

Universities Academic Pension Plan

2014 Member Handbook

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INTRODUCTION

INTRODUCTION TO THE PENSION PLAN

This Member Handbook provides a brief overview of the benefits and choices available to you under the Universities Academic Pension Plan (UAPP). Please read it carefully so that you can take full advantage of your membership in the Plan. Words appearing in *italics* are defined in the GLOSSARY at the back of the Handbook.

The UAPP was established in 1978 for the academic and professional staff of Alberta universities and The Banff Centre. **The UAPP is a defined benefit plan, which means the pension is based on your *highest average salary* and the number of years of your *pensionable service*.** This type of pension plan enables you to plan for your retirement because you can estimate your future pension income in relation to your *salary*. The pension plan provides you with a pre-defined lifetime income, regardless of capital market conditions and how long you live.

The UAPP is financed by employee and employer contributions, and by investment earnings. The Alberta Government also makes contributions towards eliminating the unfunded liability for service before 1992.

The Board of Trustees, as established under the Sponsorship and Trust Agreement, is the trustee of the UAPP. The Board of Trustees has contracted with Buck Consultants to provide plan administration services, CIBC Mellon to provide pensioner payroll services, and Alberta Investment Management Corporation (AIMCo), Beutel Goodman and Fiera Capital to provide asset management services. The UAPP's diversified investment portfolio includes long and short term bonds, real return bonds, domestic and foreign equity, real estate and investments in infrastructure.

CONTACTS FOR MORE INFORMATION

PENSION BENEFITS ADMINISTRATION SERVICES PROVIDER

Buck Consultants
155 Wellington Street West
Suite 3000
Toronto ON M5V 3H1
Attn: UAPP Administrator
Phone: 1.866.709.2092
Email: uappadmin@acs-hro.com

PENSIONER PAYROLL SERVICES PROVIDER

CIBC Mellon Global Securities Services Company
Pension Benefits Department
PO Box 5858, Station B
London ON N6A 6H2
Phone: 1.800.565.0479
www.CIBCMellon.com

UAPP TRUSTEES' OFFICE

Pension Officer
#504, Park Plaza
10611 98 Avenue
Edmonton AB T5K 2P7
Phone: 780.415.8868
www.uapp.ca

EMPLOYER HUMAN RESOURCES DEPARTMENTS

University of Alberta	780.492.4555
University of Calgary	403.220.5932
University of Lethbridge	403.329.2379
Athabasca University	780.675.6966
The Banff Centre	403.762.6177

INFORMATION SHEETS



Information sheets, which provide more details on many of the topics introduced in this Member Handbook, are available from your employer or the UAPP website at www.uapp.ca.

You'll find the "information sheet icon" (shown at left) throughout the Handbook beside the corresponding topic.

UAPP WEBSITE

The UAPP maintains a comprehensive website on the Internet at www.uapp.ca. A copy of this Member Handbook is posted on the site as well as a number of Information Sheets on selected topics. You will also be able to access documents such as the Sponsorship and Trust Agreement, the Annual Report containing the latest financial statements for the UAPP, the *Actuarial Valuation* Report and recent Communiqués. There is a "What's New" section for recent news, a button providing useful "links", and a place for you to forward questions or feedback to the UAPP Trustees' Office.

RETIREMENT PLANNER

You can access the Retirement Planner through the UAPP website. The Planner allows active members to view their annual member statements, estimate their UAPP pension and provides some assistance in general financial planning based on your RRSP savings and the maximum CPP and OAS amounts. Since the Planner uses real member data, access to the Planner requires a User ID and password. Please call Buck Consultants at 1.866.709.2092 if you need assistance or if you need a User ID and password.

PLAN GOVERNANCE

Until December 31, 2000, the UAPP was established through a separate provincial statute, and the Provincial Treasurer of Alberta was the trustee of the Plan. Effective January 1, 2001, the UAPP became a non-statutory pension plan subject to the Employment Pension Plans Act of Alberta. The Plan is now established through a Sponsorship and Trust Agreement signed by the Plan Sponsors. The Plan Text, which describes the benefits to be provided under the UAPP, forms part of the Sponsorship and Trust Agreement.

THE PLAN SPONSORS

The Plan Sponsors are the boards of governors and the faculty associations of four Alberta universities and The Banff Centre. The Plan Sponsors' responsibilities include appointing members to the Board of Trustees, approving changes to Plan benefits and amending the Sponsorship and Trust Agreement.

THE BOARD OF TRUSTEES

The Board is made up of five employer nominees and four employee nominees. However, the total votes carried by the employer nominees are the same as those carried by the employee nominees. The position of Chair and Vice-Chair of the Board rotates every two years between employer and employee nominees. When the Chair is an employer nominee, the Vice-Chair is an employee nominee, and vice versa. The Board's responsibilities include administration of the Plan, investment of Plan funds, setting contribution rates required to fund the Plan and making recommendations regarding Plan changes for consideration by Plan Sponsors.

Names of current Board members are shown on the UAPP website under a button labeled "Board" at www.uapp.ca. To contact the Board, check the UAPP website under "Contact Us" for a list of contacts.

JOINING THE PENSION PLAN

To participate in the UAPP, you must be employed by a participating employer in either:

- an academic position, or
- a senior administrative or research position that has been designated as eligible.

If you are a full-time permanent employee in an eligible position, you join the Plan on your date of hire. If you are employed on any other basis, please contact your employer's Human Resources Department regarding your eligibility to join the Plan.

Your employer will enroll you in the Plan if you are eligible to participate.

CONTRIBUTION RATES

A. ON SALARY UP TO THE PENSIONABLE SALARY CAP (\$154,250 IN 2014)

Effective July 1, 2012, contribution rates on *salary* up to the *pensionable salary cap* are as follows:

UNIVERSITIES OF ALBERTA, CALGARY, AND LETHBRIDGE

- Member contribution rates are 11.17% of *salary* up to the *YMPE* and 14.26% of *salary* above the *YMPE*.
- The employer matches member contributions.

ATHABASCA UNIVERSITY AND THE BANFF CENTRE

- Member contribution rates are 10.67% of *salary* up to the *YMPE* and 13.76% of *salary* above the *YMPE*.
- Employer rates are 11.67% of *salary* up to the *YMPE* and 14.76% of *salary* above the *YMPE*.

Effective July 1, 2014, contribution rates on *salary* up to the *pensionable salary cap* are as follows:

UNIVERSITIES OF ALBERTA, CALGARY, AND LETHBRIDGE

- Member contribution rates are 11.82% of *salary* up to the *YMPE* and 15.02% of *salary* above the *YMPE*.
- The employer matches member contributions.

ATHABASCA UNIVERSITY AND THE BANFF CENTRE

- Member contribution rates are 11.32% of *salary* up to the *YMPE* and 14.52% of *salary* above the *YMPE*.
- Employer rates are 12.32% of *salary* up to the *YMPE* and 15.52% of *salary* above the *YMPE*.

Staff at the UAPP Trustees' Office and professional staff at The University of Calgary Faculty Association (TUCFA) and the Association of Academic Staff at the University of Alberta (AASUA) are also members of the Plan, and their contribution rates are the same as at the Universities of Alberta, Calgary and Lethbridge.

B. ON SALARY ABOVE THE PENSIONABLE SALARY CAP (\$154,250 IN 2014)

On the portion of *salary* above the *pensionable salary cap*, both you and your employer pay additional contributions of 1.17% which are directed towards the pre-1992 unfunded liability. Effective July 1, 2014, this rate increases to 1.44%.

The Alberta Government contributes 1.25% of your total *salary* toward the Plan's pre-1992 unfunded liability. The contribution rates in Section A above also include the additional contributions paid towards the pre-1992 liability. These contributions will cease when the pre-1992 liability has been fully funded.

INCOME TAX TREATMENT

Your contributions to the UAPP are tax-deductible. Each year your pension contributions and your Pension Adjustment (PA) are reported to the Canada Revenue Agency (CRA) on your T4 slip. Your PA estimates the dollar value of the pension you earned in a particular year (based on a formula under the Income Tax Act) and determines the amount, if any, that you can contribute to an RRSP. The CRA will advise you of the maximum RRSP contribution you can make each year.

THE UAPP FUND

All contributions made by members and their employers go directly into the UAPP Fund. These contributions are invested in a diversified portfolio of stocks, bonds, and other assets based on the Plan's Statement of Investment Policies & Goals, and in accordance with applicable legislation. All pensions, other benefits, and administrative costs are paid from the Fund. You will find a copy of the Statement of Investment Policies & Goals on the UAPP website under "Publications".

An *actuarial valuation* of the UAPP is undertaken at least once every three years. The *actuarial valuation* estimates the accrued liability of the Plan for all members for service rendered to the date of the valuation, and compares this total liability to the Fund's assets. It also estimates the annual contributions required to pay for future service under the Plan. Following a valuation, the Board of Trustees may adjust the existing contribution rates in order to meet the funding requirements of the Plan.

PENSIONABLE SERVICE

Pensionable service is the period of service, expressed in years, for which you have established pension credits in the Plan. Your pension will be based on your *pensionable service* and *highest average salary*. The maximum *pensionable service* you can accumulate is 35 years.

INCREASING YOUR PENSIONABLE SERVICE



You may be able to increase your *pensionable service* by purchasing a period of prior service or leave, during which time you did not make pension contributions. Prior service includes:

- a period of employment with any participating employer during which time you did not make pension contributions, such as work as a sessional employee.
- a period of *pensionable service* with an employer outside the UAPP provided you meet all the required conditions.

Service with a participating employer during which time you did not make pension contributions and service with an employer outside the UAPP is costed on an actuarial reserve basis.

Members have two years from the date of becoming a participant in the Plan or returning from a period of leave to purchase a period of prior service or leave.

If you decide to establish pension credits for a period of leave before May 1st of the year following the year in which the leave period ended, then the cost will equal the employer and employee contributions that would have been made on the service plus *interest*. If you delay the decision beyond April 30th of the calendar year following the year in which the leave period ended, then the service will be costed on an actuarial reserve basis. **Also, you may need to obtain a certification under the Income Tax Act that you have sufficient unused RRSP contribution room to make the purchase.**

The Income Tax Act imposes many restrictions and conditions on the purchase of prior service. Please contact your employer's Human Resources Department for more information on purchasing periods of prior service or establishing pension credits for leave periods. Information Sheets on **Purchasing Prior Service** and **Establishing Pension Credits for Leave Periods** are available on the UAPP website at www.uapp.ca under "Publications".

COMBINED PENSIONABLE SERVICE



After 1993, if you move between the Public Service Pension Plan (which serves non-academic employees) and the UAPP with the same employer and without a break in service, your *pensionable service* under both plans is referred to as combined pensionable service. Combined pensionable service, rather than membership in the UAPP alone, will be used to: determine *vesting*, calculate your *highest average salary*, and determine the extent of any early retirement reduction for your pensions from both the UAPP and the Public Service Pension Plan (PSPP).

Contact your employer to learn whether or not you qualify for combined pensionable service, and how this will affect your pension.

LEAVING THE PLAN BEFORE RETIREMENT



If you terminate from the Plan before your *normal retirement date*, your eligibility for benefits depends on the length of your *pensionable service* and your age.

Unless you are over age 55 and *vested* when you leave the Plan, you have choices about what to do with your pension funds. **Once a payment is made, your choice cannot be changed**, so you should carefully consider all options before making your decision. If you receive a payment from the UAPP in cash, it is subject to income tax in the year in which payment is issued.

If you transfer funds directly from the UAPP to your RRSP or *LIRA*, no income tax is payable, provided the transfer amount is within the limits set out in the Income Tax Act. Income tax will be deducted on amounts exceeding these limits and such funds cannot be transferred to an RRSP or *LIRA*.

Under the Universities Academic Pension Plan, you must make a decision about your pension before the end of the year in which you turn age 69.

The following table summarizes the benefits to which you are entitled on termination from the Plan.

Termination Before Retirement: Summary of Options		
Years of Plan Membership	Under Age 55 on Date of Termination	Age 55 or older on Date of Termination
2 or more years (vested)	<p>You may choose one of the following two options: Option 1: A deferred pension commencing on or after age 55. Option 2: The following amounts¹:</p> <p>For service before 1994, the greater of:</p> <ul style="list-style-type: none"> a) All contributions made by you and your employer plus <i>interest</i>, or b) The <i>commuted value</i>⁵ of your pension earned before 1994, plus any excess² employee contributions. <p>For service from Jan 1, 1994³, the greater of:</p> <ul style="list-style-type: none"> a) 1.75 times the regular service⁴ contributions made by you, plus <i>interest</i>, and any contributions made by you for a leave of absence without pay where you paid both the employee and the employer contributions, plus <i>interest</i>, or b) The <i>commuted value</i>⁵ of your pension earned on or after Jan 1, 1994, plus any excess² employee contributions. 	Immediate or deferred pension (see RETIREMENT BENEFITS)
Less than 2 years (not vested)	If you terminate before your <i>normal retirement date</i> , you are entitled to a refund of contributions you made to the UAPP, plus <i>interest</i> .	

Notes:

¹ **Locking-in.** If you have at least 2 years of *Plan membership*, benefits from the UAPP for service on or after January 1, 1994 are *locked-in* (other than amounts that are in excess of the *commuted value*). Benefits that relate to service before January 1, 1994 are not *locked-in*, except where the funds were transferred into the Plan under a reciprocal agreement.

² **Excess Employee Contributions.** For *commuted value* on regular service, the employer contributions made to the UAPP on your behalf must fund at least one-half of the *commuted value*. If your own regular service contributions plus *interest* add up to more than one-half of the *commuted value* of your regular service pension, the difference is referred to as excess employee contributions.

³ **Prior Service and Reciprocal Agreement Service.** If you purchased prior service where your application was made on or after January 1, 1994, or if you transferred funds to the UAPP on or after January 1, 1995 under a reciprocal agreement, that prior service or reciprocal agreement service will be treated separately. You will first receive a refund of those prior service or reciprocal agreement contributions, plus *interest*. The balance of your termination benefit will then be determined excluding that prior service or reciprocal agreement service.

⁴ **Regular Service** refers to service on which your employer made the employer contributions.

⁵ **Tax Sheltered Transfer Limits.** If you transfer funds directly from the UAPP to your RRSP or *LIRA*, no income tax is payable, provided the transfer amount is within the limits set out in the Income Tax Act. Income tax will be deducted on amounts exceeding these limits and such funds cannot be transferred to an RRSP or *LIRA*.

RETIREMENT BENEFITS/PENSION FORMULA

1. NORMAL RETIREMENT

You can retire on or after your *normal retirement date* with any length of *pensionable service*. Your annual pension will be calculated as follows:

2% of <i>highest average salary</i>	x	<i>pensionable service</i> before 1992
Plus		
2% of <i>highest average capped salary</i>	x	<i>pensionable service</i> in 1992 and 1993
Plus		
2% of <i>highest average capped salary</i>	x	<i>pensionable service</i> from Jan 1, 1994
Less		
0.6% of the average <i>YMPE</i>	x	<i>pensionable service</i> from Jan 1, 1994

2. EARLY RETIREMENT

(Retirement after age 55 but before *normal retirement date*)

You can retire anytime after age 55, provided you have at least 2 years of *Plan membership*. Your annual pension will be:

Up to age 65:

2% of <i>highest average salary</i>	x	<i>pensionable service</i> before 1992
Plus		
2% of <i>highest average capped salary</i>	x	<i>pensionable service</i> in 1992 and 1993
Plus		
2% of <i>highest average capped salary</i>	x	<i>pensionable service</i> from Jan 1, 1994
	x	reduction factor ¹

After age 65, reduced by:

0.6% of the average <i>YMPE</i>	x	<i>pensionable service</i> from Jan 1, 1994
	x	reduction factor ¹

¹ Your pension for service from January 1, 1994 is reduced by 3% for each year that you are under age 60, or for each year when the sum of your age and your years of *pensionable service* is less than 80, whichever gives the smaller reduction.

NORMAL FORM OF PENSION

The amount produced by the pension formula (see RETIREMENT BENEFITS/PENSION FORMULA) gives the normal form of pension, as described below. **Subject to the restrictions under spousal protection, you must convert both normal forms of pension for service before and after 1994 into the same optional form of pension. This means that one or both portions of the pension must be converted from the normal form to an optional form with the same type of survivor benefits.**

For service from January 1, 1994, the normal form of pension is as follows (see GLOSSARY for the UAPP definition of *spouse*):

If you have a *spouse* at retirement:

The normal form of pension is payable for your lifetime, and if your *spouse* is still alive when you die, your *spouse* will receive a pension equal to 2/3 of your pension for the rest of his or her life.

If you do not have a *spouse* at retirement¹:

The normal form of pension is payable for your lifetime, and if you die within 10 years of starting your pension, the payments continue to your *beneficiary(ies)* for the balance of the 10-year guarantee period.

For service before 1994, the normal form of pension does not depend on whether or not you have a *spouse*. The normal form for pre-1994 service is a pension payable for your lifetime, or for a period of 15 years, whichever is longer.

¹ Or if you do have a *spouse* at retirement, but a valid waiver form or statutory declaration has been signed (see SPOUSAL PROTECTION).

OPTIONAL FORMS OF PENSION



Several different forms of pension are available to suit your personal circumstances and these optional forms of pension are described below. **If you have a *spouse* on your retirement date, you must choose a joint life pension option unless your *spouse* signs the spousal waiver form** (see SPOUSAL PROTECTION).

All pensions are paid for at least your lifetime. The monthly pension amount will vary under each option because of the difference in value of benefits paid to your survivors or your estate.

JOINT LIFE PENSION - 2/3 SPOUSAL

This pension is paid for your lifetime. If you die before your *spouse*, 2/3 of your pension will be paid to your *spouse* for the remainder of his or her lifetime. If your *spouse* dies before you, your pension is not reduced.

You can also select a 2/3 Spousal Pension with a 10-year guaranteed term. Under this option, if both you and your *spouse* die within 10 years of the pension starting, the *beneficiary(ies)* will receive the balance of the guaranteed payments.

JOINT LIFE PENSION - 100% SPOUSAL

This pension is paid for your lifetime. If you die before your *spouse*, 100% of your pension will be paid to your *spouse* for the remainder of his or her lifetime. If your *spouse* dies before you, your pension is not reduced.

You can also select a 100% Spousal Pension with a 10-year guaranteed term. Under this option, if both you and your *spouse* die within 10 years of the pension starting, the *beneficiary(ies)* will receive the balance of the guaranteed payments.

SINGLE LIFE PENSION

A single life pension is paid for your lifetime and stops at the end of the month in which you die. There is no guarantee period.

If you have a *spouse* on your retirement date, this option is only available with a signed spousal waiver form.

SINGLE LIFE GUARANTEED 5, 10 OR 15 YEARS

Guaranteed term pensions are paid for your lifetime. If you die before the end of the guaranteed term of 5, 10, or 15 years, your *beneficiary(ies)* will receive the balance of the guaranteed payments. If you have a *spouse*, this option is only available with a signed spousal waiver form.

SPOUSAL PROTECTION

If you have a *spouse* on your retirement date, you must select a Joint Life Pension with your *spouse* as the joint annuitant (see OPTIONAL FORMS OF PENSION for a description of the different forms of pension payment). This requirement does not apply if your *spouse* signs the appropriate waiver form within 90 days preceding your pension commencement date. However, if the waiver form is signed, the normal pension for post-1993 service becomes that for a single person, namely a Single Life Pension guaranteed 10 years.

Your *spouse* is your *beneficiary* in the event of your death prior to retirement unless the *spouse* has signed a pre-retirement spousal waiver form.

Note: UAPP definition of *spouse* includes a person to whom you are legally married but are separated from for more than three years unless you have a common-law *spouse*. However, if you do not have a common-law *spouse* and wish to exclude your legally-married *spouse* (from whom you have been separated for more than three years) from the spousal protection provision, you must file a declaration of your status with the UAPP. Members are strongly advised to seek legal advice before filing such a declaration.

COST-OF-LIVING INCREASES

Once your pension commences, your monthly pension payments will be increased on January 1st of each year by a cost-of-living adjustment equal to 60 per cent of the average increase in Alberta's Consumer Price Index for the 12-month period ending October 31st of the previous year. The first such increase after pension commencement is pro-rated based on the number of complete months the pension was in payment.

If you have terminated your employment and are entitled to a deferred pension, then the annual cost-of-living adjustment is also applied to your pension during the deferral period. If your *salary* before termination is close to or above the *pensionable salary cap*, your cost-of-living adjustments during the deferral period may be limited so that your pension at commencement does not exceed the maximum amounts allowed by the Income Tax Act.

EXAMPLES OF PENSION CALCULATIONS

The following three examples of retirement pension calculations illustrate a variety of different situations. **Example 1** shows the pension for a member who chooses the Joint Life Pension - 2/3 Spousal with a *spouse* who is older than the member, and also illustrates the impact of the *pensionable salary cap*. **Example 2** covers the same pension option choice but with a *spouse* who is younger than the member, and the member's earnings are not impacted by the *pensionable salary cap*. **Example 3** shows the pension for a single member who chooses a Single Life Pension guaranteed 10 years, and also illustrates the impact of the early retirement reduction. Please note the following about the examples given:

1. The examples are provided for illustration purposes only. Your pension will depend on your *pensionable service*, your *highest average salary* and/or *highest average capped salary* as applicable, your age at retirement and your *spouse's* age if you have one on your retirement date.
2. For service from January 1, 1992, your *highest average salary* will be limited to the *highest average capped salary*.
3. For simplicity, cost-of-living adjustments have not been included in the examples.
4. The amounts shown in the examples are annual pension amounts. Pensioners receive one-twelfth of the annual amount at the end of each month.
5. The results in the examples may change because of periodic changes to *YMPE* and actuarial assumptions, and would also be subject to any future changes in the Sponsorship and Trust Agreement and any other applicable laws and rules.

EXAMPLE 1 (MEMBER WITH A SPOUSE AND SALARY ABOVE THE SALARY CAP)

The following illustrates the pension calculation for a member who retires at either age 60 or 65 with 23.5 years of *pensionable service* on June 30, 2014 with the *highest average salary* of \$160,000. The member has a *spouse* who is **2 years older** and chooses a pension payable for the member's lifetime and upon the member's death, 2/3 of the pension the member was receiving will be paid to the surviving *spouse* for life.

Under the UAPP, no *pensionable salary cap* applies for service prior to 1992, but a *salary cap* applies to 1992 and 1993 service and another *salary cap* applies to post-1993 service as shown below.

Highest average salary	
For service before 1992 (since no <i>pensionable salary cap</i> applies)	\$160,000
For service in 1992 and 1993 (since <i>pensionable salary cap</i> of \$129,972 applies)	\$129,972
For service after 1993 (since <i>pensionable salary cap</i> of \$144,738 applies)	\$144,738
Average <i>YMPE</i> for July 1, 2009 - June 30, 2014	\$49,220
Years of <i>pensionable service</i>	
• Before Jan 1, 1992	1.0
• In 1992 and 1993	2.0
• From Jan 1, 1994	<u>20.5</u>
Total years of <i>pensionable service</i>	23.5

	Member's Age at Retirement	
	60	65
Pension for service before 1992		
160,000 x 2% x 1	\$3,200	\$3,200
Pension for service in 1992-93		
129,972 x 2% x 2	<u>\$5,199</u>	<u>\$5,199</u>
Cost of conversion to 2/3 spousal option ¹	\$8,399 <u>(\$343)</u>	\$8,399 <u>(\$238)</u>
	\$8,056	\$8,161
Pension for service after 1993		
(144,738 - 49,220) x 2% x 20.5	\$39,162	\$39,162
49,220 x 1.4% x 20.5	<u>\$14,126</u>	<u>\$14,126</u>
	<u>\$53,288</u>	<u>\$53,288</u>
Pension payable after age 65	\$61,344	<u>\$61,449</u>
Bridge benefit payable from early retirement up to age 65		
49,220 x 0.6% x 20.5	<u>\$6,054</u>	
Pension payable up to age 65	<u>\$67,398</u>	

¹ The pension for service before 1994 is converted from a Single Life Pension guaranteed for 15 years to a Joint Life Pension - 2/3 Spousal. The younger the *spouse*, the higher the cost of spousal protection on the pre-1994 service.

If the member were to choose a pension for life with 100% of the pension continuing to the *spouse* (Joint Life Pension - 100% Spousal), then the pension for service before and after 1994 would need to be converted. In that case, the total cost of conversion would be \$2,618 and \$2,955 for the members retiring at age 60 and 65 respectively.

EXAMPLE 2 (MEMBER WITH A SPOUSE AND SALARY BELOW THE SALARY CAP)

The following illustrates the pension calculation for a member who retires at either age 60 or 65 with 22.5 years of *pensionable service* on June 30, 2014 with the *highest average salary* of \$90,000. The member has a *spouse* who is **2 years younger** and chooses a pension payable for the member's lifetime and upon the member's death, 2/3 of the pension the member was receiving will be paid to the surviving *spouse* for life.

<i>Highest average salary</i>	\$90,000
Average <i>YMPE</i> for July 1, 2009 - June 30, 2014	\$49,220
Years of <i>pensionable service</i>	
• Before Jan 1, 1994	2.0
• From Jan 1, 1994	<u>20.5</u>
Total years of <i>pensionable service</i>	22.5

	Member's Age at Retirement	
	60	65
Pension for service before 1994		
90,000 x 2% x 2	\$3,600	\$3,600
Cost of conversion to 2/3 spousal option ¹	<u>(\$215)</u>	<u>(\$193)</u>
	\$3,385	\$3,407
Pension for service after 1993		
(90,000 - 49,220) x 2% x 20.5	\$16,720	\$16,720
49,220 x 1.4% x 20.5	<u>\$14,126</u>	<u>\$14,126</u>
	<u>\$30,846</u>	<u>\$30,846</u>
Pension payable after age 65	\$34,231	<u>\$34,253</u>
Bridge benefit payable from early retirement up to age 65		
49,220 x 0.6% x 20.5	<u>\$6,054</u>	
Pension payable up to age 65	<u>\$40,285</u>	

¹ The pension for service before 1994 is converted from a Single Life Pension guaranteed for 15 years to a Joint Life Pension - 2/3 Spousal. The younger the *spouse*, the higher the cost of spousal protection on the pre-1994 service.

If the member were to choose a pension for life with 100% of the pension continuing to the *spouse* (Joint Life Pension - 100% Spousal), then the pension for service before and after 1994 would need to be converted. In that case, the total cost of conversion would be \$1,772 and \$2,072 for the members retiring at age 60 and 65 respectively.

EXAMPLE 3 (SINGLE MEMBER WITH AN EARLY RETIREMENT REDUCTION)

The following illustrates the pension calculation for a member who retires at age 55 with 22.5 years of service on June 30, 2014 with the *highest average salary* of \$90,000. The member has no *spouse* or has a *spouse* who has signed the spousal waiver form. The member chooses a Single Life Pension guaranteed for 10 years.

<i>Highest average salary</i>	\$90,000
Average <i>YMPE</i> for July 1, 2009 - June 30, 2014	\$49,220
Years of <i>pensionable service</i>	
• Before Jan 1, 1994	2.0
• From Jan 1, 1994	<u>20.5</u>
Total years of <i>pensionable service</i>	22.5
Years to age 60	5
Years to the earliest of age 60 or attainment of the 80 factor (80 - (55 + 22.5))	2.5
Early retirement reduction (2.5 years x 3% per year)	7.5%
Early Retirement Factor (100 - 7.5)/100	0.925

Member's Age at Retirement
55

PENSION FOR SERVICE BEFORE 1994

90,000 x 2% x 2	\$3,600
Increase for conversion to single life guaranteed 10 years ¹	<u>\$44</u>
	\$3,644

PENSION FOR SERVICE AFTER 1993

(90,000 - 49,220) x 2% x 20.5 x 0.925	\$15,466
49,220 x 1.4% x 20.5 x 0.925	<u>\$13,067</u>
	\$28,533
Pension payable after age 65	\$32,177

Bridge benefit payable from age 55 to age 65

49,220 x 0.6% x 20.5 x 0.925	<u>\$5,600</u>
Pension payable from age 55 to age 65	<u>\$37,777</u>

¹ The pension for service before 1994 is converted from a Single Life Pension guaranteed for 15 years to a Single Life Pension guaranteed for 10 years. The lesser guarantee period results in an increase to the pension amount.

FREQUENTLY ASKED QUESTIONS

WHAT IF I CAN'T ACCESS THE RETIREMENT PLANNER?

Call Buck Consultants at 1.866.709.2092 if you need help accessing the Retirement Planner, or if you have lost or misplaced your login ID or password.

WHAT IF MY CONTACT INFORMATION CHANGES?

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 should contact Buck Consultants at 1.866.709.2092 in this regard.

WHAT IF I BECOME SEPARATED FROM MY SPOUSE?

Your *spouse* continues to be your *spouse* for UAPP purposes until you have been separated for more than three years. After three years of separation, your legal *spouse* continues to be your *spouse* for UAPP benefits until you either acquire a common-law *spouse* who meets the UAPP definition of *spouse*, or you file a prescribed declaration with the Board (see GLOSSARY for the UAPP definition of *spouse*).



The right of any person to receive a benefit under the UAPP is subject to the rights of a *spouse* or former *spouse* under a Matrimonial Property Order (MPO). The rules for division and distribution of pension entitlements when a marriage breaks down are set out in the Employment Pension Plans Act and Regulations (EPPA). While the specific legislative requirements for division and distribution of pension entitlements are described in the EPPA, Alberta Treasury Board and Finance's Policy Bulletin #3 provides a general explanation of these provisions and is available on their website: www.finance.alberta.ca/publications/pensions/policy.html.

Briefly, some of the main provisions are:

- The EPPA sets standards for the terms of a *spouse's* share of pension entitlement, but does not require that a *spouse's* share of the pension entitlement be necessarily satisfied by a transfer from the pension plan or splitting of the pension. The *spouse's* share of the pension entitlement by mutual agreement may be satisfied by trading off other assets of equal value.
- 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 MPO.

- An MPO or a Consent Order 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.
- UAPP provisions for distribution of pension entitlements to a *spouse* pursuant to an MPO specify that if a member is already receiving a pension at the time of division, the *spouse's* share of the pension will be paid to him or her as a pension on the same basis as is paid to the member. If a pension is not already being paid, then:
 - a) if the member is not *vested*, the *spouse's* share of the member's contribution with *interest* will be paid in a lump sum.
 - b) if the member is *vested* but under age 55, the *spouse's* share of the relevant *commuted value* will be paid in a lump sum.
 - c) if the member is *vested* and over age 55, 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 paid in a lump sum.

All payments to the *spouse* will be subject to the locking-in provisions under the EPPA.
- Any benefits paid to a *spouse* pursuant to an MPO will result in an appropriate adjustment to the member's entitlement.

What if I disagree with a decision regarding my pension?

If you disagree with a decision affecting your pension entitlement or rights under the Plan, first contact your employer who will arrange for a review of your situation. If after this review you continue to feel that the Plan rules have not been properly applied in your case, you can request a Board review by sending a letter to the attention of the Executive Director at the Universities Academic Pension Plan, #504, Park Plaza, 10611 98 Avenue, Edmonton, AB, T5K 2P7.

What if I die before retirement?

If you die before becoming *vested* (less than two years' continuous membership) your *spouse* or other *beneficiary* is entitled to a lump sum payment.

If you are *vested* (two or more years' continuous membership) and die before age 55, your *spouse* can choose between a lump sum payment and a surviving spousal pension. If you do not have a *spouse*, then your *beneficiary* or estate would receive a lump sum payment.

If you are *vested* and die after age 55, your *spouse* receives a surviving spousal pension. If you do not have a *spouse*, then your *beneficiary* or estate will be entitled to a lump sum payment.

Note that, if you have a *spouse* when you die before retirement, your *spouse* is automatically your *beneficiary*.

What if I become disabled?

If you are disabled and are receiving benefits under your employer's long-term disability plan, your contributions will continue and you will continue to accrue *pensionable service*.

If you are disabled and are not covered under a long-term disability plan, you may apply for a disability pension from the UAPP.

What if I return to work after retirement?

You can work for any employer not participating in the UAPP without affecting your pension. If you return to work for a UAPP employer in an eligible position while you are receiving a UAPP retirement pension, you can choose to rejoin the Plan or not. If you choose not to rejoin the Plan, your pension will continue without change.

If you choose to start making UAPP contributions again, your pension will cease while you are a Plan contributor and you must continue to make pension contributions while you remain in an eligible position. When you again terminate employment, you can apply to recommence pension. The amount of pension payable on your second retirement date will be the sum of your earlier pension, and the portion you earned during your most recent period of *Plan membership*. When the earlier pension resumes, it will be adjusted for any cost-of-living increases awarded during the period of suspension, and will also be recalculated to reflect your new early retirement factor, if applicable.

FEDERAL RETIREMENT PROGRAMS

The following general information regarding Canada Pension Plan and Old Age Security benefits may assist you in estimating your total income during retirement. For up-to-date information about CPP and OAS, including details about how to apply for these benefits, you can contact Service Canada at **1.800.277.9914** (toll-free) or visit the website at www.servicecanada.gc.ca.

CANADA PENSION PLAN (CPP)

The CPP pension is designed to replace approximately 25% of the earnings on which you made contributions to the Plan. The CPP maximum retirement pension payable in 2014 is \$1,038.33 per month, calculated as 25% of the average *YMPE* for the years 2010 to 2014 inclusive. Your CPP pension may be lower than the maximum, depending on your average CPP earnings and the length of time you made contributions to the Plan since age 18 (or since 1966 if later). A statement showing your historical CPP earnings and contributions, and estimating your CPP pension at age 65, is available from Service Canada. Your CPP pension is adjusted each January to reflect increases in the Consumer Price Index for Canada.

Though the normal retirement age under the CPP is age 65, you can start receiving a pension after age 60 or delay receiving it to age 70.

If you commence receiving a CPP pension before age 65, an early retirement reduction factor will be applied for each month that you are under age 65. This reduction factor will gradually increase from 0.5% per month to 0.6% per month over a 5-year period commencing in January 2012. The reduction factor will be 0.6% per month as of January 2016. Also, if you start to receive a CPP pension prior to age 65 and continue working, you will be required to contribute to the CPP until age 65 and will earn additional benefits.

If you delay collecting a CPP pension past age 65, your pension will be increased by a factor of 0.7% per month, based on the number of months that you are over age 65. If you work past age 65, you can also elect to contribute to the CPP and earn additional benefits.

If you and your *spouse* (as defined by CPP) are in a continuing relationship, and you are both in receipt of CPP retirement benefits, you can apply to "share" the CPP you both earned during your marriage.

If you and your *spouse* (as defined by CPP) are divorced or separated, contributions made by either of you during your marriage or common-law union can be divided equally.

OLD AGE SECURITY (OAS)

The Old Age Security program provides seniors with a basic retirement income, commencing at age 65. Unlike CPP, the OAS is not a contribution-based plan, and the benefits cannot start before age 65. Your OAS benefits become payable at age 65, or when you make application, whichever is **later**.

As of January 2014, the maximum OAS pension is \$551.54 per month. You are eligible for the maximum OAS benefit if you meet the residency requirements (generally, 40 years). If your period of residency in Canada does not entitle you to the maximum OAS benefit, but you have at least 10 years of residency in Canada, you may qualify for a prorated OAS pension. Also, your OAS benefit will be reduced by 15 cents for every dollar of your individual income above the specified level for that year (\$71,592 in 2014). For example, if a pensioner was to receive maximum OAS benefits of \$6,618.48 in 2014, but had other net income of \$80,000.00 in 2014, his OAS benefit will be reduced by \$2,253.97, calculated as 15% of (\$80,000.00 + \$6,618.48 - \$71,592). The reduction is normally withheld from OAS payments.

OAS benefits are adjusted every three months to reflect increases in the Canadian Consumer Price index and are subject to income tax.

GLOSSARY

ACTUARIAL VALUATION

An *actuarial valuation* measures the funded status of the Plan and the level of contributions required to fund the benefits of the Plan. An *actuarial valuation* is prepared by a qualified actuary who is a member of the Canadian Institute of Actuaries.

BENEFICIARY(IES)

Under the UAPP, your *spouse* is automatically your *beneficiary* if you die before retirement. If you do not have a *spouse* at the time of death, your *beneficiary(ies)* is/are the person(s) or entities designated by you to receive benefits payable from the Plan in the event of your death. If you do not name a *beneficiary* and you do not have a *spouse*, your estate is your *beneficiary*.

BRIDGE BENEFIT

The *bridge benefit* is an additional pension paid until the end of the month in which the member reaches 65 years of age. The benefit is equal to 0.6% of the lesser of (i) the member's *highest average salary* for post-1993 service, and (ii) the member's final average *YMPE*. The benefit is reduced by any early retirement factor that may be applicable to the pension.

COMMUTED VALUE

The lump sum of money that represents the value of your pension earned to a specified date. The lump sum is determined using several factors, including your age and the long-term bond rates prevailing at the time of the calculation. The lower the bond rates the higher the *commuted value* and conversely, the higher the rates, the lower the *commuted value*.

HIGHEST AVERAGE SALARY

Your average annual *pensionable salary* for the 60 consecutive months of your *Plan membership* during which such average was the highest. If you have less than 60 months of *Plan membership*, your *highest average salary* will be determined over your entire period of *Plan membership*.

HIGHEST AVERAGE CAPPED SALARY

Your average annual *pensionable salary* for the 60 consecutive months of your service during which such average was the highest, where earnings above the *pensionable salary cap* are excluded.

INTEREST

Interest is credited each year on member contributions at the average yield of the 5-year personal fixed term chartered bank deposit rates in the year. For 2013, the *interest* applied to contributions is 1.40%.

LOCKED-IN RETIREMENT ACCOUNT (LIRA)

An RRSP that is locked-in, and which must be used to provide you with lifetime retirement income commencing on or after you reach age 50. Most financial institutions offer *LIRAs*.

NORMAL RETIREMENT DATE

Your *normal retirement date* is the June 30th immediately following your 65th birthday.

PENSIONABLE SERVICE

The period of service, expressed in years, during which you contribute to the pension Plan, or the period for which you have established pension credits. The maximum *pensionable service* is 35 years.

PENSIONABLE SALARY

Salary on which pension contributions and benefits are based. For service on and after January 1, 1992, *pensionable salary* does not include earnings in excess of the *pensionable salary cap*.

PENSIONABLE SALARY CAP

The *pensionable salary cap* changes from year to year, and is equal to the *salary* that produces the maximum UAPP benefit accrual allowed for that year by the Income Tax Act under a registered pension plan. The *pensionable salary cap* for recent years is:

2009	\$136,112	2012	\$147,364
2010	\$138,882	2013	\$150,164
2011	\$142,101	2014	\$154,250

PLAN MEMBERSHIP

Plan membership is the period during which you remain employed by a participating employer after you become a member of the UAPP. It includes periods of approved leave of absence and some periods of optional service purchased. If you have two or more separate periods of *Plan membership*, and provided you have not received a benefit from the Plan in respect of an earlier vested period, then all of your periods of membership in the Plan can be combined to determine your total *Plan membership*.

SALARY

Salary is basic pay for the performance of regular duties. This does not include earnings such as overtime pay or one-time lump sum bonuses.

SPOUSE

At the relevant time, a *spouse* is:

- a) A person to whom you are legally married and from whom you have **not** been living separate and apart for 3 or more consecutive years, or
 - b) If there is no person under a), a person of either sex who has lived with you (i) in a marriage-like relationship for the 3 years immediately preceding the relevant time, or (ii) in a relationship of some permanence for the period immediately preceding the relevant time if you and that person are, together, the natural or adoptive parents of a child under the laws of Alberta; or
 - c) If there is no person under a) or b), and you have not filed with the Board a prescribed declaration, a person to whom you were married but from whom you have been separated for more than 3 years.
-

VESTED/VESTING

Means you are eligible to receive a pension or the *commuted value* of the pension you have earned to the date of termination. Vesting is attained upon the completion of 2 years of continuous *Plan membership*.

YMPE (YEAR'S MAXIMUM PENSIONABLE EARNINGS)

The maximum earnings set each year by the Canada Pension Plan (CPP) on which you are required to make CPP contributions. The **Average YMPE** is the annual average of the *YMPE* over the same period as your *highest average salary*.

The *YMPE* for recent years is shown below:

2009	\$46,300	2012	\$50,100
2010	\$47,200	2013	\$51,100
2011	\$48,300	2014	\$52,500

IMPORTANT NOTES TO THE READER

Once you become a member of the UAPP, the only decision that you need to make about your participation is whether you wish to purchase any eligible prior service or a period of leave. That decision generally must be made within two years of joining the Plan or returning from a period of leave.

The UAPP is a defined benefit plan, which means the pension is based on your highest average salary and the number of years of your pensionable service.

GOT A PENSION QUESTION? Call Buck Consultants at 1.866.709.2092.

This Member Handbook has been designed to provide UAPP members with general information about the Plan. Should anything in this Handbook conflict with the Sponsorship and Trust Agreement or any applicable provincial or federal legislation, the Agreement and/or the legislation shall apply.

Words appearing in *italics* are defined in the Glossary.

Remember, members have two years from the date of commencing contributions under the UAPP or returning from a period of leave to purchase a period of prior service or leave. Therefore, make sure you purchase service within the timeline applicable to you.

If you decided to establish pension credits for a period of leave before the end of April following the year in which the leave period terminated, the purchase will not result in a Past Service Pension Adjustment (PSPA) under the Income Tax Act.

See Glossary for the UAPP definition of "spouse".

Your spouse is automatically your beneficiary under the UAPP. However, if you do not have a spouse as defined under the UAPP, you can designate another person or entity as a beneficiary under the Plan. In that case, the funds will be paid to that person or entity instead of your estate.

If you have a spouse on your retirement date, you must choose a joint life pension option with your spouse unless your spouse signs the spousal waiver form.

The examples are provided for illustration purposes only.

Your benefit or pension choice is final once the benefit has been paid or the pension has commenced. Therefore, carefully consider your options before making a choice.

WANT TO ESTIMATE YOUR OWN UAPP PENSION? Go to www.uapp.ca and click on the Retirement Planner icon. For Login and Password enquiries, please call Buck Consultants at 1.866.709.2092.

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

Under the plan provisions of the UAPP, you must make a decision about your pension funds before the end of the year in which you turn age 69.

It is important to apply for CPP and OAS benefits on a timely basis. A delay in applying can result in lost benefits. Service Canada suggests that you apply at least six months before the effective date of your pension.