Fall 2008 Newsletter

For Active Members of the NSAHO Pension Plan

Turmoil in the Investment Markets

Since July 1st, investment markets around the world have declined sharply. In these difficult times, it is important to remember that we are in a defined benefit pension plan. *Market declines generally do not have a direct impact on our pension plan's benefits.*

There are several things about our Plan that put us in a relatively good position to weather these market declines. These are discussed in our October bulletin "Recent Turmoil in the Capital Markets". You can find a copy of this bulletin in the "publications" section of our web-site: www.nsahopensionplan.ca.

As you might expect, our Plan's assets have decreased along with the declines in the world markets. To help restore the Plan's funded status, our Trustees have taken the following steps:

1. In October a decision was made to defer an improvement to the Plan's Base Year. A Base Year improvement is typically announced each fall in order to keep benefits up to date with recent salary increases; and
2. A decision was made to increase contributions on April 1, 2009 as follows:

	Member increase	Employer increase
Earnings below $46,300	1.1166%	1.2561%
Any excess Earnings	1.3055%	1.4406%

The Pension Trustees will continue to monitor contributions. If the capital markets do not recover, a further contribution increase may be recommended next year.

This is a difficult time in the investment markets. Many people who are close to retirement and don't belong to a defined benefit pension plan have been significantly impacted. For defined benefit pension plans the situation is serious, but at this point members of the NSAHO Pension Plan do not have reason to be alarmed.

A summary of our year-end financial position will be included in the "Year in Review: 2008". This short publication is distributed through your employer near the end of February. A copy will also be posted in the "publications" section of www.nsahopensionplan.ca.

How Does Your Pension Measure Up?

How well does your pension plan compare with other pension plans? This is not an easy question to answer. There are several important areas to compare. There can be differences in the lifetime pension amount, the bridge benefit, how early you can retire and inflation protection. Any fair comparison must reflect all of these differences and contributions too.

To do this, we have calculated the total financial value of our benefits. We also calculated the value of other pension plans that our Trustees use as benchmarks.

Our results are set out in the following table *(to simplify this table we have only included contributions below the Canada Pension Plan earnings threshold)*:

Pension Plan	Value compared to NSAHO pension	Contributions	
		Member	Employer
NSAHO Pension Plan	**100%**	**5.95%**	**7.24%**
Nova Scotia (PSSP)	111%	7.4%	7.4%
HOOPP (Ontario)	92.1%	6.9%	8.694%
Manitoba Health Care	86.5%	6.8%	6.8%
Saskatchewan Health Care	88.9%	5.85%	6.552%
Median of comparison plans	**90.5%**	**6.85%**	**7.1%**

Note: The values in this table are based on "best estimate" actuarial assumptions as of August 2008. This includes the assumption that ad-hoc improvements (e.g. base year upgrades) that have regularly been made in the past will continue to be made in the future. The values are based on a current year of service for a 40-year-old member with 10 years of service and annual earnings of $45,000.

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You will see that our Plan's benefits are worth more than the median of the benchmark plans (100% vs. 90.5%).

The NSAHO Pension Plan benefits aren't the best or the cheapest of the plans in the above table, but we are close to it. As explained in the first article, contributions will increase in April. We expect that most other pension plans will eventually increase their contributions too. This is because of recent investment market declines.

You will note that the above table (on the previous page) only compares provincially sponsored pension plans. All of these are very good pension plans compared to what most Canadians participate in. Only about 21% of the private sector participates in a defined benefit pension plan.

Past Service Purchase Program

In some cases active members of the NSAHO Pension Plan can purchase periods of past service. *If you have been a member for more than one year*, the only periods of service you can purchase are:

- maternity and parental leaves;
- approved leaves of absence; and
- layoff periods.

To find out the cost of purchasing one of the above types of service you can ask us for a "*quotation*". Along with the cost, we now also provide you with the "*internal rate of return*". This is the investment return you would have to get if you invested your money elsewhere, to "break-even" with purchasing past service. While the "internal rates of return" are calculated based on your personal situation, currently they tend to be in the range of 5% to 6% per year. Many people may prefer this relatively safe approach to mutual fund returns.

Contact us if you would like to receive a past service purchase quotation.

Working After Retirement

Many NSAHO Pension Plan members return to work part-time after starting to receive their pension. This can be an attractive way to phase into retirement.

If you return to work *and re-start contributing* to the NSAHO Pension Plan, your pension will be temporarily suspended. This is a result of federal legislation. Your pension resumes when you retire again.

Most members prefer to not have their pension suspended when they return to work. To avoid having your pension suspended, you need to avoid contributing to the NSAHO Pension Plan when you return to work.

How do you avoid contributing? You don't have to contribute during the first three months of your return to work. After three months, you don't need to contribute *as long as you are not regularly scheduled for work for 50% or more of full-time hours*.

There is an obvious benefit of returning to work to supplement your pension income. This can be especially helpful before age 60, before you can start your CPP retirement pension.

We don't believe that retiring early and returning to work is the best idea for all members. *For members with shorter service it can be a better financial result if you delay retirement*, and continue to contribute to make your pension bigger.

Let's look at an example. Consider a 60-year-old member with 10 years of service credited under the pension. In the *short-term* they may find it attractive to retire and return to work part time. They will have more free time and may be just as well off financially, especially if they start their CPP. However, it is important to note that when their NSAHO Pension Plan contributions stop, they will not be credited with any additional pension service. In the *longer-term* when this member stops working completely, they may find that their pension is smaller than they need. A better strategy for this member may be to delay retirement, increasing the number of years that they contribute to the pension.

Your ability to return to work after you retire is subject to the agreement of your employer. Retirement may impact your seniority and your non-pension benefits. You should consider all of these factors before deciding on the date of your retirement.

e-Pension News

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