

Public Service Superannuation Plan

Pension News



Serving the needs of our members.

Spring / Summer 2009

2009 Contribution Rate Increase - Your Frequently Asked Questions

On April 2, 2009 Minister Jamie Muir, as Trustee of the Public Service Superannuation Plan, announced plans for a contribution rate increase effective April 12, 2009. The contribution rate increase for employees and employers must be approved by the Legislative Assembly.

Minister Muir explained that the contribution rate increase is necessary to improve the funded health of the Plan.

Details of the Contribution Rate Increase

If you earn \$46,300 or less, your contribution will increase by 1 per cent of salary from, 7.4 to 8.4 per cent. If you earn more than this amount, your contribution will increase by 1.3 per cent of salary, from 9.6 to 10.9 per cent on earnings above the \$46,300 (and 1 per cent on the first \$46,300).

How will this change affect employee pay?

For someone who earns \$40,000, the increase per pay would be calculated as follows:

$(0.01 \times \$40,000) / 26 \text{ pay periods} = \$ 15.38 \text{ per pay.}$

Total Increase Amount = \$ 15.38 per pay.

This results in a yearly increase of \$399.88.

For someone who earns \$65,000, the increase per pay would be calculated as follows:

$(0.01 \times \$46,300) / 26 \text{ pay periods} = \17.81 per pay

$[0.013 \times (\$65,000 - \$46,300)] / 26 \text{ pay periods} = \9.35 per pay

Total Increase Amount = \$27.16 per pay.

This results in a yearly increase of \$706.16.

Your employer will also increase the amount it contributes on your behalf to match your contributions.

When was the last rate increase?

We had rate increases in 2004 and 2007 to address current service cost deficits. These two increases worked well and offset the yearly cost of providing pension benefits earned in

that same year.

Does this affect pensioners who are drawing a pension?

No, the increase to contribution rates only affects current contributors to the Plan, i.e. members that are actively making pension contributions to the Plan.

Is this the only way to improve the health of the Plan?

Contribution increases are only one means to improve the Plan's funded status. Another alternative is to change the benefits provided by the Plan. As further changes are needed to ensure the long-term health of the Plan, Plan members will be consulted about potential changes to benefits to be considered.

Is this related to the current economic situation?

Similar to defined benefit pension plans throughout Canada, the Public Service Superannuation Plan's funded status has been impacted by the performance of the markets. The Plan's investments have grown at a slower rate than expected over the last decade and current market conditions are making the shortfall worse. However, this shortfall was identified before the market crisis in the fall of 2008 and is partly the result of the maturity of the Plan itself, i.e. the cost of the large number of current and future retirees. The Minister of Finance has been reviewing the Plan's funded status and long term health since the summer of 2008.

Will employee pensions be there when I retire?

We know that retirement benefits are critically important to you. Intervention, such as increasing the contribution rates, helps to ensure that you receive these benefits when needed. The increase in contributions will help improve the health of the Plan; however, more will likely need to be done to address its long-term health. ■

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Investment Snapshot - December 31, 2008

Global equity markets suffered steep declines during the three months ended December 31st, making 2008 the worst year on record for financial markets since the Great Depression.

For the quarter ended December 31st, the Public Service Superannuation Plan had investment performance of -8.61%. The Plan performed better than its benchmark for the quarter, which was -9.72%. For the twelve months ended December 31st, the Plan had investment performance of -16.54%. The Plan performed better than its benchmark for the period, which was -18.43%.

The Plan continued to adhere to its disciplined investment policies that emphasize diversification in high quality assets. During the quarter, the Plan reduced its exposure to equities and increased its cash position. These steps were taken to preserve the value of Plan assets and to minimize risk during this very challenging quarter.

The Plan operates on a fiscal year ending March 31st. Plan financial information for the fiscal year ending March 31, 2009 will be made available as soon as routine year end processes and reports are completed by the Plan's auditor and actuary and have been approved by the Minister of Finance in his capacity as Trustee of the Plan.

	Qtr Ended Dec 31/08	1 Year Dec 31/08	4 Year Dec 31/08	10 Year Dec 31/08
NS Public Service Fund Return	-8.61%	-16.54%	1.57%	4.64%
Benchmark Return ¹	-9.72%	-18.43%	1.67%	4.09%

For more information please refer to our web site at www.novascotiapension.ca, click Public Service Plan and Investment Reports.

¹ The Benchmark was changed for the month ended Sept. 30, 2007 to reflect a passive 50% hedge on all international equities and a 100% hedge on all international fixed income. ■

Pension Benefit Reduction at Age 65 - *Why does this happen?*

We are often asked "Why is my public service pension reduced at age 65?" This happens when the **bridge portion** of your Public Service Superannuation Plan (PSS) benefit ceases at age 65.

Under the Public Service Superannuation Plan you receive a life time benefit from retirement to death and a bridge benefit from retirement to age 65. You **do not** receive the 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.

Pension Benefit Reduction / *continued . . .*

If you choose 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 contribute to offsetting any reduction in your overall pension income. For a more in-depth explanation please contact our office. ■

Designating a Beneficiary

In the event of your death, if you, the member are not survived by a spouse, children, or eligible dependant entitled to a monthly pension, the plan is required to refund the balance of your contributions and interest. If the total of all pension payments paid to you, your spouse, children, or eligible dependant does not exceed your contributions and interest, the plan will refund any excess funds.

Only you, the plan member, can designate a beneficiary. If there is no beneficiary form on file, the Public Service Superannuation Act would require any funds available to be paid to your "Estate".

As the Public Service Superannuation Plan (PSS) provides a guaranteed life time pension for a spouse, you would not designate your spouse on the beneficiary form. Children are not entitled to a life time pension under the PSS plan so you may designate your children. A summary of pension benefits available for children is outlined on page one of the beneficiary form. You may also designate any person(s) or organization whom you wish to receive a refund in the event of your death.

The beneficiary card that you may have completed for your life insurance and Public Service Award does not designate benefits payable under the Public Service Superannuation Plan.

Please note, you are **not required** to designate a beneficiary - it is **completely optional** to you.

Procedure for Designating a Beneficiary

You may download the Designation of Beneficiary Form from our web site. Please complete, and mail or fax the form to the Nova Scotia Pension Agency. To download the form go to: <http://www.novascotiapension.ca>, click on Public Service Plan, Members, Forms. Alternatively, please contact our office for a copy. ■