

# *Nova Scotia Teachers' Pension Plan Trustee Inc.*

Purdy's Landing, Suite 400, 1949 Upper Water Street, Halifax, NS B3J 3N3

PO Box 371, Halifax, NS B3J 2P8

Phone: 1-800-774-5070 Fax: 902-424-4539

---

June 1, 2010

**Re: NOVA SCOTIA TEACHERS' PENSION PLAN,  
Indexing method of 'CPI minus 1%' as it pertains to Cost of Living Adjustment  
(COLA) or Indexing of Pension Benefit**

Dear Pensioner or Beneficiary,

Effective July 1, 2010, there will not be a Cost of Living Adjustment (Indexing) granted for your monthly pension benefit from the Teachers' Pension Plan.

An increase may only be granted when the changes in Canada's average Consumer Price Index (CPI) are greater than 1%, ie. they would create a net positive result once the 'minus 1%' was deducted, per the formula below. If the net result is negative, there is no adjustment to your pension, because indexing cannot be less than zero. Based on this, the following details why no cost of living adjustment may be granted:

* Increase in the average Consumer Price Index (CPI)	0.5%
	<u>- 1.0%</u>
* Calculated Cost of Living Adjustment (actually negative)	- 0.5%
* Actual Cost of Living Adjustment (indexing cannot be less than zero)	<u><u>0.0%</u></u>

\* For a more in-depth explanation on average CPI and the COLA formula, please see Page 2.

If you have any questions regarding this, please contact our Administrator's office, the Nova Scotia Pension Agency, at 1-800-774-5070 (toll free in NS) or 424-5070.

Yours Sincerely,

Chair  
**Nova Scotia Teachers' Pension Plan Trustee Inc.**

*Please see Reverse for further calculation details*

## Information on the Consumer Price Index

The Pension Index for a particular year is calculated as the average of the Consumer Price Index (CPI) for Canada (All Items), as published by Statistics Canada, for the 12 months ending April 30 of the previous year. The 'no indexing' outcome regarding July 1, 2010 was calculated as the percentage increase in the Pension Index for 2010 over the Pension Index for 2009, less 1.0%, as shown below.

The CPI is made up of eight major components. They are:

- |   |   |
|---|---|
| 1. Food                                 | 5. Transportation                           |
| 2. Shelter                              | 6. Health and personal care                 |
| 3. Household operations and furnishings | 7. Recreation, education and reading        |
| 4. Clothing and footwear                | 8. Alcoholic beverages and tobacco products |

Goods and services are organized by Statistics Canada according to a classification system. Products are grouped with other items because they have a common end use or because they are substitutes for each other. These products are grouped together to form basic classes and these are grouped together to form the 8 major components listed above.

Calculation of the Pension Indexes for 2009 and 2010

Month	CPI	Month	CPI
May 2008	114.6	May 2009	114.7
June 2008	115.4	June 2009	115.1
July 2008	115.8	July 2009	114.7
August 2008	115.6	August 2009	114.7
September 2008	115.7	September 2009	114.7
October 2008	114.5	October 2009	114.6
November 2008	114.1	November 2009	115.2
December 2008	113.3	December 2009	114.8
January 2009	113.0	January 2010	115.1
February 2009	113.8	February 2010	115.6
March 2009	114.0	March 2010	115.6
April 2009	<u>113.9</u>	April 2010	<u>116.0</u>
Average	114.5	Average	115.1

### Calculation of Cost of Living Adjustment (COLA)

$$\frac{\text{Average CPI For 12 Months Ended April 2010} - \text{Average CPI For 12 Months Ended April 2009}}{\text{Average CPI for 12 months ended April 2009}} \text{ MINUS } 1.0\%$$

$$\frac{115.1 - 114.5}{114.5} \text{ MINUS } 1.0\%$$

$$0.5\% \text{ MINUS } 1.0\% = -0.5\%$$

**HOWEVER, BECAUSE INDEXING CANNOT BE NEGATIVE, THE COST OF LIVING ADJUSTMENT = 0.0%**