



December 10, 2003

Reference Number – 2003-10

All Contact Persons
Member Organizations
of the NSAHO Pension Plan

RE: NSAHO Pension Plan – Pensionable Earnings Defined

We have received questions seeking clarification on the above subject. The purpose of this memo is to clarify which earnings are pensionable and which earnings are not pensionable under the terms of the NSAHO Pension Plan.

Pensionable Earnings Defined

Pensionable earnings are defined in the Plan Text as a Member's annual wages or salary for service after joining the Plan, with the following additional detail:

Compensation included in Pensionable Earnings:

1. sick pay;
2. vacation pay;

Note regarding vacation pay: Vacation pay is only pensionable if the Member takes the corresponding time off. If the Member does not take the time off and is instead compensated for the earned vacation through a lump sum payment, such lump sum vacation pay is not pensionable. Therefore:

- in respect of a lump sum payment in lieu of vacation time off, no pension contributions should be deducted from the employee or paid by the employer; and
- the lump sum vacation payout must be excluded from reported pensionable earnings for the Member and no corresponding pensionable hours should be reported for it.
- in the event of the Member's termination of employment or retirement, unused vacation is only pensionable if it extends the person's date of termination or retirement by taking the vacation in time off. If it is instead paid as a lump sum payment on top of regular pay, such vacation pay is not pensionable.

3. acting pay;
4. temporary assignment pay;
5. lump sum cash bonuses provided as part of the settlement of a collective agreement or the negotiation or modification of any other employment contract with a group of Members, provided all Members of the group are eligible to earn such bonus.

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Clarification Notes to Compensation included in Pensionable Earnings:

We have reviewed the various collective agreements for various types of pay and confirm that the following types of compensation **are pensionable**:

- acting pay and temporary assignment pay would include team leader pay, responsibility pay and permanent resource nurse premiums provided the Member receives the premiums on top of his or her regular rates of pay when they are performing the duties of these assignment;
- education premiums provided they are added to the Member's hourly rate;
- market based adjustments.

NOTE:

A Member can only receive up to 1 year of Credited Service in the Plan in any given year. Therefore, the pensionable items outlined above are only pensionable up to the Full-Time Equivalent (FTE) for the Member's position. For example, if an employee's position has a FTE of 1950 hours and the Member worked 1980 hours (all at a regular rate), then only 1950 of the 1980 hours worked are pensionable.

Compensation excluded from Pensionable Earnings:

1. overtime pay – the pay representing both the regular hourly rate and the premium paid over and above the hourly rate to an employee who works overtime as deemed by the employer or collective agreement;
2. stand-by pay – i.e. the extra payment made to an employee who is required by the employer to be on stand-by;
3. call-back pay - i.e. the extra payment made to an employee who is required to report for work immediately following a completed shift;
4. holiday premiums – note – if a person works an 8 hour shift on a holiday; 8 hours are pensionable. The premium that the employer pays for working those 8 hours on a holiday is not pensionable. E.g. $8 * 1.5 = 12$ hours, therefore, 8 hours are pensionable; 4 hours are not pensionable;
5. shift premiums – i.e. the extra pay paid to the employee in recognition of shift changes;
6. weekend premiums – i.e. the extra pay paid to the employee because their shift falls on a weekend;
7. retirement allowances – i.e. a payment, usually lump sum, paid to an employee upon her retirement;
8. bonuses – i.e. individual signing bonuses or lump sum bonuses paid on an individual basis;
9. vacation pay taken as a lump sum (see #2 under Compensation included under Pensionable Earnings).

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Clarification Notes to Compensation excluded from Pensionable Earnings:

We have reviewed the collective agreements for various types of pay and confirm that the following types of compensation are **not pensionable**:

- most collective agreements require an 11% “Pay in lieu of benefits” for “casual employees”. This compensation is not pensionable;
- meal allowances;
- compensation for travel;
- mileage allowances;
- telephone consults premiums;
- transportation allowances.

Please make the necessary adjustments to your payroll systems to ensure the proper recognition of pensionable earnings (as defined by the Plan) on a go-forward basis.

If you have any questions, please call me at (902) 832-8518.

Yours truly,

A handwritten signature in cursive script that reads "Judy Paul".

Judy Paul

Manager of Pension Client Services