South Shore
Regional Centre for Education

To: Members of the SSRCE CUPE Staff Pension Plan

From: Wade Tattrie, CPA, CA
Director of Finance, SSRCE

CC: Philip Churchill, FCIA, FSA
Principal, Eckler Ltd.

Date: December 12, 2018

Re: **South Shore Regional Centre for Education C.U.P.E. Staff Pension Plan considering joining the Nova Scotia Public Service Superannuation Plan**

As you may be aware, the South Shore Regional Centre for Education ("SSRCE") has been investigating the feasibility of the South Shore Regional School Board C.U.P.E. Staff Pension Plan (the CUPE Plan) merging into the Nova Scotia Public Service Superannuation Plan (the PSSP). The PSSP is a province-wide pension plan with over 17,000 active and 16,000 retired members and assets of more than $6.0 billion. This compares to the CUPE Plan with about 140 active and 120 retired members and assets of about $17 million.

The PSSP is a defined benefit pension plan that is jointly trusteed between Plan members and the related government employers. The risk and rewards of the Plan are jointly shared with the employers – contributions are shared 50%/50% between employees and employers. More information on the PSSP can be found in Appendix A.

PSSP Key Opportunities

A merger would mean all pension benefits for past and future service would be transferred from the CUPE Plan to the PSSP. From a benefits perspective, the key opportunity is to move to a plan that has the ability to provide for benefit increases relative to wage and inflation growth. The CUPE Plan does not provide cost-of-living increases to those collecting pension and due to the legislative and funding framework to which it is subject, it is not anticipated to be able to provide any increases to accrued pensions for the foreseeable future. The PSSP has a different legislative and funding framework which provides for greater opportunities and more flexibility to provide for benefit increases related to wage and inflation growth.

From a plan management and governance perspective, SSRCE would become a participating employer under the PSSP and responsibility for ongoing operations of the pension plan including administration, funding and investment would lie with the PSSP Trustees. These functions can be handled more efficiently with the size, scale and additional resources of the PSSP for the benefit of SSRCE employees and retirees.

Support for the Concept

SSRCE asked Eckler Ltd., an actuarial consulting firm, to conduct a feasibility analysis of the concept. Eckler Ltd. has conducted this analysis and reported back to SSRCE. Eckler Ltd. has also liaised with the PSSP Trustees and their administrator, the Nova Scotia Pension Services Corporation. The report back was that a transfer to the PSSP is feasible and presents opportunities for SSRCE and plan members.

The PSSP Trustees have tentatively agreed to allow members and retirees of the CUPE Plan to join the PSSP subject to regulatory process. This process includes engaging plan members (active, deferred and pensioners) and ensuring that a vote of all plan members occurs. Government regulations for mergers into the PSSP require that the majority of plan members who cast a ballot must support the merger to allow it to proceed.

An upcoming session with plan members will provide a fuller description of how the transfer could occur and review the applicable conditions of the transfer.

Financial Analysis

The financial analysis shows that the merger is feasible. After a transfer, SSRCE would no longer be responsible for determining the funding requirements for the pension plan. Instead, future contribution rates will be set by the Trustees of the PSSP, and SSRCE and its employees would be subject to these rates.

It should be noted that current contribution rates under the PSSP are higher than the current employee contribution rates under the CUPE Plan, as described in Appendix A to this notice (Comparison of Plans).

Past Service Transfer (Non Retired Members)

The PSSP determines pension benefits based on a best average earnings benefits formula (pensionable service, multiplied by best average earnings, multiplied by the accrual rate). The CUPE Plan calculates benefits on a year-by-year accrual basis, adding a unit of pension each year to the prior year’s total pension.

The key guiding principle for any transfer is that the amount of pension accrued under the CUPE Plan (up to the Transfer Date) for each member will be fully protected in accordance with the terms of the PSSP. That is, the amount of accrued pension showing on your latest annual statement as at December 31, 2017 (and benefits accrued to the PSSP transfer date) will be fully protected under the terms of the PSSP.

For those plan members where the amount of pension calculated under the PSSP formula is less than the pension accrued under the CUPE Plan, the amount of pension will be topped up to the amount that was accrued under the CUPE Plan.

Past Service Transfer (Retired Members)

Note that CUPE Plan retirees at the date of transfer will continue to be paid in the same form (e.g. joint & survivor, life with guarantee) as under the CUPE Plan and all will be eligible for the same future indexing as other PSSP retirees.

Comparison of Plan Contributions and Benefits

A comparison of contributions and benefits is provided in Appendix A to this notice.

An important element to understand is the impact of the final average earnings component of the Plan on your future benefits, and the approach to pensioner indexing under the PSSP.

The CUPE Plan does not provide indexing to retirees and is not expected to be able to provide any increases to accrued pensions for the foreseeable future due to its legislative and funding framework. After transfer to the PSSP, retirees will have the opportunity for indexing based on the funding policy and funded status of the PSSP. For example, indexing in the amount of 0.85% per annum has been approved for the years 2019-2020. Please see Appendix A for more information.

Appendix B also provides a graphical comparison of plan benefits for a retired member.

Next steps

Member information sessions will occur as follows:

1. January 19th, Forrest Heights Community School 3:00 pm to 4:30 pm
2. January 23rd, Park View Education Centre 8:00 pm to 9:30 pm

If weather requires rescheduling, alternative dates will be posted on the SSRCE website. Also, for those who cannot attend an information session, a video of the first session will be posted on the SSRCE website shortly after it occurs.

Following this session, members will be invited to ask more questions and, ultimately at a later date, cast a vote with respect to the transfer. More information on the voting process will be provided in the future.

We understand that there is a lot for members to learn about this opportunity. This notice is intended to begin that process. We hope all stakeholders will want to be involved in these important discussions.

The current estimated date for joining the PSSP is mid to late 2019, however, this is subject to being able to respect this important engagement process.

We ask that you do not contact the PSSP directly regarding a possible transfer at this time. Later in the process, representatives of the PSSP will be available to provide additional information on the PSSP and their administration services.

Appendix A – Comparison of Plan Benefits/Features under SSRCE CUPE Staff Plan and the PSSP

	SSRCE CUPE Staff Plan	PSSP
Employee contributions	6.71% of earnings	8.4% of earnings up to the YMPE ($55,900 in 2018) and 10.9% on excess
Employer contributions	Employer contributes 122.3% of employee contributions, plus potential for additional contributions while in deficit	Match employee contribution
Benefit Formula	Year by Year accrual (Base year 2002)	Best 5 Year's Average Earnings
Lifetime pension amount	2% of earnings All years of earnings prior to 2002 replaced by 2002 earnings.	1.3% of Best 5 up to average YMPE plus 2% of Best 5 in excess, multiplied by credited service
Bridging amount (additional pension payable from retirement to age 65)	Not applicable	0.7% of Best 5 up to average YMPE, multiplied by credited service
Credited Service	No cap on credited service	Credited service limited to 35 years
Post-retirement indexing of benefits	None	Based on financial position of plan (subject to Trustee approval)
Early retirement date, if commenced employment prior to April 6, 2010	Age 55, subject to reduction described below	Age 55 (subject to possible reduction described below), if age + service equal 80, no reduction Can retire as early as age 50
Early retirement date, if commenced employment on or after April 6, 2010	Age 55, subject to reduction described below	Age 55 (subject to possible reduction described below), if age + service equal 85, no reduction
Age 60 Unreduced Eligibility	No – Normal Retirement Date is age 65	Age 60 with 2 years of service
Early retirement pension if don't meet unreduced early retirement rule	Pension reduced by 6% per year for first 5 years, 4% per year in excess of 5 years from age 65	Pension and bridge reduced by 6% per year from projected unreduced retirement date (assuming no further service)
Specialized management and oversight resources	Third party contracts	Nova Scotia Pension Services Corporation

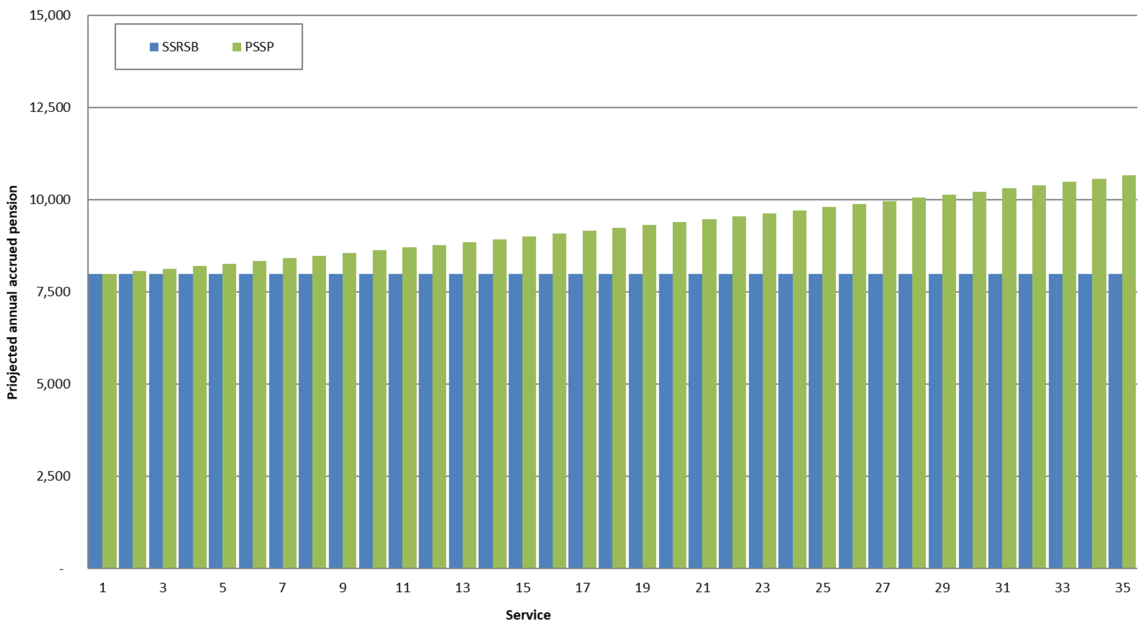
The website for the PSSP can be found at the following link.

http://www.nspssp.ca/

Appendix B – Sample Comparison of SSRCE CUPE Plan to the PSSP

Pensioner receiving an $8,000 per annum pension under CUPE Plan, receives indexing at 0.85% per annum under the PSSP.

Pension Payable for Retiree (after age 65)



Note: Indexing under the PSSP is at the discretion of the Trustees, based on the financial status of the plan.