May 2005

Nova Scotia Teachers' Pension Plan

Report on the Actuarial Valuation for Funding Purposes as at December 31, 2004

MERCER
Human Resource Consulting

MMC Marsh & McLennan Companies

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Summary of Results

Going-Concern Financial Position	**31.12.2004**	**31.12.2003**
Actuarial value of assets	$3,900,396,000	$3,719,809,000
Actuarial liability	$4,774,410,000	$4,591,045,000
Funding excess (unfunded liability)	($874,014,000)	($871,236,000)
Funded ratio	81.7%	81.0%

Funding Requirements (annualised)	**2005**	**2004**
Total current service cost	$93,574,000	$91,767,000
Estimated teachers' required contributions	$52,163,000	$50,669,000
Estimated matching Government contributions	$52,163,000	$50,669,000
Excess contributions	$10,752,000	$9,571,000
Total current service cost as a percentage of payroll	15.72%	15.85%
Total contributions as a percentage of payroll	17.52%	17.50%

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Introduction

Report on the Actuarial Valuation as at December 31, 2004

To The Teachers' Pension Plan Partners' Board

At your request, we have conducted an actuarial valuation of the Nova Scotia Teachers' Pension Plan, as at December 31, 2004. We are pleased to present the results of the valuation.

The purpose of this valuation is to determine:

- the funded status of the plan as at December 31, 2004 on a going-concern basis, and
- the funding requirements from 2005.

The next actuarial valuation of the plan is required for the purposes of the *Income Tax Act* on or before December 31, 2007, however, the *Teachers' Pension Act* requires annual valuations.

This valuation reflects the provisions of the plan as at December 31, 2004. The *Teachers' Pension Act* was amended in 2004 to provide that benefits in excess of those payable from a registered pension plan under the *Income Tax Act* would be paid from the Consolidated Fund of the province. A summary of the plan provisions is provided in Appendix D.

We have used the same going-concern valuation assumptions and methods as were used for the valuation as at December 31, 2003. They are described in detail in Appendix B.

The liabilities and service cost have been determined using assumptions which result in amounts which are no more than are needed to comply with the applicable legislation and accepted actuarial practice.

A new Canadian Institute of Actuaries Standard of Practice For Determining Pension Commuted Values ("CIA Standard") was released in February 2004. The effective date of the new CIA Standard will be February 1, 2005. The new CIA Standard will change the assumptions to be used to value the wind-up liabilities for benefits assumed to be settled through a lump sum transfer. The financial impact of the new CIA Standard will be reflected in future actuarial valuations following the effective date of the new CIA Standard.

The Province of Nova Scotia and the Nova Scotia Teachers' Union have reached an agreement to amend the plan which will change the post-retirement indexing provisions of the plan and the governance of the plan. These changes are to be effective after the date of this valuation. The impact of these plan changes will be reflected in the first valuation after their effective date.

After checking with representatives of the Pension Services Group, Province of Nova Scotia, to the best of our knowledge there have been no events subsequent to the valuation date which, in our opinion, would have a material impact on the results of the valuation.

Respectfully submitted,

Calvin Jordan Fellow, Canadian Institute of Actuaries Fellow, Society of Actuaries	Philip Churchill Fellow, Canadian Institute of Actuaries Fellow, Society of Actuaries
Date	Date

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Financial Position of the Plan

Valuation Results — Going-Concern Basis

When conducting a valuation on a going-concern basis, we determine the relationship between the respective values of assets and accumulated benefits, assuming the plan will be maintained indefinitely.

Financial Position

The results of the valuation as at December 31, 2004, in comparison with those of the previous valuation as at December 31, 2003, are summarised as follows:

Financial Position — Going-Concern Basis

	31.12.2004	31.12.2003
Actuarial value of assets	$3,900,396,000	$3,719,809,000
Actuarial liability		
Present value of accrued benefits for:		
▪ active teachers	$2,047,207,000	$2,059,247,000
▪ pensioners and survivors	$2,686,978,000	$2,490,241,000
▪ inactive teachers	$40,225,000	$41,557,000
Total liability	$4,774,410,000	$4,591,045,000
Funding excess (unfunded liability)	($874,014,000)	($871,236,000)
Funded Ratio	81.7%	81.0%

Reconciliation of Financial Position

The plan's financial position, an unfunded liability of $874,014,000 as at December 31, 2004, is reconciled with its previous position, an unfunded liability of $871,236,000 as at December 31, 2003, as follows:

Reconciliation of Financial Position

Funding excess (unfunded liability) as at 31.12.2003	($871,236,000)
Adjustment to 31.12.2003 value of assets	($10,584,000)
Interest on funding excess (unfunded liability) at 7.38% per year to 31.12.2004	($65,078,000)
Net experience gains (losses) in 2004 *	$66,326,000
Contributions in excess of current service cost	$10,829,000
Net impact of other elements of gains and losses	($4,271,000)
Funding excess (unfunded liability) as at 31.12.2004	($874,014,000)

* *Net experience gains (losses) are detailed below.*

Plan Experience

The main assumptions are compared with actual experience since the previous valuation as at December 31, 2003:

Plan Experience

	Assumption	Actual 2004	Impact Gain (Loss)
Investment return, net of expenses	7.38%/year	8.7%	$49,104,000
Increases in pensionable earnings	4.51%/year	5.87%	($7,659,000)
Increases in YMPE	3.5%/year	1.5%	
Indexation	2.0%/year	0.7%	$33,007,000
Retirements (excluding disability retirements)			
▪ Number	581.2 retired	566 retired	($5,476,000)
▪ Average age	57.8 years	56.4 years	
Terminations of employment	80 terminated	294 terminated	$375,000
Mortality:			
▪ pre-retirement	29.8 deaths	7 deaths	($1,555,000)
▪ post-retirement	232.2 deaths	252 deaths	($1,470,000)
Net experience gains (losses)			$66,326,000

Valuation Results — Wind-up Basis

When conducting a hypothetical wind-up valuation, we determine the relationship between the respective values of the plan's assets and its liabilities assuming the plan was wound up and settled on the valuation date.

While this valuation does not affect the plan's funding requirements, the Canadian Institute of Actuaries' Standards of Practice require disclosure of the wind-up financial position of the plan.

The plan's hypothetical wind-up position as of December 31, 2004, is determined as follows:

Wind-up Position

	31.12.2004
Market value of assets	$3,900,396,000
Termination expenses	($4,000,000)
Wind-up assets	$3,896,396,000
Actuarial liability	
Present value of accrued benefits for:	
▪ active teachers	$2,167,653,000
▪ pensioners and survivors	$3,229,192,000
▪ inactive teachers	$49,433,000
Total liability	$5,446,278,000
Wind-up excess (shortfall)	($1,549,882,000)

Impact of Plan Wind Up

In our opinion, the value of the plan's assets would be less than its actuarial liabilities if the plan were to be wound up on the valuation date. Actuarial liabilities would exceed the market value of plan assets by $1,549,882,000. This calculation includes a provision for termination expenses that might be payable from the pension fund.

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Funding Requirements

Current Service Cost

The estimated value of the benefits that will accrue on behalf of the active teachers during 2005, in comparison with the corresponding value determined in the previous valuation as at December 31, 2003, is summarised below:

Current Service Cost

	31.12.2004	31.12.2003
Present value of benefits expected to be accrued in respect of service in the following year	$93,574,000	$91,767,000
Estimated teachers' required contributions	$52,163,000	$50,669,000
Estimated Government required contributions	$52,163,000	$50,669,000
Current service funding excess	$10,752,000	$9,571,000
Total current service cost as a percentage of payroll	15.72%	15.85%
Total contributions as a percentage of payroll	17.52%	17.50%

The plan has an unfunded liability of $874,014,000 as of December 31, 2004, on the basis of the assumptions and methods described in this report. The terms of the plan specify that the Province will match the required contributions made by teachers. From an actuarial perspective and assuming teachers and the Province contribute as described above, there is an expected excess contribution of $10,752,000 compared to the present value of benefits expected to be accrued in respect of service in the year following December 31, 2004. This excess contribution will be applied against the unfunded liability.

Notwithstanding the current service funding excess and ignoring the subsequent events described in Section 2, it is expected that the unfunded liability will increase over the next year. It is anticipated that, barring any other experience gains or losses and assuming the plan assets earn the assumed 7.38% investment return, the unfunded liability will increase by approximately $53,750,000 during 2005. This is because the excess contribution is insufficient to pay the interest on the unfunded liability based on the investment return assumption that has been used in this report. We have not been asked to determine in this report the funding that would be required to amortize the unfunded liability.

As the total current service funding excess amounts up to the next valuation are less than the unfunded liability, we believe that, in accordance with subsection 147.2 (2)(c) of the *Income Tax Act*, the contributions required by the Government would be eligible contributions under the *Income Tax Act*.

In certain circumstances, member contributions may be in excess of the limits prescribed by the *Income Tax Act*. We have relied on information provided by the Pension Services Group that member contributions would be acceptable under the *Income Tax Act*.

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Actuarial Opinion

**With respect to the Actuarial Valuation as at December 31, 2004
of the Nova Scotia Teachers' Pension Plan**

Based on the results of this valuation, we hereby certify that, as at December 31, 2004,

- The plan's current service cost for 2005 and subsequent years, up to the next actuarial valuation should be calculated as 15.72% of teachers' pensionable earnings.

- The estimated teachers' required contributions and matching Government contributions are expected to be $52,163,000 each, which will exceed the current service cost for the 12 months following the valuation date, $93,574,000, by $10,752,000. The excess amount will be applied against the unfunded liability.

- The plan would be fully funded on a going-concern basis if its assets were augmented by $874,014,000.

- In our opinion,
  – the data on which the valuation is based are sufficient and reliable for the purposes of the valuation,
  – the assumptions are, in aggregate, appropriate for the purposes of determining the funded status of the plan as at December 31, 2004 on a going-concern basis and determining the plan's current service cost, and
  – the methods employed in the valuation are appropriate for the purposes of determining the funded status of the plan as at December 31, 2004 on a going-concern basis, and determining the plan's current service cost.

- This report has been prepared, and our opinions given, in accordance with accepted actuarial practice.

- All assumptions made for the purposes of the valuation were reasonable at the time the valuation was prepared.

Calvin Jordan
Fellow, Canadian Institute of Actuaries
Fellow, Society of Actuaries

Philip Churchill
Fellow, Canadian Institute of Actuaries
Fellow, Society of Actuaries

Date

Date

Appendix A

Plan Assets

Sources of Plan Asset Data

The pension fund is held in trust by the Minister of Finance and is invested in accordance with the investment policy.

We have relied upon information provided by the Department of Finance, for the period from December 31, 2003 to December 31, 2004.

Reconciliation of Plan Assets

The pension fund transactions for the period from December 31, 2003 to December 31, 2004 are summarised as follows:

Reconciliation of Plan Assets (Market Value)

	2004
Invested assets at December 31, 2003	$3,661,083,000
PLUS	
Members' contributions (matched)	$55,293,000
Government contributions (matched)	$55,293,000
Members' contributions (not matched)	$1,898,000
ERP payments	$26,374,000
Adjustment to Government contribution re: change in contributions receivable	$623,000
Investment income	$329,197,000
	$468,678,000
LESS	
Pensions paid	$238,106,000
Net transfers to other plans	$1,506,000
Expenses	$7,329,000
	$246,941,000
Invested assets at December 31, 2004	$3,882,820,000

In addition, there are scheduled payments to be made by the Province in respect of an early retirement program which ended on July 31, 1998. There are also a number of payables and receivables due from / to the fund.

The value of assets used for the purposes of this valuation equals the market value of the assets in the pension trust fund, adjusted for the net receivables / payables plus the present value of the remaining payments by the Province under the early retirement program.

Therefore, the actuarial value of assets is equal to:

Actuarial Value of Assets

Invested assets at December 31, 2004	$3,882,820,000
Receivable from Province re: ERP	$36,461,000
Other receivables	$20,636,000
Payables	($39,521,000)
Actuarial value of assets at December 31, 2004	$3,900,396,000

The return on plan assets (net of expenses) since the last valuation at December 31, 2003 was 8.7%. This rate was greater than the assumed investment return of 7.38% by 1.32% and contributed to an experience gain of $49,104,000.

Appendix B

Actuarial Methods and Assumptions

Actuarial Valuations Methods — Going-Concern Basis

Valuation of Assets

For this valuation, we have used the market value of plan assets adjusted as described in Appendix A.

Valuation of Actuarial Liabilities

Over time, the real cost to the sponsor of a pension plan is the excess of benefits and expenses over member contributions and investment earnings. The actuarial cost method allocates this cost to annual time periods.

For purposes of the going-concern valuation, we have continued to use the *projected unit credit actuarial cost method*. Under this method, we determine the actuarial present value of benefits accrued in respect of service prior to the valuation date, including ancillary benefits, based on projected final average earnings. This is referred to as the *actuarial liability*. For each individual plan member, accumulated contributions with interest are established as a minimum actuarial liability.

The *funding excess* or *unfunded liability*, as the case may be, is the difference between the actuarial value of assets and the actuarial liability.

Current Service Cost

The *current service cost* is the actuarial present value of projected benefits to be paid under the plan with respect to service during the year following the valuation date.

The current service cost has been expressed as a percentage of the teachers' pensionable earnings to provide an automatic adjustment in the event of fluctuations in membership and/or pensionable earnings.

Under the projected unit credit actuarial cost method, the current service cost for an individual member will increase each year as the member approaches retirement. However, the current service cost of the entire group, expressed as a percentage of the teachers' pensionable earnings, can be expected to remain stable as long as the average age of the group remains constant.

Actuarial Assumptions — Going-Concern Basis

The actuarial value of benefits is based on economic and demographic assumptions. At each valuation, we determine whether, in our opinion, the actuarial assumptions are still appropriate for the purposes of the valuation, and we revise them if necessary.

In this valuation, we have used the same assumptions as in the previous valuation. These assumptions have been determined such that the resulting liabilities and service cost are no more than are needed to comply with the applicable legislation and accepted actuarial practice. Emerging experience will result in gains or losses that will be revealed and considered in future actuarial valuations. For this valuation, we have used the following assumptions:

Economic Assumptions

Investment Return

We have assumed that the investment return on the actuarial value of the fund, net of expenses charged to the fund, will average 7.38% per year over the long term.

This is based on an assumed inflation rate of 3.0% per year compounded with a real rate of return of 4.25% per year.

Expenses

The assumed Investment Return reflects an implicit provision for expenses.

Increases in Pensionable Earnings

The benefits ultimately paid will depend on each teacher's final average earnings at either retirement, death or disability.

To determine the final average earnings, we have taken the teacher's annualized earnings during the 2003-2004 school year, increased by 1.5% to reflect the increase effective August 1, 2004 and assumed that earnings will increase by 3.5% per annum plus a promotional scale. For those teachers who joined the plan after July 31, 2004, we have annualized the teacher's earnings from August 1, 2004 to December 31, 2004. The total annual salary increases after the valuation date are detailed in the table below:

Total Annual Increase in Teachers' Pensionable Earnings

Age Group	Annual Increase
under age 30	6.25%
30 – 34	5.75%
35 – 39	5.25%
40 – 44	4.75%
45 – 49	4.25%
50 – 59	3.75%
60 plus	3.5%

Increases in the YMPE

Since the benefits provided by the plan depend on the final average Year's Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan, it is necessary to make an assumption about increases in the YMPE for this valuation. We have assumed that the YMPE will increase at the rate of 3.5% per year from its 2004 level of $40,500.

Increases in the Maximum Pension Permitted under the Income Tax Act

The *Income Tax Act* stipulates that the maximum lifetime pension that can be provided under a registered pension plan is $2,000 per year of service for retirements that occur in 2005. The recent federal budget proposes to further increase these limits to specified amounts in each year from 2006 to 2009, and automatically, starting in 2010, in accordance with general increases in the average wage. While the budget changes to the *Income Tax Act* are not yet law, Canada Revenue Agency has indicated that valuations can be filed assuming the change becomes law.

For this valuation, we have assumed that the maximum lifetime pension payable under the plan will increase as specified in the *Income Tax Act* and budget from 2005 to 2009, and will increase starting in 2010 at the rate of 3.5% per year.

Indexation of Pensions in Payment

Pensions in payment are increased each year by the change in the Consumer Price Index (CPI) for the year ending October 31, minus 1%, to a maximum of 6%.

For this valuation, we have assumed that the CPI will increase at the rate of 3.0%. Consequently, pensions in payment are assumed to increase annually at the rate of 2.0%.

Demographic Assumptions

Retirement Age

It was assumed that 60% of the active teachers would retire at the earliest age at which they would be eligible for an unreduced pension. The remainder are assumed to retire at the earliest of:

- age 65;
- 35 years of service; or
- age 60 with 10 years of service.

Teachers who had already attained the normal retirement age (age 65) are assumed to retire immediately.

Inactive teachers are assumed to retire at their earliest unreduced retirement date.

Termination of Employment

We have made an allowance for future reductions or increases, if any, in liabilities which occur as teachers terminate their employment before retirement for reasons other than death.

We have assumed that teachers would terminate at the rate of 5% per annum in each of the first two years of membership.

Mortality

The actuarial value of the pension depends on the life expectancy of the member, and, if applicable, the member's spouse. We have assumed mortality rates, both before and after retirement, in accordance with the 1994 Group Annuitant Mortality (GAM) Table projected to 2000 using Scale AA. According to this table, the life expectancy at age 65 is 18.4 years for males and 21.6 years for females.

Disability

We have made an allowance for the possibility that teachers may receive a disability pension. The rates are the same for males and females and have been applied only to teachers between the ages of 35 and 59. Sample rates are shown in the following table.

Disability Rates

Age	Percentage
35	0.05%
40	0.10%
45	0.15%
50	0.40%
55	1.00%
59	1.50%

Family Composition

Benefits in case of death, before and after retirement, depend on whether the teacher has an eligible spouse, child or dependent at the time of death.

For this valuation, we have assumed that 85% of male teachers and 75% of female teachers will have an eligible spouse on the earlier of death or retirement, and that the male partner will be three years older than the female partner. We have made no allowance for new orphan or dependent benefits payable on the death of a teacher, other than those already in payment of the valuation date.

After retirement, 85% of members with a spouse at retirement are assumed to have a spouse at the date of the valuation.

Actuarial Valuation Methods and Assumptions — Wind-Up Basis

To determine the wind-up actuarial liability, we have valued those benefits that would have been paid had the plan been wound-up on the valuation date, with all members fully vested in their accrued benefits.

We have considered that all non-retired teachers would be entitled to a deferred or immediate pension (reduced in accordance with the plan rules) payable from the age that maximizes the value of the teacher's accrued benefits. For each individual plan member, accumulated contributions with interest are established as a minimum actuarial liability.

Benefits are assumed to be settled through a lump sum transfer for all non-retired teachers under age 50. The value of the benefits accrued on December 31, 2004, for such members, is based on the assumptions described in the Recommendations for the Computation of Transfer Values from Registered Pension Plans for the Canadian Institute of Actuaries applicable for December 31, 2004 for benefits expected to be settled through transfer in accordance with relevant portability requirements.

Benefits are assumed to be settled through the purchase of annuities for all retired teachers and non-retired teachers age 50 and over. The value of the benefits accrued on December 31, 2004, for such members is based on an estimate of the cost of settlement through purchase of annuities. Assumptions are as follows:

Actuarial Assumptions

Mortality rates for benefits to be settled through lump sum transfer:	GAM-1983
Mortality rates for benefits to be settled through annuity purchase:	UP94 projected to 2015
Interest rates for benefits to be settled through lump sum transfer:	▪ Pre-retirement: 5.5% per year for the first 15 years following 31.12.2004, 6.0% thereafter ▪ Post-retirement: 3.5% per year for the first 15 years following 31.12.2004, 4.25% thereafter
Interest rates for benefits to be settled through annuity purchase:	▪ Pre-retirement: 5.25% ▪ Post-retirement: 3.50%
Final average earnings:	Calculated using the final pensionable earnings and the assumed rate of increase in earnings
Family composition:	Same as for going-concern valuation
Termination expenses:	$4,000,000

In a wind-up valuation, the accrued benefits are based on the member's final average earnings on the valuation date, therefore, no salary projection is used. Also, the employment of each member is assumed to have terminated on the valuation date, therefore, no assumption is required for future rates of disability and termination of employment.

Appendix C

Membership Data

Analysis of Membership Data

The actuarial valuation is based on membership data as at December 31, 2004, provided by the Pension Services Group, Province of Nova Scotia.

We have applied tests for internal consistency, as well as for consistency with the data used for the previous valuation. These tests were applied to membership reconciliation, basic information (date of birth, date of hire, date of membership, gender, etc.), pensionable earnings, credited service, contributions accumulated with interest and pensions to retirees and other members entitled to a deferred pension. The results of these tests were satisfactory.

Plan membership data are summarised below. For comparison, we have also summarised corresponding data from the previous valuation.

Membership Data

	31.12.2004	31.12.2003
Active Teachers		
▪ Number	12,964	13,065
▪ Average pensionable earnings for following year	$51,792	$50,360
▪ Average years of pensionable service	13.5 years	13.9 years
▪ Average age	43.6	43.8
Inactive Teachers		
▪ Number	4,926	4,823
▪ Average annual pension	$828	$873
▪ Average age	43.9	43.4
Pensioners and Survivors		
▪ Number	9,242	8,815
▪ Average annual lifetime pension	$23,738	$23,240
▪ Average annual bridge benefit	$7,515	$7,278
▪ Average age	67.4	67.6

The membership movement for all categories of membership since the previous actuarial valuation is as follows:

Reconciliation of Membership

	Actives	Inactive Teachers	Pensioners and Beneficiaries
Total at 31.12.2003	**13,065**	**4,823**	**8,815**
New entrants	950		
Adjustments	(6)	(25)	1
Transfers to inactive	(547)	547	
Transfers from inactive	196	(196)	
Terminations/refunds	(101)	(193)	
Deaths	(3)	(4)	(252)
Pensions ceased			(32)
Regular retirements	(544)	(22)	566
Disability retirements	(46)	(4)	50
New pensions due to marriage breakdown			16
Beneficiaries			78
Total at 31.12.2004	**12,964**	**4,926**	**9,242**

The distribution of the active teachers by age and pensionable service as at December 31, 2004, is summarised as follows:

Distribution of Active Teachers by Age Group and Pensionable Service as at 31.12.2004

	Years of Pensionable Service								
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
20 - 24	105 28,032								105 28,032
25 - 29	1,253 30,909	50 43,767							1,303 31,402
30 - 34	838 34,163	777 48,543	89 57,200						1,704 41,924
35 - 39	512 36,567	498 50,680	469 59,150	79 62,155					1,558 49,174
40 - 44	397 37,230	254 51,201	286 59,883	457 61,718	108 62,017				1,502 53,139
45 - 49	353 38,324	239 50,990	239 58,020	353 61,756	583 63,322	329 62,198			2,096 56,661
50 - 54	268 38,463	173 50,997	183 57,515	232 61,894	333 62,383	968 64,316	728 63,531	1	2,886 60,066
55 - 59	185 38,770	85 47,918	104 55,545	133 61,070	149 62,939	301 64,769	592 66,256	37 66,061	1,586 60,331
60 - 64	56 36,353	22 45,172	22 60,619	20 62,970	25 62,470	15 62,807	33 67,105	9 75,335	202 54,549
65 +	16 29,839			2	2	1		1	22 40,560
Total	**3,983** **34,478**	**2,098** **49,677**	**1,392** **58,521**	**1,276** **61,738**	**1,200** **62,882**	**1,614** **63,965**	**1,353** **64,811**	**48** **67,934**	**12,964** **51,792**

Note: Each cell contains the number of teachers and average pensionable earnings. Pensionable earnings for cells with less than three teachers are not shown for confidentiality reasons.

The distribution of the inactive teachers by age as at December 31, 2004, is summarised as follows:

Distribution of Inactive Members
By Age Group as at 31.12.2004

	Inactive Teachers		Pensioners and Survivors*	
Age	Number	Average Pension	Number	Average Pension
Under 30	375	$100		
30 – 34	830	$353	2	$4,137
35 – 39	822	$391	1	$5,475
40 – 44	703	$569	18	$11,318
45 – 49	648	$1,065	58	$11,651
50 – 54	566	$2,050	244	$20,883
55 - 59	552	$1,755	2,141	$26,464
60 - 64	282	$573	2,010	$25,772
65 - 69	96	$333	1,330	$25,207
70 - 74	23	$370	1,048	$24,072
75 - 79	14	$36	754	$24,269
80 - 84	7	$74	629	$19,898
85 - 89	3	$471	485	$18,725
90 - 94	2	$8	304	$15,384
95 +	3	$513	95	$11,951
Total	**4,926**	**$831**	**9,119**	**$25,994**

* Excludes dependents and bridge benefits.

Appendix D

Summary of Plan Provisions

Introduction

This valuation is based on the plan provisions in effect on December 31, 2004. The following is a summary of the plan's main provisions in effect on December 31,2004. It is not intended as a complete description of the plan. Refer to the *Teachers' Pension Act* and Regulations for a complete description of the Plan.

Eligibility for Membership

All teachers, with some minor exceptions, must join the plan on their date of employment.

Contributions

Teachers contribute 8.3% of earnings up to the Year's Maximum Pensionable Earnings (YMPE) plus 9.9% of earnings in excess of the YMPE.

The Province (as plan sponsor) contributes an amount equal to that of the teachers plus any additional amounts that may be prescribed.

Retirement Dates

Normal Retirement Date

The normal retirement date is the last day of the month in which the teacher attains age 65, or if the teacher so elects, the end of the school year in which the teacher attains age 65.

Early Retirement Date

Provided the sum of the teacher's attained age and years of pensionable service is at least 85, the teacher may retire at age 55.

If a teacher has at least 10 years of pensionable service, the teacher may choose to retire as early as age 60. A teacher may also retire upon the completion of 35 years of pensionable service.

A teacher who is at least 55 years of age and has at least two years of service, or is at least 50 years of age and has at least 30 years of service may retire subject to a possible reduction in pension payable.

Disability Retirement

A teacher may be retired on account of disability. The disability must be medically certified as likely to be permanent.

Retirement Benefits

Normal or Early Retirement

If a teacher retires on the normal or early retirement date, the teacher will be entitled to the sum of the following:

Normal or Early Benefits

1. Lifetime Pension – Non-CPP Service

   2.0% of the average of the teacher's best five years earnings for each year of non-CPP pensionable service.

   PLUS

2. Lifetime Pension – CPP service

   1.3% of the average of the teacher's best five years earnings up to the average YMPE plus 2.0% of the best five years earnings in excess of the average YMPE for each year of CPP pensionable service.

   PLUS

3. Bridge Benefit (payable to age 65)

   0.7% of the lesser of the average of the teacher's best five years of earnings and the average YMPE for each year of CPP pensionable service.

Notes: The average YMPE is determined over the same five years of service as the teacher's best 5 years of earnings.

Pensionable service is limited to a maximum of 35 years.

Reduced pensions are calculated on the above basis less a factor of 4% - 5% for each year by which the teacher has retired early.

Disability Retirement Pension

If a teacher retires due to total disability, the pension payable is 2.0% of the average of the teacher's best five years earnings for each year of pensionable service to the date of disability retirement (maximum 35 years). A partial disability pension is paid at the above rate less 17%. In addition, a partial disability pension is subject to a minimum reduction of 0.25% for each month that the pension commences prior to the earliest date at which the member would otherwise be eligible for an unreduced pension.

Indexing

Pensions in payment are indexed each January 1 by the change in the Consumer Price Index for Canada for the year ending October 31, minus 1%, to a maximum of 6%.

Survivor Benefits

Death Before Retirement

If a teacher dies prior to retirement, and prior to completing 2 years of pensionable service the teacher's beneficiary or estate will receive a lump sum payment of the teacher's contributions with interest.

If, however, the teacher had two or more years of pensionable service and leaves a spouse, in lieu of a refund, the spouse will receive an immediate lifetime pension equal to 60% of the lifetime pension accrued to the member including the bridge benefit for service prior to December 31, 1991. An additional pension equal to 10% of the pension accrued to the member is payable to each surviving child under age 18 (subject to a maximum total of 40%). This pension is payable until age 25 if the child is a student and for life if the child is disabled.

In addition to the pension payable to each eligible child described above, if there is no surviving spouse but there are dependent children under the age of 18 or age 25 if still in school, 60% of the pension, as indicated above, will be paid equally to each eligible child.

If there is no surviving spouse or dependent child, the beneficiary or estate will receive a lump sum payment of the teacher's contributions with interest.

Death After Retirement

Retiring teachers may elect to receive their pension in one of a number of optional forms of pension. Such optional forms include survivor lifetime pensions and bridge benefits of 80% or 100% of the lifetime pension and bridge benefit otherwise payable prior to the retired teacher's death and/or guarantee periods of 5, 10 or 15 years. The pension payable under the optional forms will be determined as the actuarial equivalent of the normal form of pension.

Under the normal form of pension, pension payments cease upon the death of the pensioner. If, however, the deceased pensioner has a spouse at the date of death then survivor benefits are payable under the normal form of pension as follows:

Situation	Spousal Pension Received Prior to When the Member Would Have Turned 65	Spousal Pension Received Once the Member Would Have Turned 65
Member pensioner dies prior to age 65	60% of pension payable to member, including bridge benefit	60% of pension payable to member plus 60% of the bridge benefit for service prior to December 31, 1991
Member pensioner dies after reaching age 65	N/A	60% of pension payable to member

In addition to the above, a pension of 10% of the pension payable to the member (as described in the table above) is paid to each eligible surviving child (to a maximum of 40%).

Termination Benefits

If a teacher's employment terminates for reasons other than death, disability or retirement, the benefits payable from the plan will depend on the teacher's pensionable service, as follows:

Benefits in the Event of Termination of Employment

If teacher has:	**If all service is prior to 31-Dec-1987:**
Less than ten years of pensionable service	A refund of the teacher's contributions with interest.
At least ten years of pensionable service	A refund of the teacher's contributions with interest or a deferred pension from normal or early retirement.
	If some service is after 01-Jan-1988:
Less than two years of pensionable service	A refund of the teacher's contributions with interest
At least two years of pensionable service	A deferred pension from normal or early retirement

If a teacher is entitled to a deferred pension, for service from January 1, 1988, the teacher may transfer the commuted value of that pension to another retirement vehicle in accordance with the applicable federal legislation. A teacher may also transfer any refund of contributions with interest with respect to pre-1988 service to another retirement vehicle in accordance with the regulations.

Appendix E

Employer Certification

With respect to the report on the actuarial valuation of the *Nova Scotia Teachers' Pension Plan*, as at December 31, 2004, I hereby certify that, to the best of my knowledge and belief:

- a copy of the official plan documents and of all amendments made up to December 31, 2004, were provided to the actuary;
- the membership data provided to the actuary include a complete and accurate description of every person who is entitled to benefits under the terms of the plan for service up to December 31, 2004, and
- all events subsequent to December 31, 2004 that may have an impact on the results of the valuation have been communicated to the actuary.

Date	Signed
	Name

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