



# APEX employer plan booklet



**January 1, 2017**

This booklet provides an overview of the APEX Supplementary Pension Plan, your choices and the benefits that you will receive. The information is updated on an annual basis and is provided to assist you with your understanding of APEX. If anything in this booklet conflicts with provisions of the APEX Supplementary Pension Plan, the formal APEX Supplementary Pension Plan text will apply.

The Alberta Urban Municipalities Association APEX<sup>™</sup> Supplementary Pension Plan ("APEX") is designed to enhance and improve on the level of benefits payable from the Local Authorities Pension Plan ("LAPP"). The APEX Governance Board is responsible for overseeing the governance of APEX.

## **Understanding this document**

This document provides information on APEX. Throughout this document, references are made to LAPP as defined under APEX plan rules, exclusively for the purpose of determining your APEX pension benefit entitlement.

For specific information concerning pension benefits that you are entitled to receive from LAPP, please contact your LAPP Administrator.

**LAPP Contact Information:** 1-877-649-LAPP, email [memberservices@lapp.ca](mailto:memberservices@lapp.ca) or visit the LAPP website at [www.lapp.ab.ca](http://www.lapp.ab.ca)

All [blue underlined](#) terms are defined and noted in the glossary on the next page.



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## Glossary of definitions

**APEX Conversion Factor:** A factor to convert your LAPP Normal Form of pension into the LAPP Pension that is offset against your Enhanced Pension to determine your APEX pension benefit (i.e. APEX Pension Benefit = Enhanced Pension – LAPP Pension). Your APEX Conversion Factor takes into account both your age and your pension partner status.

**APEX Salary Maximum:** The maximum salary level recognized under APEX for the calculation of the Enhanced Pension. Based on the APEX benefit formula, this amount is the salary level that will generate the Income Tax Act (ITA) Defined Benefit (DB) Limit in that calendar year. In 2017 the APEX Salary Maximum is calculated as follows:

DB Limit for 2017	\$2,914.44
APEX Salary Maximum in 2017	$\$2,914.44 \div .02 = \$145,722.00$

**Average Year's Maximum Pensionable Earnings (YMPE):** Average of the YMPE during the same period as is used in the determination of the Member's Final Average Salary. "YMPE" stands for the Year's Maximum Pensionable Earnings under the Canada Pension Plan. The 2016 YMPE is \$54,900 and the 2017 YMPE is \$55,300.

**Capped Salary:** The maximum salary amount recognized by LAPP for the determination of LAPP pension benefits. Based on the LAPP benefit formula, this amount is the salary level that will generate the ITA DB Limit in that calendar year. In 2017 the Capped Salary is calculated as follows:

DB Limit for 2017	\$2,914.44
YMPE for 2017	\$55,300.00
Capped Salary in 2017	$[\$2,914.44 + ((2.0\% - 1.4\%) \times \$55,300)] \div 2.0\% = \$162,312.00$

**Commutated Value:** The lump sum value of your accrued pension at a date of determination and can be elected at any age prior to December 31 in the year you turn age 71.

**Defined Benefit Plan:** A plan which pays a monthly pension based on a specified benefit formula. The formula driven nature of such a pension plan allows you to estimate your pension at any time in your career. Unlike other types of pension plans, the investment performance of the pension fund will not affect the calculation of your pension.

**Enhanced Pension:** Final Average Salary x 2.0% x APEX Pensionable Service. Your enhanced pension cannot exceed the ITA DB Limit.

**Final Average Salary:** Average of your highest consecutive five years salary or, if your period of employment is less than five years of service, the average of your salary over your period of service.

**Highest Average Capped Salary:** Average of your highest consecutive five years capped salary or, if your period of employment is less than five years of service, the average of your capped salary over your period of service.

**The Income Tax Act Defined Benefit limit (ITA DB Limit):** The maximum amount of annual pension payable from a registered pension plan in respect of a year of pensionable service as prescribed under the Income Tax Act. The ITA DB Limit for 2016 is \$2,890.00 and for 2017 is \$2,914.44.

**LAPP Pension (defined under APEX):** Below is a step-by-step process on how to calculate the LAPP Pension as it is defined under APEX. A calculation example follows.

- Step 1 Multiply the employee's Highest Average Capped Salary (defined under the LAPP) by 1.4% up to the Average YMPE
- Step 2 Multiply the employee's Highest Average Capped Salary in excess of the Average YMPE by 2.0%
- Step 3 Add the result of Step 1 and Step 2, and multiply the total by the employee's Pensionable Service
- Step 4 Multiple Step 3 by the APEX Conversion Factor.

1. LAPP Normal Form – Lifetime pension payable to the plan member as long as the plan member is alive. Should the plan member die within five years from the date of pension commencement the pension payments will be made until the expiry of the five year guarantee period to the beneficiary or the estate.
2. APEX Normal Form with a Pension Partner – Lifetime pension payable to the plan member as long as the plan member is alive. Should the plan member predecease their Pension Partner, the lifetime pension payable to the Pension Partner will be reduced by 1/3 for their remaining lifetime. Should the Pension Partner predecease the plan member the lifetime pension payable to the plan member will increase by 1/3 of the LAPP Pension for the remaining lifetime of the plan member. Should both the plan member and their Pension Partner die within 5 years from the date of pension commencement the pension payments will be made until the expiry of the 5 year guarantee period to the *beneficiary or the estate*.
3. APEX Normal Form without a Pension Partner – Lifetime pension payable to the plan member as long as the plan member is alive. Should the plan member die within 10 years from the date of pension commencement the pension payments will be made until the expiry of the 10 year guarantee period to the beneficiary or the estate.

**Normal Retirement Date:** The date on which you become 65 years of age.

**Participating Employer(s):** An eligible employer that has completed and filed an enrolment form approved by the plan administrator.

**Pensionable Service:** The years and fractions of years of continuous service while you are a contributing participant of APEX. APEX service accrual and contributions cease upon attainment of 35 years of LAPP service.

**Pension Partner:** A person in a marital relationship with the plan member as defined in the Alberta Employment Pension Plans Act.

**Salary:** Remuneration that is regarded by the Participating Employer as pensionable salary for the purposes of the LAPP.

**Unreduced Retirement Date:** Your earliest unreduced retirement date is the earlier of the date on which your age plus LAPP pensionable service adds up to 85, or age 65.

**YMPE:** Year's Maximum Pensionable Earnings in accordance with the provisions of the Canada Pension Plan.

**Sample Calculation.** This calculation is an illustration where LAPP Pension is unreduced.

Highest Average Capped Salary	\$96,500
Average YMPE	\$52,440

Years of APEX Service	10.00 years
Conversion factor from LAPP to APEX	0.9336

Calculation Details:

1.4% of Salary up to the Average YMPE	$1.4\% \times \$52,440 = \$734.16$
2.0% of Highest Average Salary in excess of the Average YMPE	$2.0\% \times (\$96,500 - \$52,440) = \$881.20$
Add the above two components	$\$734.16 + \$881.20 = \$1,615.36$
Multiply by years of Pensionable Service	$\$1,615.36 \times 10.00 = \$16,153.60$
LAPP Pension	$\$16,153.60 \times 0.9336 = \$15,081.00 \text{ per yr}$

# APEX Pension Plan

## Who is eligible?

You are eligible if you are employed by a [Participating Employer](#) and in a class designated for inclusion under the Participating Employer's participation agreement.

*Blair, an employee who belongs to a designated class for inclusion in APEX, was hired on November 25, 2016. Blair may join APEX on his date of hire or on a subsequent date at the discretion of the employer.*

*If after joining APEX, Blair were to transfer to a class not designated for inclusion in APEX, then Blair would be deemed to have terminated from APEX and become eligible to receive a benefit options package.*

## What is the cost to the employees who participate in APEX?

You contribute 2.84% of your [Salary](#) up to the [APEX Salary Maximum](#) for service during the current year. In 2017, the APEX Salary Maximum is \$145,722.00.

Name of Member	Kim	Kelly
2017 <a href="#">Salary</a>	\$85,000.00	\$150,000.00
Employee Contributions	2.84% x \$85,000.00 = \$2,414.00	2.84% x \$145,722.00 = \$4,138.50

## What is the cost to Participating Employers?

Under the current provisions of the APEX plan text, [Participating Employers](#) are responsible for the balance of the cost, determined by the actuary, necessary to provide the benefits accrued by you. The balance of the cost includes special payments made when required to fund any unfunded liabilities. Participating Employers contribute at a rate of 3.78% of member's [Salary](#) up to the [APEX Salary Maximum](#) in each calendar year.

## How is your monthly APEX pension determined?

Your monthly APEX pension payable is equal to the difference between your [Final Average Salary](#) x 2.0% x APEX [Pensionable Service \(Enhanced Pension\)](#) and your [LAPP Pension](#) divided by 12. Your benefit options package from APEX provides your APEX benefit options available to you and a summary of your contributions, salary and service on file with the Administrator.

*Sample calculation: This calculation is an illustration only where it has been assumed that the LAPP Pension is unreduced.*

*Assume Kim is retiring at age 65 on December 31, 2016 and has participated in APEX for 10 years. Kim is married at retirement with a Pension Partner age 65 and has the following data:*

Year	Salary	Capped Salary	Yearly Maximum Pensionable Earnings (YMPE)	Income Tax Act Defined Benefit Limit
2012	\$91,000.00	\$91,000.00	\$50,100.00	\$2,646.67
2013	\$94,000.00	\$94,000.00	\$50,100.00	\$2,666.67
2014	\$96,500.00	\$96,500.00	\$51,100.00	\$2,696.67
2015	\$99,000.00	\$99,000.00	\$52,500.00	\$2,770.00
2016	\$102,000.00	\$102,000.00	\$53,600.00	\$2,818.89
Average	\$96,500.00	\$96,500.00	\$51,120.00	

Years of APEX Pensionable Service	10.00 years
APEX Conversion Factor	0.9336
Enhanced Pension	2.0% x \$96,500.00 x 10.00 = \$19,300.00

Less

LAPP Pension	LAPP Normal Form x APEX Conversion Factor = \$15,081.00 $(\$52,440.00 \times 1.4\% \times 10.00) = \$7,341.60 +$ $[(\$96,500.00 - \$52,440.00) \times 2.0\% \times 10.00] = \$8,812.00$ $= \$16,153.60$ $\times .9336$ $= \$15,081.00$
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Equals	APEX Annual Pension (\\$19,300.00 - \\$15,081.00)	\$4,145.06
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Divided by 12

Equals	APEX Monthly Pension (\\$4,145.06 ÷ 12)	\$ 351.58
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Kim's APEX Pension payable cannot exceed 2% x Kim's Final Average Salary x Kim's Pensionable Service less Kim's LAPP Pension.

## Is there a maximum amount of pension a person may receive?

Yes, the Income Tax Act imposes a limit on a person's pension entitlement from registered pension plans like APEX and LAPP. This is referred to as the Income Tax Act Defined Benefit (ITA DB) Limit. In general, the monthly Enhanced Pension accrual in a year cannot exceed your Pensionable Service multiplied by the lesser of:

- The ITA DB Limit for the year of commencement (\$2,914.44 for 2017); and
- 2% of the employee's highest average salary



**Sample Calculation.** This calculation is an illustration where the LAPP pension is unreduced. Assume Kelly is retiring at age 57 on December 31, 2015 and has participated in APEX for 10 years and has 28 years of LAPP service. Kelly has no Pension Partner and has the following data:

Year	Salary	Capped Salary	Yearly Maximum Pensionable Earnings (YMPE)	Income Tax Act Defined Benefit Limit
2012	\$150,000.00	\$147,363.50	\$50,100.00	\$2,646.67
2013	\$157,000.00	\$150,163.50	\$51,100.00	\$2,696.67
2014	\$162,000.00	\$154,250.00	\$52,500.00	\$2,770.00
2015	\$168,000.00	\$157,024.50	\$53,600.00	\$2,819.89
2016	\$170,000.00	\$160,970.00	\$54,900.00	\$2,890.00
Average	\$161,400.00	\$153,954.30	\$52,440.00	

Years of APEX Pensionable Service	10.00 years
APEX Conversion factor	0.9874
<b>Enhanced Pension Minimum of</b>	
(i)	\$2,890.00 x 10.00 = \$28,900.00
(ii)	2.0% x \$161,400 x 10.00 = \$32,280.00
	Minimum of (i) and (ii) = \$28,900.00

Less

LAPP Pension	LAPP Normal Form x APEX Conversion Factor = \$27,295.94 $(\$52,440.00 \times 1.4\% \times 10.00) = \$7,341.60$ $+ [(\$153,953.30 - \$52,440.00) \times 2.0\% \times 10.00] = \$20,302.66$ $= \$27,644.26$ $\times .9874$ $= \$27,295.94$
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Equals	APEX Annual Pension (\$28,900.00 - \$27,295.94)	\$ 1,604.06
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Divided by 12

Equals	APEX Monthly Pension (\$1,604.06 ÷ 12)	\$ 133.67
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Kelly's Enhanced Pension cannot exceed the ITA DB Limit x Kelly's Pensionable Service. Therefore, if Kelly's Final Average Salary exceeds Kelly's Highest Average Capped Salary, then Kelly's APEX Pension payable cannot exceed the ITA DB Limit x Pensionable Service less Kelly's LAPP Pension.

**Is there a minimum amount of pension a person may receive? No.**

**When is an employee eligible for early retirement?**

If the employee has attained age 55 and has terminated employment, the employee may obtain a lifetime monthly pension benefit. They can elect to commence the pension immediately, or elect to transfer the Commuted Value of their accrued pension subject to the Income Tax Act and the Alberta Employment Pension Plans Act.

If the employee elects immediate commencement, the pension provided for in the case of early retirement is the excess of their [Enhanced Pension](#) over the [LAPP Pension](#) reduced by 0.25% for each calendar month by which the pension commencement date precedes their [Unreduced Retirement Date](#).

Assume Pat was a member of LAPP for 25 years at retirement and was age 55 (55+25=80 points). Pat has an 80 factor, which means Pat is 5 points short of the 85 factor. Therefore, Pat has a reduced pension of 3% per point resulting in a reduction of 15%. Pat's APEX pension would be calculated as follows:

$$100\% - .25\% \times (85 - (55 + 25)) \times 12 = 85\%$$

Pat would be entitled to 85% of her calculated APEX pension.

## What normal and optional forms of pension are available on retirement?

Pension benefits payable under APEX are made monthly for the lifetime of the pensioner.

If you do not have a [Pension Partner](#) as defined in the *Alberta Employment Pension Plans Act* when you retire, then the monthly pension is payable for your lifetime and should you die within ten years of pension commencement, the balance of 120 monthly payments will be paid to your beneficiary or estate.

If you do have a [Pension Partner](#) as defined in the *Alberta Employment Pension Plans Act*, the following two options are available:

1. The monthly pension is payable for your lifetime and guaranteed for 5 years in any event. Should you predecease your [Pension Partner](#), the monthly pension payable to your Pension Partner will be reduced by 1/3 for their remaining lifetime. Should your Pension Partner predecease you, your monthly pension payable will increase by 1/3 of the [LAPP Pension](#) for your remaining lifetime.
2. The same monthly pension is payable for your lifetime and should you die, payable for the remaining lifetime of your [Pension Partner](#). Should both you and your Pension Partner die within 5 years, the monthly pension payable is guaranteed for the remainder of the 5 year period.

## What happens if you terminate prior to age 55?

If you should terminate employment prior to age 55, you will be entitled to a deferred monthly pension commencing as early as age 55. The deferred pension amount is your accrued APEX pension determined as at your termination date based on your [Pension Partner](#) status on file with the Administrator. If your Pension Partner status has changed at your pension commencement date, then your APEX pension will be re-determined. In addition, any excess of the amount of your contributions with interest over 50% of the [Commuted Value](#) of your accrued APEX pension benefit will be refunded to you. Employees may request that the [Commuted Value](#) of their pensions be transferred subject to the *Income Tax Act* and the *Alberta Employment Pension Plans Act*.

## What happens in the event of your death before retirement?

The [Commuted Value](#) of your accrued APEX pension plus any excess of the amount of your contributions with interest over 50% of the [Commuted Value](#) of your accrued APEX pension will be payable to your beneficiary. As an alternative to receiving a

[Commuted Value](#), a surviving [Pension Partner](#) may also elect to receive a lifetime monthly pension.

## Cost of living adjustments to your pension

After retirement, your pension is subject to annual increases based on 60% of the annual increase in the Alberta Consumer Price Index (Alberta CPI) from the prior year. Similar annual Alberta CPI-based increases will be granted to all terminating members who elect deferred pensions. If the Alberta CPI decreases, your pension will not decrease.

## Benefits and choices of the APEX Pension Plan

Any questions relating to APEX may be directed to:

**Director, Retirement Services**  
**Alberta Municipal Services Corporation (a subsidiary of the AUMA)**

**300-8616 51 Ave**  
**Edmonton AB T6E 6E6**

**310-AUMA (2862)**

**pensions@amsc.ca**

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