



# Supplemental Pension Pay Allowance Post Retirement Savings Account FAQ'S

January 6, 2015

## BACKGROUND INFORMATION

1. As part of the Collective Agreement between the City and Union, .56% Supplemental Pension Pay Allowance (SPPA) is provided to through a Group Retirement Savings Plan. The investment vehicle chosen is a Tax Free Savings Account (TFSA). This was chosen because of the special group Integrated Management Fees (IMF's), the elimination of termination fees, and the allowable voluntary contributions you can make to the plan.
2. **RRSP members:** Only TFSA's will be made available to members'. Current RRSP holders were grandfathered in.
3. **Q: When did all this begin?**  
A: Effective January 1<sup>st</sup> 2010.
4. **Q: Who is the plan sponsor of this account?**  
A: Local 1271 Surrey Fire Fighters Association.
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 January 2010, 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 with the City so that the funds could be invested. **This will assist members with their post retirement expenses for MSP, Dental and EHB premiums.**
6. **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 40+ different funds.

**7. Q: Can the city set up payroll deductions to top this up?**

A: YES. You can make voluntary contributions to the plan, and you will have access to the voluntary contribution amount at any time, but not the SPPA or .56% amount – the SPPA portion is reserved for your post-retirement savings. The voluntary amount and SPPA amount are tracked by Manulife.

**8. Q: Can I move other funds into this account?**

A: Yes, contact a Manulife Financial Advisor for instructions or go to your enrollment page and follow instructions on automated banking information.

**9. 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

**10. 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.

**11. Q: How much contribution room should I be leaving each year if I already max out TFSA each year? Based on 2015 pay schedule.**

A: You will need to leave some room within the annual \$5,500 limit if you max out each year. Here's a table to show how much SPPA will be contributed to your Manulife TFSA.

| Rank                   | 2015 Annual Base Earnings | Annual SPPA |
|------------------------|---------------------------|-------------|
| 1st 6 months           | \$ 62,685.43              | \$ 351.04   |
| 2nd 6 months           | \$ 67,161.71              | \$ 376.11   |
| 2nd year               | \$ 71,637.64              | \$ 401.17   |
| 3rd year               | \$ 80,589.98              | \$ 451.30   |
| 4th year               | \$ 89,542.16              | \$ 501.44   |
| 10th year              | \$ 92,228.42              | \$ 516.48   |
| 15th year              | \$ 94,914.66              | \$ 531.52   |
| <b>Acting Officer</b>  | \$ 104,218.11             | \$ 583.62   |
| <b>Captain</b>         | \$ 112,518.67             | \$ 630.10   |
| <b>Battalion Chief</b> | \$ 129,119.79             | \$ 723.07   |

**12. Q: How do I know how much room I have in my TFSA? I have other accounts too.**

A: To find out how much room, you can go (click here > [CRA Quick Access](#) ) you will need to simply enter your SIN number, enter DOB, and it will ask for a tax info. (ie. Line 150 from your 2013 tax year). For more info about TFSA, Visit [Canada Revenue Agency: TFSA Rules](#)

**13. Q: What if I have maxed out my TFSA each year already including the current year I have entered the plan? 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. 1% penalty is applied per month! 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. If you leave ie. \$500 over-contribution in the account before the new year, your new maximum decreases by \$500... for example, if you max out each year, and contributed \$6000 (previous year) your maximum in the this year will be to \$5,000.
2. Please consult with an advisor and CRA rules on TFSA.
  - Click Here: [Canada Revenue Agency: TFSA Rules](#)

## ABOUT YOUR INVESTMENT

### 14. 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.

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

A: This depends on how many years you contribute to this account. A member that works a 25 to 30 year career could expect (conservatively) a future value of over \$30,000 ( today's dollars), tax free.

## ASSOCIATED FEES AND TAX

### 16. 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 will vary... many at a very low rate. We as a Local receive these low rates because of our membership population.

### 17. 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. Members who are terminating or retiring employment will be able to withdraw their funds at that time or leave them on deposit.

- a) SPPA amount – No
- b) Voluntary Contributions via payroll deductions - yes

### 18. 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.

**19. Q: Why are ‘after tax dollars’ going into this account?**

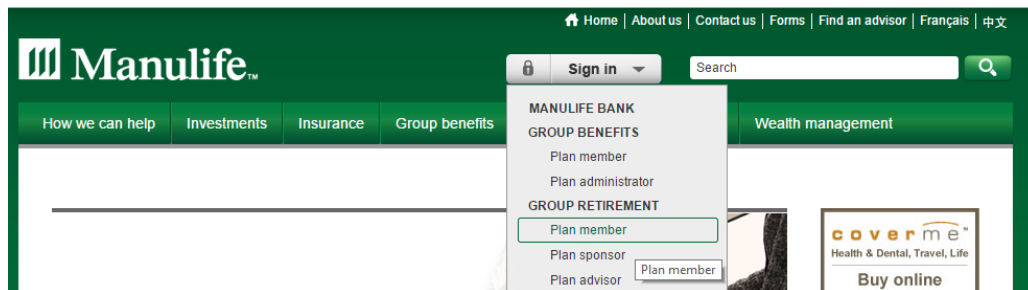
A: There is no tax shelter for these funds because they are not going to the pension plan, therefore they must be paid as an allowance and taxed in accordance to CRA.

**20. 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 taxable income. 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 taxable income and deductions are from after tax dollars.

**21. HOW DO I LOG IN?**

- Visit [www.manulife.ca](http://www.manulife.ca)
- Sign-in, and scroll down to “Plan Member” (Group Retirement menu)
- Enter your assigned ‘**Customer Service Number**’ and password.
- If you do not know your number Certificate number contact Manulife’s Customer Service Centre at 1-855-978-7739 (1-855-9-SURREY) between 8am and 8pm EST Monday to Friday.
- TFSA Policy Number: 41002774
- **Ensure you “Log Out”.**



## “My Account”

- to view balance,
- history,
- make voluntary contributions.

The screenshot shows the 'My Account' section of a financial portal. At the top is a navigation bar with tabs for Home, My Account, My Investments, Plan for Retirement, Learning Centre, and My Profile. Below the navigation bar, there are three main sections:

- Account Balance:** Includes a 'View My Account Balance' link.
- Contributions:** Includes a 'Manage your plan contributions' section with links for 'View/Change My Payroll Deduction Amount', 'Add/Change Contribution Limit', and 'Make a Lump Sum Contribution'.
- Glossary:** Includes a 'Learn More' link.

Below these sections is a 'Transaction History' section with links for 'Contribution Summary' and 'Transaction Summary'.

## “My Investments”

- to view plan information,
- personal rate of return,
- asset allocation instructions,
- change/Transfer investments,

The screenshot shows the 'My Investments' section of a financial portal. At the top is a navigation bar with tabs for Home, My Account, My Investments, Plan for Retirement, Learning Centre, and My Profile. Below the navigation bar, there are six main sections:

- Plan Investment Information:** Includes links for 'Investment Information', 'Unit Values', and 'Interest Rates'.
- Change Investments:** Includes a 'Transfer Between Investments' link.
- Investment Watch (i-Watch)®:** Includes a 'Learn More' link.
- My Personal Rates of Return:** Includes a 'My Personal Rates of Return' link.
- Maturing Guaranteed Interest Account Deposits:** Includes links for 'View Maturing GIAs', 'View Maturing GIA Instructions', and 'Change Maturing GIA Instructions'.
- My Investment Instructions:** Includes links for 'View My Investment Instructions', 'Change My Investments Instructions', and 'My Investor Strategy Worksheet'.

At the bottom left, there is a partially visible section for 'Automatic Asset Rebalancing'.

Ensure you “Log Out”.