

PENSION UPDATE

December 2002

RECENT DEVELOPMENTS REGARDING PENSION SURPLUS

The Court of Appeal for Ontario has upheld the original ruling by Ontario's Divisional Court regarding the Monsanto Canada Inc. case. The court agreed that members have the right to distribution of surplus in a Defined Benefit (DB) pension plan upon partial windup of the plan.

This decision stands in contrast to the Ontario government's Bill 198. The bill proposes changes to 27 statutes, including the Pension Benefits Act (PBA), which regulates all pension plans registered in Ontario. The changes were in relation to payment of surplus out of the plan, the ability of plan sponsors to take contribution

holidays and the authority of the Superintendent of Financial Services to permit refunds to be made to employers in specified circumstances.

With regards to pension surplus, Bill 198 takes a position that contrasts the Monsanto decision. In addition, it would make it easier for sponsors to withdraw surplus out of an ongoing plan. Since the Monsanto decision, the Ontario Ministry of Finance has indicated that the sections of the Bill that relate to surpluses will not be proclaimed into law until further consultations have been completed.

Because of the conflicting nature of the Monsanto case and Bill 198, it is still unclear what exactly the final rules will be. We will continue to monitor the situation and keep you informed regarding the outcome and how it will affect your plan. If you have any questions or comments, feel free to contact us at **416-421-3557** or **1-877-360-6363**.

Coming in the next issue of the Pension Update ... An update on the status of The Joint Forum of Financial Market Regulators' Proposed Regulatory Principles for Capital Accumulation Plans.

Increases to Limits for Registered Retirement Plans

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As confirmed by the Canada Customs and Revenue Agency, the contribution limit for registered retirement plans will be changing effective January 1, 2003 from \$13,500 to \$14,500.

Legislated Contribution limits apply to all registered programs. Each individual has an annual overall contribution limit which includes RRSP (Registered Retirement Savings Plans) and employer sponsored pension plans and DPSPs (Deferred Profit Sharing

Plans). Available RRSP contribution room is the difference between the individual's overall limit and any benefits received from participation in an RPP (Registered Pension Plan) or DPSP. The amount of any benefits an individual receives from the participation in a RPP or DPSP is referred to as the individual's Pension Adjustment or PA.

When expressed as a percentage of earned income, the contribution limit will remain at 18% for each year.

| | RRSP | RPP | DPSP |
|-------------|----------|----------|---------|
| 2002 | \$13,500 | \$13,500 | \$6,750 |
| 2003 | \$13,500 | \$14,500 | \$7,250 |
| 2004 | \$14,500 | \$15,500 | \$7,750 |
| 2005 | \$15,500 | indexed | indexed |
| 2006 | indexed | indexed | indexed |

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