



Newsletter

For Active Members

Spring 2006

This is our first Newsletter for members of the NSAHO Pension Plan.

We hope you find this information useful.

Annual Statement Revision

We want to help you plan for your retirement by improving your ability to predict your future pension benefits.

We have added a table to the "Your Pension Benefits" panel of your Statement that includes pension projections at a range of possible retirement ages. These projections demonstrate expected pension income from the Plan at the ages listed in the table.

We hope the projections are useful to you as a planning tool but they should not be interpreted or relied upon as guarantees of pension income actually payable. The projections are estimates only and are based on the assumptions described below the table. You should review those assumptions carefully.



For example, one assumption that the projections are based on is that your earnings in future years will be the same as your 2005 earnings. As long as your base year earnings keep up with inflation in the future, the projections should approximately reflect what your purchasing power will be in current dollars.

In addition to your NSAHO Pension, you will likely receive retirement income from other sources. For example, you may accumulate savings in an RRSP. Most of us should also expect to qualify for Canada Pension Plan and Old Age Security benefits. You can obtain more information about these government-sponsored benefits by calling 1-800-277-9914 (toll free) or visiting the website for these federal programs at www.sdc.gc.ca.

Change in Past Service Purchase Program

Since 2002, active members of the NSAHO Pension Plan have been able to purchase certain periods of past service that had not

been credited under the Plan. Many members have asked about the cost of purchasing past service but there have been few actual purchases. Each request for information about past service purchases consumes Plan resources, even when the member decides not to complete the purchase.

To improve the efficiency of our administrative services and to ensure Plan resources are used for the greatest benefit of all members, the Trustees are amending the Plan effective December 31, 2006, to streamline the past service purchase rules. After December 31, 2006, only the following types of service purchases will be available:

1. service (including any mandatory waiting period) under another pension plan if you no longer have benefits under that plan. Cost: actuarial cost;
2. service with an NSAHO employer before the employer participated in the NSAHO Pension Plan. Cost: actuarial cost;
3. service that was credited under the NSAHO Pension Plan before an earlier termination of employment if you were re-employed with an NSAHO employer that participates in the Plan within 5 years of your earlier termination. Cost: return of funds paid out plus interest; and
4. approved leaves of absence, layoff, and maternity and parental leaves. Cost: actuarial cost.

Service purchases under categories #1, #2 and #3 (if you elected a transfer value upon your earlier termination) must be completed within one year of the date you join the Plan. All purchases are subject to Income Tax Act limits that may result in further restrictions.

The current rules will continue to apply to quotation requests made before December 31, 2006, if you proceed with the purchase on the quoted basis within six months of the date your quotation is provided.

If you have comments or questions about this change, please contact us at the e-mail address noted at the end of this newsletter. You may also contact the Superintendent of Pensions at:

Department of Environment and Labour
PO Box 697
5151 Terminal Road
Halifax, Nova Scotia B3J 2T8

To contact us to request a quote:

- Write: NSAHO Pension Plan, 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: pastservicepurchases@nsaho.ns.ca

Competitive Benefits

The Trustees place great emphasis on maintaining the competitiveness of the NSAHO Pension Plan as compared with other pension plans. It is important that our Plan members earn appropriate pension benefits.

So how do our pension benefits stack up against the rest?

First, we must keep in mind that according to Statistics Canada information, only about 34% of the Canadian workforce is fortunate enough to belong to a defined benefit pension plan at all. Our membership in the NSAHO Pension Plan puts us ahead of the majority on that basis alone.

When comparing our pension benefits to benefits offered in other Canadian defined benefit pension plans in a broad-based pension industry database, we see quickly that the NSAHO Pension Plan benefits are very competitive.

For example:

- Only 25% of plans have early retirement provisions that are as generous as ours;
- Only 35% of plans provide bridge pensions;
- Only 20% of plans guarantee any inflation (COLA) increases for pensioners;
- Only 6% of plans provide spousal survivor benefits on the death of a pensioner that are as generous as ours.

In short, your NSAHO Pension Plan offers excellent benefits that compare very favourably with other Canadian pension plans.

The Plan is Financially Secure

The Plan's financial position is formally reviewed at least every three years. At the last formal review (at December 2003) our assets exceeded our liabilities by a healthy margin.

This is in sharp contrast to the very poor financial situation many other Canadian defined benefit pension plans are currently facing. A 2004 report by the Certified General Accountants of Canada estimated that more than half of defined benefit pension plans in Canada had a funding deficit, with a total funding shortfall at the end of 2003 of \$160 billion.

To assure the security of your pension benefits, we must continue to protect the Plan's financial position.

One of the ways we do this is by adjusting contribution rates when necessary so we continue to have enough money to afford future base year improvements. We

announced a contribution rate increase for Plan members and their employers last October that takes effect April 1, 2006. A further contribution increase is expected in 2008. The amount of the 2008 increase will depend on financial experience between now and then so we cannot yet say how much that increase may be.



Plan Governance

The NSAHO Pension Plan is administered by a Board of 20 Trustees with broad representation from our various stakeholder groups. The Trustees are responsible for the overall operation of the Plan. Any changes to benefits or contributions are also subject to the approval of the NSAHO Board of Directors.

The Trustees follow a "policy-based governance" model, viewed by many governance experts as a "best practice" approach. The Trustees create and maintain policies related to the management and goals of the Plan, and rigorously monitor compliance with these policies.

This Newsletter is a result of recent changes to the Trustee policies, placing a renewed focus on communication with Plan members. We plan to produce these Newsletters twice a year to provide you with helpful information about your pension.

The Annual Report distributed to members in recent years will not be published in 2006.

Planning to retire this year?

If you plan on retiring near the end of 2006, you should consider the possible impact of deferring your retirement until January 2007 when a new base year may apply. There is no guarantee that the Plan's base year will be improved but if it is, we expect to post information about an improvement effective in January 2007 on our website by mid-November 2006. In some cases the impact of a base year improvement can be significant, depending on the increase to your annualized earnings in 2005.

Contact us: NSAHO Pension Plan, 2 Dartmouth Road, Bedford, NS B4A 2K7
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e-mail: pensionplan@nsaho.ns.ca