



EOPP & EOSP Member's Handbook

City of Calgary
January 23, 2012

TABLE OF CONTENTS

INTRODUCTION..... 3

PARTICIPATION 4

CONTRIBUTIONS..... 4

VESTING..... 4

PENSION BENEFIT 4

RETIREMENT AGE AND REDUCTIONS FOR EARLY RETIREMENT..... 6

 1. UNREDUCED PENSION 6

 2. REDUCED PENSION..... 6

NORMAL FORMS OF PENSION..... 7

OPTIONAL FORMS OF PENSION 7

DEATH BENEFITS..... 7

 1. PRE-RETIREMENT DEATH 7

 2. POST-RETIREMENT DEATH..... 8

TERMINATION BENEFITS..... 8

PORTABILITY 9

EXCESS MEMBER CONTRIBUTIONS..... 9

COST OF LIVING INCREASES..... 9

PLAN REGISTRATION 10

GOVERNANCE..... 10

QUESTIONS..... 11

GLOSSARY 11

EOPP & EOSP Member's Handbook

INTRODUCTION

This handbook briefly summarizes the provisions of the Pension Plan for Elected Officials of The City of Calgary (EOPP) and the Supplementary Pension Plan for Elected Officials of The City of Calgary (EOSP). A glossary is provided at the end of this handbook for bolded pension terms used throughout the handbook. The EOPP and EOSP official plan documents should be referred to for additional details or for a precise interpretation of the plans' provisions.

The EOPP is registered under the Alberta Employment Pension Plans Act and the Income Tax Act. Members are required to make contributions to the EOPP. The City of Calgary is responsible for the balance of the funding requirements.

The EOSP is not a registered plan and members are not required to make contributions. The City is responsible for the full cost of the plan.

The design of the EOPP and EOSP is commonly referred to as a **defined benefit pension plan**. Members' pension benefits are defined by a formula and the investment risk is borne by The City.

The pension formula under both the EOPP and EOSP is 2% of the member's **best average earnings** multiplied by the member's years of **credited service** under the plans.

This handbook summarizes important features and benefits provided under the EOPP and EOSP. However, this handbook does not address all situations and circumstances. For a copy of the official plan texts, or for additional information, please contact Aon Hewitt Consulting Inc. at 403-303-1516.

EOPP & EOSP Member's Handbook

PARTICIPATION

As an elected official, participation in your pension plan is optional. You may enrol in the EOPP as of the date you assume office, or on the first day of any month following that date. If you choose to enrol, you must remain a member for the duration of your time as an elected official.

CONTRIBUTIONS

As a member, your contribution to the EOPP is 9% of your taxable remuneration, up to the **maximum pensionable earnings** (defined in the Income Tax Act). You do not make contributions to the EOSP.

The City of Calgary's contributions to the EOPP are based upon the advice of an **actuary** and are remitted to the pension fund monthly. The City is responsible for the full cost of the EOSP.

VESTING

Vesting means you are eligible to receive a pension at retirement. For the EOPP and EOSP, vesting is immediate. If you leave the EOPP and EOSP, you are entitled to the pension benefit you have earned.

PENSION BENEFIT

The combined pension benefit formula under the EOPP and EOSP is 2% multiplied by credited service multiplied by best average earnings. The accrual rate of 2% is the same under the EOPP and the EOSP. Best average earnings are calculated over a period of 36 consecutive months using the following earnings:

- The EOPP uses your taxable remuneration up to the maximum pensionable earnings.
- The EOSP uses your total remuneration over and above the maximum pensionable earnings.

The member's annual pension benefit from each plan is calculated as follows:

EOPP & EOSP Member's Handbook

- **EOPP:** 2% multiplied by your limited best average earnings multiplied by your credited service. The EOPP is limited by the Income Tax Act defined benefit limit.
- **EOSP:** 2% multiplied by your best average earnings over and above the Income Tax Act maximum pensionable earnings, multiplied by credited service.

In aggregate, the two plans provide a pension benefit equal to 2% of your best average earnings per year of credited service.

Example 1:

Year of retirement:	2012
Age at retirement:	60.0
Credited service:	6 years
Best average earnings:	\$190,000

2012 Maximum pensionable earnings: \$132,333.50*

*the maximum pensionable earnings changes each year

Pension benefit from EOPP:

$2\% \times \$132,333.50 \times 6 = \$15,880.02$ per year

Pension benefit from EOSP:

$2\% \times (\$190,000 - \$132,333.50) \times 6 = \$6,919.98$ per year

Total pension benefit: $\$15,880.02 + \$6,919.98 = \$22,800$ per year

RETIREMENT AGE AND REDUCTIONS FOR EARLY RETIREMENT

To qualify for an immediate pension benefit under the EOPP and EOSP, you must have left office and have attained the age of 55 years. You must start receiving your pension by the end of the year of your 71st birthday.

1. Unreduced Pension

The pension benefit is payable without reduction if you retire on or after age 60.

2. Reduced Pension

If you retire on or after age 55 but before age 60, the pension benefit is reduced by $\frac{1}{4}$ of 1% for each month (equivalent to 3% per year) that retirement precedes age 60.

Example 2:

Year of retirement:	2012
Age at retirement:	56.0
Credited service:	6 years
Best average earnings:	\$190,000

Maximum pensionable earnings: \$132,333.50*

*the maximum pensionable earnings changes each year

Pension benefit from EOPP:

$$2\% \times \$132,333.50 \times 6 = \$15,880.02 \text{ per year}$$

Pension benefit from EOSP:

$$2\% \times (\$190,000 - \$132,333.50) \times 6 = \$6,919.98 \text{ per year}$$

Total pension benefit: $\$15,880.02 + \$6,919.98 = \$22,800$ per year

Reduction: $(60 - 56) \times 3\% = 12\%$ Reduction Factor: $100\% - 12\% = 88\%$

Reduced pension benefit from EOPP: $\$15,880.02 \times 88\% = \$13,974.42$ per year

Reduced pension benefit from EOSP: $\$6,919.98 \times 88\% = \$6,089.58$ per year

Total reduced pension benefit payable: $\$22,800 \times 88\% = \$20,064.00$ per year

NORMAL FORMS OF PENSION

All credited service accrued in the plan prior to January 23, 2012 is based on your **pension partner** status at the time your pension commences.

As of January 23, 2012, all members earn credited service based on the **normal form** of a single life pension with a guarantee of five years worth of pension payments.

When you retire, the plan administrator calculates the combined **commuted value** of your credited service prior to January 23, 2012 and your credited service after January 22, 2012. This combined commuted value is converted to a variety of optional forms of pension. You may select the form of pension that suits you best.

OPTIONAL FORMS OF PENSION

You have the option to choose the level of survivor benefits for your pension partner or, if you have no pension partner, the benefit guarantee period. Electing an optional form of pension is an important decision that is irrevocable once your pension begins.

- **Member without a pension partner at retirement:** If you do not have a pension partner when you retire, or if your pension partner waives the right to the survivor pension, you may elect a single life pension with a guarantee period of five, 10 or 15 years.
- **Member with a pension partner at retirement:** If you have a pension partner when you retire, you may elect a joint life pension that provides a survivor pension to your pension partner that is equal to 100%, 75%, 66.67% or 50% of the member's original life pension along with the five year guarantee.

DEATH BENEFITS

1. Pre-Retirement Death

Should you die prior to retirement, the commuted value of your accrued pension is payable to your surviving pension partner, or if you have no pension partner, your designated beneficiary.

EOPP & EOSP Member's Handbook

Any amount payable to a designated beneficiary under the EOPP and EOSP is payable in a lump sum. Any amount payable to a pension partner under the EOPP is payable in any of the following forms, at the pension partner's option:

- a transfer to another pension plan, if and to the extent that the other plan permits the transfer;
- a transfer to a **Locked-In Retirement Account (LIRA)**.

Any amount payable to a pension partner under the EOSP is payable as a lump sum.

2. Post-Retirement Death

The benefit that you receive after retirement depends on the optional form of pension that you chose at retirement. All of the optional forms offered include at least a five year guarantee. This means that if you die prior to receiving 60 monthly pension payments, your surviving pension partner continues to receive the full pension payments for the balance of the 60 months. If you have no pension partner, your designated beneficiary or estate receives the commuted value of the remaining balance of the 60 payments in a lump sum. If you have a surviving pension partner, after the first 60 monthly payments, the pension continues to your surviving pension partner for their lifetime at the level you selected at retirement.

Any amount payable to a designated beneficiary under the EOPP is payable in a lump sum. Any amount payable to a pension partner under the EOPP is payable in any of the following forms at the pension partner's option:

- a transfer to another pension plan, if and to the extent that the other plan permits the transfer;
- a transfer to a Locked-In Retirement Account (LIRA).

Any amount payable to a designated beneficiary or a pension partner under the EOSP is payable in a lump sum.

TERMINATION BENEFITS

Upon leaving office before reaching age 55, you are entitled to a deferred pension payable at age 65, based on credited service and best average earnings as of the date of leaving office. You may elect to start receiving your deferred pension on the first day of any month following age 55. An early retirement reduction is applied to your deferred

EOPP & EOSP Member's Handbook

pension in the amount of $\frac{1}{4}$ % for each month prior to age 60. After age 60, your pension is unreduced.

PORTABILITY

If you are entitled to a deferred pension, you may elect not to receive the deferred pension. Instead, you may transfer the commuted value of the pension out of the plans as follows:

1. EOPP Pension

The commuted value of your EOPP pension, up to the limits allowed by the Income Tax Act, may be transferred to:

- a LIRA;
- another registered pension plan, provided that such pension plan permits the transfer; or
- directly to a **Registered Retirement Savings Plan (RRSP)** or paid to you in a taxable lump sum if you have not completed 24 months of **continuous service**.

2. EOSP Pension

The commuted value of your EOSP pension may be taken as a lump sum cash payment, less any withholding tax.

EXCESS MEMBER CONTRIBUTIONS

If your contributions made to the EOPP with credited interest exceed 50% of the commuted value of your EOPP pension benefit, you are entitled to receive a refund of the excess contributions.

COST OF LIVING INCREASES

Any pension payable, whether immediately or on a deferred basis, is adjusted effective each January 1 by $\frac{2}{3}$ (or 66.7%) of the increase in the Canada Consumer Price Index.

PLAN REGISTRATION

The EOPP is registered with Alberta Finance, Employment Pensions under registration number 44903, and with the Canada Revenue Agency under registration number 0983163.

The EOSP is not a registered pension plan.

GOVERNANCE

A Pension Governance Committee, appointed by City Manager, ensures proper accountability exists to create value for both The City and plan members. The Pension Governance Committee meets quarterly and consists of the following members: Director Human Resources (Chair), General Manager Corporate Services, City Treasurer, Chief Financial Officer, Administrative Law Representative, and two appointed members of Council. The Pension Governance Committee appoints the following:

- Corporate Trustee and Fund Custodian

RBC Dexia is appointed as the Corporate Trustee and as custodian of pension fund assets.

- Investment Manager

Mawer Investment Management has been appointed to manage the investment of EOPP funds.

- Actuary

Aon Hewitt Consulting Inc. is the current actuary for the EOPP and EOSP. Their responsibilities include advising the Pension Governance Committee on adequate contribution requirements for the EOPP, assistance with regulatory filings, and offer general support to assist with the plan's operation.

- Administrator

EOPP & EOSP Member's Handbook

Aon Hewitt Consulting Inc. provides third-party administration services for the EOPP and EOSP.

QUESTIONS

If you have questions about the EOPP or EOSP, please contact the plan administrator, Aon Hewitt Consulting Inc, at 403-303-1516.

GLOSSARY

Actuary

An actuary is a financial professional trained to calculate the value of pension payments and is a Fellow of the Canadian Institute of Actuaries.

Beneficiary (other than pension partner)

Your beneficiary is the person(s) you name to receive a benefit if you die before retirement or to receive the remaining pension payments under a guaranteed term if you die after retirement. If you do not have a pension partner and you do not name a beneficiary, your estate is your beneficiary.

Best Average Earnings

Best average earnings are the annual average of a member's earnings during the period of 36 consecutive calendar months of credited service for which the highest average is attained.

Commuted Value

The amount of money paid in a lump sum that is equal to the actuarial present value of your future pension payments, as determined by the plan actuary.

Continuous Service

Unbroken service as an elected official from the member's date of election up to his or her date of retirement, termination of office, or death.

Credited Service

Service brought forward from the previous plan (prior to October 1989) along with continuous service that the member receives remuneration from The City while a member of the plan.

EOPP & EOSP Member's Handbook

Defined Benefit Pension Plan

A pension plan that pays a lifetime monthly pension defined by a formula that is used to calculate your benefit. Your benefit is set at retirement and is independent of the pension fund's investment returns.

Earnings

Means remuneration received by a member from The City during a plan year. Also included is the value for the provision of an automobile for personal use, not exceeding the lower of \$3,000 per annum and the amount reported as the taxable benefit for that usage for income tax purposes.

LIRA (Locked-In Retirement Account)

A LIRA is a locked-in type of RRSP offered by financial institutions approved by the Superintendent of Pensions that requires the owner to use at least 50% of the funds to provide retirement income beginning no earlier than age 50.

Maximum pensionable earnings

These are the earnings that maximize your annual pension accrual (defined benefit limit) under the Income Tax Act.

Normal Form

The form of pension defines how long the pension is paid for (life), who it is paid to (member only or jointly with a pension partner), and under what conditions (guaranteed terms). The normal form describes the form of pension that the benefit formula would pay and is the basis for all commuted value calculations.

Pension Partner

A pension partner is a person to whom you are married and have not been separated from for more than three consecutive years. If no such person exists, then a person who has lived with you in a marriage-like relationship for three years before your pension starts, or, a person in a relationship with you of some permanence where there is a child from the relationship.

RRSP (Registered Retirement Savings Plan)

An RRSP is a type of tax-sheltered investment account that is registered with the Canada Revenue Agency. Retirement savings within the plan are allowed to grow tax free and are taxed when withdrawn. RRSP funds are not locked-in and can be withdrawn anytime.