



The 5-year funded-health review and COLA (Jan. 1, 2016 – Dec. 31, 2020) *Q&A's*

When did the Public Service Superannuation Plan Trustee Inc. (Trustee) complete the 5-year funded- health review of the Plan?

- The Trustee made preparations to conduct its first comprehensive review of the Plan's long term financial health in 2014-15. The Trustee is required to conduct this review every 5 years, in accordance with provisions in the *Public Service Superannuation Act (PSSA)*. The Review was completed on June 12, 2015.

What is the purpose of the 5-year funded-health review?

- The purpose of the Review is to determine the Plan's capacity to afford future cost-of-living adjustments (COLA) for the next 5 years (January 1, 2016 to December 31, 2020) and to review the adequacy of contribution rates
- In 2009, the Plan was significantly underfunded. At Dec. 31, 2009, the Plan was 69 per cent funded with a \$1.6 billion funding deficit.
- In 2010, comprehensive changes were made to the Plan; including a framework that introduced contingent indexing (COLA). This initiative reduced the Plan's liabilities by \$1 billion.

What was the Trustee's decision after they conducted the 5-year funded-health review?

- After prudent review and consideration, the Trustee approved:
 - Elected to adopt a market value of asset valuation method for the December 31, 2014 Actuarial Valuation,
 - Allocated approximately \$125 million of the funding surplus to the strategic reserve,
 - Approved a COLA set at 0.85 per cent per year, and
 - Confirmed no changes to Plan member and employer contribution rates will be made.

How did the Trustee determine the level of approved COLA?

- The decision to grant COLA for the next 5 years was based on the Plan's funded ratio as of December 31, 2014, which was 104.7 per cent funded (before the calculation of future COLA).
- The guidelines used to determine the level of approved COLA are detailed in the funding policy of the PSSA.

- As the Plan was 104.7 per cent funded, the *PSSA*'s funding policy states that the maximum COLA the Trustee may approve must not exceed 50 per cent of the previous 5-year average Consumer Price Index (which was 0.9 per cent).
- The Funding Policy of the *PSSA* states:
 - If the funded ratio of the Plan is between 100 per cent – 110 per cent, the Trustee may provide COLA so long as the Plan's funded ratio is not projected to fall below 100 per cent at the end of the 5-year cycle, including the impact of granting COLA throughout the 5-year cycle.
 - There is also a sliding scale that determines what minimum amounts of the funding surplus must be maintained in the fund as a strategic reserve.
- The 5-year funded-health review was conducted by the Trustee and with the advice of the Plan's actuary.

How did the Trustee's decisions of the 5-year funded-health review impact the Plan's funded ratio?

- As a result of the Trustee's 5-year funded-health review decisions, the Plan had a revised funded ratio of 102.4 per cent (market value) as at December 31, 2014
- Plan liabilities were then extrapolated to March 31, 2015 resulting in a revised funded ratio of 106.5 per cent using a market value of assets at that date.

When is the next 5-year funded-health review?

The Trustee's next review of the Plan's funded health will be in 2020, for the 5-year cycle starting January 1, 2021 to December 31, 2025. At this time, COLA will be dependent upon the Plan's funded ratio as of December 31, 2019. COLA may only be provided if the Plan is fully funded and if determined to be prudent by the Trustee.