

RETIREMENT SAVINGS PLAN FOR MCMASTER UNIVERSITY

Your group number: G003908-0001

Your plan, your way

This is an overview of the Group Registered Retirement Savings Plan (the RRSP, the Plan) established by **McMaster University** (the Plan Sponsor) to help you reach your retirement goals.

Contributions made to your Plan together with investment earnings on those contributions will grow in a tax-sheltered environment, which should allow you to accumulate more for your retirement.

Did you know that an RRSP is the most popular tax-sheltered retirement savings plan in Canada?

It is your own responsibility to ensure you have enough savings for your retirement. This RRSP alone may not provide you with all the income you need in retirement, so treat it as part of your comprehensive retirement planning strategy.

Why should you contribute to this RRSP?

The main advantage of your Plan is that it allows you to defer taxes on your contributions provided you don't exceed the limits prescribed under the *Income Tax Act* (see "How much can you contribute in a taxation year" section). All investment income also accumulates tax-free until you make a withdrawal.

So the rule of thumb for RRSP contributions is: the earlier the better. Starting early means you have more time to grow your investment on a tax-sheltered basis.

Your employer has chosen Desjardins Financial Security Life Assurance Company (Desjardins) for the day-to-day administration of this RRSP. If you need any information about this RRSP, contact your employer or our Customer Contact Centre at 1-800-968-3587.

What are your rights and responsibilities?

- Learn about your RRSP by using the information and decision-making tools provided by your employer and Desjardins
- Choose your investment options and decide how much you want to contribute to your RRSP
- Provide accurate, up-to-date information to your employer and/or Desjardins
- Decide when to seek advice from an investment advisor.

How do you join this RRSP?

Participation for eligible employees is compulsory.

To join this RRSP, just complete the enrolment form provided by your employer.

How are your contributions determined?

The contributions you and your employer make to your RRSP are determined as follows:

Participant: As per your collective bargaining agreement or employee group agreement.

Employer: As per your collective bargaining agreement or employee group agreement.

Employer contributions are contributions made to your RRSP by your employer, and they are a taxable benefit.

The advantage of having a plan where your employer contributes on your behalf is that it allows you to accumulate savings faster than a plan that does not have employer contributions.

You may make contributions by payroll deduction or lump-sum deposits. The lump-sum deposits can be made by pre-authorized cheques or by cheques payable to Desjardins Financial Security Life Assurance Company.

When you make contributions by payroll deduction, you may qualify for an immediate tax reduction, instead of having to wait until you file your tax return.

Example: If you decide to contribute \$60 per pay period, in reality, your net pay will only be reduced by \$36, leaving you with an extra \$24 per pay based on a 40% tax bracket.

Your investments, your way

You can choose how your RRSP contributions are invested among the proposed investment options.

If you need help understanding your investment choices or deciding what investment choices are right for you, please contact Desjardins. You are also encouraged to consult a qualified investment advisor.

What happens if you don't give investment instructions?

If we do not receive any investment instructions from you, we will invest your contributions in the default fund selected by your employer which is the BlackRock LifePath Index Fund assuming participant retires at age 65.

You may change your investment instructions at any time. We recommend that you review your investments annually or when a major life event occurs, like the birth of a child or the purchase of a new house.

You can also transfer from one investment option to another that is offered under this RRSP. Desjardins does not apply fees on transfers between funds.

There may be a market value adjustment applied to guaranteed funds that are transferred or surrendered before maturity.

How much can you contribute in a taxation year?

In a taxation year, you can contribute up to the lesser of:

- 18% of your previous year's earned income, or
- the maximum dollar amount for that year as prescribed in the *Income Tax Act*.

Your unused contribution room from the previous year can be carried over to the current year without affecting your maximum. The amount of your unused contributions is indicated on your Notice of Assessment that you will receive after filing your annual tax return.

These contributions are deducted from your taxable income when you file your tax return. Refer to the Notice of Assessment or the Notice of Reassessment that the Canada Revenue Agency sends you each year to confirm your maximum deductible contribution.

For the calculation of your maximum contributions, you must take into account the employer contributions.

RRSP contributions can be made during the calendar year or within 60 days of the end of the calendar year to be tax deductible for that year. Contributions made after year-end can also be applied to the year they are made.

Example: You contribute \$2,000 to your RRSP on February 20 of the current year. You can apply the tax deduction to the previous year (since you made this contribution within 60 days after the end of the current calendar year), or you can apply it to the current year.

Can you contribute on behalf of your spouse or common-law partner?

Yes, you can also make spousal (spouse or common law partner) contributions under the Plan. These contributions are included in your total contribution limit as determined by the *Income Tax Act*, and you will benefit from the tax deduction claimed on your income tax return.

However, please note that once contributions have been made on your spouse's behalf, these contributions belong to your spouse.

Can you transfer from another plan?

Direct transfers can be made from a registered plan with a former employer or from another RRSP.

Can you make withdrawals at any time?

You cannot withdraw contributions to your RRSP while you are an employee of McMaster University.

You are not allowed to withdraw locked-in funds from a registered pension plan that you have transferred into this RRSP, because these funds are frozen until retirement.

However, withdrawals for Home Buyers Plan (HBP) or the Lifelong Learning Plan (LLP) are allowed from Voluntary Non Matched Contributions or from funds transferred in from other sources. In order for Desjardins to proceed with these types of withdrawals, we will require authorization from your employer.

What happens if your employment ends?

If you leave your employment, you may choose to:

- Transfer your Plan to a registered pension plan;
- Transfer your Plan to an individual RRSP with Desjardins or any other institution;
- Receive the Plan contributions plus any investment earnings in cash, subject to withholding taxes.

Locked-in contributions and any investment earnings transferred from a registered pension plan cannot be paid in cash. They can only be transferred out according to the applicable legislation.

Desjardins offers you all the products you may need if you leave this RRSP. For more information, please call our Customer Contact Centre at 1-800-968-3587.

What happens when you retire?

You will have to make a decision based on the available options:

Annuity – You may use your RRSP to purchase a retirement annuity. Annuity payments can start any time before the last day of the year you turn 71 or the age as permitted under applicable legislation.

The amount of the annuity you receive will depend on your age, the accumulated value of the contributions, the annuity purchase rates that apply when you retire and the type of annuity you select.

If you don't choose an annuity, you can choose a:

RRIF – Registered Retirement Income Fund

You can convert your RRSP into a RRIF, which is an arrangement between an insurance company, a trust company or a bank, and you. Each year, you'll have to withdraw a minimum amount. You can also choose to withdraw the total value of your RRIF at any time. Funds in a RRIF are sheltered, but amounts paid out of a RRIF are taxable upon receipt.

If your RRSP includes locked-in funds, that is, funds from a registered pension plan, they can be transferred to a Life Income Fund (LIF).

LIF – Life Income Fund (locked-in funds)

A LIF is considered a RRIF for the purpose of the *Income Tax Act*, so you will be required to withdraw a minimum amount equal to the minimum prescribed for the RRIF from your LIF each year. Your annual withdrawal amount, however, will be limited by the maximum withdrawal amount prescribed under the applicable pension legislation that regulates your LIF.

With a RRIF, or a LIF, you can choose to receive a single annual payment or 12 monthly payments.

What happens upon your death?

A beneficiary should be designated to receive the money in your RRSP upon your death. If a beneficiary is not designated, your estate will receive the benefits payable.

If you die before you retire, the contributions made to your RRSP and the investment earnings on these contributions will be paid to your designated beneficiary in cash, subject to withholding taxes. If your spouse is the designated beneficiary, your spouse can transfer the death benefit to his/her RRSP.

Locked-in funds transferred from a registered pension plan may be treated differently.

Can you assign benefits?

RRSP benefits cannot be assigned. This means you cannot transfer them to another person.

Annuity guarantee

In accordance with the contract entered into with your employer, Desjardins Financial Security Life Assurance Company guarantees you a minimum annual annuity based on the value of your investments.

For information about the exact terms and conditions of this guarantee, consult the applicable policy extracts on our website www.dfs.ca/participant under "Access forms and documents" from "Your transactions" menu, or request a copy from our Customer Contact Centre at 1-800-968-3587.

Fees

You will pay the following fees:

Management fees: The fees will be calculated using the total assets of the group as per the following scale:

0.64% on the first \$1,000,000

0.50% on amounts above \$1,000,000

Investment fees: variable depending on the Fund Manager, as indicated in the document *Your investment funds, your way* that is provided in your Plan enrolment kit. You may also find the information on these fees on our website www.dfs.ca/participant under "Investment options" in the "Education centre" menu or by phoning our Customer Contact Centre at 1-800-968-3587

Duplicate copies of RRSP receipts and income tax slips: \$10.00

Stay in touch with your account and Desjardins Financial Security

- Visit the participant website at www.dfs.ca/participant.
- Review your statement.
- Call our Customer Contact Centre at 1-800-968-3587.
- Email us at grouppension@dfs.ca.
- Fax us at 1-877-350-8555.

