



PENSION ADMINISTRATION
BULLETIN

Reference No. 2005-08

Date: October 26, 2005

**To: Pension Plan Administration Contacts --
All Contributing Member Organizations**

**Subject: Follow-up -- Informing all employee members of new contribution
rates effective April 1, 2006 (Plan Amendment 2006-01)**

In our communiqué on the above subject dated October 7, 2005 (Reference No. 2005-07), we advised you of the requirement to inform all of your employees who are Plan members of this Plan Amendment. Advising members of plan amendments within prescribed time frames is legally necessary under the Pension Benefits Act regulations.

If you have not already done so, we request that you use the attached notice (copy was attached to original communiqué) to inform your Plan members of this Amendment. You may use one or all of the following methods of communication:

- Post this notice on staff bulletin boards
- Include a copy of the notice with members pay stubs, or through internal mail, or as an e-mail attachment. (we can provide the notice in other formats to meet your needs—just let us know what you require).
- We remind you that this information is also available on the Plan's website at:
www.nsahopensionplan.ca

Please note: If you are experiencing *any* logistical difficulties related to distributing this information on a timely basis, please contact us right away and we will look at ways to assist you. We appreciate your cooperation in helping the Plan to meet its legal compliance requirements in this matter.

Thank you.

NSAHO Pension Plan

Attachment



**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.

Continued on Page 2

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	\$2.54
\$30,000	\$ 62.31	\$ 68.65	\$ 6.34	\$3.80
\$40,000	\$ 83.08	\$ 91.54	\$8.46	\$5.08
\$50,000	\$108.71	\$120.50	\$11.79	\$7.08
\$60,000	\$135.63	\$151.08	\$15.45	\$9.27

***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

**NSAHO Pension Plan
October 7, 2005**