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1. Who are the sponsors?

The Universities Academic Pension Plan (UAPP) is jointly sponsored by the four academic staff associations and boards of governors of the participating universities (Alberta, Athabasca, Calgary, and Lethbridge) and The Banff Centre.

2. Why are these changes being proposed?

The proposed changes are designed to preserve the value of the plan for all members and enhance the long term financial security of the plan. The primary focus of these changes is to redirect a portion of the early retirement subsidy towards strengthening inflation protection for retiree pensions. Although members can often choose the age at which they retire, there is no choice involved in inflation, which reduces a fix pension over time. This will provide stronger protection against risks that all members face in retirement.

The UAPP was designed in an environment that supported and encouraged early retirement among faculty and staff. But things are different today. People are living longer. Canadian life expectancy at birth has increased from age 75 in 1979 to age 82 in 2012.

The early retirement provisions in the current plan create a significant subsidy for members who retire early. Members who qualify for retirement under the 80 factor between ages 55 and 60 (and some members over 60) can, on average, expect to collect their pensions for almost as long (or, in some cases, longer) than they have contributed to the plan. New plan members have been paying more to finance the retirements of those who have gone before them. These proposed changes will provide a better balance of benefits among members in terms of the value of lifetime pension benefits relative to years of employment.

3. How were these proposed changes determined?

The proposed plan changes are the product of extensive discussions and negotiations among UAPP sponsor representatives. The changes proposed at this time are similar to changes that were agreed to in 2007, but the market crash in 2008 put these issues aside until they were revisited again in 2010.

Sponsors representatives (and related working groups to address technical and implementation issues) have sorted through the complexities of the plan to examine the impact of all potential changes. In consultation with the plan actuary and other pension experts, they have reviewed plan usage data, member demographics and the cost impacts of plan changes.

4. Is there any advantage to retiring before the plan changes take effect?

No. Since the proposed changes have no impact on pensions earned prior to January 1, 2015, there is no financial benefit to retiring before these changes take effect.

Pension benefits are earned for each year of service. If you retire sooner than you had otherwise planned to retire, your pension will be based on fewer years of service and will be lower than it would be if you stay in the plan until you were actually planning to retire.
Although the decision to retire is based on many factors, the introduction of these proposed changes should not be one of those factors.

5. What are the cost savings? How will they be used?

Although these changes represent a rebalancing of benefits, they are also expected to generate anticipated net cost savings to the plan of about 4.5 percent of current service costs (which represents 0.8% percent of pensionable payroll). This is an important savings, as the cost of the UAPP is rising.

The UAPP Board of Trustees, which is composed of both employer and faculty / staff association representatives, will determine the allocations of these funds in the context of the overall financial position of the plan.

6. How will the changes affect the size of the UAPP deductions from my pay cheque?

Future contribution rate decisions will depend on many factors including financial market conditions, the financial condition of the plan and decisions by the UAPP’s Board of Trustees. Contribution rate increases are possible – but their magnitude depends on too many factors for any kind of certainty.

7. At what age do most members currently retire?

In 2009 and 2010, a total of 443 members retired. The average age at retirement is 62.
• 34% were age 55-59
• 33% were age 60-64
• 33% were age 65 or older.

8. What is early retirement costing the plan?

The value and cost of early retirement subsidies as a percentage of member pension benefits increases with each year that members retire prior to reaching age 65. Table 1 under Proposed Changes: Early Retirement shows the actuarial reduction that would be required if there were no subsidy. It ranges from a 6% reduction for retirement at age 64 up to a 47% reduction for retirement at age 55.

If the proposed changes to early retirement were implemented independently of other proposed changes, it would result in a cost savings of about 1.8% of payroll, which represents more than a 10% reduction in current service cost. Since the proposed changes will not impact pension benefits earned before 2015, cost savings will not be fully realized for about 35 years.

9. How will the elimination of the 80 factor affect me?

Whether or not you have achieved the 80 factor will have no impact on the portion of your pension for service after 2014. The 80 factors continues to apply to the portion of your service before 2015.
If you have achieved the 80 factor before 2015, the portion of your pension for service before 2015 will be calculated under current plan rules and will not be reduced. If you retire before age 65, only the portion of your pension for service after 2014 will have a reduction.

If you achieve the 80 factor after 2014 and before you retire, the portion of your pension for service before 2015 will be calculated under the current plan rules and will not be reduced. The portion of your pension for service after 2014 will be calculated under the proposed plan rules and will subject to the proposed reduction factors.

If you retire after 2014 and before you achieve the 80 factor or reach age 60, the portion of your pension for service before 2015 will be calculated under the current plan rules and will be reduced by 3% for each year that your retirement date precedes the date at which you reach age 60 or achieve the 80 factor. The portion of your pension for service after 2014 will be calculated under the proposed plan rules and will subject to the proposed reduction factors.

10. Why is the elimination of the bridge pension included in the proposed changes?

The bridge pension is an early retirement subsidy in the form of an additional monthly amount paid from retirement until age 65. Plan sponsors feel that the bridge is inequitable because it provides a disproportionate subsidy -- the earlier a member retires, the larger the subsidy.

A member who retires at age 55 with the same number of years of service and the same earnings as a member who retires at age 65 can collect an additional 10 years of bridge benefits (someone who retires at age 55 with average earnings of $120,000 would collect $7,500 per year, or $75,000 over 10 years).

The bridge pension will continue to be added to the portion of pensions calculated for service before 2015.

11. Why are we making a change to improve maximum pensions, which benefits members with higher earnings?

A significant percentage of UAPP members currently have or are projected to have highest average earnings that will exceed the UAPP pensionable maximum earnings. This proposed change allows pension calculations to access a slightly larger portion of a member’s actual salary and aligns the plan limits with those expected and allowed by the ITA, which requires its maximum earnings be used for pension adjustment calculations that impact a member’s RRSP room.

12. Where can I get specific information about my current UAPP pension benefits?

More information about your current UAPP pension benefits is available on www.uapp.ca.

Please note that the www.uapp.ca website does not include information about the proposed plan changes or the impacts of those changes.

www.uapp.ca contains information only about the current plan and includes the UAPP member handbook, personal annual statements and other retirement planning tools.
If you require specific information that is not available on either website, you can call the UAPP office at 780-415-8868 or Buck Consultants at 866.709.2092.

13. How can I determine the impact of the changes on the pension I will receive when I retire?

Members who retire on or after age 65 will not be impacted by the proposed plan changes related to early retirement. They will only be impacted by the improvements to the COLA for service earned after 2015.

A description of the current plan and the proposed changes, along with examples developed to illustrate the impact of the changes on a variety of member situations have been presented on this website and in the UAPP Proposed Plan Changes booklet to help members better understand how the proposed changes will impact individual situations.

After you have reviewed this information, a good next step might be to visit www.uapp.ca to review your accrued benefits on your pension statements. The proposed changes will not impact your accrued pension earned before 2015.

After that, you could think about when you expect to retire and then calculate and compare the value of your pension earned under the current plan plus the pension you expect to earn after 2014 under both the current plan and proposed plan rules, similar to the format used by the examples in the Examining the Impacts section of the website and the booklet.

14. How will these changes impact members who leave the university before they retire?

Vested members who terminate employment with UAPP sponsor institutions will be subject to the same benefits for pre-2015 and post-2014 service as any other member.

15. Why don’t these changes impact only new members?

Applying the changes only to new members would require the creation of a separate plan with different benefits for different classes of employees. Two plans would create inequities among groups of employees hired before and after a specific effective date. The creation of a new plan would also result in a shrinking pool of contributions and assets needed to fund benefits and unfunded liability payments in the existing plan, which would substantially increase costs and contribution levels for all current plan members and employers.

16. Why did you decide on January 1, 2015 as the effective date?

The UAPP’s plan year begins January 1, making this a logical point in the year for proposed changes. A one or two year notice period for substantive plan design changes is consistent with standard practice for notice to members.
17. Why does the description of How the Current Plan Works refer only to pensions earned after 1993?

Pensionable service before January 1, 1994 is subject to different plan provisions. Since the pensionable service of a large majority of member (86% were hired since then) will not be affected by pre 1994 plan rules, details about those calculations have not been included in this information. More information on benefit calculations for pre 1994 pensionable service is available at www.uapp.ca.

18. If I reach 35 years of service before 2015, can I re-join the plan in January 2015? If yes, can I purchase the service for the period of service after 35 years up to 2015?

Members who reach 35 years before January 1, 2015 will have an optional one-time opportunity to opt back into the plan. Members who chose to re-join the plan will also have an opportunity to purchase their past service above the 35 years cap. Members are responsible for the cost or this optional service.

19. Is there any connection between this proposal and issues related to future staff levels or retirement incentive programs?

No – that is not the intent of this proposal. These changes are designed to enhance the long-term value of the jointly-sponsored pension plan for the majority of members. They are not connected to current or future staffing levels issues that may exist at individual sponsoring institutions.

20. Have the recent changes to the Canada Pension Plan or Old Age Security had any influence on these proposed changes?

No – these changes are not related to, and have not been influenced by, recent changes to the CPP or OAS. Most of these changes were being discussed among sponsors’ representatives well before the introduction and implementation of the changes to the CPP and OAS.

21. How will the UAPP compare with other plans if these changes are approved?

With these proposed plan design changes, the UAPP will continue to be highly competitive relative to other universities in Canada and other public sector plans in Alberta. A number of other university plans have introduced significant changes during the past decade and the provincial government is currently urging all public sector plans to implement plan changes that will improve plan sustainability.