Public Service Superannuation Plan Guide

Nova Scotia Pension Agency
Pension Services Division

Nova Scotia Pension Agency
Pension Services Division
PO Box 371
1723 Hollis Street, 4th Floor
Halifax, Nova Scotia   B3J 2P8

Phone (Halifax area)   424-5070
Phone (Toll free in NS)   1-800-774-5070

Fax 902-424-0662

E-mail   PensionsInfo@gov.ns.ca

Web Site   www.gov.ns.ca/finance/pension

This document explains in non-technical language the rules of the Nova Scotia Public Service Superannuation Plan. Plan members, beneficiaries and others who wish to determine their legal rights and obligations under this plan should refer to the governing legislation, regulations or other legal documents as appropriate. In the event of a discrepancy between the information provided in this document and the legislation and/or legal documents, the latter takes precedence.

June 2006

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About Your Pension

The Public Service Superannuation Fund was established 1941 by the *Public Service Superannuation Act*. It is the funding vehicle for the Public Service Superannuation Plan, which covers employees of the Province and certain other public sector organizations.

This document provides an overview of the Public Service Superannuation Plan (PSSP) and answers many frequently asked questions about the pension plan. The purpose of this document is to present the plan in non-technical language, and therefore some of the technical information has been simplified and generalized. For definitive legal interpretations, please refer to the *Public Service Superannuation Act* and the Regulations made under the Act. Copies are available from the Pension Services Group or on our website at: www.gov.ns.ca/finance/pension.

This document is intended as an overview of the pension plan. For more personal pension information, please contact one of our Client Services Consultants.

Communicating With You

Personalized Client Services

Our team of Client Services Consultants is available from 8:00a.m. to 4:30p.m., Monday through Friday by calling 424-5070 in the Halifax area, 1-800-774-5070 (toll free in NS) or by e-mailing PensionsInfo@gov.ns.ca.

Our Web Site

Our web site www.gov.ns.ca/finance/pension contains information on plan provisions, plan text, financial statements, actuarial valuations, frequently asked questions and more.

Online Pension Benefit Calculators

Online pension benefit calculators are available on our web site, which enable clients to calculate an estimate of the pension benefit they will receive upon retiring. A link to the calculators may be found on our web site at: www.gov.ns.ca/finance/pension, click on Online Calculators under Tools.

Your estimated pension at retirement is based on the assumption that you will qualify for an unreduced pension. Therefore, if you enter an expected date of retirement that is earlier than the date at which you will first qualify for an unreduced pension, the estimate will be overstated. For the earliest date at which you will qualify for an unreduced pension, please refer to your most recent annual statement.

Please note the estimates provided by these calculators are for illustrative purposes only. If you are within 2 years of retirement you should contact the Pension Services Division of the Nova Scotia Pension Agency for a more accurate pension estimate.

Pension Seminars & Information Sessions

The Public Service Commission conducts pre-retirement seminars with support from the Pension Services Group. **For information on seminar dates, please see the Public Service Commission website** at http://LearnNet.gov.ns.ca. Enter your username and password (obtain from PSC). Click: Course/Registration, Public Service Commission, Personal Development Wellness, & Pre-retirement Planning. Alternatively, you may contact your Human Resource representative.

During Your Public Service Career

Membership

Most people who are employed in the public service of the Province of Nova Scotia are members of the Public Service Superannuation Plan (PSSP). This includes permanent employees, probationary employees, employees who are designated by Order-in-Council, term civil servants and contract employees, if the contract specifies pension plan membership.

Not all employees are included. Exceptions are part-time/casual employees (except as noted below), temporary employees (casuals), employees who are excluded by Order-in-Council, and employees who are under the age of 18.

Purchasing Prior Service

Purchases of prior service are allowed under the Public Service Superannuation Act and Regulations, but are subject to the rules of the Canada Revenue Agency (CRA).

You may be eligible to purchase a leave of absence by paying the amount equal to the contributions, accumulated with interest, that you would have made to the fund had you been a member during the period or periods in question. The cost to purchase prior service previously refunded is calculated based on the actual refunded amount plus accrued interest to the date of application. If service is recognized under the pension plan as a purchasable item, payment may be made by either a personal cheque (made out to the Minister of Finance) or a transfer of funds from an RRSP. The CRA places certain restrictions on how this can be done. For further information regarding the purchase of prior service and eligibility, please contact the Nova Scotia Pension Agency.

Reciprocal Transfers To or From Another Pension Plan

The Public Service Superannuation Plan (PSSP) has reciprocal transfer agreements with the pension plans of certain other public authorities. If you had service with one of these public authorities, you may be able to transfer your service from that plan to the PSSP. Currently, the PSSP is party to the following agreements:

Federal Agreement

Participating Authority:
Government of Canada

National Public Service Pension Transfer Agreement

Participating Authorities:
Province of Manitoba
Province of New Brunswick
Province of Newfoundland and Labrador
Province of Prince Edward Island
Province of Quebec

NS Public Authorities (Defined Benefit Plans) Agreement

Participating Authorities:
Town of Amherst
Cape Breton Regional Municipality
Municipality of the County of Colchester
Council of Maritime Premiers
Municipality of the District of East Hants
Halifax Regional Municipality
Municipality of the District of Lunenburg
Town of New Glasgow
Nova Scotia Association of Health Organizations
Municipality of the County of Richmond
Sherbrooke Restoration Commission
Town of Truro
Town of Yarmouth

NS Public Authorities (Defined Contribution Plans) Agreement
Participating Authorities:
Municipality of the County of Annapolis
Cape Breton Regional Municipality
Municipality of the County Cumberland
Municipality of the County of Kings
Municipality of Pictou County
Union of Nova Scotia Municipalities
Municipality of the County of Victoria

Nova Scotia/Dalhousie University Agreement
Participating Authority:
Dalhousie University

Nova Scotia/University College of Cape Breton Agreement
Participating Authority:
University College of Cape Breton

Child Welfare Agreement
Participating Authority:
The Association of Child Welfare Agencies of Nova Scotia

Contributing to the Plan

There are two rates of contribution: the lower rate, 6.4%, is payable on earnings up to and including the Year's Maximum Pensionable Earnings (YMPE), and the higher rate, 8.0%, is payable on earnings in excess of the YMPE. The YMPE is a figure established by the Canada Pension Plan on January 1 of each year. The following is an example of the calculation.

Example:
The YMPE for 2006 is $42,100. If you earn $50,000 in 2006, your contributions to the Public Service Superannuation Plan would be $3,326.40, calculated as follows:

6.4% X $42,100 =	$2,694.40
8.0% X ($50,000 - $42,100) =	+ 632.00
	$3,326.40

Pension contributions cease to be deducted at the earlier of :
- The member accruing 35 years of pensionable service; or
- The member reaching sixty-nine years of age.

Pensionable Service

Your total pensionable service is made up of all the time for which you have made contributions to the PSSP, plus purchases and transfers. Only the actual number of years and months of service shall be calculated as service. The maximum service credited for pension purposes is 35 years.

Note that if you worked part-time, your pensionable service will be pro-rated based on the percentage of full-time that you actually worked.

Vesting

To be eligible for a pension under the plan, you must be vested. You are vested if one of the following is true:

- You have at least two years of service, at least some of which was on or after January 1, 1988;
- You have at least five years of service, at least some of which was on or after April 1, 1986 (if no service on or after January 1, 1988);
- You have at least ten years of service (if no service on or after April 1, 1986).

Marriage Breakdown

The request for a division of pension benefits due to marriage breakdown must be accompanied by a court order from the Supreme Court. Under Section 27 of the Public Service Superannuation Act, upon marriage breakdown, a former spouse of a member is entitled to receive up to one half of the pension benefit earned during the period of marriage (unless otherwise instructed in the court order). The period of marriage is defined in the court order or divorce decree. It usually begins at the date of marriage and ends at the date of separation or divorce. In order to divide a pension benefit, we must receive a copy of the court order or divorce decree.

Common law spouses or partners have the same rights as legal spouses, with the period of marriage being defined as the period of cohabitation of three years or more. However, if a member is not yet divorced and is now living with a new partner, the legal spouse would take precedence over the common law spouse or partner in the event the member were to die. If you have questions regarding your pension benefits and marriage breakdown, please contact us.

Leaving your Public Service Career

Refunds

If you are no longer employed by an employer under the Public Service Superannuation Plan (PSSP), nor contributing to the plan, you may elect to remove your pension benefit from the plan. How your benefit is paid to you depends on the total years paid into the plan and the time periods in which you have made contributions. If you are not vested (have less than two years paid into the plan) you may elect one of the following options:

- A refund of your contributions plus interest accrued, and income tax will be deducted;
- A transfer of your contributions plus interest to an RRSP, and tax will not be withheld.

If you are vested (have two or more years paid into the plan) you may elect one of the following options:

- Your benefit may be left in the plan for a pension payable at the age of 60 or when you qualify for the 80 Rule (minimum age of 50, and age plus years of service is equal to at least 80);
- The total benefit that is the commuted value can be transferred to a locked-in RRSP. (The commuted value is the present value of your pension benefit - a mathematical calculation based on age, service and average salary);
- If you have pre-1988 contributions, they can be refunded (tax withheld) or transferred to an RRSP. The post-1987 benefit, in the form of the commuted value must be transferred to a locked-in RRSP.

The option to receive a refund or transfer of your commuted value is available until age 55, at which point you must leave your funds in the pension plan.

Repayment of Refunds

Upon re-employment within the jurisdiction of the Public Service Superannuation Plan, you may elect to purchase previously refunded service. The Canada Revenue Agency (CRA) has imposed two rules regarding the source of the funds to repay the refund:

- If the original refund was transferred to a locked-in plan, the repayment must be returned from an RRSP or other tax-sheltered vehicle.
- If you were not vested at the time of the original refund, the funds can come from any source, that is, they do not have to be transferred from an RRSP.

You will be required to pay interest in addition to the amount you received as a refund. All of your pensionable service will be reinstated. Please check with the CRA regarding tax deduction rules.

Planning for Retirement

Retirement Eligibility

You are eligible to retire and start receiving a retirement pension if you meet one of the age and service requirements listed below:

- Age equal to at least 50 and age plus years of service equal to at least 80;
- Age equal to at least 60 and years of service equal to at least 2;
- Age equal to at least 55 and years of service equal to at least 2 (this is a reduced pension).

If all of your service was before 1988, the requirements are as follows:

- Age equal to at least 50 and age plus years of service equal to at least 80;
- Age equal to at least 60 and years of service equal to at least 5 years.

If all of your service was before April 1, 1986, the requirements are as follows:

- Age equal to at least 50 and age plus years of service equal to at least 80;
- Age equal to at least 60 and years of service equal to at least 10;
- Age equal to at least 65 (if you do not have any service after June 4, 1980, you must have at least 5 years of service in total).

If you are under age 65 when you retire, the pension you receive will include your lifetime pension plus a bridge pension. This bridge payment will cease when you reach age 65. For further explanation of this, please see the section on "Your Public Service Pension and the Canada Pension Plan" on page 12 of this booklet.

Calculating your Retirement Pension

		Highest Average Salary (HAS)		Pensionable Service	
2.0%	X	$55,000	X	32.000 years	
		John's annual pension at age 58:			**$35,200**
<u>LESS</u> at age 65:					
		Average YMPE		Pensionable Service	
0.7%	X	$40,000	X	32.000 years	<u>- $8,960</u>
		John's annual pension at age 65:			**$26,240**

Above is an example of how a pension is calculated and what happens at age 65. For this example, John is retiring at age 58 with 32 years of pensionable service. His highest average salary (HAS) is $55,000. Below this example we explain the components of the pension formula.

Your pension at retirement is calculated using a number of components:

- Accrual Rate - The percentage of salary you earn for pension calculation purposes, for every year of service, is known as the accrual rate. Prior to age 65, this is 2.0%. Starting at age 65, your pension is recalculated as a result of integration with the Canada Pension Plan (CPP). At that point, the accrual rate on the portion of your salary up to the YMPE becomes 1.3% instead of 2.0%. Effectively, this is the same as saying that your pension (for every year of service) is reduced by 0.7% of the portion of your salary below the YMPE.

- Highest Average Salary (HAS) - This is your average annual salary for the five years of your career during which your salary was at its highest. These are usually, but not necessarily, the last five years of your career.

- Pensionable Service - This is the number of years you have earned (accrued) for pension calculation purposes. It is equal to the number of years you worked and made pension contributions (unless you worked part-time, in which case it would be pro-rated accordingly). Note that you also receive credit for number of months worked. For example, if you worked full-time for 26 years and 6 months, you would receive credit for 26.5 years of pensionable service.

- YMPE - This stands for Year's Maximum Pensionable Earnings. It is a figure set by the CPP every year, and comes into play when determining the reduction to your pension at age 65. When you made pension contributions during your career, you contributed a lower percentage on the portion of your salary below the YMPE than on the portion above the YMPE (if applicable). As a result, at age 65, the accrual rate on the portion of your salary below the YMPE will be reduced from 2.0% to 1.3%. Note that 65 is the age at which your CPP pension would normally commence (unless you elect to draw it early), and that would make up the difference.

- CPP Service - The reduction in your pension at age 65 is based on the number of years of CPP service. In almost every case, this is equal to the number of years of pensionable service. The only time it will not be the same is if you have periods of service in your career during which you did not contribute to the CPP, e.g. service prior to 1966.

Pension Payments

Pensions are paid on the third last banking day of each month with the first payment being made at the end of the month following the month you retire. You will receive your pension by automatic direct deposit to an account at the financial institution of your choice. This automatic deposit eliminates the possibility of the benefit being delayed or lost in the mail. This method of payment is mandatory, unless you reside outside of Canada.

Disability Benefits

For information regarding disability benefits you should contact:
Nova Scotia Public Service LTD Plan Trust Fund
Administration Office, PO Box 339, Halifax NS B3J 2N7
(902) 461-0421 (office), (902) 466-3406 (fax)
1-877-461-0421 (toll free) E-mail: nsps.ltd.plan@ns.sympatico.ca

Survivor Benefits

Surviving Spouse

If you die in service, your surviving spouse would be entitled to receive 100% of the pension benefit that you would have been entitled to receive if you were eligible for retirement. This benefit is guaranteed to be paid for a period of 5 years. After the end of the 5-year guarantee period, your spouse would receive 66⅔% of your pension benefit, payable for life. If you die within 5 years after retiring, your surviving spouse would receive 100% of your pension benefit for the rest of the 5-year guarantee period. If you die after the 5-year guarantee period, your surviving spouse would be entitled to receive 66⅔% of the pension benefit that you were receiving, payable for life.

Surviving Children

Surviving children are eligible to receive 10% of the member's pension benefit up to 18 years of age (or 25, if in full-time attendance at an educational institution). If there are more than 3 eligible children, 33⅓% of the member's pension benefit is divided equally among them. Note that during the 5-year guarantee period, children's benefits are deducted from the 100% benefit paid to a surviving spouse. If there were no surviving spouse, eligible surviving children would be entitled to share the 66⅔% spouse's benefit.

No Surviving Spouse or Children

If you die in service and are not survived by a spouse or children, a refund of your pension contributions plus interest will be paid to the estate. If you retire and then die before receiving pension payments at least equal to your pension contributions plus interest, a refund of the difference will be paid to your estate.

Your Public Service Pension and the Canada Pension Plan

While you are a contributor to the PSSP you pay contributions at two rates: a lower rate on your salary up to the Year's Maximum Pensionable Earnings (YMPE) and a higher rate on your salary above that. Similarly, your pension is calculated at two rates: 1.3% on your average salary up to the YMPE and 2% on your average salary above the YMPE. This is your lifetime pension, (i.e. it is paid from the point of your retirement for as long as you live). In addition, the pension plan pays you a bridge benefit. As the name suggests, this is intended to bridge the period from retirement to age 65 when most people elect to start drawing their Canada Pension Plan (CPP) benefit. When you turn 65, the bridge benefit of your public service pension ceases to be paid.

The CPP benefit is normally drawn starting at age 65, however, you may elect to start receiving a reduced CPP benefit as early as age 60. This early withdrawal means that the benefit is reduced dependent on the age at which you commence receiving it. There are two possible scenarios regarding your public service pension and CPP benefit based on when you decide to draw your CPP benefit.

SCENARIO # 1

If you elect to start receiving CPP benefits prior to age 65, this is what you should receive each month:
The lifetime portion of your public service pension
PLUS
The bridge benefit of your public service pension (until age 65)
PLUS
The CPP benefit from the Canada Pension Plan

Under this scenario, you are drawing your CPP benefit prior to age 65. This early withdrawal of CPP benefits means that the benefit will be permanently reduced. This means that when you reach age 65 and the bridge benefit of your public service pension ceases, you will notice a decrease in the overall amount of the pension income you receive each month. You will now receive only the lifetime portion of your public service pension and the CPP benefit.

SCENARIO # 2
If you elect to start receiving the CPP benefit at age 65, this is what you should receive each month upon reaching age 65:
The lifetime portion of your public service pension
PLUS
The CPP benefit from the Canada Pension Plan

Under this scenario, you are waiting until age 65 to draw your CPP benefit. As the bridge benefit of your public service pension ceases at age 65 you will notice only a slight difference because you are now just starting to draw your CPP benefit. This means there should be little or no change in your total pension income after age 65.

Canada Pension Plan (CPP) and Old Age Security (OAS)

For service in English: 1-800-277-9914
For service in French: 1-800-277-9915
TTY device: 1-800-255-4786
Mailing Address:
Government of Canada
Canadian Income Security Programs
Canada Pension Plan/Old Age Security
PO Box 1687 Postal Station "M"
Halifax, Nova Scotia Canada B3J 3J4

Administration – Nova Scotia Pension Agency

Pension Services Division

Up until February 9, 2006 administrative functions of the Plan were carried out through the Pensions & Investments Branch of the Nova Scotia Department of Finance. February 10, 2006 the administration of the Plan was moved to the Nova Scotia Pension Agency (NSPA). The NSPA was created as a Special Operating Agency of the Government of Nova Scotia.

The Pension Division is divided into five functional areas: client services, communications, finance and actuarial services, planning and program support, and information technology. The Client Services unit deals with plan members and pensioners. The Member services section of client services is responsible for providing accurate and timely pension and related benefits information to active members. Pensioner services staff provides these services to the Plan's retired members.

Investment Division

The other division under the Nova Scotia Pension Agency is the Investment Division. It is comprised of seven investment professionals. This group is responsible for the day-to-day monitoring of asset mix for compliance with asset mix guidelines and recommending asset mix changes. In addition, this group is responsible for selecting external fund managers and managing fixed income portfolios. Support staff are responsible for accounting for all investment transactions.

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