

October 14, 2008

Special Bulletin

For Members of the Public Service Superannuation Plan

Message to Members of the Public Service Superannuation Plan

Given the turmoil in financial markets, current and former employees of the Nova Scotia government may be concerned about the health of their pension plan – the Public Service Superannuation Plan (PSSP.)

It's important for you to know that your pension is sound. However, pension plans everywhere have been facing challenges – and the PSSP is one of them.

The PSSP has some of the most generous benefit provisions of any public service pension plan in Canada. In addition, the plan's membership continues to mature, resulting in larger numbers of retired versus active members. As a result, supporting the plan is expensive.

Pension management comes down to some basic principles. Simply put, pension contributions – made jointly by the employee and the employer – plus investment returns must be sufficient to cover the benefits that plan members receive when they retire.

The plan's trustee, with the assistance of the Nova Scotia Pension Agency, monitors the performance of your pension plan on an ongoing basis. If the plan is significantly underfunded, the trustee has a duty to consider actions to improve its long term financial health.

How is the PSSP doing in 2008?

In recent years, the finances of the PSSP have not kept up with the plan's long term forecasted obligations. This is primarily the result of more employees retiring or approaching retirement age. Investment performance has not kept pace with these obligations.

Is the shortfall due to the recent global market conditions?

The plan's investments have grown at a slower rate than expected over the last decade. The current market conditions are increasing the size of the shortfall. The funded ratio of the PSSP was down below 80 per cent (79.7) as of March 31, 2008 for the first time in many years. The poor performance of global financial markets through September and into October will have further affected the plan's funded ratio.

Why does this problem need to be fixed?

The pension plan must be properly funded to make sure benefits are available throughout the retirement of each member. The funded level of the plan should increase over time, rather than decrease. A healthy, well funded pension plan benefits all plan members over the long term.

Will this get better if we put it off?

The longer we wait, the harder it will be to make up the gap. This doesn't mean we will make radical changes to benefits or investments in the short term – pension plans operate over the long term. However, it is clear that actions need to be carefully evaluated for the long term health of the plan.

What exactly is planned?

The Nova Scotia Pension Agency has been looking at options to improve the funded status of the plan for the long term. No decisions have been made. The agency has had detailed discussions with the plan's major stakeholders, including the NSGEU and the NS Highway Workers Union, which are represented on the PSSP advisory committee.

Who will decide if changes are required?

The pension plan is governed by its own legislation – the Public Service Superannuation Act – and changes to the plan's major provisions must be made by the legislature. Some minor changes may be made through regulation.

It is up to the Hon. Michael Baker, trustee of the plan, to make recommendations to the House of Assembly about changes to the plan. He is being diligent and thoughtful in analyzing options to promote the long-term health of the plan.

No recommendations have been made to date.

However, it is the minister's fiduciary responsibility – to plan members and taxpayers – to make sure that the plan is sufficiently funded for the long term.

Will benefits be changed?

It is likely that some changes to benefits and/or contributions will need to be made. However, the changes are expected mainly to bring plan arrangements in line with similar plans across Canada, rather than substantially better – as they are now. Any changes will be made in a way that is sensitive to the needs of employees – particularly those who are soon to retire. Benefits for current retirees are not expected to change.

What has been done to improve the PSSP's investment performance?

Pension plans operate over the long term, looking at where its members will be in 30 years or more. Therefore it's not wise to overreact to short-term market conditions.

The PSSP investment portfolio is conservative and designed for the long term. The fund has taken additional measures to minimize risk even more in recent months.

How many people belong to the plan?

The Public Service Superannuation Plan has a total of 28,654 members, of which 55 per cent are active employees.

Questions?

Please consult the Nova Scotia Pension Agency website at www.novascotiapension.ca. It is a useful source of information about the Public Service Superannuation Plan.

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