



Collaborate

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By Douglas Moodie, president and chief executive officer, Nova Scotia Pension Services Corporation

Nova Scotia continues to work to expand defined benefit pension plan participation within its jurisdiction. Using the Public Service Superannuation Plan (PSSP) as the vehicle, the PSSP trustee has consolidated into the PSSP since 2015 more than 20 new employers from the university and municipal areas. Legislation was recently passed by the Legislature to permit private sector employers to now apply to join the PSSP. The structure of the PSSP (self-financing and self-regulating) is key in facilitating plan consolidation.

OPEN FOR BUSINESS!

ANY EMPLOYER IN NOVA SCOTIA MAY NOW APPLY TO JOIN THE PUBLIC SERVICE SUPERANNUATION PLAN

On October 13, 2023, the Nova Scotia Public Service Superannuation Plan (PSSP) took a big step into the future. A bill, the *Private Sector Pension Plan Transfer Act* (PSPPTA), was introduced in the provincial Legislature. It enables private sector employers in Nova Scotia to apply to merge, in whole or in part, their existing defined benefit (DB) pension plans into the PSSP. A private sector employer without an existing DB plan—that is, with a defined contribution (DC) plan or an RRSP arrangement, or with no retirement benefits at all for its employees—is also now able to consider the PSSP.¹

The PSPPTA follows the UPPTA and the MOAPPTA. The UPPTA, the *University Pension Plan Transfer Act*, was enacted in 2015. The *Municipal and Other Authorities Pension Plan Transfer Act* was enacted in 2017. As might be assumed from their titles, the UPPTA enabled universities in Nova Scotia to merge their stand-alone DB plans into the PSSP, and the MOAPPTA did the same for municipalities and related authorities. To the end of 2023, 21 universities and municipalities had joined the PSSP, and there may be as many as a dozen more joining in 2024.

¹ The PSPPTA received royal assent on November 9, 2023. Proclamation is anticipated to occur by March 31, 2024, along with the creation of requisite regulations.

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Nova Scotia is a relatively small jurisdiction—just recently crossing the million-person mark for the first time. It is also a “mature” jurisdiction, with disproportionately more older residents than younger ones—which of course is not a good thing for pension plans. Surges in immigration over the past few years are helping the situation, but it will take considerable time to populate the younger tranche of the demographic pyramid so as to put the province on a healthier footing.

Compounding Nova Scotia’s challenging demographic profile is a very fractured pension plan landscape. Numerous stand-alone plans exist (one DB plan transferred into the PSSP in 2018 with a total of 18 members!). Most of these plans are small in numbers of participants and assets. Typically administered by individuals who have other HR or finance responsibilities and who end up running the plan off the side of their desk, these plans are subject to higher service costs and exorbitant investment fees resulting in fewer retirement dollars accruing for the employees paying in. This plethora of independent small plans reflects an inefficient retirement savings landscape that evolved over generations.

The PSSP itself has assets approaching \$8 billion and about 43,000 total members. It touches a significant portion of Nova Scotia’s population. The PSSP was created by statute in 1923—so is now more than 100 years old—and, like similar plans in other jurisdictions, was originally run by the province’s finance department exclusively for the benefit of provincial civil servants. While the province remains the largest participating employer, the PSSP has evolved into a true multi-employer pension plan, with 60+ employers now in the plan.

The PSSP’s vision is to be open to as many Nova Scotia employers as possible and to offer a meaningful, easy, reliable and efficient retirement savings vehicle for Nova Scotians. It is significant to appreciate that the PSSP is designed differently than most, if not all, other public sector pension plans in Canada. It is self-financing and self-regulating. The obligation of PSSP employers, including the province, is limited to the payment of matching contributions. The *Public Service Superannuation Act (PSSA)* expressly states that there is no overarching responsibility on the part of any employer for the funded health of the PSSP. The PSSP’s funding policy has detailed mechanisms that mandate or permit, depending on the circumstances, contributions to be increased or decreased and/or future benefits to be augmented or reduced. A full valuation is done annually, and a “super valuation” occurs every five years. The concept is to maintain a close eye on the plan and to continually make needed adjustments to keep the funded status in a healthy zone. The PSSP is self-regulating in the sense that it is not subject to Nova Scotia’s *Pension Benefits Act (PBA)*. As such, the Office of the Superintendent of Pensions has no jurisdiction, and the running of the plan is left exclusively to the PSSP’s Trustee Board, within the parameters fixed by the PSSA. So, for a participating employer, the *only task* is to remit contributions and employee data regularly; everything else is taken care of.

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PSSP members are assured of a pension when they retire based on a simple formula of years of pensionable service times their highest average salary (based on their best five years). The pension entitlement accrues within the plan and is not dependent on the status of the employer, so no matter whether a member's employer exists in the future, the member will receive the pension they have accrued within the plan. With the PSSP's growing list of participating employers, an individual may move from one Nova Scotia employer to another, public sector and private sector, over the course of a career, all the while maintaining a seamless pension benefit. The PSSP also has generous survivor benefits and conditional indexing for pensions in pay.

What the PSSP does not yet have is a tiered structure that would enable sectors and industries with lower overall average earnings to participate at a level that is more affordable to them. One attractive feature of the DB Plus offering from the CAAT Pension Plan is a savings level that is geared to what an individual or group can afford. To be a viable option for many Nova Scotia employers, PSSP will need to implement at least one level of participation that has more modest contribution and accrual rates than exist under the current structure. (Below the YMPE,² the PSSP's contribution rate is 8.4 per cent and the accrual rate is 1.3 per cent.) A contribution rate of somewhere in the five to six percent range on salary below the YMPE would likely be workable for many employers and their employees in sectors/industries where salary is lower and margins are tighter. However, the trick to such a "tier 2" option would be its implementation. Employers that can afford to participate in the PSSP at normal contribution rates should, and would be expected by the PSSP's Trustee Board to, do so. Reduced rates of contribution and accrual would only be permitted in circumstances where they are genuinely warranted.

² year's maximum pensionable earnings; for 2024, this amount is \$68,500.

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