

Saskatchewan  
Pension Plan

# Employer Guide



## Why Your Company Should Join the Saskatchewan Pension Plan (SPP)

- An affordable and flexible pension plan for small business.
- Attract and retain skilled, young employees by improving the benefit options your company can offer.
- No minimum number of employees required to participate.
- Extremely easy to implement and maintain.
- Employer costs may be as little as issuing a cheque or the cost of a stamp.
- Employers can start and stop contributions to employee accounts at any time, in any amount, without penalty.
- Employer contributions are tax deductible as a salary expense.
- Professionally managed.
- 10-year average rate of return is over 9 per cent.
- Contributions are locked-in, so they grow until an employee retires.

Saskatchewan Pension Plan is governed by the Saskatchewan Pension Plan Act and Regulations and the information in this guide summarizes the program. If any discrepancy arises between the information contained in this guide and the Act, the Act will prevail.

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## **The Advantages**

SPP strengthens your employee benefits package, enabling you to attract and retain better people in a competitive labour market. It's a smart, simple way for small businesses to offer pension benefits to employees, whether full-time, part-time or casual. And there are tax advantages for employers who make contributions on behalf of employees.

The Plan can cost employers next to nothing, it's easy to implement, easy to maintain, and there's no minimum number of employees required to participate. Money invested remains locked-in until retirement.

Having a pension plan shows you are committed to helping employees save money for retirement.

### **Inexpensive**

SPP creates all the benefits of an employer-sponsored pension plan without the costs. The employer bears no cost for plan administration.

Contributions can be made by the employer as an employee benefit, by the employee through a payroll deduction, or cost-shared by the employer and employee. There are no sales commissions when members contribute or retire.

### **Easy to Implement**

Administration is simple. SPP does all the paperwork and employers can receive monthly, quarterly or year-end reports. All employees between the ages of 18 and 69 may participate in the Plan, including full-time, part-time, casual and temporary staff.

### **Flexible**

SPP can tailor a plan to suit your company's size and budget. Contributions to the Plan can be made monthly or virtually any time of year. There is no minimum contribution and the maximum is \$600 per year—and there's no obligation to contribute every year.

## **Tax Benefits**

SPP allows your business to put pre-tax dollars into investments for your employees. The employer contributions are deductible as a salary expense and employees may deduct the total contribution within RRSP limits.

## **Vesting**

Many other pension plans require that an employee work at a company for a certain length of time before they are eligible to contribute. With SPP there is no waiting period; employees may begin participating at the employer's discretion. Contributions belong to the employee as soon as they are invested; talk to your SPP representative to develop an employer/employee contribution strategy that suits you.

## **Locked-in Savings**

SPP is a true retirement savings plan. Contributions and earnings are locked-in, and cannot be used before retirement, even if the employee leaves your company. Savings grow tax-sheltered until received as monthly pension income at retirement—anytime between age 55 and the end of the year in which an employee turns 69. All money saved is creditor-protected by law, so it cannot be seized, claimed or garnished.

## **Portable**

Once employees are plan members, they can contribute to the Plan regardless of where they live or who employs them.

## **Professionally Managed**

All contributions received by the Plan are invested with professional investment firms. Funds are invested in a balanced portfolio of bonds, equities and short-term investments. This approach allows the Plan to maximize earnings while minimizing risk to members. Contributions earn interest from the time they are invested. Plan operating expenses are paid out of the earnings on investments with the balance paid annually to members. The expense ratio has been less than 1% every year since 1992. The Plan is administered by a Board of Trustees.

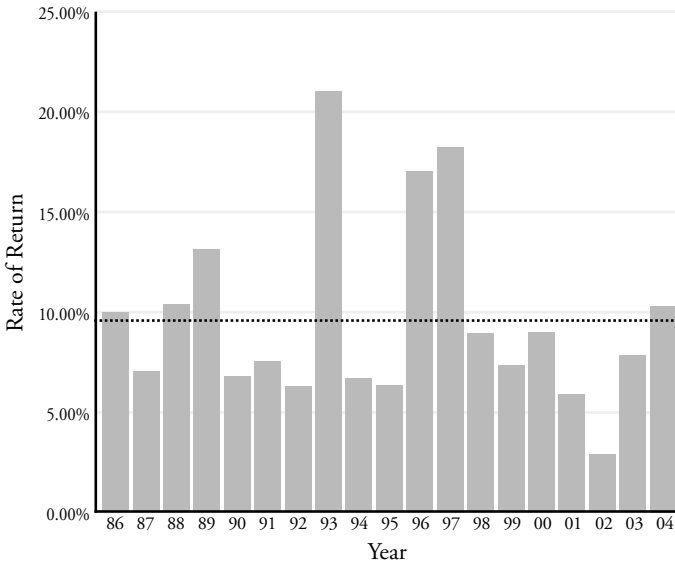
## Competitive Return

SPP allocates 100 per cent of the market rate of return, less operating expenses, to members. The Plan is subject to market forces and as market returns rise and fall, so will SPP returns. This is comparable to how earnings are allocated in the mutual fund industry.

An account begins earning interest immediately and, over time, the effect of compound interest will far exceed the value of actual contributions.

The Plan has returned an average of 9.5 per cent to its members from 1986 to 2004. The rate of return for 2004 is 10.3 per cent.

### SPP Historical Rate of Return



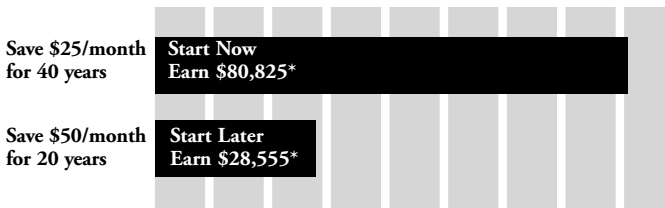
..... 9.5 per cent Annualized Return Rate Since Inception

Past performance does not guarantee future returns.

## Start Now – Finish First

The earlier an employee starts saving in the Plan, the better. If an employee saves just \$25 per month (\$300 per year) for 40 years (\$12,000 in total contributions), the account balance would grow to \$80,825.\*

The same \$12,000 investment made over 20 years would require monthly contributions of \$50 per month (\$600 per year). The employee's account balance in this case would grow to \$28,555.\*



\* Based on annual returns of 8 per cent.

## How to Enroll

### Employer Steps

Enrolling in the Employer Plan is simple:

1. Determine which employees are joining the Plan.
2. Have each employee complete and sign a membership application form and attach a copy of a proof of age document (see below for examples).
3. Complete the Employer Contribution Statement including company name, address, phone number, contact person, and the contribution schedule.
4. Complete the Name column with the names of the participating employees.
5. If you are sending your first contribution along with the completed membership applications, complete the “Cont. This Period” column. Fill in the amount contributed per employee and the total contribution.
6. Send the completed and signed membership application forms with proof of age documents and the Employer Contribution Statement to the SPP office.

### Proof of Age

Proof of age could be a photocopy of a birth certificate; a baptismal certificate (if the issue date is within four years of the date of birth) or a Canadian passport. If none of these documents are available, or if the document is written in a language other than English or French, please have your employee contact SPP for assistance.

### Social Insurance Numbers

Each employee’s social insurance number (SIN) is required on the application form. The SPP office requires a SIN for each employee in order to issue tax receipts. The information collected on the member application is used strictly for administering the account and for collecting general statistics about the Plan (see the Privacy section on page 10).

### Choosing a Beneficiary

Each employee who joins SPP is required to name a beneficiary for the account. In the event that an employee dies before beginning to receive retirement payments, the funds in the employee’s account will be paid to the beneficiary. Beneficiaries can be changed at any time.

## Making Contributions

The employer will need to consult with employees to determine a contribution frequency: monthly, quarterly, semi-annually or annually. Once a frequency is chosen, employers may offer SPP to their staff in several ways:

- Employees make the contributions and the employer simply sets up the payroll deduction.
- Employers pay part of the contributions for employees.
- Employers pay all of the contributions for employees.

The employer and employee may contribute any amount up to a combined total of \$600 per year. In the event that your company chooses to discontinue contributions for employees, or if an employee leaves your company, simply advise the SPP office of the change. Employees may continue making contributions on their own, even if they move out of province.

### Contribution Statements

The employer receives a statement prior to each contribution date. It names employees enrolled in the Plan, how much each employee has contributed to date for the current year, and the full amount of the last contribution made. Simply complete the “Cont. This Period” column with the amount being contributed for each employee. Next, issue a cheque for the total amount of the contribution and submit it, along with your statement, to SPP. The following is an example of how your statement would appear:

| Name        | Customer ID | Last Cont. Amount | Plan Year Total | Plan Year | Cont. This Period |
|-------------|-------------|-------------------|-----------------|-----------|-------------------|
| Doe, John   | 1640054     | 50.00             | 300.00          | 2005      |                   |
| Black, Jack | 1452365     | 150.00            | 300.00          | 2005      |                   |
| Smith, Mary | 1234565     | 300.00            | 300.00          | 2005      |                   |
| Grey, Joan  | 4571258     | 0.00              | 0.00            | 2005      |                   |

In addition to contribution statements issued at the frequency specified, employers also receive an employer-focused newsletter on an annual basis.

## **Pre-Authorized Contributions**

When you join the Pre-Authorized Contribution program, contributions are paid directly from your company's bank account on a pre-arranged schedule. This schedule can be either the 1st or the 15th of each month on a semi-monthly, monthly, semi-annual or annual basis. In this case, your statement serves only as a report, as contributions are made automatically. Call the SPP office to sign up.

## **Changing Account Information**

The details on your company's contribution statement will reflect the information you provide. You may change the following information at any time, by marking directly on the statement and sending it to SPP:

- Company contact person, address or phone number.
- New employee (include a signed application form and proof of age document).
- Departing employee (indicate which employee is to be removed).

## **Tax Considerations**

### **Employer Information**

Income tax withheld from an employee's salary should be calculated after SPP contributions have been deducted, provided the employee has room in their RRSP limit to make the contribution. Contributions are tax deductible by the employee only, within Canada Revenue Agency limits.

Contributions made by the employer on behalf of an employee must be reported as income for the calendar year in which they were made. The contributions are deducted as an expense and the employee's T4 must include the contribution as employment income. If an employer is making contributions, they must remit EI and CPP for the gross amount.

### **Employee Information**

Statements and tax receipts will be issued directly to the employee. Employees must advise the SPP office of any personal address changes. The employer is advised of any refunds due to over contributions or failed eligibility. SPP must have received an employee's membership application and contribution before a tax receipt can be issued.

Contributions made during the first 60 days of the year can be deducted from either the previous or current year's income.

Contributions made after the first 60 days of the year can only be deducted in the year in which they were made. SPP contributions are claimed on line 209 of an employee's income tax form.

Contributions made between March 2 and December 31 will be included on one tax receipt and mailed to the employee by January 15 of the following year. Receipts for contributions made between January 1 and March 1 will be mailed weekly during this 60-day period. If the employee makes a contribution using the Pre-Authorized Contribution (PAC) program, the employee will receive one receipt for PAC contributions made between March 2 and December 31 and another receipt for PAC contributions made between January 1 and March 1 of the following year.

SPP contributions in excess of an employee's personal RRSP limit, while not deductible, can be left in an SPP account and will not be subject to any penalty by the Canada Revenue Agency. Contributions and all subsequent earnings remain tax sheltered until drawn as a pension.

In each tax year, the allowable deduction for SPP contribution is the least of:

- \$600
- The employee's RRSP deduction minus RRSP contributions deducted that year; or
- The amount contributed to SPP during the plan year.

### **Death Benefits**

If an employee names a spouse as the beneficiary, Canada Revenue Agency allows death benefits to be transferred directly to the spouse's SPP account or to an RRSP, RRIF or guaranteed life annuity.

When an employee dies, it's important for the employee's survivor(s) to contact SPP so that payment can be made to the beneficiary.

## **Privacy**

SPP only collects the personal information necessary to administer our program. Our privacy policy stipulates that personal information can only be disclosed to the member. Exceptions may be made if there is written consent from the member. If you have questions about our privacy policy, please call the toll-free line: 1-800-667-7153.

## **Employee Issues**

### **Marital Division**

If an employee's account becomes part of a settlement in a division of property on the breakdown of a spousal relationship, it will be divided as specified in the Family Property Division Agreement or Separation Agreement and Interspousal Contract. The receiving spouse must become a member of the Plan for the division to be completed. The funds in both accounts remain locked-in until retirement. Both parties have the opportunity to add to their account if they wish.

### **Maintenance Orders**

SPP account balances and pension payments are subject to attachment under The Enforcement of Maintenance Orders Act, 1997. SPP will act as specified in the Notice of Attachment. Call the SPP office for more information.

## **Retiring From SPP**

SPP automatically sends a retirement information package to the employee within four months of their 65th birthday.

If the employee wishes to begin receiving payments before age 65 (after age 55), the employee must contact SPP. When an employee retires from SPP, all an employer needs to do is note "retirement" next to the employee's name on the next scheduled contribution statement.

SPP benefits are taxable when received and are not subject to the \$1,000 pension income credit. Each year, a retired employee will receive a T4A for the benefits received in that year.

## **Initial Refund Period**

For first time contributors who decide the Plan does not meet their retirement planning needs, there is a six-month initial refund period. Members may receive a full refund of their account, including interest, if they change their mind within six months of their date of application or their first contribution, whichever is later.

## Common Questions

### *What is the Plan's rate of return?*

The Plan is professionally managed and returned an average of 9.5 per cent to members from 1986 to 2004. The return rate for 2004 is 10.3 per cent. The highest annual return was 21 per cent in 1993. The lowest return was 2.86 per cent in 2002. Past performance does not guarantee future returns.

### *Who can use an employee's SPP contribution for a tax deduction?*

SPP contributions may be claimed by an employee within Canada Revenue Agency guidelines. The person using the contribution as a tax deduction must have income from wages or a business. Even if an employee cannot use the contribution as a tax deduction, the earnings on the contribution will be tax sheltered until the employee receives them as retirement benefits.

### *What is a plan year?*

A plan year is the calendar year plus the first 60 days of the following calendar year.

### *Do contributions have to be the same amount each year?*

SPP is designed to be very flexible and to accommodate changing financial circumstances. There is no minimum contribution. Even contributing \$10 per month will build an employee's SPP account and provide the employee with additional pension at retirement. The maximum contribution is \$600 per year, per employee. Both employees and employers may start and stop contributions to an employee's SPP account at any time, with no penalty.

### *Who invests the contributions?*

SPP has independent, professional money managers. The funds are invested in a diversified portfolio of high quality investments which provides a competitive rate of return. Investments are monitored regularly. Annual reports are available on the SPP web site: [www.saskpension.com](http://www.saskpension.com).

### *When can employees expect to receive tax receipt?*

Contributions made between March 2 and December 31 will be included on one tax receipt and mailed to the employee's home address by January 15 of the following year. Receipts for contributions made between January 1 and March 1 will be mailed weekly during this 60-day period. If the employee makes a contribution using the Pre-Authorized

Contribution (PAC) program, the employee will receive one receipt for PAC contributions made between March 2 and December 31 and another receipt for PAC contributions made between January 1 and March 1 of the following year.

***How much will an employee's pension be upon retirement?***

At retirement, the amount of the employee's pension will be determined by age, account balance, the type of annuity the employee chooses, and interest and annuity rates. Please ask employees to call the Plan office for a personal pension estimate.



## Glossary

**Annuity** - A series of payments of a fixed amount. SPP annuities are paid monthly for the duration of the member's life.

**Annuity Rate** - Quoted as a percentage, this rate reflects the return that funds earn when an annuity is purchased.

**Beneficiary** - Person or persons named to receive proceeds of a member's account at the time of their death.

**Board of Trustees** - People responsible for operations of SPP. One-third of the trustees must be SPP members.

**Canada Revenue Agency** - Formerly Revenue Canada or Canada Customs and Revenue Agency.

**Compound Interest** - Interest credited to the investor at a specified rate of return and on specified dates and added to the principal for the purpose of subsequent interest calculations.

**Contribution** - Payment to your SPP account. Maximum contribution is \$600 per year.

**Death Benefit** - Funds paid to a beneficiary after the member's death. Death benefits are available if a member dies prior to retirement and has funds in his or her account. When a member dies after retirement, the death benefit depends on the pension option chosen.

**Earnings** - Return on investment.

**Equities** - An investment class consisting of shares in public companies.

**Investment** - To commit money in order to receive a profit.

**Locked-in** - Unable to shift or withdraw invested funds. Money invested in SPP is locked-in until age 55.

**PAC** - Pre-Authorized Contribution.

**Plan Year** - Calendar year plus 60 days. Contributions made in the first 60 days may be deducted in either the prior or current tax year.

**Proof of Age** - Needed to confirm your birth date for retirement purposes. Proof of age could be a photocopy of your birth certificate; your baptismal certificate (if the issue date is within four years of your date of birth) or a Canadian passport.

**Spouse** - (i) A person who is married to a member; or (ii) If a member is not married, a person with whom the member is cohabiting as spouse at the relevant time and who has been cohabiting continuously with the member as his or her spouse for at least one year prior to the relevant time.

**Tax Shelter** - An investment upon which taxes are deferred.

**Withholding Tax** - Required by CRA when money is taken out of a tax shelter. Tax is deducted from the payment and the member receives a T4A to include with their next tax return.

**For more information on  
how the Saskatchewan  
Pension Plan can work for your  
business, contact us today.**

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