NSAHO PENSION PLAN

Fall 2011 Newsletter

For Active Members of the NSAHO Pension Plan

Perspective
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So far, 2011 has been difficult for pension plans. Stock market returns to early November have been volatile and generally negative. At the same time, liabilities have increased as a result of changes in expectations for future investment returns and inflation rates.

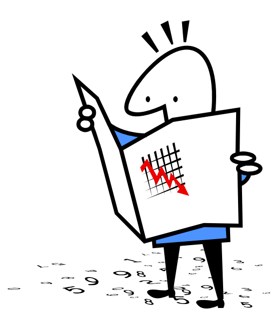
The NSAHO Pension Plan began 2011 in a stronger financial position than most Canadian pension plans. For this reason, these challenges are not especially serious for us.

This year is reminding me of how happy I am to be a member of the NSAHO Pension Plan.

Most people who work in the private sector don't belong to a pension plan like ours. Usually if they have any retirement program at all, it is limited to an RRSP (or the pension equivalent). In these types of programs, employees decide how their money is invested. Their retirement depends on what their investments grow to. *And for much of the last decade, their investments have, unfortunately, not been growing much beyond their contributions.*

In fact, RRSP participants have done even worse than they may realize. At the same time that their investments have been struggling, the cost of eventually buying a pension with their RRSP has been increasing. This is a result of declining long term interest rates, increasing life expectancy and hints that inflation may be edging higher in the future.

For people who rely solely on RRSP type plans, this is all bad news. Their plans for retirement have in many cases been postponed for years. The situation is even worse for those who are already retired.



Compare the above situation to the NSAHO Pension Plan. Occasional losses in the investment markets have not reduced members' benefits. Members have been able to plan confidently for retirement. Current retirees receive monthly incomes without interruption along with inflation adjustments each January.

Of course the NSAHO Pension Plan is not immune to global financial challenges. As recently announced, our contributions are expected to increase next April. And while nobody likes contribution increases, our increases are shared between members and their employers. Compare this with an RRSP where losses are borne solely by employees.

How Does Your Pension Measure Up?

Each September your Trustees monitor the competitiveness of our pension plan compared to four "benchmark" pension plans. This year we again rank very well.

Over the past year, the biggest change has been that the value of our benefits has increased to 112.7% of the median benchmark plan, up from 107.4% last year. This is a result of an increase in expected future inflation rates. This increases the relative value of our benefits because our pension plan has stronger post-retirement inflation protection than any of the benchmark plans.

The ranking of our contributions has also improved over the past year. Both the Manitoba and Saskatchewan health-care pension plans have increased total contributions by about 1%. These increases are understandable given the severity of 2008's market declines. Thankfully, similar increases were not necessary for the NSAHO Pension Plan over the past year. This is in large part because of our outstanding investment results over the past several years.

Measuring our competitiveness requires a comparison of several important areas. 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.

Our results are set out in the table at the top of the next page. To simplify this table, we have only included contributions below the Canada Pension Plan earnings threshold.

(see reverse)

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Pension Plan	Value compared to NSAHO pension	"Earnings" used to calculate pension *(with a few exceptions to simplify table)*	Annual increases to retirees' pensions	Contributions (% of earnings)	
				Member	Employer
NSAHO Pension Plan	**100% (112.7% of median)**	**From Base Year (currently 2009)**	**Price Inflation up to 3%**	**7.0666**	**8.4961**
Nova Scotia Provincial	89.7%	Average over best 5 years	Indexing on current benefits is not guaranteed	8.4	8.4
Ontario Health Care	92.5%			6.9	8.694
Manitoba Health Care	86.5%			6.8	7.8
Sask'wan Health Care	87.6%			7.7	8.624
Median of comparison plans	**88.7%**			**7.3**	**8.512**

Note: The values in this table are based on "best estimate" actuarial assumptions as of August 2011. 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 value for the NS Provincial Plan is an average of the value for a member employed before (95.5%) and after (84.0%) April 6, 2010. The inflation indexing for the NS Provincial Plan was recently changed to "ad-hoc", and as this new design doesn't yet have any history, we have assumed that their future indexing will be 50% of inflation. All 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.

You will see that <u>*our benefits are better than all of the four benchmark pension plans*</u> (112.7% of median).

You will note that the above table only compares provincially sponsored pension plans. All of these are very good pension plans compared to what most Canadians participate in. Only about 17% of the private sector participates in a defined benefit pension plan.

Going on Maternity Leave?

In this article we answer a common question: *"Should I contribute to the Pension while I am on maternity leave?"*

Response:
In most cases we think you should. The extra pension value is usually much more than the contributions you will pay. Consider the following example:

Member's age: 35
Annual earnings (before leave): $34,000
Leave period taken: 12 months
Member contribution during leave: $2,403

As a result of contributing during the leave, the member's pension increases by:

- lifetime pension: $476 per year
- bridge: $204 per year

The above increases do not include the value of any future base year improvements, or any reductions that may result from retiring early.

The financial value of the above pension increase is much more than the member's $2,403 contribution.

The easiest way to see this is by looking at the extra value the member would get if they terminate employment at the end of their leave. By contributing $2,403, the amount that could be transferred out of the Plan increases by $4,172 - a *one year return of 73%!*

Note: The increase in transfer value in this example is based on assumptions applicable in August 2011 and at least 10 years of continuous employment.

Optional Survivor Benefits

If you have a spouse (as defined under the Plan Terms) when you retire, they are entitled to a survivor pension when you die. The survivor pension is normally $66^2/_3$% of the lifetime pension you received before your death.

When you retire, you may elect an optional survivor benefit. For members who have a spouse, this is a 75% survivor benefit instead of the $66^2/_3$% described above. The cost of electing this option depends on your age and your spouse's age. However, the typical cost is a reduction in your pension of only about 1-2%.

For members who are reasonably healthy, the choice between the two survivor benefits will typically depend on the following question:

How financially dependent will your survivors be on your pension?

The answer to this question depends on what other financial support your survivors will have after you die. The 75% optional survivor benefit may be an especially good choice for you if:

- your spouse doesn't have a pension where they work;
- you will not have much life insurance on <u>*your*</u> life after you retire; and
- your family's retirement savings (other than your pension) won't be large when you retire.