

MILESTONES & LIFESTYLE PLANNING

SERVICES



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*A critical review of providing
Employer-sponsored vs. Employer-
Facilitated Approved Retirement
Savings Programmes*

Presentation for Wednesday Morning Seminar



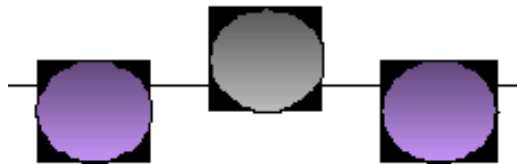
The Jamaica Chamber of Commerce

THE CONFERENCE BOARD



MYERS, FLETCHER & GORDON
ATTORNEYS-AT-LAW

Who is Milestones & Lifestyle Planning Services



Pre & Post Retirement
Seminars

"Milestones"



EB
Training

EB
Seminars

Consulting on
Wind Ups

EB Process
Improvement

An Employer's Critical review factors

- The current global economic situation
- Jamaica's pensions legislations
- Approved Superannuation Funds vs. Approved Retirement Schemes from an Employer's perspective

Change is a constant factor of life.
It is best managed with wisdom, knowledge
and understanding



Test your knowledge



12/2/2010

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Q1

- **What is your definition of retirement?**

Ans:

Your answer should include financial & lifestyle planning which will provide a **guaranteed lifetime income as a result of disability, old age and upon death**



Q2

- **What is the objective of an Approved Retirement Savings programme?**

Ans:

- **To provide a guaranteed lifetime income as a result of Disability, old age and death**
- **These are the life events which require guaranteed lifetime income benefits**



Q3

- **What is your Board's definition of the best pension benefit for the company's valued Employees who are Members of an Approved Superannuation Fund?**

Ans:

- **The best pension benefit is based on the formula in the Income Tax Act 1955**
 - **2% x 37.5 years = 75% of final pensionable salary at actual retirement date**



Q4

- **What are the 2 main sources of retirement income which must or may be facilitated an Employer?**

Ans:

- 1. State benefits**
- 2. Approved Retirement Savings:**
 - **Superannuation Funds; Retirement Schemes; Retirement Benefits Schemes**



Q5

- **From an Employer's perspective what are the 3 main differences between an Approved Superannuation Fund and an Approved Retirement Scheme**

Ans:

- 1. Establishment of the plan**
- 2. Contributions**
- 3. Vested benefits**



Q6

- **From an Employer's perspective what are the 3 main similarities between an Approved Superannuation Fund and an Approved Retirement Scheme?**

Ans:

- 1. Irrevocable trust**
- 2. Benefits are payable as a result of disability, old age and death**
- 3. Tax-deductible and tax-deferred benefits**



Q7

- **Name 3 Jamaican legislations which are directed to Approved Retirement Savings?**

Ans:

1. The Income Tax Act 1955
2. The Pensions (Superannuation Funds and Retirement Schemes) Act 2004
3. The Trustees Act 1897



Q8

- **Jamaica is now in a highly regulated Pensions environment. As a result a valued Employee who is a Member of an Approved Retirement Savings plan can now exercise his/her rights of complaint under the law. Which section of the Pensions Act empowers a Plan Member to complain to Financial Services**

Ans:

- **Section 38**



Q9

- **Your organization currently,**
(A) Has in place an Employer-sponsored Approved Superannuation Fund and having difficulty with the current economic global climate, which option would you recommend to the Board of Directors for continued provision of an Approved Retirement Savings plan for your Valued Employees?

Ans:

- Wind-up the Fund and distribute benefits to all active Plan Members, Deferred Pensioners and Pensioners?**
- Wind-up the Fund and immediately start an Approved Retirement Scheme**
- Keep the Fund and hope for a turn around in your industry**



Q9 *cont'd*

- Your organization currently,
(B) Has no Approved Retirement Savings plan in place but having difficulty with the current economic climate, which option would you recommend to the Board of Directors for providing an Approved Retirement Savings plan for your Valued Employees?

Ans:

- Establish an Employer-sponsored Approved Superannuation Fund: Defined Benefit type Plan or Defined Contribution type plan with an Unconditional vesting schedule of 5 Years or gradual vesting schedule of 5 years;**
- Establish an Employer-facilitated Approved Retirement Scheme: immediate vesting of any Employer-contributions**
- Only maintain the contributions to the State benefits (NIS and NHT) because it will provide a benefit for the valued Employees as a result of disability, old age and death.**



Q9 *cont'd*

● **Your organization currently,**
(C) Has in place an Employer-facilitated Approved Retirement Scheme and having difficulty with the current economic climate, which option would you chose to provide an Approved Retirement Savings plan for your Valued Employees

Ans:

Retain the Approved Retirement Scheme which provides flexibility for Employer annual contributions

Establish an Employer-sponsored Approved Superannuation Fund

Discontinue all future Employer contributions, if any, to the Retirement

*“Cessation of work is not
accompanied by cessation of
expenses.”*

- Cato

Summary

Summary



- Knowledge is key in tough economic times; know the law
- Be clear on your company's objectives for providing a guaranteed lifetime income for your Valued Employees
- Know the differences and similarities between an Approved Superannuation Fund and Approved Retirement Scheme

Summary *cont'd*



- If your company has an Approved Superannuation Fund or Retirement Scheme review the design considerations before making a change
- When making a change design an effective communication strategy for all Valued Employees
- Implement an effective strategy for coordinating retirement benefits: State and Approved Retirement Savings plan

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informed



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for your
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