

Securing Your Employee Pensions With LAPP



Why Join Alberta's Largest Pension Plan?

With \$60.5 billion in assets (as of Sep 30, 2023), LAPP benefits from economies of scale that provide access to investments not available to smaller funds and allow for a more diversified portfolio to mitigate risk for our members and employers.

With 301,223 members, 444 employers, and one of the strongest cost-to-benefit ratios in the country, LAPP's professionally managed Plan provides extensive services for employers and members.

LAPP also offers affordable contribution rates (reduced for the fifth time in seven years), great member benefits, and ease of administration.

What Kind of Pension is LAPP?

LAPP is a defined-benefit (DB) pension plan. This means that when your employee retires, the amount

of pension they'll receive is determined by a set formula and not by how much they contributed or the market returns on their individual investments.

LAPP's pension formula is based on a member's:

Pensionable Salary averaging their five highest consecutive years; and

Pensionable Service in LAPP up to a maximum of 35 years.

How Do I Know LAPP is Predictable?

Visit lapp.ca/pensionestimator to see how service and salary work together to produce a predictable lifetime retirement income for your employees.

You're helping your employees retire with dignity. Once they begin receiving their LAPP pension, it's guaranteed and paid throughout their entire retirement. They cannot outlive their LAPP pension.

lapp.ca/newemployers

LAPP Employer Benefits:

- Contributes strongly to your [recruitment, retention, and workplace morale](#);
- Reduces your [turnover, new hiring and training costs, and institutional knowledge loss](#);
- Reduces your oversight and admin costs, and removes governance as well as pension liability reporting from your financial statements; and
- Provides you with continually updated support and education on an ongoing basis.

LAPP Member Benefits:

- Your employees' pensions will be secure, stable, predictable, and guaranteed for life;
- Your employees' contribute 1% less than you, and you both [contribute greatly to local communities](#);
- Your employee's retirement income grows each year to protect against inflation; and
- Their [financial stress decreases and their satisfaction with life increases](#).

The proven reasons for choosing a Defined Benefit (DB) over a Defined Contribution (DC) plan:

	LAPP DB Plan	Typical DC Plan (e.g. RRSPs)
Contributions	Both employee and employer make contributions each pay period on all salary up to the yearly cap, effectively doubling the employee's contributions.	Employee often contributes at whatever rate they choose. Some employers match employee contributions up to a certain percentage of pay.
Amount of Money in Retirement	A guaranteed monthly income that can be calculated and understood in advance, and is based on a formula that takes into account the employee's years of pensionable service and salary (the average of the highest five consecutive years).	Amount of retirement money available is whatever has accumulated in the savings plan through contributions and investment earnings based on unpredictable returns. These savings can run out and once it's gone it's gone.
Lifetime Income	LAPP retiree receives a safe and secure lifetime pension that is adjusted for inflation throughout their entire retirement.	No inflation protection. Cost of living will continue to increase, reducing the purchasing power of retiree's funds.
Investment Risk	LAPP is a professionally managed fund with over sixty years experience in the jointly sponsored Canadian Model which ensures shared risk between employer and employee. LAPP's fund size allows risk mitigation through diversity and access to large investments unavailable to smaller funds and individual investors. Risk is additionally smoothed and pooled between the 444 employers and 301,223 members.	The employee bears the entire investment risk. If the markets are down when employee chooses to retire their final total savings and quality of retirement life are directly impacted.

How is LAPP Governed?

LAPP is a jointly sponsored pension, and the Plan sponsors are both the employees (members) and the employers who pay into the Plan. The sponsor groups appoint representatives to the Sponsor Board, which is responsible for making important decisions including benefits, eligibility rules, and contribution rates.

LAPP Corporation, the legal administrator and trustee of the Plan, is run by a small management group of professionals and overseen by a Board of Directors. The directors are nominated by the same sponsor groups that appoint the Sponsor Board.

The role of the Corporation is to ensure that pensions are paid to members. This is achieved by providing strategic guidance for the Plan, managing risk, and ensuring the long-term sustainability of LAPP.

The Corporation is responsible for overseeing the work of our key service providers, including Alberta Pensions Services Corporation (APS), LAPP's pension benefit administration service provider.

Read more about the governance of the LAPP Plan at lapp.ca/ingoodhands.

LAPP Commitment

LAPP will provide you with the training and support you need. APS delivers some of these services on behalf of the Plan:

Member and Employer Services

- Collect the member information you report and verify it for accuracy and compliance;
- Calculate and pay benefits to members;
- Respond to member and employer inquiries via secure messaging, telephone, and in writing;
- Member and employer-focused group training sessions throughout the province;
- One-on-one member counselling sessions in APS's Edmonton offices and virtually throughout the province;
- *Member Handbook* provided to each of your employees who join the Plan;
- Annual statements sent to every active, deferred, and retiree member in the Plan; and
- Maintenance of lapp.ca, designed to be the single source of truth of governance and pension benefit information for Plan members.

Management of the Plan

- Twice-yearly meetings called the Stakeholder Consultation Group (SCG), which are held by the Sponsor Board for all employers, unions, and associations that represent members;
- Funding and investment policy;
- Risk management;
- Setting required contribution rates; and
- Plan design.

What Does It Cost to Participate?

There are no administrative fees for LAPP members or employers. Contributions are collected, pooled, and placed in an investment fund to earn more money. Over time, the fund grows and is used to pay retiree pensions and for investment and administration. Contribution rates are set based on periodic actuarial valuations — the mathematical analysis of the financial position of the Plan.

Employees and employers make contributions to LAPP each pay period on all pensionable salary up to the yearly salary cap (\$201,050 for 2024) according to the rates in the table below:

	Contribution Rates for 2024
Member Rate up to the YMPE*	7.45% on pensionable salary up to the YMPE
Member Rate over the YMPE	10.65% on portion of pensionable salary over the YMPE
Employer Rate up to the YMPE	8.45% on pensionable salary up to the YMPE
Employer Rate over the YMPE	11.65% on portion of pensionable salary over the YMPE

*YMPE (Year's Maximum Pensionable Earnings) is an amount set by the federal government each year. Canadians are required to make Canada Pension Plan (CPP) contributions up to the YMPE. LAPP is an integrated pension plan designed to work with the CPP, which is why there is a higher contribution rate on the portions of salary above the YMPE. The 2024 YMPE is \$68,500.

Who can be a LAPP member?

The rules for whether an employee participates (or has the option to participate) in LAPP are based on the number of hours worked per week. If an employee works multiple positions with the same employer, all hours with that employer are counted together to determine participation.

Based on the hours worked, each of your employees will fall into one of the following categories:

- Able to participate;
- Can participate if your employer policy permits/ requires that classification of employees to; and
- Unable to participate.

Hours Worked	Participation in LAPP
30 regularly scheduled hours per week or more (or 1,560+ hours per year) on a continuous basis*.	Employee is enrolled and participates in LAPP. Employer policy includes whether a probationary waiting period applies and for how long (up to one year).
30 regularly scheduled hours per week or more (or 1,560+ hours per year) on a non-continuous basis*; or 14 regularly scheduled hours per week or more (or 728+ hours per year), but less than 30 hours on a continuous or non-continuous basis*.	Employer policy determines participation, and lists each classification of employees permitted to participate by indicating: <ul style="list-style-type: none"> • Whether participation is mandatory or the employee's choice (and if the employee's choice, whether they can later choose to opt in); and • If a probationary waiting period applies (up to one year). Participation rules apply equally to all employees in the same classification.
Less than 14 regularly scheduled hours per week.	Employee is not eligible to participate at this time.

*Continuous basis: employment where no end date or event has been set. Employees working under continuous contracts with no end date/event are considered to be employed on a continuous basis.

Probationary Waiting Periods

As an employer, you can decide to postpone employees from joining the Plan until they have been with your organization for up to one year (less any previous probationary periods). Probationary period rules apply equally to all individuals within the same classification of employees.

If an employee works for another LAPP employer and moves to your organization with no break in service, the employee will be ineligible for another waiting period, regardless of whether they served one with the previous LAPP employer.

Pensionable Salary

This is the salary used in the calculation of contributions coming into the Plan as well as the salary considered when the member's pension benefit is calculated.

Plan rules ensure that certain elements of employee pay are considered as pensionable salary and certain elements are not.

There may be other earnings your employees receive, however, it will be up to you as an employer to determine whether they are considered pensionable — including contract, sessional, and seasonal employees.

Where earnings are considered pensionable, contributions are remitted on those earnings.

Pensionable Service

Full-time employees without leaves of absence can be expected to earn one year of LAPP service each calendar year they are a member. Employees who work part time earn service based on the percentage of full-time hours they work.

LAPP members can continue to earn service in the Plan if they move between LAPP's (444 current) employers at any point in their careers. Service can be also be transferred into (and out of) LAPP between numerous plans across Canada.

If they were a member of and took funds out of another plan, your employee may purchase additional prior service in LAPP.