



**Reference No. 2005-07**

October 7, 2005

All Contact Persons at Contributing Member Organizations of the NSAHO Pension Plan

**Note: This communiqué contains information that requires you to take action.**

**Plan Amendment 2006-01--Increase in Contribution Rates, effective April 1, 2006**

The NSAHO Board of Directors recently approved Plan Amendment 2006-01 as a result of recommendations by the Pension Plan Trustees and the Plan's Actuary to increase contribution rates for both employee members and participating employers of the NSAHO Pension Plan, effective April 1, 2006. The current contribution rate levels have been in place since April, 2003.

**Why is it necessary to increase contribution rates?**

It is the responsibility of the Pension Plan Trustees to monitor the financial position of the Plan continuously. This monitoring is essential to ensure that there are adequate funds to meet the Plan's obligations to Plan members and their beneficiaries.

To maintain the tradition of sharing the cost of the pension benefit approximately 50/50 between plan members and their employers, prudent monitoring and decision making is imperative, given that

- Participating employers are responsible ultimately for any Pension Plan funding deficit that may occur (section 4.01 of the Pension Plan Text). This responsibility is heightened by continuous financial pressures that confront participating Employers.
- Contribution rates required from employee members must be reasonable in relation to the benefits promised by the Plan, and they must be seen to be reasonable relative to contribution rates paid by employees of other defined benefit pension plans that provide pension benefits similar to the NSAHO Pension Plan.

Determining the adequacy of current contribution rates involves a thorough process of analysis and deliberation:

- The Plan's external Actuary regularly calculates the cost of the pension benefit for each additional year of service earned by each of our Plan members, then compares those costs to the total contributions being paid by both members and participating employers.
- For several years, required contributions have been lower than the actual cost of benefits for new service. **Fortunately, favorable investment returns which created a surplus funding position in the past have allowed the Plan to absorb the deficiency caused by total required contributions being less than the current benefit costs.** Through this period, our Plan's required contribution rates have remained low relative to many other pension plans that promise benefits similar to ours--and they continue to retain that relative position even with this increase.
- Our Plan's investment policies are prudent – the Trustees seek to maximize investment returns given acceptable risk levels. To put it another way, investing involves a delicate balance—of course the Plan wants its invested assets to generate superior returns (after all, that would help to reduce the need for increases in required contributions) but it will not take chances with investments that exceed the Plan's risk tolerances.

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- The global investment community is predicting lower returns from financial markets over the next several years (compared to the returns we and other pension plans have been able to achieve in the past).

Therefore, after considering these factors, the Trustees recommended, and the NSAHO Board of Directors decided, that contribution rates must increase to maintain the Plan's financial soundness.

### **How will contribution rates change?**

The changes, to be **effective with pay periods commencing on April 1, 2006, (or the first date immediately after, as applicable)** are as follows:

Pensionable Earnings	Member Contribution Rates		Employer Contribution Rates	
	Current	New	Current	New
Up to and including \$42,100*	5.4%	<b>5.95%</b>	Match member rates (+ an additional .6% of pensionable payroll if employer participated in 94-98 ERIP)	<b>Match each member's new rates (+ an additional .6% of pensionable payroll if employer participated in 94-98 ERIP)</b>
Above \$42,100*	7.0%	<b>7.95%</b>	As above	<b>As above</b>

\* Assumes the Year's Maximum Pensionable Earnings of the Canada Pension Plan for 2006 will be \$42,100. We will confirm this as soon as it is announced.

### **What is the effective date for the new contribution rates?**

The new rates do not become effective until the pay period that commences on **April 1, 2006** (or the first date immediately after, as applicable). This communiqué will provide the necessary lead time for employers to implement the required changes to their Payroll/HR systems and to reflect the new rates in their budgets.

**Please note:** Because 2006 will involve two different sets of rates for that calendar year, we will be sending you a detailed memo early in January 2006 with guidance on the method you will follow for calculating 2006 contributions.

### **How will employee members be notified?**

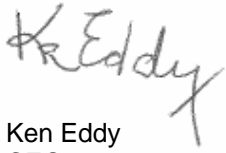
The Nova Scotia Pension Benefits Act requires that all members must be advised of any plan amendment that affects them. We have prepared the ***attached notice*** to assist you in achieving total compliance with this legal requirement. Please **circulate this notice by October 17, 2005** via your internal mail system, your internal E-mail, and/or post the notice on bulletin boards throughout your worksites. If you wish, we can send the notice to you as an Adobe PDF document so that you can include it as an E-mail attachment to your affected employees. Please tell us if you are interested in this option.

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Full details will be placed on the Plan's website, which can be accessed at [www.nsahopensionplan.ca](http://www.nsahopensionplan.ca). If your organization has a website, and if you have not already done so, we would appreciate it if you would create a link to our Plan's website.

If you have any questions about this communiqué, please contact Judy Paul, Director of Pension Client Services at 832-8518 (or 1-866-400-4400 Toll Free). Thank you.

Sincerely,

A handwritten signature in black ink that reads "Ken Eddy". The signature is written in a cursive, slightly slanted style.

Ken Eddy  
CEO

Attachment – Notice for employees who are Plan Members

Copies: CEO's of DHAs  
CEO's of non-designated Members  
Administrators/Site Managers



## IMPORTANT NOTICE TO MEMBERS OF THE NSAHO PENSION

### **Announcement of Plan Amendment 2006-01 -- Changes to Member and Employer Contribution Rates effective April 1, 2006**

The Pension Plan Trustees must constantly monitor the financial position of the Plan to ensure there are adequate funds to meet the Plan's obligations to you and your beneficiaries. Following a process of careful analysis and deliberation, the Trustees recently recommended, and the NSAHO Board of Directors approved, an increase in contribution rates for both Plan members and their employers. This was done through Plan Amendment 2006-01, which has been registered with and approved by the Superintendent of Pensions for Nova Scotia as required under the NS Pension Benefits Act.

#### **How will contribution rates change?**

Effective with **pay periods commencing on, or the first date after, April 1, 2006, (as applicable)**, member contribution rates will change as follows:

Annual Pensionable Earnings	Member Contribution Rates	
	Current	New Effective April 1/06
On the first \$42,100*	5.4%	5.95%
On any earnings above \$42,100	7.0%	7.95%

\* Assumes the Year's Maximum Pensionable Earnings of the Canada Pension Plan for 2006 will be \$42,100. We will confirm this as soon as it is announced.

Some examples of impacts on bi-weekly take home pay are shown in the table on Page 2.

Employers' contribution rates are also increasing, because employers match the contributions of their employees who are Plan members.

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The following table illustrates the impact on net pay at selected pensionable earnings levels:

Impact of increased contributions on BI-WEEKLY net pay at selected levels of pensionable earnings				
Annual Pensionable Earnings	Contributions January 1, 2006* At current rates	Contributions (effective Apr. 1/06*) At new rates	Decrease in Bi-Weekly Pay	
			Before Income Tax	After Income Tax (Assume a 40% marginal rate)
\$20,000	\$ 41.54	\$ 45.77	\$ 4.23	<b>\$2.54</b>
\$30,000	\$ 62.31	\$ 68.65	\$ 6.34	<b>\$3.80</b>
\$40,000	\$ 83.08	\$ 91.54	\$8.46	<b>\$5.08</b>
\$50,000	\$108.71	\$120.50	\$11.79	<b>\$7.08</b>
\$60,000	\$135.63	\$151.08	\$15.45	<b>\$9.27</b>

**\*Assumes the 2006 Year's Maximum Pensionable Earnings of the Canada Pension Plan is \$42,100. We will confirm this as soon as it is announced.**

**Why is it necessary to increase contribution rates?**

- For several years, required contributions have been lower than the actual cost of benefits for new service. **Fortunately, favorable investment returns which created a surplus funding position in the past have allowed the Plan to absorb the deficiency caused by total required contributions being less than the current benefit costs.** Through this period, our Plan's required contribution rates have remained low relative to many other pension plans that promise benefits similar to ours--and they continue to retain that relative position even with this increase.
- Our Plan's investment policies are prudent – the Trustees seek to maximize investment returns given acceptable risk levels. To put it another way, investing involves a delicate balance—of course the Plan wants its invested assets to generate superior returns (after all, that would help to reduce the need for increases in required contributions) but it will not take chances with investments that exceed the Plan's risk tolerances.
- The global investment community is predicting lower returns from financial markets over the next several years (compared to the returns we and other pension plans have been able to achieve in the past).
- The current contribution rates have been in place since April 2003.

If you have any questions, please contact your human resources or payroll department. You may also contact the NSAHO Pension Plan directly as follows:

- By writing to NSAHO Pension Plan, 2 Dartmouth Road, Bedford, NS B4A 2K7
- By telephone at (902) 832-8500 for local calls, 1-866-400-4400 – long distance (Toll Free)
- By fax at (902) 832-8506
- By E-mail to [pensionplan@nsaho.ns.ca](mailto:pensionplan@nsaho.ns.ca)