

## **SUPPLEMENTARY EXECUTIVE RETIREMENT PROGRAM**

### **Background**

Foothills School Division has established a Supplementary Executive Retirement Program (“SERP”) as an unfunded supplemental employee retirement plan under the division’s direction and control pursuant to the terms and conditions under the Canada Revenue Agency (“CRA”) Advance Tax Ruling Document Number 2003-0042843. The SERP ensures that the total retirement benefit of specified individuals is consistent with the Supplemental Integration Pension Plan (“SiPP”) benefit formula, but without reference to the limits imposed on the registered pension plans by CRA.

The Assistant Superintendent, Corporate Services and the Director of Financial Services are responsible for the administration of this administrative procedure.

### **Procedures**

1. A benefit will be payable from the SERP at the earlier of the following scenarios:
  - 1.1 Upon termination of employment prior to attainment of age 55;
  - 1.2 Upon retirement from the school division on or following attainment of age 55;
  - 1.3 In the event of death while employed.
  
2. The School Division will pay out the benefit as follows:
  - 2.1 As a one-time lump sum payout.
  
3. SERP benefits paid to participating members will be considered taxable income in the year the SERP benefit is paid. Alternative arrangements that deviate from the SERP program and do not satisfy the terms and conditions of the advance tax ruling noted above may have adverse tax implications.
  
4. Asset Reserving Policy
  - 4.1 The school district will set aside ear-marked assets in respect of the SERP equal to the estimated SERP liability. Each year the school district will make contributions for service accruing during the school year based on the estimated go-forward cost rate as a percentage of pensionable earnings. At the end of each school year, the asset account balance will be trued-up to the updated SERP liability estimate.
  - 4.2 The eventual amount payable by the School Division to participating members will be based on the present value of SERP benefits calculated at the earlier of an individual’s termination, retirement, or death (with interest to the end of the month preceding payment). The ear-marked asset account balance is not directly related to the ultimate benefit that will be paid to SERP members which may be higher or lower than the reserve set aside. Ear-

marked assets belong to the school division and as such are available to the school division's general creditors.