NOVA SCOTIA HEALTH EMPLOYEES' PENSION PLAN

Spring 2016 Newsletter

For Active Members of the NSHEPP

New Annual Statement Information

New information has been added to the back of your annual statement that accompanies this newsletter. This information reflects changes in Nova Scotia's pension laws that went into effect in mid-2015. Of particular note are the sections on the back of the statement with the headings:

- Designated Beneficiary;
- Spouse;
- Death Benefits; and
- Funded Position.

Happy 55th Birthday NSHEPP!

January 1, 2016 is NSHEPP's 55th birthday.

In 1961 we were known as the Hospitals of Nova Scotia Pension Plan. There were 2,188 initial members. Male members contributed 6%, female members contributed 5% and employers contributed 6%. The pension formula was 2% for each year of service. Normal retirement age was 65, and there was no option to retire early without a reduction.

By the end of 1963, the Plan's assets had grown to $1.71 million. The actuary's report at that time commented on the proposed *Canada Pension Plan that had not yet been put in place!*

After 55 years, a lot has changed. NSHEPP is now the largest Nova Scotia based pension plan. Our assets are in the range of $6.5 billion. There are about 41,000 members, about 10,000 of whom are retired, and 85 participating employers. *Today, MONTHLY payments to retirees total $14 million, more than the entire 1961 ANNUAL payroll.*

Perhaps surprisingly, contribution rates since 1961 have increased only modestly. Despite this, benefits have improved significantly. Today, most members retire well before age 65 without a reduction.

Pensions are now indexed for inflation up to a maximum of 3% per year. And when retirees die, the benefit for their surviving spouse has improved greatly.

10th Year Increase in Value

This article will be of interest to members who have *less than 10 years of continuous employment*.

The value of your pension increases significantly after 10 years of continuous employment. This is caused by the way your early retirement provision works.

If you terminate employment before 10 years, you are entitled to an unreduced pension at age 65. After 10 years, you are entitled to an unreduced pension at age 60. Even if you transfer your money out of the Plan, the value will be much larger if it is based on an unreduced pension at age 60.

Let's look at an example. Consider a 40-year-old member with annual earnings of $50,000. If they terminate after 9 years and 11 months of continuous service, and were in the Plan the whole time, the amount that could be transferred out of the Plan would be about $73,900. By waiting one month more to terminate, this amount increases to about $105,300.

What's the bottom line? If you are thinking about terminating and don't quite have 10 years of continuous service, consider waiting.

Notes: Transfer values are based on assumptions that were applicable in April 2016. Funds may not be transferred out of the Plan after you are eligible for an immediate pension (whether it is unreduced or reduced).

Working after Retirement

Many NSHEPP members return to work part-time after starting to receive their pension.

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

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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 NSHEPP 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 so your pension gets 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 NSHEPP 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 members with shorter service 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.

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 less than 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 *your* life after you retire; and
- your family's retirement savings (other than your pension) won't be large when you retire.

Annual General Meeting - Fiscal 2015

This year's AGM is being held on June 13th from 9:00am to 10:00am at the Colchester East Hants Health Centre in Truro – Willow Room. The AGM is intended to make the governance of NSHEPP a little more transparent to its stakeholders. The AGM agenda includes:

- Presentation of audited financial statements;
- Reports from the Chair, CEO and Investment Consultant;
- Appointment of the Auditor for the next fiscal year; and
- Questions and Answers.

You are welcome to attend in person, or after June 13th, much of the AGM content will be available on our website at www.nshepp.ca.