

Nova Scotia Teachers' Pension Plan Trustee Inc.

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To: Plan members and recipients
From: Nova Scotia Teachers' Pension Trustee Inc.

We recently received the 2008 actuarial valuation for the Nova Scotia Teachers' Pension Plan. Like other pension plans, the dramatic market declines have negatively affected the plan's performance for the year ending December 31, 2008.

The valuation results show a -16.8 per cent return on investments for 2008 and a funded level of 70.8 per cent. The funding at nearly 71 per cent represents a 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 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.

The Nova Scotia Teachers' Pension Fund is carefully and strategically invested in a diverse allocation of equities, bonds and real estate in order to minimize risk and broaden the scope of investment. The Nova Scotia Teachers Pension Plan Trustee Inc continues to closely monitor the fund's performance and make strategic changes as needed to take advantage of market conditions.

Detailed pension information will be made available on the Nova Scotia Pension Agency's website at www.novascotiapension.ca/teachersplan in May when the 2008 Annual Report and the Audited Financial Statements for 2008 are posted.

You may also call the Nova Scotia Pension Agency at 1-800-774-5070 or 902-424-5070 (in the Halifax area) with any questions.