

## MEMORANDUM

To: The Nova Scotia Pension Review Panel  
From: \_\_\_\_\_  
Re: Your Discussion Paper  
Date: July 2<sup>nd</sup> 2008

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Thank you for sending me a copy of your Discussion Paper.

Although not a member of the "working group", I have had an opportunity to review the submission made by CONSUP, and find myself in support of the comments they have made. This being the case, there is no need for me to repeat all of their comments.

However, there is one issue in respect of which I would like to expand upon their comments. This relates to phased retirement.

I personally feel it would not be reasonable to allow a person to draw up to 60% of their pension without some corresponding reduction both to their hours of work and their salary. (Even though the changes to the Income Tax Act ITA) appear to allow this).

In my view, the so called "Quebec formula" has much to commend it because it does require a reduction in hours worked with a corresponding reduction in pay while allowing the employee to continue to contribute to the pension plan on his or her reduced earnings, and to add to his or her pension entitlement.

I think there is a significant difference in philosophy between these two approaches. It seems to me that the "federal formula" will benefit only long term employees who have stayed with the one employer for most of their working career, and have qualified for an unreduced pension. This obviously will be very advantageous to many federal government employees. It may also put quite a financial strain upon any pension plan that allows this to the full extent permitted by the ITA.

By contrast, it is my understanding that the Quebec formula can be applied to any employee who qualifies even though in some cases these may be quite short service employees. For example, some of these people may have retained pension entitlements with one or more former employers.

It also appears that the federal formula only applies to defined benefit (DB) plans. By contrast, it is my understanding that the Quebec formula is equally applicable to defined contribution (DC) plans. With the trend towards DC plans in the private sector, this seems to me to be another reason to do something that will have the potential to benefit a broader cross-section of the community than would be the case if only DB plan members were able to benefit.

I recognize that due to constraints imposed by the Income Tax Act, the mechanics involved in operating an arrangement along the lines of the Quebec formula have been

somewhat cumbersome. I am not sure that that the recent ITA changes will help this very much. However, be this as it may, if it is felt that this would be the better approach to take, it is my view that it would be desirable to make representations to the Federal Government to make further changes to the ITA to facilitate the use of the Quebec formula. I am sure that the Quebec Government would support such action as also, likely, would the Government of Alberta which I understand introduced a similar process (to Quebec) last year before the ITA changes were introduced.