Fall 2007 Newsletter

For Active Members of the NSAHO Pension Plan

Member Survey Results

In May and June, when you received your 2006 Annual Statement, you were asked to complete a short survey. If you completed one, thank-you!

Here are the survey findings. The percentages that are provided are the proportion that either agreed or strongly agreed with each question (not including those who didn't know).

a) The enclosed Annual Pension Plan Statement allows me to understand the pension I can expect to receive: 92.4%
b) I find the information in the Newsletter useful: 91.2%
c) I am satisfied that I receive sufficient information about my pension: 84.4%
d) My pension plan compares well with other pension plans: 68.9%
e) I have visited www.nsahopensionplan.ca for information about my pension plan: 16.2%

We are pleased with the positive responses to questions a) to d). However, many members (44%) responded to d) that they don't know. To address this, the next article compares our pension plan to a sample of other plans.

The response to question e) was a surprise to us. To get more benefit from our web-site, please read the e-Pension News article at the end of this newsletter.

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 similar results for a sample of other pension plans.

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	not applicable	5.95%	7.24%
Nova Scotia (PSSP)	111%	7.4%	7.4%
Nova Scotia Teachers	86%	8.3%	8.3%
New Brunswick	87%	5.8%	7.8648%
PEI	88%	6.95%	6.95%
NFLD	75%	6.8%	6.8%
HOOPP (Ontario)	93%	6.9%	8.694%

Let's look at an example of how to interpret the above table. Comparing with the Province of New Brunswick pension plan, we see that their plan has an overall value that is only 87% as good as ours. However, the New Brunswick plan has slightly lower member contributions than ours.

The NSAHO Pension Plan benefits aren't the best or the cheapest of the plans in the above table but we are close to it.

You will note that the above table only compares provincially sponsored pension plans. All of these are very good pensions compared to what most Canadians participate in. Only about 21% of the private sector participates in a defined benefit pension plan.

Note: The results in this article are based on "best estimate" actuarial assumptions as of December 31, 2006. This includes the assumption that ad-hoc improvements 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.

2006 Base Year Improvement: Impact

On January 1, 2008, the "base year" changes from 2005 to 2006. In most cases this will increase your accrued pension.

If you expect to retire in 2008, you may be interested in the impact of this change. Your most recent Annual Statement includes various pension projections based on the 2005 base year. You can easily adjust these projections to reflect the new 2006 base year.

(see reverse)

Contact us: NSAHO Pension Plan, 2 Dartmouth Road, Bedford, NS B4A 2K7
(902) 832-8500 (local call in the Metro Halifax area) • **1-866-400-4400** (Toll Free) • **(902) 832-8506** (Fax)
e-mail: **pensionplan@nsaho.ns.ca**

Here's how to adjust your projections:
Calculate the percent increase in your regular hourly rate of earnings from 2005 to 2006. Then increase your 2006 Annual Statement pension projections by this percentage.

For members who are close to retirement, the above approach will usually give a close estimate of the impact of the base year improvement.

By the end of June 2008 active members will receive the next Annual Statement. That Statement will include projections that reflect the new 2006 base year.

Administration Improvements

A few years ago we had a significant administrative backlog. It was taking more than four months to process some types of transactions.

To solve this, in early 2006 we decided to adopt new service standards. These are time limits on our administrative services. The time limits measure from when we receive your request and all required data. They are summarized as follows:

- Terminations, deaths and retirements: 2 weeks
- Past Service Purchases and Reciprocal Transfers: 1 month
- Annual Statements: June 30th

Making these service improvements did not happen over night. However, since the middle of 2007, we have been meeting these standards nearly 100% of the time. We are committed to maintaining this new level of service.

Your Pension Options on Termination

We usually think of retirement as being the main benefit of our pension plan. However, there are actually more NSAHO Pension Plan members who terminate employment each year than who retire. Over the last three years the ratio has been 2.6 to 1.

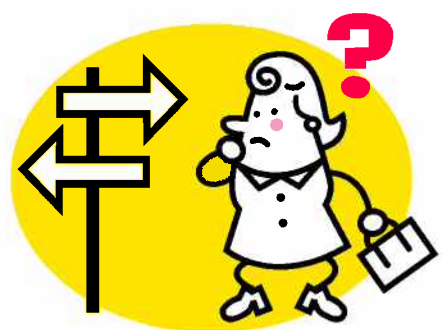
Most members who terminate before they are entitled to an immediate pension have two pension options. The options are to either stay in the pension plan or to transfer out.

If you stay in the pension plan, you will be a "deferred member." This means that you will eventually receive a monthly retirement income based on your service up to the date of your termination.

If you transfer out of the pension plan, you will in most cases transfer funds to a "Locked-In Retirement Account" (LIRA). This is a special kind of RRSP that must eventually be used to purchase an income at retirement. There are limits on how much can be transferred to an RRSP, with any excess being paid out on a taxable basis.

Deciding which pension option is best can be difficult. Many terminating members choose to transfer to an RRSP but this doesn't mean that this is always the best option.

If you stay in the pension plan, your deferred benefit may be increased for inflation each year. These inflation increases are not guaranteed to occur, but the plan has a long track-record of granting them. If you transfer to an RRSP, you do not get the value of these inflation increases. Because of this, an RRSP transfer may not provide you with as much financial value, unless you take more investment risk.



As an example, let's look at a 40-year-old member who is terminating employment. Their RRSP would have to average about $6^{3}/_{4}$% per year for the rest of their life to provide the same expected value as their deferred pension option. *(See Note)* To expect to do this well today, they would have to accept a fair amount of risk on their RRSP investments.

Perhaps the most common reason we hear in favour of transferring to an RRSP is to provide a better death benefit. This argument is only partly valid. Your two termination options have the same financial value based on various assumptions. One of these assumptions is that you will live for an average lifespan. The RRSP may provide more financial value if you retire and then die younger than average. However, if you live longer than average, the deferred pension tends to provide better financial value.

Ultimately your best pension choice will depend on your personal preferences and circumstances.

Note: Based on transfer value calculations that were applicable in November 2007.

e-Pension News

If you aren't already receiving this Newsletter by email, send us your email address. Simply email us at lana@nsaho.ns.ca along with your name.

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