

## Third Quarter 2013 Returns

The UAPP Fund gained 3.1% in the third quarter of 2013, resulting in a year-to-date return of 6.2%.

## Summary of Investments as at September 30, 2013

**Total Market Value \$3,132.7 million**

### Market Value and Asset Mix of the Fund

Asset Class	September 30, 2013		December 31, 2012	
	(\$million)	Actual Mix (%)	(\$million)	Actual Mix (%)
Cash & Short-term	27.9	0.9	13.5	0.5
Long Bonds & Mortgages	411.4	13.1	430.2	14.7
Real Return Bonds	176.1	5.6	197.9	6.7
Universe Bonds	292.4	9.3	256.7	8.7
<b>Total Cash &amp; Bonds</b>	<b>907.8</b>	<b>29.0</b>	<b>898.3</b>	<b>30.6</b>
Canadian Equities	550.8	17.6	509.6	17.4
Global Equities	1,260.0	40.2	1,130.5	38.5
<b>Total Equities</b>	<b>1,810.8</b>	<b>57.8</b>	<b>1,640.1</b>	<b>55.9</b>
Real Estate	236.6	7.6	220.8	7.5
<b>Total Alternative Investments*</b>	<b>388.6</b>	<b>12.4</b>	<b>369.3</b>	<b>12.6</b>
Tactical Asset Pool	25.5	0.8	25.5	0.9
<b>Total Investments</b>	<b>3,132.7</b>	<b>100.0</b>	<b>2,933.1</b>	<b>100.0</b>

\* Includes Real Estate plus Infrastructure, Timberlands and Absolute Return Strategies

Note: The numbers in the columns may not add up exactly due to rounding

## Investment Performance of the Fund

	Quarter ending Sep 30, 2013	One Year ending Sep 30, 2013	Four Year ending Sep 30, 2013
<b>Cash and Short-term</b>	<b>0.3%</b>	<b>1.2%</b>	<b>1.3%</b>
<i>DEX 91-Day T-Bill Index</i>	0.3%	1.1%	0.8%
<b>Bonds &amp; Mortgages</b>	<b>(0.5%)</b>	<b>0.0%</b>	<b>6.1%</b>
<i>DEX Universe Bond Index</i>	0.1%	(1.3%)	4.5%
<b>Long Duration Bonds</b>	<b>(3.0%)</b>	<b>(7.2%)</b>	<b>6.2%</b>
<i>DEX Long Bond Index</i>	(4.1%)	(8.7%)	5.9%
<b>Real Rate of Return Bonds</b>	<b>(0.3%)</b>	<b>(11.0%)</b>	<b>5.8%</b>
<i>DEX Real Return Bond Index</i>	(0.5%)	(11.4%)	5.8%
<b>Canadian Equity</b>	<b>7.5%</b>	<b>9.9%</b>	<b>8.1%</b>
<i>Canadian Equity Index</i>	6.2%	7.1%	6.0%
<b>Global Equity</b>	<b>4.8%</b>	<b>20.9%</b>	<b>8.7%</b>
<i>Global Equity Index</i>	5.3%	21.1%	8.0%
<b>Real Estate</b>	<b>1.0%</b>	<b>11.6%</b>	<b>13.0%</b>
<i>IPD Large Institutional Index</i>	1.0%	11.5%	11.4%
<b>Alternative Investments</b>	<b>0.8%</b>	<b>9.2%</b>	<b>10.4%</b>
<i>Alternative Investments Index</i>	1.2%	9.8%	9.4%
<b>Total Investment Return</b>	<b>3.1%</b>	<b>9.3%</b>	<b>8.2%</b>
<b>Policy Benchmark Return</b>	<b>2.7%</b>	<b>8.1%</b>	<b>7.4%</b>

## Contribution Rate Increase

Effective July 1, 2014, the contribution rates are increasing 1.38%, to be shared equally between employers and employees.

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## 2012 Actuarial Valuation Results

In order to review the financial position of the UAPP, the Board arranged for an actuarial valuation of the Plan as at December 31, 2012. The table below provides the results of the recently completed valuation compared to the results of the previous valuation performed as at December 31, 2010.

(\$millions)	December 31, 2012			December 31, 2010		
	Pre-92 Service	Post-91 Service	Total Service	Pre-92 Service	Post-91 Service	Total Service
Market Value of Assets	819.5	2,132.5	2,952.0	886.3	1,654.1	2,540.4
Actuarial Adjustment	(20.2)	(42.1)	(62.3)	(48.3)	(64.8)	(113.1)
Actuarial Value of Assets	799.3	2,090.4	2,889.7	838.0	1,589.3	2,427.3
Accrued Liability	1,663.1	2,490.2	4,153.3	1,624.9	2,016.3	3,641.2
Actuarial Deficiency	(863.8)	(399.8)	(1,263.6)	(786.9)	(427.0)	(1,213.9)
Funded Ratio	48.1%	83.9%	69.6%	51.6%	78.8%	66.7%

### Plan Assets

The Plan experienced a 3.0% rate of return for 2011 and 11.6% for 2012. This has resulted in an increase in the assets of the Plan with the rate of return averaging 7.2% over this 2 year period versus the 2010 valuation assumption of 6.4%.

The market value of the assets is adjusted by a smoothing method to determine the actuarial value of assets. Smoothing is used to reduce the impact on contribution rates of the volatility in the market value of assets, due to short-term fluctuations in the markets. The market value of assets continues to be higher than the actuarial value used for valuation purposes, due to the positive returns in 2011 and 2012. The use of the smoothing method softens the impact of both negative and positive markets on the actuarial position of the Plan.

Based on the December 31, 2012 valuation results, the Plan's funded status has improved from 66.7% to 69.6%. The pre-1992 funded status continues to erode mainly due to the amortization of the pre-1992 unfunded liability to the end of 2043. The post-1991 funded status has improved due to the positive investment returns and the post-1991 unfunded liability being amortized over only 15 years.

### Plan Liabilities

A significant part of the valuation process is the review of the assumptions used to determine the liabilities and contribution requirements of the Plan. The Board, in consultation with the actuary, made a number of changes to the assumptions used for the 2012 valuation. One significant change to the assumptions was the reduction of the expected investment return and interest rate used to calculate the liabilities from 6.4% to 6.25% to reflect changed expectations for market returns and existing low bond yields. The other significant change was to the mortality table used for the valuation. It is expected that the Canadian Institute of Actuaries will be introducing a new mortality table in the near future which will reflect significant mortality improvements. The Board elected to utilize an updated mortality table at this time to reduce the future impact on the Plan when the new mortality table is introduced. Both of these changes increase the present value of the accrued pension liability and current service cost.

## New Contribution Rates Effective July 1, 2014

In order to secure the benefits of the Plan and comply with the funding requirements of the *Employment Pension Plans Act* (Alberta), the Board, on the advice of its actuary, is increasing total contribution rates by 1.38% of salary. This increase shall be shared equally between employers and employees and will be effective July 1, 2014. The new contribution rates are as follows:

Institution	CURRENT RATE (% of salary)						NEW RATE (% of salary) <i>Effective July 1, 2014</i>					
	Employee			Employer			Employee			Employer		
	A	B	C	A	B	C	A	B	C	A	B	C
Alberta, Calgary & Lethbridge	11.17	14.26	1.17	11.17	14.26	1.17	11.82	15.02	1.44	11.82	15.02	1.44
Athabasca & Banff	10.67	13.76	1.17	11.67	14.76	1.17	11.32	14.52	1.44	12.32	15.52	1.44

Note:

'A' applies on salary up to YMPE, or CPP earnings cap of \$52,500 for 2014

'B' applies on salary above the YMPE and up to the pensionable salary cap of \$154,250 for 2014

'C' applies on salary above the pensionable salary cap

### Impact on Members

Based on the 2014 YMPE and pensionable salary cap, the estimated monthly increase in employee contributions to the UAPP would be as follows:

Monthly Salary	Monthly Increase <sup>1</sup>	After-tax Monthly Increase <sup>2</sup>
\$4,000	\$26.00	\$16.64
\$6,000	\$40.79	\$26.10
\$8,000	\$55.99	\$35.83
\$10,000	\$71.19	\$45.56
\$13,500	\$94.62	\$60.56

<sup>1</sup> This amount includes the impact of increases in the UAPP contribution rates.

<sup>2</sup> This amount has been calculated assuming a marginal income tax rate of 36%. The actual after-tax amount will vary depending on a member's marginal tax rate.

### 2014 COLA for UAPP Pensioners is 0.72%

The 2014 cost-of-living adjustment (COLA) for pensioners who retired prior to January 1, 2013 is 0.72%. For persons who retired in 2013, the COLA increase is prorated based on the number of complete months the person was on pension in the year. The increase is applied to the base pension, including any bridge benefit that is being paid. COLA is not applied to any coordination amounts. The COLA increase will be reflected on the January 2014 pension payments.

The COLA is set at 60% of the increase in the Consumer Price Index (CPI) (Alberta) as reported by Statistics Canada. The CPI increase for the relevant period was 1.20%. The percentage increase in CPI is determined by comparing the average CPI for the 12 months ending October 31, 2013 with the corresponding amount for the previous year.

Tax withholdings starting in January will reflect the 2014 rates applicable to the province or country of the recipient's residence. CIBC Mellon will be issuing 2013 T4A slips in mid-February 2014.

### Yearly Maximum Pensionable Earnings under CPP for 2014 Increases to \$52,500

The Canada Revenue Agency has announced that the yearly maximum pensionable earnings under the Canada Pension Plan (CPP) for 2014 will be \$52,500 – up 2.7% from \$51,100 in 2013. The new ceiling was calculated according to the legislated formula that takes into account the growth in average weekly wages and salaries in Canada.

The employee and employer contribution rates to the CPP for 2014 will remain unchanged at 4.95% each.

The maximum employer and employee contribution to the CPP for 2014 will be \$2,425.50 each, up from \$2,356.20 in 2013. The basic exemption amount will remain at \$3,500.00.

### Maximum Pensionable Salary under the UAPP for 2014 Increases to \$154,250

The increase in the YMPE to \$52,500 combined with the announced maximum pension benefit of \$2,770.00 in 2014 for each year of service under defined benefit pension plans means that the maximum pensionable salary (sometimes called the pensionable salary cap) under the UAPP will rise to \$154,250 in 2014.

In 2014, both the YMPE and the maximum pensionable salary under the UAPP are increasing by 2.7%.

### Proposed UAPP Plan Changes Defeated

Earlier this year, the UAPP Plan Sponsors proposed changes to the UAPP design that would have taken effect January 1, 2015. The Plan Sponsors recently announced that two of the Plan Sponsors withdrew their support for the changes and voted against implementation of the proposals, which under the UAPP governance rules means that the proposals failed to be approved. The Plan Sponsors intend to commence discussions on the UAPP design early in 2014.



**Questions About the Retirement Planner?** Call Buck Consultants at 1.866.709.2092 if you need help accessing the Retirement Planner, or for login or password inquiries. Your current and previous Annual Member Statements can also be accessed through the Retirement Planner.

**Questions About Your Pension?** Call Buck Consultants at 1.866.709.2092, the Human Resources Department at your institution, or contact the UAPP Trustees' Office at 780.415.8868.

**Questions About Purchasing Prior Service or Periods of Leaves of Absence?** Call the Human Resources Department at your institution or the UAPP Trustees' Office at 780.415.8868.

**Comments?** If you recently used the services of any group (Buck Consultants/ Human Resources Department at your institution/UAPP Trustees' Office) on a matter related to the UAPP and would like to comment on the service you received, please feel free to jot us a note at [www.uapp.ca](http://www.uapp.ca) under the Feedback tab.