

Joining LAPP makes sense...

Joining the Local Authorities Pension Plan usually makes sense - even if you don't plan to stay on the job with an LAPP employer for a very long time. Here's why:

United Nurses of Alberta members newly employed by Alberta Health Services or other public employers often wonder if it makes sense for them to join the Local Authorities Pension Plan, the province's public sector pension for employees of boards and agencies.

The government-sponsored retirement system in Canada is not sufficient to fund the future retirement that most employees envision.

Less than half of employees working 14 to 30 hours per week for employers that participate in LAPP exercise their right to join the plan.

UNA believes far too many employees decide not to join LAPP based on a partial or inadequate analysis of the facts. Often, those who decide not to join focus on the costs of being part of LAPP, but not the benefits.

Yet there are valuable benefits to paying into LAPP even when an employee is only there for a short time.

Consider these points:

Employees currently pay about 9.5% of their before-tax income and the employer pays about 10.5% of the employee's income into LAPP. The employer's contribution to your retirement is money you would not receive if you do not join LAPP.

The payout is a defined benefit pension – which means secure, indexed monthly payments as long as you live.

Payout can start as early as age 55.

If a member under 55 years old leaves their employment or moves to casual, they can withdraw the commuted value (CV) of their pension. (The CV is the calculated value of the earned future pension. This ensures you get at least value for your contributions to your retirement. The rules require most of the CV to be transferred to a Locked-In Retirement Account, with the balance paid out in cash. In some cases, it may also be possible to transfer your CV to another pension plan.)

Consider these points:

LAPP provides a pension based on years of pensionable service and the highest consecutive five years' average salary.

A defined benefit pension means a secure, indexed monthly payment as long as you live.

The pension is increased each year at the rate of 60 per cent of Alberta's inflation rate.

A staff nurse aged 55 with 30 full-time years of LAPP service who retires in 2021 will receive a LAPP pension of approximately \$4,080 per month.

A staff nurse with 35 full-time years of LAPP service who retires in 2021 will receive a LAPP pension of approximately \$4,760 per month.

By comparison, a 60-year-old woman buying an annuity to provide herself with an income of \$4,600 per month, which would not be indexed, would currently require cash of about \$1.1 million to give to an investment company.

Since administration and investment costs are spread over thousands of people, your LAPP retirement income is both less expensive to administer and more secure.

Unlike people who must manage their own retirement savings, the security of your LAPP pension is not tied directly to your own investment decisions and to interest rates when you invest and when you retire.

Who is eligible to join LAPP?

Full time and some part-time and temporary employees of employers that participate in the LAPP – including Alberta Health Services, Covenant Health and other publicly funded health care providers.

LAPP defines full-time as an average of 30 hours per week or more – full-time employees are required to join LAPP.

LAPP defines part-time as an average of 14 to 30 hours per week – participation in LAPP is optional.

Eligible temporary positions must be for six months or more, and require an average of 30 or more hours per week – participation in LAPP is optional.

For more information, please visit the LAPP website at lapp.ca