Supplemental Pension Pay Allowance
Post Retirement Savings Account FAQ'S

May 1st 2012

BACKGROUND INFORMATION

1. **Please Note:** Currently your .56% SPPA (TFSA or RRSP) is held with Sun Life Financial. Effective July 1st, 2012 Manulife Financial is our new financial carrier to the plan. Cost Savings, products and services become far more superior. Ie. Lower Management Fees, elimination of termination fees, voluntary contributions to the plan all were negotiated for.

2. **RRSP members:** Going forward effective May 1st 2012, only TFSA's will be made available to members SPPA. Current RRSP holders are grandfathered in. There were administrative issues with Sunlife in the past.

3. **Q: When did all this begin?**
   A: Effective January 1st 2010.

4. **Q: Who is the plan sponsor of this account?**
   A: Local 1271 Surrey Fire Fighters Association is the plan sponsor.

5. **Q: Why do we have this account? What's the purpose of this account?**
   A: With the Pension Agreement switching to the 2.33% pension accrual, there are residual contributions made by the employer. These contributions were negotiated to be paid to the employee and subsequently deducted and deposited into individual accounts for the employees retirement benefit. This is known as the Supplemental Pension Pay Allowance (SPPA). A Post Retirement Group Savings account was negotiated to invest these funds. This will assist members with their post retirement expenses for MSP, Dental and EHB premiums.

6. **Q: What will the account look like?**
   A: Your individual account will be set up by default as a Tax Free Savings Account (TFSA).

7. **Q: Will I be able to view, manage my portfolio?**
   A: You will be able to access your portfolio by going on our pre-existing Manulife Group Benefit members' website. Based on your risk tolerance, you will be able to select up to 30 different funds.

8. **Q: Can the city set up payroll deductions to top this up?**
   A: YES. It was negotiated for our members by switching to the city's group carrier – Manulife. We found there was a demand for this and it is available July 1st 2012.

9. **Q: Can I move other funds into this account?**
   A: Yes, contact a Manulife Financial Advisor for instructions or go to your enroll page and follow instructions on automated banking information.

10. **Q: Will I receive education or statements on this account?**
    A: Yes, Manulife financial education sessions will be provided by Manulife Financial reps, and correspondence through the website message centre, office or e-mail will be provided.

CONTRIBUTIONS TO THE PLAN

11. **Q: How is the contribution calculated and how will it be transferred into the account?**
    A: It is based on your pensionable earnings x .56%. A small deduction will come off your bi-weekly pay cheque, where the city will transfer it to Manulife Financial into your portfolio account.

12. **Q: How much contribution room should I be leaving each year if I already utilize TFSA's?**
    A: See chart. You will need to leave some room within the annual $5,000 limit. Calculate $400 to $700 per taxation year depending on your rank.

Rank	2010 SPPA Amount into TFSA	Est. 2011 SPPA Amount into TFSA	SPPA amount into TFSA as of 2011
4th year	$ 430.08	$ 430.08	$ 860.16
10th year	$ 438.75	$ 438.75	$ 877.50
15th year	$ 455.88	$ 455.88	$ 910.00
Captain	$ 535.25	$ 535.25	$ 1070.50
Battalion Chief	$ 614.28	$ 614.28	$ 1228.56

13. **Q: Does this year's contribution account for 2011 and 2010, or just 2011?**
    A: Your 2010 contributions, retroactive to January 1st 2010 (when SPPA was initiated) will be paid into your account in March 2011, plus your bi-weekly 2011 contributions that are occurring now. The combined total will be for the 2011 contribution year.

14. Q: What if I've maxed out my TFSA for this year already?

A: You may have TFSA room for 2009, 2010, 2011 if you have not maxed out the previous years.

15. Q: What if I have maxed out my TFSA in 2009, 2010, and 2011 already? What are the over-contribution penalties?

A: You will have a choice.

1. If you over contribute to the TFSA, you will have to pay income tax on the 1% of the over-contributed portion. Then in the following taxation year, leave TFSA room for the over-contributed amount plus that taxation year's payroll contribution. Once the deposited balance in your TFSA is back within allowable limits, all future growth will be tax free once again.
2. Please consult with an advisor and CRA rules on TFSA.
    - Click Here: Canada Revenue Agency: TFSA Rules

ABOUT YOUR INVESTMENT

16. Q: What fund will my contributions be invested in?

A: Your contributions will be assigned to a default fund "*Manulife Financial Retirement Date Fund*" (low risk) – the assets are allocated based on your age and retirement date. You will be able to transfer your funds into other more aggressive growth funds by going online or contacting a Manulife Financial Advisor.

17. Q: How much can I expect earn in this account?

A: This depends on how many years you contribute to this account. A member starting effective January 1st 2010 could expect a (conservative) future value of over $30,000 (today's dollars).

ASSOCIATED FEES AND TAX

18. Q: What are the costs associated with this? Front end, Back end fees?

A: There is no individual account fee for investing. Integrated Management Fees (IMF's) on the fund itself are built into the actual investment funds. The IMF's of the funds will range from .4% to 1.5% of the fund's assets. The default fund you will be enrolled in automatically will be .85% IMF.

19. Q: Can I withdraw this money at any time?

A: The Local 1271 agreement with the City was for these employer paid funds to be utilized for post-retirement benefit costs. Under special circumstances, a member may write to the plan sponsor (SFFA Executive) and request special permission to withdraw their funds. Members who are terminating or retiring employment will be able to withdraw their funds at that time or leave them on deposit.

20. **Q: Why a TFSA, and not a non-registered cash account?**
    A: The fees for non-registered cash accounts were way too high. They are $80 annually, which is almost 20% of the annual contribution. It did not make financial sense. The TFSA allows your portfolio to grow tax free and use it to make premium payments without ever paying tax on growth.

21. **Q: Why are 'after tax dollars' going into this account?**
    A: There is no tax shelter for these funds because they are not going to the pension plan, therefore they must be paid as an allowance and taxed in accordance to CRA.

22. **Q: Shouldn't it be tax deductible like my old pension contributions were?**
    A: Under the old system the basic pension and the SA were contributed as tax deductible contributions because they were going into a tax sheltered pension plan. The problem was that anyone earning over $78,000 was over their tax sheltering limit for SA contributions. The combined basic contributions with SA pushed the individual over their pension adjustment limit. The result was that the pension corporation refunded the over-contributions of SA above $78,000 back to the employer who in turn paid them back to the member as <u>taxable income</u>. So the (0.56%) SPPA is the same as the over-contribution was before. It represents the funding which cannot be sheltered by the pension plan, therefore becomes <u>taxable income</u> and deductions are from after tax dollars.