



Pension Plan for Elected Officials of The City of Calgary Member's Handbook

The City of Calgary

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EOPP Member’s Handbook

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INTRODUCTION

This handbook briefly summarizes the provisions of the Pension Plan for Elected Officials of The City of Calgary (EOPP). A glossary is provided at the end of this handbook for bolded pension-specific terms. The EOPP official plan documents should be referred to for additional details or for a precise interpretation of the plan's 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 design of the EOPP is commonly referred to as a **defined benefit pension plan**. Member pension benefits are defined by a formula and the investment risk is borne by The City.

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

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



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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. The City of Calgary's contributions to the EOPP are based on the advice of the plan **actuary** and are remitted to the pension trust fund monthly, along with member contributions.

VESTING

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

PENSION BENEFIT

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

- 2% multiplied by your **best average earnings** multiplied by **credited service**.

Example 1:

Credited service: 12 years

Best average earnings: \$120,000

Pension benefit from EOPP: $2\% \times \$120,000 \times 12 \text{ years} = \$28,800$ per year in the **normal form**



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RETIREMENT AGE AND REDUCTIONS FOR EARLY RETIREMENT

If you have attained the age of 55 years when you leave office, you will be deemed to be a retirement.

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.

You must start receiving your pension by the end of the year of your 71st birthday.

Example 2:

Credited service: 12 years

Best average earnings: \$120,000

Age at retirement: 56.0

Unreduced pension benefit from EOPP: $2\% \times \$120,000 \times 12 \text{ years} = \$28,800$ per year

Reduction: $(60 - 56) \times 3.0\% \text{ per year} = 12\%$

Reduction factor: $100\% - 12\% = 88\%$

Reduced pension benefit from EOPP: $\$28,800 \times 88\% = \$25,344$ per year in the **normal form**



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NORMAL FORMS OF PENSION

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



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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 **beneficiary**.

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; or
- a transfer to a **LIRA**.

Any amount payable to a **beneficiary** under the EOPP is payable as a taxable 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. After the first 60 monthly payments, the pension continues to your surviving **pension partner** for their lifetime at the level you selected at retirement.

If you have no **pension partner**, your **beneficiary** receives the **commuted value** of the remaining balance of the 60 payments in a taxable 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 pension in the amount of ¼% for each month prior to age 60. After age 60 your pension is unreduced.



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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, up to the limits allowed by the Canada Revenue Agency, out of the plan as follows:

- a **LIRA**; or
- another registered pension plan, provided that such pension plan permits the transfer; or
- directly to an **RRSP** or paid to you in a taxable lump sum if the **commuted value** of your benefit is below the small benefit threshold.

EXCESS MEMBER CONTRIBUTIONS

If 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.

INDEXING

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

PLAN REGISTRATION

The EOPP is registered with Alberta Treasury Board and Finance and with the **Canada Revenue Agency** under registration number 0983163.



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GOVERNANCE

The Pension Governance Committee (PGC) ensures proper accountability exists to create value for both The City and members of the pension plans in which The City's employees participate. The PGC consists of:

- Chief Human Resources Officer (Chair)
- Chief Financial Officer
- Administrative Law Representative
- Executive Leadership Team (ELT) Representative
- Senior Management Team (SMT) Representative
- 2 Councillor appointees

The Pension Governance Committee appoints the following:

- Fund Trustee / Custodian (RBC Group)
- **Investment Manager** (Mawer Investment Management)
- Plan **Actuary** (Aon)
- Third-party Administrator (Aon)

QUESTIONS

If you have questions about the EOPP, please contact the plan administrator, Aon, at 403-303-1516.



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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

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.

Canada Revenue Agency

Canada Revenue Agency is the federal government agency responsible for administering the Income Tax Act including the provisions for registered pension plans.

Commutated 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/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.



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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

Taxable remuneration received by a member from The City during a plan year.

Investment Manager

The investment manager is a professional investment firm which has been selected by the PGC to invest the funds held in the SPP pension plan trust and is reviewed at regular intervals.

LIRA (Locked-In Retirement Account)

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.

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 person to whom you are married and have not been separated from for more than three consecutive years. If no such person exists, 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)

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.