REPORT OF THE

SUPERINTENDENT OF PENSIONS

ON THE ADMINISTRATION OF THE

PENSION BENEFITS ACT

FOR THE YEAR ENDING

MARCH 31, 2007

March 6, 2008

The Honourable Mark Parent
Minister of Environment and Labour
P.O. Box 697
HALIFAX, NS   B3J 2T8

Dear Sir:

Pursuant to the requirements of Section 94 of the *Pension Benefits Act*, I have the honour to submit herewith the Annual Report of the Pension Regulation Division for the fiscal year ended March 31, 2007.

Respectfully submitted,

Nancy MacNeill Smith
Superintendent of Pensions

encl.

NMS/ly

THIRTIETH ANNUAL REPORT ON THE ADMINISTRATION OF THE *PENSION BENEFITS ACT* FOR THE PERIOD ENDED MARCH 31, 2007

INTRODUCTION

In accordance with Section 94 of the *Pension Benefits Act* (RSNS, 1989, ch. 340), the Superintendent of Pensions is required to report annually to the Minister. This Report covers the affairs and transactions of the fiscal year 2006 - 2007.

The *Pension Benefits Act* governs employer-sponsored pension plans established in respect of Nova Scotia employees. It does not apply to employees engaged in work that is subject to federal jurisdiction, nor does it apply to the pension plans established for provincial public servants, teachers, judges, members of the legislature, or Sydney Steel Corporation.

The main objective of the *Pension Benefits Act* is to safeguard employee entitlements to benefits promised under pension plans. This is accomplished through the establishment of minimum funding standards and minimum benefit standards in respect of eligibility requirements, vesting and locking-in, employer contributions, transfer rights, spousal benefits, prohibitions against sex discrimination and disclosure of information.

The Superintendent of Pensions, Pension Regulation Division, is responsible for the administration of the *Pension Benefits Act*.

PENSION BENEFITS STANDARDS LEGISLATION

In addition to the *Pension Benefits Act* of Nova Scotia, pension benefits standards legislation has been enacted by the federal and provincial governments except for Prince Edward Island.

The representatives of those authorities who have pension legislation meet on a continuing basis to discuss changes in the pension field and means of dealing with problem areas. Representatives of the various authorities are members of the Canadian Association of Pension Supervisory Authorities (CAPSA). CAPSA's mission is to facilitate an efficient and effective pension regulatory system in Canada.

During the year under review, CAPSA met in Montreal in April 2006 and in Banff in September 2006. CAPSA members also participated in two conference call meetings held in June 2006 and January 2007. The meetings focused on the development of a model pension law, plan governance, pension plan funding, investment policy and the development of a new reciprocal agreement relating to the administration of multi-jurisdictional pension plans.

CAPSA adopted its strategic plan for 2006-2008 at its spring 2006 meeting. The plan outlines the strategic priorities for the 3-year period, and the initiatives to be undertaken in pursuit of those priorities. Those strategic priorities and initiatives are:

1. Simplify and harmonize regulatory requirements while protecting member entitlements:
    - Develop and facilitate adoption by governments of a revised reciprocal agreement for multi-jurisdictional pension plans
    - Finalize Regulatory Principles for a Model Pension Law for consideration by governments
2. Promote coordination and information sharing among regulatory authorities:
    - Establish mechanisms to promote the consistent interpretation of harmonized CAPSA Guidelines
    - Support regular meetings of compliance officers from member regulators to enhance information sharing and develop common procedures
3. Participate in the Joint Forum of Financial Market Regulators to:
    - Address cross-jurisdictional, cross-sectoral pensions, insurance and securities issues across Canada and contribute to the Joint Forum Strategic initiatives on investment rules, regulatory mechanisms for information sharing, and consumer information and education.

AGREEMENTS WITH OTHER AUTHORITIES

Agreements with the Government of Canada, and other provinces having pension legislation, provide for the reciprocal registration, audit and inspection of pension plans. Under these agreements, a pension plan subject to the legislation of more than one authority is supervised by the jurisdiction which has the greatest number of plan members. The regulatory body in the jurisdiction of registration applies the rules of other jurisdictions, where applicable. CAPSA is working on the development of a new reciprocal agreement to replace the original agreement which has been in place since 1968.

MEMORANDUM OF UNDERSTANDING

Statistics Canada and the Province have a Memorandum of Understanding respecting the employer pension plans under the custody and control of the Superintendent of Pensions. Under that Memorandum, information compiled by the Superintendent is submitted to Statistics Canada for the development of integrated social statistics for Canada.

The Province also has a Memorandum of Understanding with the Canada Revenue Agency (CRA) to harmonize the exchange of data and information respecting employer pension plans under the control of the Superintendent of Pensions. Data from a joint Annual Information Return on pension plans is collected by the Superintendent of Pensions and shared with CRA.

LEGISLATIVE / REGULATORY REVIEW

Municipalities advised the Government that funding their defined benefit pension plans had become onerous following the decline in the financial markets and the continuing low rates of return. The Government reviewed the municipalities request for additional flexibility in funding their plans and amended the Regulations on November 27, 2006 under Order in Council 2006-498. Municipalities will only have to fund for solvency if their plan is less than 85% solvent. This solvency relief will be in place until August 30, 2016. If there is a partial wind up of a municipality plan, immediate and full funding of the benefits payable in respect of those employees affected is required.

On November 23, 2006, Bill No. 68 amending the *Pension Benefits Act* received royal assent. That bill amended the *Pension Benefits Act* to permit the unlocking of pension funds transferred out of a pension plan into a Locked-in Retirement Account or a Life Income Fund for reasons of the owner's financial hardship. On April 16, 2007, the Bill was proclaimed into force effective July 1, 2007.

SUPERINTENDENT'S DECISIONS / HEARINGS / APPEALS

On May 26, 2006, the Superintendent issued an order to the towns whose police officer employees were participating in the Police Association of Nova Scotia Pension Plan to pay contributions to fund the unfunded liabilities and solvency liabilities in respect of their employees. The towns appealed that order to the Supreme Court of Nova Scotia and a hearing date was set for the last week of May, 2007.

On November 24, 2006, the Superintendent of Pensions issued a proposed order to Nova Scotia Textiles, Limited to pay $44,200 to the Pension Plan for Salaried Employees of Nova Scotia Textiles, Limited (the "Plan") as required current service contributions and solvency payments owing to the Plan by the employer. The employer did not request a reconsideration hearing in respect of the proposed order. On January 30, 2007, the Superintendent issued an order to Nova Scotia Textiles, Limited to pay $44,200 to the Plan.

OPERATION OF THE DIVISION

As at March 31, 2007, the Division was responsible for the supervision of 499 pension plans. Twenty nine applications for registration, inclusive of one multi-jurisdiction plan transferred from another jurisdiction, were processed during the fiscal year. Ten of the filed plans were in the process of being wound up.

SUMMARY OF PENSION PLANS APPROVED, TRANSFERRED, OR TERMINATED TO MARCH 31, 2007

Active Plans On File as at March 31, 2006	509
New Plans Filed	28
Plans Transferred From Other Jurisdictions	1
Plans Terminated	-17
Plans Transferred To Other Jurisdictions	-1
Active Plans On File as at March 31, 2007	520
Deduct: Plans In Process of Registration	-21
Registered Plans	499

A total of 28 Certificates of Registration were issued. Ten plans submitted prior to April 1, 2006, and 11 submitted in 2006/2007 require further documentation and/or amendments before they will be accepted for registration.

The Division received 863 pieces of correspondence during the 2006/2007 period, and responded within an average of 21 days. In the 2005/2006 period, the division's average response time was 26 days in respect of 896 submissions. E-mail submissions were not tracked.

Two hundred twenty-five pension plan documents were approved during the fiscal year.

Refunds to the employees of surplus totaling $203,998 were made in respect of four terminated plans.

As of April 1, 2006, there were 160 approved Life Income Funds on the Superintendent's List of Approved Life Income Fund Arrangements. As of March 31, 2007, there were 168 on the List.

The following table shows that during the period under review, excluding one plan being transferred out of jurisdiction, 17 pension plans were terminated covering 887 employees. There was no loss of pension coverage for the 391 members of plans merged with another. There were 4 partial plan terminations affecting 130 members.

TERMINATED PENSION PLANS

REASON	# OF PLANS	# OF ACTIVE MEMBERS
No members left	1	0
Financial difficulty/bankruptcy	3	182
Merged with another	4	391
Replaced with Group RRSP	6	251
Company sold	1	1
No reason given	2	62
TOTAL	**17**	**887**

CONTRIBUTIONS

In accordance with Section 27(1) of the *Pension Benefits Act*, the administrator of a pension plan registered in Nova Scotia is required to file an Annual Information Return (AIR) outlining the contributions made to the pension plan and changes in plan membership. The AIR must be filed within 6 months following the plan year end.

Contributions and membership data from filed Annual Information Returns are compiled and forwarded to Statistics Canada for the inclusion in their Annual Report on pension plans in Canada. Information from the Return is also forwarded to Canada Customs and Revenue Agency.

Based on the Returns filed with the Division as of 13 November 2007, total contributions for 2006 were $458,436,230 up from $436,834,287 in 2005.

The employee and employer contributions to pension plans under supervision for the year ending December 31, 2006, were as follows:

2006 CONTRIBUTIONS:

Employee Required Contributions	$156,038,057	
Employee Voluntary Contributions	$ 13,788,005	
TOTAL EMPLOYEE CONTRIBUTIONS -	$169,826,062	$169,826,062
Actual Employer Current Service Contributions	$224,391,522	
Employer Contributions made from Surplus	$ 7,972,965	
TOTAL EMPLOYER CURRENT SERVICE CONTRIBUTIONS -	$232,364,487	
Employer Special Payments	$ 56,245,681	
TOTAL EMPLOYER CONTRIBUTIONS -	$288,610,168	$288,610,168
TOTAL CONTRIBUTIONS		**$458,436,230**

Employer contributions made from surplus were $7.9M, down from $16.5M reported for 2005. Employer special payments were $56.2M, down from the $70.9M reported for 2005.

SECURITY OF RETIREMENT INCOME

The measure used to determine the security of retirement income for members of private and municipal government pension plans is that of the solvency of the plan. Defined contribution pension plans are solvent by the very nature of the plans, and the solvency of defined benefit plans is measured through solvency valuations performed by an actuary. If defined benefit plans are not fully solvent, they must have a strategy in place to achieve full solvency funding within 5 years. The removal of the requirement to fund ‘grow-in benefits” in 2004 has improved the solvency position of some defined benefit plans. With the change to the solvency funding requirements for universities, universities have 15 years to fund any solvency deficiency arising prior to January 1, 2006. Municipalities are only required to fund to 85% solvency until August 30, 2016.

Of the plans registered in Nova Scotia in 2001, 93 per cent of members were in plans that were fully solvent. That number had reduced to 82 per cent in 2002, to 69 per cent in 2003 to 49 per cent in 2004 and increased to 57 per cent in 2005. In 2006, the number of members in plans that were fully solvent had reduced to 53 per cent. Defined contribution plan members have been excluded from this analysis.

REVENUE AND EXPENDITURE FOR THE YEAR ENDED MARCH 31, 2007

Fees are payable in respect of all Applications for Registration of pension plans and for each Annual Information Return filed on a plan. The Registration and Annual Information filing fee is $5.00 for each member of the pension plan in Nova Scotia, or in a designated province, with a minimum fee of $100.00. The maximum fee is $7,500.00. A late filing fee is charged in respect of Annual Information Returns submitted more than six months after the end of the fiscal year of the pension plan. The additional fee is 50% of the regular fee.

The fee payable for registration by a financial institution of a specimen Life Income Fund is $1,000.00. A fee of $250.00 is charged for amendments to Life Income Funds specimen contracts.

The revenue derived from fees charged in respect of Applications for Registration, Annual Information Returns and Life Income Funds, amounted to $287,738.

Direct operating costs for the Division for the fiscal year 2006/2007 were $225,236. Note that overhead costs are not included in direct operating costs.

APPENDIX A

STATISTICAL INFORMATION

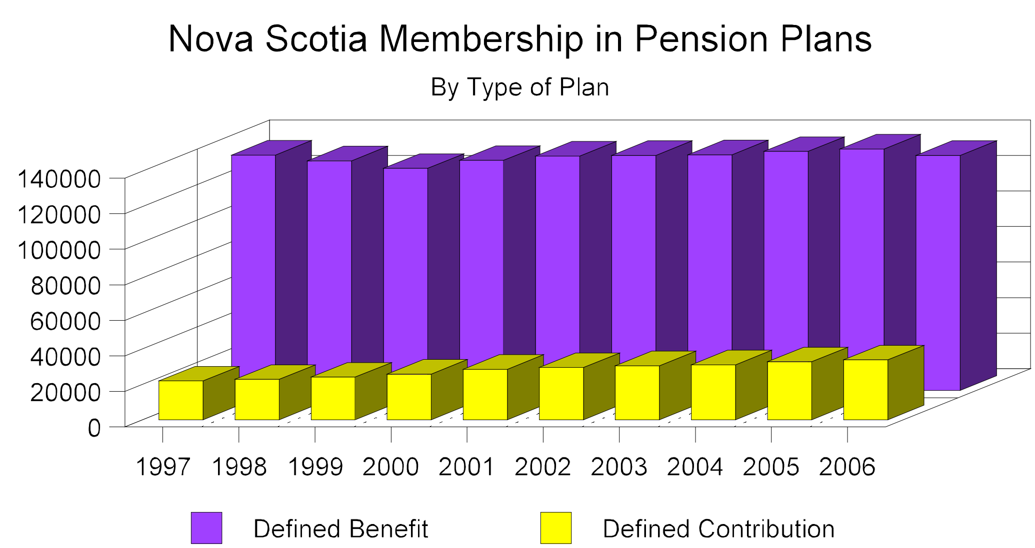
The information provided in this appendix is based on statistical information obtained from Statistics Canada's database on pension plans in Canada as at January 1st, 2006. As of this date, 102,490 members participated in 495 pension plans regulated by the Division.

TYPES OF PLANS

Basically there are two main types of pension plans; a defined contribution/money purchase type or a defined benefit type.

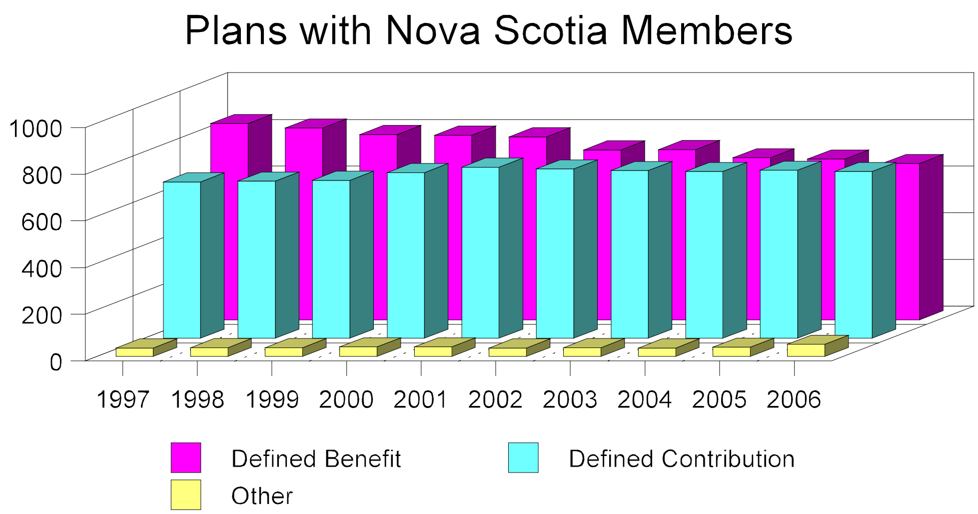
Under a defined contribution/money purchase plan, contributions required by the employer and/or employees are clearly defined. The resulting pension benefit for each employee is whatever can be provided or purchased by the accumulated contributions and investment earnings.

A defined benefit plan contains a specific formula as to the amount of pension each member is to receive. Effectively, the employer/administrator guarantees to provide this level of benefits and it is necessary for an actuary to estimate periodically how large the fund should be and how much should be contributed to ensure adequate funding of the benefits. To date, the most common type of plan is a defined benefit plan.

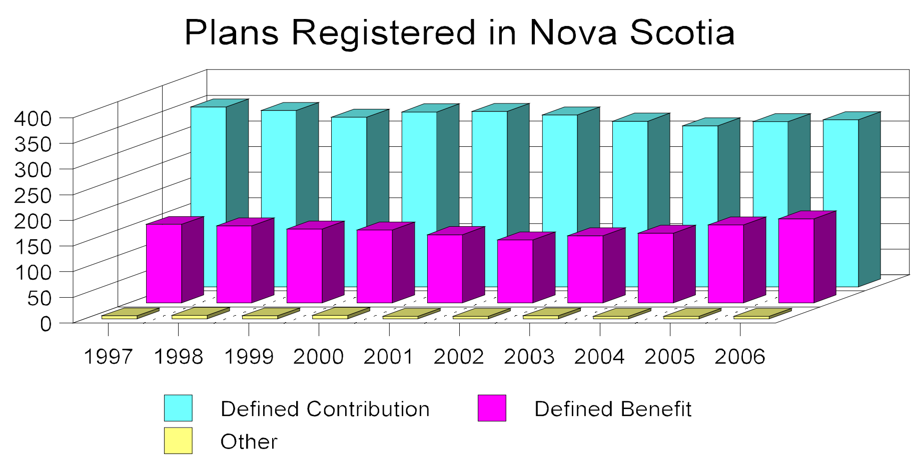


As of January 1, 2006, there were 33,633 Nova Scotia members participating in defined contribution plans, 132,340 participating in defined benefit plans and 3,161 in other types of composite/combination plans.

Membership in pension plans in other than defined benefit and defined contribution is insignificant and has not been included in the chart on page 9. Participation in defined contribution plans increased while defined benefit plans showed a slight decrease between 2005 and 2006.



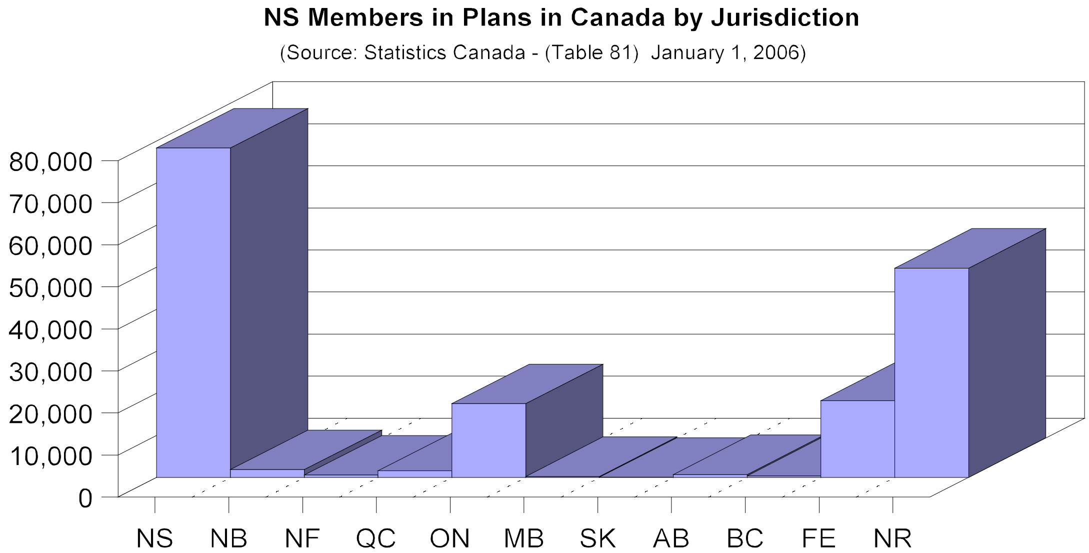
The number of defined benefit pension plans with Nova Scotia members declined 20% from 1997 to 2006. The number of defined contribution plans with Nova Scotia members increased by 7%.

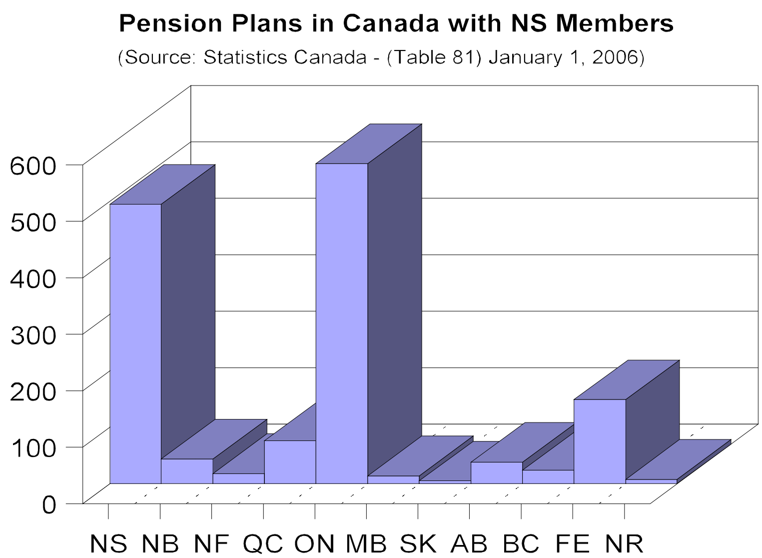


The number of defined contribution pension plans registered with Nova Scotia declined 7 % between 1997 and 2006. Defined benefit pension plans increased by 7% from 1997 to 2006.

JURISDICTION OF PLAN MEMBERSHIP AND MEMBERSHIP COVERAGE

As of January 1, 2006, there were 1,438 pension plans in all jurisdictions covering 169,134 Nova Scotia Employees. The Division supervised 495 plans covering 102,490 members; 24,144 of these members were employed in other provinces.

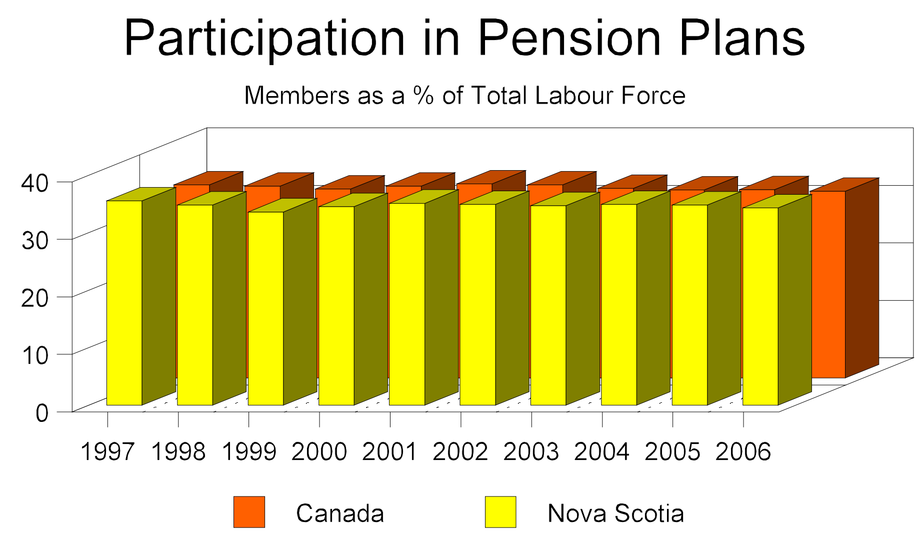


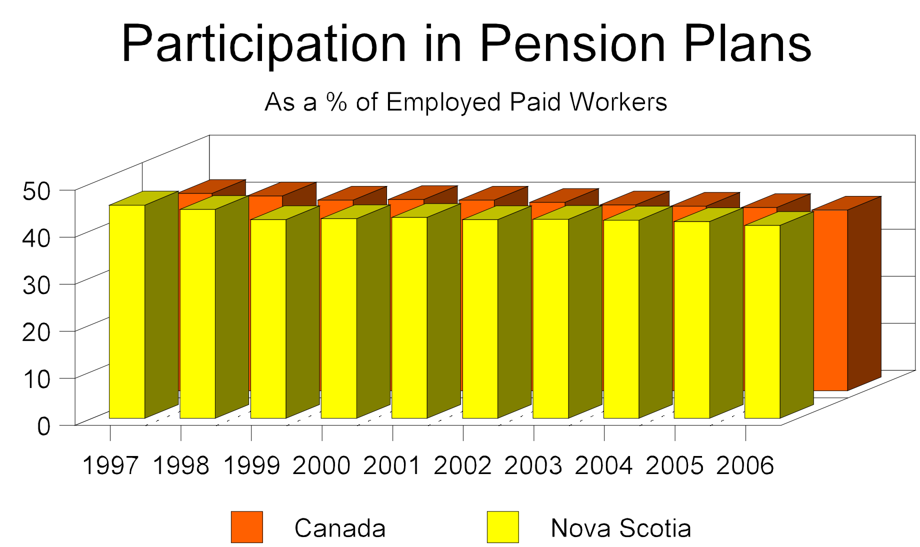


FE - Federal

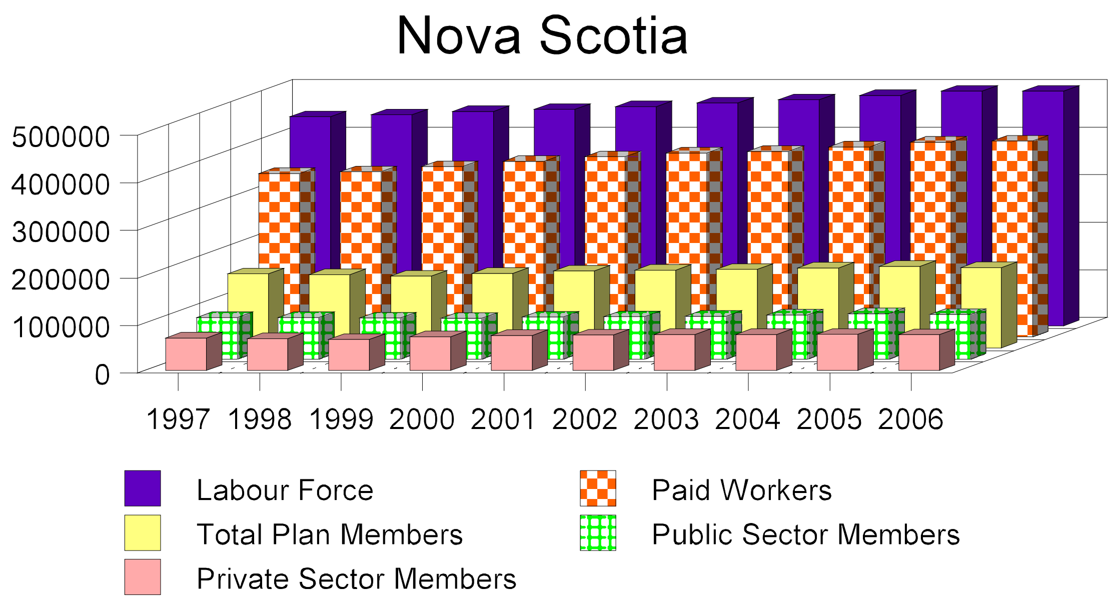
N/R Not registered - these plans include the provincial plans for Civil Servants, Teachers, Judges, Members of the Legislature, and employees of Sydney Steel, as well as federal plans for the Canadian Forces, the RCMP, the Federal Public Service and the Members of Parliament.

As shown below, participation of Nova Scotians in pension plans has declined slightly since 1997. Currently in Nova Scotia, 34.3% of the total labour force and 41.1% of employed paid workers participate in pension plans. Note that with respect to labour force coverage, pension plan membership is potentially available to paid workers only; self-employed owners of unincorporated businesses, unpaid family workers and the unemployed are not eligible for membership.





Nova Scotia has a higher than average proportion of paid workers in the public sector, where pension coverage is very high. Currently 55.6% of Nova Scotia pension plan members are employed in the public sector, as illustrated in the following chart:



During the period 1997 to 2006, the number of pension plan members in Nova Scotia in the private sector grew 10%, compared with a 7% increase in the public sector.