

INFORMATION SHEET

Leaving the Plan - Under Age 55

This Information Sheet applies to you if you leave the Universities Academic Pension Plan (UAPP) and if you are under age 55 on your date of termination. On your termination, your employer will notify the UAPP Administration Centre and you will receive Termination Options that outline in detail the options available to you.

SUMMARY OF TERMINATION OPTIONS

Option	Service before 1994	Service after 1993
1	Deferred Pension Option: Take a deferred pension from the UAPP. The pension can start any time after you reach age 55, but must start before the end of the year in which you turn age 69.	Deferred Pension Option: Take a deferred pension from the UAPP. The pension can start any time after you reach age 55, but must start before the end of the year in which you turn age 69.
2	Lump Sum Payment or Transfer Option: Receive or transfer ¹ 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 ³ employee contributions. <i>See note 4.</i>	Lump Sum Payment or Transfer Option: Receive or transfer ¹ the greater of: (a) 1.75 times the regular service ² 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 ³ employee contributions. <i>See note 4.</i>

Notes:

1. Benefits 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 on a locked-in basis under a Reciprocal Agreement. These funds, up to the maximum amount allowed under the Income Tax Act, can be transferred on a tax-sheltered basis to a Locked-In Retirement Account (LIRA) or an RRSP as appropriate. Any funds that exceed the maximum or any other funds that you choose to receive in cash are subject to income tax withholding. Amounts available under Option 2 may also be transferred to your new employer's pension plan provided the new plan accepts such transfers. Confirm this availability with your new employer.

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2. *Regular service refers to service on which your employer made the employer contributions.*
3. *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.*
4. *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.*

Option ①: Deferred Pension

Your deferred pension cannot commence before age 55. To estimate your pension, please refer to the Member Handbook (see Examples of Pension Calculations) or access the Retirement Planner at www.uapp.ca.

The pension is indexed at 60% of the annual increase in the Consumer Price Index (Alberta), both during the deferral period and after pension commencement.

If you select a deferred pension, you can change your termination choice at any time to option 2. However, the commuted value amount at a later date **may be higher or lower** than the commuted value at the time of termination.

If you become a member of the UAPP again before your pension commences, and provided you have not transferred funds out of UAPP, your earlier period(s) of service may be added to your later period(s) of service.

Under the plan rules, you must start to receive your pension before the end of the calendar year in which you turn age 69.

If you choose option 1:

- Submit a completed *Election of Option on Termination of Employment* form to your employer or to the UAPP Administration Centre, as directed by your employer.
- Advise the UAPP Administration Centre at 1.866.709.2092 immediately if you change your address.
- Three months before your pension is to commence, contact the UAPP Administration Centre to begin processing your retirement.

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Option ②: Lump Sum Payment or Transfer

As explained in note 1 earlier in this Information Sheet, all or some of your lump sum termination benefit is *locked-in*. However, you may be able to unlock your benefit if the commuted value of your deferred pension is less than 20% of the Year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan for the calendar year in which the termination occurs. Also, if you have considerably shortened life expectancy or qualify for non-residency status under the Income Tax Act, you can receive the lump sum amount in cash, subject to withholding tax. To commute your pension under these circumstances, you will need to provide the UAPP Administration Centre with written evidence. Funds that are not locked-in, and that you receive as cash, are taxable in the year in which you receive the funds. Funds transferred to a registered savings vehicle such as your RRSP, your LIRA or your new pension plan are not subject to income tax.

Refunds and transfers are normally made within 60 days of the date the UAPP Administration Centre receives your completed forms and contribution records from your former employer.

If you choose option 2:

- Submit a completed *Election of Option on Termination of Employment* form to your employer or to the UAPP Administration Centre, as directed by your employer.
- For a transfer to your RRSP, include a completed *Transfer Pension Funds to a Registered Retirement Savings Plan (RRSP)* form when you submit your completed *Election of Option on Termination of Employment* form.
- For a transfer to your LIRA, include a completed *Transfer Pension Funds to a Locked-in Retirement Account (LIRA)* form when you submit your completed *Election of Option on Termination of Employment* form.
- For a transfer to your new pension plan, first contact your new employer.

Decision is binding

Please note that your decision regarding any option cannot be changed once your UAPP pension has commenced or payment made. You may want to consult an independent professional before making a decision.

If you are separated or divorced, and have had a Matrimonial Property Order filed with the Court and with the UAPP, your choice may be limited by that Order.

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CONSIDERATIONS PRIOR TO DECISION

Your choice will depend on your individual circumstances and needs. It is critical that you carefully consider the options before making a decision. You may wish to engage an independent consultant before making a decision. The following table summarizes some important factors you may wish to consider.

Option		Considerations
1	Take a deferred pension commencing after age 55	<p>The pension is a “defined benefit” based on your service and highest average salary and therefore does <u>not</u> depend on market rates of return.</p> <p>The deferred pension is indexed at 60% of the annual increase in the Consumer Price Index (Alberta), both during the deferral period and after pension commencement.</p> <p>This option may be later changed to option 2.</p> <p>If you become a member of the UAPP again before your pension commences, your later period(s) of service may, if allowed, be added to your service already with the Plan.</p> <p>You must start to receive your pension before the end of the calendar year in which you turn age 69.</p>
2	Transfer your funds	<p>Funds transferred to your RRSP, LIRA, or your new pension plan are not subject to income tax. However, any funds that exceed the maximum amount of transfer allowed or any funds that you choose to receive in cash are subject to income tax withholding.</p> <p>Depending on the investment return on funds you receive or transfer from the UAPP, the value of those funds at retirement may be higher or lower than the value of the UAPP pension that would have been payable to you under option 1.</p> <p>If you become a member of the UAPP again at a future date and wish to, if allowed, reinstate your earlier service, the value of the funds you received or transferred from UAPP, plus the subsequent investment income, may be greater or less than the cost to reinstate service.</p> <p>All or some of the lump sum amount is locked-in (see note 4).</p>

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GLOSSARY OF TERMS

Commuted value means the lump sum of money that represents the value of the pension earned in the UAPP 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.

Locked-in funds cannot be taken as a lump sum cash amount. Locked-in funds must be taken in the form of a pension, or transferred to another locked-in retirement vehicle such as a LIRA or another pension plan.

Locked-in Retirement Account (LIRA) is like an RRSP, except that the funds are locked-in and must be used to provide you with a lifetime retirement income, commencing no earlier than age 50 but no later than the end of the year in which the owner turns age 71. Most financial institutions offer LIRAs.

Year's Maximum Pensionable Earnings (YMPE) is 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.

IMPORTANT NOTE TO THE READER:

This Information Sheet is designed as a quick summary of the subject. Should anything in this Information Sheet conflict with the UAPP Sponsorship and Trust Agreement, or any applicable provincial or federal legislation, the Agreement and/or the legislation shall apply.

NEED MORE INFORMATION?

Call the UAPP Administration Centre toll-free at 1.866.709.2092 if you have further questions. Information Sheets on other pension topics are available on the UAPP's website at www.uapp.ca (under Publications).

