

Group Registered Retirement Savings Plan (RRSP) and Tax-Free Savings Account (TFSA)

Program Booklet

This booklet provides an overview of the group savings plans from the Alberta Municipal Services Corporation (AMSC) which include the Group RRSP and TFSA.

The Group RRSP allows for the tax-deferral of retirement savings. Contributions to the plan are tax-deductible while any withdrawals from the plan are taxable as income in the year received.

A Tax-Free Savings Account, on the other hand, allows for the accumulation of savings on a tax-free basis. Contributions to a TFSA are made with after-tax income while any withdrawals from the plan (including income earned while a member of the plan) are tax-free and can be recontributed the following taxation year.

Who can participate?

The Group RRSP and TFSA are available to employees or elected officials of a participating employer. An eligible employer may participate in either savings plan or both. Each participating employer has discretion to determine which employees are eligible to participate. Employee participation is voluntary.

Participating employers may also specify certain parameters in the design of their Group RRSP, such as employer contributions and withdrawal restrictions on employer contributions.

How are contributions made, and who makes them?

Contributions are made by payroll deduction. You may contribute a fixed dollar amount per pay, or a percentage of your salary.

With the Group RRSP, your employer may make contributions on your behalf, although they have no obligation to do so. Employer contributions to a Group RRSP are a taxable benefit to the employee. The total of employer and employee contributions is tax-deductible to the employee up to the limit of the employee's available RRSP contribution room.

Employer contributions to a TFSA are not allowed.

How are your contributions and any contributions on your behalf invested?

You are responsible for selecting investment options from a list of funds provided through Sun Life Financial that have been reviewed and approved by AMSC. It is recommended that you consult with a qualified financial advisor prior to making any investment decisions.

If you do not select an investment option(s), your funds will be placed in a default fund. The default fund is the Target Date Fund closest to (without exceeding) the date on which you reach 65 years of age.

Which types of investment options are available?

Investment choices fall into 2 broad categories:

- *Funds built by you* are generally chosen by individuals who want to manage their own investments and have some investment knowledge
- *Funds built for you* are target date funds which mature at certain future dates, are professionally managed and generally chosen by individuals who want help managing their investments. Funds can be chosen to most closely align with the date that you expect to require your funds.

The available investment options under the AMSC Group RRSP and TFSA savings plans consist of the following funds:

Target Date Funds

Each target date fund has a specified maturity date and the asset mix of the fund generally becomes more conservative as the fund approaches the maturity date. You determine which fund to invest in by matching your investment time horizon with the maturity date of a fund. Like all other segregated funds available in the group savings plans, the value of the assets and the rate of return are not guaranteed.

Guaranteed Fund

This fund earns a set rate of interest and provides a guarantee to receive interest, plus the contributions made, at the end of a three year term. The contributions are accumulated under a Group Annuity Policy issued by Sun Life Assurance Company of Canada, a member of the Sun Life Financial group of companies.

Money Market Fund

This fund invests primarily in short-term investments (under 1 year) which are typically issued by the government or high-quality corporations. It is considered a liquid investment and earns a low rate of return compared to other, riskier fund classes over long periods.

Bond (fixed income) Fund

This fund invests in bonds issued by governments and corporations. While they have the potential to earn higher returns than money market funds, they are also generally riskier when interest rates change. Bond fund values will decrease as interest rates rise, and vice versa.

Equity Funds

These funds invest mainly in stocks. When you buy a stock, you are buying an equity ownership share in a company. Equities tend to be more volatile than other types of investment funds, but have historically provided the best returns over the long term. Equity funds will often specialize in different parts of the world, different geographic areas or different economic sectors, or use a particular investment strategy, all of which affect their risk level.

You may obtain additional information concerning the available investment options from Sun Life Financial's "my money @ work" guide, or by signing in to www.mysunlife.ca using your access ID and password. In the event you do not currently have online account access, a generic access ID and password may be used for informational purposes only (access ID: 0921302; password: 26018802).

How do I make investment changes?

You can change your investment direction for future contributions, as well as transfer accumulated assets between funds, at any time either online at www.mysunlife.ca or by calling the Sun Life Financial Customer Care Centre toll free at 1-866-733-8613.

Warning regarding short term trading

Frequent trading or "short term trading" is the practice whereby an investor makes multiple buying and selling transactions on a regular basis in an attempt to boost returns to their account. Short term trading affects all investors in the fund and can lead to a negative impact on performance. For this reason, a 2% fee will be charged if an interfund transfer is initiated into a fund, followed by an interfund transfer out of the same fund within 30 days. The fee will not be charged for transactions involving guaranteed funds or money market funds.

What happens to my investments when I terminate employment?

The following options are available to all terminating plan members:

1. keep your assets at Sun Life Financial and move your account(s) to their Group Choices Plan
2. transfer your asset balance(s) to another external Registered Retirement Savings Plan (RRSP) and/or Tax-Free Savings Account (TFSA)
3. take a cash payment of the value of your assets. Funds withdrawn from a RRSP are taxable in the year received while withdrawals from a TFSA are tax-free

A RRSP may be converted to a Registered Retirement Income Fund (RRIF) at any time. Please note that a RRSP must be converted to a RRIF, annuity or distributed as a taxable lump-sum cash payment prior to the end of the year you attain age 71.

What happens in the event of my death before termination?

The value of your account is payable to your designated beneficiary.

Where can I obtain additional information?

Any questions relating to the Group RRSP or TFSA may be directed to:

Director, Retirement Services
Alberta Municipal Services Corporation
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Edmonton, AB T6E 6E6
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