

Communiqué

Fall 2014

Second Quarter 2014 Returns

The UAPP Fund experienced a return of 3.1% in the second quarter of 2014.

Summary of Investments as at June 30, 2014

Total Market Value \$3,596 Million

Market Value and Asset Mix	30-Jun-14		31-Dec-13	
	(\$million)	Actual Mix (%)	(\$million)	Actual Mix (%)
Cash & Short-term	12.4	0.3	15.2	0.5
Universe Bonds & Mortgages	493.2	13.7	394.3	11.8
Real Return Bonds	238.4	6.6	215.0	6.4
Long Bonds	359.8	10.0	331.8	9.9
Total Cash & Fixed Income	1,103.8	30.7	956.1	28.6
Canadian Equities	665.1	18.5	591.2	17.7
Global Equities	1,411.6	39.3	1,361.9	40.8
Total Equities	2,076.7	57.7	1,953.0	58.5
Real Estate	247.4	6.9	238.4	7.1
Total Alternative Investments*	415.5	11.6	399.0	11.9
Total Investments	3,596.1	100.0	3,337.7	100.0

* Includes Real Estate plus Timberlands, Private Income and Private Debt

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

Investment Performance of the Fund	Quarter ending	One Year ending	Four Year ending
	30-Jun-14	30-Jun-14	30-Jun-14
Cash and Short-term	0.3	1.1	1.2
<i>FTSE TMX 91-Day T-Bill Index</i>	<i>0.2</i>	<i>1.0</i>	<i>1.0</i>
Fixed Income	3.0	6.8	6.3
<i>Fixed Income Investments Index</i>	<i>3.1</i>	<i>6.8</i>	<i>6.0</i>
Canadian Equity	6.4	31.5	12.8
<i>S&P/TSX Composite Capped Index</i>	<i>6.4</i>	<i>28.7</i>	<i>10.8</i>
Global Equity	2.1	24.9	15.4
<i>MSCI ACWI & Emerging Markets Index</i>	<i>1.5</i>	<i>23.7</i>	<i>14.3</i>
Real Estate	1.1	9.9	15.4
<i>REALpac/IPD Large Institutional All Property Index</i>	<i>1.6</i>	<i>9.7</i>	<i>12.7</i>
Alternative Investments	0.8	8.8	12.1
<i>Alternative Investments Index</i>	<i>2.1</i>	<i>9.0</i>	<i>10.3</i>
Total Investment Return	3.1	18.1	12.0
<i>Policy Benchmark Return</i>	<i>2.9</i>	<i>16.6</i>	<i>11.0</i>

Pension Legislation Changes

The Alberta Employment Pension Plans Act and Regulation (EPPA), which directly governs the Universities Academic Pension Plan (UAPP), was amended effective September 1, 2014. Plan members will not see any significant impact on their UAPP pension, but there are situations where some members may be affected. Note that some changes to the EPPA do not impact UAPP at all. The following is a summary of the changes that do impact UAPP.

Vesting

- 1 Vesting means you are entitled to receive the employer-funded portion of the benefit in addition to the employee-funded portion when you terminate employment. Previously, members were vested in UAPP with two years of pensionable service. The new rules require immediate vesting upon enrolment in the plan.

Locking-In Rules

- 2 Pension legislation requires some benefits to be “locked-in” which means that the funds must be used for pension purposes when transferred out of UAPP. The threshold for locking-in has been adjusted. Also, unlocking is permitted in cases of considerably shortened life expectancy and in cases of non-residency status for deferred pensioners.

Additional Information on Statements

- 3 The Government of Alberta has increased the amount of information that must be communicated to plan members on the annual statement provided to all active members as well as statements for death, termination or retirement.

Annual Statement for Retired Members

- 4 A new requirement of plans is to provide an annual statement to all members currently in receipt of a pension from the plan. It is expected that these statements will be mailed to the retired members, unlike the annual statements for active members which are posted to the Retirement Planner.

Changes to Marriage Breakdown Calculations and Disclosures

- 5 There were two significant changes to the plan requirements upon marriage breakdown. Firstly, two disclosure statements are now required. There is an initial statement of the pension value to be used in negotiating the split in the pension between the member and the non-member spouse. The second statement is issued once the UAPP Trustees' Office receives a completed Matrimonial Property Order. This statement will be an option statement for the non-member spouse, indicating the amount of the benefit to be paid and requesting confirmation of where the benefit is to be paid.

The second significant change involves how the pension value is calculated. Going forward, the value is calculated as if the member terminated membership on the date of the marriage breakdown, instead of on the assumed date of retirement at pensionable age.

Recalculation of Commuted Values

6 Common practice has been to re-determine commuted values that remain unpaid 1 year after the date of the calculation. The new rules require commuted values to be recalculated when 180 days have passed since the date of the calculation.

Combined Pensionable Service

Moving to the UAPP from the PSPP or vice versa

If you move to the UAPP from the Public Service Pension Plan (PSPP) or vice versa without changing your employer and without a break in service, the Combined Pensionable Service (CPS) provisions may apply to you. When you terminate or retire and have CPS, you will receive benefits from each plan separately.

Key features of CPS

- Highest average salary is calculated using salaries from both plans, if required.
- Service requirements to retire on an unreduced pension may be achieved sooner.
- Vesting (where a member becomes entitled to receive the employer-funded portion of the benefit in addition to the employee-funded portion) is based on your total pensionable service under both plans. You are vested in PSPP once you have two years of combined pensionable service/membership in PSPP and UAPP. Under new rules, you are vested in UAPP as soon as you join UAPP.

Recalculated commuted values could be higher or lower than the original amount because they are based upon bond rates which can fluctuate significantly in either direction.

Changes to Governance and Administration Requirements

7 The new legislation includes some changes to the governance and administration requirements of pension plans in Alberta. These changes will not directly impact members.



How your pension benefits are calculated

When you retire with CPS, your eligibility and benefits under the UAPP are calculated using:

-
- the highest average of five consecutive years' salaries based on both your PSPP and your UAPP salaries,
- the UAPP benefit formula, applied to pensionable service accumulated under the UAPP,

and

 - your age and total pensionable service under both plans at retirement.
-

To receive an unreduced pension (on post-1993 service) under the UAPP's rules:

-
- you must be at least 60 years of age,
- or
- you must be at least 55, and your age and Combined Pensionable Service must total at least 80.
-

If you don't qualify to retire on an unreduced pension, your pension benefit on service after 1993 will be reduced by 3% for each year that your retirement date precedes your entitlement to an unreduced pension.

You are eligible to receive an unreduced pension on pre-1994 service as soon as you are 55 years of age.

Notice of retirement

When you decide to retire, you should advise your employer as early as possible so that the relevant documentation and processes can be started in time for your retirement date. Having documents such as birth and marriage certificates (for you and your spouse) and any other documents such as proof of common-law relationship, etc. helps expedite the processing of retirement applications.

You will receive separate retirement options from both the UAPP and PSPP.

Keep Your Contact Information Current

It is important that you keep your contact information current. Active members should notify their employer about any changes to their address.

It is particularly vital that pensioners and other terminated members ensure that the UAPP has their current contact information in case the UAPP needs to contact them about their pension. Pensioners or their agents should contact CIBC Mellon directly by telephone at 1.800.565.0479 to update their information. Other terminated members, such as deferred pensioners, should contact Buck Consultants at 1.866.709.2092 in this regard.

Keep Your Beneficiary Information Updated

If you leave employment and leave your funds with the UAPP, keep your *Designation of Beneficiary* and the addresses of your beneficiaries up-to-date with the UAPP. Doing so will help expedite payment to your beneficiaries. Make sure your family or your executor knows you are entitled to a benefit from the UAPP.



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 Member Statement can 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 write to us at www.uapp.ca through the Contact Us link.

The Board of Trustees ■ Universities Academic Pension Plan
#504, Park Plaza ■ 10611 98 Avenue ■ Edmonton AB T5K 2P7