

MUNICIPAL DISTRICT OF BIG LAKES

TITLE:	LOCAL AUTHORITIES PENSION PLAN
APPROVED BY COUNCIL:	
EFFECTIVE DATE:	January 30, 2013
POLICY NO.	ADMIN-41
LEGAL AUTHORITY:	

POLICY STATEMENT

Being a policy of the Municipal District of Big Lakes in the province of Alberta to provide and maintain records that will allow auditors to conduct an annual compliance review of local authorities' pension plan efficiently and effectively. These records are in the form of employer policies and employee-level information.

POLICY

PURPOSE:

The Council for the Municipal District of Big Lakes recognizes that they are responsible for ensuring that the Local Authorities Pension Plan is being administered in a manner consistent with legislation. Council accepts the responsibility of ensuring all employees are made aware of Plan legislation as well as those parts of the Plan which are governed by Municipal District Policy upon hiring, and ensuring employees receive the full benefit they are entitled to.

A. PENSION PLAN PARTICIPATION/MEMBERSHIP

1. Mandatory Membership as Determined by Legislation

- a. All full-time continuous employees under the age of 71.
- b. Employees who work 30 or more hours on average per week are deemed to be full-time employees for determining eligibility to participate in the plan.
- c. Continuous means there is no foreseen end date to employment.
 - i. Employees hired by specific periods under contract do not have permanent employment even if their contracts are extended from year to year without a break in service.

2. Excluded from Membership as Determined by Legislation

- a. Part-time employees who are temporary
- b. Part-time employees who are permanent but work fewer than 20 hours per week or 1040 hours per calendar year.
- c. Employees who would begin participation in the Plan after the end of the year in which they reach age 71.
- d. Employees who receive a monthly pension from the Plan based on their previous participation in the Plan.

- e. Employees who are excluded from membership according to employer policy.

3. Excluded from Membership as Determined by the M.D. of Big Lakes.

- a. Full-time temporary employees, including those hired on contract basis, where there is a per-determined date or event on which employment will end are excluded from membership.
 - i. The attainment of a retirement age is not considered an end date what would make a position temporary as opposed to permanent.

4. Voluntary membership as Determined by the M.D. of Big Lakes.

- a. For Part-time permanent employees who work fewer than 30 hours per week but not less than 20 hours per week or 1040 hours over a calendar year, membership is voluntary.

5. Re-employment Rules for Pensioners

- a. LAPP pensioners may recommence work for an LAPP Employer and their pension will not be suspended no matter when the work commences or how long the work continues. Pensioners will continue to receive their pensions even if re-employed by their previous employer. They cannot re-join LAPP to earn additional pensionable service. Any non-LAPP pensioner employed by a LAPP employer is subject to the current LAPP Pension eligibility rules.

B. PROBATION PERIOD

- 1. Participation shall start immediately upon hiring.
- 2. There will be no probation period if a new employee applies to transfer service with no break from a previous employer into the LAPP from a previous LAPP employer or through a reciprocal transfer agreement.

C. BASE UNITS FOR PENSIONABLE SERVICE

- 1. Pensionable service is expressed as a number with 4 decimal places, not to exceed 1.000. To express a member's pensionable service in this format, employers need to divide the actual work a member performs by a base unit established. The use of the base unit will ensure there is a consistent method and standard for calculating members' service. For the Municipal District:
 - a. The base unit for employees working 40-hour work weeks will be 2080 hours per year.
 - b. The base unit for employees working 36.25 hour work weeks will be 1892 hours per year.
 - c. Pensionable service for part time permanent employees who have voluntarily chosen to join the Plan will be calculated by dividing their actual hours worked by the applicable base unit listed above.

D. PENSIONABLE SALARY AND SERVICE

- 1. Pensionable Salary as Determined by Legislation
 - a. **Gross Basic Pay**

For the performance of the regular duties of employment, including lump sums that permanently increase the gross basic pay provided the pay:

- i. Relates to the performance of regular duties;
- ii. Is not subject to manipulation on an individual basis; and
- iii. Is paid to all staff within a class or group.

For further clarification, pensionable salary for the Municipal District includes Salary pay (SAL), Regular Pay (REGP) (if the wage employee meets the hourly criteria above and chooses to join the Plan), Retroactive Pay (RETRO).

b. Leave with Full Salary

- i. Contributions are mandatory and based on 100% of the salary the member would have earned had they not been on leave.

c. Leave with Partial Salary

- i. Contributions are mandatory and based on 100% of the salary the member would have earned had they not been on leave.

d. Workers Compensation

- i. Contributions are mandatory by the employee and employer while a member receives temporary Workers' Compensation disability payments and are based on 100% of the salary the member would have earned had they not been injured.
- ii. Once a worker is granted permanent Workers Compensation disability benefits (i.e. a pension), they cease to be a participant in the plan.

2. Pensionable Salary as Determined by the M.D. of Big Lakes

- i. Acting Pay shall be included as pensionable salary if it is paid in a uniform and consistent basis each salary period.

E. NON-PENSIONABLE SALARY AND SERVICE

- i. As per legislation, pay types that are not pensionable include:
 - i. Holiday and vacation pay paid in a lump sum;
 - ii. Expense allowance payments;
 - iii. Overtime payments;
 - iv. Pay for merit or individual achievement (that does not meet section C.1.a of this policy)
 - v. Automobile allowances
 - vi. Productivity payments or awards (bonuses)
 - vii. Special Remuneration

F. OPTIONAL SALARY AND SERVICE

Optional service is service that is not mandatory but is a service the member has performed in the past and many choose to purchase to increase future benefit entitlements and include:

1. Leave without Salary/Parenting Leave Without Salary

- a. During leave without salary, a member may have that service taken into account as pensionable service by continuing to contribute while on leave or purchase the service at the end of the leave.

2. Mandatory Service

- a. This service includes period where contributions were not withheld and should have been as per subsection C of this policy.

3. Long-Term Disability

- a. A Municipal District does not have an approved LTD Plan with LAPP, therefore, members can choose to purchase a period while on Long Term Disability in the same way as a Leave Without Salary as noted above.

4. Reciprocal Transfers

- a. A member may increase their future pension by transferring service from another pension into LAPP.

5. Prior Service

- a. A member may be able to purchase service from a previous LAPP employer.

G. COSTING METHODS

To determine the cost to purchase optional service, one of the following two methods will be used depending on the type of service being purchased and when the purchase application is received.

1. Contribution Cost Basis

- a. The cost of the service is based on the amount of contributions that would have been paid had the member been contributing to the Plan during the relevant period, plus interest. The cost method is based on the salary the member earned at the time the service was performed.
- b. This method is used to determine the cost to purchase Leave Without Salary, Parenting Leave Without Salary where the application to purchase the service is received before the contribution cost deadline applicable to each type of service.
- c. The costing method is also used to determine the cost of current service deficiencies when employer and member contributions for mandatory service are not remitted as required by the Plan. For Worker's

Compensation, the Municipal District will be liable for the employer portion of the cost only when the member pays the required member contributions. For all other mandatory service, the Municipal District is liable for remitting **both** employer and member contributions.

- d. The Municipal District will be liable for the employer portion of the cost to purchasing optional service where the cost is determined on a contribution cost basis. For Leave Without Salary and Parenting Leave Without Salary, the Municipal District is liable for only the first year of leave.

2. Actuarial Reserve Cost Basis (AR)

- a. Where optional service is purchased on an actuarial reserve cost basis, the cost of the service is based on the anticipated full cost to the Plan of providing a pension to the member in respect of that service. This cost basis is used to determine the cost of purchasing all optional service, except where the contribution cost basis is to be used.
- b. The Municipal District is not liable for any portion of the cost of purchasing optional service on an AR basis.
- c. Although the cost to purchase service on an AR basis may be high, the optional service purchased could potentially provide a significantly increased benefit.

H. TERMINATION FROM THE PLAN

1. A member must cease active membership in the Plan in order to receive a benefit from the Plan. The benefits available to members when they cease active membership will depend on their age at their termination date and whether or not they were vested.
 - a. Vesting means that a member has acquired the right to eventually receive a pension and receive the Municipal District's contribution (or portion of).
 - i. Members are vested when they have 2 years of active membership in the Plan or 2 years of pensionable service.

I. RETIREMENT

1. Once vested, members become eligible to retire and commence receiving either a reduced or unreduced pension once they reach age 55.

2. A member who reaches age 65 and ceases active membership in the Plan is immediately eligible for an unreduced pension.
3. Members must commence their pension by December 31 of the year they turn 71.
4. An unreduced pension is one that is not reduced for early retirement. Vested members who cease active membership in the Plan are entitled to an unreduced pension upon leaving employment when they are at least:
 - a. Age 55, with at least 85 points
 - i. Age + Pensionable Service = at least 85 points
 - b. Age 65
5. A reduced pension is one that is reduced by 3% for each year, prorated for partial years that the member is considered to have retired early. The early retirement reduction is based on the number of years the member's age falls short of 65, or on the number by which the member's age plus years of pensionable service fall short of 85 points, whichever is lower.
6. Vested members must be at least 55 years old and have ceased active membership to be eligible for a retirement pension.

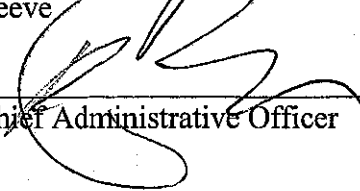
J. DEATH

1. A beneficiary will receive a benefit from the Plan when a member dies prior to retirement. A beneficiary can be a person (including a child), a company, a charitable organization or the Plan member's estate. A member may also have multiple beneficiaries.
2. If the member has a pension partner at the time of their pre-retirement death, the surviving pension partner is automatically the member's sole beneficiary unless the pension partner has signed a pre-retirement death waiver.
3. If a member did not have a pension partner at the time of their death, the beneficiary is the person designated as such by the member in writing. The Designation of Beneficiary Form can be used for this purpose or the member can designate beneficiary (ies) in their will. As a general rule, if a death benefit is to be paid to a beneficiary other than the pension partner, the most recent valid designation provided to Alberta Pension Services is the one that determines who the beneficiary is.

For more detailed information of the Local Authorities Pension Plan, please contact the M.D.'s Payroll Administrator or refer to the Pension E-Guide on the LAPP website: lapp.sb.ca. In the event this policy conflicts with current legislation, the legislation will prevail.



Reeve



Chief Administrative Officer