

*Serving the needs of Plan members.*

Winter 2009-10

### Nova Scotia Teachers' Pension Regulations Amended: Maximum Age to Contribute

The Teachers' Pension Plan Regulations have been amended to permit a teacher to contribute to the Teachers' Pension Plan to a maximum of 35 years of service or until the end of the calendar year in which they attain the maximum age under the Income Tax Act (ITA), which ever comes first. The maximum age under ITA is age 71. This replaces the old rule under which the maximum age was 69. ■

### Pension Income Splitting - Good News for Retirees

The Federal Government of Canada has passed legislation regarding the splitting of pension income between spouses. This allows 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. With this legislation, 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 will not be split by the Nova Scotia Pension Agency; rather, when the retiree and his/her spouse complete their income tax returns. Please note, this legislation was implemented by the Federal Government of Canada and is therefore the responsibility of that body of government.

**The Plan administrator 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 financial advisor.** For information please contact your financial advisor, or Canada Revenue Agency at 1-800-959-8281. Or, visit the Canada Revenue Agency website at <http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/pnsn-splt/menu-eng.html>. ■

### A Message from your Teachers' Pension Plan Trustee

We recently published the September 30th Quarterly Investment Snapshot for the Plan ([www.novascotiapension.ca](http://www.novascotiapension.ca), click Teachers' Plan, Investment Reports). The snapshot provides good insight into the volatile and challenging year that 2009 has become.

Most major markets hit their low point in late March. Since that time equity and bond markets have rallied. Your Plan has achieved positive investment returns in each month from April through September. Through the nine months ended September 30th, the Plan had a 12.6% return on investments.

Financial markets continue to demonstrate high levels of volatility. There have been very significant swings in commodity prices, currency exchange rates and share prices on a weekly and monthly basis. Ultimately, this has been due to high levels of uncertainty across the markets. Perhaps the most significant questions are: what will be the strength of the expected economic recovery and what critical factors will drive the recovery?

It's within this challenging context of uncertainty that the Trustee needs to prudently manage the Plan's investment portfolio. The Trustee has not changed its conservative investment principles and has not altered the Plan's long term asset mix. The Plan's pension obligations continue to be supported by a well-diversified portfolio of high quality equities, bonds and real estate. The Trustee is actively analyzing new investment ideas, but we will not make any long term changes until there is greater certainty across the financial markets. ■

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## Facts & Statistics

The following facts and statistics were published in the 2008 Actuarial Valuation Report of the Plan:

- The total membership of the Plan was 29,785. This includes:
  - 13,742 active teachers;
  - 11,089 pensioners and survivors;
  - 4,954 inactive teachers.
- The average age of an active teacher for 2008 was 42.1; for 2007 it was 42.2.
- In 2008, the average age of a retired teacher was 67.7, and 67.4

in 2007.

- In 2008, 402 pensions were initiated for new pensioners; 311 in 2007.

The Financial Statements of the Plan report the following:

- The total annual pension payroll at Dec. 31, 2008 was \$315.0 million, compared to \$305.4 million at Dec. 31, 2007.

**Please note:** Facts & statistics for 2009 will be published in the Plan's Financial Statements in the spring of 2010. ■

### Don't Forget to Contact Your Employer & NSPA

If . . .

- your address has changed;
- your name has changed;
- your marital status has changed.

By contacting your employer as well as NSPA, we will be sure to receive your most recent status through the payroll data employers provide us bi-weekly. ■

## Your Pension Plan & You

### Membership\*

Under the criteria currently set out in the Teachers' Pension Plan, teachers who are employed in the public school system and/or community college system in Nova Scotia are required, as a condition of employment, to be members of the Teachers' Pension Plan and to make contributions.

### Pension Eligibility\*

You are eligible for a retirement pension if you have stopped working as a teacher and if you meet one of the age and service requirements listed below.

- At least 35 years of service, no age requirement;
- Age 50 and 30 years of service (this is a reduced pension);
- Age 55 and age plus years of service equals at least 85;
- Age 60 and at least 10 years of service;
- Age 65 and at least 2 years of service.

If you qualify for a reduced pension at age 55, there are three separate rules:

- Age 55 and at least 2 years of service but less than 10 ;
- Age 55 and at least 10 years of service but less than 20;
- Age 55 and at least 20 years of service.

If you are under age 65 when you retire, the pension you receive will include your lifetime pension plus a bridge pension. This bridge pension will cease when you reach age 65. For more information regarding this, please contact the NSPA.

### Pension Calculation Formula\*

The following is an example of how a Teacher's pension is calculated and what then happens at age 65 when your Canada Pension Plan (CPP) benefit would normally become payable to you. For this example, John is retiring at age 58 with 32 years of pensionable service. His highest average salary (HAS) is \$55,000. His highest average CPP Salary (YMPE) is \$40,000.

$$2.0\% \times \text{Highest Average Salary (HAS)} \times \text{Pensionable Service} = \$35,200$$

\$55,000
32.000 years

**John's annual pension at age 58:**

$$\begin{aligned}
 &\$35,200 \quad 1.3\% \text{ Lifetime Benefit} \\
 &\quad \quad \quad + 0.7\% \text{ Bridge Benefit} \\
 &= 2.0\% \text{ Total Benefit}
 \end{aligned}$$

*Bridge Benefit Removed, upon Pension Integration with Canada Pension Plan:*

$$0.7\% \times \text{Average Year's Maximum Pensionable Earnings (YMPE)} \times \text{Pensionable Service} = \$8,960$$

\$40,000
32.000 years

**John's annual pension at age 65:**

$$\$35,200 - \$8,960 = \$26,240^{**}$$

\*\* CPP benefit would be in addition to this. ■

\* The foregoing is premised on the rules and criteria which currently exist under the Teachers' Pension Plan and which are subject to amendment from time to time.