



## **Important Notice to Members of the Halifax Regional Municipality Pension Plan (the “Plan”) Regarding the Removal of the Commuted Value Option for Retirement-Eligible Plan Members**

### **What Is the *Commuted Value* Option?**

The *Commuted Value* option allows *Retirement-Eligible* plan members in the *Current Plan*, who have not reached normal retirement age (age 60 for *Public Safety Occupation* members, age 65 for all other Plan members), to transfer the lump-sum value of their pension from the Plan at retirement instead of receiving a monthly pension from the Plan. Once a plan member exercises the *Commuted Value* option and 100% of their *Commuted Value* is transferred out, they are no longer a member of the Plan.

Please refer to the Glossary of Terms on page 3 for an explanation of the *highlighted* pension terms used in this memo.

### **What Is Changing and When Will The Change Be Effective?**

On January 28, 2016, the HRM Pension Committee (the “Committee”) decided to remove the *Commuted Value* option for *Retirement-Eligible* plan members effective September 1, 2016. An amendment will be filed with the Nova Scotia Superintendent of Pensions to reflect this change.

### **Why Is This Change Being Made?**

The Committee has an obligation to manage the Plan’s financial risks. *Commuted Value* transfers for *Retirement-Eligible* members create a financial risk to the Plan particularly when interest rates are low. The current low interest rate environment causes *Commuted Values* to be larger than they would be under higher historical interest rate conditions. This means that it is typically now more expensive for the Plan to pay out a *Commuted Value* than to pay an ongoing monthly pension. Removing the *Commuted Value* option for *Retirement-Eligible* plan members eliminates a material source of financial risk as has been confirmed by the Plan’s actuary.

### **Whose Options are Changing?**

#### **If your employment has not yet ended, but it eventually ends after you become *Retirement-Eligible***

There will be a change in your options if your retirement date is **on or after** September 1, 2016. In this situation, you will still be provided with the option to start an immediate or deferred monthly pension payable from the Plan. However, you will no longer be provided with the option to transfer the *Commuted Value* of your pension out of the Plan.

Please note that once you become *Retirement-Eligible*, your retirement date is always considered to be the first day of a month (the first day of any month following your last day of employment). If your last day of employment is on or after August 1, 2016 but before September 1, 2016, your retirement date would be September 1, 2016 or later if you choose.

#### **If you are a *Deferred Vested Member* of the Plan**

After August 1, 2016, you will no longer be provided with the option to transfer the *Commuted Value* of your pension out of the Plan once you reach the Earliest Retirement Date reflected on the statement of pension options you received after you terminated employment.

**If you are a *Limited Member***

If you have been designated as a *Limited Member* due to a breakdown in a marital relationship with a plan member, you receive the same options for payment as the plan member receives when the plan member's employment ends. If the plan member's employment ends on or after August 1, 2016 and after the plan member is *Retirement-Eligible*, you will no longer be provided with the option to transfer the *Commuted Value* of your share of the member's pension out of the Plan.

**Whose Options are Not Changing?**

Your options are not changing if:

- you have already retired and are receiving a pension from the Plan;
- you are the surviving spouse of a deceased member and are receiving a pension from the Plan;
- you retire on or after your normal retirement age, as members in this situation do not currently have the option of transferring the *Commuted Value* out of the Plan;
- your current employment ends before you are *Retirement-Eligible* and you elect to transfer the *Commuted Value* of your pension out of the Plan before your *Earliest Retirement Date*. In this situation the *Commuted Value* reflects your pension payable at your *Normal Retirement Date*;
- your current employment ends after you are *Retirement-Eligible* and your retirement date (the first day of any month following your last day of employment) is **on or before** August 1, 2016;
- your pension is considered to be a *Small Benefit* under the Nova Scotia Pension Benefits Act and Regulations;
- you have an outstanding payment from a previous election to receive a *Commuted Value* from the Plan, due to the solvency ratio being less than 100%;
- your death occurs prior to retirement;
- it is necessary for you to end your employment due to a *Shortened Life Expectancy*; or
- you are a member of one of the *Prior Plans*, as members of the *Prior Plans* do not currently have the option of transferring the *Commuted Value* out of the Plan after becoming *Retirement-Eligible*.

**Does this change affect the payment of your *Defined Contribution Account*?**

No, you will still be provided with the option of transferring your *Defined Contribution Account* out of the Plan regardless of when your employment ends.

If you would like to discuss your personal situation, we encourage you to contact 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).

On behalf of the HRM Pension Committee,

Bill Moore and Dan White  
Co-Chairs, HRM Pension Plan

**The official Plan Text will prevail in the event of any discrepancy between this notice and the official Plan terms. Subject to pension legislation and the terms of the Plan, the Plan may be modified or terminated at any time. You may inspect the official plan documents on the Plan's website: [www.hrmpensionplan.ca](http://www.hrmpensionplan.ca). The amendment to remove the Commuted Value Option for Retirement-Eligible Members will be posted to the website once approved by the Nova Scotia Superintendent of Pensions.**

## Glossary of Terms

**Commuted Value** (sometimes referred to as “lump-sum” or “present value”) represents the amount of money a plan member would need to invest today in order to accumulate a sufficient balance at retirement to provide a monthly income equivalent to the plan member’s defined benefit pension.

**Current Plan** means the terms of the Plan effective April 1, 1998, and does not include any of the *Prior Plans*.

**Deferred Vested Member** is a member whose employment has ended, who has not elected to transfer the *Commuted Value* of their pension out of the Plan and who is not yet in receipt of their pension.

**Defined Contribution Account** is the account that holds your employee and matching employer contributions (plus interest) made on overtime and other sources of non-regular earnings. This account also holds the employee contributions (plus interest) on extra-duty earnings for police officers.

**Earliest Retirement Date\*** is the earlier of your *Optional Retirement Date* or the date which is 10 years earlier than your *Normal Retirement Date* (i.e. the first day of the month coincident with or next following your 55<sup>th</sup> birthday, or your 50<sup>th</sup> birthday for a member who has accumulated any part of his or her credited service in a *Public Safety Occupation*).

**Limited Member** is the spouse/former spouse of a plan member, former plan member or retired plan member who has been designated as such upon submission of the prescribed form together with a court order, separation agreement or domestic contract that determines the division of a pension benefit, deferred pension or pension.

**Normal Retirement Date\*** is the first day of the month coincident with or next following your 65<sup>th</sup> birthday (or 60<sup>th</sup> birthday for a member who has accumulated any part of his or her credited service in a *Public Safety Occupation*).

**Optional Retirement Date\*** is the first day of the month coincident with or next following the earlier of your 60<sup>th</sup> birthday or the date your age plus continuous service equals 80 (known as the “Rule of 80”) (“Rule of 75”\*\* for a member who has accumulated any part of his or her credited service in a *Public Safety Occupation*).

**Prior Plans** include the Prior City of Halifax Superannuation Plan, the Prior City of Dartmouth Employees Retirement Pension Plan, the Prior Metropolitan Authority Employees’ Pension Plan and the Prior Halifax County Municipality Full-Time Retirement Pension Plan.

**Public Safety Occupation** (“PSO”) means a sworn officer in the police or fire service of the Halifax Regional Municipality.

**Retirement-Eligible:** Non PSO members become eligible to retire upon reaching the earlier of age 55 or the Rule of 80. PSO members become eligible to retire upon reaching the earlier of age 50 or the Rule of 75\*\*.

**Shortened Life Expectancy** occurs when your life expectancy is less than 2 years, and you are able to provide a certified physician statement and spousal waiver (if applicable). Any plan member with a *Shortened Life Expectancy* has the right to transfer the *Commuted Value* of their pension out of the Plan.

**Small Benefit** applies if your unreduced annual pension is less than 4% of the *YMPE* in the year your employment ends or ended, or if the *Commuted Value* of your pension is less than 20% of the *YMPE* in the year your employment ends or ended. For example, if your employment ends in 2016, your benefit would be considered small if your unreduced annual pension is less than \$2,196 (4% of the 2016 *YMPE* of \$54,900) or if your *Commuted Value* is less than \$10,980 (20% of the 2016 *YMPE*). Any plan member with a *Small Benefit* has the right to transfer the *Commuted Value* of their pension out of the Plan. Please note that the *Small Benefit* definition was changed by pension legislation on June 1, 2015. If your employment ended before June 1, 2015, you may contact the HRM Pension Office to learn the *Small Benefit* criteria that apply to your benefits. Note that the previous limits were lower than the examples presented above.

**YMPE** is the Year’s Maximum Pensionable Earnings used in determining contributions to the Canada Pension Plan.

\*These retirement dates are the dates applicable to the *Current Plan* provisions effective April 1, 1998. If you are a member of one of the *Prior Plans*, this notice does not affect you.

\*\*Members in *Public Safety Occupations* who were hired before April 1, 1998 (or before July 1, 1994 for former City of Halifax employees) have the “Rule of 80” unless additional contributions were made to the Plan.