

Supplemental Pension Plans

Newsletter

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Instructions Concerning the Conversion of a Defined Contribution Pension Plan into a Simplified Pension Plan

Among the amendments made to the regulations regarding supplemental pension plans on 3 June 2004, one is aimed at allowing certain pension plans to be converted into simplified pension plans (SIPP).

Division IV.1¹ of the *Regulation respecting the exemption of certain categories of pension plans from the application of the Supplemental Pension Plans Act* (the *Regulation*) provides the conditions that need to be respected for such a conversion. Thus, when a plan referred to in section 19.1 of the *Regulation* is terminated pursuant to sections 19.2 and 19.3, the benefits of the active members who join the SIPP can automatically be transferred.

In order to facilitate the conversion of pension plans into SIPPs, the Régie des rentes du Québec intends to simplify the termination procedure for the majority of plans subject to Division IV.1 of the *Regulation* by adapting it to circumstances. The instructions presented here are intended to explain to employers and pension committees the conditions and methods set out by the Régie. Those conditions and methods are not absolute and may be adapted to specific situations.

¹ The text from Division IV.1 of the *Regulation* is provided in Appendix II.

1. COVERED PENSION PLANS

Pension plans that respect the six conditions mentioned in this section can be converted into an SIPP according to the conversion procedure described in section 3.

IMPORTANT: If the six conditions are not respected, the regular termination procedure must be applied. The only relief accorded will be the automatic transfer of uninsured benefits to the SIPP for the active members who join it, as long as the conditions provided for in sections 19.1 to 19.3 of the *Regulation* are respected.

1.1 The pension plan must be a plan referred to in paragraph 2 or 3 of section 116 of the *Supplemental Pension Plans Act* (the *Act*)

Basically, the plans that can be converted into SIPPs are defined contribution plans. More specifically, the *Regulation* provides that the conversion procedure applies only to pension plans referred to in paragraph 2 or 3 of section 116 of the *Supplemental Pension Plans Act*, that is:

- uninsured plans under which the members' and beneficiaries' benefits arise, at any

time, only from sums credited to them, that is, plans that are strictly defined contribution plans;

- uninsured plans under which the members' and beneficiaries' benefits arise only from sums credited to them and from benefits insured by an insurer. This second situation mainly involves the following plans:
 - defined contribution plans under which the pensions of retired members are insured by an insurer;
 - plans under which benefits for current service are defined contribution benefits but benefits accumulated prior to a given date are insured by an insurer.

IMPORTANT: Plans which have defined benefits that are not insured by an insurer cannot be converted into an SIPP.

1.2 The employer must decide to convert the retirement plan into an SIPP

The decision to convert a pension plan falls to the person or body that has the power to terminate the plan. Generally, employers reserve that power to themselves but there may be plans under which the power is shared with an accredited workers' association. If a plan has more than one employer, the decision to convert the plan must be unanimous.

The restrictions in section 204 of the *Act* as to the power to terminate a pension plan also apply to the conversion of a plan into an SIPP. There must not be any agreement in force that prevents the employer from terminating the plan. In the case of a plan made compulsory by an order or decree, the plan's provisions must authorize the employer to terminate the plan.

1.3 All the plan's active members must be subject to the Act

All the active members must be members, subject to the *Act*. The plan must not have any active members who are subject to the pension plan legislation of another province or to the federal legislation. An SIPP is a pension plan

with special provisions that, in several cases, are not compatible with the legislation in other jurisdictions.

1.4 All the active members must be eligible for SIPP membership

The categories of employees who were eligible for membership in the plan that is to be converted must also be eligible for SIPP membership.

1.5 The plan's financial situation must be in balance

The pension plan must not have any surplus assets at the time of conversion. If the plan has surplus assets, the surplus must be used before the effective date of the conversion, in accordance with the means allowed under the *Act*.

Furthermore, all employer and member contributions required up to the conversion date as well as any additional voluntary contributions that have been collected must have been paid into the pension fund.

1.6 There must not be any matters pending before the Régie des rentes du Québec and all amendments made to the plan must have already been submitted to the Régie

Any matters pending before the Régie must be settled before a plan can be converted into an SIPP. For example, all annual information returns related to fiscal years already ended before the conversion date must have been submitted to the Régie and the required fees paid. However, if the conversion date is less than 6 months after the end of a fiscal year, the annual information return may be submitted, at the latest, on the date Form II is sent (see section 3.6).

In addition, any amendments to the plan must have been registered with the Régie.

2. NOTIFYING THE RÉGIE OF THE INTENTION TO CONVERT A PENSION PLAN

The pension committee must submit to the Régie Form I enclosed as soon as the decision to convert a pension plan into an SIPP has been made, in order to obtain confirmation from the Régie that the conversion procedure described in section 3 can be used.

3. THE CONVERSION PROCEDURE

3.1 The conversion notice

The employer must give a written notice containing the following information:

- the pension plan's identification (for example, the plan's name and the number assigned to it by the Régie);
- the plan's date of conversion;
- the affected members and beneficiaries;
- a mention that the plan is being terminated for the purpose of converting it into an SIPP established by the indicated financial institution.

The conversion notice must be sent to all the members and beneficiaries of the pension plan, to each accredited workers' association, to the pension committee, and the insurer (if any). A copy of the notice must be submitted, without delay, to the Régie des rentes du Québec.

IMPORTANT: Notice must be given even where the plan was established by a collective agreement or the plan's conversion was negotiated with the accredited workers' association.

At the same time, the active members who join the SIPP must be informed in writing of any provisions under the SIPP whose effects are not the same as those of the plan being converted, with respect to the following subjects:

- the conditions for membership and withdrawal of membership;

- the employer contributions and, if applicable, the member contributions or the method of calculating those contributions.

3.2 The conversion date

The plan's conversion date must respect the rules provided for in section 204 of the *Act* and section 19.3 of the *Regulation*. Therefore, the conversion date:

- cannot be **prior** to the date on which collection of member contributions ceased **and** cannot be more than 30 days before the date on which the conversion notice is sent to the active members, unless all the active members on the conversion date have given their written consent;
- cannot be more than 60 days **after** the date on which the notice is sent.

Furthermore, the date on which the employer joins an SIPP cannot be later than the day immediately following the conversion date.

Example: If an employer wishes to convert a pension plan into an SIPP on 30 September 2004, the conversion notice must be sent between 1 August (i.e., 30 September less 60 days) and 30 October (i.e., 30 September plus 30 days). If the notice is sent after 30 October, all the active members must give their written consent. The employer must join the SIPP no later than 1 October 2004.

3.3 Sending statements of benefits to the members and beneficiaries

The pension committee must send to each member and beneficiary of the pension plan a statement of benefits containing the information listed in Appendix I. The statement must be sent no later than the later of the following dates: 60 days after the conversion date or 60 days after the conversion notice was sent.

3.4 Paying the members' and beneficiaries' benefits

The pension committee must, after considering the views of the members and beneficiaries, pay their benefits within 60 days following the date on which the statements of benefits were sent. Such payment will be made in accordance with the category of member or beneficiary.

Active members who join the SIPP:

Defined contribution benefits will be transferred into the SIPP. Those sums will be paid into the member's locked-in account, except for his or her additional voluntary contributions and any not locked-in amounts that were transferred, with the accrued interest, which will be deposited into a not locked-in account.

If applicable, the value of the insured benefits of such members will be transferred into an authorized retirement-savings vehicle (see section 236 of the *Act*) according to the instructions provided.²

Members and beneficiaries who do not join the SIPP and who have not begun receiving a pension:

The value of the benefits of these members and beneficiaries will be transferred into an authorized retirement-savings vehicles (see section 236 of the *Act*) according to the instructions provided.²

Members and beneficiaries who are receiving a pension:

These members and beneficiaries will continue to receive payment of their pension from their insurer.

3.5 Submitting an annual information return

If the conversion date coincides with the end date of the plan's fiscal year, the pension committee must send the Régie an annual information return containing Appendixes 1 and 2 and sections 1, 2 and 3 of Appendix 3A of the return. The return, along with required fees, must be sent, at the latest, on the date on which Form II is sent (see section 3.6).

3.6 Pension committee certificate

The pension committee must, within 30 days following payment of the members' and beneficiaries' benefits, give evidence thereof by submitting duly-completed Form II, enclosed.

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This document is also available on our Internet site.

La version française est disponible sur notre site Internet.

Translation: Jill Leslie Goldberg

² Section 305 of the *Act* allows, however, for the transfer of benefits insured before 2 June 1989 by subrogating the member in the rights of the pension fund as regards the contract entered into with the insurer. For more information, see the *Supplemental Pension Plans Act* or the *Loi sur les régimes complémentaires de retraite – Annotations et commentaires* (French only).

APPENDIX I – CONTENTS OF THE STATEMENTS OF BENEFITS

A – Active members who join the SIPP

The statement of benefits for an active member who joins the simplified pension plan (SIPP) must contain the following information regarding his or her defined contribution benefits:

1. The member's name;
2. The name of the plan and the number assigned to it by the Régie;
3. The name of any person entered in the plan records as the member's spouse or beneficiary or, if appropriate, a mention that there is no such person on record;
4. The date on which the member joined the plan;
5. The member contributions, employer contributions and additional voluntary contributions credited to the member since the end of the fiscal year covered by the last annual statement of benefits that was sent to him or her;
6. The total of all contributions credited to the member since he or she joined the plan, distributed according to type, with accrued interest, less any sums applied to the payment of an early pension payment or the execution of a seizure, a transfer or a partition of benefits;
7. The sums transferred to the member's account during the period referred to in point 5, the total of all sums transferred to the member's account since the date on which he or she joined the plan, with accrued interest and distributed according as the sums must be used or not to purchase a life annuity;
8. The rate applied during the period referred to in point 5 for calculating interest on contributions and on the sums referred to in points 5 to 7, or the method used to calculate such interest;
9. The expenses charged to the member's account as the result of the plan's conversion (if any);
10. The total of all the sums and contributions referred to in points 5 to 7 that will be credited to the member's locked-in account under the SIPP as well as the total that will be credited to his or her not locked-in account, distributed, where required, by type and with the mention that the actual amounts transferred may vary from the amounts indicated on the statement;
11. A mention that:
 - the member's benefits will be paid in full by the transfer of their value to the simplified pension plan established by the financial institution mentioned in the conversion notice;
 - the information used to determine the amounts provided for in points 5 to 7 and 9 may be consulted without charge, either at the pension committee's office or at an establishment of the employer as designated by the committee, according as one or the other place is nearest to the member's home;
 - the member may, within a period of not less than 10 days fixed by the committee, present in writing his or her views to the pension committee;
12. The name and address of the person to be contacted for any information concerning the plan;
13. The address of the pension committee's office.

If the member also has insured benefits, the statement of benefits must also contain the information indicated in paragraphs 1 and 2 of the first paragraph of section 207.3 of the *Supplemental Pension Plans Act* and paragraph 1 of section 65 of the *Regulation respecting supplemental pension plans* with respect to his or her insured benefits.

B – Members and beneficiaries who do not join the SIPP and who have not begun receiving a pension

The statement of benefits of a member who does not join the SIPP and who has not begun receiving a pension must contain the following information regarding his or her defined contribution benefits:

1. The member's name;
2. The name of the plan and the number assigned to it by the Régie;
3. The name of any person entered in the plan records as the member's spouse or beneficiary or, if appropriate, a mention that there is no such person on record;
4. The date on which the member joined the plan;
5. The member contributions, employer contributions and additional voluntary contributions credited to the member since the end of the fiscal year covered by the last annual statement of benefits that was sent to him or her;
6. The total of all contributions credited to the member since he or she joined the plan, distributed according to type, with accrued interest, less any sums applied to the payment of an early pension payment or the execution of a seizure, a transfer or a partition of benefits;
7. The sums transferred to the member's account during the period referred to in point 5, the total of all sums transferred to the member's account since the date on which he or she joined the plan, with accrued interest and distributed according as the sums must be used or not to purchase a life annuity;
8. The rate applied during the period referred to in point 5 for calculating interest on contributions and on the sums referred to in points 5 to 7, or the method used to calculate such interest;
9. The expenses charged to the member's account as the result of the plan's conversion (if any);
10. The final balance of the member's account;
11. The payment methods available for the member's benefits, including the pension plan, if any, to which he or she may transfer the payment as well as any payment options available to him or her;
12. The terms and conditions applying to the method chosen for paying such benefits, with a mention of the pension plan, if any, to which they will be transferred if the member fails to inform the committee of his or her payment option;
13. A mention that:
 - the information used to determine the benefits or their value may be consulted without charge, either at the pension committee's office or at an establishment of the employer as designated by the committee, according as one or the other place is nearest to the member's home;
 - the member must, within a period of not less than 10 days fixed by the committee, indicate his or her choices and exercise his or her options among those set out in the statement and that he or she can, within the same period, present in writing his or her views to the pension committee;
14. The name and address of the person to be contacted for any information concerning the plan;
15. The address of the pension committee's office.

The statement sent to a beneficiary who has not begun receiving a pension must contain the information mentioned above, with the necessary adaptations.

If the member or beneficiary also has guaranteed benefits, the statement of benefits must also contain the information indicated in paragraph 1 of section 65 of the *Regulation respecting supplemental pension plans* with respect to his or her guaranteed benefits.

C – Members or beneficiaries who are receiving a pension

It is the pension committee's responsibility to ensure that the members and beneficiaries who are receiving a pension have already received the following information:

1. The member's name;
2. The name of the plan and the number assigned to it by the Régie;
3. The amount of the pension;
4. If the pension being paid is subject to a reduction to take into account some or all the benefits payable under a public plan, the date as of which such reduction is made and its amount;
5. If the pension is a temporary pension or fraction thereof, its amount and the date on which its payment will cease;
6. The name of any person entered in the plan records as the member's spouse or beneficiary or, if appropriate, a mention that there is no such person on record;
7. The nature of the death benefit payable by supposing that the member had died on the date of the statement;
8. The name and address of the person to be contacted for any information concerning the plan;
9. The address of the pension committee's office.

If the members and beneficiaries have not already received this information, the committee must send them a statement, with the necessary adaptations in the case of a beneficiary.

APPENDIX II – SECTION IV.1 OF THE *REGULATION RESPECTING THE EXEMPTION OF CERTAIN CATEGORIES OF PENSION PLANS FROM THE APPLICATION OF THE SUPPLEMENTAL PENSION PLANS ACT*

Division IV.1 of the *Regulation* reads as follows:

Division IV.1

Payment of the benefits of the active members upon conversion of a pension plan into a simplified pension plan

19.1. This division applies only to a pension plan referred to in paragraph 2 or 3 of section 116 of the Act.

19.2. A pension plan terminated by means of a notice that, in addition to respecting the requirements of section 204 of the Act, stipulates that the plan is terminated in order to be converted into a simplified pension plan established with the financial institution indicated therein is, provided the provisions of section 19.3 of the Regulation are met, exempted from the application of section 236 of the Act with respect to the uninsured benefits of the members who are active members on the date of termination and who join the simplified pension plan.

The sender of the notice provided for in the first paragraph shall, without delay, provide a copy to the Régie.

19.3. The plan's termination date may not be more than 60 days after the date on which the notice provided for in section 19.2 is sent.

The date on which the employer party to the terminated plan joins the simplified pension plan mentioned in the notice may not be later than the day following the plan's termination date.

19.4 The uninsured benefits of the members referred to in section 19.2 shall be paid by transferring the value of such benefits to the simplified pension plan established with the financial institution mentioned in the notice provided for in that section.

For more information, contact our:

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

Telephone: (418) 643-8282
Fax: (418) 643-7421
E-mail: rcr@rrq.gouv.qc.ca
Internet: www.rrq.gouv.qc.ca

Régie des rentes
Québec 

Conversion of a defined contribution pension plan into a simplified pension plan
Form I – Application to obtain confirmation to use the conversion procedure

1. Plan name and number

Name of the plan _____

Number assigned by the Régie des rentes du Québec _____

2. Signatory's certificate

I, the undersigned _____, being duly authorized to act on behalf of the pension committee or as the administrator or mandatary of the administrator of the pension plan named above, do hereby apply to obtain confirmation to use the conversion procedure set out in the document entitled *Instructions Concerning the Conversion of a Defined Contribution Pension Plan into a Simplified Pension Plan*. I do hereby certify as follows:

1. the plan being terminated in order to be converted into a simplified pension plan (SIPP) established by the following financial institution: _____.
 That SIPP is registered with the Régie des rentes du Québec under number _____;
2. the plan's anticipated conversion date is _____;
3. the pension plan is a plan referred to in paragraph 2 or 3 of section 116 of the *Supplemental Pension Plans Act*;
4. the termination of the plan is the result of a decision made by the employer party to the plan (or in the case of a multi-employer plan, made unanimously by the employers party to the plan);
5. to the best of my knowledge and belief, no agreement is in force that prevents the employer or employers from terminating the plan;
6. as at the date of this application (*check one of the following boxes*):
 - the plan has no surplus assets;
 - the plan has surplus assets and such assets will be totally expended by the effective date of the conversion;
7. every active member of the plan is subject to the *Supplemental Pension Plans Act* (Québec);
8. every category of employees eligible for the pension plan named above is also eligible for membership in the SIPP named above;
9. to the best of my knowledge and belief, an application for registration of an amendment has been made to the Régie des rentes du Québec for every plan amendment.

Signature _____

Date _____

Name of signatory's employer		
Number	Street	
City	Province	Postal code
Telephone	Fax	E-mail

Conversion of a defined contribution pension plan into a simplified pension plan
Form II – Confirmation of the conversion and payment of members' and beneficiaries' benefits

1. Plan name and number

Name of the plan _____

 Number assigned by the Régie des rentes du Québec _____

2. Signatory's certificate

I, the undersigned _____, being duly authorized to act on behalf of the pension committee or as the administrator or mandatary of the administrator of the pension plan named above do hereby certify as follows:

1. the plan was terminated in order to be converted into a simplified pension plan (SIPP) established by the following financial institution: _____.
 That SIPP is registered with the Régie des rentes du Québec under number _____;
2. the plan's conversion date is _____;
3. the conversion notice of which a copy is hereto attached was sent:
 - on _____ to all persons who were active members on the conversion date;
 - on _____ to all other members and beneficiaries;
4. the prescribed statements were sent to every member and beneficiary having rights under the plan;
5. all employer and member contributions required until the conversion date as well as all additional voluntary contributions collected were paid into the pension fund;
6. the benefits of the members and beneficiaries were fully paid in accordance with all applicable regulations;
7. the plan no longer has any assets or liabilities.

Signature _____ Date _____

Name of signatory's employer			
Number		Street	
City		Province	Postal code
Telephone	Fax	E-mail	