

fspp

Calgary Firefighters  
Supplementary Pension Plan

# **Employee Booklet Summary of FSPP Benefits**

January 2016

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## **Introduction**

Important terms that appear in bold in this booklet are defined in the “Glossary of Pension Terms”.

The Calgary Firefighters Supplementary Pension Plan (FSPP), established in 1974, is a significant and valuable part of your total compensation. The FSPP provides you with a secure source of retirement income by supplementing the benefits provided by your Local Authorities Pension Plan (LAPP). As the FSPP supplements your LAPP benefits, in many cases the choices you make regarding your benefits under LAPP will affect your FSPP pension.

The FSPP is a defined benefit plan, this means your benefit is defined by a formula which uses your **salary** and years of service to determine your retirement benefit. Since your retirement income is a defined amount it does not change when there are changes in the financial markets that may impact the assets in the pension fund. In addition, the Board of Trustees regularly reviews the funded status of the FSPP to ensure sufficient contributions are made to the plan to fund the benefits of plan members. One of the advantages of a defined benefit plan is that it is fairly easy to predict your income at retirement by projecting your service to the date you retire. This provides you with an estimate of your retirement benefit in today's dollars. (You receive an annual statement with this information). This ability to predict your future FSPP retirement income, means you are more able to effectively plan for your future retirement.

Recognizing that pension plans and legislation are complex, this booklet for members summarizes the main features of the FSPP. Please take time to review it carefully so that you have the information you need to plan for retirement. In all cases where there is a discrepancy between the booklet and the pension plan text, the pension plan text shall prevail.

## **Joining the FSPP**

You become a member of the FSPP automatically when you begin your employment as a City of Calgary firefighter represented by the International Association of Firefighters, Local 255. Once you are enrolled in the FSPP, you must remain a member as long as you are employed as a firefighter by the City of Calgary.

## **Contributions**

You and your employer, the City of Calgary, jointly fund the FSPP and share any costs associated with experience losses and unfunded liabilities. The City contributes 55% of the required funding and members contribute 45%. Contributions to the FSPP are in addition to the contributions you and the City make to the LAPP.

## **Pensionable Service**

### **What is it?**

**Pensionable service** is the period of employment during which you contribute to the FSPP. Your pension benefits will be based on your **pensionable service** and your **salary**. The maximum **pensionable service** you can accumulate is 35 years.

### **Increasing Pensionable Service**

The FSPP allows you to increase your **pensionable service** through the following methods.

#### ***Prior Service***

You must purchase **prior service** under the FSPP within 6 months of your date of hire as a firefighter if:

- you qualify to purchase **prior service** under LAPP;
- you transfer **prior service** into LAPP from another pension plan; or
- you have pensionable service under LAPP as a result of your employment with the City of Calgary prior to your employment as a firefighter.

#### ***Leaves of Absence***

If you take a leave of absence without salary, you may be able to purchase the period as pensionable service. If you purchase a leave of absence under LAPP, you must also purchase the leave under FSPP.

You may purchase leaves of absence or **prior service** under FSPP by making either a lump sum payment or by making bi-weekly installment payments.

Please contact the **Administrator** for more information on what service is eligible for purchase and details on bi-weekly payment options.

## **Vesting**

Your pension is immediately vested and locked-in. Commuted Values that are less than 20% of the Yearly Maximum Pensionable Earnings in the calendar year in which they are determined are excepted from the locking-in rules. You can receive the commuted value of your FSPP benefit only if you are younger than 50 on your termination date.

## **Your Retirement Benefits**

### **When Can You Retire?**

The benefits described in this section are your total pension benefits from FSPP and LAPP, assuming you qualify for pension benefits.

You can retire with an unreduced pension:

- At any age if you have at least 30 years of **pensionable service** (maximum 35 years); or
- At age 55.

You must retire no later than the first day of the month immediately following your 60th birthday.

You can retire with a reduced pension:

- If you have at least 25 years of pensionable service. Your pension will be reduced by the lesser of:
  - a. 4% per year (0.3333% per month) that you retire before reaching 30 years of **pensionable service**, and
  - b. an actuarial reduction, so that the reduced pension has the same actuarial value as an unreduced pension payable at age 55.
- If you have less than 25 years of pensionable service and are between the ages of 50 and 55. Your pension will be actuarially reduced, so that the reduced pension has the same actuarial value as an unreduced pension payable at age 55.

## How is My Pension Calculated?

Your total pension from LAPP and FSPP, payable from your retirement date to age 65, is based on the following formula:

2%	multiplied by	your <b>highest average salary</b>	multiplied by	your years and months of <b>pensionable service</b> .
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Your FSPP pension includes a **bridge benefit** to age 65. When you turn 65, payment of the **bridge benefit** stops, reflecting the fact that you are eligible to receive benefits from CPP. The reduction at age 65 due to the end of the **bridge benefit** is equal to:

0.6%	multiplied by	the final average Year's Maximum Pensionable Earnings ( <b>YMPE</b> ) over 60 months.	multiplied by	your years and months of <b>pensionable service</b> after January 1, 1966.
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As the FSPP supplements your LAPP benefits, in order to see the interaction of the FSPP benefits with the LAPP pension benefits, you should refer to *My Supplementary Pension Plan* on the FSPP website for pension estimates from the FSPP. The FSPP website also has a link to the LAPP estimator on the Alberta Pensions Services (APS) website for pension estimates from the LAPP. You can access the Calgary Firefighters Supplementary Pension Plan website by using the following link:

FSPP website: [www.fspp.ca](http://www.fspp.ca)

To ensure as much accuracy as possible in the estimates you calculate, please ensure that the same input information is used in both the FSPP estimate and the LAPP estimate.

**Note: if you elect the level income option under LAPP (co-ordination), there is no effect on your FSPP benefit. Your FSPP benefit will be calculated using the LAPP benefit amount before co-ordination.**

## **Cost of Living Adjustments (COLA)**

After you begin receiving your pension, the amount you receive will be increased each year to help offset the effect of inflation. The increase is equal to the COLA adjustment under LAPP. This currently is 60% of the rate of change in Alberta's consumer price index (CPI).

## **Form of Pension**

### ***If You Do Not Have a Pension Partner When You Retire***

You will receive a monthly pension based on the plan formula. The FSPP monthly pension will be offset at age 55 by your LAPP pension (calculated in the normal form for members without **pension partners**). If you retired after age 50 but before age 55 and elected to transfer the value of your LAPP pension, the FSPP monthly pension at age 55 will be offset by a deemed amount of your LAPP pension. Your pension will be further reduced at age 65 by the amount of the **bridge benefit**. The pension is guaranteed for five years. If you die within 60 months of your retirement date, your beneficiary has the choice of receiving the balance of the guaranteed monthly payments or a lump sum of the **commuted value** of the remaining guaranteed payments. In the event of your death after 60 months from your retirement date, no payment will be made to your beneficiary.

### ***If You Have a Pension Partner When You Retire***

The normal form of pension under FSPP for a member with a **pension partner** is a joint and survivor 65% pension, guaranteed for 60 months. Your FSPP monthly benefit will be based on the plan formula, offset at age 55 by the LAPP pension payable as a Joint Life Reducing by 1/3 on the death of either yourself or your **pension partner**. If you retired after age 50 but before age 55 and elected to transfer the value of your LAPP pension, the FSPP monthly pension at age 55 will be offset by a deemed amount of your LAPP pension. Your pension will be further reduced at age 65 by the amount of the **bridge benefit**.

In the event of your death, your surviving **pension partner** continues to receive a percentage of your pension according to the following:

- If you die within 60 months from your retirement date, your **pension partner** will receive 100% of your total pension (the LAPP portion or deemed LAPP portion and the FSPP portion) for the remainder of the guarantee period, then 65% of your total pension, until he or she dies, offset by LAPP survivor benefits or deemed LAPP survivor benefits and further offset by 65% of the **bridge benefit** at your age 65.
- If you die after 60 months from your retirement date, your **pension partner** will receive 65% of your total pension (the LAPP portion or deemed LAPP portion and the FSPP portion), until he or she dies, offset by LAPP survivor benefits or deemed

LAPP survivor benefits and further offset by 65% of the bridge benefit at your age 65.

In the event of the death of both you and your **pension partner** after 60 months from your retirement date, no further benefit will be paid from the FSPP.

If your **pension partner** is more than 10 years younger than you, the survivor pension amount is reduced by 1% for each year by which your age exceeds your pension partner's age by 10 years. For example, if your **pension partner** is 12 years younger than you, the survivor pension is reduced by 2% (12 - 10).

At age 55, you are entitled to LAPP retirement benefits. Under LAPP, if you have a **pension partner**, there are two options to choose from:

- Joint Life Reducing by 1/3, and
- Joint Life Not Reduced.

The benefits described above assume you elect a Joint Life Reducing by 1/3 option under LAPP. If you elect the Joint Life Not Reduced option under LAPP, your FSPP pension will also be in this Joint Life Not Reduced form. Under this optional form, your FSPP pension is the actuarial equivalent your FSPP normal form pension (as described above). In the event of your death, your **pension partner** will receive 100% of both the LAPP and FSPP pensions that you would have received, provided your **pension partner** is still living. Your FSPP pension is reduced at age 55 by any LAPP benefits payable and further reduced at age 65 by your **bridge benefit**.

If you retired after age 50 but before age 55 and elected to transfer the value of your LAPP pension, at age 55 your FSPP pension will be offset based a deemed LAPP pension. The amount of the offset will be based on your form of pension payable after age 55 from FSPP as described in the above paragraph.



## **What Happens to My Pension In the Event of a Marriage Breakdown?**

If your spousal relationship ends, the courts treat your pension as one of the assets to be divided. In order to split the pension under FSPP the Administrator must receive a copy of:

- a **Matrimonial Property Order**;
- an agreement under the Matrimonial Property Act; or
- a similar order of a court outside of Alberta, that is enforceable in Alberta.

You and your **spouse** or former **spouse** should consult your lawyers for information about the division of matrimonial property or for any legal advice.

## **If You Leave Before Retirement**

### **Vesting and Locking-In**

It is important to understand the concepts of vesting and locking-in, particularly if you leave your employment as a City firefighter before you retire.

**Vested** means that you have the legal right to the pension you have accrued under the FSPP. **Locked-in** means that your benefit from the FSPP cannot be taken as cash, it must be used to provide retirement income. Your pension is immediately vested and locked-in. Commuted Values that are less than 20% of the Yearly Maximum Pensionable Earnings in the calendar year in which they are determined are except from the locking-in rules.

Note that if your termination date is more than 10 years from the normal retirement date you must elect the same termination benefit option under FSPP that you elect under LAPP.

In addition, if you elect a deferred pension, this election is irrevocable under FSPP and your pension benefit can only be paid in a form of a monthly pension.

If you leave your employment as a firefighter, you have the following options, subject to any Income Tax Act restrictions.

- Have the **commuted value** of the pension you have earned to date transferred to a **Locked-in Retirement Account (LIRA)**. The **commuted value** must be used to provide an income stream at retirement unless Income Tax Act restrictions force you to receive the amount in cash.
- Leave your earned pension in the FSPP and choose a deferred pension beginning on or after 50 but no later than age 60. Your earned pension will be reduced if you have not met the age and service criteria needed for an unreduced pension (see the earlier section “**When Can You Retire?**”). Your earned pension will be increased each year after your termination date by the **COLA**.
- Transfer your pension credits to another pension plan, provided that plan agrees to accept the transfer.

You can receive the **commuted value** of your FSPP benefit only if you are younger than age 50 on the termination date and you are also receiving the commuted value of your LAPP benefit.

If your current service contributions with interest total more than 50% of the **commuted value** of your benefit, the amount of your contributions with interest over the 50% **commuted value** will be refunded to you. In this way the FSPP ensures that it will fund at least one half of the cost of your pension benefit.

Your **prior service** purchased on an actuarial reserve basis and some periods of leave of absence will not be included in the **commuted value** calculation nor the 50% excess contribution test described above. Rather, your contributions with interest in respect of such service will be refunded in a lump sum as either cash or a transfer to an RRSP.

If you elect to take or transfer the **commuted value** of your pension from the FSPP, in some cases the total **commuted value** of your LAPP benefit and your FSPP benefit may exceed the maximum tax deferred transfer amount allowed under the Income Tax Act. In these cases the FSPP will pay you the **commuted value** that is in excess of the maximum transfer value as a fully taxable cash refund, in accordance with the Income Tax Act. In many cases, the full amount of your FSPP **commuted value** could be taxable. Please consult a financial advisor if this situation applies to you.

## **If You Become Disabled Before Retirement**

If you are receiving benefits from an approved long term disability income plan or are receiving a 100% disability Workers Compensation Benefit (WCB) pension, you are not eligible for a disability pension from the FSPP. You continue to participate in and contribute to the FSPP and LAPP, and your **pensionable service** continues to grow while you receive payments under an approved long term disability income plan or 100% disability WCB pension.

If you are partially or totally disabled and not receiving long term disability income benefits or temporary WCB benefits, you may be eligible to receive a disability pension.

## **If You Die Before Retirement**

### **Naming a Beneficiary**

If you have a **pension partner**, your **pension partner** is automatically your beneficiary. If you have no **pension partner**, your **dependent child(ren)** are automatically your beneficiary(ies).

If you do not have a **pension partner** or **dependent children**, it is important that you name a beneficiary to receive benefits from the FSPP should you die before retirement. If you do not name a beneficiary, or if your beneficiary dies before you, benefits are paid in a lump sum to your estate.

## **Your Pre-Retirement Death Benefit – With Less than 10 years of Pensionable Service**

### ***Without a surviving pension partner or dependent children***

If you die prior to accruing 10 years of **pensionable service** and you are not survived by a **pension partner** or **dependent children**, your beneficiary or estate will receive a lump sum payment equal to the **commuted value** of your accrued FSPP benefit, calculated as if you had terminated employment immediately prior to your death.

### ***With a surviving pension partner or dependent children***

If you die prior to accruing 10 years of **pensionable service** and you are survived by a **pension partner** or **dependent children**, your **pensioner partner** or beneficiary, as applicable, will receive either:

- 1) the **commuted value** of your accrued FSPP benefit. The **commuted value** is calculated as if you had terminated employment immediately prior to your death;;  
or

- 2) if you are survived by a **pension partner**, a monthly pension from the FSPP whose value is equal to the benefit described under option (1) immediately above. This monthly pension is payable on the same date as the pension payable to your **pension partner** under LAPP.

### **Your Pre-Retirement Death Benefit – With Greater than 10 years of Pensionable Service**

#### ***Without a surviving pension partner or dependent children***

If you die after accruing 10 years of **pensionable service** and you are not survived by a **pension partner** or **dependent children**, your **pensioner partner** or beneficiary, as applicable, will receive a lump sum payment equal to the **commuted value** of your accrued FSPP benefit, calculated as if you had terminated employment immediately prior to your death.

#### ***With a surviving pension partner or dependent children***

If you die after accruing 10 years of **pensionable service** and you are survived by a **pension partner** or **dependent children**, your **pensioner partner** or beneficiary, as applicable, will receive either:

- 1) the **commuted value** of your accrued FSPP benefit. The **commuted values** are calculated as if you had terminated employment immediately prior to your death; or
- 2) if you are survived by a **pension partner**, a monthly pension from the FSPP whose value is equal to the benefit described under option (1) immediately above. This monthly pension is payable on the same date as the pension payable to your **pension partner** under LAPP; or
- 3) if you are survived by a **pension partner**, a monthly pension from the FSPP equal to 65% of the normal benefit that would have been payable to you had you survived until age 60 (including service projected to age 60), but based on your **highest average salary** at your date of death. Survivor benefits payable under LAPP are offset in calculating the amount payable under the FSPP and 65% of your **bridge benefit** is offset at your age 65. If you are also survived by **dependent children**, an additional amount is payable from the FSPP until your dependent children reach the age of 18. Please contact the **Administrator** for details.

### **Locking In**

A commuted value payment to your **pension partner** is payable as a lump sum transfer to a **Locked-In Retirement Account (LIRA)**. The benefit may be paid in cash if the **commuted value** of the benefit falls below 20% of the **YMPE**.

### **50% Excess Contributions**

If your current service contributions with interest total more than 50% of the **commuted value** of your benefit, the amount of your contributions with interest over the 50% **commuted value** will be refunded to you. In this way the FSPP ensures that it will fund at least one half of the cost of your pension benefit.

### **Commuted Value Service Exclusions**

Your **prior service** purchased on an actuarial reserve basis and some periods of leave of absence will not be included in the **commuted value** calculation nor the 50% excess contribution test described above. Rather, your contributions with interest in respect of such service will be refunded in a lump sum as either cash or a transfer to an RRSP.

### **Pension Partner Waiver of Pre-Retirement Death Benefit**

Your **pension partner** may waive his or her rights to receive a pre-retirement death benefit from the FSPP by filing a written waiver with the Administrator. In such case, benefits under the FSPP shall be determined as if your **pension partner** had predeceased you.

## **The Firefighters Supplementary Pension Plan Board of Trustees**

A five-member Board of Trustees oversees the FSPP, ensuring the FSPP is managed on a financially sound basis. Local 255 appoints two trustees and the City of Calgary appoints two trustees. As well, the Board hires one independent trustee, as chairman.

As part of its fiduciary responsibility, the Board:

- sets policy guidelines for investment management and administration,
- on the advice of the plan actuary, sets contribution rates to ensure the FSPP is properly funded,
- ensures an FSPP valuation occurs at least every three years, and
- ensures the FSPP meets all legislative requirements.

The Board may be contacted by writing to:

The Chairman, Calgary Firefighters Supplementary Pension Plan  
c/o FSPP Board Secretary  
2312 Deerside Drive SE.  
Calgary, Alberta T2J-5X1

## **When you Decide to Retire**

After you have decided to retire, be sure to contact your payroll department well in advance of your planned retirement. Your payroll department forwards the required documentation to FSPP Administration Center to initiate your application for retirement.

## **Glossary of Pension Terms**

### **Administrator**

The Board of Trustees has appointed Morneau Shepell Ltd. to provide administration services for the FSPP. Morneau Shepell can be contacted at: the FSPP Administration Centre: [www.fspp.ca](http://www.fspp.ca).

### **Bridge Benefit**

The supplementary pension benefit paid from the date of your retirement to the date you turn age 65.

### **Cost of Living Adjustments (COLA)**

After you terminate employment, your pension will be increased each year to help offset the effect of inflation. The increase is equal to 60% of the rate of change in Alberta's consumer price index (CPI).

### **Commuted Value**

The current lump sum amount needed to fund your stream of monthly pension benefits in the future. The **commuted value** is calculated using prescribed interest rates and probable life-span factors. **Commuted value** is also referred to as the present value of your earned pension benefits.

### **Dependent Child(ren)**

An unmarried child or children who has not yet reached age 18 and who was dependent on you for support before your death.

### **Highest Average Salary**

Your **highest average salary** is the average annual **salary** for the 60 consecutive months of service during which your **salary** was highest.

### **Locked-in Retirement Account (LIRA)**

A Locked-in Retirement Account (LIRA) is also known as a locked-in RRSP. Locked-in pension funds can be transferred to a LIRA at retirement or upon termination of employment. A LIRA must be converted to a life annuity or a LIF by the end of the calendar year in which you reach age 71.

### **Matrimonial Property Order**

If your marriage ends, the courts treat your pension as one of the assets to be considered when property is divided. A **matrimonial property order** is a legal, binding Court Order that outlines how the division of your pension benefit is to be determined. Your matrimonial property order must comply with all applicable pension legislation.

### **Pension Partner**

A “**pension partner**” is a person to who you are married and have not been living separate and apart for 3 or more consecutive years, or if there is no such person, a person who has lived with you in a conjugal relationship for a continuous period of at least 3 years, or of some permanence, if there is a child of the relationship by birth or adoption.

For the purposes of this definition, persons are living separate and apart if they are living apart and either of them has the intention to live separate and apart from each other, or they had been living separate and apart for any period, and that period was interrupted or terminated by reason only that either of them became incapable of continuing to live separate and apart or of forming or having the intention to continue to live separate and apart of that person’s own volition, and the separation would probably have continued if that person had not become so incapable.

For members who retire before age 55 their **pension partner** is determined to be the person who is their **pension partner** on their 55th birthday. If a person retires after age 55 his or her Pension Partner is the person who was his or her **pension partner** on their retirement date.

### **Pensionable Service**

Your **pensionable service** includes the years of service during which you contributed to the FSPP or for which you have received current service credits during a period of disability. The maximum **pensionable service** you may accrue is 35 years (includes prior service).

### **Prior Service**

**Prior service** is service prior to your enrolment in the FSPP on which contributions have been made to LAPP. Prior service excludes service prior to January 1, 1974 if you were a member of another prior pension plan maintained by the City of Calgary.

### **Registered Retirement Saving Plan (RRSP)**

A retirement savings arrangement, provided through insurance companies or financial institutions, which allows you to tax-shelter contributions and investment earnings until they are withdrawn, usually during retirement. You can also use your **RRSP** assets to help with the purchase of a first home or to pay for your post-secondary education, but no later than the end of the year when you reach age 71.

### **Salary**

Your salary is your pensionable earnings paid to you according to your collective agreement, not including overtime or dry cleaning allowance. The Income Tax Act places a limit on the pension amount that can be paid from a registered pension plan. Your salary may be limited to reflect these tax limits.



**Vested**

You are **vested** immediately upon joining the FSPP. Vesting means you are entitled to a pension benefit from the FSPP. If you leave the FSPP, you are entitled to the value of the benefit you have accrued.

**YMPE**

The **YMPE** is the year's maximum pensionable earnings for the Canada Pension Plan set by Canada Customs and Revenue Agency. For calculation of the FSPP normal pension reduction at age 65, the final average **YMPE** is determined using the same 60 months of service used in calculating the **highest average salary**.