

1 **Volume 2, Tab 4 – A Report on Employee Future Benefits**

2
3 **Q. Please confirm that NP employees who receive retirement allowances may elect to**
4 **have these allowance payments rolled into a registered retirement savings plan free**
5 **of taxes.**

6
7 A. The ability of an employee to make such an election will depend upon the individual
8 circumstances of the employee.

9
10 The rules regarding the eligibility to transfer retirement allowances into a registered
11 retirement savings plan are determined by the Canada Revenue Agency. Newfoundland
12 Power adheres to the Canada Revenue Agency rules.

13
14 A copy of the form used by employees to transfer eligible retirement allowances into a
15 registered retirement savings plan, including the Canada Revenue Agency rules, is
16 provided in Attachment A.

**Form for the Direct Transfer
of an Eligible Retiring Allowance**

Direct Transfer of an Eligible Retiring Allowance

This form replaces the TD2 form previously required by Canada Revenue Agency (CRA) for the transfer of the retiring allowance to a registered retirement saving plan (RRSP/RPP). If an employer pays a **retiring allowance**, the employer must deduct income tax from any part paid directly to the employee or former employee. However, an employer does not have to deduct income tax on the amount of the allowance that is directly transferred to the recipient's RRSP/RPP. The total amount of the retiring allowance paid to you directly or to your RPP/RRSP will be reported on a T4A Slip.

Transferring a retiring allowance to an Employee RRSP/RPP - Eligible Amount

An individual can transfer all or part of a retiring allowance payment to an Employee RRSP/RPP only.

Please Note: Transfers to Spousal RRSP are not permitted when using this eligibility formula.

The amount that is eligible for transfer is limited to:

\$2,000 for each year or part of a year before 1996 that the person worked for the employer;

plus

\$1,500 for each year or part of a year before 1989 of that employment in which none of the employer's contributions to the Registered Pension Plan had vested in the employee's name when the employer pays the retiring allowance.

Note: You can no longer transfer \$2,000 per year of service to an RRSP/RPP for 1996 and following years. Further, the non-eligible amount may be transferred to an RRSP/RPP provided that it is within the limit of the employee's RRSP deduction limit.

Retiring Allow. Amt. \$ _____ (Total of Eligible and Non-eligible)

Eligible amount \$ _____ **Box "26" T4A (RAL)**

Non-eligible \$ _____ **Box "27" T4A (RALL)**

(Non-eligible amount may be transferred to an Employee or Spousal RRSP/RPP provided that it is within the limit of the Employee's RRSP deduction limit.)

Total RRSP/RPP \$ _____ (Total RRSP plus Total Cash should equal Total Retiring Allow. Amt.)
(Total RRSP/RPP Amount to be transferred)

Total Cash Amount \$ _____ (Total RRSP plus Total Cash should equal Total Retiring Allow. Amt.)

Emp. ID _____

First name: _____

Last Name _____

Cheque Payable to: _____
(Financial Institution Name)

Complete Financial Institution Mailing Address: _____

Financial Institution Contact Person: _____

RRSP/RPP Registration Number: _____

Please Note: Please ensure this form is fully completed with correct information or there may be a delay in your payment(s) being transferred. Please complete all of the requested information. Sufficient information must be provided for the institution to identify your payment.

As previously stated, the amount that can be transferred cannot be more than the eligible amount and your RRSP deduction limit. Any remaining amounts must be paid in cash less income taxes.

To calculate the tax on a retiring allowance, the "lump sum" tax rates may be used as follows:

\$5,000 or less 10%; \$5,000.01 to \$15,000 20%; and \$15,000.01 or more 30%.

Please Note: The total amount paid in cash is taxable in the year it is received, therefore you may elect to have more than the "lump sum" tax rate deducted. If you wish to have more income tax deducted, please enter the percentage below.

Yes, I would like more income taxes deducted:

_____ (Percentage %)

Your Signature: _____ **Date:** _____