Catalogue no. 13F0026MIE — No. 001
ISSN: 1707-0783
ISBN: 0-662-38211-0

Research Paper

Pension and wealth research paper series

Pension Plans in Canada

January 1, 2003

by Pensions and Wealth Surveys Section

Income Statistics Division
5th floor Jean Talon Building, Ottawa, K1A 0T6

Telephone: 1 613 951-7355

Statistics Canada Statistique Canada

Canada

How to obtain more information

Specific inquiries about this product and related statistics or services should be directed to Client Services, Income Statistics Division, Statistics Canada, Ottawa, Ontario, K1A 0T6 ((613) 951-7355; (888) 297-7355; income@statcan.ca).

For information on the wide range of data available from Statistics Canada, you can contact us by calling one of our toll-free numbers. You can also contact us by e-mail or by visiting our Web site.

National inquiries line	**1 800 263-1136**
National telecommunications device for the hearing impaired	**1 800 363-7629**
Depository Services Program inquiries	**1 800 700-1033**
Fax line for Depository Services Program	**1 800 889-9734**
E-mail inquiries	**infostats@statcan.ca**
Web site	**www.statcan.ca**

Ordering and subscription information

This product, Catalogue no. 13F0026MIE2004001, is available on Internet free. Users can obtain single issues at: http://www.statcan.ca/cgi-bin/downpub/research.cgi.

Standards of service to the public

Statistics Canada is committed to serving its clients in a prompt, reliable and courteous manner and in the official language of their choice. To this end, the Agency has developed standards of service which its employees observe in serving its clients. To obtain a copy of these service standards, please contact Statistics Canada toll free at 1 800 263-1136.

Statistics Canada

Income Statistics Division

Pension and wealth research paper series

Pension plans in Canada

January 1, 2003

Published by authority of the Minister responsible for Statistics Canada

September 2004

Catalogue no. 13F0026MIE2004001

ISSN: 1707-0783

ISBN: 0-662-38211-0

Frequency: Occasional

Ottawa

La version française de cette publication est disponible sur demande (n° 13F0026MIF au catalogue).

Note of appreciation

Canada owes the success of its statistical system to a long-standing partnership between Statistics Canada, the citizens of Canada, its businesses, governments and other institutions. Accurate and timely statistical information could not be produced without their continued cooperation and goodwill.

TABLE OF CONTENTS

Overview

Chapter I of this document presents the results of the Pension Plans in Canada Survey as of January 1, 2003. It gives a brief overview of changes over time in the participation of men and women in registered pension plans, the coverage of the labour force by these plans, membership in defined benefit and defined contribution plans, and total contributions paid into these plans. These figures are mainly obtained from administrative data supplied by federal and provincial jurisdictions.

Chapter II briefly describes retirement compensation arrangements (RCAs), a supplementary retirement program. It also provides an analysis of RCA data, received from the Canada Revenue Agency.

Information on the methodology and definitions used by these two data sources are appended, along with an update on the main provisions of legislation on registered pension plan retirement benefits.

Chapter I: Overview of data on pension plans in Canada as of January 1, 2003

By Patricia Schembari

1. Introduction

The first pension plans appeared in Canada toward the middle of the nineteenth century during a period of rapid industrialization. By 1900, only federal employees, railway workers and employees of some commercial banks were covered by pension plans. At the time, the cost of some pension arrangements was borne entirely by employees. Today, the terms and conditions have changed, and registered pension plans (RPPs) must be at least partly financed by employer contributions.

RPPs are retirement benefit programs that are provided voluntarily by employers or by unions in both the public and private sectors of the economy. As of January 1, 2003, nearly two in five paid workers were participating in an RPP in Canada. Private sector plans are sponsored by individual companies, groups of employers, unions, religious and charitable organizations, and other private sector employers. Public sector plans are designed for employees of the three levels of government. They include plans for employees of federal, provincial and municipal governments and enterprises; members of the Canadian Forces and the Royal Canadian Mounted Police; and employees of government boards, commissions, and Crown corporations.

Federal and provincial legislations govern the minimum standards, funding and investments of the pension plans. However, a small number of plans, covering about 20% of all RPP members, are not subject to pension regulatory legislation and may have their own acts regulating their operations. These plans are mostly for federal and some provincial public servants, or they may be small plans (individual plans or plans for connected persons not registered with a jurisdiction).

Also, to obtain tax exemption, a pension plan must qualify for registration under the *Income Tax Act* (ITA). The ITA sets limits on tax-deductible contributions, benefits and certain investments, and establishes limitations on ancillary benefits and miscellaneous provisions (for example, eligible service). Under the ITA, monies going into the plan are not taxed, but monies coming out are fully taxed.

This chapter presents data from the Pension Plans in Canada Survey as of January 1, 2003. It provides a brief overview of changes over time.

2. Number of RPP members is growing, but not as fast as the labour force

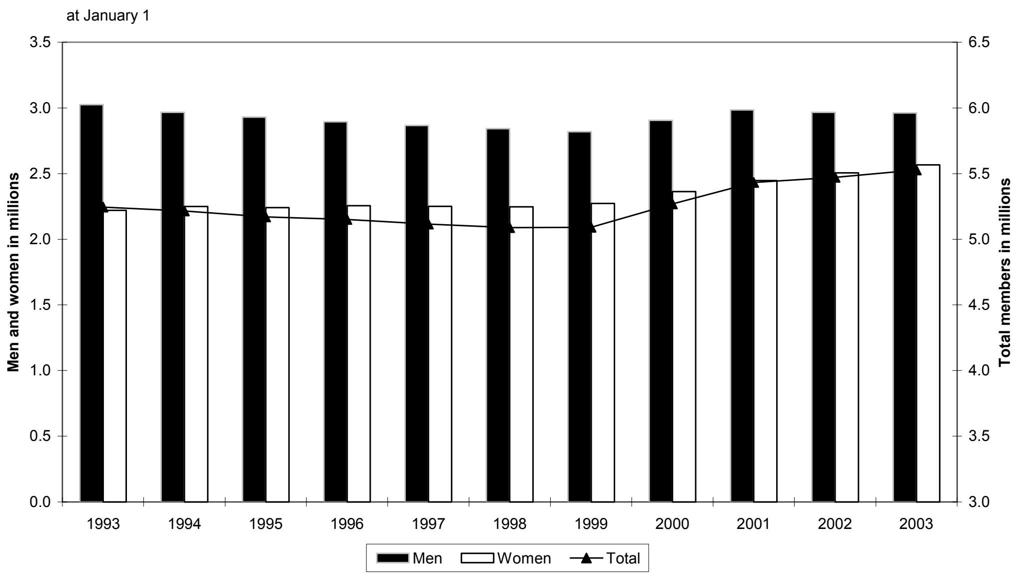
For a fifth consecutive year, the number of RPP members grew. As of January 1, 2003, there were more than 5.5 million workers covered by 14,376 pension plans—a 1% increase in the number of workers covered compared to January 1, 2002 (Chart 1). However, this growth was not as large as that observed in the labour market. Labour force data show that 2002 was a good year, with strong job growth (4%) and a robust economy.[1]

Since January 1, 1998, the number of women belonging to RPPs has grown steadily. In fact, the net increase in the total membership between the end of 2001 and 2002 is entirely attributable to a 2.4% increase in the number of female RPP members (Chart 1). Nearly two-thirds of this growth was observed in the public sector, where the number of

1. See G. Bowlby. "2002 – A good year in the labour market," *Perspectives on Labour and Income*, Statistics Canada, Catalogue No. 75-001-XIE, Spring 2003, Vol 15, No. 1, pages 5-10.

women grew by 2.7% compared to 1.9% in the private sector. Significant gains in female RPP membership were observed in public administration, educational and health care services, retail trade and finance, insurance and real estate. According to data from the Labour Force Survey, employment among women (aged 25 and older) climbed 4.2% in 2002. Together, health care, manufacturing, educational services and public administration accounted for 52% of employment gains for women in the Labour Force.[2] However, according to data from the Pension Plans in Canada Survey, there was no increase in the number of female members in the manufacturing sector.

Chart 1. The net growth in the total membership since 2001 is attributable to an increase in the number of female members



Source: Pension Plans in Canada Survey

For a second consecutive year, the number of men belonging to an RPP declined, falling 0.1% between the end of 2001 and 2002 (Chart 1). This slight drop occurred entirely in the private sector (-0.3%), whereas in the public sector, the number of males covered rose slightly (0.2%). The largest increases in the number of RPP male members were observed in construction, community business and personal services, finance, insurance and real estate, and educational and health care services. Labour force data show that employment among men (aged 25 and older) rose 3.1% during 2002, with 47% of the increase occurring in the manufacturing and construction sectors.[3] As was the case with female membership, data from the Pension Plans in Canada Survey show no increase in male membership in the manufacturing sector.

In general, the ratio of male RPP members to total membership has steadily declined. As of January 1, 1993, men accounted for 57.7% of membership. As of January 1, 2003, they accounted for only 53.6%, reducing the gender gap to 7.2 percentage points.

2. See G. Bowlby. "2002 – A good year in the labour market," *Perspectives on Labour and Income*, Statistics Canada, Catalogue No. 75-001-XIE, Spring 2003, Vol 15, No. 1, page 8.
3. See G. Bowlby. "2002 – A good year in the labour market," *Perspectives on Labour and Income*, Statistics Canada, Catalogue No. 75-001-XIE, Spring 2003, Vol 15, No. 1, page 7.

3. RPP coverage rates[4]

To calculate the pension plan coverage rate of Canadian workers, membership data are examined in relation to labour force participation statistics from the Labour Force Survey. These two data sources are comparable, but some conceptual differences should be pointed out. First, members of Canadian RPPs living on Indian reserves or in Yukon, the Northwest Territories and Nunavut, as well as members working outside Canada (less than 1% of total RPP membership) are included as pension plan members, but excluded from the labour force count. Second, labour force estimates are annual averages, while pension plan membership refers to the number of paid workers participating at year-end. A plan's year-end could occur at any point during the calendar year, although most often it is December 31. Third, the Labour Force Survey does not cover full-time members of the Canadian Forces; however, adjustments are made to labour force estimates to eliminate this difference. Despite these conceptual differences, an analysis of labour force coverage can still provide very useful information.

Thus, to state that nearly a third of the labour force was covered by a registered pension plan at the end of 2002 is to underestimate the real coverage rate, since many people included as part of the labour force cannot participate in RPPs. Participation is restricted to paid workers having an employer-employee relationship, so the self-employed with unincorporated businesses, unpaid family workers and the unemployed are not eligible.[5] If estimates of these groups are removed from the labour force, it can be said that nearly 40% of all paid workers were covered by RPPs at the end of 2002.

4. RPP coverage rates for men are down

From 1992 to 1998, the coverage rate for RPP members decreased from 45.1% to 39.6% (Table 1). After stabilizing between 1998 and 2000, RPP coverage rates resumed their decline between 2000 and 2002, from 40.6% to 39.6% respectively. Contributing to this situation is the drop in the number of male members since 2000.

During the period from 1992 to 1998, coverage rates for men fell, declining from 48.1% to 41.9%. After stabilizing at approximately 41.9% between 1998 and 2000, the rates resumed their decline, going from 41.8% in 2000 to 39.9% in 2002 (Table 1).

The decline in RPP coverage may be due to various factors. Morisette and Drolet[6] identify a number of possible reasons: a decrease in unionization and employment shifts toward low-coverage industries, increased competition (possibly inducing some firms to cut labour costs by terminating pension plans), increases in employer contributions to other pension programs such as C/QPP or Employment Insurance, and the administration costs associated with defined benefit plans. The greater availability of other pension options such as group RRSPs might also explain why RPP coverage is not increasing.

For women, the situation is different. RPP coverage rates for women began increasing in the early 1990s and peaked in 1993, reflecting the growth of female membership in pension plans (Table 1). However, as the growth in their participation in the labour force slowed and the effect of legislative changes ebbed, the growth in RPP membership among women also slowed. From 1993 to 1998, coverage rates fell slightly, from 41.9%

---

4. The sections dealing with coverage rates are as of December 31.
5. It should be noted that short-service employees who do not yet meet the eligibility conditions for their employer's RPP are counted as part of the labour force but not as pension plan members.
6. See R. Morissette, and M. Drolet. "Pension coverage and retirement savings." *Perspectives on Labour and Income* (Statistics Canada, Catalogue No. 75-001-XPE) 13, No. 2 (Summer 2001): 39-46.

to 39.1%. From 1999 to 2002, coverage rates have remained stable at approximately 39.2%. In other words, female membership increased at the same rate as the number of female workers in the labour force.

Table 1. Percentage of paid workers[1] covered by a Registered Pension Plan, by province, December 31

Area of employment	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
						Both sexes					
Newfoundland and Labrador	53.4	55.0	55.9	56.6	55.1	53.6	53.1	50.4	52.0	50.7	50.9
Prince Edward Island	35.2	37.9	36.7	33.8	32.5	33.7	33.4	34.4	32.1	32.4	32.6
Nova Scotia	48.6	48.4	45.4	44.5	44.6	44.2	41.7	42.0	41.9	41.6	41.8
New Brunswick	41.6	41.0	47.8	38.5	37.8	37.3	38.0	36.9	38.2	40.2	39.9
Quebec	48.9	48.6	46.3	45.3	45.1	44.9	42.8	43.0	41.5	41.5	40.5
Ontario	44.1	42.9	42.1	41.0	40.7	40.6	39.8	40.0	40.4	39.3	39.3
Manitoba	52.7	51.0	51.3	49.3	49.0	47.8	48.0	49.3	48.3	47.1	46.1
Saskatchewan	48.7	50.1	47.5	47.6	48.1	47.0	47.6	47.5	47.8	49.3	49.0
Alberta	38.4	39.2	37.5	36.4	34.0	31.8	31.2	31.6	32.3	32.9	32.7
British Columbia	40.0	40.0	40.1	40.2	40.0	40.0	40.1	40.1	40.2	38.9	37.9
	0.0	0.0									
All Provinces	**45.1**	**44.6**	**43.4**	**42.4**	**42.0**	**41.5**	**40.6**	**40.7**	**40.6**	**40.1**	**39.6**
						Men					
Newfoundland and Labrador	56.8	56.8	58.4	56.2	54.6	52.8	51.2	48.8	50.8	49.3	52.8
Prince Edward Island	35.6	37.7	36.2	33.6	32.2	34.4	34.4	35.8	33.8	31.0	31.3
Nova Scotia	52.5	52.2	47.8	46.2	47.1	46.8	44.0	44.3	43.7	42.8	42.8
New Brunswick	46.5	44.5	42.4	42.0	42.1	40.6	41.4	39.7	40.9	43.4	42.6
Quebec	50.1	49.7	46.2	45.0	44.7	44.1	42.6	42.4	41.2	41.2	39.7
Ontario	48.2	45.9	44.8	43.3	42.8	42.6	42.0	42.2	42.6	40.9	40.2
Manitoba	54.1	51.3	50.6	48.3	48.0	47.0	46.5	47.2	46.8	45.2	44.2
Saskatchewan	51.0	50.6	46.2	46.2	46.8	46.2	46.6	44.9	45.2	45.7	46.0
Alberta	40.8	40.9	38.7	37.6	35.3	33.1	32.7	33.3	33.8	34.7	34.5
British Columbia	43.0	43.0	44.5	44.0	43.3	44.0	42.4	42.5	42.0	39.9	38.1
All Provinces	**48.1**	**46.8**	**45.3**	**44.0**	**43.4**	**42.9**	**41.9**	**41.9**	**41.8**	**40.9**	**39.9**
						Women					
Newfoundland and Labrador	49.2	52.8	53.0	57.0	55.7	54.4	55.1	52.1	53.3	52.2	48.9
Prince Edward Island	34.7	38.2	37.3	34.1	32.8	33.0	32.4	32.9	30.5	33.8	33.9
Nova Scotia	43.7	43.9	42.5	42.4	41.5	41.1	39.1	39.4	39.9	40.2	40.7
New Brunswick	35.7	36.7	35.6	34.3	32.8	33.6	34.0	33.8	35.1	36.6	37.0
Quebec	47.4	47.3	46.4	45.7	45.7	45.8	43.2	43.7	41.9	42.0	41.4
Ontario	39.5	39.5	39.0	38.2	38.2	38.2	37.4	37.5	38.0	37.6	38.3
Manitoba	51.2	50.8	52.2	50.4	50.1	48.5	49.6	51.8	50.0	49.3	48.3
Saskatchewan	46.3	49.5	48.9	49.1	49.6	47.9	48.7	50.2	50.6	53.2	52.3
Alberta	35.5	37.2	36.0	34.8	32.3	30.2	29.4	29.5	30.4	30.8	30.5
British Columbia	36.3	36.3	34.9	35.7	36.0	35.5	37.6	37.4	38.1	37.8	37.8
All Provinces	**41.6**	**41.9**	**41.1**	**40.6**	**40.3**	**39.9**	**39.1**	**39.3**	**39.3**	**39.2**	**39.2**

1. Here, paid workers include employees and self-employed with incorporated businesses. Self-employed with unincorporated businesses, unpaid family workers and the unemployed are excluded from this category.
Source: Pension Plan in Canada Survey and Labour Force Survey.

5. Regional differences

At the end of 2002, six provinces had an RPP coverage rate above the national average of 39.6%: Newfoundland and Labrador (50.9%), Saskatchewan (49%), Manitoba (46.1%), Nova Scotia (41.8%), Quebec (40.5%) and New Brunswick (39.9%) (Table 1). During the period 1992-2002, Newfoundland and Labrador had the highest coverage rate, with more than half of its paid workers covered by a pension plan. In contrast, Prince Edward Island and Alberta had the lowest coverage rates at about 33%.

In addition to the reasons mentioned in the previous section, other factors may explain regional differences. Among these are labour force characteristics such as the high unemployment rate, a larger proportion of self-employed workers in unincorporated businesses, and the concentration of paid workers in the public and private sectors.

Usually, in provinces with high unemployment rates (for example, Newfoundland and Labrador), a sizable difference is observed between RPP coverage for paid workers and the labour force,[7] since the unemployed are excluded from the population of paid workers. This tends to increase the percentage of paid workers covered by an RPP.

For Saskatchewan, the high coverage rate might be due to the presence of a larger proportion of self-employed workers in unincorporated businesses which are excluded from the population of paid workers. Again, this exclusion tends to increase the percentage of paid workers covered by an RPP.

In Manitoba, the coverage rate is high, since this is the only province in which RPP coverage is compulsory if offered by the employer.

In Alberta, British Columbia and Ontario, the RPP coverage rates were lower than the national average since the proportion of private sector employees in these provinces tends to be higher.[8] The private sector is usually less unionized and the percentage of paid workers covered by an RPP tends to be lower.

From 2001 to 2002, the RPP coverage rate declined in most provinces with the exception of Newfoundland and Labrador, Prince Edward Island, Nova Scotia and Ontario.

6. Type of retirement benefits

Even though pension plans frequently provide payments in the event of death, disability or termination of employment prior to retirement, the main purpose of the plan is to provide retirement benefits. Various methods are used to calculate benefits, and the method used identifies the type of plan. There are two basic types of RPPs: defined contribution and defined benefit.

Under the defined contribution method, the employer and, in the case of contributory plans, the employees are committed to a specified contribution rate. Pension benefits vary depending on the contributions accumulated for each individual and the return on investment. Under the defined benefit method, benefits are determined by a formula that is stipulated in the plan text. The employer contributions are not predetermined but are calculated on the basis of actuarial valuations—that is, they are a function of the cost of providing the promised benefit, taking into consideration employee contributions, if any.

Money purchase plans are defined contribution plans, in which contributions are a fixed percentage of the employee's earnings, a fixed dollar amount, or a specified number of cents per year of service/participation or per hour worked. Profit sharing pension plans are a type of money purchase plan, differing only in the basis on which contributions are made. Contributions by the employer are a proportion of the firm's profits with a defined minimum rate equal to 1% of employee earnings, regardless of whether a profit has been realized. These profit sharing pension plans are registered pension plans and should not be confused with deferred profit sharing plans, which are not included in this survey.

7. See Chapter 3A, page 53 of *Canada's Retirement Income Programs: a Statistical Overview (1990-2000)*, Statistics Canada, Catalogue No. 74-507-XIE.
8. See Chapter 3A, page 53 of *Canada's Retirement Income Programs: a Statistical Overview (1990-2000)*, Statistics Canada, Catalogue No. 74-507-XIE.

Defined benefit plans may be subdivided into two types: unit benefit and flat benefit plans. Flat benefit plans, as the term indicates, provide a fixed benefit under a formula that usually disregards the level of participants' earnings. Such a might be, for example, $40.00 per month for each year of service.

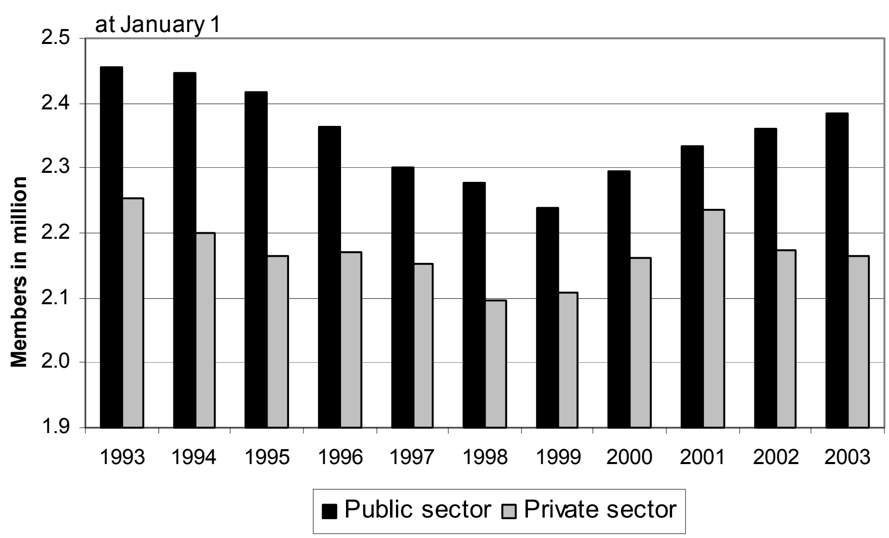
Unit benefit plans are by far the largest category of plans in terms of membership. Under unit benefit plans, members earn a unit of pension usually expressed as a fixed percentage of earnings, for each year of credited service/participation. The earnings base for the calculation of benefits varies, and the plans can be subdivided into separate categories according to the base used. Final average earnings plans are those in which the unit of pension for each year of service/participation is expressed as a fixed percentage of the employee's earnings averaged over a specified period immediately before retirement. In average best plans, the employee's average earnings during a specified period of highest earnings are used as the base. In career average plans, the pension benefit is based on average earnings over the entire period of service/membership. The earnings base for some career average plans is adjusted from time to time, and excludes earnings before a specific date. For example, the earnings considered may be only those since January 1, 1990.

7. Four in five RPP members belong to a defined benefit plan

In Canada, defined benefit plans have the largest number of members. As of January 1, 2003, there were just over 4.5 million members, or 82% of all persons covered, in 6,777 defined benefit plans.

The majority of defined benefit plan members are employed in the public sector (Chart 2). The number of members in defined benefit plans in the public sector has increased since 1999, after experiencing a decline in the previous years.

Chart 2: The majority of defined benefit plan members are employed in the public sector



Source: Pension plans in Canada Survey.

In the private sector the number of members in defined benefit plans reached a low in 1998, one year earlier than in the public sector. This was followed by an increase in membership until the end of 2001 when the membership began declining again.

During the 1990s, defined contribution plans experienced the greatest change in both number of plans and members. Although since January 1, 1993, the number of these plans has fallen by about 16% (from 8,713 to 7,347), the number of members rose sharply to more than 830,000 at the start of 2003, some 1.8 times higher than in 1993. This rise in defined contribution plan membership is observed in both the public sector and the private sector.

As of January 1, 2003, the majority—83%—of members in defined contribution plans were working in the private sector (Chart 3). However, since 1996, growth in the number of members in this type of plan is observed in both sectors.

Chart 3: Most of the members in defined contribution plans work in the private sector

Source: Pension Plans in Canada Survey.

8. Substantial jump in both employee and employer contributions

At the end of 2002, total annual contributions stood at $23.5 billion, up 14% or nearly $3.1 billion (in 2002 constant dollars). Since the end of 1991, this was the largest annual increase on record.

While both total contributions of employers and employees increased, the largest increase was in the contributions paid by employers. Between the end of 2001 and 2002, employer contributions rose 18%, whereas employee contributions rose only 5%. In fact, during 2002, many employers had to make special payments (for example, for actuarial deficiencies and unfunded liabilities) in addition to their normal contributions.

This situation is consistent with the findings of the biennial Census of Trusteed Pension Funds, which covers employer pension plans funded under a trusteed arrangement. There are 3,045 such plans, covering some 4.5 million workers or 82% of all RPP members.[9] According to that study, employer contributions increased substantially because plan managers had realized that contributions had to increase, or to start again, after a period of a “contribution holiday,” to avoid or at least reduce unfunded liabilities.

9. See “Employer pension plans, 2002” in the August 5, 2004 issue of *The Daily*.

Meanwhile, the increase in employee contributions is mainly attributable to the end of the "contribution holiday" period and, to a lesser extent, to an increase in membership in contributory plans. Normally, there is very little growth year-to-year in employee contributions.

Appendix A

Pension Plans in Canada Survey methodology

1. Objective of survey / Overview

The Pension Plans in Canada Survey is an annual census of all registered pension plans (RPPs) in Canada. It provides information on the terms and conditions of RPPs, membership in them and contributions made by and on behalf of the members.

Data on RPPs were produced on an occasional basis in 1960, 1965 and 1970. It became annual since the survey reference date of January 1, 1972.

Registered pension plans are plans established by either employers or unions to provide retirement income to employees. These plans are registered with the Canada Customs and Revenue Agency for tax purposes and, in most cases, also with the federal or a provincial pension regulatory authority.

The primary users of the Pension Plans in Canada Survey are the federal and provincial government pension authorities. Other main users include the Income and Expenditures Accounts Division (Statistics Canada), the federal government (Human Resources and Development Canada), private consultant firms, insurance companies and academics. The data from the Pension Plans in Canada Survey is also used to generate the estimate of the value of benefits accrued in registered pension plans for the Survey of Financial Security.

2. General methodology

A. Universe and target population

The target population is all RPPs in Canada. The survey frame is drawn from information on plans registered with federal and provincial government pension authorities and, for plans not subject to their legislation, from the Canada Customs and Revenue Agency. Data are reported to Statistics Canada only when the pension authorities have registered the plan; some existing plans may not have completed this registration process and therefore are not included in Statistics Canada database.

B. Data collection and sources

Data on the Pension Plans in Canada Survey for 1960 and 1965 were based on direct surveys conducted by Statistics Canada. Since 1970, administrative data have gradually replaced the direct survey as the data source. Therefore, the program is now derived largely from administrative data provided by ten pension supervisory authorities (nine provincial, one federal). The provision of these data is governed by a co-operative statistical program established by these authorities and by Statistics Canada.

As of January 1, 2003, nine provinces plus the government of Canada have implemented legislation to protect the rights of pension plan members. The ten jurisdictions having pension regulatory legislation in effect as of January 1, 2003 and the date when the original legislation took effect are:

Ontario	-	January 1, 1965
Quebec	-	January 1, 1966
Alberta	-	January 1, 1967
Federal	-	October 1, 1967
Saskatchewan	-	January 1, 1969

Manitoba	-	July 1, 1976
Nova Scotia	-	January 1, 1977
Newfoundland and Labrador	-	January 1, 1985
New Brunswick	-	December 31, 1991
British Columbia	-	January 1, 1993

Significant changes to the original legislation had taken effect as of the reference date for these data. The different pieces of legislation are similar and govern the terms of the pension plan, the funding and the investments of the pension fund.

There are some exclusions under these acts. Certain plans for federal and provincial government public servants are not subject to this legislation but have their own acts regulating their operations. Furthermore, as of January 1, 2003, no regulatory legislation was in effect in Prince Edward Island.

All plans registered with one of the pension supervisory authorities must submit an Annual Information Return (AIR) to the appropriate authority. This document must be submitted no later than June 30 of each year. It provides information on plan membership and on contributions made to the plan for the year in question. In addition, all new plans and amendments to existing plans, as well as plan transfers and terminations must be reported to the pension authority. This information is used to supply the data required for the Pension Plans in Canada Survey. The survey content is agreed upon jointly by Statistics Canada and the pension authorities. Data can be reported to Statistics Canada up to 13 months after the reference period. Some of the jurisdictions provide the information electronically, others report it on paper.

For those plans that are not registered with one of the pension authorities (public and Prince-Edward-Island plans), a brief questionnaire is sent directly to the sponsoring employer/union once every two years requesting the necessary information. If possible, this information is taken from annual reports. Data for small plans (individual or connected pension plans) that are not registered with a pension authority were imputed using data from Canada Revenue Agency.

C. Sampling

Not applicable.

D. Processing and estimation methodology

All the information received from the respondent is processed by Statistics Canada. The edit procedures make it possible to compare, for each plan, current information on members and contributions with that last reported. Whenever a large change is detected or the data for a given plan appear inconsistent, the plan is identified by a computer edit and is subject to correction or acceptance, as required.

If not reported, data on plan members and contributions are imputed by using the same figures that were most recently reported to Statistics Canada.

3. Reference period

January 1st was selected as the reference date since it is the date most often used for new plans and amendments to existing plans to take effect. However, information on contributions and membership is generally provided as of the plan’s year-end, which is most often December 31.

4. Revisions and adjustments

Not applicable.

5. Concepts and variables measured

Registered pension plans are frequently referred to as private pension plans to differentiate them from the public Canada and Quebec Pension Plans. They are employee retirement benefit programs provided in essence largely voluntarily by employers or unions in both the public and private sectors of the economy.

Data can be produced for a large number of variables related to the plans:
- members by sex, area of employment, or jurisdiction of plan registration,
- contributions,
- membership-size group,
- industry,
- type of organization of employer (private or public sectors),
- funding instrument,
- class of employees eligible for the plan,
- compulsory and voluntary participation for new employees,
- conditions of eligibility of membership,
- type of plan,
- employee contribution rate,
- employer contribution rate,
- benefit rate,
- earnings base on which benefit is based (defined benefit plans only),
- bridging supplement on retirement,
- provision of disability benefit,
- normal retirement age,
- automatic adjustment of pension (defined benefit only),
- death benefit (after retirement).

6. Data accuracy / quality

Errors can arise in a number of ways: non-response, coverage and classification errors, differences in the interpretation of questions, incorrect information from respondents and mistakes in recording, coding and processing the data. Efforts to reduce these errors include careful design of the questionnaire, editing of the data, follow-up, imputation for non-response and thorough control of processing operations.

Quality controls exist at the data capture and editing stages to minimize errors. These controls monitor the completeness, accuracy and consistency of the reported data. Procedures are in place to follow-up for non-response and to impute when data are not available.

In addition, coverage errors can occur because the establishment or termination of a pension plan may not be reported to Statistics Canada when it becomes effective, but only when the administrative procedures undertaken by the pension authority are complete.

The response rate is determined by calculating, for those pension plans in the known universe, the percentage for which we have up-to-date membership and contribution data.

For the January 1, 2003 file, up-to-date information was obtained for 86% of plans, covering 96% of the members. Most of the non-respondents, therefore, were small plans.

The response rates vary considerably from one jurisdiction to another. For another 8% of plans (covering 3% of the members), imputation was performed using 2000 or 2001 data). Once again, these percentages vary considerably from one jurisdiction to another (see table 1).

Table 1. Response rate in terms of number of members, January 1, 2003

Jurisdiction[1]	Response rate (%)
Newfoundland and Labrador	98.4
Nova Scotia	96.9
New Brunswick	99.4
Quebec	99.2
Ontario	91.2
Manitoba	98.2
Saskatchewan	99.0
Alberta	99.3
British Columbia	99.5
Federal[2]	98.2
Total	96.0

1. A plan registered with a particular jurisdiction can cover members working in different provinces. For each jurisdiction, the members referred to, belong to plans registered with that particular jurisdiction, regardless of where they work.
2. Office of the Superintendent of Financial Institutions (OSFI).

7. Comparability of data and related sources

With the exception of the following, the data available from the pension plans in Canada survey are comparable over time.

January 1, 2003

- Small plans (for example, individual and connected pension plans) that are no longer being registered in Manitoba and Quebec are now included in the category “not registered”.

January 1, 2002

- The Pension Plans in Canada database was subject to a major revision in 2002. In effect, plans in various stages of termination or suspension were terminated if they no longer were considered to provide current service benefits. The revision to the January 1, 2002 file affected a large number of plans but very few members.

January 1, 1999

- The **North American Industry Classification System (NAICS)** replaced the **Standard Industrial Classification (SIC)**. This new classification standard affects only table 4 (number of plans and members by industry). Changes were not made retroactively to January 1, 1999.

January 1, 1992

- The classification of plans by sector was changed. A new definition of public sector was adopted for the January 1, 1992 file; one that corresponds more closely to that used by the Standards Division and the Public Institutions Division of Statistics Canada. The changes to sector classification have not been made retroactively. Most notably, the majority of the plans for universities, previously coded to the private sector, are now considered to be public sector plans.

8. Definitions

Registered Pension Plans (RPPs): An employer-sponsored plan registered with Canada Customs and Revenue Agency and most commonly also with one of the pension regulatory authorities. The purpose of such plans is to provide employees with a regular income at retirement.

Defined benefit (DB) plan: An RPP that defines the benefits by a formula stipulated in the plan text. The employer contributions are not predetermined but are a function of the cost of providing the promised pension, taking into consideration employee contributions, if any. DB plans can be subdivided into unit benefit and flat benefit plans.

Unit benefit plan: A type of RPP in which members earn a unit of pension, often expressed as a fixed percentage of earnings, for each year of credited service/participation. Includes career and final average earnings plans.

Career average earnings plan: A defined benefit RPP that bases the pension on average earnings over the entire period of membership in the plan. In some cases, earnings before a specific time are excluded; in others the earnings are indexed.

Final earnings plan: Final average and average best earnings plans.

Final average earnings plan: A defined benefit RPP that defines the benefit formula using average earnings for a specified number of years immediately prior to retirement.

Average best earnings plan: A defined benefit RPP that defines the benefit formula using the highest average earnings for a specified number of years (e.g. best five years).

Flat benefit plan: A defined benefit RPP that provides a fixed benefit; not related to earnings. It is usually a dollar amount of monthly pension for each year of service with a single employer, or with participating employers under a multiemployer plan.

Defined contribution (DC) plan: An RPP that specifies the employee’s (if the plan is contributory) and the employer’s contributions. Members’ benefits are provided from accumulated contributions plus the return on the investment of these monies.

Private Sector: Type of organization that includes incorporated and unincorporated businesses, religious, charitable and other non-profit organizations, co-operatives, trade or employee associations, and private educational and health institutions.

Public Sector: Type of organization that includes municipal, provincial and federal governments and enterprises, crown corporations, government boards, commissions and agencies, and public educational and health institutions.

Contributory plan: An RPP under which employees are required to contribute a portion of the cost of the benefits.

Non Contributory plan: An RPP under which the entire cost of the benefits is borne by the employer.

Vesting: The right of a plan member to the employer's contribution to an RPP or a Deferred profit sharing plan as a result of achieving a specified length of service or plan membership.

Year's Maximum Pensionable Earnings (YMPE): Maximum earnings on which contributions to and benefits from the Canada/ Quebec Pension Plans are determined.

APPENDIX B - Selected provisions of pension regulatory legislation

Pension regulatory legislation came into effect in the different provinces/jurisdictions on the dates given below. The effective dates of the revised (or substantially amended) legislation are also given. Amendments to certain sections of the legislation may have been made since that date.

Currently, under a reciprocal agreement between the pension regulatory authorities, these provisions apply to anyone working in that province/jurisdiction. So, for example, a plan having the plurality of members employed in Alberta would be registered with the pension authority in Alberta. A member of that plan who works in Saskatchewan would, however, have the provisions of the Saskatchewan legislation applied to him/her.

Jurisdiction	Original legislation	Effective date	Revised legislation	Effective date	Number of plans[1]
Newfoundland and Labrador	Pension Benefits Act	1985/01/01	Pension Benefits Act	1997/01/01	167
Prince Edward Island	Pension Benefits Act	Passed/ 1990/04/26. Not yet proclaimed			
Nova Scotia	Pension Benefits Act	1977/01/01	Pension Benefits Act	1988/01/01	460
New Brunswick	Pension Plan Registration Act	1973/09/01	Pension Benefits Act	1991/12/31	337
Quebec	Supplemental Pension Plans Act	1966/01/01	Supplemental Pension Plans Act	1990/01/01	1,749
Ontario	Pension Benefits Act	1965/01/01	Pension Benefits Act	1988/01/01	6,637
Manitoba	The Pension Benefits Act	1976/07/01	Pension Benefits Act	1984/01/01	425
Saskatchewan	Pension Benefits Act	1969/01/01	The Pension Benefits Act	1993/01/01	378
Alberta	Pension Benefits Act	1967/01/01	Employment Pension Plans Act	1987/01/01	1,107
British Columbia	Pension Benefits Standards Act	1993/01/01			1.698
Office of the Superintendent of Financial Institutions (OSFI)	Pension Benefits Standards Act	1967/10/01	Pension Benefits Standards Act	1987/01/01	1,101

1. *Number of plans registered with pension authority at January 1, 2003.*

Note: *The effective date given is the date when the majority of the provisions of the act came into effect. In some cases, amendments have been made since the date that affect the information on legislative provisions that follows.*

The provisions as described apply to benefits currently being accrued. In some cases they also apply retroactively; in many they do not. The provisions are stated in summary form and do not reflect all details contained in the legislation. For complete information, the actual legislation should be consulted.

PROVISION	OSFI	Nfld. & Lab.	P.E.I	N.S.	N.B.	Que.	Ont.	Man.	Sask.	Alta.	B.C.
Eligibility (part-time employees)[1]: (where two indicated both conditions must be met)											
- 2 years or 24 months continuous service[2]	x	x	x	x	x		x	x	x	x	x
- earned at least 35% of YMPE in each of 2 consecutive calendar years	x	x			x					x	x
- earned at least 35% of YMPE or worked 700 hours or more in a calendar year						x					
- earned at least 35% of YMPE or worked 700 hours or more in each of 2 consecutive calendar years			x	x			x		x		
- earned at least 25% of YMPE in each of 2 consecutive calendar years								x			
Compulsory membership: (with exceptions)								x			
Normal retirement date											
- plan must state age or date; no specific age prescribed	x							x	x	x	x
- at latest, one year after 65th birthday			x	x	x		x				
- at latest, first of month following 65th birthday		x				x					
Early retirement											
- 10 years prior to pensionable age or normal retirement date	x		x	x	x	x	x		x	x	
- age 55		x									x
- reasonable age and service requirements								x			
Vesting of benefits: (where two indicated, either could apply)											
- full and immediate						x					
- 2 years or 24 months membership in plan[2]	x	x		x			x	x		x	x
- 5 years service					x						
- 2 years service								x	x		

- 3 years of plan membership and 5 years of continuous service			x								
PROVISION	**OSFI**	**Nfld. & Lab.**	**P.E.I**	**N.S.**	**N.B.**	**Que.**	**Ont.**	**Man.**	**Sask.**	**Alta.**	**B.C.**
Portability required: (options differ)	x	x	x	x	x	x	x	x	x	x	x
Death benefits, pre-retirement (vested members, spouse=s entitlement): (if two, greater of)											
- 100% of commuted value of vested benefits	x	x[3]				x	x	x	x[3]	x	
- 60% of commuted value of vested benefits			x	x	x						x
- accumulated contributions plus interest										x	x
- member=s contributions plus interest									x[3]		
Death benefits, post retirement (joint and survivor pension, reduced on death of member or spouse):											
- 60%	x	x	x	x	x	x	x		x	x	x
- 66 2/3%								x			

1. *Eligibility for full-time employees is the same as for part-time for Quebec, Alberta and British Columbia. For the other jurisdictions, eligibility for full-time employees requires only 2 years or 24 months of continuous service.*
2. *One or the other specified in legislation.*
3. *Provisions differ somewhat if member was eligible for early retirement.*

Chapter II: Supplementary retirement income programs: retirement compensation arrangements.

By Robert Anderson

1. Introduction

This chapter is based on Canada Revenue Agency T3-RCA tax returns for retirement compensation arrangements (RCAs). Its purpose is to briefly describe how this form of supplementary retirement income works, and to present aggregate data from the RCA tax base concerning the financial characteristics of the program. This is the first time that these aggregated data have been released.

2. Why RCAs exist

Since pension contributions are tax sheltered, federal legislation limits the annual pension benefit which an employer can pay to a retiree. The limit applies to registered defined benefit pension plans. Typically in such plans the beneficiary would receive a percentage of annual earnings times the number of years of service, the legislated maximum being 70% of recent earnings.

Currently, the maximum annual pension benefit cannot exceed $64,155. This limit will rise to approximately $70,000 in 2005. This would mean that the maximum pension benefit would be reached by those earning more than $100,000 per year, with 35 years of service and a benefit of 2% per year. If an employer has a union or contractual agreement with an employee to provide a percentage or amount annually on retirement, and it exceeds the $70,000 maximum allowed, then the employer must use another mechanism to meet their pension commitment to the employee.

The employer and employee could come to an agreement where the employee is offered the value of the retirement commitment by means such as cash or stock options.

Another means which is becoming increasingly popular is a retirement compensation arrangement (RCA). The employer places money into a trust account for the employee and may deduct it from business income. Similarly, if the employee makes contributions, it is deductible from taxable income. The accounts must be registered with the Canada Revenue Agency.

Only half the value of the trusts is available for investment; the Canada Revenue Agency withholds the remainder. The employee may request a partial or complete withdrawal at any time. The withdrawn amount consists of both the invested portion and the matching withheld portion. The employee would either place the money in a tax-sheltered vehicle, or pay income tax on it at the regular rate.

3. A statistical picture of RCAs

The supplementary table "Retirement compensation arrangements, 1991 to 2001"[1] shows an eleven- year picture of the main financial characteristics of RCAs since inception for the 1991 taxation year. From a modest total asset value of $200 million, the value of RCAs have grown to $5.3 billion and from 249 trusts to 2,051. A single RCA trust could be for as few as one person, but there is no upper limit. No usable membership

1. Pension plans in Canada, key tables, catalogue no. 74-508-XWE

data are available at present, but the total number of individual potential beneficiaries is unlikely to exceed about 12,000 persons in 2001.

Contributions were nearly $1.1 billion in 2001, almost all made by employers. Employee contributions were $16 million. Monies in the accounts can be invested or loaned out. Combined, the trusts had a positive cash flow (excess of gains over losses) of $138 million in 2001, considerably less than the $238 million reported for 2000. The reduced flow in 2001 is undoubtedly due to the worsening financial markets over that year; losses were higher than in 2000 and profits were much lower.

Since half of the total assets of a RCA are withheld by the Canada Revenue Agency until the RCA is wound up, half the assets are not available for investment. Thus return on investment (the return on the entire amount of assets in the RCA, including the withheld part) is not large. Return on investment is calculated by dividing the excess of gains over losses by the total assets for distribution as of the previous year end. The best year was 1996 with a return on investment of 7.8%. The worst year, 2001, recorded a rate of return of 3.1%. For comparison, the trusteed pension fund industry had a return on investment of 10.6% in 1996, and 3.7% in 2001. However, when the return on investment for RCAs is calculated only on that portion of the trust which is actually invested, then the percentage doubles, providing a return on investment comparable or better than the trusteed pension fund industry.

Total distributions out of the trusts, that is, moneys paid to beneficiaries, peaked in 2000 at $289.8 million, then fell to $221.6 million in 2001. The median distribution (that is, half of all non-zero distributions were higher, and half were lower) was $84,000 in 2001.

If a beneficiary collected the maximum allowable defined benefit from a registered pension plan of $60,278 (the limit in 2001), adding the median RCA disbursement of $84,000 would mean a combined retirement income from these two sources of $144,278.

Distributions will vary year - to- year not only because of how well or poor investments did, but also according to the number of members, and because of the personal tax implications for the beneficiary. When a beneficiary has a tax year with substantial income from other sources, then it would be effective from a personal tax situation to not withdraw monies from a RCA.

Appendix C

Retirement compensation arrangements (RCAs) methodology

General overview

The official description of retirement compensation arrangements can be found in *Retirement Compensation Arrangements Guide*, *2002* document no. T4041 Rev .02 available on the Canada Revenue Agency web site at www.ccra.gc.ca

Also available on that site is the tax return for RCAs, *Part X1.3 Tax Return Retirement Compensation Arrangement.*

The unit of the CRA that is responsible for the RCA program can be reached at (204) 984-2091 (Winnipeg).

The analysis provided is based on copies of the taxation-year databases, which consist of the data submitted on the RCA tax returns.

Definitions

Custodian: A person or entity legally in charge of the funds held in a retirement compensation arrangement (RCA). This would typically be a trust, insurance, or investment counselling company.

Distributions: Money paid out of a retirement compensation arrangement (RCA) to a beneficiary.