



Supplementary Pension Plan (SPP) and Overcap Pension Plan (OCPP) Handbook

April 2017

Introduction

The City of Calgary Supplementary Pension Plan (SPP) and Overcap Pension Plan (OCP) are optional, **defined benefit pension plans** that provide pension benefits based on years of **pensionable service, pensionable earnings**, and your **pension partner** status. Defined benefit pension plans assure you of a lifetime income, regardless of investment market conditions or how long you live.

Your pension income is a form of deferred compensation. The SPP and OCP add significant value to your City of Calgary **Total Rewards** package.

The SPP and OCP enhance the benefits you get through the Local Authorities Pension Plan (LAPP), which is also a **defined benefit plan**. Your SPP benefits apply only to

the years that you are a contributing member of the SPP whereas OCP provides benefits for your years of LAPP service since 1992 or your date of hire, whichever is later. The OCP does not provide benefits for years of LAPP service prior to 1992 because it was established to address a cap the federal government put on pensionable benefits effective January 1, 1992. Both you, as a participating employee, and The City of Calgary (The City) contribute to the SPP. Your benefits from the OCP are paid entirely by The City.

Using the SPP/OCP handbook

This handbook will inform you about eligibility requirements, contributions and benefits. Part I describes the SPP and gives background information on the LAPP and pension plans in general. Part II describes the OCP. Part III provides other pertinent information about the SPP and the OCP, and defines terms that have been bolded throughout the document you may not be familiar with. If you are viewing this online, you can click on a bolded word to read its definition.

Please keep in mind that although the information presented is current and correct at the time of printing; if anything in this handbook conflicts with provisions of either plan, the plan document(s) will apply.

If after reading the guide you would like more information about the SPP/OCP, please contact the **third-party administrator**, Aon Hewitt in Calgary, at 403-303-1516 or 1-866-831-0111.

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Part I: Supplementary Pension Plan (SPP)

Joining the SPP

You are eligible to join the SPP if:

- you are currently contributing to the Local Authorities Pension Plan (LAPP); and
- your base position is rated at an Exempt Salary Level F or above.

Some rules to keep in mind:

- The SPP is optional. When you become eligible for the SPP, you can decide whether or not to join.
- If you decide not to join the SPP when you first become eligible, you may join at a later date. However, you won't be able to 'buy back' the years in which you chose not to participate.
- The SPP benefit applies to service at The City from your enrolment date forward.

- All eligible employees are required to fill out either an enrolment form or a waiver form. Membership will become effective the pay period following receipt of the form.
- Once you join the SPP, you must remain a contributing member as long as:
 - you are contributing to the LAPP; and
 - your base position at The City is an Exempt Salary Level F or above.

If you move to a position that is no longer eligible for the SPP, you will have the option of being a **suspended member** or taking your value out of the plan. You will be contacted by the **third-party administrator**.

Your contributions

The SPP is funded by contributions from members, The City, and the investment earnings of the SPP pension fund. Member contributions are estimated to cover 45% of the costs of the SPP.

Your contributions to the SPP are a percentage of your **pensionable earnings**. They are deducted each pay period beginning on the first pay period after you enroll and are tax deductible. Your contribution to the SPP is in addition to your contribution to the LAPP. Contributions to

the SPP will stop when you reach 35 years of **pensionable service** in the LAPP.

To ensure proper funding of SPP benefits, contribution rates may change from time to time, as determined by the **Pension Governance Committee (PGC)** on the advice of the actuary. As of July 15, 2014, the member contribution rate was 2.44% of **pensionable earnings**.

Your benefits

At a very high level, the role of the SPP is to top up the LAPP by improving, for each year of SPP **pensionable service**, the amount paid for earnings below the **Years Maximum Pensionable Earnings (YMPE)** by 0.6%, as well as improving the basic LAPP pension (LAPP Normal Form). The LAPP Normal Form is earned as a single life pension with a five year guarantee period, with optional forms of pension being **actuarial equivalents** to this benefit.

The SPP is an enhanced pension that supplements the LAPP benefit based on the following factors:

- The **ABC5L (Average Best Consecutive 5 Years Limited)** of **pensionable earnings**.
- The **ABC5 (Average Best Consecutive 5 Years)** of **pensionable earnings**.
- The **YMPE (Years Maximum Pensionable Earnings)**.
- Your **pensionable service** in the SPP.
- Your **pension partner** status.
- Your **ERF (early retirement factor)**.

The federal Income Tax Act (ITA) imposes a limit (ITA Limit), for each year of **pensionable service**, of:

- 2.0% times **ABC5** up to a dollar limit (\$2,914.44 in 2017).

Your LAPP benefit earned for each year of **pensionable service** is:

- 1.4% times earnings up to the 5-year final average **YMPE**, plus
- 2.0% times **ABC5L** above the 5-year final average **YMPE**.

Alternately, it can be rewritten as:

- 2.0% times **ABC5L**, less
- 0.6% times the 5-year final average **YMPE**.

Therefore, the SPP is calculated as an enhanced pension which is the difference between the ITA Limit and the LAPP benefit. Simplistically, $\text{ITA Limit} - \text{LAPP benefit} = 0.6\%$ of **YMPE**. The SPP also provides for the difference between **ABC5** and **ABC5L**. Since LAPP caps a member's salary each year at the ITA Limit and then averages the capped salaries, **ABC5** can sometimes be above **ABC5L**.

Assumptions

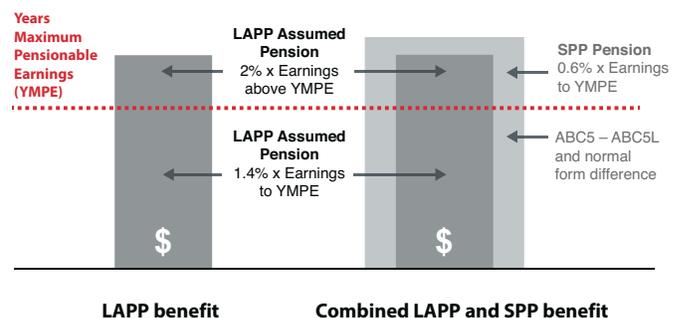
The SPP benefit is calculated assuming the LAPP pension is a pension which is an **actuarial equivalent** to the basic LAPP pension, paid as either:

- a joint life pension reduced by 1/3 on first death with a five year guarantee period (for a member with a **pension partner**), or
- a single life pension with a 10 year guarantee period (for a member without a **pension partner**).

These assumptions are for calculating the SPP benefit and do not affect your actual LAPP benefit options in any way. Nor does the form of pension you choose from the LAPP affect the SPP benefit. These assumptions affect your immediate SPP pension amount as well as the amount of your survivor benefit when one or both of you dies.

Combined LAPP and SPP benefit

The general visualization below shows the difference between the LAPP benefit from SPP **pensionable service** alone and the combined LAPP and SPP benefit. Actual benefits will vary with individual circumstances.



Pension partner status

Your SPP pension is paid for your lifetime, and is offered as one of the SPP Normal Forms below. No optional forms are available.

If you do not have a pension partner ...

When your SPP pension payment starts, you get a single life pension that is payable for your lifetime with a ten-year guarantee period. If you die before the end of the ten-year period, your designated **beneficiary(ies)** will receive a lump sum payment of the value of the remaining payment.

Your benefits CONTINUED

If you have a pension partner ...

When your SPP pension payment starts, you get a joint life pension with a five-year guarantee reducing by one-third on member death. Because the assumed LAPP's form reduces on first death, but the SPP form reduces on member death, the SPP has a "pop-up", which acts as follows:

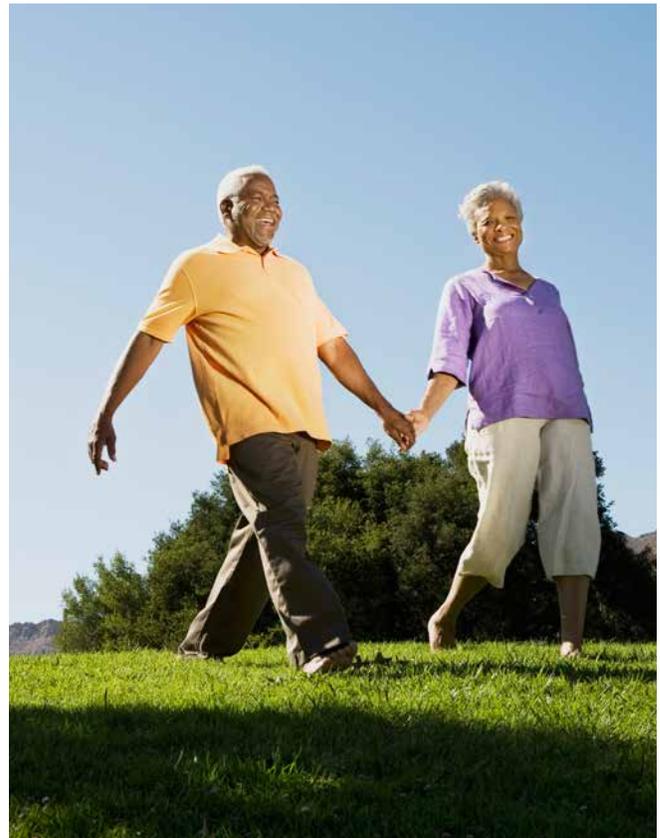
- If your **pension partner** dies before you, your SPP pension will be increased to account for the assumed reduction in your LAPP benefit for your SPP pensionable service.
- If you die before your **pension partner**, your **pension partner's** SPP pension will be increased to account for the assumed reduction in the **pension partner's** LAPP benefit until the end of the five-year guarantee period, after which your **pension partner** receives two thirds of your original SPP benefit.
- If both you and your **pension partner** die before the end of the five-year period, your designated **beneficiary(ies)** will receive a lump sum payment of the value of the remaining payment.
- Example:

Monthly pension paid

	Within five-year guarantee period	After five-year guarantee period
	\$600	\$600
	\$1,000	\$1,000
	\$1,000	\$400
	Designated beneficiary(ies) will receive a lump sum payment of the value of the remaining payments	
		\$0

Other considerations

- To receive the SPP pension, you must be **vested**. You become vested upon enrolment.
- At retirement you will have three options: immediately start your SPP pension; defer the start of your SPP pension, or take the **commuted value**. Because the SPP is a registered pension plan, a portion of the **commuted value** of your SPP pension can be transferred tax-deferred to a **Locked-In Retirement Account (LIRA)** within the limits of the Income Tax Act. The remainder is taxable.
- The latest you can start drawing your pension benefits is December 31 of the year you turn 71. The earliest you can start your pension is age 55.
- Your pension will be indexed annually to 60% of the increase in the **Alberta Consumer Price Index**. This is also built into the **commuted value**.



Unreduced pension

You may retire with an unreduced pension at age 65. Alternatively, you may retire with an unreduced pension as early as age 55 if you have 85 points under the LAPP. You reach 85 points under the LAPP when your years of LAPP **pensionable service** plus your age equals 85. If you qualify for an unreduced pension, your **ERF (early retirement factor)** used to calculate your SPP benefit will equal 1.

Examples:

- **You are 55 years old with 30 years of pensionable service.**

$$55 + 30 = 85 \text{ points}$$

- **You are 59 years old with 26 years of LAPP pensionable service.**

$$59 + 26 = 85 \text{ points}$$

Reduced pension

If you retire before you are eligible to receive an unreduced pension, your pension amount is reduced. For the lower of:

- the number of years under age 65 that you are at retirement; or
- the number of points short of 85 (under the LAPP) when your age and LAPP **pensionable service** are added together;

your pension amount is reduced by 3 per cent (or, 0.25 per cent for each month). The 3 per cent reduction is less than the full actuarial cost of receiving your pension early.

Examples:

- **You are 55 years old with 25 years of service.**

$$55 + 25 = 80 \text{ points}$$

You are 10 years under age 65, and 5 points short of 85 points. 5 points is the lower number.

Your pension will be reduced by:

$$5 \times 3 \text{ per cent} = 15 \text{ per cent.}$$

Your **ERF** will therefore be: $1 - (5 \times .03) = .85$

- **You are 62 years old with 15 years of service.**

$$62 + 15 = 77 \text{ points}$$

You are 3 years under age 65, and 8 points short of 85 points. 3 years is the lower number.

Your pension will be reduced by:

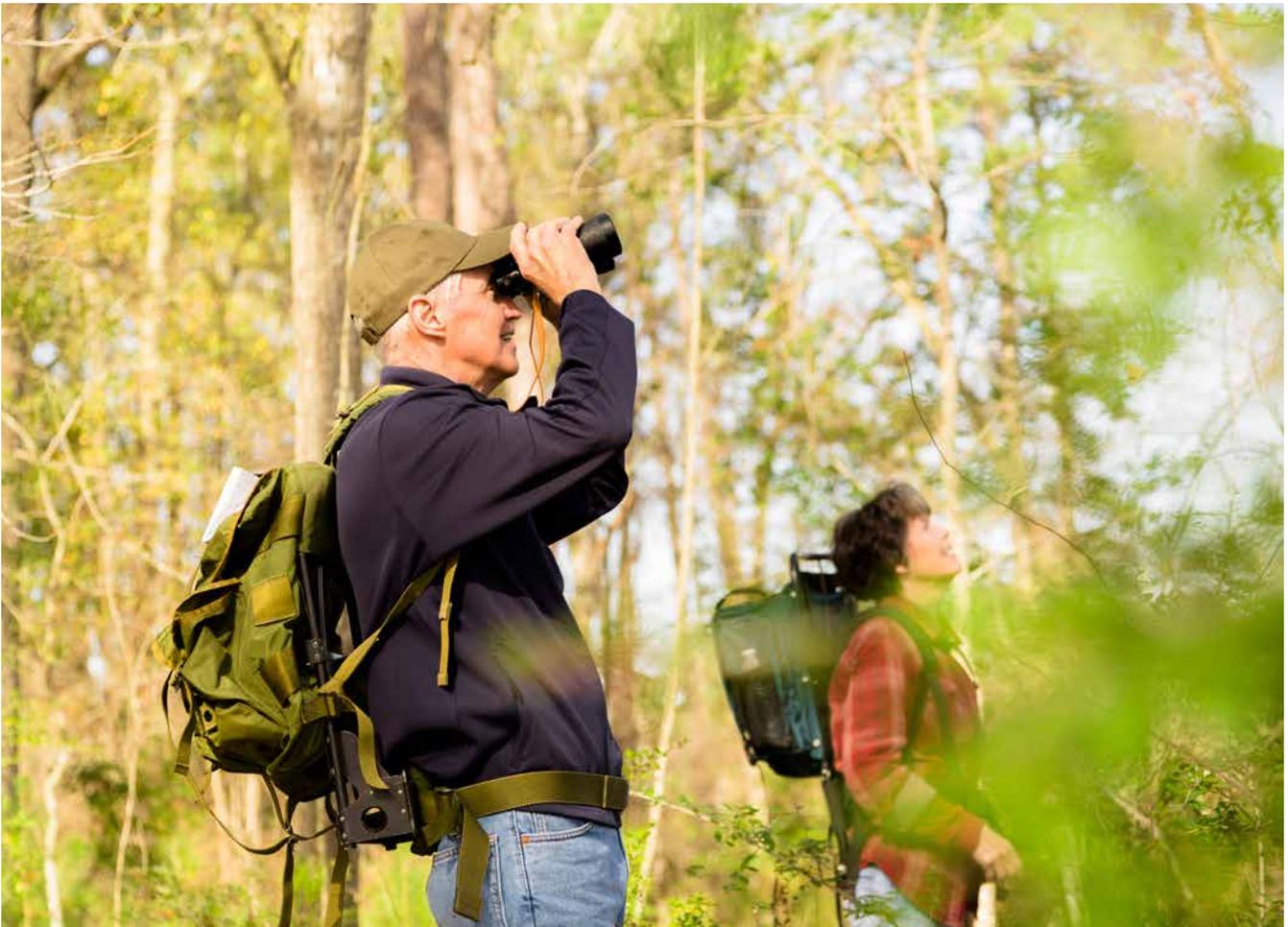
$$3 \times 3 \text{ per cent} = 9 \text{ per cent.}$$

Your **ERF** will therefore be: $1 - (3 \times .03) = .91$

Examples

Let's put together the information above and provide some examples showing immediate pension amounts upon retirement. If you're planning for retirement and would like a detailed estimate of your pension benefit, online calculations are available at www.cityofcalgary.penproplus.com or call Aon Hewitt in Calgary at 403-303-1516 or 1-866-831-0111.

The following examples are for illustration purposes only and have been rounded for easy calculating. Refer to Appendix A: Formulae for the formulae used to calculate the numbers in the examples. Actual individual calculations will vary based on current interest rates and average life expectancy for you and your **pension partner**.



Example 1 - John:

John plans on retiring at age 60. He has completed 12 years of membership in the SPP after being at The City for his entire career:

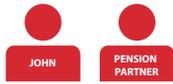
- (a) ABC5: \$110,000
- (b) ABC5L: \$110,000
- (c) 5-year average YMPE: \$52,440
- (d) LAPP pensionable service: 35 years
- (e) pre-SPP pensionable service: 23 years
- (f) SPP pensionable service: 12 years
- 85 Factor: 60 + 35 = 95 (greater than 85 = unreduced)
- (g) ERF: 1.00

Monthly SPP pension = Enhanced pension – Converted LAPP pension	With Pension Partner	Without Pension Partner
Enhanced Pension	\$2,200	\$2,200
Basic LAPP pension for SPP pensionable service	\$1,885	\$1,885
Conversion factor* from LAPP Normal Form to SPP Normal Form	x 0.90	x 0.98
- Converted LAPP pension	- \$1,697	- \$1,848
Monthly SPP pension	= \$503	= \$352

*conversion factor must be calculated individually for each calculation

John’s combined monthly LAPP and SPP pension at retirement = Monthly SPP pension + Converted LAPP pension + Converted LAPP pension for pre-SPP pensionable service period	With Pension Partner	Without Pension Partner
SPP pension	\$503	\$352
Converted LAPP pension	+ \$1,697	+ \$1,848
Converted LAPP pension for pre-SPP pensionable service period	+ \$3,252	+ \$3,541
Combined monthly LAPP and SPP pension	= \$5,452	= \$5,741

If John has a pension partner, the “pop-up” benefit would work as follows:

Monthly pension paid	Within five-year guarantee period	After five-year guarantee period
	\$503	\$503
	\$1,069	\$1,069
	\$1,069	\$335
	Designated beneficiary(ies) will receive a lump sum payment of the value of the remaining payments	\$0

Example 2 - Nazem:

Nazem will retire at age 57 after completing 10 years of membership in the SPP after joining The City in mid-career:

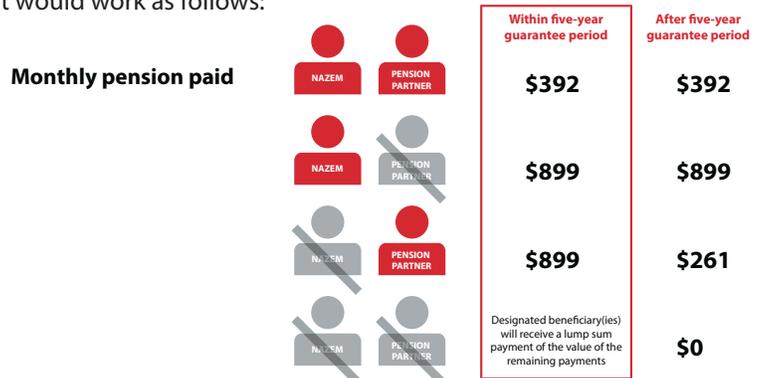
- (a) ABC5: \$135,000
- (b) ABC5L: \$135,000
- (c) 5-year average YMPE: \$52,440
- (d) LAPP pensionable service: 23 years
- (e) pre-SPP pensionable service: 13 years
- (f) SPP pensionable service: 10 years
 - 85 Factor: $85 - (57 + 23) = 5$ years of reduction
 - $65 - 57 = 8$ years of reduction
- (g) ERF: $1 - (.03 \times 5) = 0.85$

Monthly SPP pension = Enhanced pension – Converted LAPP pension	With Pension Partner	Without Pension Partner
Enhanced Pension	\$1,913	\$1,913
Basic LAPP pension for SPP pensionable service	\$1,690	\$1,690
Conversion factor* from LAPP Normal Form to SPP Normal Form	x 0.90	x 0.98
- Converted LAPP pension	- \$1,521	- \$1,656
Monthly SPP pension	= \$392	= \$257

*conversion factor must be calculated individually for each calculation

Nazem’s combined monthly LAPP and SPP pension at retirement = Monthly SPP pension + Converted LAPP pension + Converted LAPP pension for pre-SPP pensionable service period	With Pension Partner	Without Pension Partner
SPP pension	\$392	\$257
Converted LAPP pension	+ \$1,521	+ \$1,656
Converted LAPP pension for pre-SPP pensionable service period	+ \$1,977	+ \$2,152
Combined monthly LAPP and SPP pension	= \$3,890	= \$4,065

If Nazem has a pension partner, the “pop-up” benefit would work as follows:



Example 3 - Mary:

Mary wants to retire at age 65 after completing 10 years of membership in the SPP to finish her career with The City:

- (a) ABC5: \$120,000
- (b) ABC5L: \$120,000
- (c) 5-year average YMPE: \$52,440
- (d) LAPP pensionable service: 20 years
- (e) pre-SPP pensionable service: 10 years
- (f) SPP pensionable service: 10 years
- 85 Factor: Age 65 (normal retirement date = unreduced)
- (g) ERF: 1.00

Monthly SPP pension = Enhanced pension – Converted LAPP pension	With Pension Partner	Without Pension Partner
Enhanced Pension	\$2,000	\$2,000
Basic LAPP pension for SPP pensionable service	\$1,738	\$1,738
Conversion factor* from LAPP Normal Form to SPP Normal Form	x 1.004	x 0.996
- Converted LAPP pension	- \$1,745	- \$1,731
Monthly SPP pension	= \$255	= \$269

*conversion factor must be calculated individually for each calculation

Mary’s combined monthly LAPP and SPP pension at retirement = Monthly SPP pension + Converted LAPP pension + Converted LAPP pension for pre-SPP pensionable service period	With Pension Partner	Without Pension Partner
SPP pension	\$255	\$269
Converted LAPP pension	+ \$1,745	+ \$1,731
Converted LAPP pension for pre-SPP pensionable service period	+ \$1,745	+ \$1,731
Combined monthly LAPP and SPP pension	= \$3,744	= \$3,731

If Mary has a pension partner, the “pop-up” benefit would work as follows:

Monthly pension paid	Within five-year guarantee period		After five-year guarantee period	
	With Pension Partner	Without Pension Partner	With Pension Partner	Without Pension Partner
	\$255	\$255	\$255	\$255
	\$837	\$837	\$837	\$837
	\$837	\$170	\$837	\$170
			Designated beneficiary(ies) will receive a lump sum payment of the value of the remaining payments	\$0

Leaving the SPP before retirement

When you leave your job at The City, you stop participating in the SPP. Your options when you leave depend on your age and how long you participated in the plans. You may:

- receive an immediate monthly pension (if you are age 55 or older); or
- defer your pension until any time up to the end of the year in which you turn age 71; or
- transfer a portion of the **commuted value** of your SPP benefit to a **Locked-in Retirement Account (LIRA)** of your choice, with the remainder as a taxable lump sum; or
- transfer the **commuted value** of your SPP benefit to another pension plan, if that plan permits such transfers; or

- transfer any non-locked-in value from the SPP to an **RRSP**, or take it as a taxable lump sum.

If you choose to receive your pension before age 65 and your age and years of service in the LAPP do not add up to 85 points, your pension will be reduced (see section on Reduced Pension).

Death before retirement

If you have a **pension partner** and you die before retirement, your **pension partner** is automatically your **beneficiary**, unless your **pension partner** has waived this right.

Your **pension partner** may either:

- transfer the **commuted value** of your accrued pension to a **Locked-in Retirement Account (LIRA)**; or
- choose an immediate (if over age 55) or deferred pension based on the **commuted value**.

If you do not have a **pension partner**, your **beneficiary** will receive the **commuted value** of your accrued pension as a taxable lump sum.

Disability benefits

You are eligible for a disability pension if:

- you are enrolled in the SPP; and
- you are permanently and totally disabled (incapable of any work); and
- you are not covered by an approved **long-term disability income (LTDI)** continuance plan sponsored by The City or by a temporary disability benefit under workers' compensation legislation; and
- you are under age 65.

Your disability pension would be based on your years of SPP **pensionable service** and would be unreduced. If you

are receiving benefits under an approved **LTDI** plan, you are not eligible for disability benefits under the SPP. You continue to participate in and contribute to the SPP while you receive **LTDI**, and your **pensionable service** in the SPP continues to grow. You will be eligible to receive your pension benefits when your **LTDI** benefits stop at age 65.

Part II: The Overcap Pension Plan (OCPP)

Joining the OCPP

You are eligible to join the OCPP if:

- you are currently contributing to the SPP; and
- your base position is rated at an Exempt Salary Level G or above.

Some rules to keep in mind:

- If you are already enrolled in the SPP and you become eligible for the OCPP, you will be automatically enrolled.
- The OCPP provides benefits for your years of LAPP service while employed by The City regardless of when you entered the OCPP, but does not provide benefits on years of service prior to January 1, 1992.

- Once you join the OCPP, you must remain a member as long as:
 - you are contributing to the SPP; and
 - your base position at The City is an Exempt Salary Level G or above.
- If you move to a position that is no longer eligible for the OCPP you will become a **suspended member**.

Your contributions

The OCPP is funded entirely by The City.

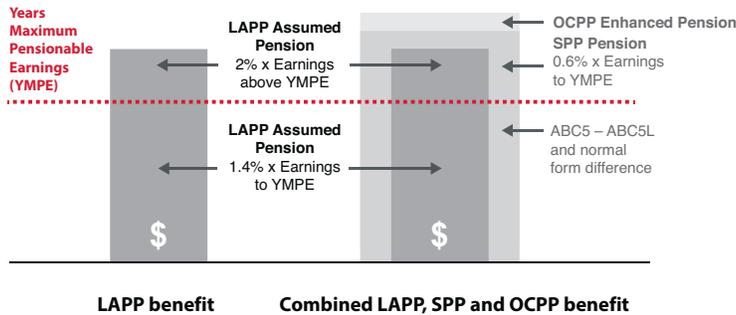
Your benefits

The OCPP pension pays enhanced benefits above the ITA Limit as follows:

- For SPP **pensionable service**, the OCPP pays benefits on **pensionable earnings** above the ITA Limit.
- For years of **pensionable service** post-1991-pre-SPP, the OCPP pays benefits on **pensionable earnings** above the LAPP highest average capped salary (Adjusted LAPP). Since LAPP caps a member's salary each year at the ITA Limit and then averages the capped salaries, this average is always below the limit that is applied to the **ABC5** after averaging.

Combined LAPP, SPP and OCPP benefit

The general visualization below shows the difference between the LAPP benefit alone and the combined LAPP, SPP and OCPP benefit. Actual benefits will vary with individual circumstances.



Considerations:

The OCPP pension pays enhanced benefits above the ITA Limit as follows:

- To receive the OCPP pension, you must be **vested**. You become vested in the OCPP after two years of membership in the OCPP and reach age 55.
- At retirement you will also have three options: start your OCPP pension, defer the start of your OCPP pension, or take the **commuted value**. Since the OCPP is not a registered pension plan, the **commuted value** of your OCPP pension is fully taxable. The choice you make for the SPP benefit does not impact the choice you make for the OCPP benefit, and vice versa.
- The latest you can start drawing your pension benefits is December 31 of the year you turn 71. The earliest you can start your pension is age 55.
- Your pensions will be indexed annually to 60% of the increase in the **Alberta Consumer Price Index**.

Unreduced pension

The same rule that applies to the SPP applies to the OCPP.

Reduced pension

The same rule that applies to the SPP applies to the OCPP.

Examples

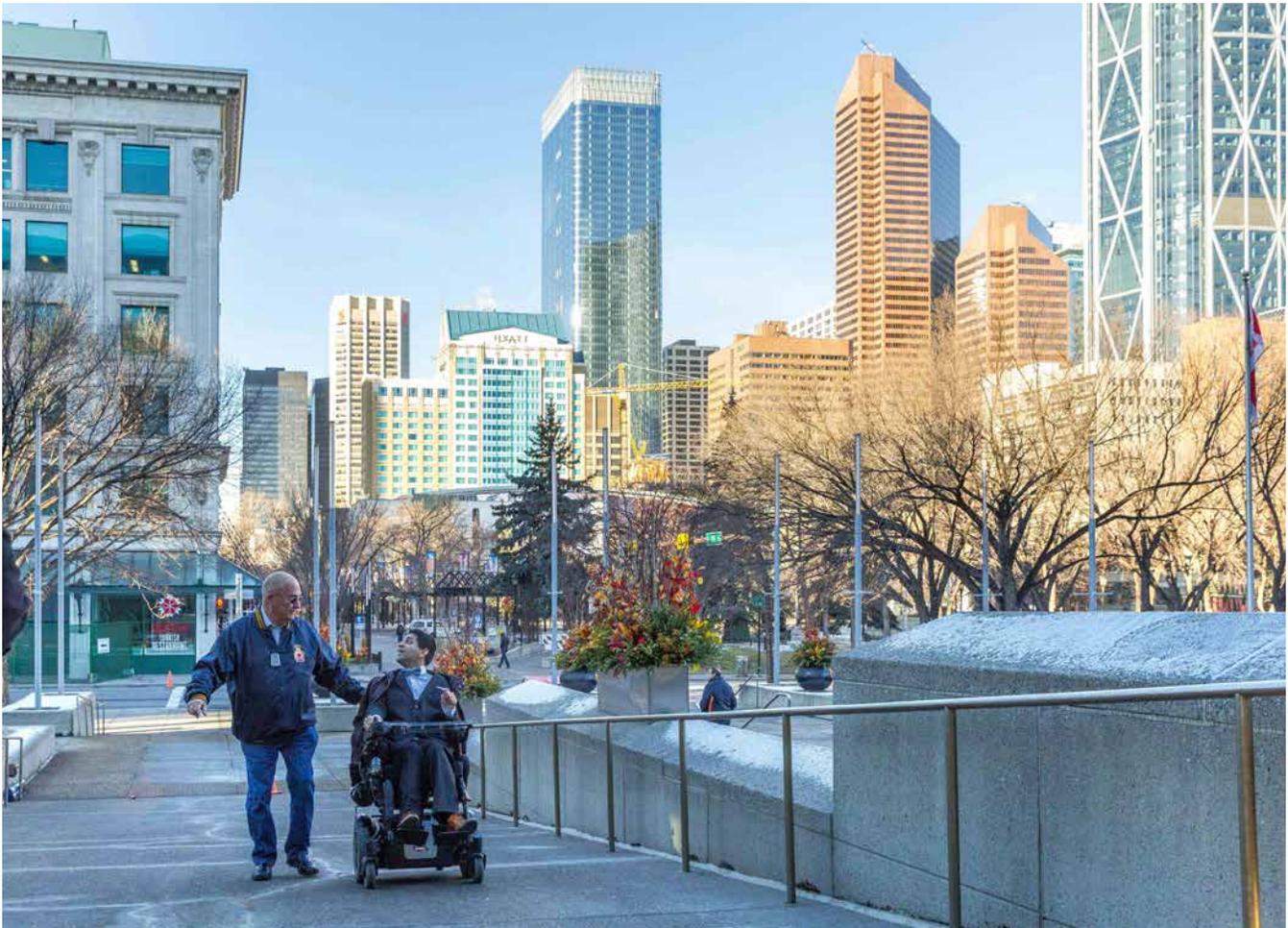
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Your annual retirement pension under the OCPP is:

- your OCPP enhanced pension;
- minus your SPP pension (up to the ITA Limit) for your years of OCPP **pensionable service**;
- plus an Adjusted LAPP pension (up to the ITA Limit);
- minus LAPP pension for LAPP **pensionable service** after 1991 but before being in the SPP (OCPP LAPP Service);
- multiplied by your ERF.

The Adjusted LAPP pension removes the cap on the LAPP **pensionable earnings**. Note that the ITA has its own early retirement factor (ITA ERF), which is 3 percent from the earlier of 30 years of service, age 60, or 80 points.

The following examples are the same as those in Part I, with salary increased to be above the ITA Limit and OCPP **pensionable service** added.



Example 1 - John:

(a) ABC5:	\$170,000
(b) ABC5L:	\$153,954
(h) OCPP pensionable service:	25 years
ITA ERF:	35 years of service, no reduction, ITA ERF = 1.00

Calculation of monthly OCPP pension	With Pension Partner	Without Pension Partner
Step 1		
OCPP enhanced pension	\$7,083	\$7,083
ITA Limit	- \$6,072	- \$6,072
Step 1 result	\$1,011	\$1,011
Step 2		
Minimum of Adjusted LAPP pension and ITA Limit	\$3,157	\$3,157
LAPP pension	- \$2,994	- \$2,994
Step 2 result	\$163	\$163
OCPP pension	= \$1,174	= \$1,174

John's combined LAPP, SPP and OCPP pensions at retirement	With Pension Partner	Without Pension Partner
LAPP pension	\$7,497	\$8,164
SPP pension	+ \$426	+ \$205
OCPP pension	+ \$1,174	+ \$1,174
Combined monthly LAPP, SPP and OCPP pension	= \$9,097	= \$9,543

Example 2 -Nazem:

(a) ABC5:	\$220,000
(b) ABC5L:	\$153,954
(h) OCPP pensionable service:	23 years
ITA ERF:	80 points, no reduction, ITA ERF = 1.00

Calculation of monthly OCPP pension	With Pension Partner	Without Pension Partner
Step 1		
OCPP enhanced pension	\$7,168	\$7,168
ITA Limit	- \$5,586	- \$5,586
Step 1 result	\$1,582	\$1,582
Step 2		
Minimum of Adjusted LAPP pension and ITA Limit	\$2,684	\$2,684
LAPP pension	- \$2,546	- \$2,546
Step 2 result	\$138	\$138
OCPP pension	= \$1,720	= \$1,720

Nazem's combined LAPP, SPP and OCPP pensions at retirement	With Pension Partner	Without Pension Partner
LAPP pension	\$4,053	\$4,414
SPP pension	+ \$667	+ \$510
OCPP pension	+ \$1,720	+ \$1,720
Combined monthly LAPP, SPP and OCPP pension	= \$6,440	= \$6,644

Example 3 -Mary:

(a) ABC5:	\$190,000
(b) ABC5L:	\$153,954
(h) OCPP pensionable service:	20 years
ITA ERF:	Age 65, no reduction, ITA ERF = 1.00

Calculation of monthly OCPP pension	With Pension Partner	Without Pension Partner
Step 1		
OCPP enhanced pension	\$6,333	\$6,333
ITA Limit	- \$4,857	- \$4,857
Step 1 result	\$1,476	\$1,476
Step 2		
Minimum of Adjusted LAPP pension and ITA Limit	\$2,429	\$2,429
LAPP pension	- \$2,304	- \$2,304
Step 2 result	\$125	\$125
OCPP pension	= \$1,601	= \$1,601

Mary's combined LAPP, SPP and OCPP pensions at retirement	With Pension Partner	Without Pension Partner
LAPP pension	\$4,626	\$4,589
SPP pension	+ \$116	+ \$135
OCPP pension	+ \$1,601	+ \$1,601
Combined monthly LAPP, SPP and OCPP pension	= \$6,343	= \$6,325

Example 3.5 -Mary:

What happens if Mary is eligible for the OCPP but her earnings are lower?

(a) ABC5:	\$145,000
(b) ABC5L:	\$145,000
(h) OCPP pensionable service:	20 years

Calculation of monthly OCPP pension	
Step 1	
OCPP enhanced pension	\$4,833
ITA Limit	- \$4,833
Step 1 result	\$0
Step 2	
Minimum of Adjusted LAPP pension and ITA Limit	\$2,155
LAPP pension	- \$2,155
Step 2 result	\$0
OCPP pension	\$0

As you can see, eligibility for the OCPP does not guarantee a benefit from it.

Leaving the OCPP before retirement

When you leave your job at The City, you stop participating in the OCPP. Your options when you leave depend on your age and how long you participated in the plan.

If you are not **vested** when you leave The City, you will receive no benefit from the OCPP.

If you are **vested** when you leave The City, you may:

- receive an immediate monthly pension; or
- defer your pension until any time up to the end of the year in which you turn age 71; or
- take the **commuted value** of your OCPP benefit as a taxable lump sum.

If you choose to receive your pension before age 65 and your age and years of service in the LAPP do not add up to 85 points, your pension will be reduced (see section on Reduced Pension).

Death before retirement

If you have a **pension partner** and you die before retirement, your **pension partner** is automatically your **beneficiary**.

If you die with less than two years of OCPP membership there is no death benefit payable.

If you die with more than two years of OCPP membership but prior to age 55, your **beneficiary** will receive the **commuted value** of your pension deferred to age 65 based on your **pensionable earnings** and **pensionable service** at your date of death.

If you die with more than two years of OCPP membership and are at least age 55, your **pension partner** or **beneficiary** will receive the **commuted value** of your immediate pension as if you had retired on your date of death.

Your **pension partner** might choose to take a taxable lump sum payment or to commence a pension after attaining age 55 but before age 65. If you do not have a **pension partner**, any death benefits are paid to your **beneficiary** as a taxable lump sum.

Disability benefits

You are eligible for a disability pension if:

- you have at least two years of membership in the OCPP; and
- you are permanently and totally disabled (incapable of any work); and
- you are not covered by an approved **long-term disability income (LTDI)** continuance plan sponsored by The City or by a temporary disability benefit under workers' compensation legislation; and
- you are under age 65.

Your disability pension would be based on your years of OCPP **pensionable service** and would be unreduced. If you are receiving benefits under an approved **LTDI** plan, you are not eligible for disability benefits under the OCPP. Your **pensionable service** in the OCPP continues to grow. You will be eligible to receive your pension benefits when your **LTDI** benefits stop at age 65.

Part III

Governance

A **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
- Administrative Leadership Team (ALT) Representative
- Senior Management Team (SMT) Representative
- 2 Councillor appointees

The Pension Governance Committee appoints the following:

- Fund Trustee Custodian
- **Investment Manager**
- **Plan Actuary**
- **Third-party Administrator**

If you have questions

If you have questions about The City of Calgary's Supplementary Pension Plan or the Overcap Pension Plan, please call The City of Calgary HR Support Services at 403-268-5800 or the SPP/OCPP **third-party administrator**,

Aon Hewitt in Calgary, at 403-303-1516 or 1-866-831-0111. For details about the LAPP, go to www.LAPP.ca or call Alberta Pension Services in Edmonton at 1-877-649-5277.

Ability to amend

The City has the right to change the terms of the SPP and the OCPP within the parameters that legislation allows. Any plan changes must be communicated to plan members.

Glossary

ABC5 (Average Best Consecutive 5 Years)

The earnings used for the enhanced benefit calculations. ABC5 is calculated as the average of the best consecutive five years of **pensionable earnings**. The SPP uses the minimum of the ABC5 and the **CRA maximum pensionable earnings** in the year of retirement. The OCPP does not limit the ABC5 to the **CRA maximum pensionable earnings** for the LAPP.

ABC5L (Average Best Consecutive 5 Years Limited)

The earnings used for the LAPP benefit calculation. ABC5L uses the average of the best consecutive five years of **pensionable earnings** where each year is limited by the **CRA maximum pensionable earnings** for the LAPP.

Actuarial Equivalent

To be actuarially equivalent, the present value of the expected future pension payments for the different forms of pension are equal. The present value of all future pension payments is calculated with regard to life expectancy and is discounted to today using current interest rates.

Actuary

An actuary is a financial professional trained to calculate the value of pension payments using data about life expectancy, retirement ages, and interest rates and is a Fellow of the Canadian Institute of Actuaries. The actuary is appointed by The City for the purposes of the SPP and the OCPP and is reviewed at regular intervals.

Alberta Consumer Price Index

An indicator of changes in consumer prices experienced by Albertans. It is obtained by comparing, over time, the cost of a fixed basket of goods and services purchased by consumers.

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.

Commuted Value

The amount of money paid in a lump sum that is equal to the actuarial present value of your future pension payments.

Continuous Service

The period during which you were continuously employed at The City. Continuous service is not broken by a leave of absence approved by The City, a temporary absence due to sickness, or a period of absence due to disability.

CRA (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.

Defined Benefit Pension Plan

A defined benefit pension plan 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.

ERF (Early Retirement Factor)

The ERF is the level of reduction applied to your benefit when you retire before your unreduced date, which is the earlier of age 65 and 85 points (age + **pensionable service** in the LAPP). The ERF is calculated as $1 - (.03 \times \text{years prior to unreduced date})$. The ERF is multiplied by your calculated benefit to determine your reduced benefit.

The Income Tax Act also has a level of reduction, the ITA ERF, which is the earliest of 30 years of **pensionable service** in the LAPP, age 60 and 80 points.

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 LIRA is a type of RRSP which does not allow the owner to withdraw the funds prior to early retirement age (age 55). At any time after that, the LIRA must be converted into another type of account in order to provide income in retirement.

Glossary CONTINUED

LTDI (Long-Term Disability Income)

LTDI is a type of disability insurance offered by The City for employees who become unable to perform their normal work because of a physical or mental disability. If you become disabled and receive an income from the LTDI plan, you will continue to earn **pensionable service** under the SPP and OCPP. The required pension contributions will be deducted from your LTDI payments.

PGC (Pension Governance Committee)

The City has an obligation to look after the interests of employees in all the pension plans in which The City employees participate, which include the LAPP, the SPP and the OCPP. The PGC has been delegated this responsibility.

Pension Partner

Your 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, your pension partner is 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. This definition intentionally mirrors the LAPP definition of a pension partner.

Pensionable Earnings

Pensionable earnings are the earnings used to calculate your contributions and pension

entitlement. It also includes earnings for service which would be pensionable but only for its exceeding the 35-year **pensionable service** limit. These earnings are defined in The City's LAPP participation policy.

Pensionable Service

Pensionable service is the years of service used to calculate your pension benefit, up to a maximum of 35 years. The SPP defines pensionable service as **continuous service** as a member during which time contributions to the plan were made. The OCPP defines pensionable service as the member's **continuous service** after December 31, 1991 which is recognized as the member's pensionable service under the LAPP.

RRSP (Registered Retirement Savings Plan)

An RRSP is a type of tax-sheltered investment account that is registered with the CRA. Retirement savings within the plan are allowed to grow tax free and are taxed when withdrawn.

Suspended Member

A suspended member is a member who is not currently accruing benefits nor is required to make contributions to the plan but whose **continuous service** has not been broken.

Third-party Administrator

The SPP and the OCPP are sponsored by The City. Certain administrative functions have been contracted to a third-party provider.

The third-party administrator takes care of the plans on a day-to-day basis and is reviewed at regular intervals by the PGC.

Total Rewards

Total Rewards are the various forms of compensation offered to employees at The City, which taken together form a complete compensation package. This includes (but is not limited to) such items as wage or salary, benefits, pension, recognition & rewards, and vacation.

Vested

You are vested upon enrolment in the SPP. The OCPP requires 2 years of plan membership and attainment of age 55 to be vested. To be vested means you are eligible to receive a pension at retirement. If you are vested and terminate employment, you are entitled to the value of the pension you have earned.

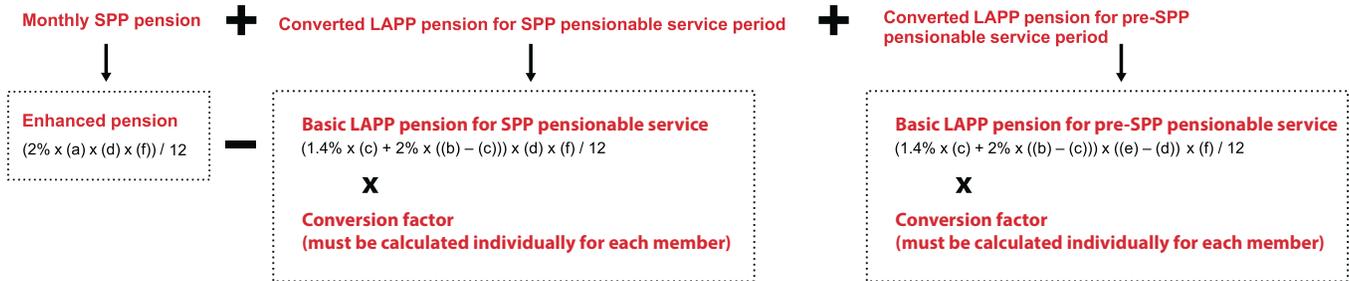
YMPE (Years Maximum Pensionable Earnings)

The YMPE is the maximum earnings used to calculate Canada Pension Plan benefits. Calculations for the LAPP use the average YMPE of the same five years of service used to calculate **ABC5L**. You can find historical YMPE on the CRA website.

Appendix A: SPP Pension Formulae

- (a) ABC5
- (b) ABC5L
- (c) 5-year average YMPE
- (d) LAPP pensionable service
- (e) pre-SPP pensionable service
- (f) SPP pensionable service
- (g) ERF

Combined monthly LAPP and SPP enhanced pension =



Appendix B: OCPP Pension Formulae

- (a) ABC5
- (b) ABC5L
- (c) 5-year average YMPE
- (d) LAPP pensionable service
- (e) pre-SPP pensionable service
- (f) SPP pensionable service
- (g) ERF
- (h) OCPP pensionable service

OCPP Pension (monthly) = Step 1 + Step 2

Step 1	OCPP Enhanced Pension – ITA Limit
OCPP Enhanced Pension	OCPP Enhanced Pension x OCPP Pensionable Service x ERF $2\% \times (a) \times (h) \times (g) / 12$
ITA Limit	ITA Limit x OCPP Pensionable Service x ITA ERF $ITA \text{ Limit} \times (h) \times ITA \text{ ERF} / 12$
Step 2	Adjusted LAPP pension – LAPP pension
Minimum of Adjusted LAPP pension and ITA Limit	ITA Limit x OCPP LAPP Service x ITA ERF $\text{Min} \{ (1.4\% \times (c) + 2\% \times [(a) - (c)]) \times (g), ITA \text{ Limit} \times ITA \text{ ERF} \} \times [(h) - (f)] / 12$
LAPP pension	LAPP Pension x OCPP LAPP Service x ERF $(1.4\% \times (c) + 2\% \times [(b) - (c)]) \times [(h) - (f)] \times (g) / 12$