

Pension Plan for the Non-Teaching Employees of the Nova Scotia Education Entities

Employee Handbook

WELCOME TO THE PLAN

The *Pension Plan for the Non-Teaching Employees of the Nova Scotia Education Entities* (referred to in this handbook as the *NSECSB Plan*) will provide you with monthly income in your retirement years. The Plan combines with the *Canada Pension Plan*, *Old Age Security*, and your own personal savings to give you and your dependents a measure of financial security when you retire.

This handbook is designed to provide you, as a Pension Plan Member, with information about your pension plan and to address some common questions regarding your defined benefit retirement pension provided by the NSECSB Plan. Certain terms used throughout this document that are specific to pension plans are defined in the Glossary, found at the end.

The information in this handbook is a summary of the provisions of the Pension Plan document. In the event of a discrepancy between this booklet and the Pension Plan document, the terms of the Plan document will apply.

YOUR PLAN ADMINISTRATOR

As your Plan administrator, Morneau Shepell is available to answer any questions you may have.



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MEMBERSHIP

This is where it all begins. Here is some basic information for new members as well as people who are considering joining the NSECSB Plan. In this section, you will find details about our membership criteria.

WHEN DO I JOIN THE NSECSB PLAN?

Full-time employees join the NSECSB Plan immediately when they are hired. Non-full-time employees may join when they become eligible.

Full-time employees

If you are a permanent, full-time employee, you join the Plan on the date you are hired or on the date you become full-time.

You remain a member even if you change from full-time to part-time.

Non full-time employees

You are a non-full-time employee if you work less than a full work week, or less than a full year.

If you do not work full-time, you may choose to join the Plan if you have been employed for two years and:

- you earned at least 35% of the year's maximum pensionable earnings (YMPE) – the Canada Pension Plan (CPP) earnings limit; or
- you worked not less than 300 hours in each of the two immediately preceding consecutive calendar years.

Once you become a member, you remain in the Plan as long as you are employed. This applies even if your work hours or income fall below the eligibility requirements or if your work status changes to or from full-time.

WHAT IF I PREVIOUSLY PARTICIPATED IN ANOTHER PENSION PLAN?

You may elect to transfer amounts from other registered pension plans into the NSECSB Plan. These funds go into a Locked-In Account that gains investment income from the date transferred in to the date transferred out due to termination, death, or retirement. Such a transfer does not increase your credited service under the Plan or increase the pension you will receive from the NSECSB Plan.

CONTRIBUTIONS

Your NSECSB pension is partially funded by the contributions you make, and by matching contributions made by your employer. The balance is paid for by the pension fund's investment income.

HOW ARE MY CONTRIBUTIONS CALCULATED?

You and your employer contribute equally to the Plan – based on your earnings. We use your regular “contributory” earnings – excluding additional amounts such as overtime pay and other non-regular earnings – to calculate your contributions. In turn, we use these same contributory earnings when we calculate your pension benefit. The earnings we use may differ from what your employer reports for income tax purposes on your T4. Periodically, contribution rates are adjusted to reflect the actual cost of the benefits you earn and to keep the Plan fully funded.

Pension Plan contribution rates effective July 29, 2012 are:

8.5%	On earnings up to YMPE*
11.0%	On any earnings over YMPE*

* The YMPE is the year's maximum pensionable earnings as defined under the Canada Pension Plan (CPP). In 2019 this amount is \$57,400. These amounts are the maximum earnings upon which CPP contributions are required. The YMPE changes every year.

Contribution examples for 2019

Earnings	Plan contributions every two weeks (matched by your employer)
\$40,000	\$130.77
\$60,000	\$200.67

You and your employer's matching contributions help to fund your pension. Your actual pension is based on a formula that takes into account your earnings and years of service (See *How is My Pension Calculated*, starting on page 7).

Both your and your employer's contributions are subject to certain maximums determined in the *Income Tax Act* (Canada).

CAN I CONTRIBUTE MORE TO THE PENSION PLAN?

You can elect to make voluntary contributions to the Plan. You can also transfer amounts into the Plan from other registered pension plans (see page 1), registered retirement savings plans, or locked-in retirement accounts. Additional contributions and transfers are held for you in either a Voluntary Account (for contributions and non-locked-in transfers) or a Locked-In Account (for locked-in transfers). These accounts do not provide you with additional credited service or an additional pension benefit from the Plan at retirement.

Voluntary Account

The balance of this account can be transferred out of the Plan at any time and is payable as:

- a lump sum payment, less withholding tax; or
- a transfer to another registered pension plan if that Plan agrees to accept it; or
- a transfer to a registered retirement savings plan (RRSP); or
- a transfer to an insurance company to purchase a life annuity.

Locked-In Account

The balance of this account can only be transferred out of the Plan at termination of employment, death, or retirement and is payable as:

- a transfer to another registered pension plan if that Plan agrees to accept it; or
- a transfer to a locked-in retirement account (LIRA); or
- a transfer to an insurance company to purchase a life annuity.

These accounts are invested with the NSECSB Plan assets, and will earn investment income for the period of time they remain in the Plan. The Plan's assets are invested in a mixture of equity (stocks) and fixed income (bonds) investments. This means that the returns that are earned from year to year will vary, and can be negative in any given year.

SERVICE

Your years of service are a key component of your NSECSB Plan pension. While you work, you earn service in the Plan.

WHAT IS CREDITED SERVICE?

Your credited service is the sum of the years and fractions of years during which you were contributing to the Plan. We use your years of credited service and your earnings to calculate your pension.

Credited service:

- Includes service while you are a contributing member of the Plan.
- Excludes periods of layoff and leave without pay.
- Is pro-rated if you work less than “expected full-time hours”.

Full-time

If you work full-time, you earn one year of credited service for every full year you work.

Full-time credited service example

Leona works in a position which requires a 40-hour work week on a full-time schedule. She earns \$40,000 per year.

We calculate Leona’s credited service for one year as follows:

2,080 hours = 1 year

**Leona works the full 2,080 hours, and has earned one year of credited service.
We record her earnings for that year as \$40,000.**

Different positions for members of the NSECSB Plan have different expected full-time hours, and can be less than 40 hours per week. The service that you are credited with each year will depend upon the expected number of hours that someone in your position would work in a year if they were working on a full-time basis.

Non full-time

If you do not work full-time, we calculate your credited service as a proportion of what a full-time member would earn. Also, when we calculate your pension, we annualize your earnings – giving you the equivalent of full-time earnings.

Non full-time credited service example

Peter is in the same position as Leona, but works 50% time. That is, Peter works 20 hours a week, compared to Leona's 40 hours. Peter earns \$20,000, which is half of Leona's annual salary rate of \$40,000 for her position.

We calculate Peter's credited service for one year as follows:

$1040 \text{ hours} \div 2080 \text{ hours} = 0.5 \text{ years}$

Peter has earned half a year of credited service.

We record his annualized earnings for that year as \$40,000.

When we calculate Peter's pension, we use his credited service and the average of his annualized earnings. This ensures that his pension is accurate and fair.

RETIREMENT

Retirement is what you are working towards: your life after work. Your pension plan has both normal and early retirement options. Find out how your service and earnings – the two key components used to calculate your pension – come together to provide you with retirement income for life.

WHEN CAN I RETIRE?

Normal retirement date

Your normal retirement date is the first of the month coincident with or next following the day you reach age 60. Pensions that start on or after your normal retirement date are not reduced.

Early retirement date

You can retire any time up to 10 years before your normal retirement age. This means from age 50, you can begin to receive a pension. Pensions that start early (prior to your normal retirement date), may be subject to a reduction. See the *Early Retirement Pensions* section on page 8 for more information.

WHAT IF I CONTINUE TO WORK PAST AGE 60?

If you continue to work past your normal retirement date, your active membership in the Plan will continue. You will continue to contribute to the Plan and to earn additional credited service. However, you must start receiving your pension by December 1st of the year in which you reach age 71. At that time, your monthly pension will begin whether or not you are still working, and you will no longer make contributions.

WHAT IF I RETURN TO WORK AFTER I RETIRE?

Some members return to work after they have retired and started to receive their pension. In this situation you can elect to continue receiving your pension and not contribute to the Plan further and therefore not accrue any additional pension. If you are eligible to join the Plan, you can also choose to re-enroll. In this case your pension will stop, you will begin contributing to the Plan again, and when you subsequently retire, we will start up your previous pension along with the additional pension you accrued based on your credited service and earnings in the new period of employment.

WHEN IS MY PENSION PAID?

Pensions are paid in equal monthly installments, deposited in your bank account on the first banking day of the month.

HOW IS MY PENSION PAID?

If you are single when you retire, the pension provided by the Plan is normally guaranteed for 5 years (called the normal form of pension). However, prior to starting your pension, you will have the option to choose a different guarantee period, i.e. no guarantee, 10 years or 15 years (called the optional forms of pension). A guarantee means that if you pass away before the end of the guarantee period, your beneficiaries will receive the lump sum value of the remaining pension payments that were guaranteed.

If you have a spouse when you retire, the normal form of pension provided by the Plan is a 60% joint and survivor pension. Prior to starting your pension, you will have the option to choose an optional joint and survivor form, i.e. 75% or 100%. A joint and survivor pension means that if you die before your spouse, he or she will continue to receive a specified percentage of your original pension while he or she is still alive.

If you choose one of the optional forms of pension, your pension amount will be increased or decreased, depending on whether the chosen form is less or more generous than the normal form based on your marital status. If both you and your spouse wish to do so, you will also have the option to forfeit the joint and survivor form and add a guarantee period.

HOW IS MY PENSION CALCULATED?

Your NSECSB pension has two components: a pension based on service before 2002 and a pension based on service after 2001. Your pension is calculated using the formulas below:

For credited service prior to January 1, 2002

$$1.5\% \times \text{Best Average Earnings} \times \text{pre-2002 credited service}$$

For credited service after December 31, 2001

$$1.5\% \times \text{Best Average Earnings} \times \text{post-2001 credited service}$$

(to the average YMPE)

PLUS

$$2.0\% \times \text{Best Average Earnings} \times \text{post-2001 credited service}$$

(in excess of the average YMPE)

KEY COMPONENTS OF YOUR PENSION CALCULATION

Best Average Earnings – this is the annual average of the 5 consecutive years during which your earnings were at their highest. It does not include overtime pay or other non-regular earnings.

If you have less than five years of credited service, we use your actual service to calculate your average earnings. We may include partial years at the beginning and end of the 5 consecutive years so your best average earnings could span more than five calendar years.

Credited service – this is the number of years you have earned in the Plan (see the section on *service* on page 4).

Average YMPE – Each year, the YMPE—short for “Year’s Maximum Pensionable Earnings”—is set by the Canada Pension Plan (the YMPE was \$55,900 for 2018 and increased to \$57,400 in 2019). The average YMPE used to calculate your annual pension amount is determined as the average of the YMPE in the year of retirement, termination of employment, or death, and the four preceding years. If you were a member of the Plan for less than 5 years, the YMPE in each of your years of service will be used.

EARLY RETIREMENT PENSIONS

You can retire early if you are within 10 years of your normal retirement age: at least age 50.

There are two types of NSECSB Plan early retirement pensions: unreduced and reduced.

Unreduced early retirement pension

You qualify for an unreduced pension if you are at least age 55 and:

- Your age **plus** years of employment service = 80 or more (*the Rule of 80*).

An unreduced pension means that your early retirement pension is calculated without a reduction.

Reduced early retirement pension

If you do not qualify for an unreduced pension, you may still retire early (from age 50 on) with an early reduced pension.

In this case, we look at how close you are to your normal retirement age, or the date when you would hit the Rule of 80 (including service to the date of retirement).

We use a 6% reduction factor, per year, because you are receiving your pension for a longer period of time. Your pension is reduced by 6% multiplied by the lessor of:

- 60 minus your age when you retire; or
- 80 factor (using service to your date of retirement) minus your current age plus service factor.

This reduction is pro-rated for part years.

PENSION CALCULATION EXAMPLES

Pension Calculation Example (unreduced)

Michael joined the Plan on January 1, 1989 and has decided to retire on December 31, 2019 at age 55. Michael is eligible to retire with an unreduced pension because he is 55 and has reached the Rule of 80 (his age plus years of service total 86). To calculate Michael's pension, we need to look at the key components of the pension calculation as mentioned previously – his credited service in the Plan (both pre-2002 and post-2001), his best average earnings, and the average YMPE.

Michael's information is as follows:

Credited Service	Best Average Earnings	Average YMPE
13 years pre-2002 18 years post-2001	\$60,000	\$55,420 (2015 to 2019)

We calculate Michael's annual pension by using the pension formula.

For credited service prior to January 1, 2002			
1.5%	x	Best Average Earnings	x pre-2002 credited service
1.5%	x	\$60,000	x 13 = \$11,700.00
For credited service after December 31, 2001			
1.5%	x	Best Average Earnings <i>(to average YMPE)</i>	x post-2001 credited service
1.5%	x	\$55,420	x 18 = \$14,963.00
PLUS			
2.0%	x	Best Average Earnings <i>(in excess of average YMPE)</i>	x post-2001 credited service
2.0%	x	\$4,580	x 18 = \$1,649.00

Michael's total annual pension would be:

\$11,700.00	+	\$14,963.00	+	\$1,649.00	=	\$28,312.00 per year
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This pension would be payable at any time after Michael's unreduced retirement date in monthly installments of **\$2,359.33** less applicable withholding tax.

Pension Calculation Example (reduced)

Anastasia joined the Plan on January 1, 1999 and decided to retire on December 31, 2019 on her 55th birthday. Anastasia does not meet the Rule of 80 (her age plus years of service total 76) and has not reached her Normal Retirement Date, so her pension will have to be reduced. Anastasia's earnings and service information is as follows:

Credited Service	Best Average Earnings	Average YMPE
3 years pre-2002 18 years post-2001	\$40,000	\$55,420 (2015 to 2019)

We first calculate Anastasia's full pension without a reduction using the pension formula.

For credited service prior to January 1, 2002

1.5% x Best Average Earnings x pre-2002 credited service

$$1.5\% \times \$40,000 \times 3 = \$1,800$$

For credited service after December 31, 2001

1.5% x Best Average Earnings x post-2001 credited service
(to average YMPE)

$$1.5\% \times \$40,000 \times 18 = \$10,800$$

Anastasia's best average earnings are below the average YMPE so the calculation of pension for earnings above the average YMPE is not needed.

$$\$1,800 + \$10,800 = \$12,600$$

Anastasia's total annual pension before any reduction is \$12,600. At December 31, 2019, Anastasia would be starting her pension 5 years prior to the age where she is eligible for an unreduced pension (age 60). Since her pension will have to be paid over a longer period of time, it is subject to a reduction factor of 6% per year, for a total reduction of 30% of her annual pension for life.

$$\$12,600 \times 30\% = \$3,780$$

$$\$12,600 - \$3,780 = \$8,820$$

Anastasia's total annual pension at December 31, 2019 would be **\$8,820** payable in monthly installments of **\$735** less withholding tax.

LEAVING EMPLOYMENT

The reality is that many people change jobs during their work life. If you leave your employer, there are a wide range of choices for what to do with your benefit earned under the Plan.

WHAT ARE MY OPTIONS?

If you leave your employer and you are not yet eligible for an early retirement pension (i.e., not within 10 years of your normal retirement age), we will advise our consultants, Morneau Shepell, and they will send you a termination package with details of your benefit options. Your options will depend on how long you were a member of the Plan.

If you are a member of the Plan when you terminate employment, your options may include some or all of the choices outlined below.

1. Keep your pension in the NSECSB Pension Plan

You can elect to keep your pension in the Plan as a deferred pension. This gives you a future stream of retirement income for life. Your pension includes early retirement options and excellent survivor benefits.

2. Transfer your commuted value to a locked-in retirement account

The commuted value of your pension is the estimated amount of money that you would have to put aside today, to grow with tax-sheltered investment earnings, to provide you with a future benefit similar to the NSECSB pension you have earned.

You may choose to transfer your commuted value to:

- a locked-in retirement account (LIRA) – this is done as a lump-sum payment to your financial institution; or
- an insurance company to purchase a life annuity (providing regular income payments to you upon retirement); or
- another registered pension plan in Canada if that plan will accept the transfer.

3. Elect a cash refund (if your benefit is not locked-in)

If any portion of your benefit is not locked-in, you may elect a cash refund of that portion. You may also be able to transfer the cash refund to your RRSP.

SURVIVOR BENEFITS

Excellent survivor benefits are a key feature of the NSECSB Plan. In the event of your death, the Plan offers a range of benefits to your spouse, children, or beneficiaries. This section outlines the survivor benefits that apply before and after retirement.

When a Plan member dies, survivor benefits are paid according to a specified order of entitlement that follows the provisions of the Nova Scotia *Pension Benefits Act*. Your will cannot change this order, but it does help us to direct any benefit entitlement to your beneficiary or estate, if you do not have an eligible spouse or children. For definitions and more detailed explanations of terms used in this section please see the Glossary on page 15.

Please note that a marriage breakdown adds a level of complexity to paying death benefits. Please contact us if you would like to address your specific situation to ensure your retirement benefit will be paid in the manner you expect upon your death.

WHAT HAPPENS IF I DIE BEFORE RETIREMENT?

Relationship to you	Type of benefit
<p>1. Your eligible spouse is first in line for survivor benefits.</p>	<p>Your eligible spouse's options are:</p> <p>Spousal pension equal to:</p> <ul style="list-style-type: none"> • 100% of the commuted (present-day) value of the pension you earned to the date of death or the date you left employment. This pension is guaranteed for life; it does not stop if your surviving spouse remarries. <p>OR</p> <p>Cash refund or transfer The cash refund (minus income tax) or transfer to a non-locked-in RRSP is paid in a lump sum and equals:</p> <ul style="list-style-type: none"> • 100% of the commuted value of the pension you earned to the date of death or the date you left employment. <p>Note: The cash refund may include any 50% Rule refund payable. See the glossary for more information.</p>
<p>2. If you do not have an eligible spouse, your beneficiary on file may be entitled to a benefit.</p>	<p>Your beneficiary is entitled to the following:</p> <p>Cash refund The cash refund (minus income tax) is paid in a lump sum and equals:</p> <ul style="list-style-type: none"> • 100% of the commuted (present-day) value of the pension you earned to the date of death or the date you left employment. • There may also be a 50% Rule refund payable.

3. If you have no beneficiary on file, we will pay the benefit to your estate.	See description in 2 (above).
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WHAT HAPPENS IF I DIE AFTER RETIREMENT?

Relationship to you	Type of benefit
1. Your eligible spouse is first in line for a survivor pension (<i>this person must have been named as your eligible spouse on your retirement election form at your date of retirement</i>).	<p>Spousal pension equal to:</p> <ul style="list-style-type: none"> • 60% of the lifetime pension you were receiving at the date of death; <i>plus</i> • a further 10% for each eligible dependent child to a maximum of four, while they remain eligible dependent children. <p>The spousal pension is guaranteed for life; it does not stop if your surviving spouse remarries.</p>
2. If you do not have an eligible spouse, we will pay a survivor pension to any eligible dependent children for as long as they qualify.	<p>Children’s pension equal to:</p> <ul style="list-style-type: none"> • 20% of your pension for each eligible dependent child to a maximum of four, while they remain eligible dependent children.
3. If you do not have an eligible spouse or eligible dependent children, your beneficiary on file may be entitled to a residual refund.	<p>Your pension payments are guaranteed for 5 years. Upon your death, if you have not received 5 years of pension payments, your designated beneficiary is entitled to the following:</p> <ul style="list-style-type: none"> • the value of the balance of the guarantee period paid in a lump sum less withholding tax.
4. If you have no beneficiary on file, we will pay any residual refund to your estate.	See description 3 (above).

The benefits that are payable in the event of your death after retirement depend upon the form of pension you elected at retirement. For more information on optional forms of benefits that are available to you at retirement, see the *How Is My Pension Paid* section on page 7.

THE NSECSB PLAN AND INCOME TAX

Being a member of the NSECSB Pension Plan brings with it some tax implications. For instance, the contributions you make to the Plan lower your taxable income, and the benefit you earn reduces your RRSP room.

CONTRIBUTIONS TO THE PLAN

Your regular contributions to the Plan lower your taxable income. Your employer reports your contributions to the Canada Revenue Agency (CRA) on a T4 slip each year.

DOES BEING A MEMBER OF THE PLAN AFFECT MY RRSP ROOM?

Yes. A pension adjustment (PA) reflects the deemed value of the pension you earned as a Plan member during the preceding year. Your employer reports your PA in box 52 of your T4 slip.

The Canada Revenue Agency uses your PA in their formula to calculate your new RRSP contribution room for the current year:

$$18\% \quad \times \quad \begin{array}{c} \text{previous year's earned} \\ \text{income} \\ \text{(up to a maximum)} \end{array} \quad - \quad \begin{array}{c} \text{previous year's PA} \\ \text{(up to a maximum)} \end{array} \quad \text{(but not less than \$0)}$$

After you file your tax return, the Canada Revenue Agency sends you a Notice of Assessment, which includes a statement of your RRSP contribution room for the year. You may make an RRSP contribution up to this amount, or carry it forward for use in a future year.

GLOSSARY

50% Rule refund – if, when you leave your employer, retire, or die, the contributions you made since January 1, 1988, plus interest, are greater than 50% of the commuted value of your pension earned from January 1, 1988, we will refund the excess to you, your beneficiary or estate.

Average Year’s Maximum Pensionable Earnings (AYMPE) – the five-year average of the year’s maximum pensionable earnings (YMPE).

Best Average Earnings (BAE) – used to calculate your pension, this is the annual average of the 5 consecutive years during which your earnings were at their highest.

Credited Service – the number of years and months of contributory service you have in the Plan (including any service you purchased from a prior Plan).

Early Retirement Date – the date when you become eligible to receive a Plan pension. You reach this date when you are within 10 years of your normal retirement age – age 50.

Eligible Child(ren) or Dependent Child – any natural child, stepchild or adopted child of a Member who, at the time of the Member’s retirement, termination of employment or death, is both dependent on the Member for support and,

- a) under 18 years of age; or
- b) between 18 years of age and 25 and in full-time attendance at an educational institution; or
- c) any age and who has been dependent upon the Member by reason of physical or mental infirmity such that the child is incapable of pursuing any substantially gainful employment on a regular basis and is considered dependent for life.

If you have a child or children dependent on you by reason of impairment in physical or mental functions and they are incapable of pursuing any substantially gainful employment on a regular basis you may wish to advise Morneau Shepell. In order to qualify under this provision of the Plan as an “Eligible Child(ren)” or “Dependent Child” you will need to provide certain documentation completed by a medical practitioner showing such things as when the impairment began and what the duration of the impairment is expected to be.

Eligible spouse –

- The person you are married to.
- The person you are married to, if the marriage hasn't been legally ended.
- The person you thought you were married to, if you are still living together.
- The person you thought you were married to, if you have lived together in the last 12 months.
- The person who is your registered domestic partner under the *Vital Statistics Act*.
- The person you have been living with in a sexual relationship for at least one year, if neither of you are married to someone else.
- The person you have been living with in a sexual relationship for at least three years, even if one or both are you are married to someone else.

For the purposes of this document, the word “spouse” includes a former spouse.

Locked-in (pension) – under Nova Scotia law, when your Plan pension is locked-in, you must use it as future retirement income. You cannot cash it out unless it falls under the *small pension rule* (see the definition in the glossary). Your pension benefit becomes locked-in when you have two years of Plan membership.

Maximum pension – the Income Tax Act limit to how much pension can be earned for each year of credited service under the Plan. In 2019, this maximum is \$3,025.56 per year.

Normal retirement date – the first day of the month coincident with or next following the day you reach age 60.

Small Pension Rule – if any pension benefit determined under the rules of the Plan is less than the amount legislation requires to be locked-in, as established in the year the former member terminated membership, payment of the commuted value of such pension benefit may be made to the member in cash or transferred to a non-locked-in RRSP, subject to the limits imposed by the Income Tax Act on amounts that may be transferred from a registered pension plan to another registered vehicle.