



Voluntary Retirement Savings Plan (VRSP)

Description

A VRSP is a retirement savings plan registered with the Canada Revenue Agency (CRA) and the Régie des rentes du Québec (RRQ). Licensed financial institutions, like Sun Life, may register a plan and become a plan administrator.

The plan is intended for small- to mid-sized businesses in Quebec, self-employed and individual savers.

The assets of these unrelated employers, self-employed and individuals are combined in a single plan providing economies of scale and resulting in a lower-cost plan than they might otherwise be able to access on their own.

All employers with an establishment in the province of Quebec with five or more eligible employees must offer a VRSP to employees who:

- do not currently have the opportunity to contribute to a Registered Retirement Savings Plan (RRSP) or Tax-Free Savings Account (TFSA) through payroll deductions, or
- who do not benefit from a registered pension plan offered through their employer.

Why offer it?

It is **mandatory for Quebec employers** (with five or more eligible employees) to offer a VRSP and to automatically enrol eligible employees who do not have access to a group RRSP or a group TFSA through payroll deductions or to a registered pension plan. The employer must comply by the following deadlines:

- Employers with 20 or more eligible employees on June 30, 2016 - by December 31, 2016
- Employers with 10 to 19 eligible employees on June 30, 2017 - by December 31, 2017
- Employers with 5 to 9 eligible employees - on a date to be determined, but not prior to January 1, 2018

Plan's advantages include:

- **Easy to set up and administer** with limited responsibility for employers
- **Tax savings for employers** since employer contributions, if any, are exempt from payroll taxes and are tax deductible
- **Flexible and affordable solution to help employees save** for their retirement

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Eligibility

- Full-time or part-time employees who are 18 years of age or over with at least one year of uninterrupted service
- Employees who work solely in Quebec or work both in Quebec and outside Quebec for a Quebec employer, or who are residents of Quebec and work outside Quebec for a Quebec employer

Employee participation and opt-out

Eligible employees who do not have access to a group RRSP or a group TFSA where payroll deductions may be made, or to a registered pension plan, must be automatically enrolled and will receive a notice of membership from Sun Life.

Once enrolled, employees may choose to opt out by notifying their employer in writing within 60 days from the day the notice of membership is sent to them.

Employer contributions

- **Optional** and with no minimum
- Employer may contribute/match all or a percentage of employee's contribution
- Employer contributions are not considered income to employees
- Employer contributions are locked

Employee contributions

If a contribution rate is not chosen, the **default rate** is as follows:

- 2% of gross salary from July 1, 2014 to December 31, 2017
- 3% of gross salary from January 1, 2018 to December 31, 2018
- 4% of gross salary as of January 1, 2019

The default contribution rate and automatic increases are set by regulation, but the employee can choose a different contribution rate or opt out of the plan. RRSP contribution limits apply. Employee contributions can be withdrawn anytime by the employee as they are not locked-in.

Contribution limits

Total contributions to a VRSP (including employer contributions, if any) are added to any RRSP contributions (including spousal RRSPs) and subject to the annual RRSP contribution limit (i.e., the lesser of 18% of their previous year's earnings or the contribution limit specified by the CRA).

Withdrawals / Transfers

- Withdrawals of locked-in contributions are permitted only in special circumstances (e.g., death, disability, relocation outside of Canada)
- Withdrawals are subject to withholding tax and may be subject to withdrawal fees
- Benefits are portable and may be transferred to another locked-in plan in certain situations



Investment options

Default investment option	Other investment options
<p>The default option is the Sun Life Target Date Segregated Fund with the maturity date occurring just prior to the member's 65th birthday. Members may not choose another fund under the default option.</p> <ul style="list-style-type: none"> • Sun Life 2025 Target Date Segregated Fund • Sun Life 2030 Target Date Segregated Fund • Sun Life 2035 Target Date Segregated Fund • Sun Life 2040 Target Date Segregated Fund • Sun Life 2045 Target Date Segregated Fund • Sun Life 2050 Target Date Segregated Fund • Sun Life 2055 Target Date Segregated Fund • Sun Life 2060 Target Date Segregated Fund • Sun Life Retirement Segregated Fund 	<ul style="list-style-type: none"> • Sun Life Assurance 1 Year, 2 Year, 3 Year, 4 Year and 5 Year Guaranteed Funds • Sun Life Target Date Segregated Funds* • Sun Life BlackRock Canadian Bond Index Segregated Fund • Sun Life BlackRock Canadian Equity Index Segregated Fund • Sun Life BlackRock Global Equity Index Segregated Fund

* If the member's planned retirement age is not 65, he or she may select the Sun Life Target Date Segregated Fund with the maturity date closest to the planned retirement date. The member may choose only one Sun Life Target Date Segregated Fund.

Tax implications

- Employee contributions are tax deductible and not subject to payroll taxes
- Investment earnings are tax-deferred until the benefits are paid
- Employee contributions must be made in the calendar year or in the first 60 days of the following year to be deductible in the current tax year
- Employer contributions are not a taxable benefit to employees and therefore are not subject to payroll taxes

Benefits on termination

Termination of employment	Retirement	Death
<ul style="list-style-type: none"> • Continued participation in the plan • Transfer to another VRSP, or to a registered pension plan, if that plan permits • Transfer to a Registered Retirement Savings Plan (RRSP) for non locked-in funds • Transfer to a Registered Retirement Income Fund (RRIF) for non locked-in funds • Transfer to a LIRA for locked-in funds • Transfer to a LIF for locked-in funds • Life annuity • Lump sum cash for non locked-in funds (less tax) 	<ul style="list-style-type: none"> • Must convert to a retirement income product before the end of the year member turns 71 • Possibility of lump sum cash for non locked-in funds (less tax) 	<ul style="list-style-type: none"> • Paid to the surviving qualifying spouse • Spouse may transfer benefits to his/her own VRSP, RRSP, RRIF or pension plan (if the plan permits), or may elect to receive a life annuity. • If there is no spouse, or the spouse has waived their right to the death benefit, the benefits are paid to a designated beneficiary or the estate if a beneficiary has not been designated

Fees

Fees that may be deducted from the return on fund assets

The total management and administration fees for each investment option are expressed as an annual percentage of the average assets and include the annual government filing fees, the fees paid to the representatives through whom Sun Life acts and sales taxes, as applicable.

Investment options	Total Management and Administration Fees
Sun Life Assurance 1 Year, 2 Year, 3 Year, 4 Year and 5 Year Guaranteed Funds	N/A
Sun Life Target Date Segregated Funds	1.25%
Sun Life BlackRock Canadian Bond Index Segregated Funds	1.437%
Sun Life BlackRock Canadian Equity Index Segregated Funds	1.437%
Sun Life BlackRock Global Equity Index Segregated Funds	1.446%

Other fees

The other fees Sun Life may charge to members are as follows:

- Partial withdrawal fee - \$25.00 per withdrawal
- Transfer fee - \$25.00 per partial asset transfer to another financial institution. There are no transfer fees within the Sun Life group of companies.
- Full withdrawal/transfer fee - \$50.00 charge will apply for full withdrawals or transfers to other financial institutions. There are no transfer fees within the Sun Life group of companies.
- Transfer of benefits between spouses - \$100.00 shared equally between the spouses unless they have a different agreement
- Statement for purposes of relationship breakdown - \$150.00 shared equally between the spouses unless they have a different agreement
- Not sufficient funds (NSF) cheque - \$25.00 per cheque
- Duplicate tax receipts and slips - \$10.00 per request
- Duplicate statements and statements on request - \$25.00 per paper statement
- Member contact information search - \$25.00
- Market value adjustment - The member may be subject to a positive or negative market value adjustment on a guaranteed fund which is applied to determine its current market value should it be terminated prior to the end of the agreed term.
- Fees payable by the member will be deducted from the member's account on a pro rata basis from each of the member's funds.

Fees that Sun Life will invoice to the employer are as follows:

- Not sufficient funds (NSF) contributions remitted by the employer - \$25.00 per occurrence
- Transfer of all or a group of employees to a VRSP or pension plan with another financial institution - \$50.00 per member

Taxes will be applied to the service fees as required by applicable legislation.