

THIS AGREEMENT made the 2<sup>nd</sup> day of July, 2014.

**BETWEEN:**

**HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF NOVA SCOTIA** as represented by the Minister of Finance (hereinafter referred to as the "Minister")

OF THE ONE PART

-and-

**NOVA SCOTIA TEACHERS' UNION**, a body corporate pursuant to the *Teaching Profession Act*, being Chapter 462 of the Revised Statutes of Nova Scotia, 1989 (hereinafter referred to as the "Union")

OF THE SECOND PART

WHEREAS the Act continues the Plan for persons employed as teachers and their dependents on the terms and conditions set out in the Act and the regulations;

AND WHEREAS the Act continues, as part of the Plan, the Fund, which is held in trust by the appointed Trustee, and from which all pension payments and refunds are payable;

AND WHEREAS the 2005 Agreement established arrangements to address the unfunded liability in the Fund, and the governance and administration of the Plan as a jointly-trusted plan, effective April 1, 2006;

AND WHEREAS the 2005 Agreement required a review of the funding status of the Fund in 2010, which has been completed;

AND WHEREAS the 2005 Agreement established measures to improve the funding level for the Plan and amended the Indexing provisions of the Plan;

AND WHEREAS the 2005 Agreement established mechanisms for the Trustee and Parties to address an Actuarial Deficit when the Plan is unlikely to meet the target funding level;

AND WHEREAS the Parties wish to enter into this Agreement pursuant to subsections 14(1) and 14(2) of the Act, and pursuant to Articles 9.4 and 9.7 of the 2005 Agreement, to replace the 2005 Agreement and to set out the terms of the agreements reached by the Parties concerning the Plan and the Fund.

NOW THEREFORE the Minister and the Union agree as follows:

## **I. INTERPRETATION**

1.1 In this Agreement,

- (a) "2005 Agreement" means the Agreement between the Parties dated June 22, 2005 concerning the Plan and the Fund;
- (b) "Act" means the Teachers' Pension Act, being Chapter 26 of the Acts of Nova Scotia, 1998;
- (c) "Actuarial Assumptions and Methods" mean the assumptions and methods used by the Actuary in arriving at an Actuarial Value;
- (d) "Actuarial Deficit" means the amount by which the Actuarial Liabilities exceed the assets of the Fund, excluding any future payments to or from the Province pursuant to Article 7.1(c) and (d), as stated from time to time in an Actuarial Valuation Report by the Actuary;
- (e) "Actuarial Liabilities" mean the liabilities of the Plan calculated by the Actuary in accordance with the Actuarial Assumptions and Methods, excluding any future Indexing provided to Pensioners pursuant to Article 7.1(a) of this Agreement;
- (f) "Actuarial Surplus" means the amount by which the assets of the Fund, excluding any future payments to or from the Province pursuant to Articles 7.1(c) and (d), exceed the Actuarial Liabilities as stated from time to time in an Actuarial Valuation Report by the Actuary;
- (g) "Actuarial Valuation Report" means the report on the Actuarial Value for funding purposes that is performed annually by the Actuary;
- (h) "Actuarial Value" means a value of the Plan computed by the Actuary;
- (i) "Actuary" means the actuary for the Plan;
- (j) "Agreement" means this agreement, all schedules to this agreement and any amendments;
- (k) "Appeals Committee" means the Teachers' Pension Plan Appeals Committee established by the Act;
- (l) "contingency reserve" means funds designated by the Parties as additional protection for the funded health of the Plan or to support the future payment of Indexing in accordance with this Agreement's provisions in relation to the payment of Indexing;
- (m) "fiscal year-end of the Plan" means December 31st;
- (n) "Fund" means the Nova Scotia Teachers' Pension Fund continued by the Act;

- (o) "Indexing" means an amount added to a pension payable under the Plan in relation to the cost of living;
- (p) "Indexing Period" means: the twelve-month period beginning on July 1 and ending on June 30 of the following calendar year;
- (q) "Joint Trust Agreement" means the Joint Trust Agreement made March 31, 2006 between the Parties and the Trustee, as amended, and attached as Schedule "A" to this Agreement;
- (r) "Member" means a person who is required to participate in the Plan pursuant to the Act and includes a person who has pensionable service in the Plan for which the person has neither received a refund of contributions nor is receiving a pension under the Plan;
- (s) "Party" means either of the Minister or the Union and in the plural means both;
- (t) "Pension Board" means the Teachers' Pension Board created pursuant to Article 4.1 of the 2005 Agreement;
- (u) "Pension Index" means the average of the Consumer Price Index for all items for Canada published by Statistics Canada for each month of the preceding twelve months ending with April of the preceding Indexing Period;
- (v) "Pensioner" means a person who is receiving a pension under the Plan;
- (w) "Plan" means the Nova Scotia Teachers' Pension Plan continued under the Act;
- (x) "Trustee" means the Teachers' Pension Plan Trustee Inc., a corporation incorporated pursuant to Article 5 of the 2005 Agreement and continued under this Agreement; and
- (y) "Y.M.P.E." means the Year's Maximum Pensionable Earnings as defined by the *Canada Pension Plan Act*.

1.2 In this Agreement, according to the context:

- (a) gender-specific terms include both genders and include a corporation, partnership, society, association or union;
- (b) words in the singular include the plural and words in the plural include the singular; and
- (c) where a word or expression is defined, other parts of speech and grammatical forms of the same word or expression will have corresponding meanings.

1.3 The headings used in this Agreement are for ease of reference only and shall form no part of this Agreement.

## II. GENERAL

- 2.1 The Parties each represent to the other that by virtue of the Act, they have the authority to enter into this Agreement and to bind the Members and the Pensioners. The Parties agree that the 2005 Agreement is rescinded.
- 2.2 The Minister and the Union agree to the objective of achieving funding of the Plan at levels whereby the assets of the Plan will be 80-90% of the Actuarial Liabilities of the Plan on or before December 31, 2025, at least 85-95% on or before December 31, 2030, and at least 90-100% on or before December 31, 2035.
- 2.3 The Minister and the Union agree to implement policies and mechanisms designed to achieve the funding levels referred to in Article 2.2. It is acknowledged that such long-term objectives may require payments into the Fund in addition to any matching contributions otherwise required or changes in benefits provided under the Plan. The Parties further acknowledge the principle that any future benefit increases shall be fully funded in accordance with Section 14 of the Act.
- 2.4 The Minister and the Union agree to the principle of regular review of the funding targets established in Article 2.2, including a review in the year 2020, a comprehensive review in the year 2025 and further reviews every 5 years thereafter.
- 2.5 The Minister and the Union agree to the principle that any Actuarial Surpluses or Actuarial Deficits shall be shared equally by the Minister and the beneficiaries of the Fund in accordance with the following:
- (a) an Actuarial Surplus which exists after the Indexing provisions of Article 7.1 (a)(iii) of this Agreement have been implemented may, subject to all applicable laws, be used to establish a contingency reserve, increase benefits or reduce contributions by the Minister and Members in a manner agreed between the Parties, provided that the Actuarial Surplus benefits the Minister and the beneficiaries of the Fund equally; and
  - (b) an Actuarial Deficit shall, subject to all applicable laws and the terms of Article 7 of this Agreement, be covered by increased contributions by the Minister and the Members or by reduction in benefits, in a manner agreed between the Parties, provided that the Minister and the beneficiaries of the Fund share equally in any corrective measures taken to address the Actuarial Deficit.
- 2.6 In the event that the Trustee, based on
- (a) an Actuarial Deficit such that the Plan is unlikely to meet the objectives identified in Article 2.2; or
  - (b) the risk that the Plan may be deregistered,
- recommends amendments to the Plan, the Parties shall, within six calendar months from the date of such recommendation, or such later date as may be agreed to by the Parties, agree to amend the Plan as the Parties deem appropriate. In the event that the Parties are unable to reach such agreement within the relevant time limit, the Parties hereby agree to amend the Plan pursuant to the Trustee's recommendation and, if the recommendation is to deal with an Actuarial Deficit, to raise contributions in accordance with the recommendations of the Actuary and approved by the Trustee.

### III. RESPONSIBILITIES

3.1 The Minister and the Union agree that they will participate jointly in the governance, general administration and management of the Plan, subject to the following elements:

- (a) The Pension Board is a forum for the Parties to meet to confer and make recommendation to the Minister and the Union with respect to the following:
  - (i) ensuring funding at a level sufficient for the Plan to meet its obligations;
  - (ii) achieving the funding targets set out in this Agreement;
  - (iii) establishing or modifying the benefits structure under the Plan;
  - (iv) subject to Articles 2.3 and 2.5 of this Agreement, dealing with any Actuarial Deficits or Actuarial Surpluses that may arise;
  - (v) amendments to the terms of the Plan for implementation, as provided for in subsection 14(1) and paragraph 20(1)(a) of the Act;
  - (vi) contribution rates;
  - (vii) reviewing any recommendations made by the Trustee;
  - (viii) the procedures related to the conduct of the business of the Appeals Committee, pursuant to section 16(3) of the Act;
  - (ix) the guidelines regarding the remuneration, if any, to be paid to the directors of the Trustee;
  - (x) amendments to, or the termination of, this Agreement or the Joint Trust Agreement; and
  - (xi) changes to the Actuarial Assumptions and methods.
- (b) The Trustee is responsible for:
  - (i) the investment of the Fund in accordance with the terms of the Joint Trust Agreement;
  - (ii) the day-to-day administration of the Fund, including the determination of benefit entitlement, in accordance with the terms of the Joint Trust Agreement;
  - (iii) recommending changes to the Actuarial Assumptions and Methods used to value the Plan; and

- (iv) recommending amendments to the Plan to the Pension Board.

#### **IV. TEACHERS' PENSION BOARD**

- 4.1 The Pension Board consists of eight members appointed as follows:
  - (a) the Deputy Minister of Finance and Treasury Board and three other persons appointed by the Minister; and
  - (b) the President of the Union and three other persons who are:
    - (i) the Past President of the Union or such person designated by the Provincial Executive;
    - (ii) the Executive Director of the Union; and
    - (iii) the coordinator of Pension Services of the Union.
- 4.2 The Parties agree that in the event that a Pension Board member named for office is unable to serve, then the original appointing Party shall appoint a replacement on a temporary or permanent basis.
- 4.3 The Pension Board shall meet whenever the Parties consider it appropriate, but in no event shall it meet less than once annually.
- 4.4 Either Party may ask the other to meet at any time to discuss changes to any matter falling under the responsibility of the Pension Board as described in this Agreement and the Parties agree to make every reasonable effort to do so.
- 4.5 Four members of the Pension Board, two of whom shall be representatives of the Minister and two of whom shall be representatives of the Union, shall constitute a quorum.
- 4.6 The Pension Board may from time to time establish such committees comprised of members and/or non-members of the Pension Board as it considers necessary for the better carrying out of its responsibilities.
- 4.7 The Pension Board shall by resolution establish such procedures for the conduct of its business and the business of any committees, including the Appeals Committee, as it considers appropriate. Without restricting the generality of the foregoing, these procedures shall include the appointment of the chairs of the Pension Board and committees and the recording of minutes.
- 4.8 Each of the Parties shall have one vote for the approval of any matter before the Pension Board, regardless of the number of representatives of each Party present at the meeting for the vote. In the case of a tie, the status quo shall prevail with the exception of the circumstances outlined in Article 2.6, wherein the Parties have agreed in advance as to the resolution of a tie vote in these two circumstances.

**V. TRUSTEE**

- 5.1 The Parties shall continue the Plan as a jointly trusteeed, defined benefit plan, with the Fund held in trust by the Trustee appointed in accordance with the Joint Trust Agreement
- 5.2 The Trustee is incorporated under its Memorandum and Articles of Association. In the event of conflict between the Memorandum and Articles of Association and this Agreement, the terms of this Agreement shall prevail.

**VI. PLAN ADMINISTRATION AND INVESTMENT SERVICES**

- 6.1 The Trustee may retain, on such terms as the Trustee determines in its sole discretion, any person or corporation, or similar body, to provide Plan administration services on behalf of the Trustee.
- 6.2 The Trustee may retain, on such terms as the Trustee determines in its sole discretion, any person or corporation, or similar body, to provide Plan investment services on behalf of the Trustee.

**VII. AMENDMENTS TO PLAN**

- 7.1 The Parties agree to amend the *Teachers' Pension Plan Regulations* pertaining to the provision of Indexing, effective July 1, 2014, to provide as follows:
- (a) For pensions put in pay on or after August 1, 2006 and for pensions put in pay before August 1, 2006 for which an election was made under subsection 27A(7) of the *Teachers' Pension Plan Regulations*, Indexing shall be calculated and paid for each Indexing Period, commencing with the Indexing Period running from July 1, 2014 to June 30, 2015, in the following manner:
- (i) if the Actuarial Valuation Report as at the immediate prior fiscal year-end of the Plan states that there is an Actuarial Deficit of more than 10% of the Actuarial Liabilities of the Fund, no Indexing shall be authorized by the Trustee;
- (ii) if the Actuarial Valuation Report as at the immediate prior fiscal year-end of the Plan states that there is an Actuarial Deficit of less than 10% of the Actuarial Liabilities of the Fund, the Trustee shall determine whether to authorize Indexing at one- half of the percentage increase in the Pension Index for that Indexing Period from the immediately preceding Indexing Period, provided that the maximum Indexing that may be paid in any Indexing Period is 6%;
- (iii) if the Actuarial Valuation Report as at the immediate prior fiscal year-end of the Plan states that there is an Actuarial Surplus, the Trustee shall authorize Indexing in accordance with one of the following:
- A. at one-half of the percentage increase in the Pension Index for that Indexing Period from the immediately preceding Indexing Period, provided that the maximum Indexing that may be paid in any Indexing Period is 6%, regardless of whether the payment of such Indexing is projected by the Actuary to result in an Actuarial

Deficit at any time;

- B. at a level greater than one-half of, but not to exceed, the full percentage increase in the Pension Index for that Indexing Period from the immediately preceding Indexing Period, provided that the maximum Indexing that may be paid in any Indexing Period is 6%, with such level to be determined by the Trustee in its discretion within the foregoing parameters and otherwise subject to this Article 7.1(a)(iii), provided that the payment of such Indexing is projected by the Actuary not to result in an Actuarial Deficit as a result of the payment.

Any Actuarial Surplus remaining once an amount of Indexing has been authorized by the Trustee under this Article 7.1(a)(iii) may, after the requirements of Article 7.1(d) have been fulfilled, be applied by the Parties, taking into consideration any recommendations made to them by the Trustee, in accordance with Article 2.5(a), provided that the application of such remaining Actuarial Surplus is projected by the Actuary not to result in an Actuarial Deficit as a result of that application.

- (b) For pensions put in pay on or before July 31, 2006, the Indexing rules provided for in Sections 27 and 27 A of the *Teachers' Pension Plan Regulations* shall remain in force. For greater certainty, the pension of a surviving spouse, child or dependent of a Pensioner who was receiving a pension as at July 31, 2006 shall be subject to the same Indexing rules as the Pensioner's pension;
- (c) Commencing with the Indexing Period starting July 1, 2008, in any Indexing Period in which Article 7.1(a)(i) applies, the Minister will contribute to the Fund an amount equal to the Actuarial Value, as at the beginning of the Indexing Period, of the difference between:
  - (i) Indexing of all pensions subject to Article 7.1(a) for that Indexing Period at a rate of one-half of the percentage increase in the Pension Index for that Indexing Period from the immediately preceding Indexing Period, provided that the maximum Indexing that may be paid in any Indexing Period is 6% and, for all future Indexing Periods, at a rate of one-half of the assumed percentage increase in the Pension Index determined by the Actuary in accordance with the Actuarial Assumptions and Methods; and
  - (ii) no Indexing of all pensions subject to Article 7.1(a) for that Indexing Period and, for all future Indexing Periods, Indexing at a rate of one-half of the assumed percentage increase in the Pension Index determined by the Actuary in accordance with the Actuarial Assumptions and Methods.

The Minister shall make such contribution no later than the commencement of the following Indexing Period.

- (d) In any Indexing Period in which Article 7.1(a)(iii) applies, the Plan shall pay to the Province an amount equal to the Actuarial Value, as at the beginning of the Indexing Period, of the difference between:

- (i) the Indexing actually paid on pensions in pay under Article 7.1(a) for that Indexing Period and, for all future Indexing Periods, at a rate of one-half of the assumed percentage increase in the Pension Index determined by the Actuary in accordance with the Actuarial Assumptions and Methods; and
- (ii) the amount of Indexing that would have been paid on pensions in pay under Article 7.1(a) for that Indexing period if Indexing had been paid at the rate authorized under Article 7.1(a)(iii)A and, for all future Indexing Periods, at a rate of one-half of the assumed percentage increase in the Pension Index determined by the Actuary in accordance with the Actuarial Assumptions and Methods;

provided that:

- (i) such payment shall not produce an Actuarial Deficit; and
- (ii) the cumulative amount of any such payments made under this Article 7.1(d) shall not exceed the cumulative contributions made by the Minister to the Fund pursuant to Article 7.1(c).

The Plan shall make such payment no later than the commencement of the subsequent Indexing Period.

7.2 The Parties agree to amend the *Teachers' Pension Plan Regulations* pertaining to contribution rates to provide:

- (a) Effective August 1, 2014, the contribution rates by employers and employees will both increase by 1% annually over the following three years. For greater certainty,
  - (i) For the period between August 1, 2014 and July 31, 2015, employee contribution rates shall be amended as follows:
    - A. 9.3% of the portion of the employee's annual pensionable earnings that are equal to or less than the Y.M.P.E.; and
    - B. 10.9% of the portion of the employee's annual pensionable earnings that are in excess of the Y.M.P.E.; and
  - (ii) For the period between August 1, 2015 and July 31, 2016, employee contribution rates shall be amended as follows:
    - A. 10.3% of the portion of the employee's annual pensionable earnings that are equal to or less than the Y.M.P.E.; and
    - B. 11.9% of the portion of the employee's annual pensionable earnings that are in excess of the Y.M.P.E.; and
  - (iii) For the period beginning August 1, 2016, employee contribution rates shall be amended as follows:

- A. 11.3% of the portion of the employee's annual pensionable earnings that are equal to or less than the Y.M.P.E.; and
  - B. 12.9% of the portion of the employee's annual pensionable earnings that are in excess of the Y.M.P.E.; and
- (b) (i) the Minister shall match the contributions made by employees employed by school boards, the Union or the Canadian Teachers' Federation, and participating employers other than those specified in the preceding sentence shall match the contributions made by the employees whom they employ; and
    - (ii) matching contributions made to the Fund by the Minister and by participating employers pursuant to Article 7.2(b)(i) shall be eligible contributions under the *Income Tax Act* (Canada).
- 7.3 The Parties agree to revise the *Teachers' Pension Plan Regulations* pertaining to disability pensions to provide:
- (a) Effective August 1, 2014, the disability pension provisions of the Plan shall be closed to any new applications. For greater certainty, no new disability cases shall be accepted on or after August 1, 2014, and any long-term disability benefit for active Members shall be covered exclusively under the Group Plan administered by the Union.
  - (b) Notwithstanding Article 7.3(a), any Member on unpaid sick leave prior to July 31 2014 shall be eligible to apply for a disability pension within two years of expiration of their sick leave and the latest date to apply shall be June 30, 2016.
  - (c) A Member who commences receiving a long-term disability benefit under the Group Plan administered by the Union on or after August 1, 2014 shall contribute to the Fund and accumulate pensionable service on the same basis as an employed Member who is in receipt of pensionable earnings from a participating employer. The Member's employer shall match such contributions.
- 7.4 Notwithstanding Articles 7.2 and 7.3, the Trustee may, pursuant to Article 2.6, recommend amendments to the Plan which may include, but are not limited to, amendments to contribution rates and benefit provisions.

### XIII. MISCELLANEOUS PROVISIONS

- 8.1 The Parties recognize that this Agreement is a Plan document pursuant to Section 5 of the Act.
- 8.2 This Agreement and agreements evidenced or contemplated by the terms hereof shall enure to the benefit of and be binding upon the Parties hereto and their successors.
- 8.3 Upon execution of this Agreement, the 2005 Agreement is rescinded.

- 8.4 This Agreement may be amended by the Parties from time to time in writing .
- 8.5 If any provision of this Agreement is held to be illegal or invalid for any reason, this illegality or invalidity shall not affect the remaining portions of this Agreement.
- 8.6 The Parties agree to do all such matters and things and to take all such actions and steps as may be reasonably required to implement and give effect to this Agreement.
- 8.7 This Agreement shall continue in force and effect from the date first written above until it is amended or rescinded by agreement of the Parties.

The Parties hereto have executed this Agreement on the day and year first above written.

**HER MAJESTY THE QUEEN IN RIGHT  
OF THE PROVINCE OF NOVA SCOTIA**

*Original signed by Diane Whalen*

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Diana Whalen  
Minister of Finance and Treasury Board

**NOVA SCOTIA TEACHERS' UNION**

*Original signed by Shelley Morse*

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Shelley Morse  
President

*Original signed by Joan Ling*

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Joan Ling  
Executive Director