Group Plans frequently asked questions

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Investments

General administration

Below please find the 27 most frequently asked Group Plans questions. Please do not hesitate to contact Group Plan Support with any additional question you may have.

1. I'm an advisor with an MFDA license, can I offer all group plan types offered by Mackenzie Investments?

Yes, only a mutual fund license is required as our group plans are a collection of individual accounts. Mackenzie offers group RRSPs, DPSPs, DCRPPs, group TFSAs, group RESPs and non-registered groups.

2. Can an employer with a health spending plan use unused money to invest in a DPSP account?

No, an employer health spending account is funded by the employer and the cost deducted before tax. This is an account that sets aside money for dental, medical, etc. expenses that the employee can tap into. If the health spending account is not fully used it moves over to the next year.

3. Can an employer open only a DPSP, without a GRSP or group TFSA?

Yes, a DPSP can be opened to allow the employer to share its profits with employees without having to open a group RRSP or group TFSA. A common practice is for employers to invest year end and regular bonuses in the DPSP. Remember, a DPSP only allows employer contributions. Please note: in the Province of Quebec, Bill 39 does not recognize the DPSP as a voluntary retirement savings plan (VRSP).

4. Are DPSP funds locked-in?

No, vested DPSP funds are treated like RRSPs. Locked-in is a term for required pension contributions.

5. What is a pension adjustment (PA) and a pension adjustment reversal (PAR)?

A pension adjustment occurs when an employee becomes a member of a DPSP or a registered pension plan, as well as an employer's contributions to a VRSP in the Province of Québec.

The pension adjustment (PA):

- Reduces the RRSP contribution limit the following year.
- Is equal to the employer contribution into the DPSP, the DCRPP or VRSP in that year.
- Is recorded on the employee's T4 by the employer.

A pension adjustment reversal (PAR):

- Is given to an employee who has left a company and the payments made to the DPSP on their behalf are not vested by the employee.
- Restores the employee's RRSP contribution limit.

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6. How does vesting work? What is the maximum vesting period?

Vesting is the period of time in which an employee must work for an employer, or be a member of a DPSP or DCRPP, in order to be fully entitled to the employer contribution amount. The maximum vesting period is 24 months for the DPSP. Most pensions (DCRPP and DBPP) in Canada have immediate vesting.

7. Is the DPSP part of the family patrimony in the Province of Quebec?

The partition of the family patrimony does not apply to DPSP. In case of divorce, we must rely on the terms of the plan and the wish of the ex-spouse to carry out any sharing.

To learn more about the Quebec civil code regarding family patrimony, click here.

8. What type of reporting is available for group plans?

There are numerous reports available including a group summary report. For more information, contact our Group Plan Support team.

9. How do I get the reports?

Reports are available on request by contacting our Group Plan Support team.

Contributions & Investments

10. Can employer contributions be made electronically?

Yes, there are two ways to send employer contributions:

- Electronic funds transfer (EFT)
- Interactive voice response (IVR)

Please contact your Group Plan Sales team or Group Plan Support for our Cash Consolidated Plan (CCP) Form and details.

11. Why do the amounts not change on the contribution list I receive each period from Mackenzie Investments when using Mackenzie's preprinted contribution lists (if remitting by cheques)?

To indicate a permanent change, you must enter a small "**p**" next to the new amount in the **Revised** column. Otherwise, the amount indicated will come back the following month. There may be a small delay before the change appears on future contribution lists.

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12. Does the contribution list have to be used for the group RRSP or the DPSP? If it's for both, can the employer use the same list for a client who has both types of plans?

It is preferable to provide two separate lists to avoid any errors. If only one list is used, the group RRSP account numbers must be provided for the employee's contribution and the DPSP account number for the employer's contribution.

13. Will I receive two separate contribution lists each month?

Yes, because it's important to separate the group RRSP amount that employees pay into their account and the employer's payment that is made into the DPSP.

14. Is there a set date for DPSP payments?

DPSP payments are made according to company policy. They can be sent at the same time as the group RRSP, however it must be separated from the Group RRSP contributions to avoid potential errors. For the DPSP deduction to apply to the plan sponsor's current tax year, it must be made within 120 days of the calendar year end.

15. What do I receive for income tax purposes if I made a DPSP contribution?

The DPSP contribution appears on the employee's T4 in box 52. The amount received represents the pension adjustment, which reduces the RRSP contribution limit for the following year.

16. What are the contribution limits for the GRSP versus the DPSP?

Group RRSP: 18% of the previous year's income. DPSP: lesser of 18% of current income or half of the current Annual Defined Contribution limit. There is no first 60 days contribution window for DPSPs.

17. If during a year, the company has no earnings, can the contributions be suspended?

One of the most interesting factors that account for the popularity of the DPSP is its great flexibility. In fact, employers set the rules for their DPSP.

The employer's contribution depends on the company's earnings (annual or retained). Therefore, in a year when earnings are lower, a company can reduce its contribution to employees, or even cancel it in case of a financial loss. Conversely, in an exceptional year, a company could increase its contribution.

This particular feature of the DPSP is an undeniable advantage for companies. That way, in difficult times, companies can have some respite and avoid greater losses. When a company is realizing profits, it will be able to reward its employees in a way that is tax-efficient for everyone.

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18. An employee received money in their DPSP but left the company in the same year. Since the amounts are not vested, should this be indicated on their T4?

Yes, the amount paid to the employee must appear in box 52 of the T4 as a Pension Adjustment. Mackenzie will issue a Rectified Pension Adjustment that will cancel the amount.

19. Is the employer's contribution to the group RRSP subject to payroll taxes (source deductions)?

Employer contributions to the group RRSP are subject to CPP/QPP and EI, WSIB and EHT (applicable in some provinces).

For Quebec residents only: If the employee cannot withdraw funds prior to retirement or termination of employment, or if the employee is allowed to withdraw funds from the RRSP under the HBP or LLP, the employer contribution is not subject to Québec Parental Insurance Plan (QPIP).

20. Can an employee transfer an amount from the DPSP to an RRSP (to subsequently take advantage of the Home Buyers' Plan) before the end of the vesting period, if the employer makes an exception?

Yes, the employer can grant rights to an employee and allow the transfer to the RRSP in order to benefit from the Home Buyers' Plan. The 89-day rule would still apply.

21. Is the employer required to continue making contributions for an employee on maternity or parental leave?

No, unless this is the company's policy. Company policy may state that if an employee continues to contribute, then the employer would also do so.

22. Can a foreign worker or a new Canadian resident contribute to a group RRSP in the first year of arriving in Canada?

Generally, you would not be able to deduct contributions you made to a Registered Retirement Savings Plan (RRSP) in the first year that you will be filing a tax return in Canada.

However, if you filed a tax return in Canada for any tax year from 1990 to 2019, you may be able to claim a deduction for RRSP contributions you made for the current year. The CRA bases the maximum amount you can deduct on certain types of income you earned in earlier years.

To learn more, click here.

23. Can an employee contribute to their DPSP?

No, only employers can make contributions to the DPSP. Employees would contribute to a GRSP/group TFSA.

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Withdrawals/Transfers

24. Can I use the Home buyers' plan (HBP), Lifelong learning plan (LLP), etc. with a DPSP?

No, but if the DPSP allows, the DPSP can be transferred to the RRSP and then used for HBP or LLP, provided that the monies have been in the DPSP for a minimum of 90 days.

25. Does the 90-day rule apply when transferring the DPSP to the GRSP for HBP?

Yes, but the money is already considered registered and counts the moment the money was invested into the DPSP.

Payroll Services

26. For the DPSP, is there anything that I need to add in the payroll journal?

No, because it's not part of the payroll. Amounts are paid to employees from the company's profits and carried forward as the employee's T4 Pension Adjustment at year-end.

27. Who can I contact at Mackenzie Investments with questions?

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