

Oh Canada: Design and Implementation Issues for U.S.-Based International Corporations

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Symposium

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The opinions expressed in this presentation are those of the speaker.
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of Certified Employee Benefit Specialists

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ON TOP OF THE WORLD

America is despondent. Europe is crumbling. Not us. Why Canadians have never been more confident about their future. P.34



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Presentation Overview

- Introduction
- ERISA key issues
- Canada best practices versus compliance
- U.S. plan types
- Canada plan types comparison grid
- Tax effective roll outs, pitfalls, culture and experts
- Remote administration tools and oversight
- Pension reform implications
- Summary and questions

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Introduction

- Climate of centralization of pension and benefits admin
- Reduced HQ resources or increased workload
- Multiple plan types and legislative environments
- Lack of local resources for roll outs
- Pension and healthcare reform continent wide
- Risk management and governance priorities

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ERISA KEY ISSUES

- Environment of Pension Reform PPA 2006 and updates
- Safe harbor and auto enrolment and escalation
- Significant reporting for all plan types
- Discrimination testing
- DB funding changes

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**Poll Question—How many Pension
Regulators in Canada ?**

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Canada Best Practices versus Compliance

- 11 pension regulators (trick question perhaps)
- Pension legislation geared to DB
- DB and DC pensions subject to regulatory compliance and requisite filings
- DC programs available that avoid most filings and compliance reporting
- System of “best practices” in place CAP guidelines

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US Plan Types

- Qualified Plan Types identified by Tax code
- 401k) most popular structure in go forward environment
- Tax Deferred Employee and Employer Contributions
- EE limit \$17,500 plus up to \$23,000 if over 50
- Employee can opt for Roth IRA contribution After Tax
- Roth IRA is Salary Tested
- Discrimination Testing for High Income Earners typically over \$115,000 or 5% Shareholder includes non-participant population in calculations

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Poll Question—Which Canadian Plan Type is most like a Roth IRA?

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Canada Plan Type Grid

| Plan | ER Contributions | EE Contributions | Tax Deferred | After Tax Sheltered Income | After Tax |
|----------------|------------------|------------------|--------------|----------------------------|-----------|
| TSFSA | NO | YES | NO | YES | NO |
| DPSP | YES | NO | YES | N/A | NO |
| GROUP RRSP | POSSIBLE | YES | YES | N/A | NO |
| DC RPP | YES | POSSIBLE | YES | N/A | NO |
| DB RPP | YES | POSSIBLE | YES | N/A | NO |
| RCA | YES | NO | SPECIAL | SPECIAL | SPECIAL |
| Non-Registered | POSSIBLE | YES | NO | NO | YES |

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Tax Effective Roll Outs

- Objective to Match 401k) design
- Group RRSP most common
- Group DPSP/Group RRSP most tax effective and flexible some vesting schedule room for ER contributions
- DC RPP for ER and Group RRSP for EE some vesting allowed for RPP piece in some of the Jurisdictions
- DC RPP again some vesting room but lacks flexibility

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Pitfalls

- Employer contributions to RRSP attract payroll taxes
- Low Income Earners for CPP and EI premiums
- Ontario Health Tax Levy
- Workers compensation premiums
- Restricting withdrawals can eliminate EI piece
- DPSP Tax Deferral Limits at 50% of DC RPP Limit Maxing out possible for high Income earners
- DC RPP's lack flexibility to suspend or reduce match

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Company Culture and “Experts”

- Come with a consistent message that conveys your culture
- Stick to your guns
- Ignore Local Company “Expert” get 3rd Party advice on design
- Be realistic about design if small local presence
- Benchmark where possible
- Focus on retirement savings aspects

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Remote Administration Tools

- Online remote plan administration
- On line reporting and plan monitoring
- Payroll provider integration
- On-line member enrolment and contributions
- Translation services
- Phone in member enrolment
- Tracking of maximums and tax deferred carry forward limits
- Video, webinar, smartphone content and deliverables

IAW CyberClient Français

GROUP SAVINGS AND RETIREMENT NANCY JOHNSON Log Off

ABC Company Inc.

Plan members | Task support | Plans

AD

+ Add plan members

Contribution remittance | Forms and tools | Statistics and reports

Frequency of visits **184** per month

Investor profile **76 %** have completed

Retirement simulator **43 %** use it


Calls made to Customer Service in April **14**

Customer Service - Group Savings and Retirement

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← Message zone

← Customizable interaction hub

- Documents and administration guide
- Online reports
- Visual indicators of the plan's health

← General information

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Oversight

- CAP guideline compliance
- Don't be afraid
- Common sense governance standards
- Proof documents

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**Poll Question—Who likes the idea of
the ORPP?**

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Pension Reform Implications

- PRPP on the horizon, in place sort of Federally
- PRPP on agenda of most provinces some have moved forward further than others Ontario still studying
- VRSP in Quebec is a reality and must be offered if no existing plan in place
- ORPP was back in Ontario budget

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VRSP

| Number of Employee's | Enacted | Set up Required by |
|----------------------|---------------|-----------------------------|
| 20+ | June 30, 2016 | December 31, 2016 |
| 10-19 | June 30, 2017 | Dec 31, 2017 |
| 5-9 | TBA | TBA not before January 2018 |

- One limited set of funds per provider offering
- Required if no current savings plan offered and have physical location in Quebec
- Auto Enrolment no mandatory employer contribution
- Low fees for the smaller size band
- Rest of the country is watching

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SUMMARY and QUESTIONS

- Canada has fewer rules and regulations surrounding 401(k) style programs
- Canada is far less litigious with respect to DC plans, fees, fund offerings etc
- Get local on the ground expertise
- Use all of the tools and services you and your plan members are paying for

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Poll Question—According to the 17th Century Catholic Church the beaver is a ?

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Thank you for your Time!

