

# **Member Information Seminar**

**2019**

**For Employees of  
Amalgamated Transit Union**

**Presented By  
Alberta Pensions Services  
Corporation**



***Always a LAPP Ahead***

# Member Information Seminar

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# Welcome to LAPP

Whether you are new to the Plan, experiencing changes in your work life, or preparing to cross the finish line and retire; the LAPP seminar is designed to help guide you through that journey. Visit [www.lapp.ca](http://www.lapp.ca), scroll through the topics available and explore those that interest you most.

Throughout this handout, look out for Ben E. Fit (or Benny, for short). He is LAPP's ambassador, a "fiscally fit" LAPP member who understands that planning for retirement is a marathon, not a sprint.

Let Benny guide you, as he takes an interest in his pension from a young age, right through working in his career and future retirement planning. He will be with you all the way as you prepare for your victory LAPP!

Pensions can be complicated, and we have designed the website and these materials to be engaging, user-friendly, and approachable. With our initiatives, plus Benny guiding you, you are Always a LAPP Ahead!



## Your Plan Has Value

Many Canadians do not have access to a workplace pension, and your LAPP pension offers a number of distinct and valuable features:

- |   |   |
|---|---|
| 1) A LAPP pension is a pension for life       | 4) You can choose to retire early                                 |
| 2) A LAPP pension is predictable              | 5) Your pension income is stable and secure                       |
| 3) Your employer contributes 1% more than you | 6) Your pension grows each year to help protect against inflation |

Some of these features are due to LAPP being a defined benefit (DB) pension plan. This means that when you retire, the amount of pension you will receive is determined by a formula. This formula is based on your pensionable salary and years of pensionable service, and not how much you contributed or returns on pension fund investments.

**See Your Plan has Value for more detailed information.**

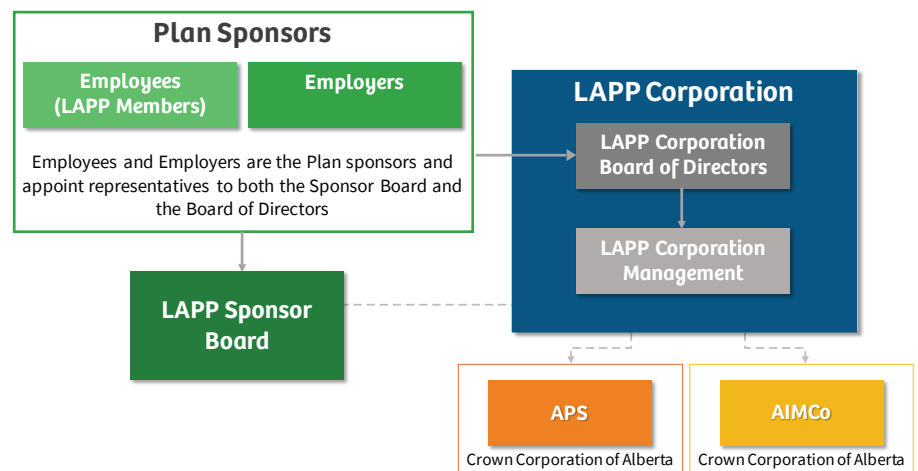


## Your Plan is in Good Hands

### Our People

LAPP is a jointly-sponsored pension plan. The Plan sponsors are both the employees (LAPP members) and employers (LAPP employers) who pay into the Plan. The sponsor groups appoint representatives to the Sponsor Board, which is responsible for making important decisions about your pension like benefits, eligibility rules, and contributions.

LAPP Corporation is the administrator and trustee of the Plan. The Corporation is run by a small management group, which is overseen by a Board of Directors. The directors are appointed by the same sponsor groups that appoint the Sponsor Board. The role of the Corporation is to ensure that pensions are paid to members. This is achieved by providing strategic guidance for the Plan, managing risk and ensuring the long-term sustainability of LAPP. The Corporation is responsible to oversee the work of our key service providers who administer the pension benefit and invest the LAPP Fund.





## Our Partners

Services related to pension benefit administration and investment management are provided by two Crown Corporations of Alberta:



### Alberta Investment Management Corporation (AIMCo)

Invests the LAPP Fund according to direction from the Boards



### Alberta Pensions Services Corporation (APS)

Provides pension benefit administration services on behalf of the Boards, including:

- Collecting contributions
- Managing member information
- Calculating and paying pensions
- Providing benefit information to members, retirees, and employers

See Your Plan is in Good Hands for more detailed information.



## Defined Benefit (DB) Pension Plan

LAPP is a defined benefit pension plan. This means that when you retire, the amount of pension you will receive is determined by a set formula, not how much you contribute or the returns on the pension fund investments. This formula is based on:

- **Pensionable salary**  
(the average of your five highest consecutive years); and
- **Pensionable service** (maximum 35 years)

This type of pension plan has many advantages. It enables you to estimate future pension income, and provides you with a lifetime income regardless of market conditions and how long you live.

## The Value of Being Vested

You are vested in the Plan when you have two years of pensionable service or have been an active member for two years. If you are an active member of the Plan on or after your 65th birthday, you are automatically vested regardless of pensionable service or membership.

**Once you become vested, you are eligible to receive a lifetime monthly pension when you retire.**



## Contributions

Contributions are payments collected from you and your employer to help fund your pension. The contribution rates are set by the LAPP Board and are based on the estimated cost of current and future pensions. Your contributions are deducted on a pay period basis by your employer. Your employer always contributes 1% more than you.

### Contribution Rates for 2019

	Up to YMPE	Over YMPE
<b>MEMBER</b>	8.39%	12.84%
<b>EMPLOYER</b>	9.39%	13.84%

## Year's Maximum Pensionable Earnings (YMPE)

The Government of Canada sets a maximum amount of earnings on which you can contribute to the Canada Pension Plan, called the Year's Maximum Pensionable Earnings (YMPE). LAPP uses this YMPE amount in its application of contribution rates, and in the calculation of benefits (see page 9).

YMPE: Year-by-Year					
<b>2012</b>	\$50,100	<b>2013</b>	\$51,100	<b>2014</b>	\$52,500
<b>2015</b>	\$53,600	<b>2016</b>	\$54,900	<b>2017</b>	\$55,300
<b>2018</b>	\$55,900	<b>2019</b>	\$57,400		



## How is My Pension Calculated?

Your pension is calculated based on a formula that looks at your pensionable salary and your years of pensionable service, and not how much you have paid into the Plan. Generally speaking, the longer you are contributing to the Plan and the higher your salary gets, the larger your pension will be.

Salary up to the YMPE    ×    1.4%    ×    Service    =    \$ \_\_\_\_\_

PLUS

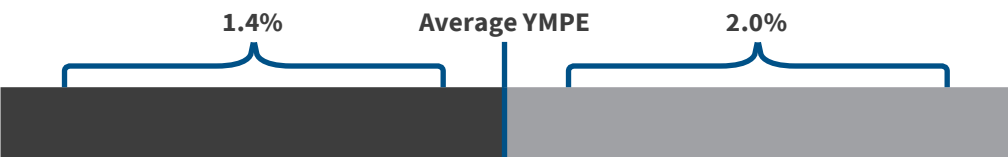
Salary over the YMPE    ×    2.0%    ×    Service    =    \$ \_\_\_\_\_

In this section we outline the pension formula and explain how all its parts work together.

### Benefit Rates

When you retire, LAPP will pay a benefit to you based on your highest average salary, length of pensionable service, and a benefit rate.

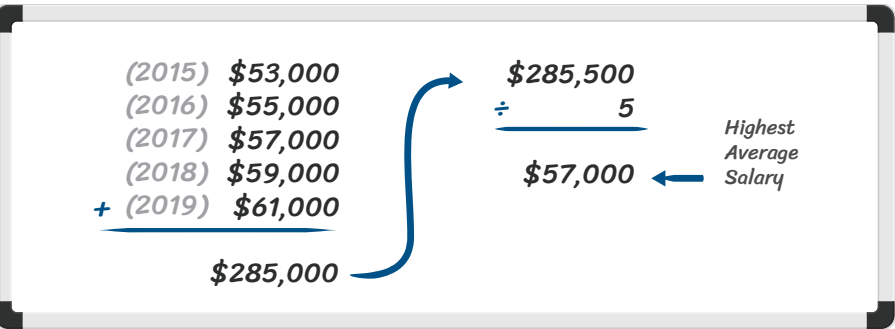
The benefit rates set by legislation are:



### Highest Average Salary

The salary used in the pension formula is called your **highest average salary (HAS)**. HAS is calculated as the average of the five highest consecutive years of salary. Those are often, but not always, the last five years of a LAPP member’s time in the Plan.

Year ›	2013	2014	2015	2016	2017	2018	2019
Salary ›	\$49,900	\$51,000	\$53,000	\$55,000	\$57,000	\$59,000	\$61,000



## Average Year's Maximum Pensionable Earnings

The average YMPE used in the LAPP pension formula is determined by using the YMPEs associated with the same years used in the highest average salary calculation.

(2015) \$53,600	$\begin{array}{r} \$277,100 \\ \div \quad 5 \\ \hline \$55,420 \end{array}$	← Average YMPE
(2016) \$54,900		
(2017) \$55,300		
(2018) \$55,900		
+ (2019) \$57,400		
<hr/> \$277,100		

## Highest Average Salary vs. Average YMPE

<i>Highest Average Salary</i>		<i>Average YMPE</i>	
2013 \$49,000		2013 \$51,100	
2014 \$51,000		2014 \$52,500	
2015 \$53,000	} \$57,000	2015 \$53,600	} \$55,420
2016 \$55,000		2016 \$54,900	
2017 \$57,000		2017 \$55,300	
2018 \$59,000		2018 \$55,900	
2019 \$61,000		2019 \$57,400	

## Example of Pension Calculation

Now that we have determined the Highest Average Salary, Average YMPE, and the total pensionable service, we are ready to calculate the LAPP pension.

$$\text{Up to Avg. YMPE} \quad \$55,420 \times 1.4\% \times 30 \text{ years of service} = \$23,276$$

$$\text{Over Avg. YMPE} \quad \$1,580 \times 2.0\% \times 30 \text{ years of service} = \$948$$

*Single Lifetime Guaranteed at Least 5 Years* = **\$24,224**  
*per year*

The two totals are added together to give you an estimated annual unreduced pension. The final amount of your pension is based on the pension option you choose, and factors like your age at retirement, whether or not you have a pension partner, and if you choose to coordinate your pension.

## How is My Pension Calculated - Part-Time

### Part-Time Pensionable Service

Working part-time will affect your pensionable service. Each year you will earn pensionable service based on your full-time equivalency (FTE). Your full-time equivalency is calculated based on the hours worked in that year, divided by the regular full-time hours for your position.

$$\begin{array}{ccc} \boxed{20} & \div & \boxed{40} = \boxed{0.5} \\ \text{Hours Worked} & & \text{Full-Time Hours} \\ \text{Per Week} & & \text{for Position} \\ & & \text{Years of} \\ & & \text{Pensionable} \\ & & \text{Service} \end{array}$$

If someone worked in a 0.5 part-time position, after 4 years of work that person would have 2 years of pensionable service.

Meanwhile, someone working full-time would have 4 years of pensionable service.

### Part-Time Pensionable Salary

For part-time employees, the pensionable salaries are annualized before determining which years will be used in the highest average salary. The annualized salary represents what you would have earned had you worked full-time. To figure out the annualized salary you divide your pensionable earnings by your full-time equivalency (FTE).

$$\begin{array}{ccc} \boxed{\$29,500} & \div & \boxed{0.5000} = \boxed{\$59,000} \\ \text{Part-Time} & & \text{Full-Time} \\ \text{Pensionable} & & \text{Equivalency} \\ \text{Salary} & & \text{Annualized} \\ & & \text{Salary} \end{array}$$

## Review Time

### Question 1 Multiple Choice

Which years of pensionable salary are used to calculate your Highest Average Salary?

- A) Your highest 5 consecutive years
- B) Your 5 most recent years
- C) Pick and choose the highest 5
- D) Every year's recorded salary

### Question 2 Fill in the Blanks

Key components of the LAPP benefit formula are:

\_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_

PENSIONABLE SERVICE	CONTRIBUTIONS	AVERAGE YMPE
HIGHEST AVERAGE SALARY	INTEREST RATES	BENEFIT RATES

See Your Life with LAPP › Getting Started with LAPP for more detailed information.



## Potential Retirement Income

LAPP will be one source of your future retirement income. If you are like most Canadians, the money you receive once you retire will come from different places. The Canada Pension Plan (CPP) and Old Age Security (OAS) are government pensions most Canadians will have. You may have Registered Retirement Savings Plan (RRSPs) or other investments, or maybe you have a pension from another employer.

Retirement planning can be a complex process with many things to consider. You may want to talk to an independent financial advisor who is not trying to sell you a product while they assist in your retirement planning.

## What Will You Qualify for Under LAPP, CPP, and OAS?

### LAPP:

Using the previous example, assuming you retired in 2020 as a single person, age 65, with a highest average salary of \$57,000 and 30 years of LAPP pensionable service, your LAPP pension would be \$24,224 per year and would replace about 42% of your pre-retirement average salary.

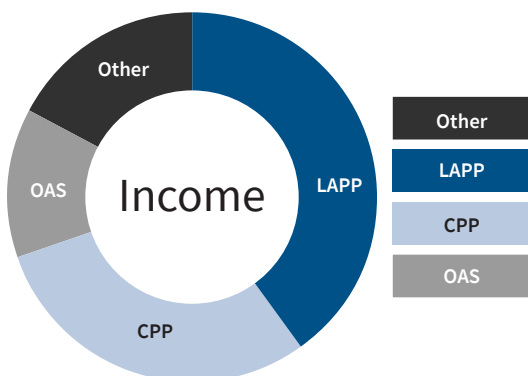
The final amount of your pension is based on the pension option you choose, and factors like your age at retirement, whether or not you have a pension partner, and if you choose to coordinate your pension.

### CPP and OAS:

Assuming a member was eligible for maximum CPP and OAS in 2019, they would receive a further \$13,855 and \$7,217 respectively. Not everyone is entitled to full benefits, so it is important to **contact Employment and Social Development Canada** to learn more about the benefits you can expect.

- 1-800-277-9914
- Visit [www.canada.ca/cpp](http://www.canada.ca/cpp) and [www.canada.ca/oas](http://www.canada.ca/oas)

## Potential Income Sources



- LAPP – assuming 30 years of pensionable service and the Single Lifetime Guaranteed at Least 5 Years option (a total of \$24,224 per year)
- CPP – assuming entitlement to the maximum of \$1,154.58 at age 65 (a total of \$13,855 per year)
- OAS – assuming maximum of \$601.45 per month (a total of \$7,217 per year)
- Other – any Registered Retirement Savings Plans (RRSPs), other investments, or a different pension from another employer

## When Can I Retire?

If you have two years of pensionable service or membership in LAPP, you are entitled to a lifetime pension. Every vested LAPP member is able to take their unreduced pension on or after their 65th birthday. This is considered the “normal retirement age” in the Plan.

You must begin your LAPP pension by December 31st of the year in which you turn 71, even if you remain employed in a position where you would otherwise continue to participate in the Plan.

## How Early Can I Retire?

Normally, the earliest that a vested LAPP member can begin their pension is on their 55th birthday. You may be eligible to start your pension earlier than age 55 if you become disabled and stop participating in the Plan.

Retiring early like this often means that the amount of pension you receive is reduced. You can retire before age 65 with an unreduced pension if you have something called the "85 factor".

## 85 Factor (“85 Points”)

If your age at retirement plus your total years of pensionable service equal at least 85 points, then you are entitled to an unreduced LAPP pension.

### Unreduced Pension

+

=

85

Age at Retirement

Years of Service

Points or More



## Discussion

Example: Age 55 and 30 Years of Service

$$\boxed{55} + \boxed{30} = \boxed{85}$$

Age at Retirement      Years of Service      Points

Example: Age 64 and 21 Years of Service

$$\boxed{64} + \boxed{21} = \boxed{85}$$

Age at Retirement      Years of Service      Points

## Early Retirement Reduction

Once you are vested and are no longer participating in the Plan, you can begin your pension as early as age 55, but the amount of the monthly pension you receive will be reduced if you do not meet the 85 factor.

The amount of the reduction is **3%** multiplied by the lower of either:

- The number of years it would take you to reach age 65, **OR**
- The number of points until you reach 85 factor

Look at the example below to see how the early retirement reduction is calculated for a member who has decided to retire early with the following age and pensionable service:

## Reduced Pension

$$\boxed{55} + \boxed{25} = \boxed{80}$$

Age at Retirement      Years of Service      Points

**STEP 1:**

Calculate the number of years it would take to reach age 65, AND the number of points until 85 factor:

$$\begin{array}{ccccc} \boxed{65} & - & \boxed{55} & = & \boxed{10} \\ \text{Years of Age} & & \text{Age at Retirement} & & \text{Years from 65} \end{array}$$

$$\begin{array}{ccccccc} \boxed{85} & - & \boxed{55} & - & \boxed{25} & = & \boxed{5} \\ \text{Points} & & \text{Age at Retirement} & & \text{Years of Service} & & \text{Points from 85 Factor} \end{array}$$

**STEP 2:**

Use the lower number (5 years) to calculate the total pension reduction rate

$$\begin{array}{ccccc} \boxed{5} & \times & \boxed{3\%} & = & \boxed{15\%} \\ \text{Points from 85} & & \text{Reduction Rate} & & \text{Pension Reduction} \end{array}$$

**STEP 3:**

Determine the member's monthly pension with the reduction applied:

For this example, let's assume that the unreduced pension at age 65 would be \$1,000 per month. Based on the pension reduction calculated in STEP 2, the pension will be subject to an early retirement reduction of 15% which results in the pension being \$850 per month at age 55.

$$\begin{array}{ccccc} \boxed{\$1000} & - & \boxed{15\%} & = & \boxed{\$850} \\ \text{Unreduced Pension} & & \text{Pension Reduction} & & \text{Pension Payment at Age 55} \end{array}$$

## Review Time

### Questions 1-4 Short Answer

What is considered the normal age to start collecting your LAPP pension?

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What is normally the earliest age you can start receiving your pension?

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If you reach your 85 factor before age 65, what type of pension are you entitled to?

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If you have not reached your 85 factor when you begin your pension before age 65, what is the reduction percentage applied per year?

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## Notes

## 85 Factor Worksheet

This worksheet will help you test whether you will have reached your 85 factor at your anticipated retirement date, or the reduction that would be applied, if any

1) Determine the total years of pensionable service you will have at your chosen retirement age.

a) Determine your pensionable service up to now. You can do this a number of ways:

- i) Login to [mypensionplan.ca](http://mypensionplan.ca) and locate the Service History link on the homepage.
- ii) Review your recent *Pension Highlights* Statement.
- iii) Contact our Member Services Centre at 1-877-649-5277.



**Remember, service reporting is done by your employer on an annual basis and will always be one year behind the current year.**

b) Calculate how many more years of pensionable service you will have from the current year up to your chosen retirement date. Remember that if you work in a part-time position, your pensionable service will be less than 1 year for each calendar year. You may wish to estimate your future service based on the information in your most recent *Pension Highlights* Statement or online at [mypensionplan.ca](http://mypensionplan.ca).

Add the numbers in a. and b. together. Enter this number in the Years of Service box below.

2) Enter your chosen retirement age in the Age at Retirement box.

3) Enter your estimated total years of pensionable service in the Years of Service box.

4) Add your retirement age and your total years of pensionable service to determine your total points.

+

=

Age at Retirement

Years of Service

Points

5) Circle if your pension will be reduced or unreduced based on your points.

**REDUCED**

Less than 85 Points

**UNREDUCED**

85 Points or More

If you have circled “Reduced”, then complete the steps below to determine the approximate reduction that will be applied.

6) Calculate the number of years to age 65, AND the number of points away from 85

$$\begin{array}{ccccc} \boxed{65} & - & \boxed{\quad} & = & \boxed{\quad} \\ \text{Years of Age} & & \text{Age at Retirement} & & \text{Years from 65} \\ \\ \boxed{85} & - & \boxed{\quad} & - & \boxed{\quad} & = & \boxed{\quad} \\ \text{Points} & & \text{Age at Retirement} & & \text{Years of Service} & & \text{Points from 85 Factor} \end{array}$$

7) Multiply the lower of these two numbers by 3% to calculate the total pension reduction rate.

$$\begin{array}{ccccccc} \boxed{\quad} & \rightarrow & \boxed{\quad} & \times & \boxed{3\%} & = & \boxed{\quad\%} \\ \text{Lesser of Step 6} & & \text{Points from 85} & & \text{Years of Service} & & \text{Pension Reduction} \\ \text{Results} & & & & & & \end{array}$$

*The figures and numbers calculated above are only an estimate.*

See Your Life with LAPP > Thinking of Retiring for more detailed information.



## Pension Options

Any pension option you choose will pay you an income for the rest of your life.

The options that you can choose from when you retire will depend on whether or not you have a pension partner at that time.

- Single Lifetime Pension, or
- Joint Lifetime Pension

### Single Lifetime Options

The single lifetime options are paid to you for as long as you live. These options can only be chosen if you do not have a pension partner at retirement, or if your pension partner completes a waiver giving up their right to a lifetime survivor benefit.

There are four options to choose from:

- 1) Single Lifetime Guaranteed at Least 5 Years
- 2) Single Lifetime Guaranteed at Least 10 Years
- 3) Single Lifetime Guaranteed at Least 15 Years
- 4) Single Lifetime

**1**

#### Single Lifetime Guaranteed At Least 5 Years

A pension paid for as long as you live.

If you pass away within 5 years of starting your pension, the beneficiaries you have chosen (or your estate) will continue to receive pension payments until the end of the 5-year guaranteed period.

**2**

#### Single Lifetime Guaranteed At Least 10 Years

A pension paid for as long as you live.

If you pass away within 10 years of starting your pension, the beneficiaries you have chosen (or your estate) will continue to receive pension payments until the end of the 10-year guaranteed period.

**3**

#### Single Lifetime Guaranteed At Least 15 Years

A pension paid for as long as you live.

If you pass away within 15 years of starting your pension, the beneficiaries you have chosen (or your estate) will continue to receive pension payments until the end of the 15-year guaranteed period.

**4**

#### Single Lifetime

A pension paid for as long as you live. No payments are paid to anyone after your death.



Examples of Single Lifetime Pension Options	Monthly Pension
Single Lifetime Guaranteed at Least 5 Years	\$2,000
Single Lifetime Guaranteed at Least 10 Years	\$1,986
Single Lifetime Guaranteed at Least 15 Years	\$1,962
Single Lifetime No Guarantee	\$2,004

*\* This example is for illustrative purposes only. Your experience may be different.*

## People in Your Life - Pension Partner Protection

LAPP ensures your pension partner will receive benefits when you pass away.

### Who Qualifies as a Pension Partner? If You Are Married

If you are married, your spouse is automatically your pension partner, unless you have been living separate and apart for three or more years.

### Not Married, but Live Together in a Spouse-Like or Common-Law Relationship

Someone you are living with in a spouse-like relationship, sometimes called a common-law relationship, is your pension partner once you have been living together for three years in a row. This period is shortened if you have a child, either by birth or adoption, of that relationship.

For the full legal definition of a pension partner and separate and apart, see [Your Life with LAPP > People in Your Life](#)



## Joint Lifetime Options

If you have a pension partner when you retire, you are required to choose a pension that continues to pay for as long as either one of you is alive. This is called a Joint Lifetime pension. If you pass away first, your pension partner will then receive a pension for the rest of their life.

Your pension partner, however, may choose to allow you to select another option other than Joint Lifetime option:

### Pension Partner Waiver

At the time of retirement, your pension partner has the option of completing a Pension Partner Waiver (Pension Waiver of Pension Partner as at Pension Commencement) that gives up their right to any survivor benefits if you are the first one to pass away. If your pension partner completes this waiver, you will be able to choose one of the Single Lifetime pension options.

It is important to note that the pension choice, which is based on the Pension Partner Waiver being completed, is irrevocable once the pension is in pay.

### Joint Lifetime Guaranteed At Least 5 Years

This pension is paid for the lives of you and your pension partner. When either you or your pension partner pass away, the survivor will continue to receive the same amount of pension for life.

If both of you pass away within five years of the start of your pension, any payments remaining in this period will be paid to your chosen beneficiaries or estate.

### Joint Lifetime Reduced by 1/3 Guaranteed At Least 5 Years

This pension is paid for the lives of you and your pension partner. When either you or your pension partner pass away, the monthly pension paid to the survivor will be reduced by 1/3. This means that if your pension partner passes away before you, your pension will be reduced to 2/3 of the original pension amount.

If both of you pass away within five years of the start of your pension, any payments remaining in this period will be paid to your chosen beneficiaries or estate.

Examples of Joint Lifetime Pension Options	Payable to Pensioner	Payable to Survivor
Joint Lifetime Guaranteed at Least 5 Years	\$1,809	\$1,809
Joint Lifetime Reduced by 1/3 Guaranteed at Least 5 Years	\$1,942	\$1,295

*\*This example is for illustrative purposes only. Your experience may be different.*

## Review Time

### Question 1 Short Answer

If your spouse or partner completes a Pension Partner Waiver at retirement, what pension option(s) can you choose from?

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### Question 2 True or False

If your spouse or partner completes a Pension Partner Waiver at retirement, giving up their right to a lifetime survivor benefit, you can still name them as a beneficiary.

☐ TRUE ☐ FALSE

### Question 3 Multiple Choice

Who can you name as a beneficiary of your LAPP pension?

- A) Friend
- B) Non-Canadian Resident
- C) Family Member
- D) Charitable Organization
- E) Estate
- F) All of the above

When does the guarantee period begin?

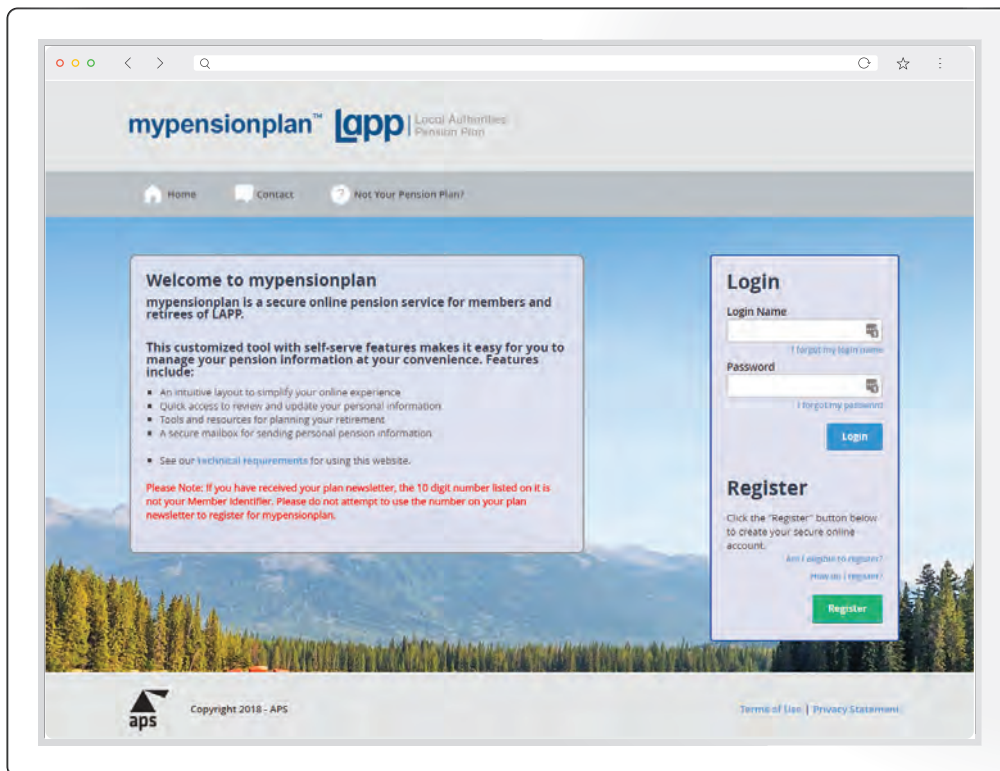
- A) On the day you pass away
- B) On the day your pension commences
- C) It does not matter, it's renewable
- D) Guarantee... who is that for?

## Cost-of-Living-Adjustment (COLA)

A LAPP pension is partially indexed to protect the value of your money. Over time, inflation wears away the purchasing power of money. Without any inflation protection, your pension would not keep up with the cost of higher prices for goods and services that tomorrow will bring.

On January 1 every year, a cost-of-living adjustment (COLA) is calculated and applied to your base pension. COLA amounts to 60% of the increase in Alberta's Consumer Price Index, which measures the average cost of a basket of goods and services purchased by Alberta consumers over 12 months.

## Mypensionplan



Keeping track of your future pension is easy with mypensionplan.ca, the online tool provided by LAPP which also lets you view and update your personal information.

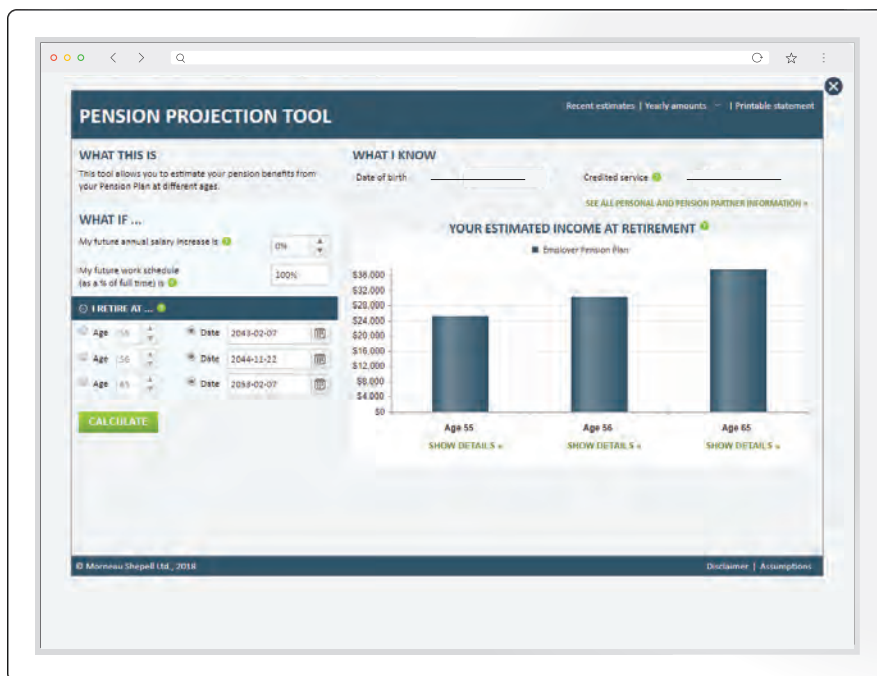
### To register for mypensionplan.ca, you will need:

- 1) One of either:
  - your unique 10-digit member ID – located on your Pension Highlights Statement, or
  - your name, most recent plan employer and pension plan,
- 2) your last four digits of your social insurance number (SIN),
- 3) your date of birth, and
- 4) your email address.

## Pension Projection Calculator

The Pension Projection Calculator on mypensionplan allows you to see what your pension benefit might be when you reach retirement age. The pension estimates are based on your most recently reported year-end service and salary information. You may make adjustments to reflect:

- future pay increases, or
- changes in your work schedule



The calculator automatically determines the date you are first eligible to receive a pension, the date you are first eligible to receive an unreduced pension, and your normal retirement date (age 65). Some of these dates may match.

If you require estimates for the following situations, please call our Member Services Centre:

- retirement after age 65
- immediate pension not taken
- pending matrimonial property order

There is also a Pension Estimator at lapp.ca which can help if you are curious about different “what if” retirement scenarios and how they might affect the LAPP pension you receive.

## Coordination

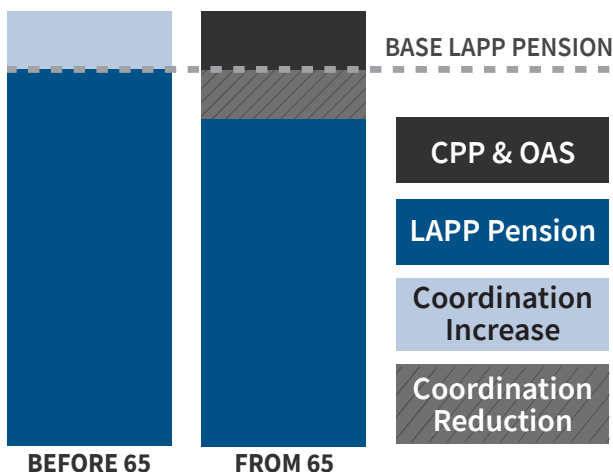
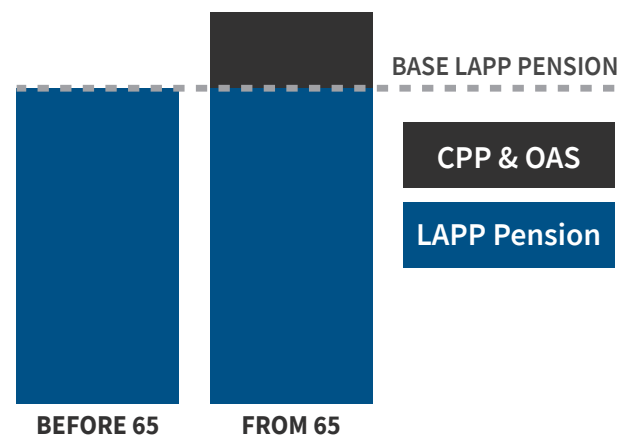
LAPP allows some members to receive a temporary increase to their pension until they turn 65. This is one way to help keep a steady amount of money coming in both before and after receiving other kinds of retirement income, which often start at age 65. CPP and OAS are two common examples of other income to consider.

After you turn 65, the temporary increase is removed **and your LAPP pension is reduced permanently**. The coordination reduction will continue as long as you live and could eventually add up to more than the increase you received in the years before you turned 65.

### LAPP Pension without Coordination

The first graph shows a LAPP pension without coordination. You will notice that the amount of your LAPP pension remains the same from the time you start collecting before age 65 for the rest of your life.

In the second column, your retirement income grows after 65 as you start collecting your government pensions from CPP and OAS.



### LAPP Pension with Coordination

The second graph shows what happens with your pension when you choose the coordination option. The first column shows the temporary increase to your LAPP pension from coordination before you turn 65.

The second column shows that when you turn 65, your payment from LAPP will decrease because the temporary increase has stopped, and the permanent lifetime reduction is now applied. Your retirement income will now include a permanently reduced LAPP pension as well as your federal government benefits from CPP and OAS.

It is always best to seek independent financial advice before choosing this option.

The amount of coordination offered on your Retirement Benefit Statement will be based on the **maximum amount of CPP and OAS a Canadian can receive, and not based on how much CPP and OAS you will receive.**

**Your Financial Advisor Might Recommend Coordination If:**

- You have a shortened-life expectancy and need more income before age 65 than after;
- You plan to wait until age 65 to begin receiving Canada Pension Plan (CPP) benefits;
- You will have additional sources of retirement income at age 65, such as Old Age Security (OAS), RRSPs, other employment pensions or personal savings; or
- You will need more income before age 65 than after.

**Your Financial Advisor Might Not Recommend Coordination If:**

- You do not know the amount of pension you will receive from CPP or OAS at age 65;
- You plan to start receiving CPP or any of your additional income sources before age 65; or
- You plan to live a long and healthy life.

**What happens if you die with a coordinated pension?**

**If you die before age 65**

With a coordinated pension, the increase to the monthly payment will stop. Starting the month following your death, any amount paid to your pension partner or beneficiaries reverts to your original pension choice without coordination. The pension will not be reduced on the date you would have reached 65.

**If you die after age 65**

The reduction in the monthly payment will stop and your pension partner or beneficiaries will receive the original monthly LAPP survivor pension.

Remember, these changes only refer to your coordination. There can be other decreases if you chose a pension option with a reduced survivor benefit, such as Joint Lifetime Reduced by 1/3 Guaranteed At Least 5 Years.



## Review Time

### Question 1 Multiple Choice

Which pension options provide you a lifetime pension?

- A) Single Lifetime Options only
- B) Joint Lifetime Options only
- C) None
- D) All Options

### Question 2 True or False

You can change the pension option you chose within 30 days of receiving your first pension payment.

☐ TRUE

☐ FALSE

See Your Life with LAPP › Ready to Retire for more detailed information.



## Notes

# LAPP Buybacks

## Increasing Your Benefit

Your pensionable service is a key part in the formula used to calculate your future LAPP pension. You may increase your length of pensionable service through buying:

**Leaves of Absence (leave without salary)** – time where you were away from work and not being paid

**Probationary Service** - a period where you were withheld from joining LAPP by your employer

**Prior Service** – service with a LAPP employer, service with another Canadian Registered Pension Plan (RPP), or a waiting period with another pension plan

Depending on the type of service you are buying, different costing methods and payment deadlines will apply.

## Leaves of Absence (LOA)

A leave of absence is a period of time away from your regular work hours, no matter how short, where you are not receiving pay. Examples of a leave could be time away from work for such things as parental leave, an appointment, or an unpaid day off.

If you have been away from work due to a leave of absence, you can purchase that period of leave to add to your pensionable service. This type of buyback lets you avoid a gap in your pensionable service. You can purchase up to five years of any kind of leave, and up to three years of maternity or parental leave.

## Process to Buy a Leave

If you wish to purchase your leave, you may have the option to make payments while you are away. Contact your employer's Human Resources or Payroll & Benefits area to find out if this is an option.

Alternatively, you can purchase your leave after you return to work. Most leaves are automatically reported as part of your employer's year-end processing. On your return to work, you can notify your employer of your interest in purchasing the leave.

If your employer tells us that you have a leave of absence that can be purchased, you will be sent a package called a *Buyback Proposal*. **You must return your election to let us know you want to purchase your leave, by the earlier of:**

- 
- 90 days from the date you are sent your *Buyback Proposal*, or
  - April 30th of the calendar year after your leave period ended.

### Purchase Within Deadline

For the first year of leave that you buy, your employer pays their share of contributions with interest and you pay the employee share. Only the first year of leave is cost-shared in this way. With any additional leaves, you are responsible for paying both the employee and employer share of contributions.

If your employer allows you to prepay or pay while on leave, you will pay no interest on your buyback.

If you miss these due dates, you may still be able to purchase the leave based on its actuarial reserve cost. However, actuarial reserve may be more expensive and will not be cost-shared with your employer.

### Probationary Service

You can purchase service from a period when you were held out from joining LAPP by your employer, up to a maximum of one calendar year. If you wish to buy a period of probationary service, the timeframe in which you elect to make that purchase means the cost will be calculated in one of two ways:

- 1) **Within 5 years of becoming a LAPP member, and you are still with that employer:**

Service will be costed on a contributions and interest basis. This means that you will pay what your contributions would have been had you been making them, as well as any interest. Your employer will then pay their portion.
- 2) **More than 5 years after becoming a LAPP member or you have left that employer:**

You may still be able to purchase the service based on its actuarial reserve cost. However, actuarial reserve may be more expensive, and will not be cost-shared with your employer.

### Buying Prior Service

You may increase your future LAPP pension by buying prior service. Examples of prior service include:

- Leaves of absence after missing the deadline to purchase on a contributions and interest basis;
  - Probationary service after missing the application deadline;
  - Previous employment with any LAPP employer; or
  - Contributory service with an employer in another registered pension plan.

## Past Service with a LAPP Employer

There are many different types of service that you can apply to purchase from periods of employment with any LAPP employer. Check Yes or No to whichever applies to you.

**Have you ever had probationary service with a LAPP employer that you did not purchase?**

☐ YES ☐ NO

**Have you ever had a leave of absence (leave without salary), but missed the deadline from your *Buyback Proposal*?**

☐ YES ☐ NO

**Have you ever worked wage, temporary, contract, seasonal, or part-time, where, due to the position or employer policy you were not eligible to join the Plan?**

☐ YES ☐ NO

**Have you ever terminated from a LAPP position, then taken your money out of the Plan?**

☐ YES ☐ NO

If you have checked "Yes" to any of the questions above, you may still be able to purchase that service.

## Service under a Different Plan

If you have participated with another Canadian Registered Pension Plan (RPP), you may be able to buy some or all of that service under LAPP. Before you begin this process, there are many factors to consider:

- **Is there a transfer agreement between LAPP and your former RPP?**

It is important to ensure you apply for a transfer within the deadlines. If you miss the deadline to apply for a transfer, or no agreement exists, you can consider buying the service. Please note the restrictions below.

- **Was the service under the other RPP earned before 1992?**

Any service that was earned before 1992 under another RPP (with a non-LAPP employer) cannot be established as prior service under LAPP.

- **Was the service under the other RPP earned after 1991?**

If so, you may be able to buy it under LAPP.

- **Have you taken or are you able to take a payout from your former plan?**

You can only establish your service from your former RPP under LAPP after you have taken a payout of your benefit from that plan. We suggest visiting the Buyback Estimator to estimate the cost of the buyback before deciding to remove your funds. **Taking a payout from your former plan may be an irreversible decision.**

- **Are there locking-in requirements?**

The lump sum payout from your previous RPP may be locked-in. It is important to know if the locking-in rules applicable to the benefit will allow your funds to be transferred into LAPP. Most RPPs are subject to the locking in rules of the jurisdiction (e.g. province) in which the benefits are accrued.

## How Much Will It Cost? - Actuarial Reserve

Actuarial reserve costings are affected by your age as well as assumptions about interest rates, your salary, and life expectancy. This allows us to calculate the amount of money required today to fund the increase to your pension from purchasing the prior service.

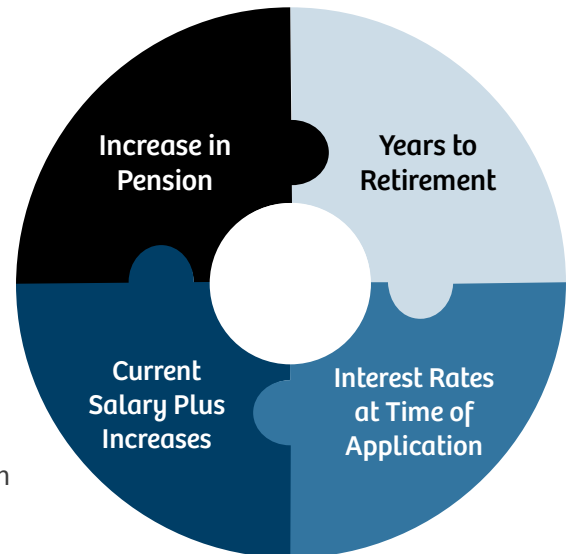
Once you have determined the estimated cost, use the online Pension Estimator and generate two retirement estimates:

- 1) One with only your current LAPP service
- 2) One that includes your current LAPP service **PLUS** the prior service

Compare these two estimates to see how buying prior service will impact your LAPP pension. Take the difference between the two pension estimates and compare that to the cost of the buyback.

For example:

If buying \$4,000 worth of service increases your monthly pension by \$50 per month, it will take approximately 80 months (a little less than 7 years) for the increase in the pension payments to offset the cost of the buyback.





## How Can I Pay For My Buyback?

There are three ways to pay for the service you might wish to purchase. Your *Buyback Proposal* will list all the options available to you, which can include:

- Regular payroll deductions arranged with your employer (according to the number of installments you choose on your Buyback Election). Your minimum payment is **the greater of**:
  - \$50/month, or
  - the amount of money required to complete payment by the end of your amortization period;
- Lump-sum payment (**mandatory** if balance is \$500 or less):
  - payment via cheque of either the total buyback amount or a portion of it, or
  - transfer funds from a Registered Retirement Savings Plan (RRSP) or Locked-In Retirement Account (LIRA); taxes are not withheld on these types of transfers.

Buybacks can have an effect on your taxable income and RRSP contribution room depending on the type of service you are buying and how you pay for it. Please contact our Member Services Centre to discuss your buyback on an individual basis.

If you leave the Plan, or you decide you no longer want to make payments, your service will be prorated. This means that only pensionable service that has been paid for is included in calculating your pension benefit.

## Transfers into LAPP

If you were formerly a member of another public sector pension plan in Canada, service you earned there may be transferrable into LAPP. Check [www.lapp.ca/TransfersInto](http://www.lapp.ca/TransfersInto) for a list of eligible pension plans.

Every pension plan has its own pension benefit formula, so the value of the service you want to transfer can be different between the two plans. Your former plan will calculate how much money is available to transfer over, and LAPP will calculate how much is required to credit you with all of the service.

In many cases, the amount calculated by each plan is not exactly the same. If the cost under LAPP is greater than the benefit from your previous plan, there will be a shortfall. In this case, LAPP would credit you with a portion of the service paid for with the transfer, and you will have the option of an additional buyback to purchase the remainder.

## Review Time

### Question 1 Short Answer

Read the scenarios below and determine if the service can be purchased.

**Martina took time off of work ten years ago to have her baby, but chose not to purchase her leave of absence at that time. Can she still purchase it?**

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**Claire's employer held her out of the Plan for her first six months. Can Claire buy that probationary service back?**

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**Parvinder was a member of a pension plan in Ontario. He left his position on January 30, 1990, and decided to take his money out of the plan. In 2019 he joined LAPP. Can Parvinder buy back his service in LAPP for the years under his former plan?**

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**See Your Life with LAPP › Changes in Your Work Life › Buying Service for more detailed information.**



## Notes

# Termination, Death, and Disability

## Leaving the Plan

You have options for your LAPP benefit if you stop participating in the Plan\*. These options depend on how much membership or pensionable service you have in LAPP, as well as how old you are when you leave the Plan.

\* If you have two back-to-back periods of participation in LAPP, with no break in service between, you will not be eligible to access your LAPP benefit. A break in service must be at least one day, not including weekends or statutory holidays.

## Fewer than Two Years of Membership

If you are younger than age 65 and you leave LAPP before you have two years of pensionable service or LAPP membership, you will not be eligible to collect a pension at retirement. This is what it means to say you are “not vested”.

When you leave the Plan, LAPP will send you a *Termination Benefit Statement* with your options. **You will have 90 days to make a decision and let LAPP know what you will do with your benefit.** If we do not receive your choice, your contributions with interest will be sent to you by cheque with income tax withheld. Below are the options that will be available to you:

- Leave your pension contributions with interest with LAPP
- Transfer your pension benefit to another pension plan, if eligible\*\*
- Transfer your contributions with interest to an RRSP
- Receive a taxable refund of your contributions with interest

\*\* To apply for a transfer you should first notify LAPP to leave your pension contributions with interest, then contact your new employer to initiate the process. Please note you must apply within the application deadline.

## Two or More Years of Membership

If you have two or more years of LAPP membership or pensionable service you are considered vested, which means you are entitled to a lifetime LAPP pension at retirement.

When you leave the Plan, LAPP will send you a *Termination Benefit Statement* with your options. **You will have 90 days to make a decision and let LAPP know.** If you do not, your benefit will be left with the Plan until you decide what you want to do with it.

## Under Age 55

**If you are under age 55 and terminate from LAPP, the following options are available:**

- Leave your pension benefit with LAPP:
  - Rejoin LAPP at a later date, and continue to add pensionable service to your existing service
  - Start your monthly pension benefit at age 55 or older
- Transfer your pension benefit to another pension plan, if eligible
- Transfer your pension benefit as a lump-sum commuted value to a Locked-In Retirement Account (LIRA)

## Age 55 or Older

**If you are vested in LAPP at age 55 or older with *less than 85 points* when you terminate, you can:**

- Start an immediate reduced LAPP pension
- Start your pension at a later date
- Transfer your pension benefit to another pension plan, if eligible

**If you have *85 points or more* and terminate from LAPP, you can:**

- Start an immediate unreduced LAPP pension
- Start your pension at a later date

## On or After Your 65th Birthday

If you leave the Plan on or after your 65th birthday, you are automatically vested, no matter how many years of LAPP membership or pensionable service you have. The options available to you are to:

- Start an immediate, unreduced LAPP pension, or
- Defer your pension to a later date

**See Your Life with LAPP › Changes in Your Work Life  
› Leaving the Plan for more detailed information.**



## Death Before Retirement

This section looks at what happens to your LAPP pension if you pass away before you begin collecting your pension. The options available depend upon whether or not you were vested at the time you passed away.

### Fewer than Two Years of Membership

Relationship	Entitlement
<b>Pension Partner</b> (no pre-retirement death waiver)	Refund of member contributions, plus interest
<b>Beneficiary</b> (no pension partner, or pension partner has waived benefit)	Refund of member contributions, plus interest

If you do not have a pension partner (or your pension partner has completed a waiver), and you do not designate a beneficiary, your contributions and interest will be paid to your estate.

### Two or More Years of Membership

Relationship	Entitlement
<b>Pension Partner</b> (no pre-retirement death waiver)	Pension for life OR Commuted Value
<b>Beneficiary</b> (no pension partner, or pension partner has waived benefit)	Commuted Value

If you do not have a pension partner (or your pension partner has completed a waiver), and you do not designate a beneficiary, any benefit will be paid to your estate.

## Pre-Retirement Death Waiver

Your pension partner can waive their rights to a death benefit that would be paid if you pass away before you retire. This means that a pre-retirement death benefit would be paid to your designated beneficiaries or estate instead of your pension partner.

**Please note:** Your pension partner is giving up the right to any pre-retirement death benefit while the waiver is in effect. You cannot designate them as a beneficiary.

This waiver only applies if you pass away before you retire.

Your pension partner can revoke their completed waiver at any time prior to your death as long as your funds are still in the plan.

The completed waiver has no effect on your pension as a matrimonial asset. If your marriage ends, the pension would still be an asset capable of being divided.

See Your Life with LAPP › People in Your Life › Death Before Retirement for more detailed information.



## Retirement Checklist

- ☐ Confirm your personal details through [mypensionplan.ca](http://mypensionplan.ca)
- ☐ Pick a retirement date
- ☐ If you are still contributing to LAPP, notify your employer
- ☐ Fill out the retirement application
- ☐ After you receive your *Retirement Benefits Statement*, read it and choose your pension option

## Timelines

- Three months before you want your LAPP pension to begin, fill out the retirement application
- LAPP sends you a *Retirement Benefits Statement*
- Return completed forms (sooner is better)
- Expect first pension payment approximately 30 days after your retirement date
- Pension payments are on the second last business day of the month (except December, when payment is made before December 25)

## Working While Receiving Your Pension

If you are a current LAPP participant who is getting close to retirement, you might find yourself wondering whether you will work after you have started your LAPP pension.

If you are planning on working, remember: **before you can start your LAPP pension you must terminate from participating in the Plan.** You will need to either experience a period of at least one day where you are not employed by any LAPP employer (excluding weekends and statutory holidays), or you must move to a position where you will not participate in the Plan. You will not be able to start your LAPP pension if, on the date the pension would start, you are employed in a position where you should be participating in the Plan.

Once you have started to receive your LAPP pension, there are a few things to consider if you do decide to work:

- If your employment is with a LAPP employer, you will not be able to contribute to the Plan to increase your LAPP pension.
- The employment income you earn will not have an impact on the amount of your LAPP pension. **However, there may be tax considerations to keep in mind.** After considering your income from all sources, you may wish to have additional tax taken off of your pension to help avoid owing money at tax time.

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## Relationship Breakdown

Your LAPP benefit is considered matrimonial property and it may be divided if you have a relationship breakdown. Legislation permits pension division if you go through a divorce or separation from your married spouse, or separate from your common-law Pension Partner\*.

To process a division, a **Spousal Pension Division Instruction** document must be filed with LAPP. A Spousal Pension Division Instruction document under LAPP includes Matrimonial Property Orders (MPOs) **or** a similar court order or agreement enforceable in Alberta, that is made at the time of or after separation or divorce, that divides assets. The details of a division of your benefit will depend on the terms of your order or agreement.

It is very important to note that not every separation or divorce results in a member's pension being divided - you and your spouse can agree to leave your pension unaffected.

Relationship breakdowns can be complex and it is important to understand the rules when contemplating a spousal pension division. Please visit our website at [www.lapp.ca/RelationshipBreakdown](http://www.lapp.ca/RelationshipBreakdown), or contact the Member Services Centre for additional information.

\* Cases involving division of a pension benefit with a common-law partner can only be filed on or after March 1, 2019, when LAPP becomes subject to the Employment Pension Plans Act (EPPA). Common-law spouses must meet the definition of a Pension Partner to be eligible for a pension division.



## Disability Pensions

If you are not able to continue to work because of a disability, you may qualify for a LAPP disability pension.

**You may be eligible to receive a disability pension from LAPP if:**

- You are terminated from participating in LAPP,
- You are vested, meaning you have two or more years of LAPP pensionable service or membership,
- You cannot effectively perform the regular duties of your work as a result of mental or physical impairment, **OR** your mental or physical impairment can be expected to last for your lifetime and prevents you from engaging in any gainful employment, and
- You are under age 65 and are not eligible for an unreduced pension

## Contact Us

### Many ways to contact us or get more information

#### LAPP.ca

Go online to find everything you need to know about LAPP

#### Member Services Centre

Phone: 1-877-649-5277

Secure Mailbox: Submit requests for information/services or submit pension documents using the Secure Mailbox at [mypensionplan.ca](https://mypensionplan.ca)

Email for general inquiries: [memberservices@lapp.ca](mailto:memberservices@lapp.ca)

#### Mypensionplan™

On LAPP.ca you'll find a link to [mypensionplan.ca](https://mypensionplan.ca), where you can manage your personal information, view your pensionable service and salary, receive electronic annual statements, contact us through the Secure Mailbox, run pension calculations, and more.

### Your feedback is valuable to us! Please take our survey



[bit.ly/2nWrqrA](https://bit.ly/2nWrqrA)