

Sun Life
Financial
VRSP

EMPLOYER

GUIDE



FOR ALL THINGS
FINANCIAL

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SUN LIFE FINANCIAL



Ready...set...VRSP!

Voluntary Retirement Savings Plans (VRSP) are a new workplace retirement savings plan designed to provide retirement income for the two million Quebec workers who do not have access to a workplace plan. VRSPs are an effective way for you to attract and retain top talent, increase employee morale and make it easier for your employees to save for retirement through payroll deductions.

At Sun Life Financial (Sun Life), we strive every day to make retirement savings plans more accessible to all Quebecers. As the leading provider of group retirement services in Canada, we know that the key to making that happen lies in helping employees save at work. Sun Life Financial is proud to offer an effective turn-key solution for both you and your employees!

In this brochure you'll find the information you need to understand how VRSPs work. Want to find out more? Visit sunlife.ca/VRSP or call our Small Business Centre.

We're here to help!

THE ADVANTAGES OF A VRSP

1 SIMPLE

Setting up a VRSP with Sun Life is easy and quick. Much of the process can be done online and our Small Business Centre is available to guide you every step of the way if you need it.

2 COST-EFFECTIVE

A VRSP provides a low-cost retirement savings solution for employees who do not have the opportunity to save in a workplace plan. Since the VRSP pools the savings from multiple employers and their employees, investment management fees will be lower than in a retail environment. As an employer, if you choose to contribute to your employees' VRSP your contributions will be exempt from payroll taxes and will be deductible from the company's taxable income.

3 LIMITED RESPONSIBILITY FOR EMPLOYERS

We offer a turn-key solution that includes the tools and support you need to easily manage the plan. As the administrator of the plan, Sun Life Financial handles all management and governance functions, including educating and communicating with your employees, day-to-day plan administration and all government reporting and filings. We have 150 years of experience and expertise to manage the VRSP efficiently.

*Simple
solutions*



VRSP's are a simple and cost-effective alternative to a traditional workplace retirement savings plan. It is also an effective way to build employee loyalty and moral while attracting and retaining the best talent in the industry.



VRSP OVERVIEW

YOUR ROLE

Sun Life is responsible for the bulk of the administration and monitoring needed to keep the plan running smoothly for you and your employees. You are responsible for:

- **Sending notice** – sending your employees a 30-day advance notice informing them of your intent to offer a VRSP
- **Enrolling employees** – enrolling your employees as they become eligible to participate
- **Informing your provider** – keeping us informed of turnover in the plan, e.g., employees who have opted out or who wish to rejoin the plan, whom you no longer employ, who retire or who are deceased, etc
- **Making deductions** – deducting employee contributions at source and remitting them to us
- **Providing information** – upon request from participating employees, provide copies of documents such as your contract with Sun Life, the plan's annual information return or the plan's annual financial report



At all times you'll have access to the help, support and tools you need to fulfill your role through our Plan Sponsor Services website at sunlife.ca/sponsor and our Small Business Centre.

OUR ROLE

Sun Life Financial is the plan administrator. We are responsible for making all decisions concerning the plan, for its administration and for providing the retirement benefits. We understand that you have a business to run, so our goal is to minimize your administrative time!

Our responsibilities include:

- **Selecting the investment lineup of funds** – selecting the lineup of funds your employees can choose from
- **Communicating with participating employees** – providing a Notice of Membership, Plan Summary and various other communications such as account statements, updates and reminders
- **Educating participating employees** – explaining the VRSP to your employees and offering a suite of tools on our Plan Member Services website, mysunlife.ca, that they can use to match their investment style to the most appropriate funds in the plan, see what their retirement income might look like based on their contribution rate and improve their financial life
- **Providing statements** – providing printed and electronic annual account statements as well as statements within 30 days of an employee's retirement, termination or death
- **Provide income tax reporting forms to participating employees** – providing all of the required reporting
- **Submit plan information to the authorities** – providing all of the required reporting



ARE YOU READY?

Now that you've thought about it, is the VRSP right for you and your employees? Our online form makes it easy for you to apply in as little as **10 minutes** :

- Go to **sunlife.ca/VRSP**
- Under the heading **Are you a small business owner?** click on **Apply now**
- Select **Quebec VRSP** from the drop-down menu
- Complete the application form

If you have any questions about the VRSP or need help with the application form, call our **Small Business Centre at 1-855-362-3086** any business day from 8 a.m. to 6 p.m. They're there to help you with all things VRSP including applying, enrolling your employees, setting up contributions, and much more!





VRSP – A CLOSER LOOK

EMPLOYEE ELIGIBILITY AND ENROLMENT

A VRSP is an important opportunity for your employees to get the most out of their financial life. If you are an employer with an establishment in Quebec, you must offer the VRSP if you have five or more eligible employees. However, you are required to enrol in the VRSP only those eligible employees who do not have the opportunity to contribute via payroll deduction to a group RRSP or TFSA, or who are not members of a registered pension plan offered by you.

To be eligible to participate in the VRSP, employees must:

- be 18 or over,
- have at least one year of uninterrupted service,
- work all or some of the time in Quebec or be residents of Quebec.

If you offer a VRSP, you must also enrol any other employee who is not eligible but asks to participate in the plan. You have 30 days from the date you join the Sun Life Financial VRSP to enrol your employees. We've made it easy and convenient for you to enrol your employees on our Plan Sponsor Services website.

Prior to setting up your plan, you must send all employees a 30-day advance notice telling them that:

- you intend to offer a VRSP;
- all eligible employees will be enrolled in the plan, with the opportunity to opt out of the plan if they wish.

You can use our templates to easily create your own customized 30-day advance notice.

Just go to sunlife.ca/VRSP.

After enrolment, employees enrolled in the plan will each receive a Notice of Membership and Plan Summary from Sun Life that will give them important details about the plan.

Employees who wish to opt out of the VRSP must notify you in writing within 60 days from the date their Notice of Membership is sent to them. A form is available for this purpose at sunlife.ca/VRSP. If you receive such notification, you must keep this form until the employee is no longer employed by you. You must advise us within 30 days of receiving the notice that the employee wishes to opt out of the plan, by faxing the notice to us.

In the month of December that follows the second year after the date the employee opted out of the plan, you are required to re-offer the plan to the employee. For example, if your employee opts out of the plan in 2015 then you must re-offer the VRSP to them by December 2017. You must also make this offer every two years if they continue to decline to participate in the plan.

If you already participate in a VRSP with another financial institution and you are moving to the Sun Life Financial VRSP, although your participating employees will receive a Notice of Membership and plan summary, they cannot opt out of the plan. Their participation in the VRSP must continue.





EMPLOYEE CONTRIBUTIONS

CONTRIBUTION RATE

Employee contributions are made by payroll deduction. If your employees do not choose a contribution rate, the default rate will be 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.

Employees can, however, set their own contribution rate up to the maximum allowed under the Income Tax Act, that is, the lesser of :

- 18% of their previous year's earned income; and
- the RRSP dollar limit for the year in which they are making their contribution.

GOOD TO KNOW

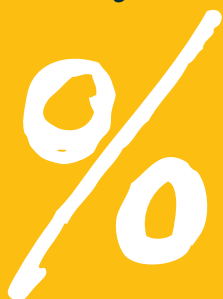
If they're already contributing to an RRSP, contributions (including any employer contributions) to both their VRSP and their RRSP are counted against their RRSP contribution limit – as are contributions to a spouse's or common-law partner's RRSP.

Employees can change their contribution rate twice in a 12 month period unless you allow them to do so more frequently. Employees can request changes to their contribution rate through the Plan Member website or by calling the Customer Care Centre. If you do not want employees to change their contribution rate more than twice in a 12 month period you will need to monitor how many requests an employee makes and inform Sun Life of any changes in excess of two that you are disallowing.

Employees can reduce their contribution rate to 0% after contributing to the VRSP for at least 12 months, or earlier, if :

- Under tax rules they are no longer permitted to make contributions to the plan
- They make an additional contribution to the plan equal to or greater than the contribution determined for that period
- You contribute to the plan on their behalf

In the situation where you contribute only if your employee contributes, they cannot reduce their contribution rate to 0% until they have been contributing for at least 12 months. Employees need to advise Sun Life Financial in writing that they are reducing their contributions. A form is available for employees by calling the Customer Care Centre. You are required to offer the plan to employees who change their contribution rate to 0% in the December that follows the second anniversary of the date they made this change. You must make this offer every two years if they continue to decline to participate in the plan.





GOOD TO KNOW

You must begin collecting employees' contributions to the plan on the first pay that follows the 61st day after the Notice of Membership was sent by Sun Life.



TIP

Contributions must be remitted to Sun Life no later than the last day of the month following the month where they are collected along with employer contributions, if any.

Most employers remit contributions to us at a frequency that's consistent with their payroll cycle i.e. if their employees are paid biweekly, then contributions are sent to us biweekly.

LOCKING-IN

Your employees' contributions are not locked in. Contributions may be withdrawn before retirement (subject to Quebec and Federal income tax).

Employer contributions, however, are locked in and may only be transferred to :

- Another VRSP or registered pension plan (if the plan permits)
- A locked-in retirement account (LIRA)
- A life income fund (LIF)
- Another life annuity

when:

- The member terminates employment
- The member reaches age 55
- As an employer you decide to offer a pension plan from which the employee benefits
- As an employer you decide to make available an RRSP or TFSA that the employee can contribute to through payroll deduction

In certain special circumstances (e.g., disability, shortened life expectancy, relocation outside of Canada), employer contributions may be withdrawn in cash or transferred to a not locked-in product as permitted by regulations.

RETIRING OR LEAVING THE PLAN

If they have stopped working, employees can begin taking a retirement income or postpone it until no later than the end of the year in which they turn 71. If an employee does not choose a retirement income option by that date, we will begin making annuity payments for life, for a guaranteed minimum of 10 years. Of course, the amount of retirement income an employee receives will depend on the contributions to their account, the investment income, and the interest rates in effect at retirement.

If an employee leaves your company, we will move their account to the individual saver section of the plan. Your contributions, if any, will cease and the employee will no longer appear in your reports.

If an employee dies, the money in the VRSP goes to his or her qualifying spouse. If there is no qualifying spouse, it goes to his or her beneficiary. If there is no beneficiary, it goes to the employee's estate.



EMPLOYER CONTRIBUTIONS

Your contribution is completely optional. However, employer contributions have been proven to increase employee retention and can help you present a more attractive compensation package to potential employees.

Any contributions you make are tax deductible and will not be subject to payroll taxes. Once made, your contributions will be locked in and the employee must use them for retirement income purposes.

Your employees must be informed of any contributions you will make to the plan or the method of calculating your contributions in the 30-day advance notice that you are required to send to your employees. It's easy to create your own customized 30-day advance notice online using the templates available at sunlife.ca/VRSP.

You may change your contributions to the plan at any time, unless you are party to an agreement relating to conditions of employment that states otherwise. You must, however, provide advance written notice to Sun Life and to any employees affected by this change. Any reduction in your contributions cannot take effect until 30 days after this notice is sent.



GOOD TO KNOW

Combined employee and employer contributions are subject to the same annual limit as RRSPs.

INVESTMENT OPTIONS

We've developed simple, low-cost investment options exclusively for the Sun Life Financial VRSP. They provide built-in, well-monitored diversification, so you and your employees can feel comfortable about their investments. With our 150 years of experience, you can also have confidence in Sun Life Financial's reputation and strength.

The default investment option for the VRSP is the Sun Life Target Date Segregated Funds (sometimes referred to as "life cycle funds"). The Target Date Funds offer a range of asset allocations, with each fund having a different maturity date. The funds asset allocation adjusts automatically, so that as the maturity date approaches, the asset allocation and risk level of the fund become more conservative. Your employees will be automatically invested in the target date fund with a maturity date just prior to their 65th birthday.

For those employees who want to choose a different investment option, they can select a different target date fund with a maturity date that aligns with their personal planned retirement date (only one fund may be selected) or create a portfolio that aligns with their investment risk profile from the other available investment options; three segregated funds and a guaranteed fund option. For more information on the VRSP investment options, please refer to VRSP Investments @ a glance on sunlife.ca/VRSP.

WHAT ARE SEGREGATED FUNDS?

The market-based investment funds in your group plan are known as segregated funds. The assets in a segregated fund are held by an insurance company for investment either by the insurance company or by a professional fund manager. The assets in segregated funds are held in a separate account of the insurance company and are segregated from the insurance company's other assets. Neither the value of the assets nor the rate of return is guaranteed for segregated funds.



GOOD TO KNOW

The Notice of Membership that we will send to your employees will inform them of the default investment option and provide details on the other investment options available.





*Support from
a team of
dedicated experts*

FOR YOU

SMALL BUSINESS CENTRE

Our Small Business Centre offers you step-by step, live help from a licensed representative. Call **1-855-362-3086** any business day from 8 a.m. to 6 p.m. to get help with :

- Applying to join the Sun Life Financial VRSP
- Enrolling your employees
- Understanding the contribution and remittance process
- Any questions or concerns you may have about the plan

We'll make it easy for you to get started!

PLAN SPONSOR SERVICES WEBSITE - FOR YOU THE EMPLOYER

Simply sign on at **sunlife.ca/sponsor** using your Access ID and Password to :

- Enrol employees
- Find detailed information about the investment options for the plan
- Access payroll reports that include the contribution percentage to be deducted from each employee's pay
- Notify us of an employee termination or retirement
- Download forms

FOR YOUR EMPLOYEES

PLAN MEMBER SERVICES WEBSITE - FOR YOUR EMPLOYEES

Our Plan Member Services website (**mysunlife.ca**) gives your employees a wealth of information and tools to help them understand and appreciate their new plan – and learn how to make the most of it. They can register for an access ID and password for **mysunlife.ca** where they will be able to :

- Change their investment selection
- Find detailed information about their investment options
- Change their contribution rate
- Review details of the plan
- Access award-winning retirement planning tools, information and education to help them prepare for retirement or get the most out of their financial life
- And much, much more!

CUSTOMER CARE CENTRE

For help or information on any aspect of the VRSP, your employees can call our award-winning **Customer Care Centre** at **1-866-733-8612 any business day from 8 a.m. to 8 p.m.**

WE'RE HERE TO HELP.

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sunlife.ca/VRSP
Life's brighter under the sun

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