

Public Service Pension News

A newsletter for members of the Nova Scotia Public Service Superannuation Plan

Summer 2007

OUR NEW WEBSITE – COMING SOON!

NOVASCOTIAPENSION.CA

Watch for the launch of our new website. Our goal of providing you with the best service possible will be reflected in improved navigation, content, and reader-friendly language.

Members, pensioners, employers and other stakeholders can find pension plan text, online calculators, downloadable forms and pension plan updates, as well as publications such as this and previous issues of Pension News.



*Strength Today.
Growth for Tomorrow.*

This Issue:

- Our New Website - Coming Soon!
- Pension Contribution Rate Change
- Pension Benefit Reduction at Age 65 - *Why?*
- Reminder - We've Moved
- Good News For Pensioners - Pension Income Splitting



PENSION CONTRIBUTION RATE CHANGE

The Minister of Finance, in his capacity as Trustee of the Public Service Superannuation Fund, has implemented an increase in pension contribution rates effective April 1, 2007. Your new contribution rates are 7.4% on earnings up to \$43,700 (the Year's Maximum Pensionable Earnings for 2007) and 9.6% on earnings above that amount. Your employer continues to match your contributions.

The amount of contribution increase, under and over the YMPE, is spread equitably. In other words, this increase is spread equitably across all earning

levels, ensuring that your level of contributions most closely reflects the pension benefits you are earning.

The last several actuarial valuation reports indicated that the current contribution rates do not cover the cost of benefits being earned each year by eligible employees. A contribution increase is necessary to make sure the pension plan is financially sound and will be able to meet its obligation to you when you retire.

PENSION BENEFIT REDUCTION AT AGE 65— WHY DOES THIS HAPPEN?

We are often asked "Why is my public service pension reduced at age 65?" The bottom line is that the reduction comes when the bridge portion of your Public Service Pension (PSS) benefit ceases at age 65. You receive a lifetime benefit from retirement to death and a bridge benefit from retirement to age 65. You **do not** receive the PSS bridge benefit for life. The bridge benefit is only meant to supplement your pension until you start receiving the Canada Pension Plan (CPP) benefit at age 65.

This paragraph provides the technical explanation. Contribution rates are set at two different levels, a lower one on the portion of your salary below the YMPE, and a higher one on the portion of your salary above the YMPE (i.e. if you earn above the YMPE). The higher rate covers the cost of paying the full portion of your pension on your salary above the YMPE for life. The lower rate, however, only covers the cost of paying the bridge portion of your pension up to age 65. YMPE stands for "Year's Maximum Pensionable Earnings". The YMPE is the maximum salary that is pensionable under the Canada Pension Plan. For 2007, the YMPE is \$43,700.

By choosing to draw your CPP benefit at age 60, you enjoy that benefit for an extra 5 years, but at a reduced level. (Effectively, you are borrowing from the benefit that would be starting at age 65). **You must remember, at age 65 the PSS bridge benefit ceases, resulting in a reduction of your monthly PSS benefit.** Note that the date you choose to begin receiving your CPP benefit does not affect the amount of your PSS pension benefit.

Also remember that Old Age Security starts at age 65 and may also contribute to offsetting any reduction in your overall pension income. For a more in-depth explanation you may contact our office.

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REMINDER—WE'VE MOVED

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GOOD NEWS FOR RETIREES— PENSION INCOME SPLITTING

The Federal Government of Canada is in the process of passing new legislation regarding the splitting of pension income between spouses. This will allow pensioners to split their pension plan income with their spouse or common law partner. Previously, in a household where one retiree's income was greater than their spouse's, that retiree may have been paying significantly more income tax. When this new legislation passes, the retiree's income can be split evenly with their partner so that the retiree is then taxed at a lower income tax rate, and the overall income tax paid by the household is lower.

Pension income splitting is intended to start in the tax return for 2007. Pension income will not be split by us, the Nova Scotia Pension Agency, but rather when the retiree and his/her spouse complete their income tax returns. Please note, these new legislative changes are to be implemented by the Federal Government of Canada and are therefore the responsibility of that body of government.

We, the Plan administrators must abide by the rules imposed on the Plan by the Income Tax Act. However, **we cannot give advice on whether a retiree should split their pension income with their spouse or not. This decision must be made by the retiree in consultation with their spouse and/or financial advisor.**

For information please contact your financial advisor, or Canada Revenue Agency at 1-800-959-8281. Or, visit the Canada Revenue Agency website at:
www.cra-arc.gc.ca/agency/budget/2007/pension-e.html.