



# Frequently Asked Pension Questions

## BY MEMBERS

### Who can join LAPP?

Employees in regular positions of 30 hours per week average are required to join LAPP. Employees working 14 up to 30 hours per week average have the option of joining LAPP. In addition, temporary employees working 30 + hours per week average for 6 months or longer (with AHS and Covenant) have the option of joining LAPP.

### If I have the option of joining LAPP, should I?

Yes

Canadians that rely exclusively on Canada Pension Plan and Old Age Security for their retirement will probably be short of money.

The government retirement system expects employees to have additional assets available for retirement.

LAPP can be an important part of asset accumulation for retirement.

### How much does LAPP cost?

Currently the contribution rates are:

Member 8.39% of regular earnings up to \$61,600 for 2021 (Year's Maximum Pensionable Earnings YMPE)

Member 12.84% of regular earnings over \$61,600

Employer 9.39% of regular earnings up to \$61,600

Employer 13.84% of regular earnings over \$61,600

### How much is an LAPP pension?

The LAPP pension is called a Defined Benefit Plan. This means the plan uses a pension formula to calculate pensions rather than basing your pension on your assets and investment rates at the time of retirement.

LAPP Formula: Years of pensionable service base on full time hours X % X the highest 5 consecutive years average earnings of a full time nurse.

Nurses retiring today with 35 years of full time pensionable service receive about \$4700 a month. This monthly amount is adjusted each year by 60% of the Alberta inflation rate.

*\*See the Pension Calculation Chart (ADD)*

### How soon can I collect an LAPP Pension?

A member can collect an LAPP pension at age 55. But it may be subject to an early retirement penalty, 3% per year prior to age 65. In LAPP the average retirement age is 62 1/2 years old.

### What is the "85 factor"?

If the member has an 85 factor (age + years of full time pensionable service), there is no penalty for retiring before 65.

For example: A 60 years with 24 years of pensionable service = 84 factor > 3% reduction rather than 15% reduction for being age 60.

## What is the penalty for retiring before age 65?

The early retirement penalty for LAPP is 3% a year while the penalty for Canada Pension Plan is 7.2% a year. Just a reminder you can commence your pension as early as age 55.

If a member less than 65 years of age or without the 85 factor, the pension can be commenced, but there is a 3% penalty for each year less than 65 or less than the 85 factor.

\*Example age 60 with 20 years of service: Unreduced pension at 65 = \$2660/ month but 5 years less than 65 or 85 factor means a 15% penalty > \$2260 a month

If I am over 55 and resign, should I wait until 65 to collect my pension to avoid the early retirement penalty.

\*Waiting to retire to reduce the early retirement penalty is not normally a good strategy.

Example age 60 with 20 years of service: LAPP = \$2,260 a month. Between 60 and 65 = 60 months X \$2260 = \$135,600 (this does not include increases for inflation)

Waiting until 65 to collect the pension = \$2,660/month (+ \$400 a month)

Without considering the time value of money a member would have to collect the LAPP for 28 years to make up for the money collected from 60 to 65.

## I am part-time, should I move to full time for the last 5 years of work to increase my pension?

When pensions are calculated the plan uses the prorated years of service for part time years but a full time member's salary. LAPP calls this annualizing the salary. Please look at [lapp.ca](http://lapp.ca) for a detailed explanation of Annualized Salary.

Example a .8 part time person that moves to full time for the last 5 years of employment would earn 5 years of pensionable service instead of 4 years of pensionable services, but the pensionable salary used to calculate the LAPP pension is the same for at full time Employee as it is for the .8 FTE.

A member does earn more pensionable service as a full time employee, but currently the person that worked .8 for the last 5 years of employment would receive about \$135 a month less LAPP pension than a person that worked the last 5 years of full time.

## What if I don't plan on working in an LAPP eligible position for my whole career?

Members that move to LAPP ineligible positions (example: casual) or resign can leave their money on deposit with LAPP and recommence the pension when they are in a pension eligible position. The years of earlier pensionable service are added to the current years.

If the member moves to an LAPP ineligible position, prior to your 55th birthday, there is also the choice to withdraw the commuted value of the LAPP pension. The "commuted value" (CV) is today's value of the earned future pension. The Provincial Government of Alberta has recently made changes to the CV which substantially reduces the amount paid to the withdrawing Employee.

Committed Value withdrawals require that a significant portion (almost all) of the withdrawal be transferred directly into a locked in retirement account (LIRA) with the balance, if any, paid out as cash with taxes withheld.

A member moving to a different defined benefit plan normally has the opportunity to move their LAPP assets to the new plan.

## How can I commence my LAPP?

A regular LAPP pension can be commenced as early as age 55, but can only be commenced if a member moves to a pensionable ineligible position such as less than 14 hours per week average, casual or the member fully resigns. LAPP suggests providing 90 days notice of retirement, but this is not mandatory. If you provide 90 days notice of retirement, it is 90% probable that the first LAPP cheque will be received within 30 days of retirement.

## Is there an LAPP Disability Plan?

Yes. Members that are unable to work at any occupation can apply for LAPP Disability. If the member meets the definition, LAPP Disability (LAPP-D) pays the LAPP pension at any age, without an early retirement deduction based on the LAPP pension earned to the date of resignation. Normally these members would be on Long Term Disability (LTD) and likely on Canada Pension Plan Disability (CPP-D).

Most Long Term Disability has a provision which allows members accessing LAPP Disability to retain up to 85% of their former regular income rather than being capped at 66 2/3 %. If you or any member that have paid into LAPP and are disabled from any occupation, please call United Nurses of Alberta for assistance with this claim and speak with your Labour Relations Officer.

## Does my spouse have rights to my pension?

### Pension Partner

The default option is that a member's pension partner (spouse or common-law spouse) also has a pension entitlement called a Joint Life Pension. Federal rules require that a pension partner has an entitlement to a member's Defined Benefit Pension Plan. It is possible for a pension partner to relinquish their entitlement and for the plan member to receive a single life pension. (in certain circumstances this is a prudent action)

### Joint Life Pension - Unreduced

The plan pays a pension of the same amount (plus indexing) to the retiree or the pension partner for as long as either one survives. Since the plan is now "insuring" two lives, the pension amount is reduced by an actuarial calculation based on the ages and sex of the pension partners.

### Joint Life Pension - Reduced by 1/3

The plan pays a larger pension than the Joint Life Unreduced, but on the passing of either pension partner, the surviving pensioner received a pension that is reduced by 1/3 for the balance of their life. With this option, the partners are betting that their expiry dates will be very close together.

## Does a divorce or the ending of a common law relationship affect my LAPP?

Ownership of pension assets such as LAPP need to be resolved as part of the divorce/common law proceedings.

For some members, their LAPP pension is worth more than their house.

Members that have been divorced or have ended a common law relationship, need to retain their Matrimonial Property Order or any legal separation documents in order for the LAPP pension to be processed at retirement.

## Can I work in a position after I commence my LAPP pension?

There is no restriction from working full time or part time after retirement.

A member that moves to a casual position to commence their LAPP can compete on any position. Please note as a casual, there is no access to seniority.

Once a member returns to a temporary or regular position, all the seniority is returned.

Once an LAPP pension is commenced, a member can no longer contribute to the LAPP.

## How secure is my LAPP Pension?

LAPP's \$50 Billion in assets is enough to cover the current pension promises made to each plan member. The past and future success of LAPP is dependent on prudent and diversified investments. The LAPP Corporate Board monitors and adjusts the investment policies. Alberta Investment Management Corporation (AIMCO) invests the assets in accordance with the Statement of Investment Policies and Practices. The Plan has increased its exposure to less volatile investments such as real estate and infrastructure. Stocks and bonds are still a large part of the portfolio. Keeping the pension promise is the fundamental role of the LAPP Corporate Board.

## How can I receive more information regarding LAPP and my benefits?

At [lapp.ca](http://lapp.ca) members can find significant information about the plan and can sign up to have direct access to their LAPP information.

For more complex matters or assistance with LAPP issues, members can contact UNA and speak to their Labour Relations Officer.