



Year in Review: 2011

This bulletin summarizes key 2011 activities of the NSAHO Pension Plan Trustees and staff. We invite you to visit www.nsahopensionplan.ca if you are interested in more information. After June 2012 you can find our 2011 Audited Financial Statements by clicking on the web-site's "Publications" tab.

Benefits

Effective January 1, 2012, pensions in payment to retirees increased by 3.0% to provide for inflation (prorated for retirees that had been retired for less than a year).

The base year improvement that is announced in most years was deferred last fall. This step was taken to help keep our pension plan financially healthy. Many other Canadian pension plans have had to make much more severe changes in reaction to difficult financial markets in recent years. Your Trustees continue to monitor when it will be feasible to proceed with the base year improvement.

Funding

At the end of 2011 our assets were about 97% of our going-concern liabilities.

This is a much stronger financial position than is the case for many Canadian

pension plans. Note: This is a preliminary estimate and is subject to revision. These liabilities are based on our actuary's "best estimate" assumptions. Final results and assumption details will be reported in our Audited Financial Statements which will be posted on our web-site after June 2012.

Late in 2011 we announced a contribution increase that will take effect on April 1, 2012. Member contributions will increase by 0.7534% plus an additional 0.1711% on any annualized earnings in excess of \$50,100. Employer contributions are also increasing to be 1.4% more than members' increased contributions.

With a relatively strong financial position, you might ask why our contributions need to increase. The answer is that expected future investment returns have decreased. Your pension benefits are paid for from a combination of contributions and investment returns. Interest rates and expected future returns from most investments have decreased significantly over the last decade. This increases the proportion of your benefits that needs to be paid for from contributions rather than investment returns.

While nobody likes pension contribution increases, our situation is much better than what is being faced by most Canadians. People who rely only on RRSP's to prepare for retirement are in many cases still reeling from the stock market crash of 2008. Their plans for retirement have in many cases been postponed for years. The situation is even worse for those who are already retired.

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Investments

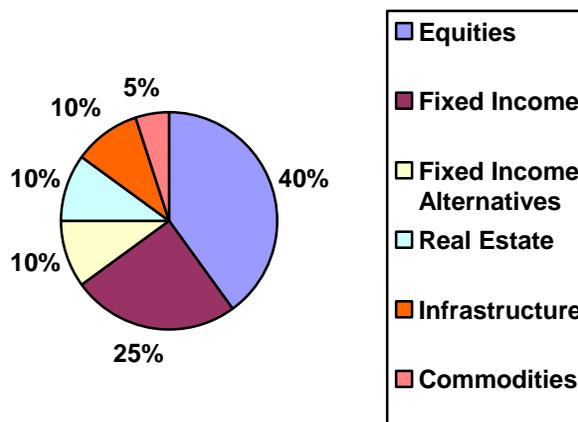
At about 7.9%, our 2011 investment return was much higher than what was earned by most other pension plans. Much of this out-performance was caused by "hedges" that we maintain. These hedges are used *to better manage Plan risk*. They help to protect us from unexpected changes in our liabilities. While this strategy paid off in 2011, in years when our liabilities decrease unexpectedly, our investment returns will tend to be less than other pension plans. The following 2011 returns are preliminary and may change slightly.

Year	Annual Returns (net of expenses)	Market Benchmark *	Value Added
2007	5.90%	4.74%	1.16%
2008	-13.36%	-17.53%	4.17%
2009	26.84%	25.32%	1.52%
2010	18.35%	16.95%	1.40%
2011	7.87%	8.41%	-.54%
2007-2011	8.24%	6.54%	1.70%

* The market benchmark rate of return is one of the standards used to evaluate investment performance. It is the rate of return net of fees, expected if the assets were invested passively in the proportions dictated by the Asset Mix Policy.

Our fund's target asset mix is shown in the chart at the right. On top of this, we overlay additional investments in bonds and hedge funds. In combination, these overlays are expected to increase long term returns and reduce Plan risk.

A more complete description of the Plan's investment policies can be found at www.nshopenpensionplan.ca by clicking on the "Publications" tab.



Administration

Key administrative accomplishments in 2011 included:

- Preparation of 24,895 annual statements. 100% were prepared within our time standards;
- Processing of 661 retirements, 1,145 terminations, 35 active deaths and 93 past service purchases. 100% of these were within our time standards; and
- Total membership increased from 32,711 to 34,828, and participating employers increased from 75 to 84.

Our per member administration costs continue to be low; about 40% less than median based on a sample of 17 other large pension plans.

Governance

Highlights of your Board of Trustees' activities in 2011 are:

- Ongoing fine-tuning of our investment policies;
- Ongoing monitoring of adequacy of contributions; and
- Monitoring of compliance with all staff and Trustee policies.

Finally, a joint union-management committee continued a review of our governance structure that is expected to conclude in 2012. This will result in a change that will equally share responsibility between four nominees from the major unions (CAW, CUPE, NSGEU and NSNU) and four nominees from the employers' association (Health Association Nova Scotia).