

Communiqué

Winter 2014/15

Third Quarter 2014 Returns

The UAPP Fund experienced a return of 2.0% in the third quarter of 2014.

Summary of Investments as at September 30, 2014

Total Market Value \$3,674 million

| Market Value and Asset Mix of the Fund | September 30, 2014 | | December 31, 2013 | |
|--|--------------------|----------------|-------------------|----------------|
| | (\$million) | Actual Mix (%) | (\$million) | Actual Mix (%) |
| Asset Class | | | | |
| Cash & Short-term | 12.9 | 0.4 | 15.2 | 0.5 |
| Universe Bonds & Mortgages | 502.9 | 13.7 | 394.3 | 11.8 |
| Real Return Bonds | 246.7 | 6.7 | 215.0 | 6.4 |
| Long Bonds | 367.1 | 10.0 | 331.8 | 9.9 |
| Total Cash & Bonds | 1,129.6 | 30.8 | 956.1 | 28.6 |
| Canadian Equities | 668.2 | 18.2 | 591.2 | 17.7 |
| Global Equities | 1,456.4 | 39.6 | 1,361.9 | 40.8 |
| Total Equities | 2,124.6 | 57.8 | 1,953.0 | 58.5 |
| Real Estate | 252.7 | 6.9 | 238.4 | 7.1 |
| Total Alternative Investments* | 420.2 | 11.4 | 399.0 | 11.9 |
| Total Investments | 3,674.4 | 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 Sept 30, 2014 | One Year ending Sept 30, 2014 | Four Year ending Sept 30, 2014 |
|---|---------------------------------|----------------------------------|-----------------------------------|
| Cash and Short-term | 0.3 | 1.3 | 1.2 |
| <i>FTSE TMX 91-Day T-Bill Index</i> | 0.2 | 0.9 | 1.0 |
| Fixed Income | 1.3 | 8.7 | 5.5 |
| <i>Fixed Income Investments Index</i> | 1.5 | 8.9 | 5.1 |
| Canadian Equity | 0.5 | 22.9 | 10.6 |
| <i>S&P/TSX Composite Capped Index</i> | -0.6 | 20.4 | 7.9 |
| Global Equity | 3.0 | 22.8 | 13.4 |
| <i>MSCI ACWI & Emerging Markets Index</i> | 2.4 | 20.3 | 12.0 |
| Real Estate | 1.1 | 10.0 | 15.3 |
| <i>REALpac/IPD Large Institutional All Property</i> | 1.2 | 8.9 | 12.5 |
| Alternative Investments | 1.7 | 9.8 | 12.1 |
| <i>Alternative Investments Index</i> | 1.3 | 8.5 | 10.1 |
| Total Investment Return | 2.0 | 17.1 | 10.5 |
| Policy Benchmark Return | 1.4 | 15.3 | 9.2 |

2015 COLA for UAPP Pensioners is 1.56%

The 2015 cost-of-living adjustment (COLA) for pensioners who retired prior to January 1, 2014 is 1.56%. For persons who retired in 2014, 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 included with the January 2015 payment.

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 2.6%. The percentage increase in CPI is derived by comparing the average CPI for the 12 months ending in October 2014 with the corresponding figure for the previous year.

Tax withholdings starting in January will reflect the 2015 rates applicable to the province or country of the recipient's residence. CIBC Mellon will be issuing 2014 T4A slips in mid-February 2015.

CIBC Mellon can be contacted at 1.800.565.0479 (English) or 1.800.268.1629 (French). Pensioners residing in the United States can contact CIBC Mellon by calling 1.800.263.4497 or writing CIBC Mellon at CIBC Mellon Pension Benefits Department, PO Box 5858, Station B, London, ON N6A 6H2.

The CIBC Mellon website, www.CIBCMellon.com, is also available to assist pensioners with current information, frequently asked questions, as well as the "Retiree Assistance Online Inquiry" to submit address changes, specific questions, etc.

Year's Maximum Pensionable Earnings under CPP for 2015 increases to \$53,600 from \$52,500 in 2014

The Canada Revenue Agency has announced that the Year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan (CPP) for 2015 will be \$53,600 – up 2.1% from \$52,500 in 2014. The new ceiling was calculated according to a CPP-legislated formula that takes into account the growth in average weekly wages and salaries in Canada.

The employee and employer CPP contribution rates for 2015 will remain unchanged at 4.95% each. The maximum employer and employee contribution to the CPP for 2015 will be \$2,479.95 each, up from \$2,425.50 in 2014. The basic exemption amount will remain at \$3,500.00.

Maximum Pensionable Salary under the UAPP for 2015 increases to \$157,024.50 for service after 1993

The increase in the YMPE to \$53,600 combined with the announced maximum pension benefit of \$2,818.89 in 2015 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 \$157,024.50 in 2015 from \$154,250.00 in 2014.

The maximum pensionable salary under the UAPP has increased for 2015 by 1.8%.

Federal Programs - 2015 Facts

Canada Pension Plan

Contributions

| | |
|--|------------|
| Employer/Employee Contribution Rate (each) | 4.95% |
| Year's Maximum Pensionable Earnings (YMPE) | \$53,600 |
| Year's Basic Exemption (YBE) | \$3,500 |
| Maximum Annual Employer/Employee Contribution (each) | \$2,479.95 |

Maximum Monthly Benefits

| | |
|---|------------|
| Retirement Pension (Age 65) | \$1,065.00 |
| Survivor's Pension -Under age 65 | \$581.13 |
| -Age 65 and over | \$639.00 |
| Disability Pension | \$1,264.59 |
| Children of disabled or deceased contributors benefit | \$234.87 |

Old Age Security Benefits

For First Quarter Commencing January 1, 2015
Benefits are indexed quarterly to reflect CPI changes

Maximum Old Age Security Pension \$563.74

Note: Pensioners with individual net incomes above \$72,809 must repay all or part of the maximum OAS pension amount. The repayment amounts are normally deducted from their monthly payments before they are issued. The full OAS pension is eliminated when a pensioner's net income is \$117,909 or above.

For more information, visit www.serviccanada.gc.ca, or call 1.800.277.9914.

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.

Frequently Asked Questions

When can I retire?

The earliest you can retire is on your 55th birthday. The latest you can retire is December 31 of the year in which you reach age 69. You can retire at any time in between but the Normal Retirement Date is June 30 after you reach age 65. Your pension may be reduced for early retirement. Once you reach the end of the year in which you attain age 69, you must begin to receive your pension from the Plan even if you continue to work. You can contribute to UAPP for up to 35 years. After that, you can continue working but will not accrue additional service. Your earnings after reaching 35 years of service will be taken into account when calculating your highest average salary. The Retirement Planner on our website will provide you with information on the value of your pension at different retirement dates.

What are my pension options?

Your pension will be paid for your entire lifetime. If there is a guarantee period on your pension, residual payments could be paid to your beneficiary if you die before the period expires. If you are married at retirement, your pension will continue to your spouse upon your death unless your spouse signs a waiver and you elect a pension that is paid for only your lifetime. For more detailed information about your pension options, please refer to the Pension Options Information Sheets or the Member Handbook, both on our website, www.uapp.ca.



What do I need to do to retire?

Your first step in retirement is to inform your employer of your intention to retire. This should be done as early as possible. You will need copies of birth certificates for you and your spouse and your marriage certificate (if applicable). Your employer will then submit your final data and other documentation to Buck Consultants who will prepare your retirement options. When you receive your retirement package from Buck Consultants, please review it carefully as you need to be sure that you understand your options. Once your pension begins, you cannot change the pension option. Help is available if you have questions when choosing your option. Some forms will need to be completed and returned to Buck, including the designation of a beneficiary and your banking information for direct deposit.

If you have divorced or separated from a spouse while a member of UAPP, your pension could be split in accordance with the terms of a Matrimonial Property Order (MPO) because a pension is considered an asset of the marriage. It is important that any MPO is filed with our office.

What if I leave the plan before I reach age 55?

If you leave the plan before your 55th birthday, you generally have two options:

1. You can elect to commence a pension at any time on or after your 55th birthday.
2. You can elect to transfer your pension benefits out of the plan.

Once a payment is made, you cannot change your pension option. Please see the Leaving The Plan Before Retirement section of the Member Handbook, available in the Publications section of our website, www.uapp.ca.

When I transfer my pension benefits out of the plan, why is a portion paid to me as a taxable cash refund?

UAPP members who choose a commuted value payment may only be able to transfer a portion of the payment to an RRSP or a defined contribution pension plan due to the Maximum Transfer Value (MTV) rules prescribed in Income Tax Regulation 8517(1) as described below:

The MTV equals $P \times V$.

- P is the member's total annual lifetime pension accrued under a defined benefit plan, and
- V is the MTV factor corresponding to a member's attained age at the date of transfer.

The following table illustrates the factors associated with each age:

| Attained Age | MTV Factor |
|--------------|------------|
| 49 or under | 9.0 |
| 50 | 9.4 |
| 51 | 9.6 |
| 52 | 9.8 |
| 53 | 10.0 |
| 54 | 10.2 |
| 55 | 10.4 |

New to the UAPP?

Under the UAPP, members have two years from the time of becoming employed on a continuous basis to purchase periods of past eligible service.

There are many rules regarding the eligibility and payment for past service.

Interested members are encouraged to contact the Human Resources Department at their institution, or contact the UAPP Trustees' Office at 780.415.8868.



To determine the present value factor between the above ages, a linear interpolation of the corresponding factors is used. Any portion of a member's commuted value in excess of the MTV must be taken in cash and is subject to a withholding tax. If a void cheque is provided with your returned options, the cash amount can be directly deposited to your account. Commuted values tend to be higher when long-term interest rates are low and lower when the rates are high. Therefore, the MTV rules have a greater impact when the interest rates are low. The factor does not take into account the early retirement or indexing provisions of the UAPP. Therefore, the MTV is often less than the true cost of the benefit provided by the UAPP. Please note that the MTV does not apply to transfers by a spouse on the death of a member or on transfers between two defined benefit pension plans provided all the funds are transferred to the new plan.



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.