Supplemental Pension Plans

Guide

Annual Information Return

2005

Québec

Produced by the
Direction des régimes de retraite

in collaboration with the
Direction des communications and the
Direction du soutien aux opérations
at the Régie des rentes du Québec

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Guide—Annual Information Return

This guide is intended to aid the administrator of a supplemental pension plan in completing the plan's Annual Information Return (Form R-53). All the elements of the return are covered, in order, section by section and line by line. Please follow the instructions carefully. Incomplete forms will be returned and you will have to pay additional fees.

Changes for 2005

Two changes have been made to the annual return. The first concerns the required fees, which are increased to 7,50 $ for each active member, non-active member and beneficiary (Section 11). The second concerns the addition of line 412 on the use of letters of credit, in Appendix 4.

The other changes to the Guide to the Annual Information Return are minor. They do not change the type of information that you must provide; only the instructions have been changed to make your job easier. To avoid having to pay additional fees, please read carefully the conditions set out on page 2 for an annual information return to be considered complete.

Important

In this guide:

- The *Supplemental Pension Plans Act* is referred to as **"the *Act* ".**
- This guide in no way replaces the *Act* or its regulations.
- Terms in **quotation marks (" ")** are defined in the vocabulary found at the end of the guide.

You must file a complete annual information return within six months following the end of the plan's fiscal year. It must be accompanied with the required annual fees. An annual information return is considered to be incomplete and will be returned to the person who represents the plan administrator in any of the following cases:

- The form used is not the annual information return provided by the Régie des rentes du Québec and does not contain all the required information.
- Section 10 of the return was not completed.
- The certificates of the signatories are not signed by the person or persons authorized to do so, that is, a member of the pension committee, an organization, a group, or a person representing the employer where the employer is the plan administrator.
- Appendix 3A) or, in the case of an insured plan, 3B) was not filled out and enclosed with the return.
- Where the "financial report" indicated in section 161 of the *Act* must be audited by an auditor.
    - the auditor's report and the "derived report" were not enclosed with the return or were not signed by a chartered accountant, or
    - the auditor's questionnaire was not filled out and the "derived report" was not enclosed with the return or was not signed by a chartered accountant.
- The certificate of the insurer, in the case of an insured plan, was not signed by a person authorized by the insurer.
- Appendix 4 was not filled out and enclosed with the return, in the case of an uninsured plan.

The annual information return, the required annual fees, and (where required) the "auditor's report" and the "derived report" must be sent to the **Direction des régimes de retraite, Régie des rentes du Québec, Case postale 5200, QUÉBEC, (Québec) G1K 7S9**. Please pay the plan's annual fees by means of a cheque or postal money order made out to the **Régie des rentes du Québec**.

If you fail to file a complete annual information return, you will have to pay additional fees equal to 10% of the fees initially due for each complete month of delay, up to a maximum of 100%. If you fail to pay the required fees that must accompany the return, you will have to pay additional fees equal to 10% of the balance outstanding for each complete month of delay, up to a maximum of 100%.

If you use the information schedule required by the Canada Revenue Agency, enclosed with the annual information return, it must be submitted to the Régie within six months following the end of each of the plan's fiscal years. Note that if the information schedule is not provided within the prescribed time limit, penalties will apply and will be managed by the Canada Revenue Agency. Such penalities are applied differently than those imposed by the Régie des rentes du Québec.

Furthermore, a fine of 500 $ to 25 000 $ can be imposed on a plan administrator who:

- within six months following the end of a fiscal year fails to send to the Régie des rentes du Québec an annual information return containing the information prescribed by regulation and the prescribed certificates and documents,

or

- makes a false declaration.

If amendments were made to the plan during the fiscal year but were not sent to the Régie des rentes du Québec for registration, please note that an application for registration of these amendments must be completed and sent to the Régie. (For this purpose, you can use the *Application for Registration of an Amendment to a Supplemental*

Pension Plan, a copy of which can be obtained by applying in writing to the Direction des régimes de retraite at the Régie des rentes du Québec or by calling (418) 643-8282.)

You should know that since 31 December 1996, unless an exemption has been granted, the financial reports of all uninsured pension plans must be audited by an accountant.

Exemptions can be granted for plans that have less than 50 members and beneficiaries and of which the assets have a market value of less than 1 million $, provided the other conditions set out in the regulations are met. The procedure in Section 4 of **Appendix 3A** of the annual information return will allow you to determine whether or not the financial report for the fiscal year covered by the return must be audited by an accountant.

If the pension plan has been divided or merged, please read carefully the information in the guide for lines 4, 7, 10, 305 to 308, 310, 322, 332, 364, 375 and 376, 388 of the return.

Section 1

Plan number

If the plan number is not already shown in this section, indicate it in the space provided.

The plan number is the number assigned by the Régie des rentes du Québec. It must not be confused with a file number or contract number assigned in some cases by a financial institution.

Section 2

End of the plan's fiscal year

If the ending date of the fiscal year is not already shown in this section or if it is not correct, indicate the date in the space provided.

Before changing the established ending date of the plan's fiscal year, you must first file an application to amend the plan text with the Régie des rentes du Québec.

Section 3

Name of the plan (usually found in the plan text)

If the plan's name is not already shown in this section or if it is incorrect, indicate the name in the space provided.

All registered plans and all plans being considered for registration have a name by which they are known. The name must make it possible to distinguish the plan from any other plan offered by the same employer.

Section 4

Administrator of the plan (according to the plan text)

If the type of administrator is not shown in this section or if it is incorrect, give the missing information in the space provided.

In this section, you must indicate the plan's administrator as identified in the plan text, **not** the person, body or group to whom administrative duties have been delegated or assigned.

Exception: If the plan has not yet been registered with the Régie des rentes du Québec or no pension committee has been formed, you must indicate in this section that the plan is administered by the employer.

Type of administrator

- **A pension committee**

Check this box if the plan is administered by a pension committee. Where a plan has no more than 25 members and beneficiaries and is administered by a pension committee, the committee must include at least one plan member or a person designated by the plan members and one independent person (third party). If the plan has more than 25 members and beneficiaries, it must be administered by a pension committee that includes at least two plan members or two persons designated by them and one independent person (third party).

If the plan is administered by a pension committee, **Appendix 1** must be completed.

- **A person, a body or a group authorized by law to administer the plan**

Check this box if pursuant to section 266 of the *Act*, a natural person, a legal person or a body or group without juridical personality is authorized by an act other than the *Supplemental Pension Plans Act* to administer the plan.

This is the case of a plan administered by a union pursuant to section 9 of the *Professional Syndicates Act*.

If the plan is administered by a person, body or group authorized by law to administer the plan, you must indicate in **Appendix 1** the names and addresses of the persons or the members of the body or group who administer the plan.

- **An employer**

Check this box if the plan is administered by the employer. The plan can be administered by the employer:

- if it has no more than 25 members and beneficiaries and the plan text designates the employer as the administrator, or
- if the plan is not yet registered with the Régie and no pension committee has been formed.

If the plan is administered by the employer, you are not required to complete **Appendix 1**.

Section 5

Identification of the person representing the plan administrator

The person representing the plan administrator is the person designated by the plan's administrator to be the plan's liaison person with the Régie, that is, the person with whom the Régie communicates verbally or in writing. Among other activities, that person:

- receives written correspondence addressed to the plan;
- handles requests from the Régie;
- forwards correspondence received by the plan to the persons, bodies or companies concerned.

If the information about the person representing the plan administrator is not already shown in this section or is incomplete or incorrect, please give the missing information or make corrections in the space provided.

Section 6

Name of the employer that is a party to the plan

For the purposes of this section, an **employer is considered to be a party to the plan** if the employer has active or non-active members who, at the end of the fiscal year covered by the information return, have rights under the plan. An employer is not considered to be a party to the plan if:

- as of the date on which the plan's partial termination was approved by the Régie des rentes du Québec, or as of the date on which the amendment respecting the employer's withdrawal from the plan was authorized, the employer has no more obligations under the plan, even if some plan members opted to leave their benefits in the plan;
- the employer has never had any obligations under the plan because no employee joined the plan with which the employer is associated.

If **more than one employer** participates in the plan, do not complete Section 6. Instead, give the name of each employer that is a party to the plan in **Appendix 2** and refer to the instructions for that appendix.

If **only one employer** participates in the plan, that employer's name must be given in Section 6 of the return, and it is not necessary to complete **Appendix 2**. If the employer's name is not already shown in Section 6 or the name shown must be changed or deleted, please make the necessary corrections in the space provided.

Section 7

Statement of financial position and report on investments

In the case of an uninsured plan, complete **Appendix 3A** and **Appendix 4**. In the case of an insured plan, complete **Appendix 3B**.

An insured plan

For a plan to be considered to be insured, **all** the benefits and **all** the refunds must **at all times** be insured by an insurer. Your plan is insured if you have a **contract** with an insurer that provides for the purchase of life annuities **as soon as** contributions are paid to the insurer.

A plan that is not insured

Any plan that has to send the Régie des rentes du Québec an actuarial valuation every three years.

N.B.: A plan is considered to be not insured if:

- an insurer's insurance contains an exemption with respect to the plan's obligations under the plan contract or pursuant to the *Act* , or
- one of these obligations is not insured. A plan cannot be considered to be insured if its benefits are only partially insured. For example, if as of a given date, future benefits are no longer insured, the plan becomes an uninsured plan as of that date.

If this explanation is not sufficient for you to determine whether your plan is insured, please contact your insurer or the Régie des rentes du Québec to clarify the plan's status.

Section 8

Annual meeting (section 166 of the *Act*)

Line 1

The date of the annual meeting to be indicated on this line is the date on which the annual meeting was held **during the fiscal year covered by this return.** For example, if a plan holds an annual meeting on 15 August **2005** and the following annual meeting on 28 May **2006**, on the information return covering the year ended on 31 December **2005**, the date to enter on line 1 would be 15 August **2005.**

If no annual meeting was held during the fiscal year covered by this return, leave this line blank. If more than one annual meeting was held during the fiscal year, give the date of the last meeting.

Line 2

The agenda for the annual meeting must at least provide for dealing with the following topics:

- amendments to the plan since the last annual meeting;
- indications recorded in the conflicts of interest register;
- financial position of the plan;
- right to designate members of the pension committee, if need be;
- report on the plan's administration;
- proposal to dispense with an audit of the financial report, if appropriate.

Amendments to the plan

Amendments that were made to the plan's provisions after the last annual meeting, whether or not they have been submitted to the Régie des rentes du Québec for registration or whether or not they have been registered.

Indications recorded in the conflicts of interest register (sections 158 and 159 of the Act)

Any person who is responsible in whole or in part for the administration of the plan must notify the plan administrator in writing of any interest that he or she has in an enterprise or body that may result in his or her personal interest conflicting with the duties of his or her other office, and of any other rights, other than those arising from the plan, that he or she may have in or may invoke against the pension plan. Such interest and rights must be recorded in the conflicts of interest register.

Consider, for example, the four situations that follow:

- Mario is a member of the pension committee for the ABC Inc. pension plan. He is also an associate of DEF Inc., a consulting actuaries firm, which has the mandate to prepare the plan's actuarial valuation. He must notify the pension committee of this association with that firm.
- The pension committee once used the services of a lawyer who is now a member of the pension committee. The lawyer's fees have still not been fully paid. She thus has rights that she can invoke against the pension plan. Therefore, she must so notify the committee.
- Henri is a member of the pension committee for the GHI Company Inc. pension plan. He also has a large block of shares in 0000-0000 Québec Inc. The pension committee is planning to buy shares in this company. Although the planned investment is in conformity with the *Act* and the investment policy adopted by the committee, Henri has, without doubt, a conflict of interest and must inform the committee in writing.
- Guy is a member of the Green Peas pressure group; he is also a member of the pension committee for the JKL Inc. pension plan, an oil company. One day, Green Peas announces a boycott of the shares and products of a certain number of companies, some of which are among the stock holdings of JKL's pension plan. Guy must inform the pension committee of his Green Peas activities.

Plan's financial position

At the plan's annual meeting, the administrator must allow the plan members and the employer to be informed about the plan's financial position. The following documents are among those that can be used:

- "plan's financial report";
- "auditor's report" (if any);
- insurer's report, if the plan is insured;
- reports on the plan's actuarial valuation, if any.

Designation of committee members by the plan members

Where a plan is administered by a pension committee, each group of members, active and non-active, must be able at the annual meeting to decide whether or not to designate a pension committee member with a right to vote and a pension committee without a vote.

Where a group of members decides to designate a member to sit on the pension committee, the designation must be made according to a method chosen by the group. If no choice is made by the group, the method is chosen by the pension committee.

Report on the plan's administration

The administrator must provide general information on the plan's administration, for example, on the main decisions made during the year, the accrued expenses and the delegations of power (both those still in effect and those that have ended).

Exemption from an audited "financial report"

If the plan is uninsured, has less than 50 members and beneficiaries and the market value of its net assets is less than 1 000 000 $ and the administrator wishes to have the fiscal year covered by the return exempted from the required audit of the plan's "financial report", a proposal to that effect had to have been made at the annual meeting. If less than one third of the members present or represented at the meeting were opposed to the administrator’s proposal, the proposal is accepted. All the conditions for exemption are listed in Section 4 of **Appendix 3A**.

Section 9

Changes in plan membership

In this section, you must provide information on plan membership. A supplemental pension plan can have two types of members: **active members** and **non-active members**. Pension **beneficiaries** are not members and must be counted only on line 11.

Active members

Every member of a pension plan is deemed to be an active member:

- until his or her participation ceases in accordance with the withdrawal requirements or unless he or she no longer meets membership requirements;
- until his or her period of continuous service ends;
- until he or she dies.

Non-active members

Every member of a pension plan who is not an active member is a non-active member.

Non-active members are:

- members receiving a retirement pension (including those for whom an annuity was purchased from an insurer with assets from pension fund);
- members receiving a disability pension;
- members who are entitled to a deferred pension;
- members in a postponement period who do not accumulate new benefits;
- members who have ceased being active members without becoming entitled to a benefit and who have left their benefits in the plan;
- spouses who have a vested right to a pension following partition of a member’s patrimony and who have left their benefits in the member’s plan.

Non-active members cease to be members when:

- all of their benefits are paid by a transfer, a refund or the purchase of an annuity from an insurer;
- their pension is replaced by a life income fund;
- they die.

Beneficiaries

A spouse or an heir who receives a pension following the death of a member cannot be considered to be a member. He or she is a beneficiary and must be counted only on line 11 of Section 9.

Special cases

Members whose rights are maintained for the sole purpose of an eventual distribution of surplus assets must not be counted in Section 9.

Any active or non-active member whose conditions of employment are regulated by both provincial and federal legislation must be counted in Section 9.

Periods of continuous service

A worker's period of continuous service is the period in which he or she does work for an employer, without taking into account temporary interruptions or periods of disability during which the member continues to accumulate benefits. Therefore, a disabled member who continues to accumulate benefits under the plan must be considered to be an active member.

Where a worker is laid off with a right to be recalled, his or her absence can generally be considered to be temporary; consequently, the member continues to be an active member (subject to the withdrawal conditions that may be provided for in the plan). A layoff with a right to be recalled cannot be considered to be a temporary absence from work for longer than 24 months, unless the plan makes allowance therefor and the member consents thereto.

This limit does not apply unless the layoff is initially a temporary interruption of work. If facts show that it is not reasonably possible to envisage a recall to work, notwithstanding a right to be recalled, the interruption is permanent and the member must be considered to be a non-active member as of the date on which he or she stops working.

A period of continuous service can also end before the expiry of such 24-month period if some event makes it no longer possible to consider the interruption of work to be temporary, for example, the member gives up his or her recall right, the employer permanently ceases its activities or the recall right has expired.

Changes in plan membership (lines 3 to 9)

Line 3

The number of active members at the end of the preceding fiscal year (line 3) must correspond to the number of active members shown on line 9 of the annual information return for the preceding year.

If the number of active members at the end of the preceding fiscal year is not already shown in the left-hand box of line 3 or if the number shown is not correct, make the necessary correction in the right-hand box of line 3.

If this return covers the plan's first fiscal year and there were no active members at the beginning of the fiscal year, enter **0** in the right-hand box of line 3.

Line 4

Persons who joined the plan during the fiscal year following a merger are also plan members, even if the merger has not yet been approved by the Régie. Be sure to enter the contributions for these members on lines 305 to 307 and lines 360 and 361, if applicable.

Line 6

Indicate on this line the number of cessations of active membership during the fiscal year for which the member was entitled to an immediate pension, a death benefit or a disability pension. Members with a vested right to a deferred pension must be shown elsewhere, on line 7.

Line 7

Indicate on this line the number of cessations of active membership during the fiscal year for which the member was **not** entitled to an immediate pension, a death benefit or a disability pension. The number shown on this line must include all members who, on cessation of active membership, had a vested right to a deferred pension.

Members whose active participation ended during the fiscal year covered by this return following a plan's division or partial termination must also be shown on this line, even if their benefits had not yet been paid or transferred at the end of the fiscal year.

Total number of active and non-active members (line 10)

Line 10

The number of active and non-active members at the end of the fiscal year must be equal to the sum of the active members entered on line 9 of the return and the number of non-active members entered in the plan's registers. The number of beneficiaries must not be included on line 10.

N.B. : In the case of a plan division that had not yet been authorized by the Régie at the end of the fiscal year, you must include on this line the members affected by the division.

Changes in active and non-active members and beneficiaries (line 11)

Line 11

The number of active members, non-active members and beneficiaries at the end of the fiscal year must be equal to the sum of the active and non-active members entered on line 10 of the return plus the number of plan beneficiaries entered in the plan's registers.

N.B. : In the case of a plan division that had not yet been authorized by the Régie at the end of the fiscal year, you must include on this line the members and beneficiaries affected by the division.

Section 10

Distribution of active members, non-active members and beneficiaries

The number of active members must be brokendown by sex and place of work. Any active members whose conditions of employment are regulated by federal laws must be counted on the line "Employment under federal jurisdiction".

Place of work means the location (province or territory) of the employer's establishment to which active members must report for work, or if they do not report to any of the employer's establishments, the province or territory of the establishment from which they are paid.

The number of non-active members and beneficiaries does not have to be distributed by sex. It must be distributed by the member's place of employment at the end of his or her active membership. For beneficiaries, indicate the place of employment of the member giving them entitlement.

Line 12

The number of active members, non-active members and beneficiaries entered on line 12 must also be entered on line 15 of Section 11. That number is used to calculate the required fees.

Line 13

The number of active members, non-active members and beneficiaries entered on line 13 must be the same as the number shown on line 11 of Section 9.

Section 11

Calculation of fees

Calculating the required fees

The required fees are 500 $ a year in the case of a plan to which Chapter X of the *Act* applies at the end of the fiscal year, or 250 $, plus 7,50 $ for each active member, non-active member or beneficiary of the plan as at the ending date of the fiscal year, up to a maximum of 100 000 $.

A return that is not accompanied with the required fees calculated in accordance with Section 12 will be considered incomplete and additional fees will be charged in accordance with the regulations.

Line 14

If the amount is not shown in the left-hand box on line 14, or if it is incorrect, make the necessary corrections in the right-hand box on line 14. The amount is 500 $ in the case of a plan to which Chapter X of the *Act* applies at the end of the fiscal year, or 250 $. Chapter X of the *Act* does not apply to:

- an insured pension plan for which the insurer has agreed to pay all costs and fees for the plan's termination;
- an uninsured plan in which the benefits of all members and beneficiaries are at all times the result only of amounts deposited to their accounts, that is, a defined contribution plan;
- an uninsured plan in which the benefits of members and beneficiaries are made up only of benefits and refunds insured at all times by an insurer and the fees described in the preceding paragraph.

For further details regarding insured plans, see Section 7 of the guide.

The plans to which Chapter X of the *Act* applies include uninsured defined benefit plans. Defined contribution-defined benefit plans must be considered to be defined benefit plans and are therefore subject to Chapter X of the *Act*. Those plans are subject to periodic actuarial valuations.

Line 15

The number of active members, non-active members and beneficiaries for the purpose of calculating the required fees is the number shown on line 12 of Section 10.

The annual fee for each member or beneficiary is 7,50 $ for plans whose fiscal year ends between 31 December 2005 and 30 December 2006. If the plan's fiscal year is not within that period, contact one of our information clerks at (418) 643-8282 or consult our Internet site at the following address: www.rrq.gouv.qc.ca.

Section 12

Certificate of the signatories

Where a plan is administered by the employer, one signatory is sufficient. In all other cases, even in cases where there is only one plan member, the certificate must be signed by two members of the pension committee, body or group that administers the plan. Non-voting members of the pension committee have the right to sign this certificate. **This obligation cannot under any circumstances be delegated,** unless the plan is administered by an employer.

In the **capacity** box, show the capacity in which the administrator has signed, for example, member of the pension committee.

Note that the last certification item does not apply where the plan is administered by an employer who is a party to the plan.

A return that does not bear all the required signatures will be considered to be incomplete, and additional fees will be charged in accordance with the regulations.

Appendixes 1 and 2

The information requested in these appendixes can be provided to the Régie by using either the **Appendix 1** and **2** forms or any other document that shows the required information in the same order as the order of the appendix forms.

Appendix 1

Identification of the pension committee members

This appendix must be completed in all cases, unless the plan is administered by the employer. (See Section 4 of the Annual Information Return.)

Be sure to give the name and mailing address of all the persons who, **as of the date on which you prepared the information return**, were members of the pension committee (including the non-voting members), pension commission, body or group that administers the plan. The addresses given must be the addresses to which the Régie can send plan correspondence that is personally addressed to them.

In order to be able to contact members of the pension committees, the Régie must be rapidly informed of any changes in the make-up of the pension committee or any change of address. Please send any changes to:

Direction des régimes de retraite
Régie des rentes du Québec
Case postale 5200
Québec (Québec) G1K 7S9

Appendix 2

Identification of the employers that are parties to the plan

For the purposes of this appendix, **an employer is considered to be a party to the plan** if the employer has active or non-active members or beneficaries who, at the end of the fiscal year covered by the annual information return, have rights under the plan. An employer is not considered to be a party to the plan if:

- the employer no longer has any obligations under the plan after a decision of the Régie to approve the draft termination report concerning the withdrawal of the employer or to authorize the amendment respecting the employer's withdrawal, even if some members decided to leave their benefits in the plan;
- the employer has never had any obligations under the plan because none of its employees have ever been members of the plan with which the employer is associated.

If **only one employer** participates in the plan, do not complete **Appendix 2**; instead, complete Section 6 after reading the instructions concerning that section.

If **Appendix 2** is not already filled out or if the information shown is incomplete or incorrect, check the appropriate boxes and then write the missing information or corrections in the spaces provided for that purpose.

Before changing the list of employers who are parties to the plan by the addition or withdrawal of an employer, you must first file an application for an amendment to the plan with the Régie des rentes du Québec.

You must provide a list of all the employers who, **at the end of the fiscal year covered by the annual information return**, are parties to the plan. Give the names of all the subsidiary companies of the employers who participate in the plan, where the subsidiaries are also participants. Under the *Act*, a subsidiary is a corporation whose shares are controlled by another corporation. One corporation controls another if the former holds directly or indirectly shares that allow it to elect the majority of the administrators of the latter.

Usually, a corporation's divisions are administrative units of the corporation and should not be listed in **Appendix 2**, unless such a division is itself a subsidiary corporation.

For example, suppose that Papa Bear Inc. has set up a pension plan for its employees and for those of its participating subsidiaries and that the administrative structure of the Papa Bear Group is the following:

The plan administrator of Papa Bear Inc. must only give in **Appendix 2** the names of Papa Bear Inc. and Honey Division Inc. since the oatmeal and fruit divisions are not corporations having a legal existence distinct from Papa Bear Inc.

Papa Bear Inc. (parent company)
(500 member employees)

Baby Bear A Inc. (subsidiary)	Baby Bear B Inc. (subsidiary)	Baby Bear C Inc. (subsidiary)
(200 member employees)	(400 member employees)	(no member employees)

The plan administrator of Papa Bear Inc. must list in **Appendix 2** the names of all the corporations mentioned above, **except** Baby Bear C Inc., since that corporation, while it is a subsidiary of Papa Bear Inc., has no members in the plan and is therefore not an employer who is a party to the plan.

After modifying the example, suppose that the Papa Bear Group is now structured as follows:

Papa Bear Inc. (parent company)
(500 member employees)

administrative divisions

legal division (subsidiary)

oatmeal division	fruit division	Honey Division Inc. (subsidiary)
(200 of the 500 members)	(300 of the 500 members)	(400 member employees)

The plan administrator of Papa Bear Inc. must only give in **Appendix 2** the names of Papa Bear Inc. And Honey Division Inc. since the oatmeal and fruit divisions are not corporations having legal existence distinct from Papa Bear Inc.

Appendix 3A

Report on the financial situation of an uninsured plan

Appendix 3A must show the plan's financial information for the fiscal year concerned by the return. Most of the information must be taken from the "financial report" required under the *Act*. The report and the information it contains must be presented in accordance with generally recognized accounting principles.

Section 5 of **Appendix 3A** must be completed by an external auditor where the pension fund's "financial report" must be audited by an accountant. Please refer to Section 4 to find out the circumstances that require the completion of Section 5 by an auditor.

If you deem it appropriate to supplement the information provided in this appendix, please attach any pertinent documents.

The report on the plan's financial situation is not the same as ordinary financial statements and does not take into account benefit commitments. The **accounting principles** for preparing the financial report are the following:

- the financial information must be based on the concept of an **ongoing plan**, which is deemed to be an entity separate and distinct from the employers and members of the plan;
- the requested financial information must be determined according to the **accrual basis of accounting**, which means that outstanding receivables and payables at the end of the fiscal year must be included in the calculation of the increase or decrease in assets, without consideration for the date on which payments will be received or made;
- investments must be shown at their **market value** as at the ending date of the fiscal year.

Transactions concerning investment purchases or sales must be recorded as at the actual date the transaction is made.

The **method of proportional consolidation** must be used to apportion investments where all or part of the pension fund is invested in a "master trust". This method consists in showing in the statement of net assets (Section 3 of Appendix 3A), the assets and liabilities of the "master trust" pro rata to the share held in the trust.

The plan's share of assets and liabilities in a "master trust" as at the ending date of the fiscal year is based on the quotient of the number of units held by the pension fund divided by the total number of units issued by the "master trust" as at that date.

The amounts entered must be rounded off to whole dollars.

1 Statement of changes in the plan's net assets

1.1 Increase in assets

Line 301

For the purposes of this line, investment income is interest, dividends, rents and sums earned on investments otherwise than by an increase in their value, whether or not the income has been realized.

Therefore:

- the yield realized when Treasury bonds are cashed must be shown on line 301;
- income generated by securities loans must be shown on line 301;
- dividends received are investment income, while the capital gain made on a sale of shares is a gain on investments that must be shown on line 302.

Line 302

For the purposes of this line, gains (or losses) **realized** on investments are amounts gained (or lost) following an investment transaction. Such amounts are also called *realized market value*. If the pension fund has net losses, they must be written in parentheses on line 302.

Line 303

For the purposes of this line, **unrealized** gains (or losses) on investments are amounts gained (or lost) following a change in the market value of investments or an adjustment following a change in the way they were valuated. Such amounts are also called *unrealized market value*. If the pension fund has net losses, they must be written in parentheses on line 303.

Investment income and gains (losses) on investments in a "master trust" must be shown on line 303.

Lines 305 to 308

If the employer pays contributions or other amounts to the pension fund, it would be desirable for it to accompany the remittance with information that would allow the administrator or its mandatory to properly distribute the amounts paid to the proper accounts.

Line 305

For the purposes of this line, member contributions are the amounts that the plan's members must pay or choose to pay and that are complemented **with a counterpart from the employer**. Such amounts are also called *members' current service contributions* or *members' share*.

N.B.: If the plan is divided or merged, the member contributions must be paid into the new plan's fund (division) or the fund of the plan which remains in effect (merger), even if the transfer of assets from the old plan has not yet been authorized by the Régie.

Line 306

For the purposes of this line, additional voluntary contributions are amounts that the members choose to pay **with no counterpart from the employer**. Optional ancillary contributions paid by members for a flexible pension plan must be included on this line.

N.B.: If the plan is divided or merged, additional voluntary contributions must be paid into the new plan's fund (division) or the fund of the plan which remains in effect (merger), even if the transfer of assets from the old plan has not yet been authorized by the Régie.

Lines 307 and 308

In a pension plan, the employer contribution can have two constituents: the employer's current service contribution and any amortization amounts. In accordance with the accrual basis of accounting, contributions received in advance must be shown on lines 375 and 376. Do not include them in the amounts shown on lines 307 and 308.

Line 307

For the purposes of this line, the employer's current service contribution is the amount that the employer must pay to finance the cost of the services rendered by the members and recognized by the plan for the fiscal year covered by the return. Such amounts are also called *employer's regular payment*. They include administration and management expenses reimbursed by the employer to the pension fund.

The employer's current service contribution shown on this line must not include any amount that was paid with surplus assets.

For example, suppose Kappa Inc. should have paid an employer's current service contribution this year of 30 000 $ but that instead of paying the full amount, the employer decided to use 20 000 $ of the plan's surplus assets, which totalled 100 000 $, to pay part of the employer's current service contribution.

The plan administrator must list the transaction on the annual information return as follows:

Line 307 (employer's current service contribution)	10 000 $
Line 335 (use of surplus assets in lieu of contributions)	20 000 $

N.B.: If the plan is divided or merged, the employer's current service contribution must be paid into the new plan's fund (division) or the fund of the plan which remains in effect (merger), even if the transfer of assets from the old plan has not yet been authorized by the Régie.

Line 308

For the purposes of this line, amortization amounts related to "unfunded actuarial liabilities" are amounts that the employer must pay to provide for the payment of any "unfunded actuarial liabilities" that were determined in the plan's actuarial valuation. That means that amortization amounts related to "unfunded actuarial liabilities" can exist only in defined benefit plans and defined benefit-defined contribution plans.

The amount shown on this line must include any special payments resulting from amendments that were fully funded during the fiscal year. Also include any amounts paid by the employer to pay in full the obligations of a partially solvent plan with respect to a member whose benefits were transferred. Such amounts are also called *amortization payments* or *employer's special payments for unfunded obligations*.

N.B.: If the plan is divided or merged, the amortization amounts related to unfunded actuarial liabilities must be paid into the new plan's fund (division) or the fund of the plan which remains in effect (merger), even if the transfer of assets from the old plan has not yet been authorized by the Régie.

Line 310

For the purposes of this line, transfers to the pension fund are amounts coming from other retirement savings instruments, including another supplemental pension plan, a locked-in retirement account (LIRA), a registered retirement savings plan (RRSP) or a deferred profit-sharing plan (DPSP).

Note that no transfer of assets can be made where there is a plan merger until the Régie has authorized the transfer.

Transfers not made but that were receivable as at the ending date of the fiscal year must be included in the amount shown on this line. This includes receivables resulting from a merger authorized by the Régie during the fiscal year. Do **not** include receivables resulting from a merger for which the Régie has not yet authorized a transfer of assets.

Lines 311 to 313

For the purposes of these lines, other sources of increases in assets include the following:

- dividends, refunds or other advantages granted during the fiscal year by an insurer, enterprise or body doing business with the plan;
- interest charged on contributions, transfers or other sources of increase in assets because of late payments;
- interest due on outstanding amounts at the end of the fiscal year;
- soft dollars commission;

- employer contributions that exceed the contribution for current service and are not for the following fiscal year;
- member and employer contributions made for past service;
- accounting adjustments that had to be made to correct bookkeeping errors in the recording of fund disbursements during a previous fiscal year.

1.2 Decrease in assets

Line 316

Expenses related to managing investments that must be assumed by the pension fund and that were **paid by the fund** must be included on this line. They include:

- brokerage or transaction fees;
- fees of a securities broker or financial manager;
- fees of a custodian of assets;
- other expenses related to managing investments.

If such expenses were deducted directly from investment income, they should **not** be listed on line 316.

If the expenses for managing investments are determined according to a percentage set in advance in an investment contract, such expenses must be determined in accordance with the provisions of the contract.

Do not include on line 316, or on any other line, management fees paid directly by the employer or employers. Such expenses are not a pension fund expense.

Line 317

Professional fees assumed by the pension fund and that were **paid by the fund** must be shown on this line, including lawyers', accountants' or actuaries' fees.

Do not include on line 317, or on any other line, professional fees paid directly by the employer or employers. Such expenses are not a pension fund expense.

Line 318

Administration costs of the plan, other than professional fees assumed by the pension fund, that were **paid by the fund** must be shown on this line.

Do not include on line 318, or on any other line, administration costs paid directly by the employer or employers. Such expenses are not a pension fund expense.

Administration costs are generally expenses related to the following:

- the collection of contributions;
- the calculation and payment of benefits;
- the general administration of the plan (including expenses related to providing information to plan members);
- purchases of office supplies or computer equipment.

Line 320

For the purposes of this line, retirement pensions, disability pensions and death benefits paid directly by the pension fund are considered to be benefits paid to members, beneficiaries or heirs.

Line 321

For the purposes of this line, the totality of fund disbursements related to refunds must be shown, both the portion of additional voluntary contributions, member contributions and employer contributions paid directly to the members and any portion withheld for tax purposes. In order for any amounts to be refunded, they must not be locked-in. Moreover, transfers of non-locked-in amounts to a registered retirement savings plan (RRSP) are not considered to be refunds.

Include on this line amounts remitted to members because their benefits exceeded the maximum amount that could be transferred to another plan under tax rules.

Line 322

For the purposes of this line, a supplemental pension plan is a plan to which the employer is required to contribute and which provides for the payment of a life pension. Such plans are:

- supplemental pension plans governed by the Québec *Supplemental Pension Plans Act* or an act emanating from another legislative authority. Note that a simplified pension plan (SIPP) is a supplemental pension plan within the meaning of the *Supplemental Pension Plans Act*;
- supplemental pension plans established by an act of the Québec Parliament, another Canadian legislature or another State, for example, the Government and Public Employees Retirement Plan.

Transfers to a supplemental pension plan include all transfers, whether made for an individual member or made as the result of a plan division. Note that no transfer of assets can be made as the result of a plan division or merger until the Régie has authorized the transfer.

Transfers payable as at the ending date of the fiscal year must be included in the amount shown on this line, including amounts payable following a division authorized by the Régie during the fiscal year. Do not include any amounts payable that are related to a division for which the Régie has not yet authorized a transfer of assets.

Line 323

Locked-in amounts are amounts that must produce a life income after retirement. For all years of credited service, as of 1 January 2001, the *Act* provides for the locking-in of all employer contributions and member contributions, if any.

For the purposes of this line, transfer instruments for locked-in amounts include the following, in addition to another supplemental pension plan:

- a locked-in retirement account (LIRA);
- a life income fund (LIF);
- an annuity contract entered into with an insurer.

Line 324

For the purpose of this line, assets transfers in the category of *non-locked-in amounts* include transfers to an individual or group registered retirement savings plan (RRSP).

Lines 326 to 328

For the purposes of these lines, other sources of assets decrease include:

- uncollectible contributions;
- uncollectible transfers owing;
- accounting adjustments that had to be made to correct bookkeeping errors in the recording of fund receipts during a previous fiscal year;
- uncollectible investment income owing;
- interest charged on uncollectible contributions and transfers;
- interest paid on borrowings by the pension fund, fund advances and other sums payable;
- other write-offs for outstanding amounts and accounting adjustments.

Lines 332

The net assets at the beginning of the fiscal year that are shown on line 332 should be the same as the net assets at the end of the preceding fiscal year. That amount is shown on line 333 of the preceding year’s return.

N.B.: Where there is a plan division or merger, no transfer of assets can be made until the Régie has given its approval. Any transfer to or from the pension fund must be shown either on line 310 or 322 of the return.

Where the decision to divide or merge a plan is retroactive to a date prior to the period covered by the plan's fiscal year, the net assets at the beginning of the fiscal year must not be adjusted to take into account the division or merger.

2 Allocation of the plan's surplus assets

In some plans, surplus assets are used in lieu of contributions during a fiscal year. This practice is commonly referred to as a *contribution holiday*. In Section 2, you must provide financial information on the plan's surplus assets.

Line 334

Plan administrators who must file an actuarial valuation every three years do not have to complete line 334.

If the plan is a defined contribution plan, the plan administrator must include any balance of surplus assets as at the end of the plan's fiscal year. In this type of plan, surplus assets are better known as *plan credits* or *employer credits*. They are mainly derived from:

- conversion of a plan's type (e.g., a defined benefit plan that becomes a defined contribution plan);
- retirement credits (non-vested employer contributions following a cessation of active membership).

Line 335

This line must be completed for **all types of plans** except insured plans. For the purposes of this line, the use of surplus assets includes dividends, refunds or other advantages, amounts allocated to payment of the employer's current service contribution and other amounts which otherwise would have had to be included in the amount shown on line 307 of the return.

Generally, the amount to enter on line 335 must correspond to the difference between (*a*) the current service contribution determined by the actuary for the valuation in effect during the financial year in question and (*b*) the total amount of the member and employer contributions shown, respectively, on lines 305 and 307.

When the employer uses surplus assets to increase plan benefits, you must not enter the amount used on line 335, because it is not an amount taken from the surplus assets to reduce employer contributions for the fiscal year.

For details on calculating amounts taken from surplus assets, see the example given in this guide for line 307.

Line 335.1

This line must be completed only by plan administrators who are required to have an actuarial valuation prepared every three years. Administrators of plans that are exclusively defined contribution plans should not complete line 335.1.

The date shown on line 335.1 must be the same as the date of the report on the actuarial valuation that was used to determine the current service contribution for the fiscal year covered by the annual return. It is the valuation's accounting date and not the report's preparation date.

3 Net assets

3.1 Assets

A plan's assets comprise all the assets belonging to or owed to the pension fund. Any deposit or investment made from the pension plan's assets must be made on behalf of the plan or credited to its account. Any deposit or investment in foreign funds must be reported in Canadian dollars as at the ending date of the fiscal year.

3.1.1 Cash

Line 336

For the purposes of this line, cash means the pension fund's cash on hand. This mainly includes:

- demand deposits in a bank (current accounts, operating accounts or savings accounts);

- coins and bank notes;
- cheques, bank drafts and postal money orders.

Broadly speaking, cash on hand includes all securities that can be cashed within 30 days following the end of the fiscal year, except negotiable securities (shares, corporate bonds, Treasury bonds, etc.).

3.1.2 Investments

When a manager makes an investment, he or she allocates part of the pension fund's assets to the purchase of real-estate securities or chattel securities for the purpose of increasing the fund.

These securities must all be reported at their market value as at the ending date of the fiscal year. In addition, their acquisition cost must be shown on lines 343.1 and 352.1.

Debt securities

Debt securities are investments by means of which the pension fund lends its capital in order to obtain a payment or a series of periodic payments of interest income as well as the repayment of the principal at maturity. Debt securities are also known as *fixed-rate instruments*.

Line 337

Short term notes and securities are those that mature in no more than one year. These loans are made by means of financial instruments that can be so easily liquidated as to be almost the same as cash. They are also known as *money market securities* and *short term capital securities*. They mainly include the following:

- Treasury bonds;
- municipal bonds;
- corporate promissory notes, also known as *short-term notes*, *commercial paper*, *bearer securities* and *Treasury bills*;
- bankers' acceptances, also known as *bank paper*;
- certificates of deposit, term deposits, savings certificates and guaranteed investment certificates issued by a financial institution and which mature in no more than one year following their issuance;
- bonds and other securities whose maturity date is less than one year from the end of the fiscal year. For example, for a pension plan whose fiscal year ends on 31 December 2005, the amount shown on line 337 must include 5-year bonds that were purchased on or before 31 December 2001.

Line 337 also includes money market “mutual funds” and treasury bond “mutual funds”.

Lines 338 to 340

A bond is a loan made to the issuer and guaranteed by a deed of trust. If there is no guarantee and the loan is made on the basis of the borrower's good reputation, it is called a debenture.

Line 338

Government bonds and debentures must be shown on this line. These include bonds issued by Québec, Canada, another province and municipalities, as well as bodies, such as Hydro-Québec and school boards which are under government jurisdiction. The market value for this category of securities must be determined on the basis of market quotations published on the ending date of the fiscal year.

Line 339

Bonds and debentures issued by Canadian corporations and not shown on line 338 must be shown on line 339. They must mature later than one year following the end of the fiscal year. If the securities are traded on an organized market, their market value must be based on market quotations published on the ending date of the fiscal year. Otherwise, the value of the securities can be obtained in some other way, such as by estimating their realization value.

Line 340

Bonds and debentures issued by sources other than those identified for lines 338 and 339 must be shown on line 340. They must mature later than one year following the end of the fiscal year. If the securities are traded on an organized market, their market value must be based on market quotations published on the ending date of the fiscal year. Otherwise, the value of the securities can be obtained in some other way, such as by estimating their realization value.

Line 341

When a pension fund makes an investment in a bond “mutual fund” or fixed income "mutual fund", it does not directly hold the bonds or debentures; it holds fund units. The market value of such units must be determined on the basis of market quotations published on the ending date of the fiscal year.

Line 342

When a pension fund invests in an immovables (real estate) “mutual fund”, it does not directly hold securities or hypothecary (mortgage) loan contracts; it holds fund units. The market value of such units must be determined on the basis of market quotations published on the ending date of the fiscal year.

Line 343

Hypothecary (mortgage) loans are investments secured by real estate or chattels. The market value of such loans must be determined according to market yield or some other method, such as an estimation of the realization value.

Line 343.1

On this line, give the acquisition cost (purchase price) of hypothecary (mortgage) loans.

Line 344

Where a deposit management contract is entered into with an insurer, only the portion of the funds invested in the insurer’s general fund is a deposit that must be shown on this line. The portion of the funds invested in an insurer’s segregated funds must not be included in the amount shown on this line but must be distributed between lines 337 to 358 according to the type of investment held by the insurer on behalf of the pension fund.

For example, suppose assets of a pension fund having a market value of 100 000 $ are invested under a management contract with the Alpha Insurance Company. The management contract provides for the following investment mix: 10% in Treasury bonds and certificates of deposit which mature in no more than one year, 10% in municipal bonds, 10% in the insurer’s general fund, 10% in a Canadian stock “mutual fund” of the Alpha Insurance Company, 20% in a Canadian shares mutual fund whose units are only offered to the employer’s pension funds, 20% in a balanced “mutual fund” of the Alpha Insurance Company and 20% in a global bond “mutual fund” of the Alpha Insurance Company.

The plan administrator must list the pension fund’s investments as follows in Section 3.1.2:

Line 337 (short term notes and securities)	10 000 $		10%
Line 338 (municipal bonds)	10 000 $		10%
Line 344 (general fund of an insurer)	10 000 $		10%
Line 350 (Canadian stock “mutual fund”)	30 000 $	(10% + 20%)	30%
Line 355 (balanced “mutual fund”)	20 000 $		20%
Line 356 (global bond “mutual fund”)	20 000 $		20%
Line 359 (total investments)	100 000 $		100%

You may need to contact your insurer to be able to distinguish between the assets invested in segregated funds and in the general fund.

Investments in the general fund of an insurer must be listed at their market value as determined by the insurer as at the ending date of the fiscal year. The market value of term deposits must be assessed on the accrual basis. Therefore, you must not take into account any redemption fees that would be imposed before deposits come to term. Investments in an insurer's segregated funds must be determined at their market value on the basis of market quotations published on the ending date of the fiscal year. The value of investments that are not traded on an organized market is determined in some other way, such as by an estimation of their realization value.

The interest accrued on assets invested in the general fund of an insurer at the end of the fiscal year must not be included in the amount shown on line 344; use instead line 363.

Line 345

Other deposits include certificates of deposit, term deposits, savings certificates, guaranteed investment certificates issued by a financial institution and whose maturity is later than one year following the end of the fiscal year.

Equity securities

Equity securities are pension fund investments that give a right of ownership in an asset. The holder may realize a capital gain and, in some cases, income from dividends or rents. Equity securities are also known as *variable-income securities*.

Lines 347 to 349

Where shares are traded on an organized market, their market value must be determined on the basis of market quotations published on the ending date of the fiscal year. Where shares are not traded on an organized market, their value is determined by another method, such as by an estimation of their realization value.

For the purposes of these lines, Canadian shares include the ordinary and preferred shares of Canadian corporations. Canadian shares also include Canadian shares traded on an organized market outside Canada.

Line 347

For the purposes of this line, a real estate company is a corporation whose main activity is the purchase and sale of immovables (real estate). Moreover, a real estate company may also extend its activities to the areas of construction and real estate rental.

Lines 350 and 351

Where a pension fund invests in a stock "mutual fund", it does not directly hold shares; it holds fund units. Such funds can be constituted of shares of Canadian corporations, foreign corporations or both. The market value of the units must be determined on the basis of market quotations published on the ending date of the fiscal year.

Where a pension fund invests in a stock mutual fund made up of shares of Canadian corporations and shares of foreign corporations, the administrator must show on line 350 the market value of the portion made up of Canadian stock and the market value of the portion made up of foreign stock on line 351.

Line 352

A pension fund can directly hold immovables (real estate) or shares in real estate. Only the amounts held directly by the pension fund in real estate investments can be shown on this line.

The determination of the market value of real estate must be made by an expert, such as a chartered appraiser or chartered assessor. Generally in the real estate field, evaluations are made once every three years and are supplemented by an annual review of improvements to buildings and equipment.

Line 352.1

On this line, show the acquisition cost (purchase price) of immovables (real estate).

Line 353

Where a pension fund invests in an immovables (real estate) "mutual fund", it does not directly hold real estate; it holds fund units. Such funds can be constituted of real estate or of shares of real estate. The market value of the units must be determined on the basis of market quotations published on the ending date of the fiscal year.

Diversified securities and other investments

Balanced mutual funds are made up of both debt securities and equity securities.

Line 355

Where a pension fund invests in a balanced "mutual fund", it does not directly hold securities; it holds fund units. Such funds are also known as *diversified mutual funds*. They are constituted of various securities: shares, bonds, mortgages, real estate, etc. The market value of a fund's units must be determined on the basis of market quotations published on the ending date of the fiscal year.

N.B.: If the plan holds units of a "master trust", do not enter the value of the units on line 355 because a "master trust" cannot be considered to be a balanced mutual fund. In such cases, refer to page 13 of the Guide, use **the method of proportional consolidation** and distribute the value of these units among the investment categories and sub-categories (lines 337 to 358 of **Appendix 3A**).

Other investments

Lines 356 to 358

The investments of a pension fund that do not fall into any of the categories given for lines 337 to 355 must be shown separately on lines 356 to 358 according to the following categories:

- shares held in a limited partnership whose main activity is the purchase and sale of immovables (real estate). Its activities may extend to the areas of construction or real estate rental;
- shares held in any other type of limited partnership;
- "mutual funds" of a type other than those described for lines 337, 341, 342, 350, 351, 353 and 355 such as indicial mutual funds;
- loans other than hypothecary (mortgage) loans;
- "derivatives";
- any other investments (be specific).

N.B.: If the plan holds units of a "master trust", the value of those units must not be shown on lines 356 to 358. In such a case, refer to page 13 of this guide and use **the method of proportional consolidation** to apportion those units among the investment categories and sub-categories (lines 337 to 358 of **Appendix 3A**).

3.1.3 Accounts receivable

Receivables are any amounts owing to the pension fund as at the ending date of the pension plan's fiscal year, including amounts collected between that date and the preparation date of the "financial report".

Lines 360 to 362

Interest accrued on unpaid contributions is not to be included in the amounts shown on lines 361 to 362, but must instead be shown on lines 364 or 365.

Line 363

For the purposes of this line, investment income and earnings receivable as at the ending date of the fiscal year include interest, dividends and rents as well as amounts earned on investments but not yet cashed in as of that date.

Investment income and earnings receivable must always be shown on this line. Consequently, such income cannot be included in the market value of the investments listed in Section 3.1.2.

For example, income accrued or receivable on assets invested in the general fund of an insurer must be shown on line 363 and not on line 344. The same is true for income accrued or receivable on assets invested in a "mutual fund" or a "master trust".

If the annual report from the insurer does not indicate the earnings accrued on the assets placed in the insurer's general fund, the plan administrator must determine the amount.

Lines 364 and 365

For the purposes of these lines, other amounts receivable as at the ending date of the fiscal year include the following:

- transfers to the fund from other retirement savings instruments, including another supplemental pension plan following a merger or an individual transfer, a locked-in retirement account (LIRA), a registered retirement savings plan (RRSP) or a deferred profit-sharing plan (DPSP);
- employer and member contributions related to past service buy backs;
- interest accrued on unpaid contributions or unreceived transfers;
- dividends, refunds or other advantages;
- amounts receivable from an indemnification agency in the event of the failure of a financial institution, for example, the Canadian Health and Life Insurance Compensation Corporation (CompCorp) or the Régie de l'assurance-dépôt du Québec (RADQ).

3.1.4 Other assets

Lines 367 and 368

On this line, show assets that are neither cash nor investments nor receivables. Such amounts include the following:

- prepaid expenses, such as insurance premiums, rents, professional fees, management or administration costs, annuities or benefits, etc.
- furnishings, equipment and supplies needed to administer the plan.

3.2 Liabilities

The liabilities referred to in this section are accounting liabilities. They are constituted of the debts of or sums owing by the plan as at the end of the fiscal year.

3.2.1 Accounts payable

Line 371

On this line, give the amount of the hypothecary (mortgage) borrowings as at the ending date of the fiscal year. The amount must not include any payments due but not made as at that date; they must be shown on lines 375 and 376.

Note that the only borrowings that can be secured by plan assets are hypothecary borrowings for which the plan has property rights on a fixed property, a portion of a fixed property or a group of fixed properties. A hypothecary borrowing is a borrowing whose repayment is secured by a hypothec (mortgage) to the benefit of the creditor. The amount of the borrowing cannot be greater than the value of the fixed property offered as security less the amount of any other borrowings already secured by such fixed property.

Line 372

On this line, give the amount of the balance of other borrowings as at the ending date of the plan's fiscal year. The amount must not include any payments due but not made as at that date; they must be shown on lines 375 and 376.

On line 372, give the amounts owing as at the ending date of the plan's fiscal year for overdrawn accounts or credit lines used to acquire securities and investments.

Line 373

On this line, give the amount of refunds, transfers and benefits that should have been paid during the plan's fiscal year but that were not paid.

For example, suppose that before the end of the fiscal year, a non-active member requested that his or her benefits in the plan be transferred to a new employer and that as at the ending date of the fiscal year, the transfer had not yet been made. In that case, the administrator must include the amount to be transferred in the amount shown on line 373.

Line 374

On this line, give the amount of the administration and management costs of the pension fund that were owing as at the ending date of the plan's fiscal year.

Lines 375 and 376

For the purposes of these lines, other amounts payable include:

- payments owing but not made for **hypothecary (mortgage) borrowings** still outstanding as at the ending date of the plan's fiscal year;
- payments owing but not made for **other borrowings** outstanding as at the ending date of the plan's fiscal year;
- transfers owing but not made to another supplemental pension plan following a plan division.

Lines 376.1 and 376.2

Contributions and other sums received in advance are shown on lines 376.1 and 376.2.

Line 378

The net assets at the end of the fiscal year that are shown on this line must be the same as the assets shown on line 333.

4 Plans subject to the auditor's questionnaire

This section allows the plan administrator to determine whether the plan's "financial report" must be audited and whether Section 5 of **Appendix 3A** must be completed by an accountant.

All plans with 50 members and beneficiaries or more (see line 11) or whose net assets have a market value equal to or greater than 1 million $ (see line 333) must have the plan's "financial report" audited and must have Section 5 of **Appendix 3A** completed by an accountant who is a member of the Ordre des comptables agréés du Québec or a member of a professional order outside Québec who is authorized to carry out audits. In all other cases, follow the procedure indicated in Section 4.

Where the fund's "financial report" must be audited by an auditor, you must enclose the "auditor's report" and the "derived report" established by the auditor in relation to Section 5 of the annual return. Both reports must be signed by the auditor or by his or her office.

Line 381.1

If you answer yes on line 381.1, you must enter on line 1 the date of the annual meeting during which you informed the members of your intention not to have the financial report for the fiscal year covered in this return audited.

5 Auditor's questionnaire

If the plan's "financial report" has to be audited, the auditor must check the appropriate boxes for lines 382 to 389. If all the information is not provided, the return will be considered to be incomplete and additional fees will be charged in accordance with the regulations.

In order to check the appropriate boxes for lines 382 to 389, the auditor must gather the necessary facts and information during the course of his or her mandate to audit the "financial report" prescribed by section 161 of the Act.

Line 382 (section 170 of the Act)

This question makes it possible to know whether the investment policy contains the mandatory basic elements. It is the auditor's responsibility to verify whether the elements indicated for this line were included in the investment policy on the ending date of the fiscal year.

If even one element is missing or the elements are not defined in a quantifiable way, the auditor must check No for line 382 and give the necessary explanation on line 389. He or she must do the same if he or she finds that the plan has no written investment policy. This includes the case where the members determine the fund's investments.

Line 383

This question makes it possible to know whether the administrator regularly monitors the application of the investment policy. It is the auditor's responsibility to find tangible proof of such monitoring. The following are examples of tangible proof:

- documents showing that meetings were held by the plan administrator and the funds managers during the fiscal year in order to discuss the following points:
  - conformity of investments with the investment policy;
  - the pension fund's performance results;
  - a review of the monthly and quarterly management reports on fund transactions during the plan's fiscal year;
- notes or certificates of conformity issued by the financial manager that attest to the conformity of investments with the investment policy;
- minutes of the administrator's meetings that show the status of the plan's investments and their conformity with the investment policy.

If the auditor is unable to find such proof or what he or she deems to be equivalent proof, he or she must check No for line 383 and give the necessary explanation on line 389. The auditor must do likewise if he or she finds that the plan does not have a written investment policy. This includes the case where the members determine the fund's investments.

N.B.: Prospectuses, performance reports, notes or certificates of conformity or other similar documents provided by the insurer, trust company or financial manager are not considered tangible proof that the administrator monitors the investment policy, unless it is possible to prove that the administrator has read them.

Line 384

This question makes it possible to know as at the ending date of the fiscal year, whether the administrator has a register or other means of control to ensure that the contributions shown on line 309 were paid into the pension fund. It is the auditor's responsibility to find one of the following proofs:

- the administrator's register that shows contributions paid and the payment dates;
- another means of control that enables the administrator to gather and conserve such information.

If the auditor is unable to find such proof, he or she must check No for line 384 and give the necessary explanation on line 389. For the purposes of this question, the auditor is not required to verify the actual payment of the required contributions to the plan. He or she has only to attest that the administrator has the register or other means of control mentioned above.

Line 385

This question makes it possible to know whether, as at the ending date of the plan's fiscal year, the administrator has a register or other means of control to ensure that the contributions shown on line 309 were credited to the appropriate accounts. The auditor has the responsibility of finding one of the following proofs:

- the administrator's register that shows the type of contributions (member contributions, additional voluntary contributions, employer's current service contribution, amortization amounts related to "unfunded actuarial liabilities") and to which accounts the sums were credited, whether they be individual accounts or any other accounts to which plan funds are credited;
- another means of control that enables the administrator to gather and conserve such information.

If the auditor is unable to find such proof, he or she must check No for line 385 and give the necessary explanation on line 389. For the purposes of this question, the auditor is not required to verify the actual payment of the required contributions to the plan. He or she has only to attest that the administrator has the register or other means of control mentioned above.

Line 386

This question makes it possible to know whether, as at the ending date of the plan's fiscal year, the administrator has a register that details the amounts paid to each member or beneficiary in the form of refunds, benefits and transfers.

If the auditor is unable to find such a register, he or she must check No for line 386 and give the necessary explanation on line 389. For the purposes of this question, the auditor is not required to verify the actual payments made to each member or beneficiary. He or she has only to attest that the administrator has the register mentioned above.

Line 387

This question makes it possible to know whether, as at the end of the plan's fiscal year, all cash on hand and all investments are registered in the name of the pension fund or for its account.

During the course of his or her mandate, the auditor must gather the facts and information required to check the appropriate box for line 387. If he or she finds that any or all of the cash on hand or investments are not registered in the name of the pension fund or for its account, he or she must check No for line 387 and give the necessary explanation on line 389.

Investment securities kept by the securities custodian and on account with a securities clearing house are considered to be credited to the pension fund's account. The same is also the case for sums in a petty cash. They are considered to be credited to the pension fund if the administrator keeps a record of the inflows and outflows of the petty cash. Investments made in a "master trust" are considered to be credited to the pension fund when the corresponding units are recorded in the pension fund's account.

Investments recorded in the name of the administrator acting in the capacity of administrator are not sums credited to the fund's account. The auditor must therefore answer "no" on line 387.

Line 388

This question makes it possible to know whether the information contained in Section 1 (Statement of changes in the plan's net assets) and Section 3 (Net assets) agree with the information contained in the audited "financial report". If the information was not taken from the report, the auditor must check No for line 388 and give the necessary explanation on line 389.

It is not necessary that all the financial information be exactly alike. The relative importance of any discrepancies is determined with reference to chapter 5130 of the *CICA Manual*.

For example, there is a real discrepancy where the net assets shown on the annual information return are not identical to the net assets shown in the financial report. This is the case, for example, where there is a plan division or merger and the plan's financial statements reflect the transfer of assets but the annual information return cannot show the transfer until it has been approved by the Régie des rentes du Québec. On the other hand, there is no real discrepancy where the financial information is broken down differently but the major groupings are identical.

Identification of the auditor

The auditor must give his or her name and that of his or her office at the end of this section. Under "Title", he or she must give the recognized title that he or she holds as a member in good standing of a professional order. The auditor must also give the date of the "auditor's report" and of the "derived report" enclosed with the annual return.

Appendix 3B

Report on the financial situation of an insured plan

An insured plan

For a plan to be considered to be insured, **all** the benefits and **all** the refunds must **at all times** be insured by an insurer. Your plan is insured if you have a **contract** with an insurer that provides for the purchase of life annuities **as soon as** contributions are paid to the insurer.

A plan that is not insured

Any plan that has to send the Régie des rentes du Québec an actuarial valuation every three years.

N.B.: A plan is considered to be not insured if:

- an insurer's insurance contains an exemption with respect to the plan's obligations under the plan contract or pursuant to the *Act*, or
- one of these obligations is not insured. A plan cannot be considered to be insured if its benefits are only partially insured. For example, if as of a given date, future benefits are no longer insured, the plan becomes an uninsured plan as of that date.

If despite the foregoing, you are unable to determine whether the plan is insured or not, please contact your insurer or the Régie des rentes du Québec to determine the status of your plan.

1 Premiums

Lines 390 and 391

The premiums set by the insurer for the fiscal year correspond to the member and employer contributions that must be paid to the insurer. The dividends, refunds or other advantages granted by the insurer must be subtracted from these premiums.

Lines 393 to 395

The premiums paid to the insurer correspond to the premiums actually received by the insurer as at the ending date of the fiscal year. Contributions due for preceding fiscal years which were paid to the insurer during the fiscal year covered by the present return must be included on these lines.

Line 397

Some insured plans use the dividends, refunds or other advantages to pay the current service contribution. For the purposes of this line, amounts already taken into account to determine the required member and employer contributions shown on lines 390 and 391 are considered to be such a use of dividends, refunds or other advantages.

The administrator must verify whether the use of dividends, refunds or other advantages was in conformity with the plan provisions.

Lines 398.1 to 398.3

The premiums owing to the insurer at the end of the fiscal year are the required premiums that the insurer has not received as at the ending date of the fiscal year. You must also show any contributions owing from preceding fiscal years that had not been paid to the insurer as at the end of the fiscal year covered by the annual return.

2 Certificate of the insurer

The signatory must carefully read each of the attestations. The purpose of the attestations is to make the insurer responsible for determining the type of plan and the accuracy of the financial information provided in Section 1 of **Appendix 3B**. A return that does not bear the required signature will be considered to be incomplete and additional fees will be charged, in accordance with the regulations.

Appendix 3B must be signed by an authorized representative of the insurer. He or she must indicate in the space marked **capacity**, the capacity in which he or she is signing (e. g., Group Annuities Manager, etc.). It is not necessary that proof of such authorization accompany the return, but the proof must be available to the Régie on request.

Appendix 4

Report on investments

This appendix makes it possible for the plan administrator to report on the application of provisions of the *Act* concerning investments and to disclose the financial risks to which the pension fund may have been exposed. This appendix must be completed for all plans, except insured plans.

If the administrator considers it appropriate to explain the information provided in **Appendix 4**, pertinent documents can accompany it.

A return that does not contain all the information requested in Appendix 4 will be considered to be incomplete and additional fees may be charged, pursuant to the regulations.

Line 400 (Section 170 of the *Act*)

The administrator of an uninsured plan must adopt a written investment policy containing at least the basic obligatory elements prescribed by the *Act*:

- expected rate of return;
- liquidity requirements;
- assets breakdown;
- portfolio diversification measures;
- how often the portfolio is valuated;
- rules for monitoring portfolio management.

It is the administrator's responsibility to ensure that the elements listed on this line are included in the investment policy, as at the ending date of the fiscal year. If one or more is missing, or if the elements are not described in a way that can be measured, the administrator must check "no" on line 400. He or she must also check "no" if the plan does not have a written investment policy as at the ending date of the fiscal year. This includes the case where the members determine the fund's investments.

Line 401

The administrator of an uninsured plan must adopt a written investment policy that takes into account the pension plan's type, the plan's characteristics and its financial obligations. The policy must be revised periodically by the plan administrator so as to keep pace with changes in the plan and the financial markets. Whenever an investment policy is adopted or revised, the administrator must ensure that it contains at least the elements prescribed by the *Act*:

- expected rate of return;
- degree of risk associated with the portfolio;
- liquidity requirements;
- breakdown of asset distribution;
- portfolio diversification measures;
- how often the portfolio is valuated;
- rules for monitoring portfolio management;
- rules for revising the investment policy;
- rules for evaluating fund investments not traded on an organized market;
- any rules for borrowings, for guarantees, for the use of financial instruments and for voting rights.

If the administrator has not yet adopted a written investment policy, leave the date space blank.

If the administrator determined that the investment policy did not need to be revised, he or she must indicate on line 401 the date on which he or she decided to renew it without it being revised.

Line 402

The answer to this question makes it possible to know whether the plan's assets were used **during the fiscal year** to make transactions involving "derivatives", which are also known as *derivative instruments* and *synthetic notes*.

This administrator must check Yes for line 402 in the following situations:

- where "derivatives" have been included in the amounts shown on lines 356 to 358;
- where plan assets are no longer being used for transactions involving "derivatives" as at the ending date of the fiscal year but were so used during the fiscal year.

Transactions involving "derivatives" include any financial transaction involving the direct use of "derivatives" by the plan administrator or the financial manager. However, where plan assets are invested in a "mutual fund" that includes "derivatives", there is no direct use of "derivatives". The use of plan assets in such cases is not considered to be a transaction involving "derivatives".

Since the fundamental purpose of a pension fund is to increase the depositors' assets, transactions involving "derivatives" must be made in accordance with the rules of prudence for such investments. For example, it is generally recognized that transactions involving "derivatives" for speculative purposes are improper for pension funds. Moreover, it is recommended to seek the advice of specialists.

Line 403

The answer to this question makes it possible to know whether, **during the fiscal year**, plan assets were used to make unsecured loans or loans secured by a hypothec (mortgage) that is not a first hypothec (mortgage) and to know the market value of such loans as **at the ending date of the plan's fiscal year**.

For the purposes of this line, a loan is an investment by which a sum of money is accorded to a borrower in return for repayment of the principal at term with interest, if any. Only the following investments are pertinent for this line:

- hypothecary (mortgage) loans that are not secured by a first hypothec (mortgage);
- deposits in a financial institution that are not insured by the Régie de l'assurance-dépôt du Québec or a similar Canadian agency;
- investments included in the amounts shown on lines 337, and 356 to 358 of section 3.1.2 of **Appendix 3A** of the Annual Information Return that are not traded on an organized market for which market quotations are regularly published in newspapers.

The investment policy must make mention of the rules governing the guarantees required for granting loans, unless such mention is made in the pension plan.

Line 404

The answer to this question makes it possible to know whether, **during the fiscal year**, plan assets were used to make securities loans.

Securities loans are usually in the form of bond loans or share loans in return for which the borrower pays interest and provides as a guarantee to the lender a quantity of securities equivalent to those loaned. The guarantee, which in Canada generally corresponds to 105% of the value of the loaned securities, is called *collateral*.

The investment policy must make mention of the rules governing the guarantees required for granting loans, unless such mention is made in the pension plan.

Line 405

The answer to this question makes it possible to know whether, **during the fiscal year**, plan assets were used to make private investments in any form other than in the form of loans or bonds secured by a first hypothec (mortgage) and to know the market value of such investments as at the **ending date of the fiscal year**.

Private investments are investments that are not made through an organized market. Within the meaning of the *Securities Act*, an organized market is one whose quotations are published regularly in newspapers.

Line 406

The answer to this question makes it possible to know whether plan assets were invested **during the fiscal year** in private real estate company securities.

For the purposes of this line, a private real estate company is a company whose shares are not traded on an organized market and whose main activity is the purchase and sale of real estate and whose activities may extend to the construction or real estate rental sectors.

Line 407

The answer to this question makes it possible to know whether any or all of the plan's assets are invested in a "master trust" as **at the ending date of the fiscal year** and to know the market value of such investments.

Line 408

The answer to this question makes it possible to know whether plan assets were used **during the fiscal year** to secure any commitments other than plan commitments.

Line 409

The answer to this question makes it possible to know whether, **during the plan's fiscal year,** any plan assets were pledged as security except for an immovable hypothec (real estate mortgage).

If an administrator makes a borrowing for plan needs and must pledge security, the only security that can be pledged is an immovable hypothec (real estate mortgage) on a building owned by the pension fund. A borrowing cannot be secured by means of a movable hypothec (chattel mortgage) or any other pledge.

Line 410

The answer to this question makes it possible to know whether, **during the fiscal year**, borrowings other than hypothecary (mortgage) borrowings were used for purposes other than the payment of plan refunds, pension benefits and plan administration costs.

If the pension fund did not make any borrowings other than hypothecary (real estate) borrowings **during the fiscal year**, please check the box n.a. (not applicable). You must check Yes if any borrowings were used to make investments or if investments created a fund overdraft.

Line 411

For the purposes of this line, the custodian of the plan's assets is a natural or legal person to whom all or part of the plan's securities have been entrusted. Custodians are also known as *depositaries* and *trustees*.

The name of any custodian who is not an insurer, a bank, a credit union or a trust company must be given on line 411 in the spaces provided.

N.B.: The custodian of the plan's assets is not the securities broker. The broker generally only buys and sells the plan's securities for the plan administrator. The securities are usually in the custody of a person or company specializing in that type of activity.

For example, the company Guardian ABC has custody of the pension fund's securities. The company is not an insurer, a bank or a trust company. The pension fund's manager is the securities broker Management XYZ. Therefore on line 411, the name of the custodian (Guardian ABC) must be given.

Line 412

The answer to this question allows us to know whether the employer had to provide letters of credit at the beginning of the next fiscal year to guarantee amortization payments and to know the value of such letters as well as the name of the issuing financial institutions.

The amount of such letters of credit was determined by the actuary at the time of the latest complete actuarial valuation of the plan. Such letters must be issued by a financial institution that meets the following conditions:

- it is authorized to issue a letter of credit in Québec or in another place in Canada to which the agreement referred to in section 249 of the Act applies;

- one or the other of the following rating agencies assigns to it the rating shown opposite its name in the following table or a higher rating:

Rating agency	Rating
Dominion Bond Rating Service	A
Fitch Ratings	A
Moody's Investors Service	A2
Standard & Poor's	A.

Lines 413 to 423

These lines are used to identify each investment whose market value **as at the ending date of the fiscal year** represents more than 5% of the plan's assets. Show all investments whose proportion (market value of the investment divided by the total value of the assets shown on line 370) invested in a single asset, loan, legal entity, trust, company, organization or group is greater than 5%.

For example, suppose that the value of the total assets of the pension fund recorded on line 370 is 100 000 $ and that amount is invested in the following proportions:

- 40% in bonds guaranteed by Québec;
- 17% in Canada Treasury bonds;
- 10% in term deposits at the Beta Bank;
- 9% in the general fund of the Alpha Insurance Company under a deposit management contract;
- 9% in Balanced Investment Fund No. 1 of the Alpha Insurance Company under the same deposit management contract (segregated funds provisions);
- 3% in category A shares of Gamma Inc.;
- 3% in category B shares of Gamma Inc.;
- 5% in bonds of Theta Inc.;
- 4% in shares of Sigma Inc.

The administrator must list these investments on lines 413 to 419 in the following manner:

	Description of the investment	*Name of the issuer*	*Market value*
Line 413	Provincial bonds	Québec	40 000 $
Line 414	Treasury bonds	Canada	17 000 $
Line 415	Term deposits	Beta Bank	10 000 $
Line 416	General fund of an insurer	Alpha Insurance Company	9 000 $
Line 417	Balanced Fund No. 1	Alpha Insurance Company	9 000 $
Line 418	Category A shares	Gamma Inc.	3 000 $
Line 419	Category B shares	Gamma Inc.	3 000 $

The administrator must give information about the Gamma Inc. shares on lines 413 to 423 because the proportion of the fund investments in a single legal person (Gamma Inc.) is greater than 5% of the market value of the assets shown on line 370 of the return. On the other hand, the administrator does not have to give information on Theta Inc. and Sigma Inc., shares because the total value of the fund investments in those companies does not exceed 5%.

In order to determine whether the 5% rule has been respected, in the case of a plan that has entered into a deposit management contract with an insurer, you must take into consideration each investment made under the contract; in the case of investments made in a “master trust”, you must take into consideration each investment in the “master trust” pro rata to the units held by the pension fund in the “master trust”.

Lines 424 to 430

For the purposes of these lines, an investment manager is someone who decides what investments to make with the plan’s assets. For example, where a pension fund acquires units of a “mutual fund”, the investment manager is the one who decides to acquire the “mutual fund” units and not the manager who chooses the securities that make up the “mutual fund”.

The *Act* provides that only the plan administrator, the person or body to whom power **has been delegated** or, where so provided by the plan, the members may choose investments.

The acts of delegation do not have to be provided with the Annual Information Return, but must be available on request.

To determine the proportion of investments managed by a manager, you must include in the assets only the investments whose value is shown on line 359, thus excluding the cash on hand shown on line 336 and the amounts receivable shown on line 366.

For example, consider the following case:

- the market value of the total assets shown on line 370 is 1 250 000 $;
- the cash on hand shown on line 336 is 150 000 $;
- the market value of the receivables shown on line 366 is 100 000 $;
- the market value of the investments shown on line 359 is 1 000 000 $;
- the plan administrator has entered into a deposit management contract with the Zeta Insurance Co. and has entrusted it with 90 000 $, that is, 9% of the amount shown on line 359. The contract allows the administrator to divide the amount among three types of “mutual funds” that are offered by the insurer;
- the administrator purchased bonds and Treasury bonds and made mortgage and real estate investments for 230 000 $, that is, 23% of the amount shown on line 359;
- the plan text provides that the investments made with member and additional voluntary contributions are selected by the members. The market value of this portion of the assets is 500 000 $, that is, 50% of the amount shown on line 359;
- the plan’s investment policy provides that investments in foreign shares must be entrusted to an investment manager. The market value of such investments is 100 000 $, that is, 10% of the amount shown on line 359. These investments are entrusted to Celta Inc., an investment company;
- the administrator has signed an agreement with Yeta Inc., an investment company, which manages Canadian shares. The administrator has entrusted 80 000 $ to this company, that is, 8% of the amount shown on line 359;

The administrator must, after checking the appropriate boxes, give the following information on lines 424 to 430.

At the end of the fiscal year, who was responsible for investment management and to what extent?

			Proportion of the investments
Line 424	Plan administrator	(9% + 23%)	32%
Line 425	Plan members		50%
Line 426	Celta Inc., an investment company		10%
Line 427	Yeta Inc., an investment company		8%
Total: (Must not exceed 100% but may be less.)			100%

Vocabulary

Unfunded actuarial liabilities

Unfunded actuarial liabilities include initial unfunded actuarial liabilities, improvement unfunded actuarial liabilities and technical actuarial deficiencies as well as solvency deficiencies.

Master trust

Trust constituted by the grouping together of pension funds, usually funds of the same employer, for investment purposes. Each plan holds an undivided portion of the trust assets that corresponds to a percentage of participation or to units of participation.

The investments in a “master trust” must be shown according to the method of proportional consolidation. This method consists in showing in the statement of net assets (Section 3 of **Appendix 3A**), the assets and liabilities of the master trust pro rata to the share held in the trust. Investment earnings and net gains (or losses) on investments in a master trust must be included in the unrealized net gains (or losses) on line 303.

Mutual fund

Fund that includes several securities or categories of securities (shares, bonds, mortgages, etc.), in which investors pool their money as a group investment and whose management is assumed by a third party who must on request buy back the units or shares at their net asset value.

They are also called *investment funds* and their administration is regulated by the Autorité des marchés financiers du Québec or a similar Canadian agency.

Derivatives

Derivatives, also called derivative instruments and synthetic notes, are financial products whose value is based on underlying goods or securities. Strictly speaking, derivatives are not investment instruments; they are management instruments used to acquire or exchange securities. The most common derivatives are the following:

- calls (*purchase options*) and puts (*sales options*);
- convertible securities (options issued by companies themselves):
    - stock warrants (share purchase warrants);
    - share rights;
    - convertible preferred shares and convertible bonds;
- futures:
    - futures traded on stock exchanges by clearing houses:
        - commodities contracts (wheat, coal, etc.);
        - financial futures;
        - fixed income securities and interest rates
        - stock exchange indexes;
        - currencies;
        - forward contracts traded among investors;
        - guaranteed contracts (caps and floors);
    - exchange transactions (swaps) considered to be a form of futures:
        - interest rate swaps;
        - currency swaps;
        - market index swaps;

- options on derivatives (e.g., futures options, options on banker's acceptances, options on government bonds, etc.).

Derived report

The derived report is the document known as a *derived report established by the auditors in relation to Section 5 of the annual information return for the pension plan.* The report is established by the auditor in relation to Appendix 3A, Section 5, lines 382 to 389 of the annual return. It must be enclosed with the annual return if the plan is subject to an auditor's attestation. For additional information on the contents of the derived report, please refer to the *Guide pour la préparation des états financiers d'une caisse d'un régime de retraite* (in French only) prepared by the Ordre des comptables agréés du Québec.

Auditor's report

The auditor's report must not be confused with the plan's financial report. The auditor's report is also known as the *auditor's opinion*. It is the audited part of the financial report; it contains only the opinion and certificate of the auditor with respect to the financial report submitted to him or her by the plan's administrators for verification. It must be enclosed with the annual information return when the plan is subject to the auditor's questionnaire.

Financial report

Pursuant to section 161 of the *Act*, the financial report contains a statement of the fund's assets (balance sheet) and a statement of the changes in the fund's assets (statement of revenues and expenses) for a complete fiscal year. The report does not have to show actuarial liabilities resulting from plan obligations or related information.

For further information, please contact the:

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