

1 **Q. Reference: CA-NP-345, p. 2 of 4**

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3 **Please compare the contribution rates required by the NL Provincial Government**  
4 **Pension Plan with the Newfoundland Power Pension Plan for both the employer and**  
5 **employees.**

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7 A. As of October 1, 2002, plan members of the Newfoundland and Labrador Provincial  
8 Government pension plan make the following tax-deductible contributions:

- 9  
10 1. 8.6% of earnings up to the Year's Basic Exemption ("YBE")<sup>1</sup> as defined under the  
11 Canada Pension Plan ("CPP");  
12 2. 6.8% of earnings in excess of YBE up to and including the Year's Maximum  
13 Pensionable Earnings ("YMPE");<sup>2</sup> and  
14 3. 8.6% of earnings in excess of the YMPE.  
15

16 Plan members of the Newfoundland Power defined benefit pension plan make the  
17 following tax-deductible contributions:

- 18  
19 1. 3.33% of earnings up to and including the YMPE; and  
20 2. 5.0% of earnings in excess of the YMPE.  
21

22 Newfoundland Power's contribution to its defined benefit pension plan reflects the  
23 Company's obligation to ensure future pension benefit payments will be met. Pension  
24 funding requirements include both current service funding and special funding.<sup>3</sup> Current  
25 service funding reflects service rendered by active employees in the current year.  
26 Conceptually, the Company's current service funding matches the contributions of  
27 employees. Special funding represents additional funding required to satisfy additional  
28 pension costs related to unfunded pension liabilities such as those associated with early  
29 retirement programs or the solvency deficiency identified in the 2008 Pension Valuation.<sup>4</sup>  
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31 Newfoundland Power does not have the requested information regarding employer  
32 contribution to the Newfoundland and Labrador Provincial Government Pension Plan.

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<sup>1</sup> The YBE is the portion of annual earnings upon which no CPP contributions are required.

<sup>2</sup> The YMPE is the ceiling upon which CPP contributions and benefits are based. It is set at the beginning of each calendar year by the federal government.

<sup>3</sup> Defined benefit pension funding requirements are governed by provincial legislation.

<sup>4</sup> Please refer to *Section 3.4.2. Pension Plans* page 3-21, *et seq.* of the Company's Evidence (1<sup>st</sup> Revision) for further information regarding Newfoundland Power's pension funding requirements.