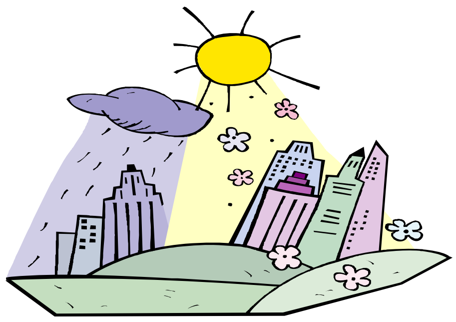
Fall 2009 Newsletter

For Active Members of the NSAHO Pension Plan

Investment Market Turmoil – What a difference a year makes



A year ago our Newsletter reported on the chaos that was occurring in the world's financial markets.

We explained at that time that there were several reasons we believed that our Plan would weather the storm relatively well.

This has turned out to be the case. We are still feeling the impact of 2008 but our investments have rebounded significantly. In fact, over the last 5 years our investment returns have averaged 7.18% per year (see note).

As a result it has been possible to announce two base year improvements this fall, and no change in contributions is expected in 2010.

Note: 7.18% is net of all investment expenses and is for the period ending September 30, 2009. This is an estimate and subject to revision as valuation of some asset values is currently pending.

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%**	**7.0666%**	**8.4961%**
Nova Scotia Provincial	111.9%	8.4%	8.4%
Ontario Health Care	92.9%	6.9%	8.694%
Manitoba Health Care	90.3%	6.8%	6.8%
Saskatchewan Health Care	92.4%	6.6%	7.392%
Median of comparison plans	**92.6%**	**6.85%**	**7.896%**

Note: The values in this table are based on "best estimate" actuarial assumptions as of August 2009. 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.

You will see that our Plan's benefits are worth more than the median of the benchmark plans (100% vs. 92.6%).

The NSAHO Pension Plan benefits aren't the best or the cheapest of the plans in the above table, but we compare well.

You will note that the table in this article 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.

Common Questions

Pensions can be complicated. In this article we answer two common questions.

Question #1:
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

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

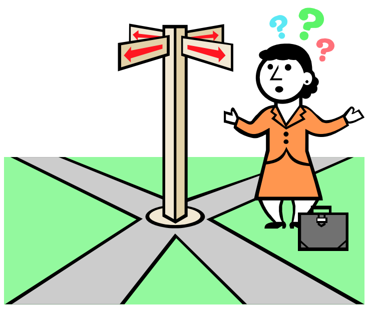
- lifetime pension: $476 per year
- bridge: $204 per year

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 $4,030 - a *one year return of 67%!*

Note: The increase in transfer value in this example is based on assumptions applicable in December 2009 and at least 10 years of continuous employment.



Question #2:
I am separated from my spouse. Can I change my beneficiary to my children?

Response:
You are free to name any beneficiary you choose. This is regardless of your marital status. However, pension law imposes specific requirements about benefits to spouses. As a result, in some cases a change in beneficiary will not change who will receive your death benefits.

The current law requires any pre-retirement death benefit to be paid to your spouse while he is still alive. This is even if you have named someone else as your beneficiary. Until there is a formal pension division, a beneficiary change will usually have no impact. Only a formal pension division involving a court order or separation agreement will disentitle your spouse from the pre-retirement death benefit.

It may still be a good idea for this member to designate her children as her beneficiaries. This way, the change will be immediate after a formal pension division is effective.

The rules are different for deaths that occur after retirement. The survivor benefit after retirement is based on your marital status at the time you retire. If a survivor benefit is payable to a spouse, it is to the spouse you had at the time of retirement. If you are living separate and apart from your spouse when you retire, you can opt to have your pension benefits determined as if you are single. As a single retiree, when you die any payments remaining in the pension guarantee period are payable to your named beneficiary.

Note: This information is intended as a general explanation only. It is not intended as legal advice or a specific legal interpretation of a member's individual circumstances. This information is based on current requirements of Nova Scotia pension law. Those requirements are subject to change. Members should seek specific legal advice on their personal situations.

10th Year Increase in Value

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

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 <u>before</u> 10 years, you are entitled to an unreduced pension at age 65. <u>After</u> 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 with annual earnings of $37,000. 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 $30,100. By waiting one month more to terminate, this amount increases to about $38,600.

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

Note: This article assumes that you have been in the Plan for at least two years. Funds may not be transferred out of the Plan after you are eligible for an immediate pension (whether it is unreduced or reduced).

Past service in New Brunswick Public Service Superannuation Act

Have you paid into the ***New Brunswick Public Service Superannuation Act*** in the past? Did you leave your money in the pension plan when you terminated your New Brunswick employment? If so, you may be able to transfer your New Brunswick pension service into the NSAHO Pension Plan.

<u>Our new agreement with New Brunswick has a time limit.</u> You must complete the transfer by December 2010, or within a year of when you became a member of our Plan if later *(as the agreement is currently being finalized, the December 2010 date may change slightly).*