

January 2012 Pension Increase

An important benefit of your Plan is that pensions are indexed. Pensions are subject to increase each January. The increase for January 2012 will be 3%. Members who received their pension for the full 12 months in 2011 receive this increase. Those who started their pension part way through 2011, receive a partial increase.



Your annual pension increase is based on the change in the Canadian Consumer Price Index. The index is measured each September. The pension increase is normally subject to a 3% maximum.

Different pension plans may measure changes in the Consumer Price Index in different ways. This can cause year to year differences between pension plans in the amount of pension increase that is granted. A comparison of how increases from several major public sector pension plans have compared over the last five years is at www.nsahopensionplan.ca (click on "I'M A PENSIONER" and scroll down).

Perspective

Calvin Jordan

CEO of the NSAHO Pension Plan

So far, 2011 has been difficult for pension plans. Stock market returns to late November have been volatile and generally negative. At the same time, liabilities have increased as a result of changes in expectations for future investment returns and inflation rates.

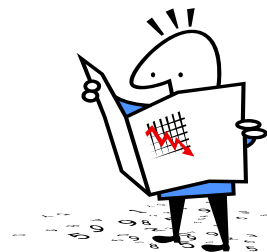
The NSAHO Pension Plan began 2011 in a stronger financial position than most Canadian pension plans. For this reason, these challenges are not especially serious for us.

This year is reminding me of how happy I am to be a member of the NSAHO Pension Plan.

Most retirees who worked in the private sector don't belong to a pension plan like ours. Usually if they have any retirement program at all, it is limited to what they have in RRIF's and LIF's. In these types of programs, retirees decide how their money is invested. Their retirement depends on what their investment returns are. And for much of the last decade, their investments have, unfortunately, not been performing well.

In fact, RRIF and LIF participants have done even worse than they may realize. At the same time that their investments have been struggling, their investment future has been getting even more uncertain. This is a result of declining long term interest rates, increasing life expectancy and hints that inflation may be edging higher in the future.

For people who rely solely on RRIF's and LIF's, this is all bad news.



Compare the above situation to the NSAHO Pension Plan. Occasional losses in the investment markets have not reduced members' benefits. Active members have been able to plan confidently for retirement. Current retirees receive monthly incomes without interruption along with inflation adjustments each January.

How Does Your Pension Measure Up?

Each September your Trustees monitor the competitiveness of your pension plan compared to four “benchmark” pension plans. This year we again rank very well.



Over the past year, the biggest change has been that the value of our benefits has increased to 112.7% of the median benchmark plan, up from 107.4% last year. This is a result of an increase in expected future inflation rates. This increases the relative value of our benefits because our pension plan has stronger post-retirement inflation protection than any of the benchmark plans.

The ranking of our contributions has also improved over the past year. Both the Manitoba and Saskatchewan health-care pension plans have increased total contributions by about 1%. These increases are understandable given the severity of 2008’s market declines. Thankfully, similar increases were not necessary for the NSAHO Pension Plan over the past year. This is in large part because of our outstanding investment results over the past several years.

Measuring our competitiveness requires a comparison of several important areas. There can be differences in the lifetime pension amount, the bridge benefit, how early you can retire and inflation protection. Any fair comparison must reflect all of these differences and contributions too.

Our results are set out in the following table. To simplify this table, we have only included contributions below the Canada Pension Plan earnings threshold.

Pension Plan	Value compared to NSAHO pension	“Earnings” used to calculate pension (with a few exceptions to simplify table)	Annual increases to retirees’ pensions	Contributions (% of earnings)	
				Member	Employer
NSAHO Pension Plan	100% (112.7% of median)	From Base Year (currently 2009)	Price Inflation up to 3%	7.0666	8.4961
Nova Scotia Provincial	89.7%	Average over best 5 years	Indexing on current benefits is not guaranteed	8.4	8.4
Ontario Health Care	92.5%			6.9	8.694
Manitoba Health Care	86.5%			6.8	7.8
Sask’wan Health Care	87.6%			7.7	8.624
Median of comparison plans	88.7%			7.3	8.512

Note: The values in this table are based on “best estimate” actuarial assumptions as of August 2011. This includes the assumption that ad-hoc improvements (e.g. base year upgrades) that have regularly been made in the past will continue to be made in the future. The value for the NS Provincial Plan is an average of the value for a member employed before (95.5%) and after (84.0%) April 6, 2010. The inflation indexing for the NS Provincial Plan was recently changed to “ad-hoc”, and as this new design doesn’t yet have any history, we have assumed that their future indexing will be 50% of inflation. All values are based on a current year of service for a 40- year-old member with 10 years of service and annual earnings of \$45,000.

You will see that our benefits are better than all of the four benchmark pension plans (112.7% of median).

You will note that the above table only compares provincially sponsored pension plans. All of these are very good pension plans compared to what most Canadians participate in. Only about 17% of the private sector participates in a defined benefit pension plan.



Annual Summary

In March 2012 we will publish our annual summary of key activities of the NSAHO Pension Plan Trustees and staff.

This summary and other plan documents can be found in the “Publications” section of www.nsahopensionplan.ca.

If you would like to receive a copy of the annual summary by mail, you can telephone us. Our number is at the bottom of the reverse side of this newsletter.