

Nova Scotia Teachers' Pension Plan Trustee Inc.

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Nova Scotia Teachers' Pension Plan 2008 financial results

Background Information

Fund performance:

- On average, large Canadian pension plans had investment performance ranging from -15.9 % (Mercer) to -18.5 % (RBC Dexia) for the year ended December 31, 2008. The Nova Scotia Teachers' Pension Plan had an investment return of -16.8 %.
- The pension fund has decreased to a 70.8 per cent funded level (as of December 31, 2008) due to market conditions. This represents a decrease of approximately 20 per cent over the last year (since December 31, 2007).
- An actuarial valuation measures the value of the pension benefits earned to the valuation date (December 31 of each year) by each member of the plan plus the value of pensions still to be paid to pensioners. It compares this with the value of the plan's assets to determine whether the plan has a surplus or an unfunded liability. It also determines whether the contributions by members and the Province are sufficient to fund the current level of benefits.

Implications for pension members and recipients:

- The reduction in the funding level below 90 per cent means that those who retired after August 1, 2006 will not receive indexing this year. For these pensioners, pension payments from the Teachers' Pension Fund will remain unchanged.
- As part of the 2005 agreement, the Province will make a contribution to the Nova Scotia Teachers' Pension Fund equal to the actuarial value of indexing not paid. This amount is estimated to be \$3.5 million.
- Except for the pre-August 1, 2006 pensioners who chose the variable pension option, teachers who retired prior to August 1, 2006 are not affected by the change in the funding level and will receive indexing on July 1, 2009 at a rate of Consumer Price Index (CPI) minus one per cent.

Fund management:

- The Teachers' Pension Plan Trustee Inc. is a board of representatives who act as trustee of the fund and are responsible for directing and monitoring investment of the Teachers' Pension Fund assets. The Nova Scotia Pension Agency administers and invests the pension assets at the direction of the Trustee.

- The Teachers' Pension Plan Trustee Inc. continues to proactively monitor and manage the Teachers' pension fund assets with a focus on reducing equity exposure and investing in high quality, readily marketable assets.
- The Trustee has strategically invested the fund in a diverse allocation of equities, bonds and real estate to minimize risk and take advantage of market conditions.

Frequently Asked Questions

What is the significance of a -16.8 per cent investment return?

The investment results show a -16.8 per cent return on investment for 2008 and a funded level of 70.8 per cent (a funding level drop of approximately 20 per cent from December 31, 2007). Preliminary results indicate that this performance is on par with other major Canadian pension plans.

The value of being a member of a defined benefit plan is that your pension benefits earned to date are safe. Unlike defined contributions where your benefits are tied to market returns, your benefits will be paid in keeping with the text of the plan.

The reduction in the funding level below 90 per cent does mean that those who retired after August 1, 2006 will not receive indexing this year. For these pensioners, pension payments from the Teachers' Pension Fund will remain unchanged. As part of the 2005 agreement, the Province will make a contribution to the Nova Scotia Teachers' Pension Fund equal to the actuarial value of indexing not paid. This amount is estimated to be \$3.5 million.

Except for approximately 33 pre-August 1, 2006 pensioners who chose the variable pension option, teachers who retired prior to August 1, 2006 are not affected by the change in the funding level and will receive indexing on July 1, 2009 at a rate of Consumer Price Index (CPI) minus one per cent.

If I'm thinking of retiring, what does this mean to me?

The value of being a member of a defined benefit plan is that your pension benefits earned to date are safe. Pension members will continue to receive the pension payments specified as part of their pension plan.

In the current economy, the conditions are not in place to offer indexing, and there will be no indexing until the funded level of the pension exceeds 90 per cent. At that point, the Trustee will review the potential for indexing.

How long before indexing returns?

It's impossible to predict the performance of the financial markets. There will be no indexing until the funded level of the pension exceeds 90 per cent. At that point, the Trustee will review the potential for indexing.

What steps will the Trustee take to improve funded levels?

The preferred step is to wait for a market rebound. The Teachers' Pension Trustee Inc. has invested the funds in a diverse selection of bonds, equities and real estate, and is poised to maximize the fund's performance when the market does improve.

How is the Pension performing today (versus the end of December 2008)?

March 31 results are not yet available, but we will see those results in May.

For more information about the Nova Scotia Teachers' Pension, please call 1-800-774-5070 or 902-424-5070 (in the Halifax area).