

# Communiqué

## Fall 2018



### Second Quarter 2018 Returns

The UAPP Fund experienced a gain of 1.93% in the second quarter of 2018, resulting in a year-to-date return of 2.49%.

### Summary of Investments as at June 30, 2018 Total Market Value \$4,941.8 Million

Market Value and Asset Mix	30-Jun-18		31-Dec-17	
	(\$million)	Actual Mix (%)	(\$million)	Actual Mix (%)
Cash & Short-term	15.1	0.3	18.7	0.4
Universe Bonds & Mortgages	868.6	17.6	817.4	16.9
Real Return Bonds	342.9	6.9	325.8	6.7
Long Bonds	534.4	10.8	529.1	11.0
<b>Total Cash &amp; Fixed Income</b>	<b>1,761.1</b>	<b>35.6</b>	<b>1,691.0</b>	<b>35.0</b>
Canadian Equities	613.3	12.4	604.2	12.5
Global Equities	1,923.4	38.9	1,885.7	39.1
<b>Total Equities</b>	<b>2,536.7</b>	<b>51.3</b>	<b>2,489.9</b>	<b>51.6</b>
Real Estate	372.2	7.5	356.6	7.4
Infrastructure, Private Debt & Equity	190.8	3.9	204.2	4.2
Timberland & Other Alternatives	81.0	1.6	86.6	1.8
<b>Total Alternative Investments</b>	<b>644.1</b>	<b>13.0</b>	<b>647.4</b>	<b>13.4</b>
<b>Total Investments</b>	<b>4,941.8</b>	<b>100.0</b>	<b>4,828.3</b>	<b>100.0</b>

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-18	30-Jun-18	30-Jun-18
<b>Cash and Short-term</b>	<b>0.4</b>	<b>1.4</b>	<b>1.1</b>
<i>FTSE TMX 91-Day T-Bill Index</i>	0.3	1.0	0.7
<b>Fixed Income</b>	<b>1.0</b>	<b>2.2</b>	<b>3.8</b>
<i>Fixed Income Investments Indices</i>	0.9	2.0	4.0
<b>Canadian Equity</b>	<b>6.7</b>	<b>10.9</b>	<b>5.5</b>
<i>S&amp;P/TSX Composite Capped Index</i>	6.8	10.4	4.9
<b>Global Equity</b>	<b>1.5</b>	<b>12.8</b>	<b>12.6</b>
<i>MSCI World &amp; Emerging Markets Indices</i>	2.0	12.0	11.7
<b>Real Estate</b>	<b>1.4</b>	<b>9.2</b>	<b>6.5</b>
<i>IPD Large Institutional All Property Index</i>	1.4	6.9	7.0
<b>Alternative Investments</b>	<b>1.0</b>	<b>8.4</b>	<b>7.5</b>
<i>Alternative Investments Indices</i>	1.6	7.3	7.1
<b>Total Investment Return</b>	<b>1.9</b>	<b>8.5</b>	<b>8.4</b>
<i>Policy Benchmark Return</i>	2.2	7.7	7.4

## Terminating Employment Prior To Age 55

If you are considering terminating employment prior to reaching age 55, you have portability rights under the pension plan. Please consult the Information Sheet "[Leaving The Plan – Under Age 55](#)" found at [www.uapp.ca](http://www.uapp.ca) under Publications/Information Sheets.

## Leaving The Plan Before Retirement

### Limits on the Tax-sheltered Transfers of Termination Payments

If a member terminates employment but has not yet attained age 55, the value of the accrued pension may be transferred to a Locked-In Retirement Account (LIRA) or left in the Plan until the member elects to commence a pension. If a member attained age 55 prior to employment termination, the transfer to a LIRA is not permissible.

UAPP members who terminate from the Plan before age 55 and choose a commuted value payment should know that the portion of the payment that can be transferred to a LIRA or a defined contribution pension plan is limited by the Maximum Transfer Value (MTV) rules prescribed in the *Income Tax Act* as described below:

The MTV equals  $P \times V$  where

**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 on the date of transfer. The following table illustrates the MTV 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

The MTV factors are defined in the *Income Tax Act*. To determine the MTV factor between the above ages, a linear interpolation of the corresponding factors is used as illustrated by the following examples:

#### Example 1

A 49.5-year-old has accrued an annual lifetime pension of \$30,000 payable at normal retirement.

The linear interpolation of the age 49 and 50 factors is  $9.0 + (0.5 \times (9.4 - 9.0)) = 9.2$ .

Therefore, the MTV =  $\$30,000 \times 9.2 = \$276,000$ .

### Example 2

A 54.9-year-old has accrued an annual lifetime pension of \$48,000 payable at normal retirement.

The linear interpolation of the age 54 and 55 factors is  $10.2 + (0.9 \times (10.4 - 10.2)) = 10.38$ . Therefore, the MTV =  $\$48,000 \times 10.38 = \$498,240$ .

Any portion of a member's commuted value in excess of the MTV must be taken in cash and is subject to withholding tax. Commuted values tend to be higher when long-term interest rates are low and lower when the rates are high. Therefore, when the interest rates are low, the MTV rules have a greater impact on how much of a commuted value payment can be transferred on a tax-sheltered basis.

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.

### Feature on UAPP Website

The UAPP website includes a section of Forms, intending to provide members with blank forms to be used for various aspects of plan administration. The Forms section at [www.uapp.ca/forms/](http://www.uapp.ca/forms/) is split into four parts:

1. UAPP Forms include plan forms used to designate a spouse or a spousal separation, to request a service record from a previous employer for the purposes of applying to purchase service under UAPP, to change a beneficiary named under the plan, and to re-activate employment after commencing a UAPP pension.
2. Waiver Forms are created by Alberta Treasury Board and Finance under provincial pension legislation and are used to allow those with entitlements under UAPP, particularly plan members and member spouses, to waive certain rights provided under law.
3. Transfer and Tax Forms are provided directly to members in cases where a member is purchasing prior service, terminating employment, and/or commencing a pension. However, the blank forms on the website can also be used if needed.
4. CIBC Mellon Forms are used in the administration of a pension already in pay and can be completed when a retired member changes address and/or banking information or becomes a non-resident of Canada for taxation purposes.

## Division And Distribution Of Pension Entitlement On Marriage Breakdown

The UAPP is a defined benefit pension plan where the pension paid is based on the member's years of pensionable service and salary. The Member Handbook describes the benefits payable under UAPP.

The UAPP is subject to the Employment Pension Plans Act and Regulations (EPPA). The EPPA sets out the rules for division and distribution of pension entitlement when a marriage breaks down. As the Matrimonial Property Act in Alberta now gives property division rights to common-law couples, the EPPA's pension division rules also apply to common-law couples who reside in Alberta.

Briefly, the main provisions related to the division and distribution of pension entitlement are:

1. The EPPA sets standards for the terms of a spouse's share of a pension entitlement but does not require that the spouse's share be satisfied by a transfer from the pension plan or a splitting of the pension. The spouse's share may be satisfied by mutual agreement by trading other assets of equal value.
2. The spouse's share that can be paid out of a pension plan is limited to 50% of the value of the benefits earned during the period of joint accrual as established by the Matrimonial Property Order (MPO). The period of joint accrual is generally that part of the plan member's pensionable service during which the member and spouse were married. The MPO may grant a larger share to a spouse, however, settlement of amounts in excess of 50% must be made from other assets.
3. An MPO, Agreement, or a similar order enforceable in Alberta that complies with the requirements of the EPPA must be filed with the UAPP Trustees' Office before division and distribution of pension benefits can occur. It is strongly recommended that a draft copy of any proposed MPO or Agreement be sent to the UAPP Administration Centre prior to finalization to ensure that the terms of the MPO or Agreement are clear and can be administered.

An MPO or Agreement that does not comply with the EPPA or is unclear will require amendment and may require clarification from the Court. Any costs associated with such amendment or clarification shall be the responsibility of the member and the spouse.

4. Benefits paid to a spouse pursuant to an MPO will result in an appropriate adjustment to the member's entitlement.
5. UAPP provisions for distribution of pension entitlements to a spouse pursuant to an MPO are as follows:

### When a pension is not yet in payment (active or deferred members)

- a. If the member is under age 55 as of the date of division (date when the period of joint accrual ended), the spouse's share of the relevant commuted value will be transferred to the spouse's LIRA.
- b. If the member is over age 55 as of the date of division, the spouse may choose to receive his or her share immediately or delay division and distribution until the date when the member ultimately commences a pension, terminates or dies. In both cases, the spouse's share of the relevant commuted value will be transferred to the spouse's LIRA.

### When a pension is already in payment

If a member is already receiving a UAPP pension as of the date of division, the member's adjusted pension will be paid for the member's lifetime and will be calculated based on the member's age. Likewise, the pension to be paid to the spouse will be for the lifetime of the spouse and will be calculated based on the spouse's age. The MPO or Agreement should indicate who is to be paid the remaining pension benefit, if any, on the death of each party.

6. Two disclosure statements are required on marriage breakdown. The first is a statement of the value of the benefit and is to be used in determining the value of matrimonial assets for the purpose of distribution. Once an MPO or Agreement has been filed with the UAPP Trustees' Office, a second statement, an option statement, is prepared to determine how the benefit will be paid.

Either the member or the spouse may contact the UAPP Administration Centre directly to request a statement. The request must include the member's name, the spouse's name, the beginning and end dates of the period of joint accrual, and the address of the member and the spouse. It is very important that complete and accurate information is provided to the UAPP Administration Centre for the preparation of the marriage breakdown statements of benefits. Additional statements based on amended information will not be provided. In the event a member or spouse require additional calculations, a professional must be employed to complete any additional calculations. Additional calculations are not provided by nor funded by UAPP.

7. The MPO or Agreement should clearly state the start and end dates of the joint accrual period and the percentage share due to the spouse. If the member is under age 55 at the date of marriage breakdown, the MPO should state that the spouse's share must be transferred to a LIRA. If the member is over age 55 at the date of marriage breakdown, the election to transfer or delay division must be indicated. If the member is already receiving a UAPP pension at the time of marriage breakdown, the MPO should specify what is to happen to any remaining benefits upon the death of each party.

## Questions About Your Pension or the Retirement Planner?

Call the UAPP Administration Centre at 1.866.709.2092.



## New to the UAPP?

We encourage you to spend some time reviewing our website, [www.uapp.ca](http://www.uapp.ca). You will find lots of information in the “Publications” section, including our Member Handbook and a New Member Basics Information Sheet. Questions about UAPP can be directed to the UAPP Trustees’ Office at 780.415.8868.

## Thinking About Retirement?

Read the Information Sheet “Preparing for Retirement”, available at [www.uapp.ca](http://www.uapp.ca) under “Publications”.

## Team Rebranded as the UAPP Administration Centre

For several years now, a single firm has provided pension plan administration services to the UAPP. The firm was previously known variously as Buck Consultants Limited and Conduent Human Resource Services. Plan members will continue to deal with the same firm but the team will be known as the UAPP Administration Centre.

Contact information for the UAPP Administration Centre is unchanged:

201 City Centre Drive, Suite 1000

Mississauga, ON L5B 4E4

Attn: UAPP Administrator

Phone: 1.866.709.2092

Email: [uapp.pensions@buck.com](mailto:uapp.pensions@buck.com)

## Keep Your Address and Beneficiary Information Updated

*Reminder!*

If you leave employment and leave your funds with the UAPP, it will be important to ensure the UAPP has your most up-to-date address and beneficiary information. Use the UAPP Designation of Spouse and Non-Spouse Beneficiary form, available at [www.uapp.ca](http://www.uapp.ca) under “Forms”. Doing so will help expedite any required payment to your beneficiaries. Make sure your family and your executor know you are entitled to a benefit from the UAPP.

## Comments?

If you recently used the services of any group (the UAPP Administration Centre, CIBC Mellon, the 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](mailto:board@uapp.ca). Other contact information is available on our website, [www.uapp.ca](http://www.uapp.ca), under “Contact Us”.

The Board of Trustees ■ Universities Academic Pension Plan  
#1002, Park Plaza ■ 10611- 98 Avenue ■ Edmonton AB T5K 2P7