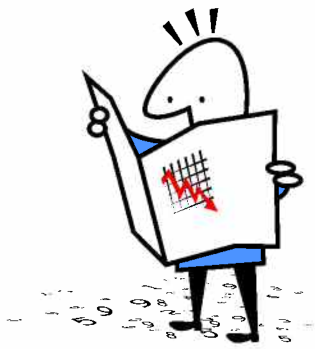
Spring 2008 Newsletter

For Active Members of the NSAHO Pension Plan

How Does Your Pension Measure Up?

The NSAHO Pension Plan is a "defined benefit" pension plan. This kind of pension plan provides benefits that depend on your years of participation and your earnings. Unlike an RRSP, your benefits do not depend on your investment returns. Outside of the public (government) sector only about 21% of Canada's workforce has this type of pension.

Without a "defined benefit" pension, the only option for most Canadians is to manage their own investments. This is frequently through an RRSP or similar "defined contribution" plan. With these investor managed programs, your retirement income depends on how your investment returns work out.



Employers that don't provide a defined benefit pension plan often provide an RRSP (or similar investor managed program) that their employees can participate in. These programs tend to be much less generous than the NSAHO Pension Plan.

> *Based on the assumptions noted below, we estimate that the NSAHO Pension Plan provides about **<u>twice as valuable</u>** a pension as a typical work-place provided RRSP.*

Assumptions:

- *Age 30 at entry*
- *Retirement at 60*
- *Full-time earnings below $45,000*
- *2.5% earnings and price inflation*
- *10% total RRSP contributions*
- *5% investment returns net of fees*

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: $2,023

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

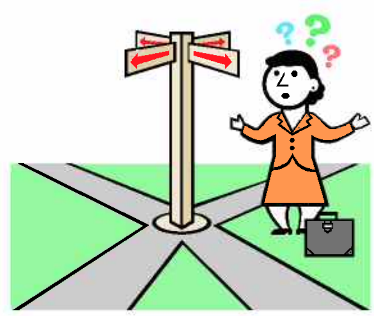
- lifetime pension: $476 per year
- bridge: $204 per year

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 $2,023 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 $2,023, the member's transfer value increases by $3,123 - a *one year return of 54%!*

Note: The increase in transfer value in this example is based on assumptions applicable in January 2008 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 *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 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, their transfer value would be about $31,800. By waiting one month more to terminate, their transfer value increases to about $38,300.

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).

Life Expectancy

Our Plan currently has about 5,200 retired members. Average retirement age is currently about 59.7 years.

We recently analyzed the life expectancies of our retired members. What we found was typical of pensioners throughout North America. A female retiring at age 59.7 lives to an average age of 86.4. For males, it is age 83.8.

Many members outlive these averages by wide margins. We currently have about 188 members over age 85. This is up significantly from just 135 five years ago.

Retired members of our pension plan continue receiving their pension, no matter how long they live. *You cannot outlive your pension.* This is a tremendous advantage of the NSAHO Pension Plan compared to the Defined Contribution retirement plans that exist in many workplaces.

New Publications

Earlier this year, two new Plan publications were produced.

The Employee Information Booklet was revised. Changes from the prior booklet include updates to reflect:

- the current Base Year and contribution rates; and
- a recent amendment regarding how the disability contribution waiver works. To be eligible, employees of employers that started Plan participation after August 1, 2006 must have been actively at work at that time.

In addition, the content of the booklet has been reorganized and shortened.

Another new publication is called "Year in Review". This short publication summarizes 2007 activities and results for the Plan.

You can obtain these two publications from the "Publications" section of www.nsahopensionplan.ca or from your employer.

e-Pension News

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In addition to emailing you future Newsletters we will also alert you when news is posted to www.nsahopensioplan.ca.

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