



# Your Retirement Benefits

August 29, 2017

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*HRM Pension Plan*



# Disclaimer

This presentation is not complete without commentary. It is being provided for educational purposes only and is not intended to give advice. If you have specific questions about your personal situation, you should not rely upon this presentation but should contact the HRM Pension Office.

The plan features explained in this presentation apply to pension benefits accrued to date in the current (HRM) plan division. Provisions of the HRM Pension Plan are subject to change where allowed by the rules of the plan text and pension law.



## Session Topics

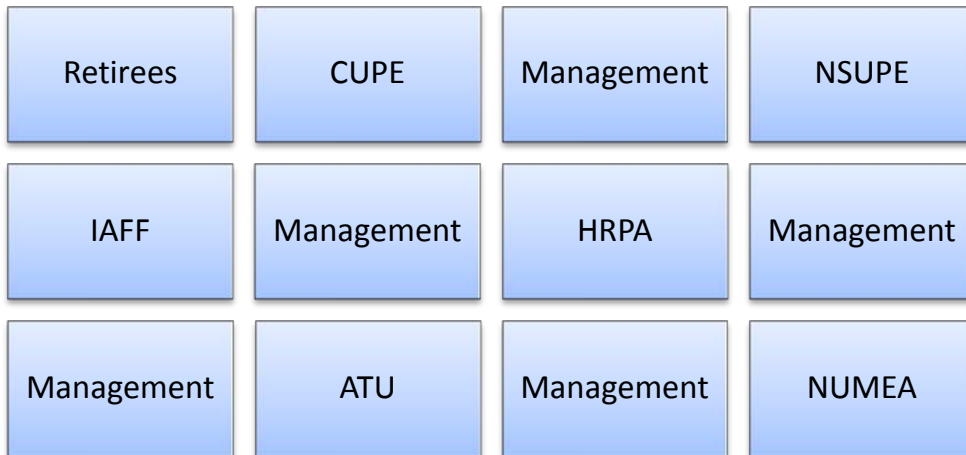
- Organizational structure
- How is my retirement benefit determined?
- What about my Defined Contribution account?
- When can I start receiving my retirement benefit?
- What happens to my retirement benefit if I leave employment before I am eligible to retire?
- What benefits are payable if I pass away before I retire?
- What benefits are payable if I pass away after I retire?
- Where can I find more information?



# Organizational Structure

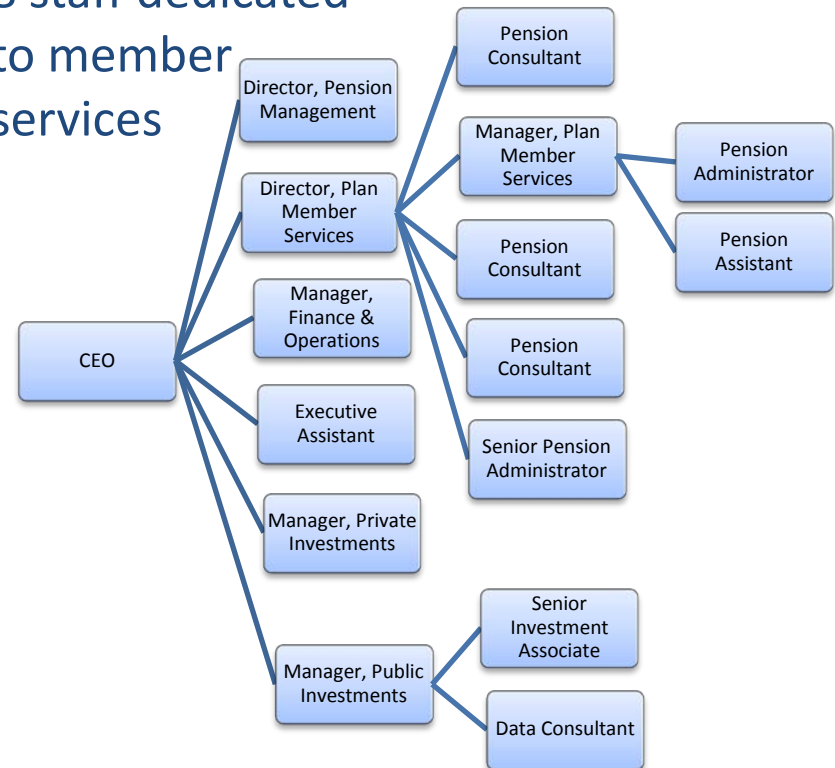
## Pension Committee

- 12 voting members and their alternates (joint representation)
- 13 non-voting Participating Employer representatives
- Quarterly Committee meetings
- Annual General Meeting in June



## HRM Pension Plan Office

- CEO appointed by Committee
- 8 staff dedicated to member services



# How is my retirement benefit determined?

The HRM Pension Plan is a defined benefit pension plan

- Plan members receive a specific monthly benefit at retirement that is based on a formula
- The Plan's actuary determines the cost of providing benefits
- Employees and employers contribute in equal amounts to fund the Plan





# Retirement Benefit Formula

$$2\% \times \text{Best Average Earnings (BAE)} \times \text{Credited Service} \\ = \text{Annual Pension}$$

## Best Average Earnings

- average of annualized earnings over the 3 highest paid, consecutive years

## Credited Service

- period of time employed while a member of the Plan and making contributions as required by the Plan
- no maximum number of years



# Retirement Benefit Example

Best Average Earnings = \$50,000

Credited Service = 25 years

**$2\% \times \$50,000 \times 25 \text{ years}$**

= \$25,000 pension per year





# Maximum Pension

- The Income Tax Act imposes a limit on the annual pension that can be paid for each year of credited service by a defined benefit pension plan
- In 2017, this limit is \$2,914.44 for each year of credited service
- For the current 2% pension formula, the pension limit affects members with average annualized earnings of \$145,722 or higher if retiring in 2017  
 **$\$145,722 \times 2\% = \$2,914.44$**
- Required pension contributions capped at earnings which support these maximum pension earnings





# Maximum Pension - Example

- Member retiring in 2017
  - 25 years of credited service
  - Best Average Earnings of \$150,000
  - Pension Formula =  $2\% \times \$150,000 \times 25 \text{ years} = \$75,000$

**Maximum annual pension that can be paid is \$72,861**  
**(\$2,914.44 x 25 years = \$72,861)**



# Defined Contribution Accounts

- Members may elect to make contributions on overtime or other non-regular earnings such as bonuses or lump sum payouts of vacation time
  - matched by the employer (6.3% each)
- Police officers can elect to contribute extra-duty earnings with no employer matching (12.6% employee)
- DC account is combined with any conversion account (former Dartmouth plan service)
- Members may transfer balance to Locked-In Retirement Account at termination/retirement or it may be used to provide additional pension which can be “purchased” with account value at retirement



# Types of Service

## Credited Service

- period of time continuously employed while a member of the Plan and making contributions as required by the Plan
- the service used in the pension benefit formula

## Continuous Service

- period of time during which a person is continuously employed, including leaves of absence
- calculated from your most recent date of hire
- Used to calculate Rule of 80 or 75

# When can I start receiving my retirement benefit?

## ■ Normal Retirement Date

- Age 65 (age 60 for Public Safety Occupation “PSO” members)
- No reduction in pension

## ■ Early Retirement Date

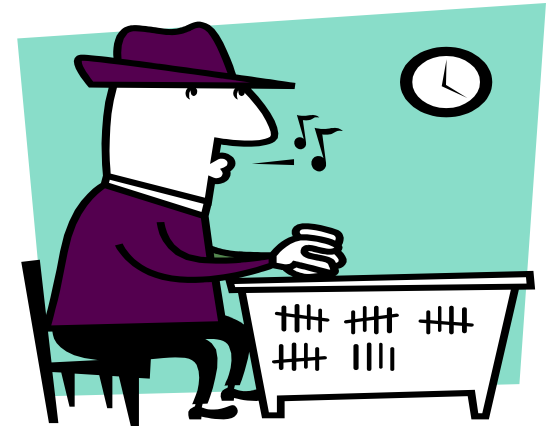
- Age 55 (age 50 for PSO members)
  - Subject to a reduction if member has not reached Optional Retirement Date (6% per year)

## ■ Optional Retirement Date

- Rule of 80 (Rule of 75 for some PSO members)
  - Continuous employment service + age = 80 (or 75), no minimum age
- Age 60
- No reduction in pension

## ■ Postponed Retirement Date

- Retirement after Normal Retirement Date
- If member is still employed at age 71 he/she is considered to have retired on his postponed retirement date (member’s pension must commence in the year the member attains age 71)





# Indexing of Pensions After Retirement

- Subject to Committee approval and based on financial health of the Plan
- Benefit increase would be subject to a cap equal to the lesser of 6% and the aggregate increase in the Consumer Price Index from the member's retirement date



# Service Purchases (Buybacks)

- Subject to certain limits under the Income Tax Act, members can purchase credited service under the Plan. Such periods of service include:
  - approved leaves of absence during which the member did not contribute to the Plan;
  - service with the employer prior to joining the Plan;
  - prior periods of service under the HRM Plan for which the member was paid out when employment ended;
  - certain periods of employment with other employers after January 1, 1992 which was pensionable service under a pension plan; and
  - pensionable service with other employers prior to January 1, 1992 with whom the Plan has a reciprocal transfer agreement.
- **Purchasing credited service will only increase a member's pension, it will not allow them to retire earlier.**



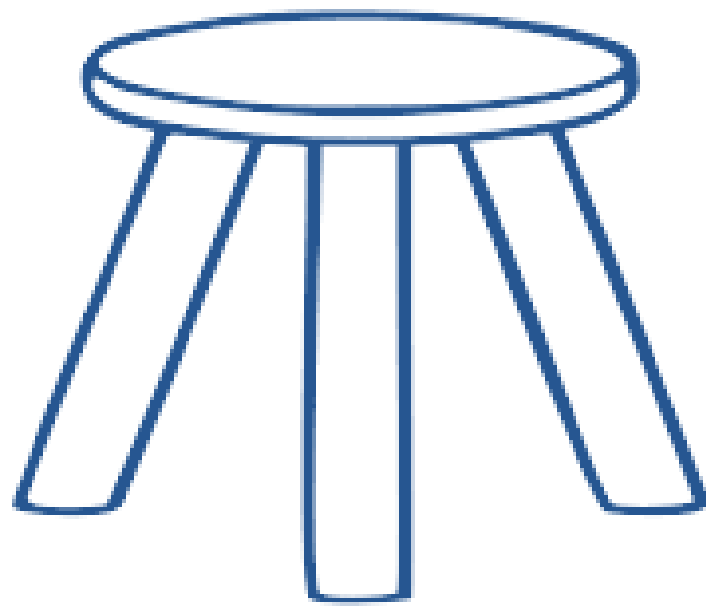
# Reciprocal Transfers

- Reciprocal transfer agreements allow Plan members to transfer service between participating pension plans
- Provides members with **credited** and **continuous** service
- HRM Pension Plan has the following reciprocal transfer agreements in place:
  - the Province of Nova Scotia (including many public authorities in the province),
  - the Federal Public Service Superannuation Plan,
  - the Ontario Municipal Employees Retirement System, and
  - the Province of Newfoundland and Labrador.
- Please contact the HRM Pension Plan office for information on eligibility and procedures. There is an administration fee for the transfer of service under a reciprocal transfer agreement.



# Sources of Retirement Income

Government-sponsored programs



Personal Savings

HRM Pension Plan





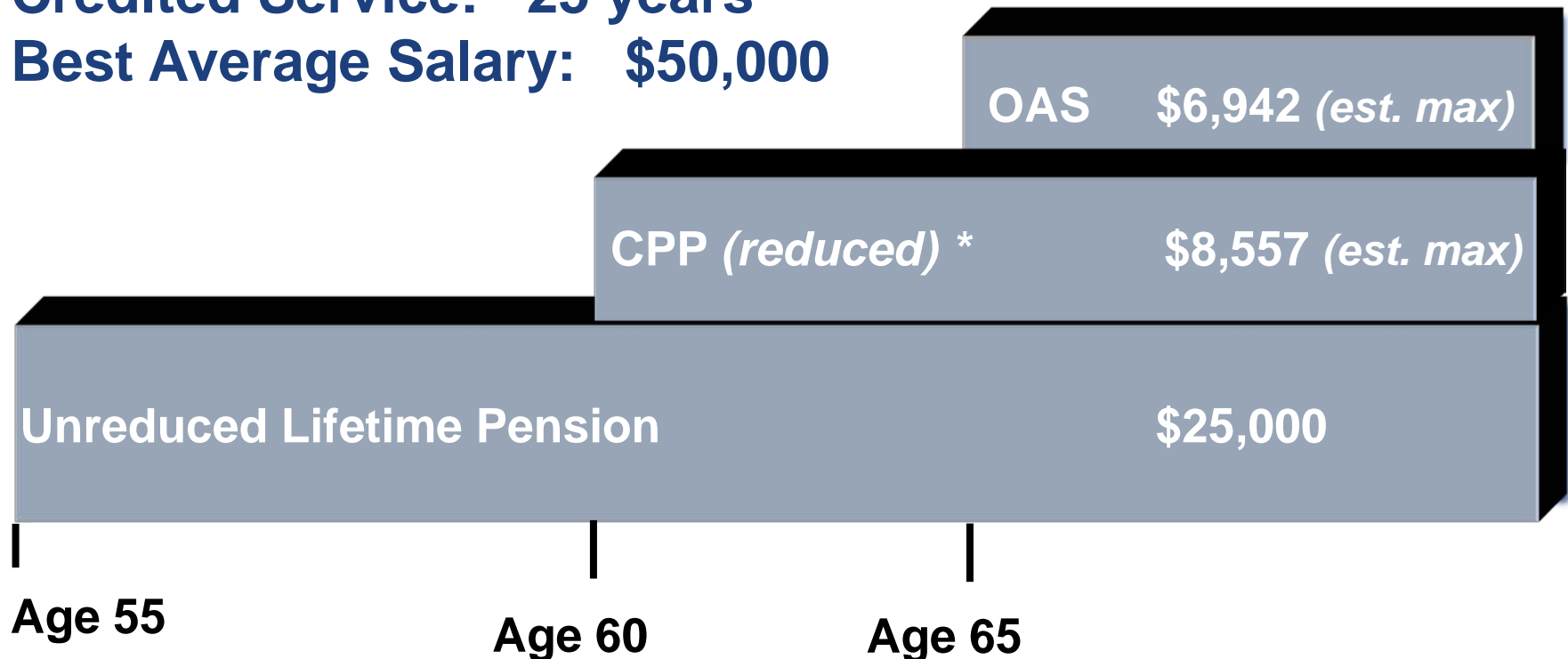


# Retirement Benefits Example

**Age: 55**

**Credited Service: 25 years**

**Best Average Salary: \$50,000**



*\*CPP can begin as early as age 60 at a reduced rate. The reduction is 0.6% for each month you receive your CPP pension before age 65.*



# Termination Benefits for Members

Members who are not eligible to retire may elect one of two options:

1. **Deferred pension** payable unreduced at Normal Retirement Date (*age 65 for non-PSO members and age 60 for PSO members*)
  - Can start receiving deferred pension up to 10 years earlier with reduction of 6% per year for each year that the actual retirement date precedes the Normal Retirement Date plus pension that can be purchased with DC account (*if applicable*); or
2. **Commuted value** of deferred pension and value of DC account (*if applicable*) transferred in a lump sum to:
  - Locked-in retirement account
  - An insurance company to purchase an annuity
  - Another registered pension plan, if accepted by plan

The ability to transfer the commuted value of a deferred pension is called **portability.**



# Small Pension Rule

- Typically commuted value payments must be locked-in (*cannot be accessed by member until retirement*)
- Will be unlocked (*payable in cash*) if the member's benefit meets one of the following conditions:
  - annual lifetime pension payable at the member's Normal Retirement Date is less than 4% of the YMPE
  - commuted value is less than 20% of the YMPE in the year of termination



# Death Prior to Retirement

## Member with a Spouse

- Spouse can elect to receive:
  - the commuted value of the member's deferred pension
  - or**
  - an equivalent immediate pension or deferred pension

## Member without a Spouse

- Designated beneficiary or estate receives the commuted value of the member's deferred pension



# Death After Retirement

## Member with a Spouse

- 66.67% of the member's pension continues to the surviving Spouse for life after the member's death  
(has to be the Spouse that was named at date of retirement)

## Member without a Spouse

- payments guaranteed for 10 years, with the value of the balance of guaranteed payments payable to designated beneficiary or estate

In either case, minimum guaranteed payments of at least the member contributions with interest to date of retirement



# Spouse Definition

***“Spouse”* means either of two persons who:**

- (i) are married to each other,
- (ii) are married to each other by a marriage that is voidable and has not been annulled by a declaration of nullity,
- (iii) have gone through a form of marriage with each other, in good faith, that is void and are cohabiting or, where they have ceased to cohabit, have cohabited within the twelve-month period immediately preceding the date of entitlement,
- (iv) are domestic partners within the meaning of Section 52 of the Vital Statistics Act,  
or
- (v) not being married to each other, cohabited in a conjugal relationship with each other
  - (A) for a period of at least three years, if either of them is married, or
  - (B) for a period of at least one year, if neither of them is married.



# Spouse & Beneficiary Designation

- pension plan benefits may be paid to spouse or designated beneficiary (including estate)
- Spouse has first right to survivor benefits
- designated beneficiary can be changed
- always ensure administrator is informed of changes
- entitlement can be contentious
- recipient of benefits will depend on marital status at the **earlier** of retirement date or date of death



## Marriage Breakdown

- If your marriage or common-law relationship ends, your former spouse or common-law partner may be entitled to a share of up to 50% of the pension benefits you earned while you were together and a member of the pension plan.
- If you have a court order or separation agreement which provides for a division of your pension benefits, please ensure that you send a copy of the order or agreement to the HRM Pension Plan office as soon as possible.





# Retirement Information

## Retirement estimate

- Estimates for certain possible retirement dates can be found on your annual pension statement
- Estimates can be calculated by members using the “Retirement Calculator” tool on the HRM Pension Plan website (*only available after you have received your first annual pension statement*)
- Pension Office staff can calculate estimates, on a request basis within 2 years of a proposed retirement date (benefit amount gross and net of taxes provided)
- Earnings and service **estimates** are used in calculations



# Retirement Information

## Other retirement considerations:

- Do you have any pension benefits in a former employer's pension plan?
- Have you talked to a financial advisor? For example, do you know what options you have for other retirement savings?
- How much can you expect to receive from government plans (ex. CPP, OAS)?
- Are you eligible for any lump sum payments (ex. pre-retirement leave, severance pay, accrued vacation) from your employer? If so, what are your options?
- How much tax will you pay on your retirement income?
- Will your benefits coverage (medical, dental, life) continue?
- Do you have a will?
- Are you mentally prepared for retirement? Employer-sponsored EAP may provide pre-retirement counselling



# Retirement Information

- Annual pension statement
- HRM Pension Office
  - *phone:* 902-490-6213/1-888-490-6213
  - *fax:* 902-490-5597
  - *e-mail:* [hmpension@halifax.ca](mailto:hmpension@halifax.ca)
- Website: [www.hmpensionplan.ca](http://www.hmpensionplan.ca)





# Website – [www.hrmpensionplan.ca](http://www.hrmpensionplan.ca)

The screenshot shows the HRM Pension Plan website homepage. At the top left is the HRM Pension Plan logo. To the right of the logo is a search bar with the text "Enter Search Keyword" and a "SEARCH" button. Below the search bar is a navigation bar with five links: "I am a Plan Member", "I am a Retired Plan Member", "I am an Employer", "Latest News", and "About Us". A red arrow points to the "I am a Plan Member" link. Below the navigation bar is a large image showing three people in an office setting looking at two computer monitors displaying financial data. Below the image are two blue boxes. The left box contains the text "Welcome to HRM Pension Plan" followed by a paragraph: "As one of the largest public pension plans in Atlantic Canada, the HRM Pension Plan provides current and future pensions to approximately 9,400 plan members." and a link "» About Us". The right box contains the text "Questions?" followed by a link "» Contact Us Today". At the bottom of the page, there is a footer with links for "Canada Pension Plan/Old Age Security", "NS Health Services", and "I Am On The Pension Committee". On the right side of the footer, there is a "Privacy Policy" link and the text "© HRM Pension Plan - All Rights Reserved - 2011".





# HRM Pension Plan Website

The screenshot shows the HRM Pension Plan website with the following elements:

- Header:** HRM Pension Plan logo and navigation links: Home, Careers, Links, Glossary, Contact Us.
- Search:** A search bar with the placeholder text "Enter Search Keyword" and a "SEARCH" button.
- Navigation Bar:** A dark blue bar with white text: "I am a Plan Member", "I am a Retired Plan Member", "I am an Employer", "Latest News", and "About Us".
- Main Content Area:**
  - Left Column:** Links for "HRM Public Safety Occupation (Police and Fire)", "Non-Public Safety Occupation", and a list of categories: "News for Plan Members", "Frequently Asked Questions", "Forms", and "Presentations".
  - Right Column:** "News for Plan Members" section with several news items:
    - "Notice of Retirement Seminar, HRM Pension Plan, October 8, 2013"
    - "Election to Contribute on Overtime and other Non-Regular Earnings": A paragraph explaining the annual election process for overtime contributions, with a deadline of September 30, 2013.
    - "Notice to HRM Pension Plan Members Regarding a Contribution Increase, June 2013"
    - "Website and Retirement Calculator Announcement, June 2013"
    - "Notice to HRM Pension Plan Members Regarding Commuted Values, June 2013"
    - "Town Hall Presentation, November 21, & 22, 2012 (Updated December 3, 2012)"
- Bottom Left:** Two blue buttons: "Retirement Calculator" with a sub-link "Click here to login" and "Questions?" with a sub-link "Contact Us Today". A large red arrow points to the "Retirement Calculator" button.

- Footer:** Links for "Canada Pension Plan/Old Age Security", "NS Health Services", and "I Am On The Pension Committee". On the right, "Privacy Policy" and "© HRM Pension Plan - All Rights Reserved - 2011".




# Retirement Calculator Website

TEST HRMUN WEB 0407 TEST HRMUN WEB 0407 -

Home Retirement Profile Resources

Annual Benefit Statements

View and print your current and historic annual statement.

Retirement Modeling


Model your benefits at your chosen retirement date, using our pension estimate calculator.





# Retirement Calculator Website

TEST HRMUN WEB 0406 TEST HRMUN WEB 0406 -



Home Retirement Profile Resources

## Estimated Monthly Retirement Income

The amounts displayed are estimates based on assumptions and data provided by your employer and therefore are for illustrative purposes only. Every effort has been made to provide accurate information. It is important to note that these estimates will be recalculated using the assumptions and data in effect on the calculation date, which could result in higher or lower amounts than what are estimated on this website. Actual benefits entitlements, based on verified data, will be paid in accordance with the full terms and conditions of the official plan documents and relevant legislation. If there are any discrepancies between the information found on this website and the full official plan document and relevant legislation, the latter will prevail at all times.


The amounts displayed below do not include benefits that you may be eligible for from government sources: Canada/Quebec Pension Plan and Old Age Security. To obtain more information please access Useful Links on the Resources page.

To view the calculation details used for this pension projection, please click on "Calculation details" below. To change the retirement date or any assumptions, please click on the "Change" button below.

Modeler View all options Compare

Your estimates

The graph shows only your projected benefit from the HRM Pension Plan represented as a percentage of your income. You may receive retirement income from the HRM Pension Plan, government plans (CPP, QAS), and personal savings. Your pre-retirement monthly income is estimated to be \$1,100.00



|   |                   |
|---|-------------------|
| Life Pension                                    | \$1,170.00        |
| <b>Your Estimated Monthly Retirement Income</b> | <b>\$1,170.00</b> |

[822856] Default Estimate - Based on payment date 2042-12-01

Assumptions **Change** Calculation Details





## When you decide to retire...

- Advise your employer (*ideally 3-6 months before effective date*)
- Advise the HRM Pension Plan office
- Receive retirement statement and forms approximately 45 days prior to actual retirement date
- Copies of documents you will require:
  - birth certificates or passports - you and spouse (*if applicable*)
  - void cheque for direct deposit
- Northern Trust Canada Ltd. will commence pension on 1st business day of the month following date of retirement (most members choose to retire at the end of the month to avoid a break in income)
- Contact information: Reach Northern Trust directly at 1-800-711-1101 or Krista Wheeler at the HRM Pension Plan Office at 490-6213 or 1-888-490-6213



- The information in this presentation illustrates the current provisions of the HRM Pension Plan, and is subject to change where allowed by the rules of the plan text and pension law.
- Questions?

