

Member Survey Results

In May and June when you received your Annual Statement, you may have been asked to complete a short survey. Approximately one member in six was asked to complete this survey. If you completed one, thank-you!



Here are the questions that were asked. The percentages that are provided are the proportion of responses that either agreed or strongly agreed (excluding those who said they didn't know):

- a) The enclosed Annual Pension Plan Statement allows me to understand the pension I can expect to receive: 89.6%
- b) The enclosed Newsletter contains more useful information than has been provided in prior years: 92.2%
- c) I am satisfied with the frequency of information I receive about my pension plan: 79.4%
- d) My pension plan compares well with other pension plans: 59.2%
- e) I am comfortable using www.nsahopensionplan.ca as a source of information about my pension plan: 68.0%

We are very pleased with the responses to questions a) and b). It is great to receive such positive feedback about the new Annual Statement and Newsletter!

We view the response to question e) as an opportunity. Encouraged by the response to the new Annual Statement, we plan to enhance the web site over the next year so you will be able to project what your pension will be under various "what if" scenarios.

While the response to question d) was still fairly positive, this is clearly the area where the results were weakest. This is a signal to us that we need to improve our communications about plan benefits. Therefore, most of this newsletter is dedicated to providing information about the benefits offered by your Plan.

Competitive Benefits

Younger members might question the value of a pension. It can be hard for them to imagine life as a retiree. However, you don't have to wait for retirement for your pension to be a benefit.

One way of looking at your pension's value before retirement is the Transfer Value. This is the amount that can be transferred from the pension if you terminate employment before you are eligible to retire. This would usually be transferred to a locked-in RRSP.

Let's take a 30 year old as an example. Let's assume:

- She makes \$40,000 per year, increasing by 2.5% per year;
- The current plan design with regular base year improvements; and
- The transfer value is calculated as it would be in October 2006.

Have a look at how quickly the value grows!

Age	Member Contributions		Transfer Value
	Annual	Total With Interest	
35	\$2,600	\$13,300	\$20,200
40	\$3,000	\$30,100	\$59,600
45	\$3,400	\$51,000	\$126,100

Notice that the Transfer Values are much more than the member's contributions. This is partly explained by the employer's contributions.

After this member turns age 50 she could retire (with a reduced pension). Because of this she would no longer be eligible to transfer her funds out of the Plan. However the value of her pension continues to grow. How much would it be worth by the time she has her "85 points"? An insurance company would charge about \$700,000 for a similar pension.

Even if you are years from retiring, your pension can be a very valuable benefit!

Our Plan vs. other noteworthy NS pension plans

Some of the members who completed our recent survey added comments. Frequent remarks were about how our Plan compares to other pension plans. This column briefly compares our Plan to the other main Nova Scotia public sector pension plans. We apologize to our Cape Breton members. We were unable to find information about the CBRM Pension Plan on the web.

All of these plans have strengths. However when both advantages and disadvantages are considered we find that the NSAHO Pension Plan compares very well. Let's consider the following. (See Over)

(Continued from other side)

First it should be noted that these plans are all more generous than what the average Canadian worker has.

Compared to our Plan, the plan for Province of NS government workers (the "PSSP") has one main advantage. It also has one main disadvantage. Its advantage is that it allows retirement based on a "Rule of 80". This compares with Rule of 85 – minimum age 55 in our Plan. The disadvantage is the PSSP's financial condition. We expect that in a few years this will require large changes in the PSSP's contributions or benefits. The NSAHO Pension Plan is in a comparatively strong financial position.



There have been recent changes made to the NS Teachers' Pension Plan. The new design has two main disadvantages compared to our Plan. First, each year their pension inflation indexing depends on how well funded the Plan is. Second, member contributions are much higher than they are for our Plan. For a member earning \$40,000, the Teachers' Plan contributions are 39.5% higher than they are for our Plan (\$3,320 vs. \$2,380).

The Halifax Regional Municipality (HRM) Pension Plan has two main advantages and two main disadvantages. The first advantage is that it allows retirement based on a "Rule of 80". The second advantage is that pensions don't decrease at age 65. What are the disadvantages? First, whether the HRM Pension will provide an annual increase to retirees appears very uncertain for years to come. Second, member contributions are much higher than under our Plan. For a member earning \$40,000, contributions for most are 74.1% higher than they are for our Plan (\$4,144 vs. \$2,380).

Base Year vs. Final Average Earnings

Most Canadian public sector pension plans are based on members' average earnings over the five years prior to retirement. Our Plan uses a different approach. In our Plan benefits are based primarily on earnings in the most recent Base Year.

From time to time the Base Year is improved. By improving the Base Year from 2004 to 2005, earnings for all years prior to 2005 are adjusted to be equal to 2005 earnings (unless an earlier Base Year provided a higher benefit). Improvements in the Base Year are paid for out of Plan surplus and are not guaranteed.

In every year since 2001, the Base Year has lagged the current year by two years. This was also the case in most years during the prior decade. For example, in 2006 the Base Year is 2004.

With a two year Base Year lag our Plan provides benefits that are similar to a Final Average Earnings plan. In fact if you retire early in the year, the Base Year approach tends to provide a better pension.



There are good financial reasons to use our Base Year approach. One such reason is that the contributions that are required for our Base Year approach are lower than would be required if benefits were based on Final Average Earnings.

In short, we use a Base Year for two reasons. We believe similar benefits can be provided, with lower contributions.

Your Annual Statement

It is easy to be confused by the Contributions With Interest amount on your Annual Statement. This isn't the amount that your pension is worth. For one thing, it doesn't include your employer's contributions. Neither does it fully reflect the Pension Fund's investment returns.

The main reason this is on your Annual Statement is because of a legal requirement. You may also find it useful in the ways described below.

If you terminate employment before you have two years in the Plan, you are not "vested". This means that you are only entitled to a refund of your Contributions With Interest.

Your Contributions With Interest are also used to make sure that you don't pay for more than 50% of the value of your pension. When you retire or terminate any excess over 50% is refunded to you.



