NOVA SCOTIA HEALTH EMPLOYEES' PENSION PLAN

Prescription for a Financially Healthy Retirement

An information booklet for members and potential members of the Nova Scotia Health Employees' Pension Plan (NSHEPP)

Pension Plan Registration No. NS0355925

This booklet was revised June 2013

Visit our website: www.nshepp.ca

What This Booklet *Does*

- It briefly explains the major features of the Nova Scotia Health Employees' Pension Plan (the Plan) as simply as possible. For your convenience, we have underlined words that are defined in the Glossary.

What This Booklet *Does Not Do*

- It does not provide retirement or financial counselling. For help in preparing a personalized retirement plan, you may wish to consult a retirement, financial, or tax specialist.

- **It does not create, convey, or confer any contractual or other rights.** *This booklet is a summary* of various provisions of the Plan as of June 2013. The benefits, rights and obligations of the Plan are governed solely by the official Plan text. The official Plan text may be amended from time to time. If there are discrepancies between this booklet and the official Plan text, the official Plan text will prevail.

What's Inside?

Plan Highlights

Eligibility	• ***Compulsory*** for full-time employees (as defined in the glossary). • ***Optional*** for part-time employees (as defined in the glossary) who meet the optional eligibility criteria. **(If you are uncertain about your eligibility, please contact your employer)**
Your required contributions	• **7.82%** of your pensionable earnings up to the YMPE (Year's Maximum Pensionable Earnings under the Canada Pension Plan - CPP), and • **10.18%** of your pensionable earnings above the YMPE.
Your employer's contributions	• Employers currently match your required contributions. They also contribute an additional amount of up to 1.40% of your pensionable earnings.
Amount of pension	• Your personalized Annual Statement that you receive by June each year includes estimates of your pension at future dates. Details of how your pension is calculated are described on pages 13 to 16. • You are entitled to a monthly pension payable for your lifetime. If you retire before age 65, you will also receive a monthly bridge benefit, payable until you reach age 65 or until death if earlier.

Retirement with an *unreduced* pension	Earliest of the following: • Age 65. • Age 60 or over, with 10 or more years of continuous service. • Age 55 or over when your age, added to your years of continuous service, equals or exceeds 85 (the Rule of 85). • If you have been an active member of the Plan since before January 1, 1999, when your age added to your years of continuous service, equals or exceeds 90 (the Rule of 90).
Retirement with a *reduced* pension	Earliest of the following: • Age 55. • Age 50, having 10 or more years of continuous service. • At any age when your age added to your years of continuous service equals or exceeds 80.
Cost-of-living adjustments (COLA) to pensioners	• Pensions, once in payment, are increased each January by the amount (if any) of the year-over-year increase in the Consumer Price Index (CPI) for Canada, to the prior September. Such CPI increases are guaranteed, up to a maximum of 3%. • Payment of any CPI increase above the 3% maximum is at the Trustees' discretion. • The increase for members who have been retired for less than 12 months is prorated.

Forms of pension payment	**Married or Common Law:** • If you have a spouse or a common law partner *at your date of retirement,* your pension is paid for your lifetime and guaranteed for 5 years, and 66⅔% (or 75% at your option - see page 17 for further details) of your lifetime pension continues to your spouse or common law partner after your death. **Single:** • If you do not have a spouse or a common law partner *at your date of retirement*, your pension is paid for your lifetime, and guaranteed for 5 years (or 10 years at your option – see page 18 for further details).
Benefits upon termination of employment	• If less than 24 months of Plan membership (i.e. **not** vested): A refund of ***your*** contributions, with interest. • If 24 months or more of Plan membership (i.e. vested): **Either** a deferred pension, **or** a transfer of the lump sum commuted value of that deferred pension to a Locked-In Retirement Account*. ***this transfer option is not available to you if you are eligible to receive an immediate pension at termination of employment, whether reduced or unreduced (usually after age 50 - see page 16 for further details)**

Benefits upon death

Pre-retirement death:

- The Plan pays survivor benefits if you die before retirement. The type of survivor benefits paid and who receives them, are based on the amount of your continuous service, and your marital status *at the time of your death.*

Post-retirement death:

- The Plan pays survivor benefits if you die after retirement. The type of survivor benefits paid, and who receives them, are based on:
  - (a) Your marital status *at the commencement of your retirement.*
  - (b) The option you chose at retirement.

In either case, benefits may be payable to dependent children, if any exist at the date of death.

More details are provided in the rest of this booklet for each of the preceding highlights.

JOINING THE PLAN

Full-time and Part-time Employees

In most cases you **must** become a member of the Pension Plan after 3 months as a full-time employee. Full-time employees also have the option of joining at any time during the first 3 months of employment. *For NSHEPP purposes, you are considered a full-time employee if you work **50% or more of regularly scheduled full-time hours on a regularly scheduled basis**.*

If you are *not* a full-time employee, as defined above, you have the ***option*** to join the Plan at any time provided you have:

- Completed 24 months of continuous employment, **and**
- **Either** worked 700 hours, **or** earned at least 35% of the Year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan (whichever is less) in each of the 2 calendar years preceding enrolment. (Note: YMPE for 2013 is $51,100).

Employees who are uncertain about their eligibility to participate in the Plan should contact their employer. Please note that whether you are a temporary or a permanent employee does not impact your eligibility.

Once you are enrolled in the Plan, you must continue to participate while you remain an employee – *even if your hours of work and earnings fall below initial enrolment criteria.* Your participation in the Plan ceases only when you terminate your employment, retire, or die.

Some Paperwork

Your employer has enrolment and beneficiary designation forms that you need to complete.

Working for More Than One NSHEPP Employer

If you work for more than one employer (*in a class of employees for which each employer maintains participation in NSHEPP*), then your eligibility for plan participation, and your actual participation in (and contributions to) the Plan will be based on your combined employment with **all** of those participating employers. You cannot receive more than one year of credited service in each calendar year from all such employers combined. Any excess contributions that may be deducted from your pay while you are in this work situation will be refunded to you.

The Plan includes most of the hospitals and nursing homes along with some other health-related organizations in Nova Scotia. Please check with your employer to confirm whether they are a participating employer in NSHEPP. There is a list of participating employers on our website at www.nshepp.ca.

You cannot receive a retirement or termination benefit until you have retired or terminated from *all* of your NSHEPP employers.

Newly Employed With Another NSHEPP Employer

- **Within 6 Months of leaving your previous NSHEPP employer**
  If you begin a new period of employment with a participating employer within 6 months of terminating from another participating employer, then you ***may*** have the option to rejoin the Plan right away, *regardless of whether you meet the normal requirements for joining the Plan*.

  In choosing this option, your prior pension credits are combined with pension credits from your new period of employment for determining early retirement eligibility and the amount of your earned pension. **To qualify for this option, you must NOT have withdrawn your monies from the Plan.**

- **More than 6 Months after leaving your previous NSHEPP employer**
  If you become re-employed after more than 6 months have elapsed since your date of termination from your previous participating employer, you will be considered a new employee for NSHEPP purposes (i.e. the normal requirements for joining the Plan apply).

WHILE YOU ARE AN ACTIVE MEMBER

Your Contributions to the Plan

While the amount that you contribute to the Plan is subject to change, your current annual contribution is:

7.82% times your pensionable earnings *up to* the YMPE
plus
10.18% times your pensionable earnings *above* the YMPE

Your contributions (subject to a limit under the Income Tax Act) are deducted each pay from your pre-tax pensionable earnings. As a result your taxable income is reduced; therefore, you benefit from an immediate tax reduction.

Your Employer Also Contributes to the Plan

Your employer currently matches your required contributions and also contributes an additional amount of up to 1.40% of your pensionable earnings.

How are Contributions Determined?

The contributions needed to fund the Plan benefits are set by the Trustees on the advice of external financial experts, subject in some situations to the consent of the Plan Sponsors.

Termination of Employment

The following benefits and options apply upon termination of employment:

If you have less than 2 years of Plan membership, you are not "vested". ***Note:*** *In some cases, Plan membership includes membership in a prior pension plan with your employer.*	You may choose **either**: • A cash refund of your contributions, with accumulated interest (minus Income Tax), **or** • A transfer of that amount to your RRSP.
If you have 2 or more years of Plan membership, you are "vested". ***Note:*** *You are also vested if at the time of termination, you are eligible for an immediate pension.*	You are entitled to: • Receive a deferred pension, **or** • Transfer the lump sum commuted value of your deferred pension to a Locked-In Retirement Account* – or to the pension plan of a new employer, if permitted by that plan. These transfers are subject to Income Tax Act limitations.

***Important Note*: If at the date of your termination of employment you are eligible to receive an immediate pension, either on a reduced or unreduced basis (usually after age 50—see page 16), the Plan does not permit you to transfer a lump sum out of the Plan, unless it is being transferred to another registered pension plan.**

Moving to an Employer that is *Not* in NSHEPP

When you leave NSHEPP, you ***may*** be able to transfer your pension monies to the pension plan of your new employer if their pension plan is willing to accept your funds.

In a limited number of situations this is through a reciprocal transfer agreement. A list of pension plans with whom a reciprocal transfer agreement is currently in place is located on our website at www.nshepp.ca.

Death *Before* Retirement

If you die before your retirement pension starts, a benefit will be paid to your spouse, dependent children, beneficiary, or estate, depending on your years of continuous service and your marital status at your date of death.

If you die before retirement with *less than 10 years of continuous service but more than 2 years of plan membership*	**Benefit payable:** • The lump sum commuted value of your pension benefit earned up to your date of death. **To whom the benefit is payable:** • Your spouse or your common law partner (as applicable). • If you do not have a spouse or a common law partner, the benefit will be paid to your named beneficiary, or to your estate if you have not named a beneficiary or if the named beneficiary is deceased.
If you die before retirement with *10 or more years of continuous service*	• Your spouse (or your common law partner, if applicable) will receive a lifetime pension equal to 66⅔% of the lifetime pension you earned up to your date of death. • Also, each eligible dependent child (to a maximum of 3) would receive 10% (20% if both parents are deceased) of your earned lifetime pension for as long as they satisfy the Plan's definition of dependent child. • If there are more than 3 dependent children, the maximum total payment of 30% (60% if both parents are deceased) for all dependent children would be divided equally among them. • If you do not have a spouse, or a common law partner, or eligible dependent children, the lump sum commuted value of the pension you earned up to your date of death will be paid to your named beneficiary, or to your estate if you have not named a beneficiary or if the named beneficiary is deceased.

Naming a Beneficiary

Some benefits *may* become payable from the Plan to a named beneficiary upon your death before or after retirement. Therefore, you are asked to name one or more people to receive such pension benefits when you enrol in the Plan. To change a beneficiary, you must complete the applicable Employee Change of Information form that is available from your employer.

You have the right to change your named beneficiary at any time, subject to any laws governing beneficiary designations. However, **please note:** under the Nova Scotia Pension Benefits Act, if you have a spouse or common law partner, *at the date of your pre-retirement death*, that person is entitled to the death benefit from the Plan. (This situation is handled differently for post-retirement death benefits – see IMPORTANT NOTES on page 24). Only a **formal** breakdown (involving a court order or separation agreement) can disentitle the spouse or common law partner.

In summary, if at the date of your pre-retirement death you are in a relationship with a person that satisfies the definition of spouse or common law partner, in most cases your spouse or common law partner, as the case may be, takes precedence over all other named beneficiaries.

In the event you do not name a beneficiary, or if your named beneficiary predeceases you, any amounts that were payable to a beneficiary will be paid instead to your estate.

Note: There are different rules applicable to naming a beneficiary for the Pension Plan than for your Group Life Insurance. Changing your Group Life Insurance beneficiary does not change your Pension Plan beneficiary.

What Happens if You Become Disabled?

If you are receiving monthly benefits from your employer's long-term disability (LTD) plan, in most cases:

- You remain a member of the Pension Plan for purposes of earning continuous service.
- Required contributions will be waived in respect of the period for which you are receiving LTD benefits and you do not have offsetting earnings.
- You will continue to earn credited service in the Plan during that period of disability, based on your regular schedule at your date of disability. If there is no regular schedule, the level of hours will be based on your level of hours worked in the calendar year preceding the commencement of the disability.
- Your pensionable earnings for Pension Plan purposes will be deemed to be the same as your pensionable earnings at your date of disability.

The accrual of benefits described above does not apply to Plan members who were not actively at work when their employer started participating in the Plan if this was after August 1, 2006.

What if You are Receiving Workers' Compensation Benefits?

If you are receiving Workers' Compensation Benefits and have not terminated your employment with your employer, *you may choose* to continue to contribute to the Plan. Both the employee's and employer's share are required:

- You are required to make your regular contributions.
- Your employer is also required to make their regular contributions, unless a collective agreement or other employment contract otherwise states how the total cost will be paid.

By paying contributions, you will continue to earn credited service during this period. This will be based on the pensionable earnings you were receiving immediately before your Workers' Compensation Benefits commenced.

Leaves of Absence Approved by the Employer

- **Approved Leave of Absence *With pay*:**
  Both you and your employer will continue to contribute to the Plan as if you were at work and you will continue to earn continuous service and credited service.

- **Approved Leave of Absence *Without pay*:**
  For purposes of granting continuous service under the Plan, an employer-approved leave of absence without pay shall not exceed 2 years in duration. If the leave exceeds 2 years, you will be terminated from the Plan.

  You have two options before the start of a leave of absence *without* pay:

Option 1 - Contribute during the leave period

- You may choose to contribute to the Plan during your unpaid leave of absence.
- For a maternity/parental leave, your employer is required to make their contributions (unless a collective agreement or other employment contract stipulates another cost sharing arrangement).
- For any other type of leave, you are required to pay both the employee and the employer's share (unless a collective agreement or other employment contract stipulates another cost sharing arrangement).
- By choosing to contribute, you will receive credited service based upon making contributions for deemed hours worked during the leave of absence period based on your regular schedule at the start of the leave. If there is no regular schedule, the deemed hours shall be in proportion to the number of hours worked in the calendar year preceding the commencement of the leave of absence.

Option 2 - Don't contribute during leave period

- You may choose **not** to contribute to the Plan during your unpaid leave.
- Your employer is **not** required to contribute on your behalf if you choose this option.
- You will **not** accrue credited service during this period of absence.
- Continuous service will not be granted for the period of the leave unless you return to employment:
  - For at least 3 months immediately following the leave of absence, and
  - Work the equivalent of 3 months of the average service for the calendar year prior to the commencement of the leave.

Deferred Salary Leave Plan

If you participate in a deferred salary leave plan sponsored by your employer, you may continue to contribute to the Plan and accrue service during your leave.

WHEN YOU RETIRE

How Much Pension Will You Receive?

Your personalized Annual Statement that you receive around June of each year includes estimates of your pension at future dates. The following provides a description of how your pension is calculated.

Your pension is based on a defined benefit formula tied to your annualized pensionable earnings and years of credited service as follows:

1. Annualized pensionable earnings
   multiplied by
2. Years of credited service in the Plan
   multiplied by
3. Applicable Benefit %
   divided by 12
   Equals your monthly pension.

What is a Base Year and how does it affect your pension benefit?

The Plan uses a "Base Year" to determine your annualized pensionable earnings for the earlier years of your plan membership. Your annualized pensionable earnings for years of Plan membership *before* the Base Year will be the same as your annualized pensionable earnings *in* the current Base Year.

Using the current Base Year earnings instead of your actual annualized pensionable earnings for your earlier years of Plan membership increases the amount of your pension. This happens because your annualized pensionable earnings in the current Base Year are usually higher than the annualized pensionable earnings you actually received during those years before the current Base Year.

(**Note:** the current Base Year is used unless an earlier Base Year produces a higher pension benefit for you.)

Base Year upgrades, when approved, apply only to active members and usually take effect on January 1. Effective February 11, 2013, the Base Year was upgraded from 2009 to 2010.

Base Year upgrades are usually considered each fall. If the Base Year is upgraded, an announcement will be made as soon as it is approved.

Please note: If you are considering termination or retirement late in the calendar year, you may wish to consider the impact that any Base Year upgrade could have on the amount of your benefit. In some cases there can be a substantial financial advantage if you delay your termination or retirement until after the new Base Year is effective.

Now let's look at the details:

For all accumulated credited service *prior to* December 31 of the Base Year (the Base Year is currently 2010)

1.4% of your Base Year's annualized pensionable earnings up to the YMPE for that year
plus
2% of your Base Year's annualized pensionable earnings in excess of the YMPE for that year
times
Years of credited service up to December 31 of the Base Year
(YMPE is $47,200 in the current Base Year)

PLUS

For credited service earned in each year *after* December 31 of the Base Year

1.4**%** of your annualized pensionable earnings up to the YMPE for that year
plus
2**%** of your annualized pensionable earnings in excess of the YMPE for that year
times
Credited service accrued in that year
(YMPE is $48,300 for 2011, $50,100 for 2012 and $51,100 for 2013)

Part-time employees, or employees on an unpaid leave of absence who chose not to contribute to the Plan during their leave, will receive a partial year of credited service that is prorated based on the percentage of a regular work year they were employed and contributed to the Plan.

Note: If your Base Year's annualized pensionable earnings are greater than the average of your highest 36 consecutive months of pensionable earnings, the latter will be used to determine your benefits for credited service up to the end of the Base Year.

Your Bridge Benefit if You Retire Before Age 65

If you retire anytime before age 65, you will receive a temporary bridge benefit that is paid in addition to your lifetime NSHEPP pension. It is called a "bridge benefit," because it "bridges" you from the date of your early retirement to age 65, which is the age at which you first become eligible for an *unreduced* pension from the Canada Pension Plan. If you die prior to age 65, your bridge benefit ceases and does not form part of survivor benefits payable after your death.

The bridge benefit is based on the following formula:

For all accumulated credited service *prior to* December 31 of the Base Year (the Base Year is currently 2010)

0.6% of your Base Year's annualized pensionable earnings up to the YMPE for that year
Times
Years of credited service up to December 31 of the Base Year
(YMPE is $47,200 in the current Base Year)

PLUS

For credited service accrued in each year *after* December 31 of the Base Year

0.6% of your annualized pensionable earnings up to the YMPE for that year
times
Credited service accrued in that year
(YMPE is $48,300 for 2011, $50,100 for 2012 and $51,100 for 2013)

Therefore, the bridge benefit, when combined with your lifetime pension, increases your total pre-65 pension to a full 2% of your pensionable earnings for each year of credited service.

Please note that the Income Tax Act sets limits on the maximum amount of pension that can be earned in the Plan each year.

Your Retirement Dates

You can retire and start receiving an *unreduced* pension at the earlier of:

1. Age 65 (the Plan's Normal Retirement Date).
2. Age 60 or over, with at least 10 years of continuous service.
3. Age 55 or over, if your age, when added to your years of continuous service, equals 85 or more (the Rule of 85) (for example, at age 55 with 30 years of service, or at age 57 with 28 years of service, etc.).
4. If you have been an active member of the Plan since before January 1, 1999, if your age, added to your years of continuous service, equals or exceeds 90 (the Rule of 90).

You can retire and commence receiving a *reduced* pension at the earlier of:

1. Age 50 or over, with at least 10 years of continuous service.
2. Age 55 or over, regardless of your years of continuous service.
3. The date on which your age, when added to your years of continuous service, equals 80 or more.

When you select a *reduced* pension, the amount of your earned pension is calculated up to the date your employment ends, but those benefits are *permanently reduced* by ½ of 1% for every month before the first date that you are eligible for an unreduced pension.

What Are Your Survivor Options at Retirement?

At the time of your application for retirement, you will be asked to choose a survivor option. The options available to you will depend on your marital status *on the date your retirement pension starts.*

In all cases, your lifetime pension continues for the rest of your life, whether you live 5 or 50 years after you retire. Upon your death, benefits may be payable to your spouse, beneficiary, dependent children, or estate, depending on the form of pension you were receiving.

Here are the forms of pension payable and your available options under the Plan:

If you have a spouse or a common law partner at retirement	**Normal Form of Pension** You will receive a lifetime pension, with a 60 month guarantee. After your death, your spouse or common law partner will first continue to receive your full lifetime pension for the balance of the 60-month guarantee period, if applicable. Then your spouse or common law partner will receive a lifetime pension equal to 66⅔% of the amount of your lifetime pension at the time of your death. **Optional Form of Pension** As an option, you may choose to have your spouse or common law partner receive, after your death, a lifetime pension equal to 75% of your lifetime pension, rather than the normal 66⅔%. If you select this option, a small reduction will be made to your lifetime monthly pension to reflect the higher value of the 75% option.

If you do not have a spouse or a common law partner at retirement	**Normal Form of Pension** In this situation, your marital status is considered by the Plan as "single." You will receive a lifetime pension, which is guaranteed for at least 60 months. This means that if you die before 60 monthly payments have been made by the Plan, your designated beneficiary will receive the remaining lifetime payments in the 60-month guarantee period. If you have not named a beneficiary, the lump sum commuted value of any payments remaining in the guarantee period will be paid instead to your estate. **Optional Form of Pension** You may choose a guarantee period of 120 months, rather than the normal guarantee period of 60 months. If you select this option, a small reduction will be made to your lifetime monthly pension to reflect the higher value of the longer guarantee period.

Important Things to Keep in Mind

- If you receive a monthly bridge benefit from the Plan, it ends at the *earlier of* the month you reach age 65, or your date of death.

- If you **are living with your spouse or a common law partner at the effective date of your retirement** and you later divorce or separate from this person, the spousal pension payable upon your death in retirement will still be paid to that individual, even if you remarry.

- If you **do not have a spouse at retirement**, but subsequently obtain one after retirement, the new spouse is not eligible for a spousal pension in the event of your death. However, the spouse will, if appointed as your named beneficiary, qualify for benefits as outlined above under "If you do not have a spouse or a common law partner at retirement."

- Monthly pension payments are paid by direct deposit, in Canadian funds, on the first of each month.

- **All** pension benefits paid from the Plan are classified by the Income Tax Act as ***taxable income in the hands of the recipient***.

Keeping Up with Inflation

To help protect the purchasing power of your pension, NSHEPP provides guaranteed cost-of-living adjustments (COLA).

- Each January 1st, the amount of your monthly pension and your bridge benefit will be adjusted by 100% of the increase in the previous year's cost of living, up to a maximum of 3% per year (prorated if you have been retired less than one year).
- To measure the year-over-year increase in the cost of living, we use the Consumer Price Index (CPI) figures for Canada as of each September 30th.
- If in any given year, the year-over-year increase in the CPI exceeds the 3% maximum covered by the Plan, the Trustees may grant further increases.

Returning to Work with an NSHEPP Employer *After* Your Retirement Pension Starts

If you decide to return to work after your retirement pension from NSHEPP has started, this may impact on your pension as follows:

- If you return to work with any employer who participates in the Plan, at a level of hours that attracts *compulsory* participation in the plan, you **must** join the Pension Plan after 3 months of service (but can join immediately at your option). (***Compulsory participation in the Plan is required when an employee works 50% or more of the regularly scheduled full-time hours on a regularly scheduled basis.)***
- As soon as you once again become a member of the Plan, your pension will cease immediately. Your pension entitlement will be recalculated and restarted when you choose to retire again. **Note:** The Income Tax Act does not allow you to earn further pension benefits after November in the calendar year in which you attain age 71.

In summary, the Plan allows you to work with a participating employer after you have retired and still receive your pension provided that:

1. The participating employer wants to employ you.
2. You do not participate further in the Plan.

MISCELLANEOUS

Seizure and Assignment of Your Pension Benefits

- If you become legally bankrupt, pension law states that your pension cannot be seized and given to your creditors.
- Your pension benefits may, however, be seized or attached to satisfy an order issued under the provisions of the Maintenance Enforcement Act.
- You cannot assign your rights to pension benefits to someone else except in the case of a breakdown of a marriage or common law relationship (see next section).

Breakdown of a Marriage or a Common Law Relationship

On the breakdown of a marriage or common law relationship in Nova Scotia, a Pension Plan member's <u>spouse</u> or <u>common law partner</u> (as the case may be) **may** be assigned up to one-half of the pension benefits earned by the member during the years of the applicable marriage or common law relationship. This share can only be paid to the ex-<u>spouse</u> or ex-<u>common law partner</u> at the time benefits are paid to the member (i.e. at retirement, death, or termination of employment). The direction to the Pension Plan to split the pension benefits must come from either a court order or a separation agreement. For further information on marriage or common law relationship breakdowns and your pension benefits, please contact staff of NSHEPP.

What is a Pension Adjustment (PA)?

If you contribute to a personal RRSP, you probably know that your annual RRSP contribution room is reduced by the value of the benefits earned each year in NSHEPP. This reduction is called a pension adjustment (PA). It was first introduced by Canada Revenue Agency (CRA) in 1990.

Employers are required to calculate and report the PA on your annual T4 slip. These reports are then used by CRA to calculate your RRSP contribution room for the following tax year.

Past Service Purchases

While you are an active member of the Plan you *may* be eligible to purchase service for certain periods of past service that had not been credited under the Plan. Purchasing periods of past service will increase the amount of your pension and, in some cases, may allow you to retire earlier.

The following types of service may currently be purchased:

1. Service (including any mandatory waiting period) under another pension plan if you no longer have benefits under that plan. You will be required to pay the full actuarial cost of this service. ***This purchase must be completed within one year of the date you join the Plan.***

2. Service with an employer that participates in NSHEPP for the period prior to their participation. You will be required to pay the full actuarial cost of this service. ***This purchase must be completed within one year of the date you join the Plan.***

3. Service that was credited under NSHEPP before an earlier termination of employment, if you were re-employed with an employer that participates in the Plan within five years of your earlier termination. You will be required to return all funds that were paid out, plus interest. ***This purchase must be completed within one year of the date you join the Plan.***

4. Approved leaves of absence, layoff and maternity and parental leaves. You will be required to pay the full actuarial cost of this service.

All purchases are subject to Income Tax Act limits that may result in other restrictions.

For further information, or to request a quote for the cost to purchase past service, please email us at: pastservicepurchases@nshepp.ca or call us at (902) 832-8500 or 1-866-400-4400 for long distance toll free.

Administration of the Pension Plan

Any notice or election to be given, made, or communicated must be made in writing in the form prescribed by the Plan administrator.

APPENDIX

Declaring a Spouse or a Common Law Partner

NSHEPP includes definitions of "spouse" and "common law partner" that reflect the definitions set out in the Nova Scotia Pension Benefits Act. The definitions from the Plan are outlined here and are accompanied by a 'plain language' explanation to assist you in understanding how the Plan definitions may apply to your individual situation.

Plan Text Definitions of Spouse and Common Law Partner

"Spouse" shall mean either of a man and woman who

(1) Are married to each other, or

(2) Are married to each other by a marriage that is voidable and has not been annulled by a declaration of nullity, or

(3) Have gone through a form of marriage with each other, in good faith, that is void and are cohabiting, or if they have ceased to cohabit, have cohabited within the twelve (12)-month period immediately preceding the date of entitlement.

Where applicable, spouse shall also include a "registered domestic partner" within the meaning of the Vital Statistics Act.

"Common Law Partner" of an individual means another individual who has cohabited with the individual in a conjugal relationship for a period of at least two years, neither of them being a spouse. For purposes of the Plan, an individual may have only one common law partner at any given time.

Notwithstanding these definitions, for all applications of the Income Tax Act, the definitions therein shall apply. Any right, benefit or privilege available to a spouse or common law partner under or incidental to this Plan is subject to the limits of applicable legislation in force at the relevant time.

EXPLANATION:

The Plan definition of spouse addresses 3 possible situations.

Item (1) in the definition of spouse applies where a couple is legally married and has not divorced. This is part of the definition that will apply to the vast majority of legally married individuals.

Items (2) and (3) in the definition of spouse address situations where a marriage ceremony has taken place but where there is some problem with the ceremony or with the capacity of the particular individuals involved to marry each other, which results in a marriage that may not be legally valid. These would be unusual situations and do not apply to most marriages.

The definition of spouse also includes individuals who have entered a "registered domestic partnership" under the Nova Scotia Vital Statistics Act.

There is a separate definition in the Plan for common law partners. These are individuals who have lived together in a conjugal relationship for at least 2 years.

It is important to understand that a person can have only one spouse or common law partner for the purpose of Plan benefits at any one time. *If you were legally married and never obtained a divorce or annulment, you cannot have a common law partner for the purpose of Plan benefits*. This applies if either you or the person who would otherwise be your common law partner under this definition has an existing marriage that has not been legally dissolved.

For example, if your current partner was married 10 years ago but separated 6 months later and has been cohabiting with you since then, he or she cannot be your common law partner under the Plan unless your current partner's marriage is legally ended through a divorce **before a benefit entitlement arises** (i.e. before you retire or before your pre-retirement death).

IMPORTANT NOTES:
To qualify for spousal or common law partner Plan benefits after you retire, the spouse or common law partner relationship must be in existence as of the date your retirement pension starts.

If you are living separate and apart from your spouse or common law partner *as of the date that your retirement pension starts*, you may elect to have your pension benefits determined as if you are single. Please contact the Plan administrator for more information if this applies to you.

This information is intended as a general explanation only. It is not intended as legal advice or a specific legal interpretation of a member's individual circumstances. This information is based on current requirements of Nova Scotia pension law. Those requirements are subject to change. Members should seek specific legal advice on their personal situations.

GLOSSARY OF TERMS

Many of the terms used in this booklet have precise meanings. Although we have summarized the important points below, note that the official Plan Text takes precedence over these definitions.

Annualized Pensionable Earnings

Essentially, this refers to your annualized* wages or salary and includes:

- Sick pay, vacation pay (when the pay is for vacation taken), acting pay, and temporary assignment pay, and
- One-time lump-sum cash bonuses provided as part of either a collective bargaining agreement settlement or negotiation or modification of any other employment contract with a group of members, provided all the members of the group are eligible to earn such a bonus.

Pensionable earnings **exclude** such types of additional compensation as:

- Stand-by pay, callback pay, premium pay for holidays and shifts, overtime pay, lump-sum payments in lieu of taking vacation, retirement allowance, and any individual bonus that you may receive from your employer.

- For members who work fewer than the full-time equivalent hours for their position, the Plan must "annualize" the actual pensionable earnings reported by the employer for those actual hours worked. The result is an expression of the pensionable earnings *as if* the member had worked all of the full-time equivalent hours for their position.

* For example,

- Employer reports that a member earns $15,000 in a year.
- Employer reports that the member worked only 1248 hours and full time hours for her position are 2080 (member worked 60% of this).
- Therefore, her annualized pensionable earnings are:
  $15,000 divided by 60% = $25,000
  (i.e. ***if*** she had worked all of the full-time equivalent hours for her position, she *would have earned* $25,000).

Applicable Benefit %

This is the percentage used in the benefit formula to calculate your pension benefits. It is applied to your annualized pensionable earnings. The applicable benefit % used for calculating your lifetime pension benefit and your bridge benefit are as follows:

***Lifetime pension*:**
1.4% on annualized pensionable earnings up to the YMPE; **plus** 2% on annualized pensionable earnings that exceed the YMPE.

***Bridge benefit*:**
0.6% on annualized pensionable earnings up to the YMPE.

Base Year

The Plan deems that your annualized pensionable earnings for all years before the current Base Year are equal to your annualized pensionable earnings in the current Base Year (unless the use of an earlier Base Year produces a higher pension benefit for you).

The current Base Year is 2010. Future Base Year upgrades are subject to the recommendation of the Trustees and in some situations, the consent of the Plan Sponsors.

Common Law Partner

See Appendix.

Commuted Value

This is the lump-sum present value of your future pension benefits.

Continuous Service

This is the service that establishes ***when*** you are eligible to start receiving a pension. It represents your most recent period of continuous employment that is uninterrupted by a termination of employment.

Credited Service

This is the service that is included in the defined benefit pension formula used to calculate ***how much*** your pension benefit will be.
Credited Service includes:

- Periods of membership in the Plan for which you contributed to the Plan as required.
- Periods of disability and other workplace absences as described on pages 11 and 12.
- Periods of service purchased as a Past Service Purchase or resulting from a transfer into the Plan from another pension plan.

For years of reduced service where you worked and contributed on fewer than the full-time equivalent hours for your position, you will receive a partial year of credited service.

Deferred Pension

A deferred pension is one that starts at a future date.

Dependent Child

A dependent child is a natural or adopted child who, at the time of your death, is:

- Under age 18, or
- Over age 18 but under age 23 and a full-time student.

Pension payments made to a dependent child continue until *the earlier of:*

- The end of the month in which the child no longer meets the above definition of dependent child.
- The end of the month in which the death of the dependent child occurs.

Full-time Employee

For Plan purposes, an employee *employed by one or more of the employers participating in NSHEPP* who, **in total**, works 50% or more of regularly scheduled full-time hours on a regularly scheduled basis. Such employees are subject to the Plan's criteria for *compulsory* enrolment.

Locked In Retirement Account (LIRA)

- This is a Registered Retirement Savings Plan (RRSP) or other prescribed investment vehicle to which you can make an eligible transfer of your lump sum commuted value upon termination of employment.
- The transferred benefits are *locked-in*, which means that you cannot withdraw any monies until the earliest date permitted by any of the pension plans from which the funds were transferred.

- Once eligible to receive funds from the LIRA, the payments must be in the form prescribed by the Nova Scotia Pension Benefits Act.

Marital Status

Your formal declaration as to whether you are single, or have a spouse, or have a common law partner, as of a specific date (e.g., your retirement date).

In the case of the pre-retirement death of a member, pension law in Nova Scotia requires that benefits be paid in accordance with the member's marital status *as of the date of death.* Payment of post-retirement death benefits is based on the pensioner's marital status *on the first day of retirement.*

Part-time Employee

For Plan purposes, a part-time employee is an employee who does not meet the Plan's definition of a full-time employee. Such employees are subject to the Plan's criteria for *optional* enrolment.

Pensionable Earnings

See Annualized Pensionable Earnings

Plan Sponsors

Plan Sponsors means the Health Association Nova Scotia (HANS) and the major unions that represent Plan members (CAW, CUPE, NSGEU and NSNU).

Spouse

See Appendix.

Trustees

Trustees are eight individuals appointed by the Plan Sponsors to administer the Plan.

YMPE

The Year's Maximum Pensionable Earnings (YMPE) is established by the Canada Pension Plan (CPP). It is the maximum salary level used to determine employer and employee contributions to the CPP. The federal government revises this amount every year, according to the increase in the Average Industrial Wage Index in Canada.

The Plan uses the YMPE for two purposes:

(1) To establish the amount of the contributions required by the Plan that will be deducted from your pay and remitted to the Plan. Your contributions are calculated in two steps:
- First, at one rate (7.82%) on your pensionable earnings *up to* the YMPE.
- Second, at a higher rate (10.18%) on your pensionable earnings *above* the YMPE, if any.

(see "Your Contributions to the Plan" on page 7.)

(2) To calculate the amount of your lifetime pension benefit. Your lifetime pension benefit is also calculated in two steps:
- First, at one rate (1.4%) on your pensionable earnings *up to* the YMPE.
- Second, at a higher rate (2.0%) on your pensionable earnings *above* the YMPE, if any.

(see "How Much Pension Will You Receive?" on page 13)

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NOVA SCOTIA HEALTH EMPLOYEES' PENSION PLAN

2 Dartmouth Road, Bedford, NS, B4A 2K7
Tel: (902) 832-8500 (Local) or 1-866-400-4400 (toll free)
Fax: (902) 832-8506
E-mail: pensionplan@nshepp.ca

Visit our website at: www.nshepp.ca