

Retirement Income Savings Vehicles (RRSPs and PRPPs)

BACKGROUND

- In response to a 1994 federal government suggestion to reduce or tax RRSP contributions, CBA joined an alliance of professional associations to lobby against the initiative. The RRSP Alliance argued that the pension scheme must provide internal fairness for Canadians who rely on RRSPs for their retirement income. For self-employed Canadians in small- and medium-sized businesses, this need is particularly acute. The government retreated from its plan. In conjunction with the RRSP Alliance, the CBA asked the federal government to lift the freeze on annual RRSP contribution limits, and to reinstate increases initially proposed in the 1990 tax reform of pensions.
- In 2000, the Alliance recommended that the 20 percent limit on foreign property in RRSP portfolios be gradually increased to 30 percent. Allowing registered plans to increase foreign investments could decrease investment risk and increase the return on investment. In its February 2000 Budget, the federal government responded favourably, allowing permissible foreign content in RRSPs to be raised to 25 percent for 2000 and to 30 percent for 2001.
- 2003 budget raised RRSP contribution limits to \$15,500 for 2004, with incremental increases to \$18,000 in 2006. Limits subsequently rise by the average wage growth each year.
- In [October 2004](#) and [February 2005](#), the Wills, Estates and Trusts Law Section wrote to Finance Canada, proposing changes to the *Income Tax Act* to allow RRSPs and RRIFs rollovers to spousal trusts or trusts for disabled children, increasing flexibility in estate planning. The 2007 budget bill included a RRSP/RRIF rollover for trusts for disabled children, as urged by the Section.
- In December 2004, then CBA President Susan McGrath met with the Minister of Finance in the pre-budget consultations. CBA said that pension equity for self-employed professionals requires creditor-proofing of RRSP funds. In [May 2005](#), McGrath wrote to provincial and territorial finance ministers and attorneys general urging them to creditor-proof RRSPs consistently across Canada. In a [September 2005](#) pre-budget letter to the Finance Committee, CBA President Brian Tabor Q.C. again listed creditor-proofing RRSPs as a priority item.
- In [February 2005](#), the Bankruptcy and Insolvency Law Section restated that recent RRSP contributions (up to two years) be available to creditors upon bankruptcy.
- In June 2005, the federal government introduced Bill C-55 (*Wage Earner Protection Program Act*), which included RRSP creditor-proofing subject to a 12-month claw back period for RRSP contributions, or any longer period that the court may specify. In its [November 2005](#) submission to the Industry Committee, the Bankruptcy Section supported creditor-proofing RRSPs ([see separate note](#)). Bill C-55 received Royal Assent in November 2005 (S.C. 2005 c.47), but was not proclaimed into force. Bill C-12, amending Bill C-55, received Royal Assent in December 2007 (S.C. 2007, c 36). RRSPs and RRIFs are now exempt from distribution in a bankruptcy, save contributions made 12 months before the bankruptcy for RRSPs and RRIFs not already exempt under provincial law.

- In November 2008, the BC Legislative Assembly passed the *Economic Incentive and Stabilization Statutes Amendment Act, 2008* (Bill 45), which included protection for retirement savings from seizure by creditors as recommended by CBA-BC.

CURRENT STATUS

- In August 2008, CBA Council urged federal and provincial governments and the Canadian Association of Pension Supervisory Authorities (CAPSA), to support amendments to pension standards legislation and the federal *Income Tax Act* to allow self employed individuals to sponsor a registered pension plan (RPP).
- In February 2010, Council urged federal, provincial and territorial governments to harmonize pensions legislation and regulation across Canada, and to support measures to increase funding and security of pension benefits, while considering the impact of those measures on pension plan sponsors, plan members and other stakeholders.
- In September 2010, several professional and business groups formed the Retirement Income Improvement Coalition (RIIC) to seek improvements to Canada's retirement income system for self-employed individuals. Coalition includes CBA, Canadian Dental Association, Canadian Federation of Independent Business, Canadian Medical Association, Canadian Pharmacists Association, Canadian Society of Customs Brokers, Canadian Veterinary Medical Association, Certified General Accountants Association of Canada and Certified Management Accountants of Canada.
- In March 2011, RIIC wrote to the federal Finance Minister urging reforms to Canada's retirement income system to give self-employed Canadians enhanced options to save for retirement. RIIC recommended amendments to the *Income Tax Act* and Regulations as one way of providing equal opportunities for self-employed Canadians to save for retirement. Although RIIC supported proposed Pooled Registered Pension Plans (PRPPs), it expressed concerns about their structure and limitations. RIIC recommended that organizations be permitted to administer PRPPs for their members and that PRPPs include target benefit plans which provide a more secure vehicle for members.
- In April 2011, the Pensions and Benefits Section responded to Finance Canada [consultation paper](#) "Framework for Pooled Registered Pension Plans" (PRPPs). The Section welcomed PRPPs as a vehicle that could improve retirement savings of the self-employed and employees of small to medium-sized businesses. It cautioned that the advantages of PRPPs would only be realized by the implementation of a carefully constructed regulatory regime.
- In August 2011, the Section commented on a Finance Canada consultation [document](#) on tax rules for PRPPs. These issues ranged from possible restrictions on administrators of PRPPs to whether past service purchases of years of employment should be permitted. The Section also contributed to RICC's [submission](#) on the consultation document.
- At the 2011 annual meeting in Halifax, CBA Council adopted a [resolution](#) urging federal, provincial and territorial governments to adopt a harmonized legislative framework to protect RRSPs and RRIFs from creditors, allowing some exceptions, such as the enforcement of family law maintenance orders.

NEXT STEPS

- CBA will continue to participate in RICC to seek improvements in Canada's retirement income system, especially for self-employed individuals, and to monitor implementation of PRPPs and any potential "attacks" on RRSPs.