

minister made it clear when speaking on this, that in that period a number of representations had been received and these have been very valuable. They have all been examined very carefully, and a number of amendments were proposed when the bill was at second reading stage in the House of Commons.

I come now to the heart of your question, which is: What is the department going to do to help those interested in deferred profit-sharing plans to comply with the new rules and to understand them? However, I must refer to my colleagues from the Department of National Revenue, because this is administered by the Department of National Revenue. I do not know of any circulars or bulletins or information that is being prepared. I think it is hoped that those interested in these plans will study the bill and see what it means for their plan, and, where doubt or uncertainty does arise, will communicate with the department or with the local district office.

Senator ROEBUCK: Could you give us a short statement of what the changes are that those interested should be vigilant with regard to?

Mr. IRWIN: I will do my best, sir.

Senator ROEBUCK: Because the record of what we are saying now might be useful to some of us.

Mr. IRWIN: I think we could say that there are three or four main features of the amendments. One change is in connection with vesting. Plans in the future must provide that funds allocated to a member of the plan be vested in that member or beneficiary within five years—that is, within five years after allocation.

To give an example, if money is contributed to a plan by an employer in 1967 and other earnings of the fund are allocated in 1967 to employee "A", that allocation must be vested in that employee by 1972. Similarly, the amount that is contributed in respect of that employee in 1968 must vest in that employee by 1973, and so on.

Another set of rules provides that amounts paid into a plan, and the earnings of a plan, must be allocated to beneficiaries each year, and also that the plan must provide for payment out to a beneficiary promptly after the earliest of four events which are when he dies, when he retires, when the plan is wound up, or when he becomes age 71. We will come to these details later as we go through the bill. The amendments describe what shall be regarded as qualified investments, and they impose penalties for non-compliance with the new rules.

One other important rule deals with what we call reallocation of forfeitures. I have explained that there must be vesting after five years, but this vesting rule means that there may be substantial amounts in the plan that are not yet vested in an employee when he leaves the employment. There may be four years of payments on his behalf not vested. So, when an employee leaves an employer there may be some amount which has been allocated to him which he must give up or forfeit when he leaves.

In the past it was possible for plans to allocate these forfeitures to one or two employees, so that substantial amounts might accrue to one or two people. There are new rules dealing with forfeitures, and the rules provide that amounts forfeited must be allocated to somebody, or turned back to the employer. They provide further that amounts allocated may not exceed a certain amount, and this certain amount is computed by reference to the years during which the employee has been a member of the plan. You take the years of membership times \$2,000 per year and that gives you a figure which we call an acceptable reallocation of forfeitures.

I think, Mr. Chairman, these are the main rules that employers with plans, or those contemplating new plans, must bear in mind.

Senator ROEBUCK: Your statement may be very valuable.