statement no more than 18 months before and no fewer than 6 months before the day on which the member reaches age 55.</p>	<ul style="list-style-type: none"> <li>• The member's right to elect to receive variable payments starting at age 55</li> <li>• How more information in relation to variable payments may be obtained</li> </ul>

### 7.3 On Termination, Death or Employer Ceasing Participation in a PRPP

Document/notice	Description	Information that must be included in the document/notice
Termination Statement	A termination statement must be provided within 30 days after a member terminated their membership or ceased employment with an employer that is participating in the plan or where the Administrator terminates the PRPP.	<ul style="list-style-type: none"> <li>• For the current year, the opening balance, the contributions, the change in the investments' value – net of costs – and the closing balance on the date of the termination</li> <li>• The amount of any variable payments made from the account during the year</li> <li>• A statement that the balance on the date of termination is not final and may change due to investment performance</li> <li>• A summary of any transactions in the year. If not included in the annual statement, the details of your transaction history should be made available to you upon request. This includes: the date of any transaction, the transaction type (e.g., transfer between investment options), dollar amount of the transaction, the unit price or interest rate and the number of units purchased, transferred or withdrawn</li> <li>• The transfer options available and information on how to transfer the funds</li> </ul>
Statement on the death of a member	The survivor, designated beneficiary or estate is to be provided with a statement within 30 days of the Administrator being notified of the member's death.	<ul style="list-style-type: none"> <li>• This statement must contain the same information as provided in the termination statement above</li> </ul>
Notice of employer termination of participation in the PRPP	Written notification from the Administrator to plan members employed by the terminating employer.	<ul style="list-style-type: none"> <li>• The effective date of the termination (a termination statement that is described above will also be provided)</li> </ul>

## 7.4 Information Available on Request

Document/notice	Description	Information that must be included in the document/notice
Regulatory Filings	Each member of the plan and their spouse or common-law partner may, once in each year, request from the Administrator copies of documents or information filed with OSFI. The Administrator may charge a reasonable fee for the copies.	These documents include: <ul style="list-style-type: none"><li>• A copy of the plan and any document that creates or supports the plan and any amendments to these documents along with the Administrator's declaration of compliance</li><li>• Annual information returns and financial statements</li></ul>

## 8. Electronic Disclosure

You and your spouse or common-law partner can consent to receive any required information under the PRPP Act by way of an electronic document. Consent can be given to the Administrator in writing (paper or electronic form) or orally. Consent may be revoked at any time either in writing (paper or electronic form) or orally. You and your spouse or common-law partner are responsible for informing the Administrator of any changes to electronic contact information.

If an electronic document is provided on a generally accessible information system, such as a website, the Administrator must provide you and your spouse or common-law partner with written notice that the electronic document is available and where it can be found.

If the Administrator has reason to believe that you or your spouse or common-law partner did not receive the electronic document, then the Administrator must mail a paper copy of the document to the mailing address that they have on file.

## 9. PRPP Contributions

### 9.1 Member Contributions

#### Maximum amounts that can be contributed to a PRPP

Contributions can be made to your PRPP account up to your Registered Retirement Savings Plan (RRSP)/PRPP deduction limit (often called your contribution room) for the year. Your PRPP contributions plus your employer's PRPP contributions are counted against this deduction limit. Therefore, contributions that you make to your personal RRSP or that you make on behalf of your spouse or common-law partner to a spousal RRSP will reduce the amount that you can contribute to your PRPP account. If you make RRSP and PRPP contributions, you should make sure that your total contributions do not exceed the maximum annual RRSP/PRPP deduction limit specified by the *Income Tax Act (Canada)* (ITA). More information about your PRPP contribution room can be found on your notice of assessment issued by CRA. The [CRA website](#) has further details on this maximum annual deduction limit.

#### Contribution rates

Your PRPP may provide for one contribution rate or it may allow you to select a contribution rate from a range of rates that are offered. The PRPP may also allow for gradually increasing your contribution rate over time. If you are permitted to choose your own contribution rate, but you do not make a choice, the default contribution rate set by the Administrator will apply to you.

You may set your contribution rate to 0% if 12 or more months have passed since your contributions to your PRPP account began. You may set your contribution rate to 0% for a period of between 3 and 60 months. There is no limit on the number of times you may set your contribution rate to 0%.

#### Additional voluntary contributions

A PRPP may allow you to make contributions in addition to the contributions that are automatically deducted from your pay. All contributions to a PRPP, including any additional contributions, are locked-in. All contribution amounts are subject to the maximum annual RRSP/PRPP deduction limit specified by the ITA. See Section 11 – Locking-in Rules for PRPPs.





## Transferring money into a PRPP from another plan

A PRPP may allow you to transfer funds from other plans into your PRPP account. Once funds are transferred into your PRPP account, all funds in your PRPP account are locked-in and can only be withdrawn under certain limited circumstances. See Section 11 – Locking-in Rules for PRPPs.

## Contributions are locked-in

All funds in your PRPP account (including contributions, transfers in, investment earnings and any transfers from non locked-in accounts, such as a Registered Retirement Savings plan (RRSP)) are locked-in and can only be withdrawn under certain limited circumstances. See Section 11 - Locking-in Rules for PRPPs.

## 9.2 Employer Contributions

Employers are not required to contribute to a PRPP. If your employer contributes to your PRPP account, it must remit its contributions to the Administrator at least monthly and no more than 30 days after the end of the period in respect of which the amount is required to be paid under the PRPP.

An employer must remit contributions deducted from your pay to the Administrator no later than 30 days after the end of the period for which the contributions were deducted.

Your employer must ensure that it keeps separate and apart from its own money all amounts deducted from your pay, amounts of employer contributions and any other amounts that are required to be remitted to the Administrator but have not yet been remitted. The employer is deemed to hold these amounts in trust for members of the PRPP.

## 9.3 Investment Options

The PRPP Act allows for different approaches to the investment of contributions. A PRPP can let you make your own investment choices from among investment options offered by the Administrator or make the Administrator responsible for investing the funds in your PRPP account.

If your PRPP lets you make your own investment choices, the Administrator may offer up to six investment options. The investment options offered must be of varying degrees of risk and expected return and allow a reasonable and prudent person to create a portfolio of investments that is appropriate for retirement savings. If you do not make an investment choice within 60 days of being notified of your plan membership, then the investment option selected by the Administrator as the default investment option will apply to your account. The default investment option must be either a balanced fund or a portfolio of investments that takes into account your age, such as a target date fund.<sup>5</sup>

If the Administrator is responsible for investing the funds in your PRPP account, the Administrator must invest the funds in a manner that a reasonable and prudent person would apply in respect of a portfolio of investments appropriate for retirement savings.

## 9.4 Creditor Protection

The Funds in your PRPP account or funds transferred from your PRPP account as described under Section 12 – Options on Termination of Membership or Employment, must not be transferred,<sup>6</sup> charged, attached, anticipated or given as security and any transaction appearing to do so is void or, in Quebec, null. For example, the funds in your PRPP account cannot be seized by creditors, and you are prohibited from assigning or giving the funds in your PRPP account as security for a loan. One exception to this rule is for the division of funds due to a spousal relationship breakdown.

## 10. PRPP Costs

A PRPP must be provided at a low cost to members. The PRPP Act provides that costs must be at or below those incurred by members of defined contribution plans that provide investment options to groups of 500 or more members. The legislative requirement to provide a PRPP at a low cost to members is an ongoing requirement. This means that a PRPP must be offered to members at a low cost as long as they remain members of the PRPP.

PRPP costs fall into two categories:

1. The first category is 'costs' as they are defined in the PRPP Regulations, which "means all fees, levies and other charges that reduce a member's return on investment other than those that are triggered by the member's actions." Costs that fall under this category may include an investment management fee and other administrative fees. Only costs in this first category are subject to the low cost requirement of the PRPP Act and Regulations.
2. The second category includes fees, levies and other charges triggered by the actions of a member. This could include fees for such things as investment advice, transferring funds out of a PRPP, or requesting copies of documents. These fees, levies and other charges are not subject to the low cost requirement set out in the PRPP Act and Regulations.

PRPP costs that are subject to the low cost requirement are posted on the website of the [Financial Consumer Agency of Canada](#) and must be the same for all members of the PRPP.

## 11. Locking-in Rules for PRPPs

The PRPP Act provides that the funds in your PRPP account, including any additional voluntary contributions, are locked-in. This means that, as a general rule, the funds in your PRPP cannot be withdrawn. However, lump sum withdrawals may be permitted from your PRPP account in the following situations:

- **Shortened Life Expectancy:** A PRPP may allow you to withdraw the funds in your PRPP account if you suffer from a disability. "Disability" is defined as a "mental or physical condition that a physician has certified as being likely to shorten considerably the life expectancy of a member".
- **Small Balance:** If the balance of your PRPP account is considered a small balance, your PRPP may allow the balance to be withdrawn as a lump sum when you terminate your membership or when you are no longer employed by an employer who is participating in the PRPP, or after your death. Under the PRPP Act, a "small balance" is one that is less than 20% of the Year's Maximum Pensionable Earnings (YMPE) for the year in which the member is no longer employed by an employer that is participating in the PRPP or the year in

which the member dies.

The YMPE means the maximum earnings on which the Canada Pension Plan / Quebec Pension Plan contributions and benefits are calculated. The YMPE changes each year according to a formula using average wage levels. The YMPE is set by the Canada Revenue Agency (CRA) and is available on the [CRA website](#).

- **Non-Residency:** If you have not been a resident of Canada for at least two years and you are no longer employed by the employer who is participating in the PRPP, you may withdraw the funds in your PRPP account.

If you wish to unlock and withdraw the funds in your PRPP account under any of the options described above, you should contact the Administrator.

Withdrawals are immediately subject to withholding tax.<sup>7</sup> In addition, the amount that is withdrawn is included in your taxable income for the year.

If you are at least age 55, you may be eligible to receive variable payments from your PRPP account. Variable payments are described in Section 13 - Variable Payment Option for PRPP Members. The options that may be available to you when you terminate your employment or membership in the PRPP are described in Section 12 - Options on Termination of Membership or Employment.

### Home Buyers' Plan or Lifelong Learning Plan

Funds held in a PRPP account are not eligible for withdrawal under the Home Buyers' Plan, or under the Lifelong Learning Plan.

## 12. Options on Termination of Membership or Employment

If

- you terminate your employment with an employer that is participating in a PRPP,
- your employer no longer participates in a PRPP,
- you are a self-employed member who has provided notice to terminate your membership, or

- you are a member of a PRPP that has been terminated,

then contributions to your PRPP account will stop and you will have the following options:

- leave the funds in your PRPP account. Your PRPP account will continue to earn investment income. Each year you will be sent an annual statement. If the PRPP offers a variable payment option, you may elect to receive variable payments from the funds in your account as early as age 55 (see Section 13 - Variable Payment Option for PRPP Members). At age 71, the *Income Tax Act* (Canada) requires that your PRPP account must be converted to an income generating financial vehicle such as a Life Income Fund (see Section 12.2) with a financial institution, or the funds in your PRPP account must be used to purchase an immediate life annuity (see Section 12.5).<sup>8</sup>
- transfer the funds in your PRPP account to a Locked-in Registered Retirement Savings Plan, Life Income Fund or a Restricted Life Income Fund (see Sections 12.1, 12.2 and 12.3)
- transfer the funds in your PRPP account to an account with another PRPP
- transfer the funds in your PRPP account to a registered pension plan, if that plan allows the transfer
- use the funds in your PRPP account to purchase an immediate or deferred life annuity (see Section 12.5)
- if you have a small balance in your account, the PRPP may allow the small balance to be withdrawn and paid to you as a lump sum. Withdrawals are immediately subject to withholding tax.<sup>9</sup> In addition, the amount that is withdrawn is included in your taxable income for the year. A “small balance” is one that is less than 20% of the Year’s Maximum Pensionable Earnings (YMPE) for the year in which you are no longer employed by an employer that is participating in the PRPP.

The funds that are transferred from your PRPP account continue to be locked-in (except if you have transferred a small balance as described above) and are subject to the rules that apply to the PRPP, registered pension plan, annuity or locked-in retirement savings vehicles into which the funds have been transferred. These various transfer options are described below.

## 12.1 Locked-in Registered Retirement Savings Plan

A Locked-in Registered Retirement Savings Plan (Locked-in RRSP) is an investment account that is similar to a Registered Retirement Savings Plan (RRSP) (i.e. contributions are considered to be made on a pre-tax basis and income tax is deferred until funds are withdrawn), except that the funds in a Locked-in RRSP generally cannot be withdrawn other than to transfer them to

- another Locked-in RRSP;
- a Life Income Fund (see Section 12.2);
- a Restricted Life Income Fund for the purpose of pursuing the one-time 50% unlocking option, which is available to individuals who are age 55 or older (see Section 12.3);
- a PRPP;
- a registered pension plan, if that plan allows the transfer; or
- a life insurance company to purchase an immediate or deferred life annuity (see Section 12.5).

Funds in a Locked-in RRSP can be withdrawn in a lump sum only under the following situations:

- **financial hardship:** if you are experiencing financial difficulties because of low income, and/or high medical or disability-related costs relative to income
- **shortened life expectancy:** if you have a shortened life expectancy (as certified by a physician) due to physical or mental disability
- **small balance:** you may apply to unlock a small balance in your locked-in RRSP, if, in the calendar year in which you turn age 55 or in any subsequent year, the total value of all your locked-in funds are below the minimum threshold of 50% of the YMPE
- **non-residency:** if you have not been a resident of Canada for at least two years

To make a withdrawal due to financial hardship, you must obtain the consent of your spouse or common-law partner and complete Form 1 and Form 2 of the Schedule to the PRPP Regulations.[10](#)

For a small balance withdrawal, you must obtain the consent of your spouse or common-law partner and complete Form 2 and Form 3 of the schedule to the PRPP Regulations.[11](#)

These forms are available from the financial institution that holds your Locked-in RRSP, and the completed forms must be submitted to that financial institution.

Withdrawals are immediately subject to withholding tax.<sup>12</sup> In addition, the amount that is withdrawn is included in your taxable income for the year.

## 12.2 Life Income Fund

Funds in a Life Income Fund (LIF) can generally only be accessed in the form of regular retirement income. A minimum amount (determined under the *Income Tax Regulations* (Canada)) must be withdrawn from the LIF every year. Withdrawals are also subject to a maximum amount (determined under the PRPP Regulations) with the aim of ensuring that retirement income lasts until at least age 90. There is no minimum age requirement in order to establish a LIF.

The amount transferred to a LIF continues to grow with investment earnings on a tax deferred basis. Only amounts that are withdrawn are taxable.

The funds in a LIF can be transferred to

- another LIF;
- a Restricted Life Income Fund for the purpose of pursuing the one-time 50% unlocking option, which is available to individuals who are age 55 or older (see Section 12.3);
- a Locked-in RRSP provided the account holder has not reached age 71 (see Section 12.1); or
- a life insurance company to purchase an immediate or deferred life annuity (see Section 12.5).

Funds in a LIF can be withdrawn in a lump sum only under the following situations:

- **financial hardship:** if you are experiencing financial difficulties because of low income, and/or high medical or disability-related costs relative to income
- **shortened life expectancy:** if you have a shortened life expectancy (as certified by a physician) due to physical or mental disability

- **small balance:** you may apply to unlock a small balance in your LIF if, in the calendar year in which you turn age 55 or in any subsequent year, the total value of all your locked-in funds held are below the minimum threshold of 50% of the YMPE
- **non-residency:** if you have not been a resident of Canada for at least two years. To make a withdrawal due to financial hardship, you must obtain the consent of your spouse or common-law partner and complete Form 1 and Form 2 of the Schedule to the PRPP Regulations.[13](#)

For a small balance withdrawal, you must obtain the consent of your spouse or common-law partner and complete Form 2 and Form 3 of the Schedule to the PRPP Regulations.[14](#)

These forms are available from the financial institution that holds your LIF and the completed forms must be submitted to that financial institution.

Withdrawals are immediately subject to withholding tax.[15](#) In addition, the amount that is withdrawn is included in your taxable income for the year.

### 12.3 Restricted Life Income Fund

A Restricted Life Income Fund (RLIF) is a locked-in vehicle that is similar to a LIF with additional features and transfer restrictions. An RLIF is the only locked-in vehicle from which you may take advantage of the one-time 50% unlocking option. An RLIF is restricted because you can only exercise this option one time, and once your funds are in an RLIF, your transfer options, as described below, are limited. Funds held under a locked-in vehicle including funds held in a PRPP account may be transferred directly to a RLIF for unlocking.

If you are at least age 55 you may transfer up to 50% of the balance of your RLIF to an RRSP or a Registered Retirement Income Fund (RRIF), as long as the transfer happens within 60 days of the creation of the RLIF. After the 60 day period has expired, the RLIF will be subject to the same limits concerning maximum and minimum annual withdrawals as a LIF. In order to unlock and withdraw these funds you must obtain the consent of your spouse or common-law partner by completing Form 2 of the schedule to the PRPP Regulations and provide the completed form to the financial institution which holds your RLIF.[16](#)



Once you have made a transfer out of an RLIF or the 60 day period for making a transfer has expired, you are not permitted to transfer funds that remain in the RLIF back to a LIF, nor can the funds be transferred to a locked-in RRSP. Should you wish to transfer the funds held in an RLIF, they may only be transferred to another RLIF, a Restricted Locked-in Savings Plan or the funds may be used to purchase an immediate or deferred life annuity.

In addition to the one-time 50% unlocking option, you may apply to unlock and withdraw some or all of the funds in your RLIF as a result of

- **financial hardship:** if you are experiencing financial difficulties because of low income, and/or high medical or disability-related costs relative to income;
- **shortened life expectancy:** if you have a shortened life expectancy (as certified by a physician) due to physical or mental disability;
- **small balance:** you may apply to unlock a small balance in your RLIF if, in the calendar year in which you turn age 55 or in any subsequent year, the total value of all your locked-in funds are below the minimum threshold of 50% of the YMPE; or
- **non-residency:** if you have not been a resident of Canada for at least two years.

To make a withdrawal due to financial hardship, you must obtain the consent of your spouse or common-law partner and complete Form 1 and Form 2 of the schedule to the PRPP Regulations.[17](#)

For a small balance withdrawal, you must obtain the consent of your spouse or common-law partner and complete Form 2 and Form 3 of the schedule to the PRPP Regulations.[18](#)

These forms are available from the financial institution that holds your RLIF, and the completed forms must be submitted to that financial institution.

Withdrawals are immediately subject to withholding tax.[19](#) In addition, the amount that is withdrawn is included in your taxable income for the year.

## 12.4 Restricted Locked-in Savings Plan

A Restricted Locked-in Savings Plan (RLSP) is an investment account that can only be established as a result of a transfer of funds from an RLIF. You may want to transfer your money into an RLSP if you would like to further transfer those funds into a registered pension plan or a PRPP. This is because, as mentioned above, transferring funds directly from an RLIF to a registered pension plan or a PRPP is not permitted.

Funds in an RLSP cannot be withdrawn in a lump sum, and can only be transferred to another RLSP, a RLIF, a registered pension plan that is willing to accept the transfer, a PRPP, or to an insurance company to purchase an immediate or deferred life annuity.

You may apply to unlock and withdraw some or all of the funds in your RLSP as a result of

- **financial hardship:** if you are experiencing financial difficulties because of low income, and/or high medical or disability-related costs relative to income;
- **shortened life expectancy:** if you have a shortened life expectancy (as certified by a physician) due to physical or mental disability;
- **small balance:** if in the calendar year in which you turn age 55 or in any subsequent year, the total value of all your locked-in funds are below the minimum threshold of 50% of the YMPE; or
- **non-residency:** if you have not been a resident of Canada for at least two years.

To make a withdrawal due to financial hardship, you must obtain the consent of your spouse or common-law partner and complete Form 1 and Form 2 of the Schedule to the PRPP Regulations.[20](#)

For a small balance withdrawal, you must obtain the consent of your spouse or common-law partner and complete Form 2 and Form 3 of the Schedule to the PRPP Regulations.[21](#)

These forms are available from the financial institution which holds your RLSP and the completed forms must be submitted to that financial institution.

Withdrawals are immediately subject to withholding tax.[22](#) In addition, the amount that is withdrawn is included in your taxable income for the year.

## 12.5 Life Annuity

You may use the funds in your PRPP account to purchase an immediate life annuity or a deferred life annuity that provides income guaranteed for your lifetime and could provide continued payments to a survivor upon your death. While an immediate life annuity begins making payments within one year after its purchase, a deferred life annuity provides you with the option to delay receiving income payments until you choose to receive them.

There are many types of life annuities, but two common types are what are referred to as single life and joint life annuities.

A single life annuity provides, at a minimum, guaranteed payments for your lifetime.

A joint life annuity provides guaranteed payments for your lifetime and, in the event of your death, payments continue in whole or in part to your survivor for their lifetime.

An annuity may also have a guarantee period, which specifies the number of years that the full annuity payment will be paid with initial payments made to you, and, if you should die prior to the end of the guarantee period, payments will continue to your beneficiary or survivor before either ceasing or adjusting the survivor benefit.

## 13. Variable Payment Option for PRPP Members

A PRPP may offer you a variable payment option payable from your PRPP account once you have reached age 55. The variable payment option can start at age 55, or later, even if you are still employed with the employer through which the PRPP is provided. If you elect to receive a variable payment, you can choose the amount you wish to withdraw from your PRPP account as annual income, subject to the minimum amount required by the *Income Tax Regulations* (Canada) and the maximum amount determined under the PRPP Regulations. The funds in your PRPP account will continue to grow on a tax deferred basis until the funds are withdrawn.

At least once each year, or more frequently if the terms of the PRPP permit, while you are receiving variable payments, you may elect, by providing written notice to the Administrator, to transfer the funds in your PRPP account to a

- Locked-in RRSP (see Section 12.1);
- Life Income Fund (see Section 12.2);
- Restricted Life Income Fund for the purpose of pursuing the one-time 50% unlocking option, which is available to individuals age 55 or older (see Section 12.3);
- PRPP;
- registered pension plan, if that plan allows the transfer; or
- life insurance company to purchase an immediate or deferred life annuity (see Section 12.5).

## 14. Death of a PRPP Member

The PRPP Act provides that, on your death, your survivor is entitled to the funds in your PRPP account. The term “survivor” is defined in the PRPP Act to mean your common-law partner or, if you do not have a common-law partner, your spouse at the time of your death.

Your survivor is entitled to transfer the funds in the PRPP account to a

- Locked-in RRSP (see Section 12.1);
- Life Income Fund (see Section 12.2);
- Restricted Life Income Fund for the purpose of pursuing the one-time 50% unlocking option, which is available to individuals age 55 or older (see Section 12.3);
- PRPP;
- registered pension plan, if that plan allows the transfer; or
- life insurance company to purchase an immediate or deferred life annuity (see Section 12.5).

If your death occurs while you were receiving variable payments, and you had a spouse when your variable benefits commenced, your survivor is entitled, in addition to the transfer options listed above, to elect to receive variable payments from the funds in your PRPP account after your death. See Section 13 – Variable Payment Options for PRPP Members. The options listed above would then also be provided at least annually to your survivor.

A PRPP may provide that if the funds in your PRPP account are less than 20% of the Year’s Maximum Pensionable Earnings (YMPE) for the year in which you die, the funds in your account may be unlocked and withdrawn by your

survivor in cash or transferred to an unlocked registered vehicle such as an Registered Retirement Savings Plan (RRSP) or a Registered Retirement Income Fund (RRIF).

A PRPP may provide that your survivor may surrender, in writing, their right or interest in the funds in your account to a beneficiary who is their or your dependent as defined in subsection 8500(1) of the *Income Tax Regulations* (Canada).

If you die without leaving a survivor, or your survivor has surrendered their right or interest in the funds in your account, the funds in your account are to be paid to your designated beneficiary. If you have not designated a beneficiary, the funds in your account will be paid to your estate. Funds payable to a beneficiary or estate are not locked-in.

Your survivor, designated beneficiary, executor, liquidator or administrator of your estate, as the case may be, is entitled to receive from the Administrator, within 30 days after the day on which the Administrator received notice of your death, a statement of the funds in your account. See Section 7 – Information Provided to Plan Members.

## 15. Family Law Matters – Breakdown of a Spousal or Common-law Relationship

Under the PRPP Act, the funds in your account are, on divorce, annulment, separation or breakdown of a common-law partnership, subject to provincial law relating to the distribution of property. This would be in accordance with a court order or an agreement between you and your spouse, former spouse, common-law partner or former common-law partner.

You may transfer all or a portion of the funds in your account to your spouse, former spouse, common-law partner or former common-law partner, effective on the date of the divorce, annulment, separation or breakdown of the common law partnership, as the case may be.

Your spouse, former spouse, common-law partner or former common-law partner then has the option to transfer their portion of the funds in your PRPP account to a

- Locked-in RRSP (see Section 12.1);
- Life Income Fund (see Section 12.2);

- Restricted Life Income Fund for the purpose of pursuing the one-time 50% unlocking option, which is available to individuals who are age 55 or older (see Section 12.3);
- PRPP;
- registered pension plan, if that plan allows the transfer; or
- life insurance company to purchase an immediate or deferred life annuity (see Section 12.5).

## 16. Additional Information

If you require additional information concerning your PRPP, you should contact your PRPP Administrator.

Questions concerning the *Pooled Registered Pension Plans Act* and the *Pooled Registered Pension Plans Regulations* can be sent to OSFI at the following email address: [information@osfi-bsif.gc.ca](mailto:information@osfi-bsif.gc.ca).

- 1 The PRPP Act defines full-time as engaged to work throughout the year all or substantially all of the normally scheduled hours of work established for persons in that class of employees.
- 2 The PRPP Act defines part-time as engaged to work on other than a full-time basis.
- 3 You may set your contribution rate to 0% if 12 months have passed since you began making contributions to the PRPP.
- 4 Under subsection 8506(5) of the *Income Tax Regulations* it is permitted to use the age of the member's spouse or common-law partner to determine the minimum variable payment.
- 5 Target-date funds are also referred to as "lifecycle funds," "retirement date funds" and "age-based funds".
- 6 On termination of employment or membership in a PRPP, the funds in a PRPP account may be transferred to a prescribed savings vehicle. See Section 12 Options on Termination of Membership or Employment.
- 7 See CRA: [withholding tax rates for lump sum payments](#).
- 8 An immediate annuity is defined as an annuity that commences periodic payments within one year after its purchase.
- 9 See CRA: [withholding tax rates for lump sum payments](#).
- 10 See paragraph 38(1)(e) of the PRPP Regulations for further details. Form 1 of the Schedule to the PRPP Regulations-Certification Regarding Withdrawal Based on Financial Hardship. Form 2 of the Schedule to the PRPP Regulations-Certification(s) Regarding Spouse or Common-Law Partner.
- 11 Form 3 of the Schedule to the PRPP Regulations-Certification of Total Amount Held in Locked-In Plans. Form 2 of the Schedule to the PRPP Regulations-Certification(s) Regarding Spouse or Common-Law Partner.
- 12 See CRA: [withholding tax rates for lump sum payments](#).

See paragraph 41(1)(k) of the PRPP Regulations for further details. Form 1 of the Schedule to the PRPP Regulations-Certification Regarding Withdrawal Based on Financial Hardship. Form 2 of the Schedule to the

- [13](#) PRPP Regulations-Certification(s) Regarding Spouse or Common-Law Partner.
- [14](#) Form 3 of the Schedule to the *Pooled Registered Pension Plan Regulations-Certification of Total Amount Held in Locked-In Plans*.
- [15](#) See CRA: [withholding tax rates for lump sum payments](#).
- [16](#) Form 2 of the Schedule to the PRPP Regulations-Certification(s) Regarding Spouse or Common-Law Partner.
- [17](#) See paragraph 40(1)(k) of the PRPP Regulations for further details. Form 1 of the Schedule to the PRPP Regulations-Certification Regarding Withdrawal Based on Financial Hardship. Form 2 of the Schedule to the PRPP Regulations-Certification(s) Regarding Spouse or Common-Law Partner.
- [18](#) See paragraph 40(1)(j) of the PRPP Regulations for further details. Form 3 of the Schedule to the PRPP Regulations-Certification of Total Amount Held in Locked-In Plans. Form 2 of the Schedule to the PRPP Regulations Certification(s) Regarding Spouse or Common-Law Partner.
- [19](#) See CRA: [withholding tax rates for lump sum payments](#).
- [20](#) See paragraph 39(1)(f) of the PRPP Regulations for further details. Form 1 of the Schedule to the PRPP Regulations-Certification Regarding Withdrawal Based on Financial Hardship. Form 2 of the Schedule to the PRPP Regulations-Certification(s) Regarding Spouse or Common-Law Partner.
- [21](#) Form 2 of the Schedule to the PRPP Regulations-Certification(s) Regarding Spouse or Common-Law Partner. Form 3 of the Schedule to the *Pooled Registered Pension Plan Regulations-Certification of Total Amount Held in Locked-In Plans*.
- [22](#) See CRA: [withholding tax rates for lump sum payments](#).