



SOCIETY OF ACTUARIES

Article from:

Pension Section News

January 1998 – Issue 35

LIMRA Study*continued from page 11***EXHIBIT 2****Example of a Servicing Plan that Companies Can Offer to Employers**

1. Servicing company provides a toll-free number to the employee—it could be the same number that the employee uses to call for other participant services.
2. Servicing company provides a special toll-free number for employees and beneficiaries.
3. Employer gives employees an instruction sheet directing them to the toll-free number.
4. The toll-free number offers the employee the assistance of a retirement specialist to explain the process, help the employee complete the necessary forms, and answer questions.
5. Servicing company mails necessary forms and supporting communication material.
6. The company may also answer questions about the investment options available to the employees and provide material or assistance on selecting investment options.
7. Employees are notified of the time limits and what will happen if they make no election.
8. The company provides a compliance monitoring system that tracks when the notice of employees' rights, the spousal consent form, and tax-withholding notice are mailed.
9. The company can answer questions on how to handle outstanding loans.
10. For vested amounts less than \$5,000, the company can follow the special procedures it develops with the employer.

Study Note Corner

Securing Supplemental Retirement Arrangements (Course P-361C Study Note)

by C. Ian Genno

The incidence of Supplemental Retirement Arrangements (SRAs) in Canada has grown dramatically over the last two decades. This has been spurred by several factors, including:

- Minimal movement, since the 1970s, in the maximum pension limit which the Income Tax Act imposes on benefits paid from Registered Pension Plans (RPPs); in the absence of some form of arrangement to provide supplemental pension benefits, this would result in many executives, senior middle management employees, and highly paid professionals receiving inadequate pension at retirement.

- Increasing mobility in the workforce, resulting (among other things) in a need to provide greater pension benefits to executives hired mid-career than the Income Tax Act limits permit.
- An increase in the frequency of mergers, takeovers, and bankruptcies, resulting in some companies reneging on unfunded supplemental pension promises to certain employees.

In many organizations, SRAs have become a significant long-term element to the total compensation package for executives and other highly paid employees. And the security of the benefits promises

by these SRAs has become a more prominent issue.

This study note deals with how security can be provided for members of SRAs in Canada—in other words, what mechanisms can be used to ensure that, under appropriate circumstances, SRA members will receive the supplemental pension benefits which they have been promised.

To order Study Notes, please contact Aleshia Zionce, Study Note Coordinator, at 847-706-3525. The price for Study Note 361-74-97 is \$8. An up-to-date list of Study Notes and prices is available on the SOA website at <http://www.soa.org> in the Education and Exams area.