

Teachers' Pension News

A newsletter for members of the Nova Scotia Teachers' Pension Plan

Summer 2007

NEW WEBSITE - COMING SOON!

NOVASCOTIAPENSION.CA

Watch for the launch of our new website. Our goal of providing you with the best service possible is 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:

- ◆ New Website-Coming Soon!
- ◆ Reminder-We've Moved
- ◆ Good News For Pensioners-Pension Income Splitting
- ◆ Pension Benefit Reduction at Age 65-Why?
- ◆ Historical Funding Levels of the Plan

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 the tax year 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 more 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.

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

We are often asked "Why is my teacher's pension reduced at age 65?" The bottom line is that the reduction comes when the bridge portion of your Teachers' Pension (TPP) 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 TPP 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 TPP bridge benefit ceases, resulting in a reduction of your monthly TPP benefit.** Note that the date you choose to begin receiving your CPP benefit does not affect the amount of your TPP 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 please contact our office.

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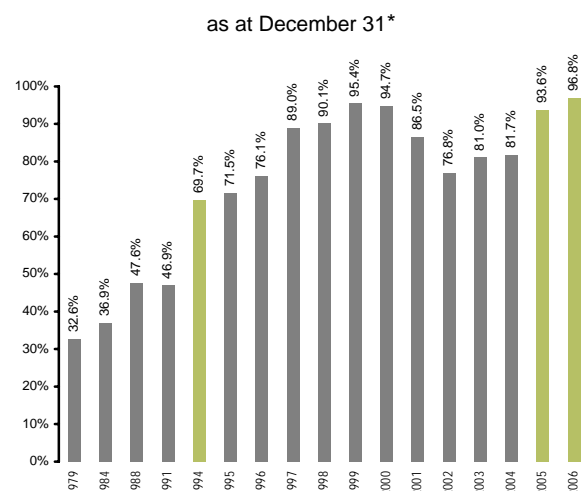
HISTORICAL FUNDING LEVELS OF THE PLAN

~ Keeping Our Pension Promise ~

The funding level of the Pension Plan has improved significantly since 1979. This was made possible by more active management of the fund's assets, which resulted in a higher return on investments, as well as certain measures taken by the Province and the Nova Scotia Teachers' Union to address the long term financial health of the Plan.

In 1994, the Province and the NSTU reached an agreement whereby teachers agreed to accept a reduced level of indexing. In return, the Province agreed to contribute money to the pension fund to match the value of what teachers gave up in benefits. As a result, the funding level of the Plan improved from 46.9% to 69.7% between 1991 and 1994. The funded position continued to improve until late 2000, when conditions in financial markets deteriorated. This resulted in the funding level declining from 94.7% in 2000 to 76.8% in 2002.

The funded position rebounded slightly over the next couple of years. Another positive development occurred in 2005, when the Province and the NSTU signed the 2005 Agreement to enter into joint trusteeship. As part of the agreement, indexing for future retirees will be based on the funding level of the Plan. In conjunction with a corresponding contribution by the Province to the pension fund, this resulted in the funding level improving from 81.7% in 2004 to 93.6% in 2005, and to 96.8% in 2006.



* Figures prior to 1999 are as at July 31