

# Group Registered Retirement Savings Plan Plan Information & Advantages

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**CUMIS**<sup>®</sup>

# What's great about your Group RRSP?

- » The USW District 3 sponsored plan provides these benefits to its members:
  - ✓ A program designed with the member in mind
  - ✓ An organizing tool that supports retirement planning
  - ✓ A consistent solution for members across the District
  - ✓ Economies of scale in negotiating fees and services
  - ✓ Oversight by members that participate in the plan
  - ✓ Education by the Union and CUMIS on saving for retirement

# Group RRSP Rules

- » All USW District 3 Members are eligible to join once a division is established for a Participating Employer
- » The Participating Employer will contribute an amount as specified in the collective agreement
- » Plan does not allow Spousal RRSPs
- » Member can choose where to invest the contributions. Education is provided but not investment advice

# Group RRSP Rules

- » Members are not allowed to withdraw “Employer Required Contributions” while actively employed
- » However, withdrawals are permitted for “First Time Home Buyers’ and/or “Lifelong Learning Plan” programs.
- » Once member leaves employment, they have the flexibility of keeping their money with CUMIS, transferring to another plan, or cashing out (minus applicable withholding tax)

# The Impact of Lower Fees over Time!

# Lower Fees Means More for Retirement

- » The USW Group RRSP has excellent investment management fees when compared to retail products or even other group RRSP plans
- » The typical retail balanced fund carries a management expense ratio in the range of 2.00% – 2.50%.
- » The balanced funds in the USW plan have a fee of 0.90%.

- » Let's review an example on the impact of fees:

## Assumptions:

- Current assets \$25,000
- Monthly contribution: \$200
- Annual estimated rate of return: 6.0%
- Retail balanced fund fee: 2.25%
- CUMIS balanced fund fee: 0.90%

# Lower Fees Means More for Retirement

## » Results:

» Under those assumptions, the amount of fees paid over a 10-year period are:

- Retail: \$10,814
- CUMIS: \$4,350
- Difference: ***\$6,464 savings***

» Under those assumptions, the amount of fees paid over a 20-year period are:

- Retail: \$37,440
- CUMIS: \$15,060
- Difference: ***\$22,380 savings***

Calculations done using [www.getsmarteraboutmoney.ca /en/tools](http://www.getsmarteraboutmoney.ca/en/tools)

# Payroll Tax Savings



# Restricted Plans and Payroll Costs

- » Employer contributions to the Group RRSP are a taxable benefit – offset by a RRSP tax receipts issued by CUMIS
- » However, the USW Group RRSP is a “Restricted” Plan where required contributions from an employer have withdrawal restrictions
- » These restrictions allow for:
  - employer and member savings on EI premiums vs. a non-restricted Group RRSP (savings shown on next slide)

# El Premiums and Restricted Plans

**Example: A total employer contribution of \$10,000 for their combined group of members.**

An employer contribution increases a member’s salary for tax purposes. The contribution amount will therefore attract payroll taxes as shown in the table below.

	RRSP Contribution	Restricted RRSP Contribution
<b>Company Spends</b>		
Cost of RRSP benefit	\$10,000	\$10,000
Add: CPP <sup>(1)</sup> 4.95%	495	495
E.I. <sup>(2)</sup> 2.63%	<u>263</u>	<u>n/a</u>
<b>TOTAL</b>	<b>\$10,758</b>	<b>\$10,495</b>
<b>Members Receive</b>		
Total Contribution	\$10,000	\$10,000
Pay: CPP <sup>(1)</sup> 4.95%	495	495
Pay: E.I. <sup>(2)</sup> 1.88%	<u>188</u>	<u>n/a</u>
<b>Net Amount</b>	<b>\$9,317</b>	<b>\$9,505</b>

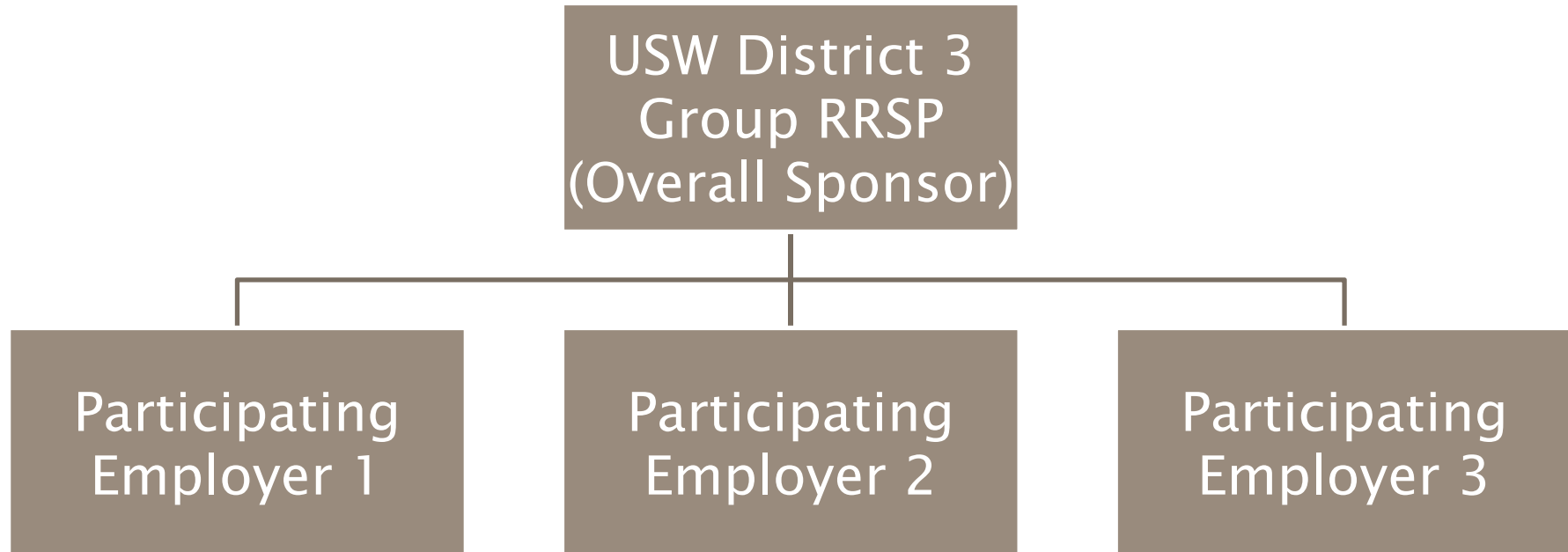
(1) Assumes members earn less than YMPE (\$54,900 in 2016)  
 (2) Assumes members earn less than \$50,800 in 2016

# Other Notes

- » The Group RRSP should be an advantage to the employer since they do not have to establish a pension plan to support the collective agreement – relieves them of the setup and governance duties of sponsoring a pension plan.
- » Employer's role is to manage the enrolment paperwork and maintain the contribution remittance process
- » Group RRSP contributions are reported on the member's tax slip issued by CUMIS, as opposed to a pension plan where contributions are reported on the T4.
- » You may have to negotiate time for education sessions for the Group RRSP

# New Division Setup & Responsibilities

# Plan Structure



# USW District 3 Responsibilities

- » Provide CUMIS with District 3 Representative contact information
- » Inform CUMIS when a new division is to be set up
  - » Send Member Retirement Plan section of the Collective Agreement
  - » Send completed Employer Information Form to CUMIS contact Don Rowell ([don.rowell@cumis.com](mailto:don.rowell@cumis.com))
- » USW District 3 Rep to work with Don and the participating employer to facilitate member enrolment kits and group sessions at employer location
- » Review plan, member service, investments and governance on an annual basis with CUMIS

# Participating Employer Responsibilities

- » Work with District 3 Representative and CUMIS to facilitate member enrolment sessions (held at employer's location at a time and date convenient for all parties - employer might not pay the members for their time)
- » Work with CUMIS to set up the contribution remittance process
- » Employer will contribute an amount as specified in the Collective Agreement
- » Submit employer and member contributions to CUMIS as per agreed timelines
- » Keep CUMIS updated on any changes in employer human resources/payroll contact information

# CUMIS Responsibilities

- » Contact the participating employer to set up the new Group RRSP division
- » Work with District 3 Representative and participating employer to arrange for member kits (or e-tool) and group enrolment /education
- » Work with participating employer to set up the contribution remittance process
- » Provide administration, investment, call centre, web and statement services
- » Meet with USW District 3 at least on an annual basis to review the plan, CUMIS service, investment review and governance



# Member Investment Options

# Investing - Where to begin ...Complete IPQ\*

» Determine your investor profile:

- Conservative
- Moderate
- Balanced
- Growth
- Long-Term Growth

» Choose investments:

- 1) One Simple Solution  
(9 LifePlan “Target Date Funds”)
- 2) Do it yourself portfolio  
(14 funds)

# Investment Solutions

## *Meaningful Variety*

**BLACKROCK**

**cumis<sup>®</sup>**

**MAWER**



**MFS**

**PHILLIPS, HAGER & NORTH**  
Investment Management<sup>®</sup>

**cumis<sup>®</sup>**

# Investment Management Fees and Returns

United Steel Workers, District 3		Net Annualized Rates of Return as at:						December 31, 2015	
Fund	IMF	Fixed Income / Equity Split	Volatility Rating	3 Months (%)	1 Year (%)	3 Year (%)	5 Year (%)	10 Year (%)	
<b>Money Market Funds</b>									
CUMIS Money Market Fund (PH&N)	0.80%	100% / 0%	Very Low	0.0	0.1	0.3	0.3	1.2	
<b>Fixed Income Funds</b>									
CUMIS Retirement Security Fund (CUMIS)	1.20%	100% / 0%	Low	0.9	3.4	3.4	3.6	4.1	
CUMIS Bond Fund (PH&N)	0.90%	100% / 0%	Medium	0.8	2.9	3.2	4.1	4.5	
<b>Balanced Funds</b>									
CUMIS Balanced Fund (MFS)	0.90%	35% / 65%	Medium to High	2.4	5.9	10.6	7.1	5.2	
CUMIS Balanced Fund (Mawer)	0.90%	40% / 60%	Medium to High	4.7	10.6	14.3	11.4	8.0	
<b>Canadian Equity Funds</b>									
CUMIS Large Cap Canadian Equity Fund (Mawer)	0.90%	0% / 100%	High	0.2	0.0	13.5	11.1	8.5	
CUMIS Canadian Equity Fund (Franklin Bissett)	1.00%	0% / 100%	High	0.5	-8.0	7.7	6.5	6.0	
CUMIS Dividend Income Fund (PH&N)	0.90%	0% / 100%	Medium to High	-0.8	-8.3	5.7	5.1	3.9	
<b>U.S. Equity Funds</b>									
CUMIS U.S. Equity Fund (Mawer)	0.90%	0% / 100%	Medium to High	10.2	19.8	27.4	19.5	9.2	
<b>International &amp; Global Equity Funds</b>									
CUMIS Non North American Equity Fund (Mawer)	0.90%	0% / 100%	High	8.8	21.1	17.9	12.9	8.3	
<b>Target-Date Funds</b>									
CUMIS LifePlan Retiree (MFS)	0.90%	75% / 25%	Medium	-0.1	6.3	7.4	5.7	4.6	
CUMIS LifePlan Retirement 2015 (MFS)	0.90%	70% / 30%	Medium	-0.1	6.5	7.9	6.0	4.6	
CUMIS LifePlan Retirement 2020 (MFS)	0.90%	60% / 40%	Medium	-0.2	7.7	9.5	6.8	4.9	
CUMIS LifePlan Retirement 2025 (MFS)	0.90%	40% / 60%	Medium to High	-0.5	9.6	11.0	7.6	5.2	
CUMIS LifePlan Retirement 2030 (MFS)	0.90%	20% / 80%	Medium to High	-0.9	11.0	12.2	8.3	5.4	
CUMIS LifePlan Retirement 2035 (MFS)	0.90%	10% / 90%	Medium to High	-1.4	11.3	13.0	8.6	5.5	
CUMIS LifePlan Retirement 2040 (MFS)	0.90%	0% / 100%	High	-1.8	11.5	13.7	9.0	5.5	
CUMIS LifePlan Retirement 2045 (MFS)	0.90%	0% / 100%	High	-1.8	11.5	14.3	9.2	-	
CUMIS LifePlan Retirement 2050 (MFS)	0.90%	0% / 100%	High	-1.8	11.5	14.9	9.5	-	
<b>Actively Managed Asset Allocation Funds</b>									
CUMIS LifePoints® Balanced Income (Frank Russell)	1.15%	65% / 35%	Medium	2.1	4.1	6.3	5.6	4.8	
CUMIS LifePoints® Balanced Growth (Frank Russell)	1.15%	40% / 60%	Medium to High	3.6	5.8	9.5	6.9	5.1	
CUMIS LifePoints® Long-Term Growth (Frank Russell)	1.15%	20% / 80%	High	4.6	7.1	12.0	8.0	5.3	
CUMIS LifePoints® All Equity (Frank Russell)	1.15%	0% / 100%	High	5.8	9.0	15.4	9.4	5.3	

"IMF" = Investment Management Fee

# Your Retirement Services Contacts

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Client Relationship Specialist

**Don is your primary contact for new division setups**