



Special Notice

October 2, 2009

Relief for processing catch-up pension payments

A new administrative policy, announced on September 21, 2009 by the Registered Plan Directorate (RPD) of the Canada Revenue Agency, brings some welcome relief for all defined benefit (DB) pension plan administrators. Effective immediately, DB plan administrators may now pay lump sums for missed pension payments without the prior approval of the RPD.

Allowable payments

The new process covers lump-sum payments to DB plan members, their spouses and/or beneficiaries that relate to the previous calendar year, and which represent:

- missed payments that should have been paid from a DB plan as of early, normal or deferred retirement;
- catch-up payments following provincial authorization to restore benefits that had been reduced previously; and
- benefit underpayments resulting from involuntary administrative errors.

The policy does not cover retroactive increases to pensions in payment – for example, increases resulting from a retroactive amendment to the plan's benefit formula. These increased payments are still permitted on a go-forward basis only.

Annual reporting requirements

Administrators must provide a list to the RPD – at least once a calendar year – of the retroactive catch-up lump-sum payments made in the prior calendar year. For each lump-sum payment made from the plan, the plan administrator must include the following data:

- member's name, date of birth, social insurance number and retirement date;
- the date of termination of employment for a deferred member;
- the period of missed payments;
- the periodic pension amount;
- interest payable and rate used (Note that the application of interest is optional. If applied, it should be based either on the return on the pension fund, or on the CANSIM series B14045/V122515.);
- the date the lump-sum payment was made;
- the total lump-sum retroactive amount paid; and
- the reason for the delay in pension commencement.

Exemptions from annual reporting

The policy also provides some exemptions from the annual reporting requirements. Retroactive catch-up lump-sum pension amounts do not need to be included in the annual reporting if:

1. the amount is \$500 or less per member; or
2. the amount relates to a pension election that was initiated for a member in the last four months of the previous calendar year; or

3. the amount relates to a pension election that was initiated for a surviving spouse or a beneficiary in the last five months of the previous calendar year.

The full text of RPD Newsletter 09-1 announcing the new process is available online at [RPD Administrative Relief Procedures](#). Responses to the frequently asked questions are posted at [RPD Retroactive Catch-up Pension Payments](#). Form T1198, which can be used by members to reduce the tax on certain lump-sum retroactive payments of \$3,000 and more, can be accessed at this [link on the Canada Revenue Agency website](#).

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