

The Funding Policy of the *Public Service Superannuation Act*

Executive Summary

The prescriptive funding policy of the *Public Service Superannuation Act* ('PSSA') is designed to provide the Public Service Superannuation Plan Trustee Inc. ('Trustee') with well-defined levers that ensure the long-term sustainability of the PSSP.

Public Service Superannuation Plan Trustee Inc.

Public Service Superannuation Plan Trustee Inc. is the Trustee of the Nova Scotia Public Service Superannuation Plan (PSSP) and the Public Service Superannuation Fund (Fund). The Trustee has a fiduciary duty to oversee sound administration and investment management of the PSSP and the Fund. The Trustee makes key decisions in the best interest of all PSSP members and beneficiaries.

Funded-health reviews

The PSSA's funding policy requires the Trustee to conduct a funded-health review of the Plan every 5 years. The purposes of the funded-health review are to determine indexing (also known as cost-of-living adjustments, or COLA) for the next 5 years and to assess the appropriateness of the Plan's benefits and contribution rates. The funding policy prescribes the actions available to the Trustee depending upon the funded health of the Plan.

If the PSSP is funded above 100%, indexing may be provided during the next five years. At additional thresholds of funded ratios of 110% and 120%, contribution rates may be decreased and benefits may be improved. However, when the Fund is in surplus, a portion of the surplus is to be retained in the Fund (strategic reserve) to help weather potential adversity during the coming five years.

Similarly, thresholds are identified for when the PSSP is funded below 100% at the five-year review cycle. If the PSSP is funded below 100%, indexing must not be paid during the next five years. If the funding is only slightly below 100%, then contribution rates may be increased. However, if the Plan is funded significantly below 100%, then contribution rates must be increased and benefits may be reduced. Only future benefits, not yet accrued, may be reduced. Benefits earned to date are protected.

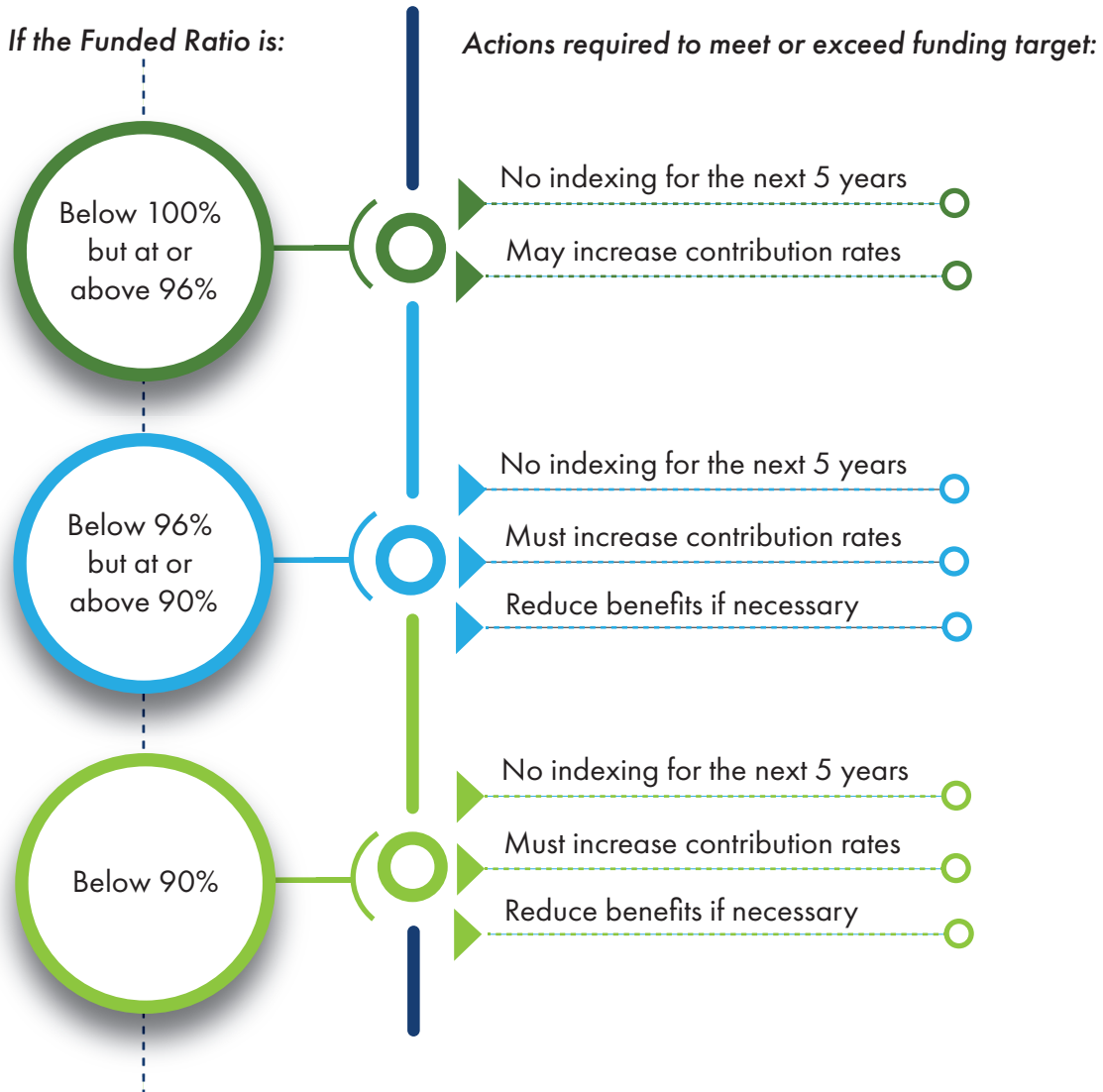
The 5-year funded-health reviews are conducted by the Trustee with the advice of the PSSP's actuary. The highest priority during the funded-health reviews are given to the PSSP's long-term financial health and sustainability.

The following chart details the actions required to meet or exceed the funding target given the Plan's funded ratio on the stipulated valuation date*.

* The 2020 Funded-Health Review was based on the Plan's funded ratio as at December 31, 2019, which was 98.5%. The next Funded-Health Review will be conducted in 2025 and will be based on the Plan's funded ratio as at December 31, 2024.

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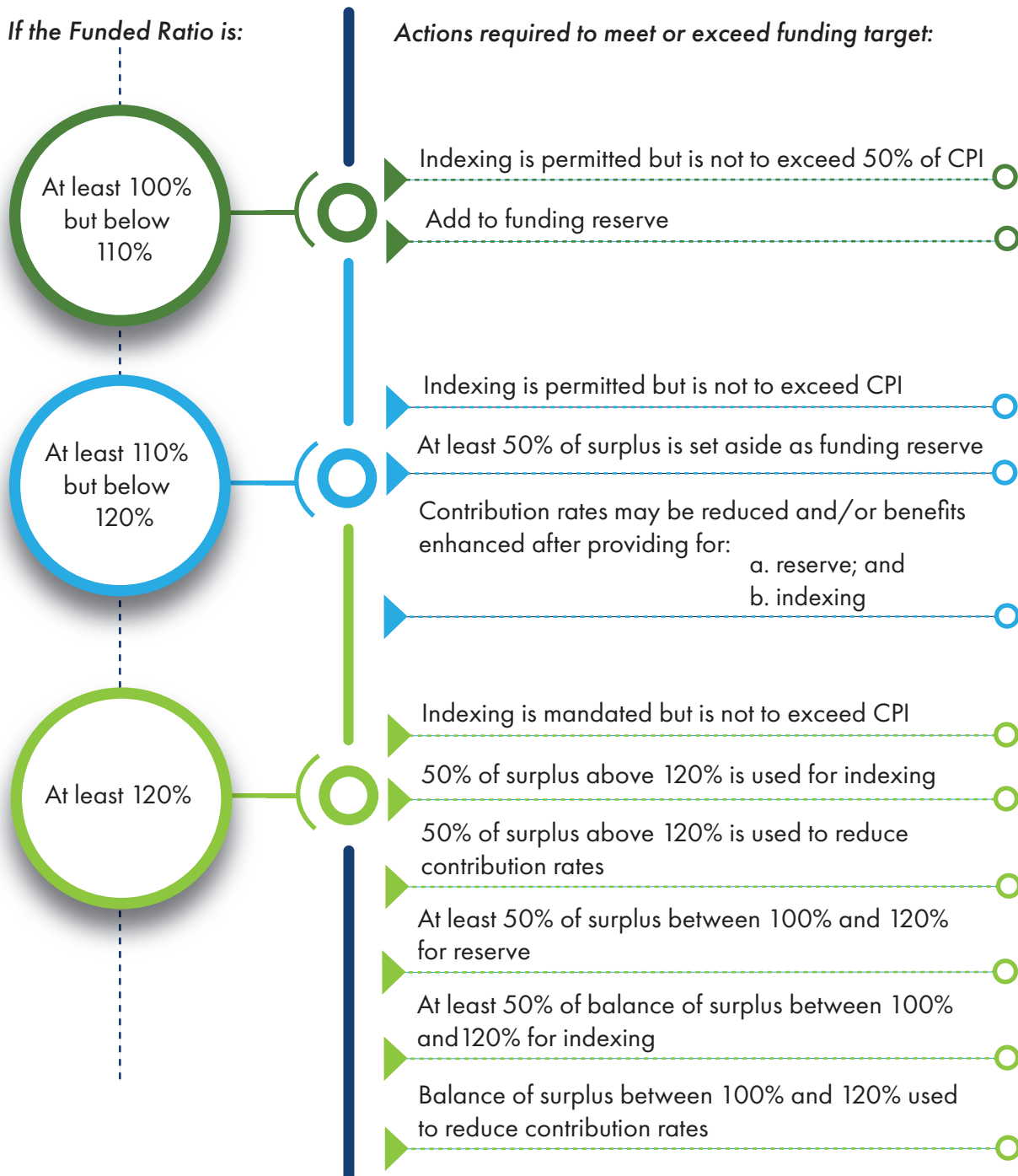
If the Plan is *underfunded* on the stipulated valuation date:



This document is a high-level summary of the funding policy set out in the Public Service Superannuation Act. Please refer to the Public Service Superannuation Act for full details. In the event of conflicting information, the Act shall prevail.

Funding Policy Summary

If the Plan is *fully funded* on the stipulated valuation date:



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