Nova Scotia Public Service
Long Term Disability Plan Trust Fund

FUNDING POLICY (TARGET FUNDING RATIO)

The Funding Policy is presented for Board approval in accordance with Trustee Duties and Powers for Fund operations under Article 8.01 of the Trust Deed. It is noted that the current Trust Deed does not make a specific reference to development of a Funding Policy; however, Trustee authority in this regard is inferred from their general powers:

(n) to do all acts, whether or not expressly authorized herein which the Trustees deem necessary to accomplish the general objectives and purposes of the Trust, and the Trustees may act either through the Board of Trustees as a whole or through the establishment of separate committees for the purpose of administration of the Fund;

The policy is designed to guide Trustee recommendations and does not alter the requirement to seek the Plan Sponsors' approval of changes to Benefits or Contributions. The policy is approved by the Board and reviewed formally every two (2) years following the actuarial valuation, or as warranted.

Policy Objective

The objective of the Plan's funding approach is to maintain a funded position that provides for the security of benefits promised to claimants while maintaining stable and affordable premium rates.

Definitions

Benefit Liabilities:	Liability for all future benefit payments and associated administrative expenses for all claims incurred as of the measurement date. Determined by an actuarial valuation, extrapolation, or costing report. Referred to as "accrued liability for benefits" in the Plan's financial statements.
Net Assets Available for Benefits:	As shown in the Plan's financial statements. Equal to Plan's total assets minus any liabilities for accounts payable.
Funded Ratio:	Net Assets Available for Benefits divided by Benefit Liabilities.

Cost of New Claims:	Expected lifetime cost of all claims incurred in a year including associated administrative expenses and Plan operating expenses. The estimated Cost of New Claims is obtained from the most recent actuarial valuation or costing report.
Funding Level Adjustment:	Plan revenue adjustment necessary to amortize a funding surplus or deficiency according to the terms of this policy.
Revenue Requirement:	Cost of New Claims plus Funding Level Adjustment.

Policy Statement

The Board of Trustees (the "Board") aims to maintain a Funded Ratio of 125% for the Plan and to the extent possible, to provide annual indexing to claimants. This target Funded Ratio is meant to provide for a reasonable level of adverse experience in the Plan's main risk factors while maintaining stable premiums (estimated 90% probability of being able to withstand three years' worth of adverse experience). The Plan's main risks include claim incidence higher than expected, claim duration longer than expected, and investment returns lower than expected.

The annual revenue requirement for the Plan is equal to the estimated Cost of New Claims plus any Funding Level Adjustment. Plan premiums should be set at a level that, when combined with other revenue sources or previously approved commitments/adjustments, is expected to achieve the Plan's target funding level within a ten-year period.

At the time of each full actuarial valuation, the Board will assess the updated estimates for the Cost of New Claims and Funded Ratio and consider adjustments to Plan premiums to achieve its funding goals as laid out in this policy.

The Board will take the following actions depending on the Plan's Funded Ratio and in accordance with the terms of the Trust Deed:

Funded Ratio	Actions
Above 145%	Board shall recommend implementing a Funding Level Adjustment (premium discount) and/or benefit improvements to reduce the Funded Ratio to 125% over a period of up to 10 years. Any proposed benefit improvements shall be submitted to Plan Sponsors for consideration and approval. Benefit indexing shall be recommended until the next actuarial valuation.
Above 135% but at or below 145%	Board may recommend implementing a Funding Level Adjustment (premium discount) or modifying an existing Funding Level Adjustment to reduce the Funded Ratio to 125% over a period of up to 10 years. Benefit indexing may be recommended until the next actuarial valuation, subject to Board discretion.
Above 115% but at or below 135%	No Funding Level Adjustment required. Benefit indexing may be recommended until the next actuarial valuation, subject to Board discretion.
Above 105% but at or below 115%	Board may recommend implementing a Funding Level Adjustment (premium surcharge) or modifying an existing Funding Level Adjustment to increase the Funded Ratio to 125% over a period of up to 10 years. Benefit indexing may be recommended until the next actuarial valuation, subject to Board discretion, so long as it is not expected to reduce the funding level below 105%.
At or below 105%	Board shall recommend implementing a Funding Level Adjustment (premium surcharge) and/or benefit reductions to increase the Funded Ratio to 125% over a period of up to 10 years. Any proposed benefit reductions shall be submitted to Plan Sponsors for consideration and approval. Benefit indexing shall not be recommended.

Other Notes

This policy does not supersede the Board's responsibility to administer the Trust Deed for the Plan. This policy is meant to provide guidance to Trustees in determining the premiums charged by the Plan. In the interest of premium stability, the Board may elect to forego the premium adjustment recommended by this policy when the resulting premiums are an immaterial change from the Plan's current premiums. Nothing in this policy is meant to limit the Board's discretion to recommend premiums and benefits as it considers appropriate.

The Board must take into account, the impact on both the current Benefit Liabilities and the Cost of New Claims going forward, of any benefit change recommended under this policy.

The Board may consider adjustments to premiums at times other than following an updated actuarial valuation report such as after a significant change in the Plan's financial position, benefit structure, operations, or covered membership. In such cases, an updated actuarial valuation should be completed to assess the impact of the change.

APPROVED BY MOTION February 14, 2019 Board meeting NEXT FORMAL REVIEW March 2023