

April 2010

# **Administration Manual**

## TRIO Pension Plan



**Prepared with the collaboration of:**

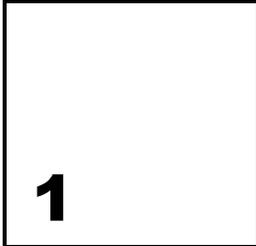
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## **Introduction**

This Administration Manual is designed to simplify and expedite the administration of the TRIO Pension Plan. It does not attempt to deal with **interpretation** of plan rules regulating benefits; for such information, the official Pension Plan documents, as interpreted by the Board of Directors of TRIO, are the authoritative source of information. Use of the term “**Pension Plan**” in this manual means the TRIO Pension Plan. The Pension Plan is legally administered by the Board of Directors of TRIO. The municipalities whose employees are Members of the Pension Plan are known as Participating Municipalities. Mercer (Canada) Limited has been appointed as the Pension Plan’s third party administrator, referred to as “**Mercer**” throughout this document. The “**Trustee**” for the Pension Plan is RBC Dexia Investor Services.

This manual deals with:

- The responsibilities of the Participating Municipalities with respect to day-to-day matters including the completion and submission of necessary forms (see box below) to Mercer for the proper administration of the Pension Plan, for actuarial valuation purposes and for recordkeeping purposes.
- The responsibilities of Mercer in performing the function of third party administrator.

Mercer has appointed an experienced pension administrator, responsible for day-to-day matters, who will be available to answer any queries that may arise and who will work closely with the Participating Municipalities and TRIO.

Each Participating Municipality is responsible for designating an employee who is responsible for coordination of the day-to-day administrative functions of the Pension Plan. Such functions include enrolling new Members in accordance with the eligibility

rules adopted by the Participating Municipality and submitting all relevant enrolment documentation to Mercer, completing documentation associated with terminations of employment, retirements, deaths and providing the information required by Mercer to process such transactions. The individual should also be familiar with the general terms of the Pension Plan that apply to the Participating Municipality.

Timely and complete communication between Mercer, TRIO and the Participating Municipalities is critical to ensuring the smooth and legally compliant operation of the Pension Plan.

### ***For General Information***

For general information about the Pension Plan, eligibility criteria, and retirement estimates when a Member is more than 6 months away from retirement, please contact TRIO at:

Terry E. Taylor, General Manager

**TRIO**

460 Torbay Road

St. John's NL A1A 5J3

Tel: 1-709-738-7338

Toll free: 1-888-330-7338

Email: [ttaylor@triobenefits.ca](mailto:ttaylor@triobenefits.ca)

### ***For Specific Information***

For specific questions about a form or statement that Mercer produced, you should contact Mercer at:

Angela White, RPA

**Mercer (Canada) Limited**

1801 Hollis Street, Suite 1300

Halifax NS B3J 3N4

Toll free: 1-888-685-1101

Email: [angela.white@mercer.com](mailto:angela.white@mercer.com)

Samples of the main administrative forms are included in this manual as Exhibits.

For day-to-day use, administrative forms are also available on the TRIO website ([www.triobenefits.ca](http://www.triobenefits.ca)) at the following link: <http://www.triobenefits.ca/forms2.html>.

Pension Plan booklets are also found on the TRIO website at the following link: <http://www.triobenefits.ca/pension-options2.html>

## Overview of Administrative Functions

The “life cycle” of a pension plan member is marked by various key milestones. Summarised below are the transactions and milestones that occur in a plan member’s pension “life cycle”. Not all transactions apply in the same manner to all members (e.g., termination of plan membership for some members will occur through termination of employment; for some it will occur through death; for others, it will occur through retirement).

	<b>Participating Municipality</b>	<b>Mercer</b>	<b>Trustee</b>
<b>Enrolment</b>	Provides new Member with a <b>Pension Plan Booklet, Pension Plan Enrolment form, Spouse or Cohabiting Partner &amp; Beneficiary Designation form</b> .  Sends enrolment documentation to Mercer, maintains copy in own administrative file.	Updates Member database to reflect new Member enrolment.	
<b>Changes to Basic Member Records</b>	Makes changes in own records and promptly advises Mercer of all changes using <b>Notice of Change in Member Information</b> form.	Updates Member database to reflect new information.	
<b>Remittance of Member and employer contributions to Trustee (RBC Dexia Investor Services)</b>	Forwards Member and Employer contributions to the Trustee, together with a completed <b>Contribution Remittance</b> form. A copy of the form is forwarded to Mercer.	Maintains records of deposits made on behalf of Members and employer for year-end reporting control purposes.	Records and deposits contributions in pension fund.

	<b>Participating Municipality</b>	<b>Mercer</b>	<b>Trustee</b>
<b>Separations from employment (termination of employment, death, retirement)</b>			
- Notify Mercer	Notifies Mercer of event using a <b>Notice of Change in Member Status</b> form.	Calculates benefit payable and prepares all necessary statements and forms required to pay benefit, and sends to Participating Municipality to give to Member.	
- Provide Statement of Options to Member and Payment of Benefit	Delivers forms provided by Mercer to Member, and forwards back to Mercer completed forms and Member election on payment of benefit.	Prepares “Payment Authorization” and sends to Trustee to authorize payment of benefits from the fund, if any, on receipt of duly completed forms (forwarded by Participating Municipality).	Makes payments based on Payment Authorization prepared by Mercer, withholds tax, where appropriate, and acknowledges payment to Mercer and the Participating Municipality.
<b>Year-End Reporting</b>	Completes <b>Contribution Report</b> form and submits to Mercer.	Maintains full membership recordkeeping and controls. Issues year-end report and annual Member statements to Participating Municipalities.	Reports on the status of the pension fund monthly to TRIO and Mercer.
<b>Pension Adjustments (PAs)</b>	Annually calculates Pension Adjustments (PAs) according to formula provided by Mercer to comply with the Income Tax Act; reports a PA for each active Member on employee T4.	Provides PA calculation methodology annually to Participating Municipalities.	
<b>Pension Adjustments Reversals (PARs)</b>	Forwards to the Canada Revenue Agency (CRA), all PARs in respect of Members’ pension benefits settled during quarter.	Calculates and provides PAR forms to Participating Municipalities for filing with CRA.	

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## **Member Records**

### ***Enrolment of a New Pension Plan Member***

Once an employee has satisfied the eligibility requirements for membership in the Pension Plan (as determined by the administrative practices of the Participating Municipality within the limits imposed by pension legislation and the Pension Plan), the Participating Municipality must provide the new member with a copy of the pension plan booklet (those can be found on the TRIO website at [www.triobenefits.ca](http://www.triobenefits.ca)) for the Option under which the Member is enrolled. Furthermore, a ***Pension Plan Enrolment*** form (Exhibit 1) must be completed by the Member and must be forwarded to Mercer so that a new Member record can be established. A copy should be retained in the Participating Municipality administrative records.

### ***Beneficiary Appointment***

Upon enrolment in the Pension Plan, the Member should designate a beneficiary to receive any benefits that may be payable under the Pension Plan to a beneficiary as a result of the Member's death. The form to be used for this purpose is the ***Spouse or Cohabiting Partner & Beneficiary Designation*** form (Exhibit 2).

In accordance with pension benefits legislation and the terms of the Pension Plan, a Member's spouse or cohabiting partner will likely be entitled to most of the benefits payable following his/her death, regardless of any other beneficiary the Member may have named. Benefits not payable to the Member's spouse or cohabiting partner, if any, will be paid to the Member's beneficiary.

When a single beneficiary is designated, the beneficiary should be completely identified by name and relationship as prompted by the form; for example:

<b>Name</b>	<b>Relationship(s)</b>	<b>Share of Proceeds (%)</b>
Mary Jane Smith	Mother	100%

In the case of a designation of two or more persons with joint interests, each person should be completely identified by name and relationship as prompted by the form; for example:

<b>Name</b>	<b>Relationship(s)</b>	<b>Share of Proceeds (%)</b>
John and Mary Smith	Parents	50% payable to each, if living, or 100% to the survivor

Where a contingent beneficiary is appointed, the appointment should be as follows:

<b>Name</b>	<b>Relationship(s)</b>	<b>Share of Proceeds (%)</b>
Mary Smith, if living Otherwise	Wife	100%
My surviving children * (John, Bill and Jane)	Children	33 1/3% to each

\* When a minor is designated as beneficiary, the Member should also appoint a trustee in the space provided for that purpose on the form.

**Notes:**

- The beneficiary must be properly identified by given names, e.g., Mary Smith - not as Mrs. John Smith;
- When a beneficiary is **not** named, the Member should insert "Estate". If the Estate is named, the Member should be careful that the distribution of benefits is covered by his/her will.
- The Member's signature on the beneficiary designation must be witnessed.

***Proof of Age***

Proof of age of the Member (**Birth Certificate, Baptism Certificate, Citizenship Certificate or Passport**) is required whenever there is a change in the status of a Member that triggers a transaction (e.g., termination of employment, death, or retirement). Proof of age is also required for the spouse or cohabiting partner of a retiring Member who chooses a Joint and Survivor type of pension. In any case, before payment of any benefit from the Pension Plan, proof of age must be provided. **Please note that the documents that serve this purpose are either a Birth Certificate, a**

**Baptism Certificate, a Citizenship Certificate or a Passport. A driver's license does not serve as proof of age.**

### *Obtaining Proof of Age*

It often makes administrative sense to collect proof of age at the time of enrolment. If proof of age is supplied at time of enrolment, simply photocopy the applicable document and attach the photocopy to the enrolment form, which is forwarded to Mercer. The enrolment form contains a statement as to whether or not proof of age has been submitted. If proof of age is supplied after enrolment, send a photocopy to Mercer who will record the information.

### **Changes to Basic Record**

Most employees will experience changes throughout their careers. Such changes come about for various reasons, e.g., through marriage or relationship breakdown, or through correction of errors in Member information (e.g., date of birth, date of hire, etc.).

#### *Change of Marital Status and/or Beneficiary*

A Member may need to change his/her marital status, or may wish to revoke/change a beneficiary designation, or both. A Member wishing to change his/her marital status, or his/her designated beneficiary should complete a new **Spouse or Cohabiting Partner & Beneficiary Designation** form (Exhibit 2). The original of this form, after it has been signed and witnessed, should be forwarded to Mercer and a copy kept in the Member's employment file at the Participating Municipality.

#### *Change of Name or Other Information*

If, through marriage or for some other reason, a Member changes his/her **name**, or other relevant information, a completed **Notice of Change in Member Information** form (Exhibit 4) must be forwarded to Mercer. A copy of this form should also be placed in the Member's employment file. As noted above, for a change of marital status or beneficiary designation, the **Spouse or Cohabiting Partner & Beneficiary Designation** form (Exhibit 2) is the form to be used.

#### *Change to Date of Birth*

If, after becoming a Member, a person submits documentary proof of age which differs from that shown in the Pension Plan records, Mercer must be advised in writing of the correct date of birth, using the **Notice of Change in Member Information** form (Exhibit 4), including a copy of the correct Birth Certificate, Baptismal Certificate, Citizenship Certificate or Passport.

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## **Remittance of Contributions**

### ***Deposit to Fund***

Every Participating Municipality forwards both Member and employer contributions to the Trustee each month. The Participating Municipality must complete a ***Contribution Remittance*** form (Exhibit 5) (or some other form that provides the relevant information) and forward it with the contribution remittance to the Trustee. A photocopy of the form should be retained for the Participating Municipality's records. A copy of the ***Contribution Remittance*** form must also be sent to Mercer by the Participating Municipality, for administrative oversight purposes.

Please note that Member contributions must be remitted to the Pension Fund within 30 days of the end of the month in which the contributions are received or deducted. Employer contributions and special payments must be remitted not less frequently than quarterly, and must be deposited in the Pension Fund within 30 days of the end of the quarter to which they are applicable.

The Member contribution totals on the ***Contribution Remittance*** form (Exhibit 5) must reconcile with the amounts deducted during the period indicated. The accumulated total contributions shown on all ***Contribution Remittance*** forms (Exhibit 5) for a calendar year must reconcile with the amounts shown on the ***Contribution Report*** prepared at the Pension Plan year-end.

The Participating Municipality will be advised of any change to the relevant contribution rates or the level of employer special payments, if and when they occur. The Participating Municipality is responsible to ensure that contributions are being deducted from Members' paycheques and that all Member and employer contributions are remitted at the rates required in the Pension Plan documents.

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## **Separation from Employment**

### ***Notification to Mercer***

Separation from employment usually occurs because of a regular termination of employment, death, or because of retirement. The administrative procedures vary according to the type of separation. They are described below. Regardless of the type of separation, the ***Notice of Change in Member Status*** form (Exhibit 3) is the form that should always be used to report a Member's separation from employment to Mercer. Upon receipt of the completed ***Notice of Change in Member Status*** form (Exhibit 3), Mercer will begin the process of calculating the Member's benefit entitlements.

If the Member is retiring, the form should be sent to Mercer between **three and six months before the intended retirement date**. Otherwise, the Participating Municipality should complete and send the form to Mercer as soon as possible following the date of separation from employment.

The ***Notice of Change in Member Status*** form is largely self-explanatory, however, the following points should be noted:

- Under the section headed "Data Since Last Year-End", the required contributions made by the Member between the last year-end date (December 31) and the date of separation must be provided to Mercer. Mercer typically receives contributions made by Members on an annual basis, and therefore the Member's contributions in previous years are not required.
- If the Member has been on an unpaid leave of absence such as maternity leave or layoff, the Participating Municipality should also notify Mercer of the dates on which the leave / layoff started and ended.

- If the Member was receiving disability benefits or workers' compensation benefits at any time during the year, details should be provided to Mercer.

### ***Procedures on a Termination of Employment***

A Pension Plan Member terminating employment will have a few different options for the payment of benefits accrued under the Pension Plan. Depending upon the individual Member's circumstances, these options can include:

- A cash refund, less withholding tax;
- A tax-free transfer to an individual retirement savings arrangement (registered retirement savings plan, locked-in retirement account, life income fund), to the pension plan of a new employer, or to an insurance company for the purchase of a life annuity;
- A deferred pension payable from the Pension Plan (leave his/her money in the Pension Plan and receive a pension at a later date); or
- A combination of the above.

Please note that in all cases of termination, submission of the ***Notice of Change in Member Status*** form (Exhibit 3) initiates the calculation of Member pension benefits by Mercer and results in the issuance of a ***Statement and Election of Benefits on Termination of Employment***. As noted earlier, in order to verify calculations associated with payments out of the pension fund, Mercer **must** have proof of age for the Member – either a Birth Certificate or a Baptismal Certificate. The exception to this is the termination of a Member who is not vested in his/her Pension Plan benefit (generally, this means that he/she has been employed for less than two years).

#### ***Timeline of Events***

The following describes the timeline of events in processing a termination of employment under the Pension Plan:

- The Participating Municipality must complete and send to Mercer a ***Notice of Change in Member Status*** form (Exhibit 3).
- Mercer will calculate the pension benefits due to the terminated Member. Mercer will prepare and forward to the Participating Municipality a “termination package” consisting of a ***Statement and Election of Benefits on Termination of Employment***, a ***Declaration of Marital Status*** form and any other forms that may be relevant to the specific situation of the Member.
- The Participating Municipality must forward the termination package (along with all included forms) to the Member for review and decision. Once the Member has

decided how he/she will deal with his/her pension benefit entitlements, he/she must complete and sign the Election of Benefits section of the package and return it to the Participating Municipality, along with all the forms that are required to process pension benefits in accordance with the option selected. For example, the documents required to process a cash payment are not the same as those required to process a transfer to a personal RRSP. All required documents will be clearly identified in the **Statement and Election of Benefits** package.

- **The Participating Municipality, or its officers, are not to provide advice or a recommendation to a terminating Member as to which option to select. This could result in legal liability for the individual giving the advice or the Participating Municipality. The Participating Municipality can only provide factual information about the options found in the *Statement and Election of Benefits* package, and direct the Member to consult with his/her personal financial or other advisor to assist in reaching a decision about his/her pension benefits options. If the Member has questions about the information in the package, the Participating Municipality should contact Mercer for information.**
- The Member should return all the required forms fully completed to the Participating Municipality. A copy of all forms should be retained by the Member and by the Participating Municipality. A third copy should be forwarded to Mercer by the Participating Municipality for processing.
- Upon receipt of all duly completed forms, Mercer will:

- When an amount is to be paid from the pension fund:

Authorize the payment of the benefits from the pension fund, by issuing a **Payment Authorization** form to the Trustee. The Participating Municipality will receive a copy of the Payment Authorization form sent by Mercer to the Trustee. Once the benefits have been paid by the Trustee, a confirmation that benefits were paid in accordance with the Payment Authorization will be forwarded by the Trustee to the Participating Municipality.

- When the Member elects a deferred vested pension (*i.e.* leaves his/her monies in the Pension Plan and receive a pension at a later date):

Prepare a **Certificate of Deferred Pension Benefits** form and send it to the Participating Municipality. The Participating Municipality will forward a copy to the Member for his/her records and will retain one copy for its records.

Mercer keeps a record of all Members who are entitled to a deferred vested pension. A Participating Municipality should notify Mercer when a former employee entitled to a deferred pension contacts them regarding commencement

of a deferred pension by forwarding a **Notice of Change in Member Status** form (Exhibit 3), and Mercer will prepare a **Statement and Election of Benefits on Retirement** form and follow the procedures set out in this manual for retirements.

## ***Procedures on a Retirement***

Please refer to the Pension Plan documents or the Member booklet for detailed information regarding age, and any service requirements, in order to be eligible for retirement benefits under the Pension Plan. Alternatively, you can reach TRIO at the address in Section 1 for general information about retirement eligibility under the Pension Plan.

### ***Pre-Retirement Estimates***

Each Pension Plan Member receives a statement of his/her status in the Pension Plan at each Pension Plan year-end, thus, by referring to the latest annual statement, he/she will be aware of the approximate amount of pension accrued to the last Pension Plan year-end, and an estimate of the amount payable at his/her Normal Retirement Date (age 60 or 65, depending on the Pension Plan option). However, a Member may wish to receive more information on early retirement options and benefits, or a better estimate of benefits as he/she approaches retirement.

#### ***For estimate requests with a planned retirement date more than 6 months away***

If, on a Member's request, a Participating Municipality requires a pension estimate more than 6 months ahead of a planned retirement, the Participating Municipality should **contact TRIO** to discuss the particulars of the situation (see contact information in Section 1). TRIO will provide general information and a non-binding estimate, based on the terms and conditions of the Pension Plan. If a more precise estimate is required, the fee for such detailed calculation must be assumed by either the employer, the Member or both.

#### ***For estimate requests with a planned retirement date within the next 6 months***

If, on a Member's request, a Participating Municipality requires a pension estimate and the planned retirement date is within the next 6 months, the Participating Municipality should send Mercer a **Notice of Change in Member Status** form (Exhibit 3).

## ***Procedures on a Retirement***

Upon retirement, a Pension Plan Member will have a number of options for payment of pension benefits. In most cases, pension payments will start to be paid on the 1st of the month following the Member's retirement. However, in certain cases, the Member may elect to defer the start of pension payments. Also, the payment options available to the

Member will be different if the Member has a spouse or cohabiting partner at the time of pension commencement. Depending upon the individual Member's circumstances, payment options will typically include:

- A pension payable for life and ending upon death;
- A pension payable for life, but with a minimum guaranteed period of 5 years;
- A pension payable for life, but with a minimum guaranteed period of 10 years; and
- A pension payable for life, but with a minimum guaranteed period of 15 years.

If the Member has a spouse or cohabiting partner at the time of pension commencement, the additional following payment options will typically also be available:

- A pension payable for life, and following the Member's death, 60% of the pension payable to the Member's surviving spouse or cohabiting partner for his/her lifetime;
- A pension payable for life, and following the Member's death, 66.67% of the pension payable to the Member's surviving spouse or cohabiting partner for his/her lifetime;
- A pension payable for life, and following the Member's death, 75% of the pension payable to the Member's surviving spouse or cohabiting partner for his/her lifetime; and
- A pension payable for life, and following the Member's death, 100% of the pension payable to the Member's surviving spouse or cohabiting partner for his/her lifetime.

The Member will have to choose one of those forms of payment before starting his pension, and that choice is irrevocable once the pension starts. The amount of pension to be paid to the Member under the different options will be different for each option, but each option will be actuarially equivalent in overall value.

Under pension legislation, if a Member has a spouse or cohabiting partner on the date the pension commences, he/she must elect a form of pension that provides a survivor pension of at least 60% to the surviving spouse or cohabiting partner. The Member may only elect a form of pension without at least this minimum survivor benefit, by jointly completing with his/her spouse or cohabiting partner, a **Spousal Waiver of Joint and Survivor Pension** form. In order to determine if a Member has a spouse or cohabiting partner who qualifies for the survivor pension, the Member must complete a **Declaration of Marital Status** form at the time of retirement. Survivor pensions are only payable to the spouse or cohabiting partner who was there at the time of retirement. If the Member has a different spouse or cohabiting partner at the time of his death than the spouse or cohabiting partner at the time of his/her retirement, the "later" spouse or cohabiting partner will not be eligible for a survivor pension upon the Member's death.

Please note that in all cases of retirement, submission of the form **Notice of Change in Member Status** form initiates the calculation of the Member's pension benefits by Mercer and results in the creation of a **Statement and Election of Benefits on Retirement** by Mercer. As noted earlier, in order to verify calculations associated with

payments out of the pension fund, Mercer **must** have proof of age for the Member – either a Birth Certificate, a Baptismal Certificate, a Citizenship Certificate or a Passport. Furthermore, if the Member has a spouse or cohabiting partner, proof of age will also be required for that individual.

### *Timeline of Events*

The following describes the timeline of events in processing a retirement under the Pension Plan:

- The Participating Municipality must complete and send to Mercer a **Notice of Change in Member Status** form (Exhibit 3) between three to six months before retirement. If the form is provided closer to retirement, it may result in the Member not receiving his/her first pension payment on time, given all the steps required to process and set-up a new pensioner.

Mercer will:

- calculate the estimated\* pension amounts (along with various optional forms of payments described above, given the marital status of the Member on file) payable to the Member; and

\* The estimated pension amounts will be determined using the Member's earnings, contributions and credited service as estimated by the Participating Municipality and the currently available interest rates. The statement will indicate, and the Participating Municipality should also advise the Member, that the benefit amounts are estimates and final payment amounts will be adjusted when the Member's final earnings, contributions and credited service are known, should those be different than the estimates provided by the Participating Municipality.

- prepare and forward to the Participating Municipality a **Statement and Election of Benefits on Retirement** form, a **Declaration of Marital Status** form and any other forms that may be relevant to the specific situation of the Member.

The Participating Municipality will:

- review the options available with the Member and give all three copies of the **Statement and Election of Benefits on Retirement** form, the **Declaration of Marital Status** form, along with all other forms for the Member to complete in order to start the pension. These will all be included in the retirement package provided to the Participating Municipality.

**The Participating Municipality, or its officers, are not to provide advice or a recommendation to a retiring Member as to which option to select. This could result in legal liability for the individual giving the advice or the Participating Municipality. The Participating Municipality can only provide factual information about the options found in the *Statement and Election of Benefits* package, and direct the Member to consult with his/her personal financial or other advisor to assist in reaching a decision about his/her pension benefits**

**options. If the Member has questions about the information in the package, the Participating Municipality should contact Mercer for information.**

- upon return of all fully completed forms by the Member (and his/her spouse or cohabiting partner, if applicable), leave one copy of each form with the Member, retain one copy of each form for the Participating Municipality's records, and return the original of each form to Mercer for processing.

Mercer will:

- authorize the start of pension payments from the pension fund, by issuing a **Payment Authorization** form to the Trustee. The Participating Municipality will receive a copy of the Payment Authorization form sent by Mercer to the Trustee. This will serve as confirmation of the final amount of pension payable to the Member. Once the pension payments have started, a confirmation that benefits were started in accordance with the Payment Authorization will be forwarded by the Trustee to the Participating Municipality.

Any later change of address or banking information of a pensioner must be reported by the pensioner directly to the Trustee.

### ***Procedures on the Death of a Pensioner***

If a Participating Municipality is advised of the death of a pensioner, Mercer should be advised of the death by the Participating Municipality. Mercer will then advise the Trustee as to the payment of any remaining pension benefits to a surviving spouse or cohabiting partner, or a designated beneficiary, or estate.

The Participating Municipality may be requested to contact the family of the deceased to request any information or documentation that may be required to authorize the commencement of any survivor pension or payment of the balance of a guaranteed period to a beneficiary or estate. Proof of death is required before any death benefit can be paid. In addition, in certain cases, it may be required to ask for repayment of pension payments made to the pensioner after he/she passed away.

Mercer maintains a copy of all pensioner records and pension payments for recordkeeping and valuation purposes.

### ***Procedures on a Death (While in Active Service)***

Pre-retirement deaths are uncommon, and processing these benefits can be complex. Proof of death is required before a death benefit can be paid. Additional information will

also be typically required. Mercer will advise the Participating Municipality of any additional requirements on a case-by-case basis.

Benefits can be payable to a surviving spouse or cohabiting partner, and/or to a designated beneficiary or estate. They can be in the form of a lump sum payment or a life annuity, depending on the circumstances.

### *Timeline of Events*

The Participating Municipality should forward a **Notice of Change in Member Status** form (Exhibit 3) to Mercer.

Mercer will:

- determine who is eligible to receive the death benefit based on the documents on file, and may ask the Participating Municipality to have certain forms completed by the executor of the Member's estate, or any surviving spouse or cohabiting partner.
- calculate the benefit payable; and
- prepare and forward to the Participating Municipality a **Statement and Election of Benefits on Death of An Active Member** (including any forms required for the payment of benefits) for completion by the individual(s) identified as the recipient(s) of any death benefit payable.

The Participating Municipality will:

- forward the **Statement and Election of Benefits on Death of An Active Member** (along with all the included forms) to the individual(s) for completion and signature.

**Again, the Participating Municipality, or its officers, are not to provide advice or a recommendation to an individual as to which option to select. This could result in legal liability for the individual giving the advice or the Participating Municipality. The Participating Municipality can only provide factual information about the options found in the *Statement and Election of Benefits* package, and direct the individual(s) to consult with their personal financial or other advisor to assist in reaching a decision about his/her options. If the individual(s) has(have) questions about the information in the package, the Participating Municipality should contact Mercer for information.**

- Upon return of all fully completed forms by the individual(s), one copy of each form remains with the individual(s), a copy of each form is to be retained by the Participating Municipality, and an original signed copy of each form is to be returned to Mercer for processing.

- Mercer will:
  - authorize the payment of the benefits from the pension fund, by issuing to the Trustee a **Payment Authorization** form. The Participating Municipality will receive a copy of the Payment Authorization form sent by Mercer to the Trustee. Once the benefits have been paid by the Trustee, a confirmation that benefits were paid in accordance with the Payment Authorization will be forwarded by the Trustee to the Participating Municipality.

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## **Income Tax Implications**

### ***Member Contributions***

Regular Member contributions deducted from pay, and payments made by Members to continue to accrue service during periods of approved leave or to purchase service under the Pension Plan, must be reported every year on the employee's T4.

### ***Pension Adjustments***

A Pension Adjustment has to be calculated and reported in **box 52** of a Member's T4 every year. Also, the registration number of the Pension Plan (**0588483**) appears in **box 50** of the T4s.

At the end of every calendar year, Mercer will send Participating Municipalities a letter describing how to calculate their employees' Pension Adjustments (PAs) for all employees who participated in the Pension Plan at any time during the calendar year.

Every Participating Municipality is responsible for calculating and reporting the PAs for its employees who are Members of the Pension Plan. All issued PAs should be kept on file indefinitely by the Participating Municipalities.

### ***Pension Adjustment Reversals***

A Pension Adjustment Reversal (PAR) has to be reported to the Canada Revenue Agency (CRA) for every Member who receives a lump sum payment or transfer from the Pension Plan in settlement of benefit entitlements under the Pension Plan following cessation of membership in the Pension Plan (for example, on termination of employment).

In order to calculate a PAR for a Member, Mercer will request from the Participating Municipality a listing of a Member's historical Pension Adjustments. Mercer will then calculate the PAR. Mercer will provide each Participating Municipality with the necessary forms to file the PARs with the CRA and inform the Member.

On receipt of these forms, the Participating Municipality is responsible to ensure that the forms are signed and filed with CRA, and distributed to the former employees within the deadline noted. A PAR form must be filed with the CRA within 60 days of the end of the quarter in which the Member's benefits were paid out of the Pension Plan (except at the end of the 4th quarter, when the deadline is 30 days after the end of the quarter).

### ***Payments from the Pension Plan***

Cash payments made from the Pension Plan to any individual are considered earned income, and must be reported as taxable income by the individual receiving the payment. However, this is the responsibility of the Trustee, not the Participating Municipality.

Income tax on lump sum cash payments from the Pension Plan to the Member, to a spouse or cohabiting partner, or to a beneficiary, is withheld by the Trustee at source, at the appropriate rates depending on the amount payable.

T4A slips in respect of cash payments and pension payments made out of the Pension Plan will be issued directly by the Trustee to the Member, a spouse or cohabiting partner, or a beneficiary, as the case may be.

Certain benefits payable upon termination of employment or death can be transferred directly to another retirement vehicle on a tax-free basis. No T4A will be issued by the Trustee for those transfers.

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## Service Purchases and Reciprocal Transfers

### *Purchase of Service with Current Employer*

#### *Service Rendered Before Joining the Pension Plan*

A Member of the Pension Plan has the option to purchase service in respect of time he/she worked for the Participating Municipality before joining the Pension Plan. If a Member wishes to obtain a cost estimate for this pre-membership service, the Participating Municipality can contact Mercer to request a calculation. Mercer will require certain information to prepare the calculation, including information on any breaks in service the employee may have had during that period. Mercer will prepare a **Past Service Purchase Statement** to explain the cost and tax implications of the purchase to the Member, and send that statement to the Participating Municipality for distribution to the Member.

The cost of the purchase can be paid entirely by the Member, or entirely by the Participating Municipality, or can be cost-shared. The decision to cost-share or not in the purchase of any such service is left to the sole discretion of each Participating Municipality.

#### *Service During an Approved Leave of Absence*

A Member of the Pension Plan who is on an approved leave of absence (including maternity or parental leaves) or who is in receipt of a disability benefit from the employer-sponsored LTD Plan, or from the provincial workers' compensation board, may choose to continue to make his/her regular required contributions for the period of the leave. The Member is required to submit his/her intention in this regard in writing to the Participating Municipality at the beginning of the leave using the **Member Contributions While on Leave** form (Exhibit 6). If a Member chooses to continue regular contributions

to the Pension Plan during the leave, the Participating Municipality is required to continue to remit its employer portion of the contributions as well. If a Member chooses not to continue to make regular contributions during the leave, he/she will **not** have the option to purchase this service in the Pension Plan at a later date.

### ***Purchase of Service with a Previous Employer***

#### *When the Previous Employer is a Participating Municipality in the Pension Plan*

A new Pension Plan Member who previously worked for another Participating Municipality under the TRIO Pension Plan has the option to transfer his/her service from the previous participating municipality to the current Participating Municipality. This transfer is done in accordance with an Inter-Municipal Reciprocal Transfer Agreement. There are time limits imposed for such transfers after which they cannot be processed. For example, the transfer process must be initiated within a two-year period from the date of employment at the current Participating Municipality, after which time a transfer cannot be processed. Participating Municipalities are encouraged to contact Mercer if they hire an individual from another participating municipality under the Pension Plan.

If a Member wishes to explore further a transfer of service from another participating municipality, the Member must complete **Appendix A – Transfer Application** (Exhibit 7) to request the calculation and send it to TRIO, as indicated on the form. Mercer will then prepare the calculation in accordance with the agreement and send it to the Participating Municipality who will provide it to the Member for consideration. The transfer will not occur without the Member's specific agreement and instruction.

#### *When the Previous Employer is the Province of Newfoundland and Labrador*

A new Pension Plan Member who previously worked for the Province of Newfoundland and Labrador AND was a member of the Public Service Pension Plan has the option to transfer his/her service from the Public Service Pension Plan to the TRIO Pension Plan. This transfer is done in accordance with a Reciprocal Transfer Agreement between the Province of Newfoundland and TRIO. There are time limits imposed for such transfers after which they cannot be processed. For example, the transfer process must be initiated within a three-year period from the date of employment at the current Participating Municipality, after which time a transfer cannot be processed. Participating Municipalities are encouraged to contact Mercer if they hire an individual who participated in the Public Service Pension Plan of the Province of Newfoundland and Labrador.

If a Member wishes to explore further a transfer of service from the Public Service Pension Plan, the Member must complete **Appendix A – Transfer Application** (Exhibit 8) to request the calculation, and send a copy to TRIO and to the Province of Newfoundland and Labrador, as indicated on the form. Mercer and the Province of Newfoundland and Labrador will then prepare the calculation in accordance with the

agreement, and send it back to the Participating Municipality who will provide it to the Member for consideration. The transfer will not occur without the Member's specific agreement and instruction.

#### *Other Previous Employers*

There are no provisions under the TRIO Pension Plan to allow for the purchase of past service with any other employer. Transfers of service from a previous employer that is not a participating municipality under the TRIO Pension Plan or the Province of Newfoundland and Labrador are not allowed.

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## Year-End Procedures

### ***Contribution Report***

Each January, Mercer will forward to every Participating Municipality a listing of all its active Members under the Pension Plan who were also active at the previous Pension Plan year-end (the ***Contribution Report***).

The Participating Municipality will use the ***Contribution Report*** to provide the following information to Mercer for each Member:

- Credited Service under the Pension Plan for the past year;
- Pensionable earnings under the Pension Plan for the past year;
- Regular required contributions deducted during the past year;
- Special contributions made for purchase of past service, or made during periods of approved leave (such as maternity and parental leaves, or disability) during the past year;
- Any periods of disability, lay off, temporary suspensions of employment, and unpaid leaves of absence, and part-time periods of service should be recorded in the "Remarks" section; and
- Pension Adjustments reported on the Members' T4s for the year.

The **Contribution Report** should be completed and returned to Mercer before the due date indicated on the report, and preferably in an electronic format. A copy is to be retained by the Participating Municipality for its records.

Notes:

- It is not necessary to enter the Employer's contributions on the report, as these contributions are not allocated to the individual Members under the Pension Plan.
- The total of all Member contributions must reconcile with the amounts remitted to the Trustee for the Pension Plan year just ended.
- Contributions must also be reported for Members who cease membership in the Pension Plan during the year. The amount of these contributions must individually reconcile with those reported on the **Notice of Change in Member Status** form (Exhibit 3) at the time of termination or retirement.
- Any other changes to the Member record should be reported separately in a **Notice of Change in Member Information** form, or a **Spouse or Cohabiting Partner & Beneficiary Designation** form, as applicable.

### ***Year-End Report and Individual Member Statements***

After each year-end and after Mercer has received a **Contribution Report** from every Participating Municipality, Mercer will update every Member record using the information provided in the **Contribution Report**. Mercer will also update all Member records using the information provided in the various notices and forms received from Participating Municipalities over the year. Mercer will then supply every Participating Municipality with:

- A year-end report, listing all Members of the Participating Municipality who have a pension entitlement under the Pension Plan showing basic personal information and all relevant updated pension data to the year-end (*i.e.*, December 31st).
- Individual Member statements showing each active Member's record in the Pension Plan at year-end. The individual Member statements are to be distributed to each Member by the Participating Municipality once received from Mercer.

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## **Exhibits**

- Exhibit 1** - *Pension Plan Enrolment*
- Exhibit 2** - *Spouse or Cohabiting Partner & Beneficiary Designation*
- Exhibit 3** - *Notice of Change in Member Status*
- Exhibit 4** - *Notice of Change in Member Information*
- Exhibit 5** - *Contribution Remittance*
- Exhibit 6** - *Member Contributions While on Leave*
- Exhibit 7** - *Inter-Municipal Reciprocal Transfer Agreement*  
*Appendix A – Transfer Application*
- Exhibit 8** - *Reciprocal Transfer Agreement between the Province of Newfoundland and TRIO*  
*Appendix A – Transfer Application*

The above forms are also available on the TRIO website ([www.triobenefits.ca](http://www.triobenefits.ca)) at the following link: <http://www.triobenefits.ca/forms2.html>.



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