



**Date:** May 5, 2010  
**File:** H60  
**Subject:** Corporation Group RRSP Program

COMMITTEE OF COUNCIL

DATE: May 5, 2010

**Contact:** Helen Ferreira, Director Human Resources  
Margaret McMurdy, Manager, Compensation & Benefits

**Overview:**

- As part of its standard due diligence practice, the Human Resources Division completed a benefits review. The review identified that some programs and service providers need to be evaluated to meet current needs. One of the programs slated for evaluation is the Group Registered Retirement Savings Plan (RRSP) for City employees.
- In reviewing the Group RRSP program, two key findings were identified:
- the Corporation needs to perform a market assessment of Group RRSP providers to ensure the program continues to meet the needs of participants
- During the review of the benefits program, it was also determined that further information is needed on the matter of RRSP contributions for Mayor and Elected Officials over the age of 71. As a result, staff conducted research on this matter.
- This report notes that staff will be proceeding with a procurement process to select a new Group RRSP provider and it recommends that the matter of RRSP contributions for Mayor and elected officials over the age of 71 be referred to the Council Compensation Committee, at which time a potential solution may be considered

**Recommendations:**

It is recommended:

- 1) That the report from Helen Ferreira, Director, Human Resources, City Manager's Office, dated April 29, 2010 to the Committee of Council of May 5, 2010, re: **Corporation Group RRSP Program** (File: H60) be received; and
- 2) That a copy of this report, and the research conducted by the Human Resources Division on the Corporation's payment of RRSP benefits to Members of Council above 71 years of age is forwarded to the Council Compensation

Committee for its consideration in 2011, with a recommendation back to Council on payment of RRSP benefits to Members of Council, above the age of 71.

### **Background:**

As part of its due diligence process, the Human Resources Division is completing a benefits review. During this review, it was identified that some benefits programs and service providers are due for a full evaluation to ensure they meet current needs. One of the programs slated for an evaluation is the Group RRSP program.

A Group RRSP was established in 1998 for employees. Later the same year provisions for retirement allowances through RRSP contributions were established for Mayor and Members of Council in lieu of participation in OMERS.

In a Group RRSP, employees voluntarily make contributions through regular payroll deductions, on a pre-tax basis. Employees select the fund and the amount of money they wish to contribute to the plan. In turn, the Corporation deducts this money from an employee's pay utilizing pre-tax dollars, as permitted by the Canada Revenue Agency.

The process is slightly different for Mayor and Members of Council. Every February, the Corporation provides a cheque to the financial institution where Council Members hold their RRSPs. The Corporation finances annual RRSP contributions for Elected Officials as per eligibility rules set out by the Canada Revenue Agency (CRA). CRA eligibility provides for a limitation of RRSP contribution upon attainment of age 71 in the calendar year of the contribution. After that, payments from the Corporation cease. The RRSP program review provides an opportunity to further research the options with regards to employer-paid contributions after age 71.

### **Analysis**

The two issues were examined. The results of the analysis, benchmarking and conclusion are as follows:

#### **1) Group RRSP Program**

More than 10 years have passed since the selection of the Group RRSP administrator. As part of the due diligence process, the Corporation will perform a market assessment of Group RRSP providers to ensure the program continues to meet employees' needs.

### **Benchmarking**

A review of the Group RRSP program determined that:

- Information and communication on a timely basis is of primary importance
- Employee engagement and regular education sessions are desirable

- The Canadian Association of Pension Supervisory Authorities (CAPSA), the Canadian Council of Insurance Regulators and the Canadian Securities Administrators have established guidelines for Capital Accumulations Plans (CAP Guidelines) that must be incorporated into the program.

### **Next Steps**

The Corporation will proceed with a procurement process to select a new vendor and remarket the Group RRSP program to ensure it meets current needs, while maintaining its strength as a potential marketing tool to attract and retain employees.

## **2) The Issue of RRSP Contributions for individuals over the age of 71**

Looking specifically at the Mayor and Members of Council, the Group RRSP program was established in lieu of joining OMERS, as recommended by the Council Compensation Committee. This was done because the requirement would have been that all Members of Council would have to agree to be enrolled in the program, in addition to all future Members of Council. In lieu of OMERS, the Corporation makes contributions to an RRSP program of choice for Members of Council, which is equal to the amount that would have been contributed by the City to the OMERS plan. This intent was clarified by By-Law 7-2006 (Appendix B) that states:

*"The rate of contribution to the RRSP program for members of City Council be at a rate consistent with that of the OMERS plan based on the salary which should be paid to the members of Council to realize the same take-home pay were they not subject to the one-third (1/3) tax free allowance under the Municipal Act, as amended and the Income Tax Act, as amended, two-thirds (2/3) car allowance and the taxable benefit applied to the Group Life Insurance."*

The City's Payroll Services division facilitates the RRSP transfers to each Councillor and each contribution cheque is payable to the financial institution as selected by such Councillor. The RRSP transfers are normally paid out in February of the following year, at which time Payroll Services generates the appropriate forms and cheques to appointed financial institutions.

### **Benchmarking**

As defined by the CRA, December 31 of the year in which the age of 71 is attained, is the last day that one is eligible to make RRSP contributions. Benchmarking was conducted to see how other municipalities handle the situation when the Mayor and Members of Council reach the age of 71. Of municipalities surveyed, those that do offer an RRSP option do not offer salary top-ups after attainment of the age 71. Under OMERS rules, contributions to the Defined Pension Plan would cease upon the maximum attainment of 35 years of contributory service or at the age of 71.

Mississauga ceases employer paid-contributions into OMERS at Age 71. Further, Mississauga does not top up the salary for the Mayor, Members of Council or staff once they have reached the maximum age of 71 or reached the maximum years of contributory service to OMERS.

According to the CRA, in the year an individual reaches the age of 71, there are options from which the individual may choose regarding RRSPs:

- Withdrawal
- Transfer to a Registered Retirement Income Fund (RRIF);
- Purchase an annuity for life; or
- Purchase an annuity spread over a number of years.

**Other Benefits:**

With regards to other benefits, the Corporation does not impose age caps on Life and Accidental Death and Dismemberment Insurances. Brampton covers all Elected Officials and the Mayor with extended health benefits during their term of office.

At the City of Mississauga, extended health benefits provided to Elected Officials cease at age 70. Notwithstanding, Mississauga's Mayor has been provided a continuation of benefits (health/dental/vision).

**Recommendation**

Human Resources has completed a benchmarking exercise in addition to seeking legal advice on the matter of the employer-paid RRSP contribution for those staff or elected officials over the age of 71. Currently, ceasing RRSP contributions at age 71 is in compliance with the Income Tax Act. The purpose of the age 71 limit on pension plans/RRSP contributions is to ensure that retirement savings accumulated over a lifetime (on a tax-free basis) are ultimately subject to tax. This limitation applies to every taxpayer in Canada – employed or not. Paying an amount in lieu of RRSP contributions to those who attain the age of 71 would be contrary to the City of Brampton's By-Law that does not authorize payment in lieu. To consider a change to the City of Brampton's By-law, it is recommended that this matter be referred to the Council Compensation Committee, at which time a potential solution may be considered.

**Submitted by:**

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**Concur:**

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