



INFORMATION FOR HRM PENSION PLAN MEMBERS REGARDING COMMUTED VALUES – JUNE 2015

In accordance with the Nova Scotia Pension Benefits Regulations (“Pension Regulations”), the Halifax Regional Municipality Pension Plan (the “Plan”) is required to hold back a portion of the commuted value for five years. The amount that is held back is determined by the “transfer ratio” which reflects the solvency funded status of the Plan at the time of payout. The Plan makes an initial payment equal to the plan member’s commuted value multiplied by the transfer ratio and the remaining balance is held back and paid to the plan member at the end of five years, with interest.

The transfer ratio was most recently determined to be **58.3%** as at December 31, 2014. This ratio is subject to change. The transfer ratio is calculated each time an actuarial valuation is performed.

The following is a list of Frequently Asked Questions which has been developed to address member questions about this mandatory hold back of benefits.

Who does this affect?

This affects any member of the HRM Pension Plan who terminates employment or retires and elects to transfer the commuted value of his/her pension from the Plan. It also affects survivors or beneficiaries of plan members who are eligible to receive the commuted value of a deceased plan member’s pension. The transfer ratio is not applied to monthly pensions’ payable from the Plan, so **current and future retirees are not affected.**

What is a commuted value?

The commuted value is a lump sum amount representing the actuarial present value of the benefits payable to you at retirement/termination from the Plan. The value is calculated upon your termination of employment, retirement (prior to your normal retirement date) or death, using rates of interest, actuarial tables and other assumptions that are adopted by the Pension Committee and/or mandated by pension legislation.

How is the transfer ratio calculated?

The transfer ratio is calculated by dividing the Plan’s assets by its liabilities assuming it was terminated immediately.

How is the transfer ratio applied to the commuted value?

The following example will illustrate how the immediate payment and holdback are determined:

Commuted Value:	\$50,000
Immediate Payment:	\$29,150 ($\$50,000 \times 58.3\%$)
Holdback:	\$20,850 ($\$50,000 - \$29,150$)

What interest rate is applied to the amount that is held back?

Interest is accumulated at the rate used to determine the commuted value. This rate changes each month and has ranged from 1.9% to 2.8% over the last 12 months. The annual interest rate that applies to your payment would be communicated to you when you receive your termination or retirement statement and that rate would apply for the entire five-year period.

Are there any exceptions to the holdback?

The Plan is only permitted to pay 100% of the commuted value in the following circumstances:

- the member or surviving spouse's benefit falls under the "small pension rule" (pension less than 4% of YMPE* or CV less than 20% of YMPE*), **or**
- the amount is being transferred pursuant to a reciprocal transfer agreement.

* The year's maximum pensionable earnings ("YMPE") as defined by the Canada Pension Plan. The YMPE for 2015 is \$53,600. This means that the transfer ratio would not apply to a member who is entitled to an annual pension of less than \$2,144/year (\$53,600 X 4%) or a commuted value less than \$10,720 (\$53,600 X 20%).

How/when will the hold back be paid out?

The Pension Regulations state that the amount of the holdback must be paid out within five years of the initial transfer. You would be contacted just before the end of the five year period to confirm that your initial transfer information remains the same. Before the five year period expires, the holdback will be updated with interest and paid out.

How often will the transfer ratio change?

The transfer ratio will change each time an actuarial valuation is performed. Under the Pension Regulations, the Plan is required to file annual valuations if the solvency funded status is less than 85%. The transfer ratio could change before a formal valuation is done if the administrator knows or ought to know that events have taken place since the last valuation date that may result in the transfer ratio being reduced by 10% or more. Once a new transfer ratio has been determined, it will apply to all benefit payments made after that date.

Who should I contact if I still have questions?

If you have any questions about the transfer ratio or your pension benefits, you can call the HRM Pension Plan office at 902-490-6213 or toll free at 1-888-490-6213, or email HRMpension@halifax.ca.