Summary of
Changes to the Public Service Superannuation Plan - 2010

General Details

What is happening to the Public Service Superannuation Plan?
Changes are being made to Nova Scotia's Public Service Superannuation Plan (PSSP) to improve its long term health and to protect basic pension benefits for all members. The changes, most of which are effective April 6, 2010, are designed to ensure the plan is approximately 100% funded at January 1, 2011.

Why are the changes necessary?
The PSSP has been underfunded for some time. This means the plan doesn't have enough assets to cover all of its long-term pension obligations.

Rising pension costs are related to three things: the structure of pension benefits, the fact that a larger number of employees are retiring or approaching retirement age, and the recent turmoil in financial markets that has affected the value of the plan's assets.

The PSSP must be properly funded to ensure that benefits are available for retirees. If these changes are not implemented, the plan's funding levels will continue to decline. The longer we wait, the more difficult it will be to correct this situation.

Who is making these changes?
The Minister of Finance is the trustee of the Public Service Superannuation Plan. The trustee must ensure the plan is well funded so that it can pay pension benefits to all plan members, at a cost that is affordable for the Nova Scotia taxpayer. The Public Service Superannuation Act will be revised to make these changes.

What are the major changes and when do they come into effect?
For all active and retired members of the pension plan, there will be a new system of pension indexing. Indexing, also known as the Cost of Living Allowance, will be tied to the health of the plan.

For new employees, a different pension package will be offered. Pension benefits for new employees will continue to be competitive with those offered by other public sector pension plans in Canada.

Is everyone in the pension plan affected?
Every member of the plan will be affected in some way, to ensure these necessary changes are fair to all plan members. No one group of plan members is treated preferentially.

Why not just have another contribution rate increase?
All current employees contribute to the PSSP through employee deductions, which are matched equally by the employer. Pension deductions take between approximately 8 and 11 per cent of each pay cheque, depending on salary level.

Contribution rates were increased in July 2009. To achieve the best long term result for the active members, retirees and employers, more than just contribution rate increases must be implemented.

How will this affect contributions from employees and employers?
This change will not affect current contribution rates for employees and employers. However, rates may be changed in the future.

How will this change affect the monthly pension payment a pensioner currently receives?
This amount will not change today and will increase beginning in 2011. Please see page 6 for details.

How does this affect retirement plans for employees?
Current employees have the same retirement choices today as they have had in recent years. The so-called Rule of 80 and survivor benefits remain the same. There is no reason for any active member to accelerate their retirement date because of the proposed changes.

Beginning on April 6th, 2010, the rules are different for new employees. They will be informed of their pension benefits upon arrival.

Are there any plans to change how the plan will be managed in the future?
The Minister of Finance, as trustee of the plan, is responsible for its oversight and management. Changes to the Public Service Superannuation Plan will enable the minister to appoint another trustee in future to manage the plan.

This will allow the plan to be jointly managed by plan members and the Province, to give employees a more direct voice into the management of the plan. This also shifts some of the liability of the plan to plan members.

A formal agreement leading to joint trusteeship is required. This will be negotiated between the current trustee and all categories of employees.

Plan statistics:

As of December 31, 2009:

Active Members and those on long-term disability	16,721
Inactive members and members who have deferred their pension	2,023
Pensioners and survivors of pensioners	12,064
Total Membership:	30,808

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About the "Rule of 80"

The Plan's "Rule of 80" states that a member may be eligible to retire and start receiving a retirement pension once they attain at least 50 years of age and once their age plus years of service is equal to at least 80.

The Rule of 80 does **not** change for employees who worked for the Province or a participating employer before April 6, 2010.

New employees of the Province of Nova Scotia or a participating employer **on or after April 6, 2010,** will <u>not</u> be eligible to retire per the Rule of 80. These new employees will be eligible to retire per the new Rule of 85.

<table>
<tr><th colspan="2">Retirement Eligibility</th></tr>
<tr><th>If you were an employee prior to April 6, 2010, these rules apply to you:</th><th>If you became an employee on or after April 6, 2010, these rules apply to you:</th></tr>
<tr><td>You may retire with an unreduced pension, if you qualify as below.
❖ Rule of 80 – Age equal to at least 50; and, age plus service equals at least 80
❖ Age 60 Rule – Age equal to at least 60; and, years of service equal to at least 2 years
❖ Attain 35 years of service

You may retire with a reduced pension, if you qualify as below.
❖ Age 55 Rule – Age equal to at least 55; and, years of service equal to at least 2 years</td><td>You may retire with an unreduced pension, if you qualify as below.
❖ Rule of 85 – Age equal to at least 55; and, age plus years of service must be at least 85
❖ Age 60 Rule – Age equal to at least 60; and, years of service equal to at least 2 years
❖ Attain 35 years of service

You may retire with a reduced pension, if you qualify as below.
❖ Age 55 Rule – Age equal to at least 55; and, years of service equal to at least 2 years</td></tr>
<tr><td colspan="2">A note about eligibility for an "unreduced pension":
❖ For employees who first commenced employment prior to April 6, 2010 – Unreduced pension refers to the date when the plan member satisfies either the Rule of 80 or the Age 60 Rule.
❖ For employees who first commenced employment on or after April 6, 2010 – Unreduced pension refers to the date when the plan member satisfies either the Rule of 85 or the Age 60 Rule.
❖ Unreduced pension does not mean the member is eligible for the maximum potential pension. In order to receive the maximum pension amount payable, a member must have attained 35 years of service.</td></tr>
</table>

Survivor Benefits

Survivor benefits have **not** changed for employees who were employed by the Province of Nova Scotia or a participating employer prior to April 6, 2010.

New employees who started work on or after April 6, 2010 will be eligible for a reduced level of survivor benefits.

Survivor Benefits		
	If you were an employee prior to April 6, 2010, the following survivor benefits apply.	**If you became an employee on or after April 6, 2010, the following survivor benefits apply.**
Surviving Spouse	❖ If the plan member dies in service, the surviving spouse is entitled to receive 100% of the pension benefit which the member would have been entitled for a period of 5 years – the same benefit that the plan member would have been entitled to receive if eligible for retirement. After the end of the 5-year guarantee period, a surviving spouse would receive 66⅔% of the pension benefit, payable for life. ❖ If the member dies within 5 years after retiring, the surviving spouse would receive 100% of the pension benefit payable to the member for whatever months or years are remaining in that 5-year period. After the end of the 5-year guarantee period, a surviving spouse would receive 66⅔% of the pension benefit, payable for life. ❖ If the member dies after the 5 years following retirement, the surviving spouse would be entitled to 66⅔% of the pension benefit the plan member was receiving, payable for life.	❖ Remains the same, except after the end of the 5-year guarantee period, a surviving spouse would receive 60% of the pension benefit, payable for life. ❖ Remains the same, except after the end of the 5-year guarantee period, a surviving spouse would receive 60% of the pension benefit, payable for life. ❖ If the member dies after the 5 years following retirement, the surviving spouse would be entitled to 60% of the pension benefit the plan member was receiving, payable for life.
Surviving Children	❖ Surviving children are eligible to receive 10% of the pension benefit up to 18 years of age (or 25 if in school). If there are more than 3 eligible children 33⅓% of the member's pension benefit is divided equally among them.	❖ Surviving children are eligible to receive 10% of the pension benefit up to 18 years of age (or 25 if in school). If there are more than 4 eligible children 40% of the member's pension benefit is divided equally among them.

	During the 5-year period, children's benefits are deducted from the 100% benefit paid to a surviving spouse. ❖ If there is no surviving spouse, eligible surviving children would be entitled to share the 66⅔% spousal benefit.	During the 5-year period, children's benefits are deducted from the 100% benefit paid to a surviving spouse. ❖ If there is no surviving spouse, eligible surviving children would be entitled to share the 60% spousal benefit.
Surviving Dependant	If there is no surviving spouse or children, but there is an eligible dependant, the dependant is entitled to receive the 66⅔% spousal benefit.	If there is no surviving spouse or children, but there is an eligible dependant, the dependant is entitled to receive the 60% spousal benefit.

Indexing of Public Service Pensions & Deferred Pensions

Effective April 6, 2010, indexing rules for the Public Service Superannuation Plan will change to a new method.

These changes apply to **ALL** pensioners, present and future; including those retirees already receiving a pension, active members near to retirement, and any and all future retirees.

Indexing of Public Service Pensions		
5-Year Cycle	**New Indexing Method**	**Applicable to**
January 1, 2011 January 1, 2012 January 1, 2013 January 1, 2014 January 1, 2015	Indexing has been set at 1.25% per year, for the 5-year cycle starting January 1, 2011 to December 31, 2015.	All Pensioners
January 1, 2016 January 1, 2017 January 1, 2018 January 1, 2019 January 1, 2020	Indexing for the 5-year cycle starting January 1, 2016 to December 31, 2020 is dependent on the funded ratio of the pension plan. Indexing for the 5 years starting Jan. 1, 2016 to Dec. 31, 2020, will depend upon the plan's funded ratio as of December 31, 2014. If the funded ratio of the plan is 100% - 110%, the Trustee may provide Indexing so long as the plan's funded ratio is not projected to fall below 100% at the end of the 5-year cycle. If the funded ratio of the Plan is above 110%, Indexing will be paid. A contribution rate decrease and other changes to the Plan may be implemented so long as the Plan's funded ratio is not projected to fall below 100% at the end of the 5-year cycle. If the funded ratio of the plan is less than 100%, indexing cannot be paid. Also the Trustee must implement a contribution rate increase and must consider any other necessary changes to the plan in order to bring the funded ratio of the plan to at least 100% (on a projected basis) within 10 years.	All Pensioners
January 1, 2021 and thereafter	This process will be replicated on a five year cycle.	

Deferred Pensions
Indexing rules are also changing for members who have terminated their employment, kept their accrued pension contributions in the plan, and deferred their pension benefit to some future point in time.

Currently, indexing is considered to be 'earned' while the deferred pension awaits activation or actual retirement, at some later date. This indexing is accrued and credited to the pension benefit, for the years the pension 'waited' in the deferral period.

Effective January 1, 2011, indexing will no longer be earned in the deferral period. The following chart **highlights** the impact of this change.

If you currently have a deferred public service pension or have terminated employment but not yet elected an option:

- You will retain any and all Indexing earned in the deferral period, up to January 1, 2011. This indexing will be included in your pension benefit when you ultimately retire.

- Effective January 1, 2011, your deferred pension will not earn or accrue any further Indexing.

If you terminate employment any time on or after January 1, 2011 and defer your public service pension: Your deferred pension will not earn or accrue any indexing.

Who can I talk to about these changes or my own pension situation?

If you are a pensioner, active member or inactive member of the plan and you have questions about your pension benefit or related questions about your PSSP pension arrangements, please contact the Nova Scotia Pension Agency at:

Phone:	424-5070 (in Halifax area)
Phone (toll free in NS):	1-800-774-5070
Mail:	Nova Scotia Pension Agency, PO Box 371, Halifax, NS B3J 2P8
Email:	pensionsinfo@gov.ns.ca
Website:	www.novascotiapension.ca

Any other comments and requests for other information should please be directed to the Minister of Finance in writing or by email at finamin@gov.ns.ca.

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