



## INFORMATION FOR HRM PENSION PLAN MEMBERS REGARDING COMMUTED VALUE PAYMENTS – NOVEMBER 2017

In accordance with the Nova Scotia Pension Benefits Regulations (“Pension Regulations”), the Halifax Regional Municipality Pension Plan (the “Plan”) holds back a portion of member commuted values for five years. The amount that is held back is determined by the “transfer ratio” which reflects the hypothetical wind-up funded status of the Plan at the time of payout. Upon termination, the Plan makes an initial payment equal to the plan member’s commuted value multiplied by the transfer ratio. 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 **60.0%** as at December 31, 2016. 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 hold back of benefits.

### **Who does this affect?**

Effective September 1, 2016 the Plan was amended to remove the ability for retirement eligible members to elect a commuted value transfer upon termination from the Plan. Therefore, retirement eligible members are no longer impacted by the transfer ratio of the Plan.

Non-retirement eligible members of the HRM Pension Plan who terminate employment and elect to transfer the commuted value of their pension out of the Plan continue to be impacted by the transfer ratio. The transfer ratio is not applied to monthly pensions in pay from the Plan, so **current and future retirees are not affected.**

### **What is a commuted value?**

A commuted value is a lump sum amount representing the actuarial present value of the benefits payable to you upon termination from the Plan. The value is calculated upon your termination of employment 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 market value of the Plan’s assets by its hypothetical wind-up liabilities assuming the Plan 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:	\$30,000 (\$50,000 X 60.0%)
Holdback:	\$20,000 (\$50,000 - \$30,000)

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

Interest is accumulated for five years from the date of payment, at the rate used to determine the commuted value. This rate changes each month and has ranged from 1.8% to 2.7% over the last 12 months. The annual interest rate that applies to your payment would be communicated to you when you receive your termination statement and that rate would apply for the entire five-year period.

### **Are there any exceptions to the holdback?**

The Plan will pay 100% of the commuted value in the following circumstances:

- the member's commuted value falls under the "small benefit rule" (annual pension less than 4% of YMPE\* or commuted value less than 20% of YMPE\*),
- the amount is being transferred pursuant to a reciprocal transfer agreement, or
- the amount being transferred relates to a pre-retirement death benefit payable to a member's spouse, beneficiary or estate.

\*The year's maximum pensionable earnings ("YMPE") as defined by the Canada Pension Plan. The YMPE for 2017 is \$55,300. This means that the transfer ratio would not apply to a member who is entitled to an annual pension of less than \$2,212/year (\$55,300 X 4%) or a commuted value less than \$11,060 (\$55,300 X 20%) in 2017.

### **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 Plan's current solvency funded ratio is 63.5%, therefore annual valuations are required. In addition, the transfer ratio could change before a formal valuation is complete 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 commuted value related 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](mailto:HRMpension@halifax.ca).