

## **CRA temporarily waives the minimum employer contribution rule for certain registered DC plans**

On 5 May 2020, in response to the current economic conditions the Canada Revenue Agency (CRA) announced that the minimum employer contribution rule is waived for the remainder of 2020, provided the terms of a money purchase provision of a registered pension plan is amended to suspend 2020 accruals (meaning, suspend employer and employee contributions) following the amendment. To be eligible for the waiver, plans must submit the amendments to the Registered Plans Directorate.

### **The minimum contribution rule**

Under the minimum contribution rule, governed by [Paragraph 8506\(2\)\(a\) of the Income Tax Regulations](#), the terms of money purchase provisions must require employers to contribute at least one per cent of total pensionable earnings of all active members each year. Furthermore, according to the Registered Plans Directorate's [Newsletter 91-4R](#) the minimum contribution rule only applies to a money purchase provision of a registered pension plan when benefits are exclusively provided on a money purchase basis.

### **Employer actions**

Plan sponsors considering amending the terms of a money purchase provision of a registered pension plan to address cost concerns by suspending the minimum required contributions, must ensure the terms of the plan documents do not prohibit such an amendment, and consider any collective bargaining provisions that might limit their ability to make amendments without union approval.

Additionally, plan sponsors must comply with any statutory requirements that such amendments may trigger, such as member notification requirements, given that such changes could adversely impact plan members. Specifically, plan administrators must comply with the requirements of the [Instruction Guide for Disclosure Requirements for Defined Benefit Plans](#) as well as any additional applicable requirements outlined in the Disclosure Instruction Guide of the Office of the Superintendent of Financial Institutions – [Disclosure Requirements for Defined Contribution Pension Plans](#).

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