

Pension Plans

The Role of a Corporate Trustee

Who is a Corporate Trustee?

To register a Pension Plan with the CRA, it is required to have a funding vehicle. Corporate Trustees, like Canadian Western Trust (“CWT”) when appointed as the funding vehicle, act in the best interest for the client.

A Trustee relationship is where one entity holds and controls property for the benefit of the members of the Pension. A Trustee is required to:

“Exercise care, diligence and skill in the administration and stewardship of the pension fund assets that a person of ordinary prudence would apply in dealing with the property of another person and use all relevant skill and knowledge in administering the pension plan that the fiduciary possesses, or by reason of its business, calling or profession.”

Certain court cases have forced the re-evaluation of responsibility suggesting trustees are potentially liable outside the “4 corners of the trust agreement” and the trustee (custodial or classic) must act as a “watchdog” in obvious cases of concern.

Duties and Functions of a Corporate Trustee.

A Corporate Trustee is responsible for the following, and cannot transfer rights, powers or obligations to a third party:

- “Owners” of the property
- Obligations of a Prudent Person
- Potentially liable for acts or omissions adversely affecting plan or beneficiaries
- Must deal with impartiality with beneficiaries
- Cannot use assets to benefit themselves
- Accurate accounting via quarterly statements
- Adhere to pension legislation
- Prepare and execute the trust agreement
- Adhere to terms of trust
- Settlement and safekeeping of assets
- Collect investment income
- Accept and track contributions
- Process retirement payments
- Produce and issue CRA tax filings

Why use CWT as a Corporate Trustee?

	Corporate Trustee (CWT)	Individuals
Knowledge	This is our business, and we are proficient in what is required from a Corporate Trustee	Routine tasks may be foreign to individuals who are not familiar with the requirements of a Trustee.
Impartiality	CWT acts solely for plan beneficiaries.	There could be possible emotional ties (eg., marriage breakup) that affect the actions.
Trustworthiness	CWT is bound to higher standard for reporting and professionalism when acting as a Corporate Trustee.	Individuals must use knowledge they <i>ought</i> to have, but is not guaranteed that this is knowledge they <i>will</i> have.
Longevity	Perpetual tenure and relationship with CWT which is not dependent on any one individual leaving the company.	Difficult to obtain replacements if the Trustee wishes to be released from this arrangement.
Liability	CWT's experience within the industry helps to mitigate errors or omissions.	Individuals are responsible and may be held liable for any errors or omissions made because of lack of knowledge.