# The Differences between a Defined Contribution Pension Plan and a Group Registered Retired Savings Plan

A registered retirement savings vehicle allows contributions and interest to accumulate on a tax deferred basis. According to Statistics Canada, about 60% of working Canadians do not have a company-sponsored retirement program.

There are many important considerations when establishing a group retirement program. The following points are considered when comparing a Defined Contribution Pension Plan (DCPP or RPP) versus Group Registered Retirement Savings Plan (GRRSP). Each registered retirement savings vehicle allows contributions and investment earnings to accumulate on a tax deferred basis. The amount of savings available to fund retirement will depend upon contributions, employee's age and investment growth.

| | Defined Contribution Plan (DC) – Registered Pension Plan (RPP) | Group Registered Retirement Savings Plan (GRRSP) |
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| **Plan Registration** | Plan must be registered with Canada Revenue Agency & the appropriate provincial or federal pension authority. | Plan is registered with Canada Revenue Agency only. |
| **Registration & Annual Filing Fees** | Varies by province | Individual account is registered. |
| **Eligibility** | Employee can join the plan on the 1st of the month following completion of a specified period of service (subject to provincial legislation). An employer can waive the waiting period, allowing an employee to join earlier. | Employee/Spouse can join the plan after completing an application form and making the 1st contribution. |
| **Contributions** | Employer must contribute at least 1% of employee's compensation. Contributions must be made within 30 days after being deducted. Contributions are a deductible expense from company income. | Employer can choose to make contributions on behalf of their employees. Contributions are a deductible expense from company income. They are considered as additional salary to the employee, therefore, CPP, EI etc. goes up due to increase in pay. |
| **Contribution Deadline** | December 31 of the year | 60 days following end of calendar year |
| **Investment Selection for contributions** | Can be made by the employer, member, or both (member has authorization over their contributions & the employer has authorization over the employer contributions). | Same as Pension Plan |
| **Vesting** (the employee's right to receive the employer's contributions at termination of employment) | Varies by provincial legislation, a number of provinces have moved to immediate vesting. | Immediate |
| **Tax Reporting** | Employer to report Pension Adjustments (PAs) & Pension Adjustment Reversals (PARs) on the T4. | The Co-operators will issue RRSP receipts twice a year. |
| **Transfer of Funds/Cash Withdrawal** | *Only permitted on termination of employment.*<br>• If not locked-in, can be transferred to a regular RRSP or withdrawn in cash, subject to tax.<br>• Locked-in funds can be transferred to a Locked-In RRSP, Locked-In Retirement Account (LIRA), Life Income Fund (LIF) or a Locked-In Retirement Income Fund (LRIF), where allowed. | • Cash; or<br>• Transfer to another registered product.<br>May not be allowed under a restricted plan*. |
| **Death Benefits Prior to Retirement** | Must declare spouse as beneficiary unless a waiver is signed. The death benefit will equal the total cash value of your account. Spouse may rollover funds to a retirement product allowed by legislation. If no spouse, the death benefit will be paid in one lump sum to the designated beneficiary or estate. | May declare anyone as beneficiary. Spouse may rollover funds to a retirement product allowed by legislation. If no spouse, the death benefit will be paid in one lump sum to the designated beneficiary or estate. |
| **Retirement Income Options** | • Life annuity or joint life annuity;<br>• Prescribed Registered Retirement Income Fund (pRRIF) in SK; or<br>• LIF or LRIF, where allowed, in other provinces. | • Annuity;<br>• RRIF;<br>• Cash; or<br>• Combination of the above. |

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| Spousal Plan | N/A | Spousal contributions can be made. There are a variety of spousal options available. Total contributions to the employee's RRSP & the spouse's RRSP cannot exceed the employee's personal limit. |
| Home Buyer's Plan (HBP) | N/A | An employee may be eligible to withdraw up to $25,000 from an RRSP to buy or build a qualifying home. |
| Lifelong Learning Plan (LLP) | N/A | An employee may be eligible to withdraw up to $20,000 from an RRSP to help fund education for himself or herself, spouse, or common-law partner. |

*** Restricted plan** – If an employer chooses to contribute on behalf of their employees, they can place certain restrictions on these contributions. For example, he can stipulate that the employer contributions cannot be withdrawn until the employee has terminated employment or reached a certain age (not allowed in Nova Scotia).

For more information on the differences between a Defined Contribution Pension Plan and a Group Registered Retirement Savings Plan or any another savings vehicle, please contact your ASSOCIUM GAIN Account Manager and we'll get you in touch with our Group Retirement partner, The Co-operators.