

PEPP Talk

on **Units & Unit Values**

The plan provisions described in this PEPP Talk are contained in Saskatchewan pension legislation.

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This issue of *PEPP Talk* explains units and unit values.

The Public Employees Pension Plan (PEPP) funds are divided into units. When you contribute to the Plan, you purchase units. When you transfer out of the Plan or between funds, you sell the units.

Some Definitions

Unit - A portion of ownership in the fund.

Unit Value - The value of each unit in the fund used to purchase a unit or the amount paid out when you sell a unit. A unit value is a precise measurement used to determine the value of the Plan and the value of your account - to four decimal points. It is used to determine your account balance (the number of your units x the unit value = your account balance).

Valuation - The process of determining the unit value of each fund. At valuation, the market value of all of the investments determines the value of the fund. The total units in the fund are divided into the value of the fund, resulting in a new unit value.

Once a new unit value is declared, member accounts are valued using the new unit value and all transactions are completed using the new unit value. Unit values are declared and posted daily, excluding weekends and Saskatchewan statutory holidays. There may be other dates when unit values are not declared.

Unit values fluctuate with the investment markets. Each investment fund is valued individually.

Rates of Return

Fund Rate of Return

Each PEPP fund has its own rate of return, which is shown in the monthly Fund Performance Bulletin found on our website. The **annualized returns** shown in these bulletins reflect the past performance of the fund over various periods of time, (for example, 1 year, 5 years or 10 years). This allows you to compare the performance of each fund to its benchmark as well as to other PEPP funds. The fund rate of return does not take into consideration any transactions that occurred during the period. Instead, it looks at the change in investments from the beginning of the period to the end of the period.

Personal Rate of Return

Each member receives a personal rate of return on their semi-annual member statement. The personal rate of return considers the member's account transactions, the date your transactions occurred, and the unit value at which they were processed in the last 12 months.

Member Statements

PEPP members receive two member statements each fiscal year (the reporting periods are March 31 and September 30). Your statement shows the change in dollar values and units of your pension account since the date of your previous statement. They show your account activity in number of units and dollars, and lists all transactions for the reporting period such as contributions, transfers out, and transfers between funds.

Questions and Answers about Units and Unit Values

I don't understand why I have units? Are lower or higher priced units better?

Unitizing is a common method for pooling investments for a pool of investors, as is the case with PEPP. Whether you own 1,000 units worth \$10 each, or 10 units worth \$1,000, you will own \$10,000 in that fund. It is more important to know what the fund invests in and how much expected risk and return the fund provides.

How many units can a member purchase with a contribution?

The number of units purchased depends on the unit value declared when the transaction is completed. The total contribution dollar amount is divided by the unit value to determine the number of units purchased. If the unit value goes down, the member can purchase more units. If the unit value goes up, the member will purchase fewer units for the same contribution amount.

What unit value is used to determine your current account balance?

Your current account balance is determined by using the most recent unit value for your investment fund(s) multiplied by the number of units you hold in each fund. When the unit value changes your account balance changes accordingly.

What unit value is used in determining the number of units you buy/sell?

The next declared unit value is used in determining the number of units you buy and the number of units sold. The next declared unit value is determined by the market value of the investments within the investment option.

If a transaction is processed, for example on Tuesday, when will the transaction be completed?

Financial transactions (contributions, payments or inter-fund transfers) processed Tuesday use the unit value calculated at the close of business that day and completed the following business day, or Wednesday. The process date of transactions is determined by the time your request is received in our office and is subject to service standards.

Could the number of units in a member's account increase?

Yes, the number of units in a member's account can increase. Whenever money is added to the member's account through contributions, transfers-in, or inter-fund transfers, the number of units increases. The number of units added is determined on the next valuation date when the value is determined (contributions ÷ unit value = number of units).

What could cause a decrease in the number of units that a member has in a fund?

When a member purchases an annuity, does an inter-fund transfer, or transfers out his/her account balance to another PEPP fund or a different financial institution, the number of units in that fund account will decrease. In effect, the member would sell units in order to raise cash, which is transferred to the new fund or financial institution.

What happens to the number of units when a member transfers units from one PEPP fund to another PEPP fund?

In transfers between funds, the number of units in one fund increases and the number of units in the other fund decreases. For example, if a member transfers his account balance from the Balanced Fund to the Moderate Fund, units in the Balanced Fund are sold (the number of units in the Balanced Fund decrease) and the units in the Moderate Fund are purchased (the number of units in the Moderate Fund increase). The dollar value of the transfer out of the Balanced Fund will equal the dollar value of the transfer into the Moderate Fund, but the number of units bought and sold may not be the same.

Can an inactive member's account balance change in value?

Yes, an inactive member's account will change in value. The account balances of all members, whether active or inactive, are calculated by multiplying the number of units held in each fund by the current unit value for each fund at that date. If unit values change, account balances change accordingly. The number of units does not change but the unit value may increase or decrease depending on market performance. Inactive members may also complete a transfer-in which would increase the number of units.

Will an increase in the daily declared unit value cause an increase in the number of units in a member's account?

No, an increase or decrease in the daily declared unit value will not cause any change in the number of units in a member's account. An increase in the number of units would occur only when money is added to the account and more units are purchased with that money (i.e., contributions or voluntary transfers-in). A decrease in the number of units would occur when money is transferred out of a fund because units are sold.

Can members sell their units and redeem them for cash?

Active, contributing members must keep their units in the Plan. See the PEPP Talk on Termination Options for more information on selling units at termination.

Examples

These examples refer to transactions that occur on different dates. Keep in mind that unit values are expressed to four decimal points and there are separate unit values for each of the investment funds.

What do you use unit values for?

A unit value is used to determine the number of units you can purchase when making contributions. On the other hand, a unit value also determines the amount of refund you would receive if you sold your units on termination.

(contributions ÷ unit value = number of units)

What happens on a transfer between funds?

Transfers between PEPP funds involve buying and selling units. You will sell units in one fund using the proceeds to purchase a number of units in the other fund. The dollar value of your transfer out and your transfer in will be equal. You may see different unit values and different numbers of units transferred in than you see transferred out.

What happens when a unit value changes?

When a unit value is declared, all the units owned in the fund are valued at the new unit value.

Example of contribution:

You have 1,000.0000 units in the Growth Fund. If your contribution and your matching employer contribution totals \$200.00, and the next declared unit price is \$100.1627, those contributions would purchase an additional 1.9968 units.

\$200.00 ÷ \$100.1627 per unit = 1.9968 new units

You would now have 1001.9968 (1000.0000+1.9968) units at \$100.1627/unit = \$100,362.70 in the Growth Fund.

Example of a transfer between funds:

Your PEPP Conservative Fund account balance is \$100,000.00 based on 995.3993 Conservative Fund units at a unit value of \$100.4622/unit. You elect to transfer your entire account into the Moderate Fund. The Moderate Fund unit value is \$98.2415.

Therefore, you can purchase 1,017.8998 units.

Your account now reflects zero Conservative Fund units, and 1,017.8998 Moderate Fund units (\$100,000.00 ÷ \$98.2415 per unit). Your account balance remains at \$100,000.00.

Example of unit value change:

A unit values of 101.3587 has been declared for the Accelerated Growth Fund. You have 500.9984 units in the Accelerated Growth Fund. Your new total account balance would be \$50,780.55 in the Accelerated Growth Fund (101.3587 x 500.9984).

Other PEPP Information to Review

- **Fund Fact Sheets:** provides information such as rates of return, and administration fees for each of the PEPP investment options.
- **PEPP Member Investor Profile:** is a questionnaire you can complete which identifies your investment style and risk tolerance.
- **Information Summary to Investment Choices in the Public Employees Pension Plan:** provides information about PEPP, purchasing units in investment funds, risk factors and performance objectives.
- **Investment Holdings Report:** provides a comprehensive list of PEPP's asset mix which lists details including actual holdings, pricing, and market values.

These documents are available on our website at pepp.plannera.ca.

Questions?

For further information, contact:

Public Employees Pension Plan (PEPP)

110 - 1801 Hamilton Street
REGINA SK S4P 4W3

Phone: 306-787-5442 (in Regina)
or toll free at 1-877-275-7377
Fax: 306-787-0244

Website: pepp.plannera.ca
Email: pepp@plannera.ca

Administered by **Plannera Pensions & Benefits**

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The Public Employees Pension Plan produces issues of PEPP Talk as a service to its members. These documents provide information on specific provisions of the Plan. Plan information is available in a variety of other forms including: issues of PEPP Talk on other topics; our newsletter, Pension Perspectives; PEPP Member Booklet; and the PEPP website.