

Communiqué

Winter 2020-21



Third Quarter 2020 Returns

The UAPP Fund experienced a gain of 3.9% in the third quarter of 2020, resulting in a year-to-date return of 0.5%.

Summary of Investments as at September 30, 2020

Total Market Value \$5,441.7 Million

Market Value and Asset Mix	30-Sep-20		31-Dec-19	
	(\$million)	Actual Mix (%)	(\$million)	Actual Mix (%)
Cash & Short-term	8.3	0.2	12.5	0.2
Universe Bonds & Mortgages	864.8	15.9	844.7	15.5
Real Return Bonds	400.0	7.4	364.5	6.7
Long Bonds	667.8	12.3	598.2	11.0
Total Cash & Fixed Income	1,940.9	35.7	1,819.9	33.4
Canadian Equities	625.9	11.5	660.2	12.1
Global Equities	1,787.3	32.8	1,970.4	36.1
Total Equities	2,413.2	44.3	2,630.6	48.2
Real Estate	390.2	7.2	429.5	7.9
Infrastructure & Private Equity	635.1	11.7	491.0	9.0
Timberland & Other Alternatives	62.2	1.1	82.7	1.5
Total Alternative Investments	1,087.6	20.0	1,003.2	18.4
Total Investments	5,441.7	100.0	5,453.7	100.0

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

Investment Performance of the Fund	Quarter ending 30-Sep-20	One Year ending 30-Sep-20	Four Year ending 30-Sep-20
Cash and Short-term	0.1	1.4	1.5
<i>FTSE Canada 91-Day T-Bill Index</i>	<i>0.1</i>	<i>1.3</i>	<i>1.1</i>
Fixed Income	1.3	8.9	4.7
<i>Fixed Income Investments Indices</i>	<i>1.0</i>	<i>8.3</i>	<i>4.5</i>
Canadian Equity	5.5	-9.6	2.4
<i>S&P/TSX Capped Composite Index</i>	<i>4.7</i>	<i>0.0</i>	<i>5.5</i>
Global Equity	7.1	1.6	7.5
<i>MSCI World & Emerging Markets Indices</i>	<i>6.2</i>	<i>11.8</i>	<i>10.2</i>
Real Estate	-2.2	-6.0	4.6
<i>IPD Large Institutional All Property Index</i>	<i>-2.2</i>	<i>-3.2</i>	<i>4.6</i>
Alternative Investments	2.5	5.4	8.2
<i>Alternative Investments Indices</i>	<i>0.4</i>	<i>2.2</i>	<i>6.2</i>
Total Investment Return	3.9	0.9	5.7
<i>Policy Benchmark Return</i>	<i>3.2</i>	<i>7.6</i>	<i>7.1</i>

Cost-of-Living Adjustments

Each year on January 1, cost-of-living adjustments (COLA) are applied to UAPP pensions. The historical COLA is summarized on our website at www.uapp.ca/news/cost-of-living-adjustment/

2021 COLA for UAPP Pensioners is 0.78%

The 2021 cost-of-living adjustment (COLA) for pensioners who retired prior to January 1, 2020 is 0.78%. For persons who retired in 2020, 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 2021 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 1.3%. The percentage increase in CPI is derived by comparing the average CPI for the 12 months ending in October 2020 with the corresponding figure for the previous year.

Tax withholdings starting in January will reflect the 2021 rates applicable to the province or country of the recipient's residence. CIBC Mellon will be issuing 2020 T4A slips in mid-February 2021.

CIBC Mellon can be contacted in North America at 1.800.565.0479 and those outside North America can call collect at 1.519.873.2218. CIBC Mellon can be contacted in writing at CIBC Mellon Pension Benefits Department, PO Box 5858, Station B, London, ON N6A 6H2.

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

The average COLA increase over the past twenty years, including the current year increase, is 1.32%. The highest increase in that time period was 3.42% that was applied January 1, 2004 and the lowest increase was 0.06% that was applied January 1, 2010. This year is the third time in the past five years that the COLA increase has been 0.78%.

What happens if I die prior to retirement?

One of the more common questions asked by members of the UAPP is about what happens to their pension benefit if they die before retiring.

If you die before you retire from the UAPP, your surviving spouse*, if applicable, is eligible to receive a lifetime survivor pension payable as if you retired the day prior to your death. If you are under the age of 55 and had a spouse at the date of death, the surviving spouse is entitled to a lump sum transfer to a Locked-In Retirement Account (LIRA) in lieu of the monthly pension.

If you do not have a surviving spouse at your date of death, your last-named beneficiary, or estate if no beneficiary has been filed with your employer, will receive a lump sum payout of your pension in cash.

Lump sums payable on death are equal to the following:

For service before January 1, 1994, the greater of:

- a. All contributions made by you and your employer plus interest, or
- b. The commuted value of your pension earned before 1994, plus any excess employee contributions.

For service from January 1, 1994, the greater of:

- a. 1.75 times the regular service contributions made by you, plus interest, and any contributions made by you for a leave of absence without pay where you paid both the employee and the employer contributions, plus interest, or
- b. The commuted value of your pension earned on or after January 1, 1994, plus any excess employee contributions.

If a payment is made from the UAPP in cash, it is subject to income tax in the year in which payment is issued. If funds are transferred directly from the UAPP to your surviving spouse's LIRA, no income tax is payable. Note that, if you have a spouse when you die before retirement, your spouse is automatically your beneficiary.

*At the relevant time, a spouse is defined as follows:

- 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.

Federal Programs - 2021 Facts

Canada Pension Plan

Contributions

Employer/Employee Contribution Rate (each)	5.45%
Year's Maximum Pensionable Earnings (YMPE)	\$61,600
Year's Basic Exemption (YBE)	\$3,500
Maximum Annual Employer/Employee Contribution (each)	\$3,166.45

Maximum Monthly Benefits

Retirement Pension (Age 65)	\$1,203.75
Survivor's Pension -Under age 65	\$650.72
-Age 65 and over	\$722.25
Disability Pension	\$1,413.66
Children of disabled or deceased contributors benefit	\$257.58

Old Age Security

For First Quarter Commencing January 1, 2021
Benefits are indexed quarterly to reflect CPI changes

Maximum Old Age Security Pension	\$615.37
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Note: Pensioners with individual net incomes above \$79,845 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 \$129,075 or above.

Tax-Free Savings Accounts

Maximum Annual Contribution	\$6,000.00
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Year's Maximum Pensionable Earnings under CPP for 2021 increases to \$61,600 from \$58,700 in 2020.

The Canada Revenue Agency has announced that the Year's Maximum Pensionable Earnings under the Canada Pension Plan (CPP) for 2021 will be \$61,600 – up 4.9% from \$58,700 in 2020. 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 contribution rates for 2021 will be 5.45%, up from 5.25% each in 2020. The increase is due to the CPP enhancement that started taking effect January 1, 2019.

The maximum employer and employee contribution to the CPP for 2021 will be \$3,166.45 each, up from \$2,898.00 in 2020. The basic exemption amount will remain at \$3,500.00.

Maximum Pensionable Salary under the UAPP for 2021 increases to \$180,757.78.

The increase in the YMPE to \$61,600 combined with the announced maximum pension benefit of \$3,245.56 in 2021 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 \$180,757.78 in 2021, up from \$172,221.11 in 2020.

In 2021, the maximum pensionable salary under the UAPP is going up by 5.0%.

Feature on UAPP Website

Once your pension commences, your monthly pension payments will be increased on January 1 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 31 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. An announcement of the amount of the increase is posted annually on our website at www.uapp.ca/news.

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. A summary of the historical cost-of-living adjustments granted under the UAPP is available on our website at www.uapp.ca/news/cost-of-living-adjustment.



If you are new to the UAPP, we encourage you to spend some time reviewing our website, 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 Trustees’ Office at board@uapp.ca.



If you leave employment and leave your funds in UAPP, 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/forms/. Keeping current 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.



If you are thinking about retirement, you can run an unlimited number of estimates on the Retirement Planner, adjusting for important details like retirement dates and future salary adjustments. Also, read the Information Sheet “Preparing for Retirement”, available at www.uapp.ca/publications/information-sheets/.



If you would like to comment on the service you received 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, please feel free to write to us at board@uapp.ca. Other contact information is available on our website, www.uapp.ca/contact-us/.



If you have questions about your pension or the Retirement Planner, call the UAPP Administration Centre toll-free at 1.866.709.2092.

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