

Communiqué

Summer 2015

First Quarter 2015 Returns

The UAPP Fund experienced a return of 6.8% in the first quarter of 2015.

Summary of Investments as at March 31, 2015

Total Market Value \$3,998.6 Million

Market Value and Asset Mix	31-Mar-15		31-Dec-14	
	(\$million)	Actual Mix (%)	(\$million)	Actual Mix (%)
Cash & Short-term	10.1	0.3	12.2	0.3
Universe Bonds & Mortgages	529.0	13.2	509.5	13.6
Real Return Bonds	262.1	6.5	243.9	6.5
Long Bonds	408.5	10.2	383.0	10.2
Total Cash & Fixed Income	1,209.8	30.2	1,148.7	30.6
Canadian Equities	722.9	18.1	656.3	17.5
Global Equities	1,596.3	39.9	1,492.6	39.9
Total Equities	2,319.2	58.0	2,148.9	57.4
Real Estate	282.7	7.1	275.5	7.4
Total Alternative Investments*	469.6	11.8	450.9	12.0
Total Investments	3,998.6	100.0	3,748.5	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 31-Mar-15	One Year ending 31-Mar-15	Four Year ending 31-Mar-15
Cash and Short-term	0.3	1.2	1.2
<i>FTSE TMX 91-Day T-Bill Index</i>	0.2	0.9	1.0
Fixed Income	5.4	13.2	7.8
<i>Fixed Income Investments Index</i>	5.9	14.7	7.8
Canadian Equity	2.3	7.8	7.1
<i>S&P/TSX Composite Capped Index</i>	2.6	6.9	4.4
Global Equity	11.6	21.1	15.1
<i>MSCI ACWI & Emerging Markets Index</i>	11.9	20.4	14.2
Real Estate	0.3	5.9	14.5
<i>REALpac/IPD Large Institutional All Property Index</i>	2.1	7.9	11.6
Alternative Investments	2.2	8.0	11.9
<i>Alternative Investments Index</i>	1.8	7.4	9.5
Total Investment Return	6.8	14.8	11.2
Policy Benchmark Return	7.0	14.3	9.9

2014 Member Statements Available Online

The member statements for 2014 were uploaded in early May to the Retirement Planner.

Feel free to call Buck Consultants at 1.866.709.2092 if you need help accessing the Retirement Planner, or for login or password inquiries.



Purchasing Prior Service

Prior service refers to a period of service with a current or previous employer for which a member wishes to establish pension credits in the UAPP. Leave periods are covered under the Information Sheet "Establishing Pension Credits for Leave Periods" available on our website, www.uapp.ca under Publications.

Prior service is sometimes also called optional service because the purchase of eligible prior service is done solely at the discretion of a member. However, the Income Tax Act imposes many restrictions and conditions on the purchase of prior service.

Income Tax Rules

The income tax rules related to what prior service is eligible, how it must be paid and the tax treatment of those payments are quite complex and detailed. The following is a brief summary of the main provisions.

Eligible Prior Service

Whether a period of prior service is eligible for purchase or not depends on where and when the service was rendered. There are two main categories:

A. Previous service with an employer who participates in the UAPP

1. Service after 1989

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| <p>(a) If the member did not contribute on post-1989 service, then the service is eligible for purchase. However, the purchase is subject to Past Service Pension Adjustment (PSPA) rules as explained under a separate heading.</p> | <p>(b) If a member wants to re-purchase post-1989 contributory service on which the member took a refund, then the service is eligible for purchase. However, the purchase is subject to PSPA rules as explained under a separate heading.</p> |
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2. Service before 1990

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| <p>(a) If the member did not contribute on this service, then the service is eligible but the benefit for each year of service purchased is limited to 2/3 of the maximum benefit limit for the year in which the member begins to receive a benefit.</p> | <p>(b) If a member wants to re-purchase previous contributory service on which the member took a refund, then the service is eligible provided the member pays by transfer of funds from registered retirement savings plans or a locked-in retirement account. There is no special limit on the benefit payable as in case 2(a).</p> |
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B. Prior service with an employer who does not participate in the UAPP

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| 1 | If the member did not participate in the previous employer's pension plan, service is ineligible for purchase. |
| 2 | If the member did participate in the previous employer's pension plan, then the pre-1992 portion of the service is eligible only if the member still has funds on deposit with the previous employer. The member cannot be eligible for benefits from both plans for the same period. The member must transfer funds from the previous plan, if any, to the UAPP as part of the purchase. Also, the purchase of service for years after 1989 is subject to PSPA rules. |

Past Service Pension Adjustment (PSPA)

In 1990, the federal government made major changes to the tax regime surrounding Registered Retirement Savings Plans (RRSPs) and Registered Pension Plans. Since then, contributions to RRSPs and Registered Pension Plans, like the UAPP, have been subject to overall limits and controls. These rules require employers to calculate and report a member's Pension Adjustment (PA) each year. The PA for a year is the total pension credit accrued by the member under the pension plan and is used in determining the member's RRSP contribution room for the following year.

A PSPA arises when past service is credited to a member. The PSPA is the sum of additional credits that would have been included in the member's PA if the additional service that the member wishes to purchase had been credited to the member. Where a member is purchasing a period of prior service with a previous plan, a PSPA arises when the pension credits (PAs) for that service under the UAPP are greater than those under the previous plan. When a member applies to purchase a period of post-1989 eligible service, income tax rules require the UAPP to calculate

the relevant PSPA. In order to pay for eligible service, the member must transfer funds directly to the UAPP from an existing RRSP account at least equal to the value of the PSPA. This is in addition to the funds that the member may be required to transfer from the previous plan or an RRSP where the member took a refund from the previous plan. Otherwise, the UAPP is required to apply to the Canada Revenue Agency (CRA) for certification showing that the member has RRSP contribution room at least equal to the PSPA before service can be purchased.

Prior Service Purchase Application

Timelines

Academic members have two years from the date of receiving a tenured contract with a participating employer to purchase prior service. Non-academic members have two years from the date of commencement of continuous employment to purchase prior service. A member cannot purchase prior service after the member has ceased employment with a participating employer.

Therefore, it is important that a member wishing to purchase prior service finalize the purchase before the expiry of the two-year timeline.

Application Form

A member wishing to purchase prior service is required to provide details of previous service, including the amount of service and specific 'from and to' dates of each period of service, whether the service was pensionable, whether the funds are still on deposit with the previous plan, and the Pension Adjustment and pensionable earnings associated with each period of service. **Only after this essential information is submitted in a completed UAPP Request for Service Record form can the eligibility of prior service be determined.** This form is available from our website, www.uapp.ca, under Forms.

Costs of Prior Service

The UAPP calculates prior service purchase costs after the eligibility of the service has been determined. The costs for purchasing the prior service are based on the estimated actuarial liability of the additional benefits and are not tied to the PSPA, which is a calculation done for income tax purposes only.

Weighing the Purchase of Prior service

Given the fact that the UAPP charges full costs for purchasing prior service, a member would want to weigh carefully the benefits of purchasing prior service.

Some of the considerations in this regard are:

1	Some members may prefer to have UAPP-type benefits for all their service. Others may not like the notion of putting "all pension eggs in one basket".
2	Purchasing prior service would help increase and consolidate a member's pension credits in the UAPP and may allow a member to qualify for an unreduced pension earlier. On the other hand, an RRSP account-holder can invest RRSP funds within the income tax rules as the holder desires. Also, the current RRSP rules provide an account-holder considerable latitude in the timing and the amounts of withdrawal from those accounts.
3	A portion of the extra cost of purchasing prior service may be tax deductible. For detailed information, refer to the <i>General Income Tax and Benefit Guide</i> for the year of the tax return. It is available from the federal district taxation office. However, the purchase of prior service in many cases would require the use of existing or potential RRSP contributions as well as the transfer of funds from a member's previous pension plan.

If you have further questions, call the Human Resources Department at your institution, or contact the Pension Officer at the UAPP Trustees' Office at 780.415.8868.



Getting ready for retirement?

Consult the Information Sheet "Preparing for Retirement". It is available at www.uapp.ca under "Publications".

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 should contact CIBC Mellon directly by telephone at 1.800.565.0479 or on the internet at https://www.cibcmellon.com/Contents/en_CA/English/RetireeCentre/Forms/ChangeOfAddress.html to update their information. Other terminated members should contact Buck Consultants at 1.866.709.2092 in this regard.

New to the UAPP?

We strongly encourage you to spend some time reviewing our website, www.uapp.ca. In particular, you will find lots of useful information in the Publications section, including our Member Handbook and Annual Report. Of course, if you have any questions about UAPP, please contact the UAPP Trustees' Office at 780.415.8868.

Keep your Beneficiary Information updated

If you leave employment and leave your funds with the UAPP, keep your *Designation of Spouse and Non-Spouse Beneficiary* form, available at www.uapp.ca under Forms, 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, CIBC Mellon, Human Resources Department at your institution, or the 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 board@uapp.ca. Other contact information is available on our website, www.uapp.ca, under Contact Us.

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