

Registered Pension Plans and Retirement Supports

Questions & Answers

Pension Plan: Setting Up

How much time does my centre or nursery school have to set up our pension plan?

Funding is available to start pension plans on December 1, 2010. Facilities are encouraged to start up their plans as soon as possible.

What if we can't meet the December 1, 2010 starting date?

Funding is available starting December 1, 2010, but facilities may need more time to get a plan in place. We hope that centres can establish plans quickly. Specific financial advice can be sought from pension providers and your current financial institution. Staff at the Manitoba Child Care Program are also available to assist and can be reached at childcarepension@gov.mb.ca.

What if my centre or nursery school doesn't want to participate in the pension plan?

A pension plan is for the long-term benefit of all workers in the early learning and child care (ELCC) field, to provide them with security for their retirement. It will also benefit centres and nursery schools in the recruitment and retention of staff. All licensed, non-profit child care centres and nursery schools will be required to set up a pension plan, and this requirement will be put into regulation.

If we don't set up our pension plan until January or February 2011, are we still eligible for funding back to December 1, 2010?

You should check with your plan provider about retroactively setting up a pension plan. If you are able to do so, provincial funding will be available to December 1, 2010.

Why isn't there one single plan?

Pension laws prevent the government from starting a pension plan on behalf of child care facilities because the government is not the employer. These facilities are independent organizations.

Isn't starting a pension plan a lot of work?

Although starting a pension plan might seem like a daunting task, there are options available that require very little administrative work. For example, by joining a Simplified Money Purchase Pension Plan (SMPPP), the administrative side of operating the pension is actually handled by the financial institution. The three following companies currently offer SMPPPs in Manitoba:

CUMIS Life: 1-800-263-9120

Great-West Life: 1-800-668-4161

Standard Life: 1-800-242-1704

Industrial Alliance: 1-888-532-1505 ext 249

Our centre already has a pension plan. Do we have to set up a new one?

Not necessarily. You can continue with your current pension plan as long as it is immediately vested and locked-in, and the employee and employer contribution rates are a minimum 4% of participating employees' salary. If it does not meet these conditions, you may be able to modify your current plan. Ask for advice from your current plan provider.

Pension Plan: Who is eligible?

Are all employees eligible to join the pension plan? Even administrative staff?

All employees, part-time and full-time, casual and seasonal, regardless of job type will be eligible to join their centre's pension plan. This includes administrative staff, cooks, cleaners, etc. so long as they are employed by the centre or nursery school.

If a new employee is under a probationary period, will they be allowed to join the pension plan?

It will depend on the eligibility conditions that are set up by the centre or nursery school with their pension plan provider. Centres can define when new staff will be eligible to participate in their pension plan, but that period cannot be longer than two years from the date that a new employee has started work.

Are staff under the Inclusion Support Program eligible for the pension plan?

All employees of centres and nursery schools will be eligible for the pension plan offered by that facility. Inclusion Support Workers hired to work at a licensed family child care home or group child care home, will instead be eligible for the 50% government matching of RRSP contributions, up to the maximums specified. See the brochure titled *Registered Pension Plans and Retirement Supports for Manitoba's Early Learning and Child Care Workforce* for further information.

Do centres and nursery schools have the option to make our pension plan mandatory for all?

A centre's pension plan cannot be made mandatory for staff that worked at the centre before the plan came into effect. Full-time staff and some part-time staff that start working at a centre after the pension plan is set up must join after a certain period of time. That amount of time cannot be longer than two years after they start working, but a centre's pension plan may specify a shorter period.

Pension Plan: Conditions

Can an employer contribute more than 4%?

Yes. The amount the employee and employer contribute depends on the rules of the pension plan the centre sets up. A centre's pension plan can require higher contributions, but it must be a minimum of 4% of participating employees' gross salary. A centre can only claim a reimbursement from the Manitoba Child Care Program for the 4% employer's contribution. Any amount above 4% will have to be paid by the employer.

Who will pay the fees associated with operating our pension plan?

The regular fees associated with operating a pension plan, called Investment Management Fees (IMFs), are usually built into the plan itself calculated as a proportion of the investment return. If centres and nursery schools incur any additional administrative fees in the operation of the pension plan, they can apply for reimbursement from the Manitoba Child Care Program. However, if your centre or nursery school voluntarily chooses to pay an ongoing administration fee, in order to reduce the IMF, that fee will not be eligible for reimbursement from the Manitoba Child Care Program.

Will there be a buy-back option?

No. Some "defined benefit" pension plans allow staff who worked before their pension plan came into effect to "buy back" years of service by paying additional funds into the plan. With these plans, the retirement benefits go up if staff buy back years of service.

The government is funding a "defined contribution" pension plan. Under a defined contribution pension plan it is not possible to buy back years of service.

Can an employer claim pension contributions made before December 1, 2010?

No. Only employer contributions that are made on or after December 1, 2010 will be eligible for reimbursement from the Manitoba Child Care Program, up to a maximum of 4% of participating employees' gross salary

What if I move from one centre to another? What happens to my pension plan?

This will depend on what type of plan your current employer offers and what type of plan your new employer offers. It may be that your account can be transferred from one to the other. However, if, for example, one employer offers a defined benefit pension plan, you may not be able to move your pension between the two. In these kinds of cases, there are other options, such as moving your current pension into a Locked-In Retirement Account (LIRA) and then starting a new pension with your new employer. Please consult with your plan provider for further information.

I don't work in the summer. Can I still make contributions to our pension plan?

No. Your employee contributions can only be made as a percentage of your salary, as set out in your pension plan. If you are not receiving income, you cannot make contributions to your pension account.

Will setting up the pension plan create any additional liabilities for the board of child care centres that set up the pension plans on behalf of their staff?

The creation of a pension plan will mean that a board of a child care centre or nursery school will have to fulfill certain requirements set out in *The Pension Benefits Act* and Regulations, mostly related to payment of employer contributions. Employers are always liable for making employer contributions to the plan. Also, if the employer is acting as administrator for the pension plan, there are additional requirements in the legislation which will have to be met. This is the case for an Employer Sponsored Pension Plan. However, if your centre or nursery school chooses a Simplified Money Purchase Pension Plan (SMPPP), the administrator is the financial institution that offers the plan.

If I'm contributing 4% of my salary to my pension plan, does that include overtime and bonuses?

No. Only regular wages will be eligible, which includes vacation pay and any other payment you are entitled to under *The Employment Standards Code*, but does not include overtime wages or bonuses.

Long-term Service Recognition Retirement Benefit

When can I claim the long-term service recognition retirement benefit?

Under this program, you must be retiring and be at least 55 years old. If you are between the ages of 55 and 64 you must also satisfy the rule of 80 to claim the benefit. The rule of 80 means that your age plus your years of service are equal to 80, so if you are 55 years old, you must have 25 years of service to qualify ($55 + 25 = 80$). All workers (regardless of the rule of 80) will qualify when they retire at or after the age of 65.

In calculating my years of service for the long-term service recognition retirement benefit, can I combine years worked in different child care facilities?

Yes. As long as you worked in licensed child care facilities in Manitoba, your years of service can be combined among multiple employers.

For the long-term service recognition retirement benefit, will the family child care income calculation be net or gross?

The income for purposes of the long-term service recognition retirement benefit for family child care providers will be calculated according to potential parent fees and operating grants based on the number of licensed spaces. This figure, therefore, would be a pre-tax (or gross) amount.