

July 2023

TO: **Retirees and Beneficiaries of the Nova Scotia Teachers' Pension Plan (TPP or Plan)**

Re: **Cost-of-Living Adjustment (COLA) Notification - Variable COLA**

The TPP has a Variable Cost-of-Living Adjustment (COLA) method for retirees who retired on or after August 1, 2006 or retired before August 1, 2006 and elected this COLA type.

Variable COLA is based on the TPP's funded status at year end December 31 of the previous year and can only be granted when the Plan is fully funded (100 per cent or more) or is at least 90 per cent funded.

At December 31, 2022, the Plan was 75.1 per cent funded on a going-concern basis. This represents a decrease over 2021's funded ratio of 82.5 per cent, which was the highest funded status the Plan had seen since the October 2008 financial crisis. The Plan's deficit was \$1.819 billion, being the difference between the net assets available for payment of benefits of \$5.480 billion and the actuarially-calculated liabilities of \$7.299 billion.

Due to the Plan being less than 90 per cent at December 31, 2022, retirees and beneficiaries eligible for a Variable COLA will not receive an increase in their pension in 2023.

You can learn more about the Plan's financial health and view the audited financial statements in the 2022 Annual Report, which is available online at:

www.nstpp.ca/investments/plan-performance

For your information, we have provided further details on Variable COLA on the reverse side of this letter.

Should you have any questions regarding this or any other pension-related matters, please contact Nova Scotia Pension Services Corporation at:

Phone: 1-800-774-5070 (toll free in NS) | 902-424-5070 (local)

Email: info@nspension.ca

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Variable Cost-of-Living Adjustment (COLA):

Variable COLA is based on the Plan's funded status at year end December 31 of the previous year.

If the Plan's Funded status is	Then...
Greater than 100%	COLA (indexing) is granted at 100% of the increase in the Consumer Price Index (CPI); however, if this action would cause the Plan's funded status to fall below 100%, indexing will be granted at a minimum of 50% of the increase in CPI.
Between 90% and 100%	COLA (indexing) may be granted at 50% of the increase in CPI. In this situation, the Teachers' Pension Plan Trustee Inc. will decide if indexing will be granted.
Less than 90%	COLA (indexing) will not be granted and the Province must contribute to the Plan an amount equal to the difference in actuarial value between: a. Indexing granted at 50% of CPI in every year; and b. Indexing not granted for the current year and at 50% of CPI in every year thereafter.

NOTE: The Indexing decision is based on the funded ratio of the Teachers' Pension Plan as stated in the actuarial valuation report for funding purposes as at December 31 of the previous year

Indexing is calculated as a portion of the percentage increase in the average CPI for the 12 months ending April 30 of the preceding school year over the average CPI for the 12 months prior to that. The portion is 50% if the Plan is between 90% and 100% funded, subject to the approval of the Trustee, and up to 100% if the Plan is fully funded.

What is the Consumer Price Index?

It is an indicator of changes in consumer prices experienced by Canadians. It is obtained by comparing, over time, the cost of a fixed basket of goods and services purchased by consumers. It is published monthly by Statistics Canada. Changes in the CPI are the most common measure of inflation.