The Funding Policy of the *Public Service Superannuation Act*

The Public Service Superannuation Act (PSSA) includes a funding policy designed to support the long-term financial health and sustainability of the Public Service Superannuation Plan (PSSP). The policy establishes specific actions the Public Service Superannuation Plan Trustee Inc. may or must take based on the Plan's funded status.

Public Service Superannuation Plan Trustee Inc. is the Trustee of the 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 Review

The PSSA's funding policy requires the Trustee to conduct a funded-health review of the Plan every five years. The purpose of the funded-health review is to evaluate the Plan's ability to provide Cost-of-Living Adjustments (COLA, also referred to as indexing) for the next five-year period, and to review the adequacy of contribution rates and Plan benefits.

The five-year funded-health reviews are conducted by the Trustee with the advice of the PSSP's actuary. During the funded-health review, the highest priority is the PSSP's long-term financial health and sustainability.

The following summarizes the actions required under the funding policy based on the Plan's funded ratio on the stipulated valuation date.

If the PSSP is less than 100% funded:

COLA cannot be provided for the next five years. Depending on the funded ratio, contribution rates may or must be increased, and benefits may be reduced. Any benefit reductions would apply only to future benefits. Benefits earned to date are protected.

Below 100% but at or above 96% funded

- No COLA for the next 5 years
- May increase contribution rates

Below 96% but at or above 90% funded

- No COLA for the next 5 years
- May increase contribution rates
- Reduce benefits if the maximum contribution rate increases permitted by the CRA, plus non-payment of indexing, are projected to be insufficient to cause the Plan to reach the 'Funding Target' (100% funded by the end of the 10-year period commencing on the 1st day of the next 5-year funding cycle)

Below 90% funded

- No COLA for the next 5 years
- Must increase contribution rates to at least the level as would be required if the funded ratio was 90% (if permitted by the CRA)
- Reduce benefits if the contribution rate increases as aforesaid, plus non-payment of indexing, are projected to be insufficient to cause the Plan to reach the 'Funding Target' (100% funded by the end of the 10-year period commencing on the 1st day of the next 5-year funding cycle)

If the PSSP is more than 100% funded, the following actions are required to meet or exceed funding target.

At least 100% but below 110% funded

- COLA is permitted but is not to exceed 50% of CPI
- Some percentage of surplus (stipulated in the PSSA) retained in the Plan as a strategic funding reserve

If the PSSP is 110% and 120% funded, additional actions may be taken, including decreasing contribution rates or improving benefits. When the Fund is in surplus, however, a portion of the surplus is retained as a strategic reserve to help protect the Plan against potential adversity over the next five years.

At least 110% but below 120% funded

- COLA is permitted but is not to exceed CPI
- At least 50% of surplus is retained in the Plan as a strategic funding reserve
- Contribution rates may be reduced and/or benefits enhanced after providing for:
  a. reserve; and
  b. indexing

At least 120% Funded

- COLA is mandated but is not to exceed CPI
- 1) 50% of surplus above 120% is used for indexing
- 2) 50% of surplus above 120% is used to reduce contribution rates or make positive adjustments to benefits, or some combination of the two
- 3) At least 50% of surplus between 100% and 120% retained in the Plan as a strategic funding reserve
- 4) After application of the surplus amount per 3) above, use at least 50% of the balance of the surplus between 100% and 120%, if any, for indexing
- 5) After application of the surplus amounts per 3) and 4) above, use the balance of the surplus between 100% and 120%, if any, to reduce contribution rates

For more information on the PSSP's Funded-Health Review, please visit our website.

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