

Reference No. 2016–03

Date: September 14, 2016

**TO: All Pension Administration Contact Persons at
Contributing Member Organizations**

RE: NSHEPP Amendment – Base Year improvement

The Trustees have decided to improve the Base Year from 2014 to 2015, effective December 31, 2016.

Some quick facts about the Base Year

- The Plan's Base Year affects the way a Member's career earnings are taken into account when calculating their pension benefits.
- When the Base Year is improved, it means that a Member's previous annualized pensionable earnings for years before the new Base Year are "upgraded" to the same level as their annualized pensionable earnings in the new Base Year.
- When a Member's annualized pensionable earnings in the new Base Year are higher than those in the previous Base Year, it results in a higher pension benefit than would have occurred if the previous Base Year had not been changed.
- As always, in those cases where using an earlier Base Year than the current one results in a higher pension for the Member, that earlier Base Year will be used in that Member's pension calculation.
- This Base Year improvement does not result in a recalculation of benefits for those former members who have terminated their membership in the Plan. Pension benefit calculations reflect the Base Year that is applicable to the Member at the date of the event (termination of employment, retirement, or death).

Action Required:

The Nova Scotia Pension Benefits Act requires that all employees who are Plan Members be notified of this Plan amendment. We need your assistance to meet this legal requirement promptly.

The change in the Base Year will be effective for retirements and terminations of employment on and after January 1, 2017. Therefore, such ***Plan members may wish to postpone their departure until January.*** Whether it is feasible and financially advantageous to postpone retirement or termination will depend on each member's specific circumstances. For example, this will tend to be less important for members who have a relatively short period of service. You may wish to discuss this with your employees if they are considering retiring or terminating their employment since a Base Year improvement may affect the timing of their departure.

We have prepared the attached Notice that you can use to announce this amendment to your employee members. We recommend that you copy and circulate this notice to the appropriate employees via your internal mail system, your internal e-mail, as an insert in pay stub envelopes, and/or post it on bulletin boards throughout your facility. If you anticipate any logistical difficulties related to distributing this information on a timely basis, please let us know right away and we will attempt to assist you. We appreciate your cooperation.

Please call us if you have any questions about this Bulletin.

NSHEPP
September 14, 2016

Attachment – Notice for employees who are Plan Members

Notice to all active Members Regarding Base Year Improvement

The Base Year is being improved from 2014 to 2015 effective December 31, 2016.

Some quick facts about this Base Year improvement

- If you are thinking about retiring or terminating your employment in the near future, you should take note of the following information:
 - This change in Base Year will only apply to retirements and terminations of employment on and after January 1, 2017;
 - Therefore, *you may wish to postpone your departure until January*. Whether you are better off to wait will depend on your specific situation. For example, did you have an increase in your annualized earnings in 2015 compared to 2014?
 - A Base Year improvement will not fully benefit all members. This is because pension legislation applies a maximum to the earnings that can be used to calculate your benefit. The maximum is the average of your highest 36 consecutive months of pensionable earnings.

If you are uncertain of how this improvement will impact your pension, you may wish to contact NSHEPP to obtain a pension estimate.

- The Plan's Base Year determines the earnings that we use when calculating your pension benefits.
- When the Base Year is upgraded, it means that your previous annualized pensionable earnings for years *before* the new Base Year are improved to the same level as your *new* Base Year annualized earnings.
- When your annualized earnings in the new Base Year are higher, you will receive a higher pension benefit.
- The current Base Year is used unless a prior Base Year provides a higher pension benefit for you.

If you have any questions or comments about these changes, please contact us at:

- Write: NSHEPP, 2 Dartmouth Road, Bedford, NS, B4A 2K7
- Telephone: (902) 832-8500 for local calls; 1-866-400-4400 for long distance toll free
- Fax: (902) 832-8506
- E-mail: pensionplan@nshepp.ca

NSHEPP

September 14, 2016

(Reference Facility Bulletin No. 2016-03)