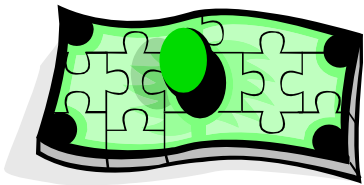


Putting the Pieces Together

Your Annual Pension Statement is included in the envelope with this Newsletter. This statement provides projections of what your pension may be when you retire. However, these projections only tell part of the story. Most of us can also expect to receive pensions from Canada Pension Plan (CPP) and Old Age Security (OAS).

Deductions from your income are usually less when you retire. Your costs for pension and benefit programs usually reduce or stop completely. Income taxes also usually go down.



How will these pieces fit together when you retire? Will you have enough or should you try to save a little extra? *The answers to these questions, of course, depend on your personal situation.* However, let's consider a hypothetical member "Mary" as an example.

Mary is planning to retire this year:

Mary's data

Age: 58
Base year (2013) Earnings: \$43,000
NSHEPP Credited Service: 30 years

What will Mary's "take-home" be after she retires? The answer will change over the next few years. Her CPP is assumed to start at age 60. Her OAS starts at 65 and, at the same time her "Bridging Benefit" from NSHEPP stops.

We estimate that Mary's take-home from all sources, relative to her pre-retirement take-home will be about:

- 70% before age 60;
- 88% between 60 and 65; and
- 92% after age 65.

There are a few important things that we can learn from Mary's situation:

1. Mary's take-home during retirement is expected to be less than when she was working. She may find that this is at least

partially offset by a reduction in her work-related expenses (such as commuting). To help prepare for this adjustment, many financial planners suggest an objective of being "debt free" by retirement.

2. Mary's take-home is lowest before age 60 (before her CPP starts). If you plan to retire before age 60 and it's still a few years away, consider investing a few dollars to help provide for this period. Alternatively, many members are able to retire and work part-time during this period.

2014 Investment Returns

At about 21.2% (net of expenses) 2014 was an unusually good investment year for NSHEPP.

Because our pension plan is a defined benefit pension plan, our investment returns do not have a direct impact on our benefits. However, good investment returns make it easier to keep our contributions at a reasonable level, while still keeping our benefits secure.

Few Canadian pension plans have had investment records as good as ours over the past decade. Much of our outperformance came from "hedges" that we maintain. While details of these hedges are complicated, the basic idea is straightforward. These hedges are tools we use to manage Plan risk.



The specific kind of risk that our hedges help us manage is the risk of changes in either long term interest rates or expected future inflation rates. If we didn't have our hedges in place, interest rate and inflation rate changes would be a bigger risk to our financial condition.

Our Plan invests very differently than most other pension plans. In some years this will result in us outperforming others, and in other years we will underperform. We follow these different investment strategies because we believe that in the long term our approach will provide a better balance between returns and risk.

For a detailed description of our investment policies, click on the "Publications" tab at www.nshepp.ca.

A BIG pay raise you might not have noticed

Ten years ago, the lump sum value of a new retiree's pension was about 8.3 times their pre-retirement earnings. Today a new retiree's pension is worth about 13.4 times their pre-retirement earnings. Why the increase? Over the last ten years, interest rates have decreased significantly and life expectancy has increased. This has significantly increased the "market value" of your NSHEPP pension.

Note: The numbers in this article are based on a member who is age 60, has average earnings and spousal status and 30 years of plan membership, and a market value based on the cost of purchasing benefits similar to NSHEPP from an insurance company.



Changes in NS Pension Law

New pension laws take effect in Nova Scotia on June 1, 2015. While there are many changes, here are the items that we expect will have the biggest immediate impact on some NSHEPP members:

- ❖ Common-law type relationships
If you are in a marriage-like relationship with someone to whom you aren't legally married, the changes may affect who will receive any spousal benefits after you die. Under the new law, a common law partner is an individual with whom you have cohabitated in a conjugal relationship for a period of at least one year, or three years if either of you are married to another individual.

If you have a common law partner and you are also legally married to someone else, the new law does not indicate which of the two individuals will receive any spousal benefits after you die. We are pursuing clarification on this issue and hopefully the regulators will provide direction soon.

- ❖ Terminating employment soon?
On your Annual Statement you will find information about when you will be "vested" – this is the point when you will be entitled to the full value of your pension if you terminate, including the part funded by employer contributions. The vesting rule was previously two years of plan membership; if you terminated before that time, you would generally have only received a refund of your own pension contributions, with interest. Starting on June 1, 2015, your pension benefits will vest immediately. If you are planning to terminate employment and you are not yet vested, it may be beneficial for you to wait until June 1st.

- ❖ New Annual Statement information
For most members, the only change they will notice will be in the Annual Statement. Next year the Annual Statement will be expanded to provide additional information required by the new pension laws.



Annual General Meeting - fiscal 2014

This year's AGM is being held on June 23rd from 9:00am to 10:00am in the Great Room of Ivany Place (Northwood Bedford), 123 Gary Martin Drive, Bedford, NS. 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 Auditor for next fiscal year
- Questions and Answers

You are welcome to attend in person, or after June 23rd, some of the AGM content will be available on our website at www.nshepp.ca. Each year the AGM is held at a different workplace to provide broad member access.