



Strength Today.  
Growth for Tomorrow.

Summer 2007

# NOVA SCOTIA PUBLIC SERVICE SUPERANNUATION PLAN Serving our Retired Members

## PENSION NEWS

### PLEASE READ THIS FIRST:

Pension News is sent to you for your information only. You are not required to respond to any of the articles or information in this newsletter. You only need to contact us if you have questions or comments about your pension benefit that you would like to discuss with us. You will receive this newsletter twice annually – once in the summer and once in the winter. We hope it fulfils its purpose and provides you with some useful information you may not otherwise be aware of.

### REMINDER— WE’VE MOVED

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### OUR NEW WEBSITE—COMING SOON!

[NOVASCOTIAPENSION.CA](http://NOVASCOTIAPENSION.CA)

Watch for the launch of our new website. Our goal of providing you with the best service possible will be reflected in improved navigation, content, and reader-friendly language.

In the Public Service Superannuation Plan section of the site, you will find information on a number of topics including:

- Cost of living adjustment (COLA)
- Frequently asked questions
- Web links for pensioners
- Forms for pensioners

You may also download publications such as this issue or past issues of Pension News, as well as our Annual Report, Actuarial Valuation and the pension plan's Financial Statements.

The screenshot shows the NSPA website interface. At the top left is the NSPA logo. To the right is the tagline "protecting your pension". Below this is a navigation bar with tabs for "Teachers' Plan", "Public Service Plan", "MLA Plan", "Sydney Steel Plan", "News Releases", and "About NSPA". A "Home" link is also present. The main content area features a "Quick Links" section with items like "Business Plan 2007-2008", "Contribution Rate Increase under the Public Service Plan", and "We've Moved!". A featured article titled "A matter of trust" discusses the importance of pension and the role of the Government of Nova Scotia. A photo of an elderly couple is shown on the right side of the article.

Please See Reverse

## 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 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 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](http://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 public service pension reduced at age 65?*" The bottom line is that the reduction comes when the bridge portion of your Public Service Pension (PSS) 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 PSS 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". This is the maximum salary that is pensionable under the Canada Pension Plan ("CPP"). 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 PSS bridge benefit ceases, resulting in a reduction of your monthly PSS benefit.** Note that the date you choose to begin receiving your CPP benefit does not affect the amount of your PSS 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 you may contact our office.

### **PENSION BENEFIT REDUCTION AT AGE 65— DOES IT AFFECT SURVIVORS' BENEFITS?**

As explained in the previous article, the bridge benefit portion of your Public Service Pension ceases at age 65 which may result in a drop in your overall pension income. If you were to die, the following points would be applicable to your survivors who are receiving a survivor's pension from the Public Service Superannuation Plan:

- ◆ If you die before reaching age 65, but within the 5-year guarantee period, your spouse will receive the same pension you would have received until the end of the 5-year guarantee period;
- ◆ If you would have turned 65 during this period, your spouse's pension will be reduced at the same time, and by the same amount as your pension would have been reduced.
- ◆ If the 5-year guarantee period ends prior to when you would have turned 65, your spouse's pension will also be reduced on the date you would have turned 65, in the same manner that your pension would have been reduced.

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#### **Nova Scotia Pension Agency**

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