



# staff pension plan update

## What is the SPP Basic Benefit?

We have often referred to the concept of a member's "SPP basic benefit." However, do you know what it actually means? When you join the Staff Pension Plan (SPP), you are immediately vested in the Plan, which means you are entitled to a pension benefit when you leave the Plan. The amount you will receive and the form in which you receive it, depends on several factors including:

- age
- marital status
- years of pensionable service
- when you started contributing to the Plan

As of July 1, 2009, the SPP basic benefit can be summed up with one formula for **new members**:

$$\begin{array}{r}
 \text{Your} \\
 \text{SPP Basic} \\
 \text{Benefit}
 \end{array}
 =
 \begin{array}{r}
 1.8\% \\
 \times \\
 \text{Your Best} \\
 \text{Average Earnings} \\
 \times \\
 \text{Your years of} \\
 \text{Pensionable Service}
 \end{array}$$

Members who have pensionable service prior to July 1, 2009 will have their SPP basic benefit calculated using a combination of the pre-July 1, 2009 formula and the post-July 1, 2009 formula. Please refer to The Pension Benefit section on the SPP at a Glance page at the SPP website for a description of these two formulas.

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Your **Best Average Earnings** is the average of your basic salary over any three, non-overlapping periods of twelve consecutive months of pensionable service that produces the highest figure. The three years do not need to be consecutive, and may not necessarily be your last three years of pensionable service. If you have less than three years of service, then the average is calculated using all of your pensionable service.

**Pensionable service** means the periods of continuous service in which you made required contributions to the Plan. This may include adjustments for periods of part-time employment and leave of absence.

The following are two examples to help you understand how the basic benefit is calculated using the current pension formula:

#### Example 1

Retirement Age: 65  
Joined the Plan: September 1, 2009  
Retires from UBC: September 1, 2039  
Best Average Earnings: \$45,000  
Years of Pensionable Service: 30 years

**1.8% x \$45,000 x 30 years = \$24,300 yearly pension**  
**(\$2,025 monthly lifetime pension at age 65)**

#### Example 2

Retirement Age: 65  
Joined the Plan: September 1, 2009  
Retires from UBC: September 1, 2029  
Best Average Earnings: \$70,000  
Years of Pensionable Service: 20 years

**1.8% x \$70,000 x 20 years = \$25,200 yearly pension**  
**(\$2,100 monthly lifetime pension at age 65)**

#### What is not part of your SPP Basic Benefit?

Your SPP basic benefit is adjusted to include inflation each year, subject to the Plan's ability to pay the increase. Pre-retirement indexing is applied to the basic benefit of deferred members and post-retirement indexing (Cost of Living Adjustment - COLA) is applied to pension payments for retirees. ■

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# A Guide to the January 1, 2012 Plan Design Changes: *How do these SPP changes affect you?*

As reported in the November 2011 *Staff Pension Plan Update* newsletter, the results of the December 31, 2010 Actuarial Valuation showed that the Plan's basic benefits are well funded. However, in order to ensure the Plan can afford to pay basic benefits into the future, indexing must be reduced to a level of 50% of inflation for the next three years.

In the review of the valuation results, the Plan's advisors and the SPP Board also looked for ways to further improve the Plan and reduce costs. On December 1, 2011, the UBC Board of Governors approved three Plan design changes recommended by the SPP Board, known as Amendment No. 4, which will help to:

- increase equity between members
- reduce cost of pensions to enhance the security of the basic pension benefit
- increase the ability of the Plan to support indexing of pension benefits

The following section describes these Plan design changes to help you understand if and how these changes impact you. It is helpful to understand how the SPP basic benefit is calculated. You may wish to read or re-read the article on page 1 on the SPP Basic Benefit before continuing to read this article.

## 1. Ensure that Early Retirement is cost neutral to the Plan

If you retire before age 65, your monthly pension amount is reduced to account for the additional years that you will be receiving a pension. If you retire after age 65, the reverse applies as your monthly pension amount will increase to account for starting your pension later. When you retire, you decide when you start your pension.

Before January 1, 2012, the early retirement reduction factor was 4% for each year that you retire prior to age 65 (age 55 is the earliest you can start your SPP pension). Effective January 1, 2012, the early retirement reduction factor will be an actuarial equivalent factor to age 65. This change is not retroactive and will only apply to pensionable service accrued on and after January 1, 2012.

The new basis on which the Plan determines early retirement reduction factors ensures that:

- early retirement is cost neutral to the Plan
- contributing Plan members are not subsidizing the cost of early retirement
- member pensions are equitable

### What if I qualify for Special Early Retirement?

There is no change to the Special Early Retirement (SER) benefit. Members who qualify for SER will continue to have an early retirement reduction factor of 3% applied for each year they retire before age 60. To qualify for SER, you must have joined the SPP before January 1, 1992 and have at least 20 years of Plan membership at your retirement date.

## 2. Ensure a steady and positive interest rate is applied to Member Contributions

If you leave the Plan before age 55 and elect to take a lump sum from the Plan, you will receive the greater of the minimum contribution refund or the present day value of your pension (commuted value). The minimum contribution refund is calculated based on 1.5 times your contributions to the Plan plus interest. As part of the January 1, 2012 Plan design changes, the interest applied to member contributions is now a five-year bank rate (otherwise known as CANSIM rate V122515). Interest on member contributions is calculated at the end of each year. Therefore, the fund rate of return as at December 31, 2011 will be used to calculate the interest rate applied to member contributions for the year 2011. Starting January 2012, the five-year bank rate will be used to calculate the interest applied to member contributions.

### How does this change benefit you?

The fund rate of return, although at times may produce a higher interest rate, is linked to the financial markets and may vary significantly from year to year, producing both positive and negative returns. The five-year bank rate is far less volatile and provides steady and positive return on your contributions.

## 3. Ensure Deferred members receive a minimum annual inflation adjustment

Deferred members no longer make contributions to the Plan and are not yet receiving a pension. As a deferred member, you may start your pension as early as age 55 or as late as age 71. While your pension is deferred, there is an annual adjustment for inflation.

Pre-retirement indexing is the amount of inflation adjustment applied to a member's basic benefit before retirement and is subject to the Plan's ability to finance it. A minimum level of pre-retirement indexing is required in order to comply with the B.C. Pension Benefits Standards Act. This change specifically affects the Plan's deferred members by ensuring that the greater of pre-retirement or post-retirement indexing is applied to their pension, whichever produces the greater benefit.

### How can I estimate what my pension will be?

You can estimate your pension at different retirement ages with myPension. myPension is a customized online tool that allows you to view your personal pension information, view your contributions and beneficiaries, and estimate your pension. If you have previously used the myPension estimator to estimate your pension at an early retirement date, it is recommended that you generate a new estimate. myPension may be accessed from the front page of the SPP website, or through [www.msp.ubc.ca](http://www.msp.ubc.ca) using your CWL login. myPension is currently available for Active members (current UBC employees).



## Summary of January 1, 2012 Plan Design Changes

With the exception of retirees who are already receiving a pension payment, the following table summarizes the January 1, 2012 Plan Design Changes for Plan members.

	<b>Active Members</b> <i>You are an active member if you are currently making contributions to the Plan.</i>	<b>Deferred Members</b> <i>You are a deferred member if you are no longer employed at UBC and/or no longer make contributions to the Plan, but are not yet receiving a pension.</i>
<b>Ensure that Early Retirement is cost neutral to the Plan</b>	Active members will have a 4% early retirement reduction factor applied to pensionable service accrued up to and including December 31, 2011. An actuarial equivalent reduction factor will be applied for all service accrued on or after January 1, 2012.	Deferred members will have a 4% early retirement reduction factor applied to pensionable service accrued up to and including December 31, 2011. An actuarial equivalent reduction factor will be applied for all service accrued on or after January 1, 2012.
<b>Ensure a steady and positive interest rate is applied to Member Contributions</b>	The fund rate of return as at December 31, 2011 will be used to calculate the interest applied to member contributions for the year 2011. Starting January 2012, the five-year bank rate will be used to calculate the interest applied to member contributions.	The fund rate of return as at December 31, 2011 will be used to calculate the interest applied to member contributions for the year 2011. Starting January 2012, the five-year bank rate will be used to calculate the interest applied to member contributions.
<b>Ensure Deferred members receive a minimum annual inflation adjustment</b>	Active members will not be affected by this change unless they become a Deferred member.	Deferred members will receive for the next three years, or until their pension starts, either: <ul style="list-style-type: none"> <li>▪ Indexing at 50% of inflation, or</li> <li>▪ Indexing at 75% of inflation, minus 1%,</li> </ul> whichever produces the greater benefit.

### Where can I find more information?

There is a Q & A about the January 1, 2012 Plan changes available under the QuickFind menu on the SPP website. Alternatively, you may also contact the SPP by e-mail at [spp@hr.ubc.ca](mailto:spp@hr.ubc.ca) and one of our staff will be happy to answer your question(s) by e-mail or phone. ■

# Governance Update

The UBC Board of Governors (BOG) approved a new governance policy for the UBC Staff Pension Plan (SPP) effective February 2, 2012. The approval of the new governance policy comes after more than two years of review and consultation between the University Administration, SPP Board, Legal Counsel, and the UBC BOG.

## What is Governance and why is it important?

Governance of the UBC SPP refers to the system in which the roles and responsibilities of governing parties are clearly defined so that clear and timely decisions are made in respect to the Plan. Good governance puts the best interest of the Plan's stakeholders first and ensures that fiduciary (see sidebar) duties are met as well as ensuring the best practices and administration for all Plan members and their beneficiaries. This is important to ensure that members are receiving good value for their investment in the SPP in the form of a stable lifetime retirement pension.

### Fiduciary Responsibilities

A fiduciary is essentially someone who holds something in trust for someone else. In pension plans, the parties involved in sponsoring and managing a pension plan act as fiduciaries for plan members and their beneficiaries. This means that they must act in the best interests of all plan members and beneficiaries.

## The New Governance Policy

The UBC BOG continues to be ultimately responsible for the Plan; however, under the new governance policy many of the responsibilities have been delegated to the SPP Board. One of these delegations includes the role of the SPP Board in the Plan's investments and funding. The SPP Board will now formulate the Plan's Policy Asset Mix and the terms in the Statement of Investment Policies and Procedures document, which it recommends to the UBC BOG for approval. Once approved by the UBC BOG, UBC Investment Management Trust (IMANT) implements the SPP Policy Asset Mix.

Furthermore, the membership of the SPP Board has changed to include a ninth position on the pension board, an Independent Non-Voting Chair. This position has been created to help the SPP Board transition and succeed under the new governance policy, and will bring additional expertise and knowledge to the Board.

For further information on the new governance policy, please refer to the Governance section on the SPP website.



## Changes to the SPP Board Membership

A few changes have been made to the SPP Board membership as a result of the new governance policy. The following table lists the current members of the SPP Board.

### SPP Board as of February 2, 2012

**Harry Satanove**, *Independent Non-Voting Chair*  
*Principal, Satanove and Flood Consulting Ltd.*  
Appointed from Feb 2, 2012 to Dec 31, 2013  
First Appointed 2012

#### Appointed Directors

**Susan Claybo**  
*Enrolment Services*  
Current Term Jan 1, 2009 to Dec 31, 2012  
First Appointed 2009

**Jay Parker**  
*Human Resources*  
Current Term Jan 1, 2010 to Dec 31, 2013  
First Appointed 1997

**Peter Smailes**  
*Treasury*  
Current Term Dec 1, 2011 to Dec 31, 2014  
First Appointed 2011

**Debbie Wilson**  
*Manager, SFU Pension and Benefits*  
Current Term Feb 2, 2012 to Dec 31, 2015  
First Appointed 2012

#### Elected Directors

**Alan Marchant**  
*Advancement Services*  
Current Term Jan 1, 2009 to Dec 31, 2012  
First Elected 2001

**Dave Lance**  
*CUPE 116*  
Current Term Jan 1, 2012 to Dec 31, 2012  
First Appointed 2008

**Brian Evans**  
*TRIUMF (Retired)*  
Current Term Jan 1, 2011 to Dec 31, 2014  
First Elected 1992

**George McLaughlin**  
*Building Services (Retired)*  
Current Term Jan 1, 2011 to Dec 31, 2014  
First Elected 1985

### New members to the SPP Board

Harry Satanove has been appointed by the UBC BOG as the first Independent Non-Voting Chair for a term running from February 2, 2012 to December 31, 2013. Peter Smailes and Debbie Wilson have also been appointed as board members effective December 1, 2011 and February 2, 2012 respectively.

### Board Member Resignation

Tim Lawler resigned from the SPP Board effective October 17, 2011 to pursue a career opportunity outside of UBC. On behalf of the SPP membership, we would like to thank Mr. Lawler for his service on the SPP Board. The time and work he dedicated to the Plan is greatly appreciated. Dave Lance's appointed term expired on December 31, 2011. Mr. Lance has been appointed by the SPP Board to fulfill the remainder of Mr. Lawler's term, which ends December 31, 2012.

Please visit the Governance section on the SPP website for more information on the SPP Board members. ■

# RRSP Contributions for the 2011 Tax Year

February 29, 2012 is the deadline for RRSP contributions for the 2011 tax year. Information on how much you can contribute is as follows.

## 2011 Contribution Limits

The maximum amount you can contribute to an RRSP each year is shown on the Canada Revenue Agency (CRA) Notice of Assessment that you receive after you file your income tax return. You can also find your contribution limit by calling the CRA at 1.800.267.6999 or by using the My Account option on the CRA website: [www.cra-arc.gc.ca](http://www.cra-arc.gc.ca). You will need a Government of Canada e-pass, which you can obtain on the above website as well.

## Contribution Room

Your RRSP contribution room for 2011 is 18% of your gross income (before taxes and deductions) earned in 2010 to a maximum of \$22,450, less your 2010 Pension Adjustment. However, if you did not use all of your RRSP contribution room in any year since the 1991 tax year, you can carry that amount forward indefinitely to use in this or future years.

The RRSP contribution maximum increases to \$22,970 in 2012 and \$23,500 in the 2013 tax year.

## Pension Adjustment

Each year your contribution room is reduced by your Pension Adjustment which is the value of the pension you accrued in your registered pension plan during the prior tax year. The amount of your Pension Adjustment is listed in Box 52 on your T4 slip.

For more information on how to calculate your pension adjustment and how it affects your RRSP contribution room, visit [www.pensions.ubc.ca/staff/rrsp.html](http://www.pensions.ubc.ca/staff/rrsp.html).



## Other Sources of Retirement Income

There are other sources of retirement income that retirees may receive including income from the Canada Pension Plan (CPP) and Old Age Security (OAS) as illustrated in the table below.

Source	Monthly Maximum Benefit
<b>Canada Pension Plan</b> These rates are adjusted annually to reflect Consumer Price Index increase	\$ 986.67
<b>Old Age Security</b>	\$ 540.12

The monthly maximum benefit for CPP and OAS is adjusted annually. Additional information on CPP and OAS may be found on the SPP website on the 'Pensions 101' page or you may visit the pages below:

[www.servicecanada.gc.ca/eng/isp/cpp/cpptoc.shtml](http://www.servicecanada.gc.ca/eng/isp/cpp/cpptoc.shtml)  
[www.hrsdc.gc.ca/eng/isp/oas/oasrates.shtml](http://www.hrsdc.gc.ca/eng/isp/oas/oasrates.shtml)

An article was also published on the recent CPP changes in the November 2011 issue of the *SPP Update*.

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[www.pensions.ubc.ca/staff](http://www.pensions.ubc.ca/staff)

## 2012 Info Sessions and Workshops

Did you know that the Staff Pension Plan offers information sessions and in-depth workshops to help you better understand your pension plan? Pension plans are complex and often not too easy to comprehend. The Plan provides several opportunities to help you understand pension plans in general, the Staff Pension Plan in particular, and how these opportunities might help you with your retirement planning. For 2012 dates and information on how to register, please visit the Workshops page on the SPP website. ■

## Save the Date: May 2012 Pension Fair

Mark your calendars! The annual Staff Pension Plan Fair will be held on Tuesday, May 29, 2012. Stay tuned as more details will be available in the May 2012 SPP update. ■

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This material has been compiled by the Staff and Pension Board Members of the University of British Columbia Staff Pension Plan from information provided to them. If there is any inconsistency between the contents of this newsletter and the pension plan trust or legislation, the trust and legislation will prevail.