

# Pooled Registered Pension Plans (Manitoba) Q&A

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The following are answers to frequently asked questions about Manitoba's Pooled Registered Pension Plans (PRPP) laws. You should refer to *The Pooled Registered Pension Plans (Manitoba) Act* and *Pooled Registered Pension Plans Regulation* for further information.

Members wishing to find out the details of their particular PRPP should contact the plan administrator.

## Overview

### ***What is a pooled registered pension plan (PRPP)?***

A PRPP is a new kind of plan designed to provide retirement income for employees and self-employed individuals who do not have access to a workplace pension. A PRPP is a defined contribution-style plan that is set up and administered by a licensed provider and administered by the financial institution. The administrator must ensure that the cost to members is similar to the cost of a large defined contribution plan.

## Administration

### ***Who can administer a PRPP?***

The *Income Tax Act* states that, to be an administrator of a PRPP, you have to be a corporation resident in Canada and be authorized under the *Pooled Registered Pension Plans Act* or a similar law of a province to act as an administrator for one or more pooled pension plans.

A list of registered administrators can be found on the Office of the Superintendent of Financial Institutions website at <http://www.osfi-bsif.gc.ca/Eng/pp-rr/ppa-rra/prpp-rpac/Pages/prpp-rpac-lst.aspx>.

### ***How does a PRPP work?***

Once an individual has a PRPP account, his or her contributions and the contributions made for him or her by a participating employer are credited to the individual's account. The funds in the individual's account are pooled with the other funds in the plan.

## Participation

### ***Is it mandatory for employers to offer PRPPs?***

It is optional for an employer to offer a PRPP to its employees.

### ***Are employees required to participate in a PRPP?***

If an employer joins a PRPP, its employees are automatically enrolled but can opt out.

***How does an individual become a member of a PRPP?***

An individual can be enrolled in a PRPP by his or her employer, if the employer chooses to participate in the plan. A self-employed individual and an individual whose employer chooses not to participate can open a PRPP account by approaching the administrator directly.

***Can an individual who does not have an employer participating in the plan become a member?***

As long as the individual lives or works in a jurisdiction that has enacted PRPP legislation, and there is a provider, he or she is eligible to join a PRPP. An individual's participation in a PRPP is not dependent on an employer being involved. This is one of the differences between PRPPs and other types of pension plans.

**Contributions*****Are employers required to contribute to a PRPP?***

Employers are not required to contribute to a PRPP.

***How much can an individual contribute to a PRPP?***

The PRPP contribution limit is based on the individual's registered retirement savings plan (RRSP) contribution limit. Contributions made by the employer and the individual are deductible in calculating their respective incomes, in line with the requirements of the *Income Tax Act*.

***If I am making contributions to a PRPP, can I choose to stop contributing for a period of time?***

Members of a PRPP can set their contribution rate to 0% if 12 months have elapsed since the member's contributions to the PRPP began.

**Investments*****What kind of investments can the administrator offer in a PRPP?***

Generally, there are no restrictions on the types of investments that can be offered. Investments within a PRPP are similar to those available in registered pension plans.

The PRPP may permit the member to make investment choices from those offered by the administrator. If the member does not make an investment choice, the default option in the PRPP will apply.

**Withdrawals*****Are there any restrictions on withdrawals from a PRPP?***

Manitoba, like some jurisdictions, put limits on withdrawals. The exception to the locking-in rules are in the case of non residency in Canada for two or more years, small accounts of less than 20% of the Years Maximum Pensionable Earnings and shortened life expectancy of less than two years.

## **Transfers**

### ***What are the rules for transferring money from a PRPP account to the different types of retirement vehicles on a tax-exempt basis?***

An individual due to termination of employment or membership, death or relationship breakdown, can transfer money from his or her PRPP account to another of his or her own PRPP accounts, to a registered pension plan, to a locked-in retirement account (LIRA), to a life income fund (LIF), or to a licensed annuities provider to get an annuity that meets certain conditions.

An individual can transfer money to his or her PRPP account from another PRPP account, a registered pension plan, a LIRA or a LIF.

## **Pension Income/Variable Benefits**

### ***What type of pension income can I receive?***

A member can elect to purchase an annuity from an insurance company or receive variable payments from the PRPP.

The amount of the annuity payable from the insurance company will be based on the individual's account balance and current annuity purchase rates.

Under the variable payment option the individual receives a portion of the PRPP each year. The formula for determining the amount that can be paid each year is consistent with the formula for Life Income Funds subject to *The Pension Benefits Act* and Regulation and is designed to provide the individual with income for life.

## **Joint Life Annuity**

### ***Must the annuity have survivor benefits?***

If the individual has a spouse or common-law partner when he or she elects to purchase an annuity, commence variable payments or transfer funds to a LIF, the life annuity must have survivor benefits that give his or her surviving spouse or common-law partner a lifetime pension of at least 60 percent of the pension being paid to the member, unless the spouse or common-law partner has waived his or her right to the benefit and has not revoked the waiver.

## **Death of the Member**

### ***What happens to the individual's PRPP account if the individual dies?***

The funds in the PRPP are payable to the spouse or common-law partner unless at the time of death the member was living separate and apart from his or her spouse or common-law partner because of a relationship breakdown. The spouse or common-law partner would have the same transfer options as the individual who held the PRPP.

If there is no spouse or common-law partner, or the spouse or common-law partner has waived their right to the PRPP account, and the waiver has not been revoked, the funds may be paid to the individual's beneficiary or estate.

### **Division on Breakdown of a Relationship**

#### ***What happens if the spouse or common-law partner and member separate?***

An individual's funds in a PRPP earned during the period of the relationship must be divided equally if a division of assets has been triggered in accordance with *The Pooled Registered Pension Plans (Manitoba) Act* and the parties have not waived the division in accordance with this Act.

### **Protection of Funds**

#### ***Are members funds protected?***

An individual's funds in a PRPP are protected from creditors subject to certain exceptions in *The Garnishment Act*. Funds in PRPP can only be used for pension purposes and would not be available to creditors in the event a company registered as the administrator becomes bankrupt.

### **Additional Information**

#### ***Where can I find additional information on PRPP's?***

[Office of the Superintendent of Financial Institutions webpage](#)

[Canada Revenue Agency webpage](#)