REPORT OF THE

SUPERINTENDENT OF PENSIONS

ON THE ADMINISTRATION OF THE

PENSION BENEFITS ACT

FOR THE YEAR ENDING

MARCH 31, 2008

February 19, 2009

The Honourable Mark Parent
Minister of Labour and Workforce Development
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, 2008.

Respectfully submitted,

Nancy MacNeill Smith
Superintendent of Pensions

encl.

NMS/ly

THIRTY-FIRST ANNUAL REPORT ON THE ADMINISTRATION OF THE *PENSION BENEFITS ACT* FOR THE PERIOD ENDED MARCH 31, 2008

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 2007 - 2008.

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 Nova Scotia, pension benefits standards legislation has been enacted by the federal and all other 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 Fredericton in October 2007 and in Montreal in March/April 2008. CAPSA members also participated in two conference call meetings held in June 2007 and January 2008. The meetings focused on the development of a new reciprocal agreement relating to the administration of multi-jurisdictional pension plans, the development of a model pension law, and pension plan funding.

CAPSA adopted its strategic plan for 2008-2011 at its January 2008 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. Clarify regulatory requirements for multi-jurisdictional pension plans by finalizing and facilitating the implementation of a new multilateral agreement for the regulation of multi-jurisdictional pension plans.

2. Promote consistency in the governance of pension funds and funding by examining issues surrounding the application of the prudent person rule, giving consideration to both the assets and liabilities of pension plans, and to develop a common approach to funding policies, recognizing the link to fund governance.

3. Identify emerging issues and coordinate efforts to address such issues, such as the development of consistent standards for the treatment of phased retirement, simplified pension plans and fund holder arrangements, and to review current approaches to regulating and supervising defined contribution pension plans.

4. Continuing to participate in the Joint Forum of Financial Market Regulators to address inter-jurisdictional and cross-sectoral pensions, insurance and securities issues across Canada. This will include the review of the Guidelines for Capital Accumulation Plans, harmonization of investment rules, and consumer information and education.

5. Review the role and mandate of CAPSA, and define a formal role for the recently formed National Compliance Officers Association, including involvement in technical training for regulator staff.

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

The Act was amended in December 2007 to require an employer to fully fund a pension plan when it winds up a plan. The amendment was made retroactive to May 1, 2007.

During 2007/2008, the Province amended the *Pension Benefits Act* Regulations to:

- establish the criteria for financial hardship unlocking;
- provide a three-year exemption from solvency funding for specified multi-employer pension plans to address immediate funding concerns for those pension plans;
- establish the requirements relating to the legislative change to fully fund a pension plan on wind up;
- increase fees payable under the regulations by 1.9%, effective April 1, 2008.

In November 2007, the Government announced that a full review of the pension benefits legislation would be made by an advisory panel, to consult broadly with stakeholders. The panel, appointed in February 2008, released an initial discussion paper for consultation on May 28, 2008. The panel is to report back to government in the early winter of 2009 with their recommendations.

SUPERINTENDENT'S DECISIONS / HEARINGS / APPEALS

On February 8, 2008 the Superintendent issued a proposed refusal and a proposed order to the Halifax Regional Municipality Pension Committee, proposing to refuse to register two amendments to the Halifax Regional Municipality Pension Plan, and proposing to order the preparation of a revised actuarial valuation report. The Committee requested a reconsideration hearing for October 14, 2008, but subsequently withdrew that request. The Superintendent will review additional submissions made by the Committee on this issue.

OPERATION OF THE DIVISION

As at March 31, 2008, the Division was responsible for the supervision of 510 pension plans. Nineteen applications for registration were processed during the fiscal year. Nine of the filed plans were in the process of being wound up.

SUMMARY OF PENSION PLANS APPROVED, TRANSFERRED, OR TERMINATED TO MARCH 31, 2008

Active Plans On File as at March 31, 2007	520
New Plans Filed	19
Plans Transferred From Other Jurisdictions	0
Plans Terminated	-14
Active Plans On File as at March 31, 2008	525
Deduct: Plans In Process of Registration	-15
Registered Plans	510

A total of 25 Certificates of Registration were issued. Twelve plans submitted prior to April 1, 2007, and 3 submitted in 2007/2008 require further documentation and/or amendments before they will be accepted for registration.

The Division received 800 pieces of correspondence during the 2007/2008 period, and responded within an average of 24 days. In the 2006/2007 period, the division's average response time was 21 days in respect of 863 submissions. E-mail submissions were not tracked.

One hundred forty-one pension plan documents were approved during the fiscal year.

There were no refunds to employees of surplus during 2007/2008.

As of April 1, 2007, there were 168 approved Life Income Funds on the Superintendent's List of Approved Life Income Fund Arrangements. As of March 31, 2008, there were 171 on the List.

The following table shows that during the period under review, 14 pension plans were terminated covering 110 employees. There was no loss of pension coverage for the 81 members of plans merged with another. There were 6 partial plan terminations affecting 789 members. Of these, 488 related to the closure of two businesses, and 248 related to the reorganization of a business.

TERMINATED PENSION PLANS

Reason for Termination	# of Plans	# of active Members
No members left	1	0
Financial difficulty/bankruptcy	2	9
Merged with another	7	81
No reason given	4	20
TOTAL	**14**	**110**

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.

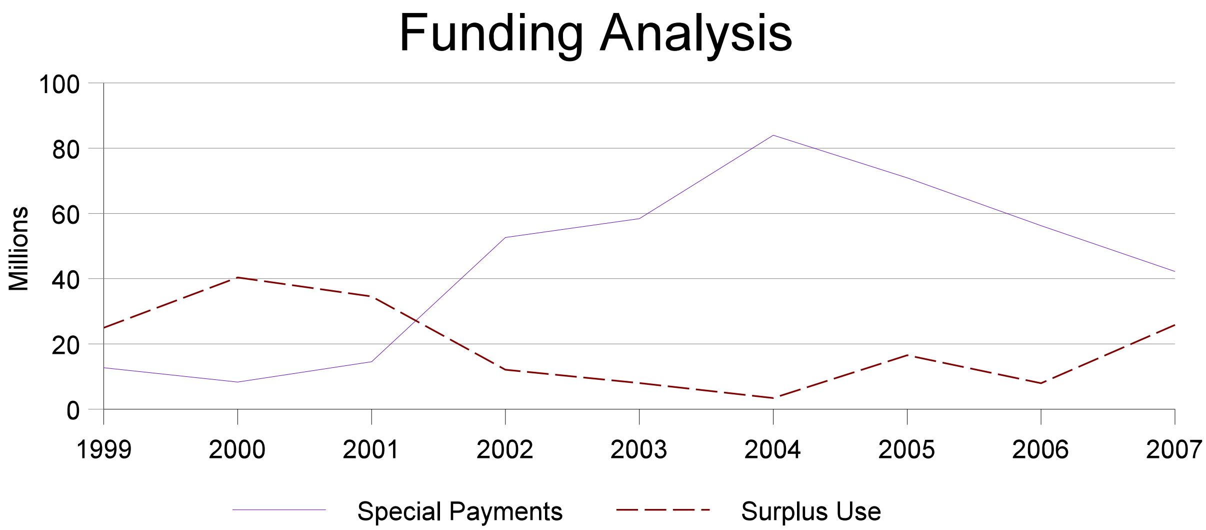
Based on the Returns filed with the Division as of November 13, 2007, total contributions for 2007 were $492.6 million, up from $458.4 million in 2006.

The employee and employer contributions to pension plans under supervision for the year ending December 31, 2007, were as follows:

2007 CONTRIBUTIONS:

Employee Required Contributions	$168,474,000	
Employee Voluntary Contributions	$ 11,802,000	
TOTAL EMPLOYEE CONTRIBUTIONS -		$180,276,000
Actual Employer Current Service Contributions	$244,291,000	
Employer Contributions made from Surplus	$ 25,846,000	
TOTAL EMPLOYER CURRENT SERVICE CONTRIBUTIONS -	$270,137,000	
Employer Special Payments	$ 42,207,000	
TOTAL EMPLOYER CONTRIBUTIONS -		$312,344,000
TOTAL CONTRIBUTIONS		**$492,620,000**

Employer contributions made from surplus were $25.8 million, up from $7.9 million reported for 2006. Employer special payments were $42.2 million, down from the $56.2 million reported for 2006. An analysis of the special payments made by employers, and of the use of surplus to fund benefits, is as follows:



SECURITY OF RETIREMENT INCOME

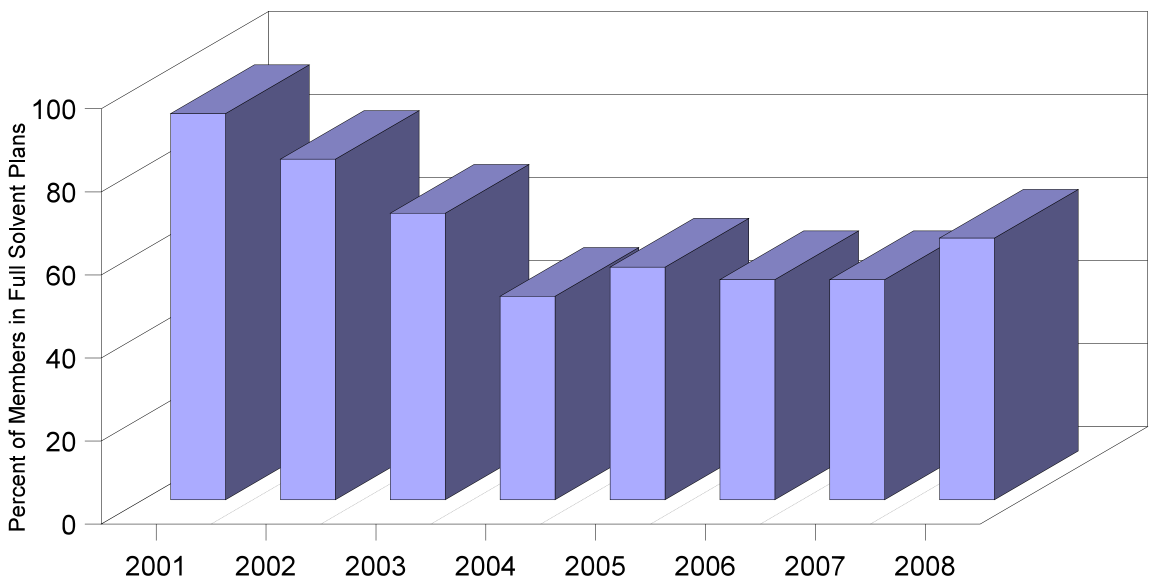
The measure used to determine the security of retirement income for members of private and municipal government pension plans is that of the solvency of the plan. Defined contribution pension plans are solvent by the very nature of the plans, and the solvency of defined benefit plans is measured through 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.

In 2004 the Government removed the requirement to include the liability for “grow-in” benefits in a solvency valuation. “Grow-in” benefits are the right to grow in to the subsidized early retirement benefits, provided under some plans, when a plan is wound up. The removal of the requirement to fund ‘grow-in benefits” has improved the solvency position of some defined benefit plans. Grow-in benefits must be funded by an employer when a plan actually winds up.

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. Specified multi-employer pension plans can make one election prior to January 1, 2010 to file an actuarial valuation report in which solvency deficiencies do not have to be funded. These regulatory changes will result in a delay in improvement of the solvency position of these plans.

As at March 31, 2008, three specified multi-employer pension plans, one municipality pension plan and five university pension plans had elected to take advantage of the solvency funding relief provided. These plans provided pension coverage for 10,924 members.

Solvency Ratios of the Defined Benefit Plans Registered in Nova Scotia



FINANCIAL HARDSHIP UNLOCKING

Effective July 1, 2007, the Pension Benefits Act permits unlocking of pension benefits transferred to a Locked-in Retirement Arrangement or a Life Income Fund for reasons of financial hardship. The criteria for unlocking are:

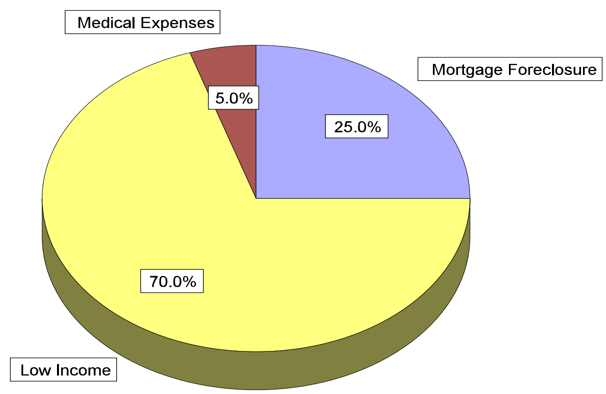
- for mortgage arrears where the owner is facing foreclosure;
- medical expenses not paid under another program; and
- for income below $17,960 (for 2008).

The following statistics relate to the unlocking program as at March 31, 2008.

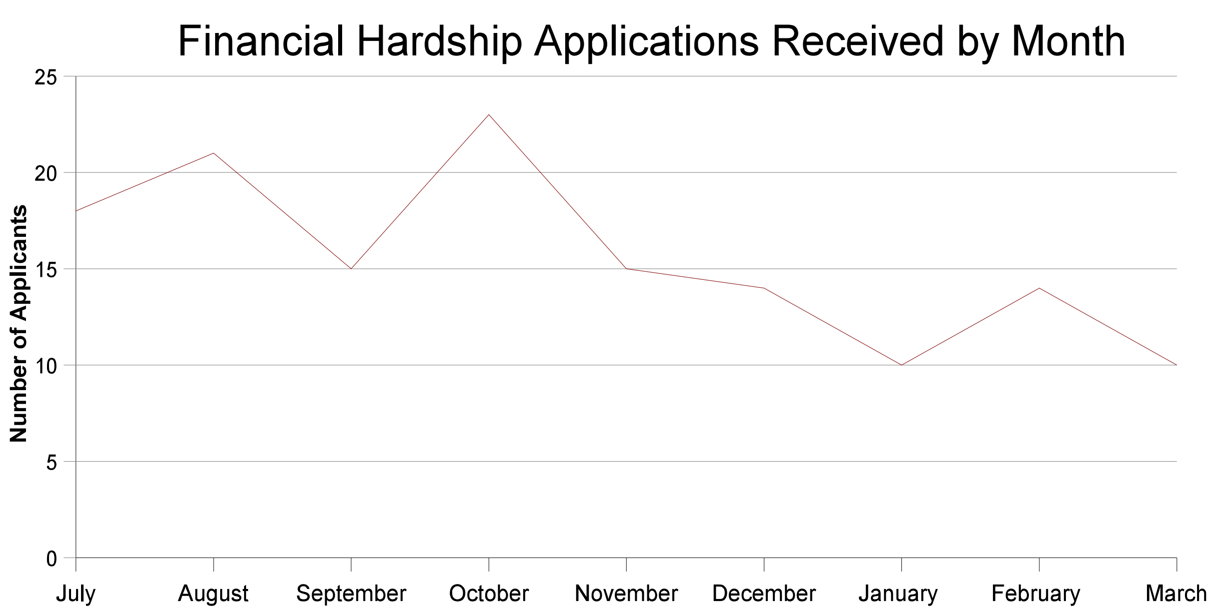
Funds Released from Locked-In Accounts under the Financial Hardship Program for the Period Ending March 31, 2008

Reason of Financial Hardship	Number of Applications Received	Number of Applications Approved	Dollar Value of Funds Released	Average Release per Successful Application
Mortgage Foreclosure	35	18	$70,379	$3,910
Medical Expenses	7	3	$27,895	$9,298
Low Income	99	63	$564,601	$8,962
Total	**141**	**84**	**$662,875**	**$7,891**

Number of Applications Under the Financial Hardship Program
July 1, 2007 - March 31, 2008

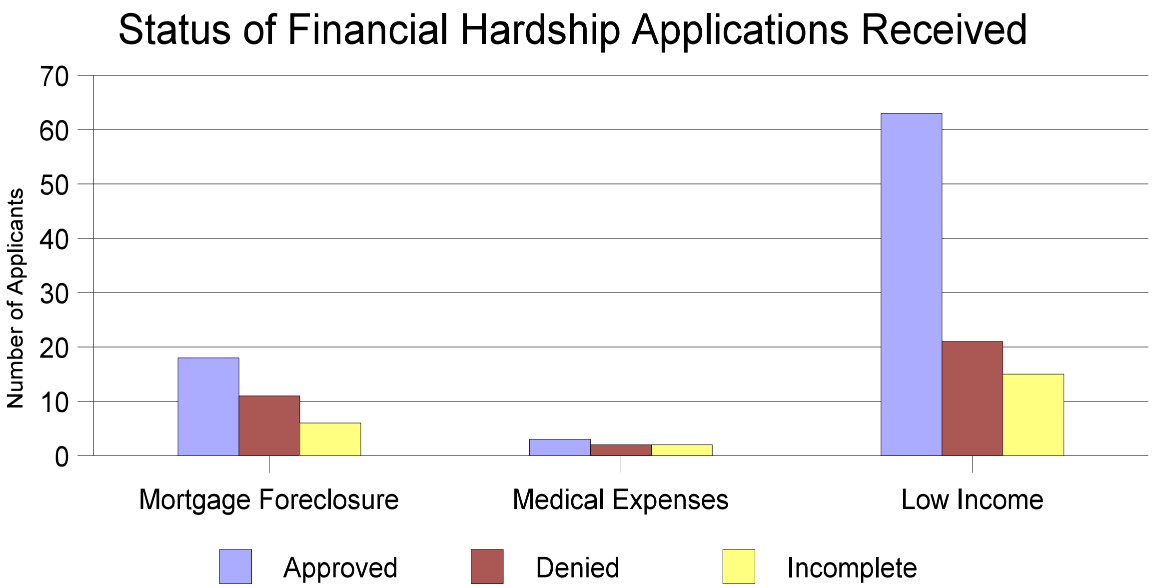


The following graph illustrates the number of financial hardship applications received per month over the period July 2007 to March 2008.



The following graph shows the status of applications received per reason. Incomplete means that a letter requesting further information was sent to an applicant, but no response was received. In total, 141 applications were received, 84 were approved, 35 denied, and 23 were incomplete. Reasons for denial of applications include:

- Funds not under Nova Scotia jurisdiction;
- Funds still in a registered pension plan;
- Applicant is between 54 and 65, already eligible for income up to $17,960 in 2008 from a Life Income Fund;
- Applicant's arrears are on a second mortgage with no threat of foreclosure, or for rent which is not a mortgage arrears criteria;
- Earnings are too high to qualify for low income criteria.



REVENUE AND EXPENDITURE FOR THE YEAR ENDED MARCH 31, 2008

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 fee payable in respect of an approved application for unlocking pension benefits held in a Locked-in Retirement Account or a Life Income Fund is $100.

The revenue derived from fees charged in respect of Applications for Registration, Annual Information Returns and Life Income Funds, amounted to $341,546.

Direct operating costs for the Division for the fiscal year 2007/2008 were $276,734. Note that overhead costs are not included in direct operating costs.

APPENDIX A

STATISTICAL INFORMATION

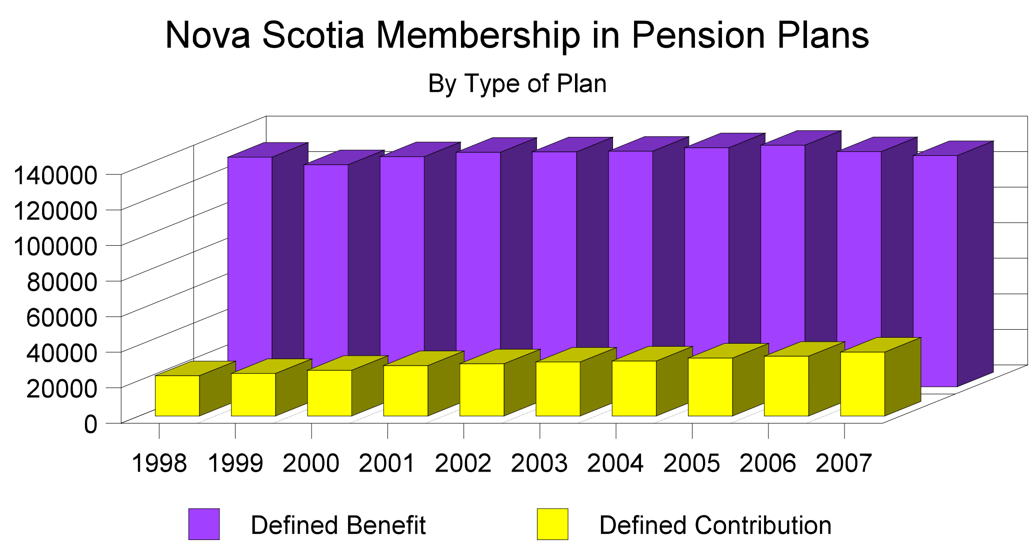
The information provided in this appendix is based on statistical information obtained from Statistics Canada's database on pension plans in Canada as at January 1st, 2007. As of this date, 104,095 members participated in 503 pension plans regulated by the Division.

TYPES OF PLANS

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

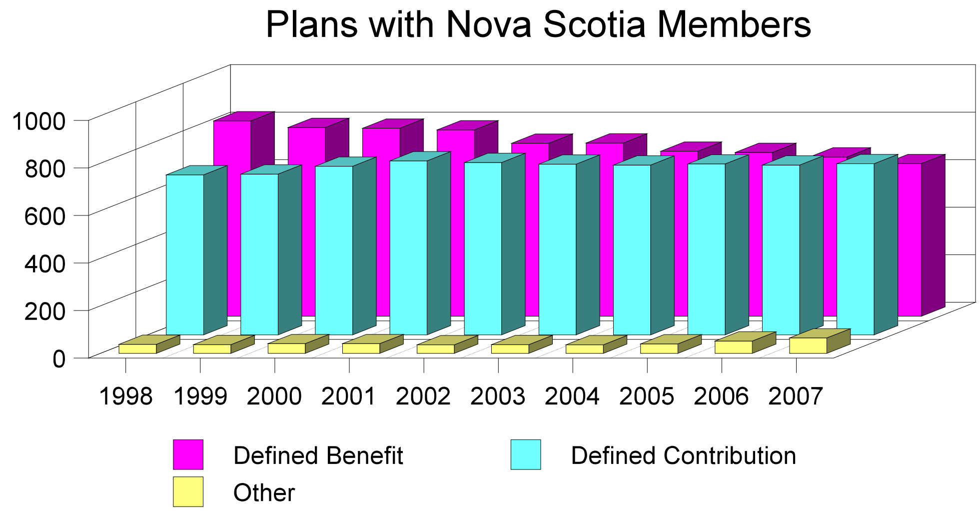
Under a defined contribution/money purchase plan, contributions required by the employer and/or employees are clearly defined. The resulting pension benefit for each employee is whatever can be provided or purchased by the accumulated contributions and investment earnings.

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.

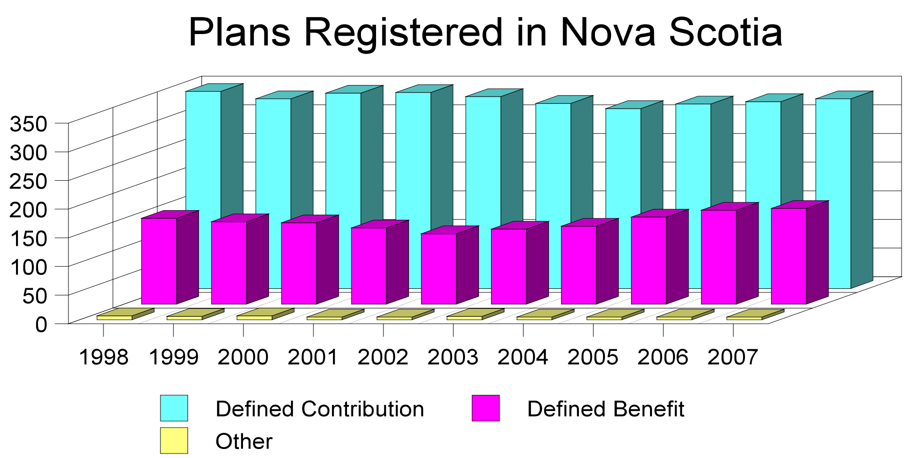


As of January 1, 2007, there were 35,963 Nova Scotia members participating in defined contribution plans, 130,097 participating in defined benefit plans and 3,329 in other types of composite/combination plans.

Membership in pension plans in other than defined benefit and defined contribution is insignificant and has not been included in the chart on page 12. Participation in defined contribution plans increased while defined benefit plans showed a slight decrease between 2006 and 2007.



The number of defined benefit pension plans with Nova Scotia members declined 22% from 1998 to 2007. The number of defined contribution plans with Nova Scotia members increased by 7%.



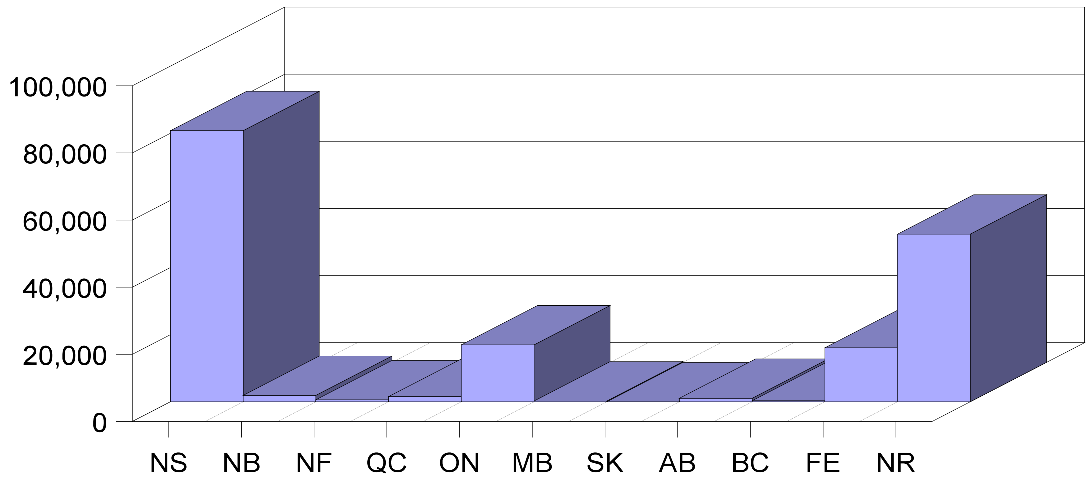
The number of defined contribution pension plans registered with Nova Scotia declined 3.8% between 1998 and 2007. Defined benefit pension plans increased by 11.3% from 1998 to 2007, primarily established for shareholders/owners of companies.

JURISDICTION OF PLAN MEMBERSHIP AND MEMBERSHIP COVERAGE

As of January 1, 2007, there were 1,427 pension plans in all jurisdictions covering 169,389 Nova Scotia Employees. The Division supervised 503 plans covering 104,905 members; 24,148 of these members were employed in other provinces.

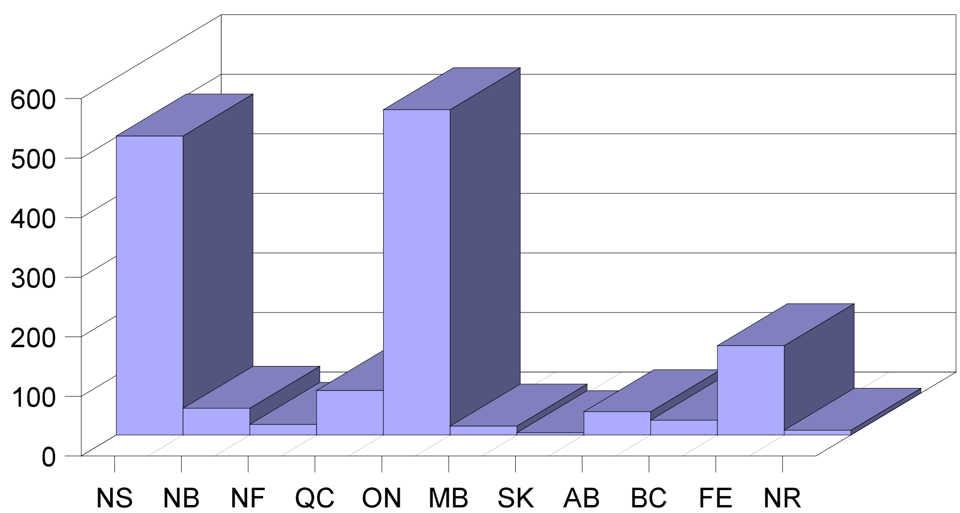
NS Members in Plans in Canada by Jurisdiction

(Source: Statistics Canada - (Table 81) January 1, 2007)



Pension Plans in Canada with NS Members

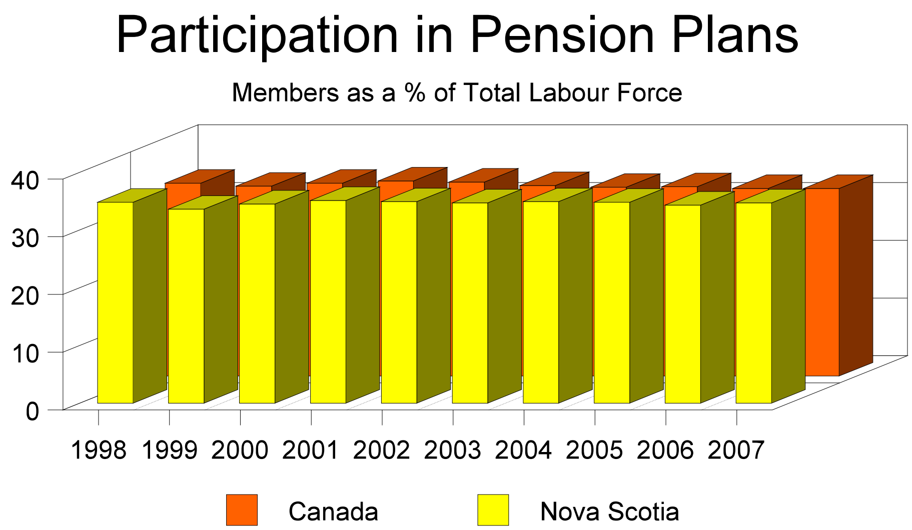
(Source: Statistics Canada - (Table 81) January 1, 2007)

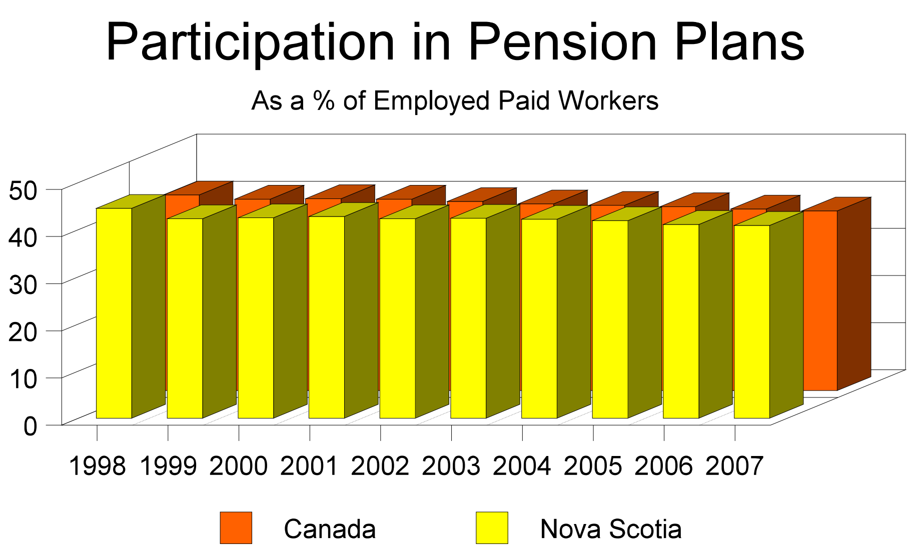


FE - Federal

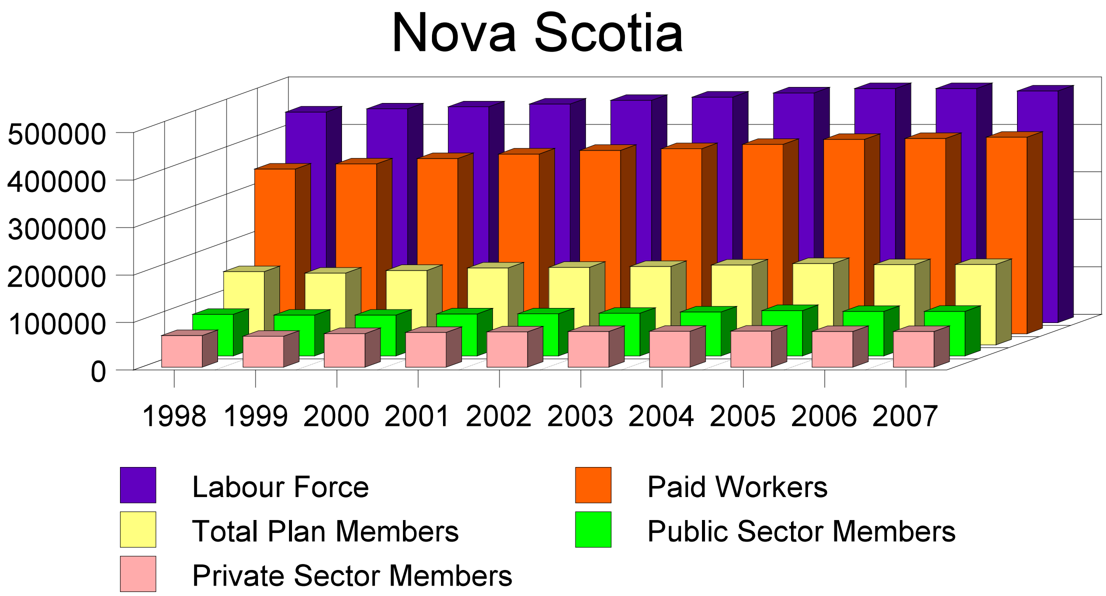
N/R Not registered - these plans include the provincial plans for Civil Servants, Teachers, Judges, Members of the Legislature, and employees of Sydney Steel, as well as federal plans for the Canadian Forces, the RCMP, the Federal Public Service and the Members of Parliament.

As shown below, participation of Nova Scotians in pension plans has declined slightly since 1998. Currently in Nova Scotia, 34.7% of the total labour force and 40.9% 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:



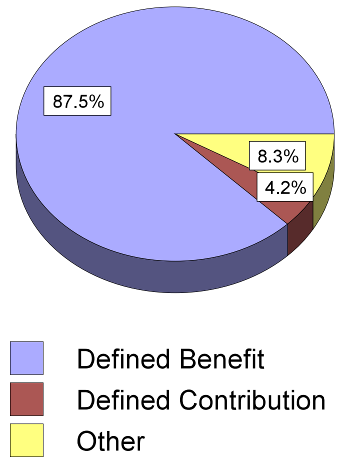
During the period 1998 to 2007, the number of pension plan members in Nova Scotia in the private sector grew 12.8%, compared with a 7.4% increase in the public sector.

ASSET ANALYSIS

As of January 1, 2007, defined benefit plans with Nova Scotia members held $297,438 million in assets. Defined contribution plans held $14,225 million and composite or combination pension plans held $28,275 million.

Plans with Nova Scotia Members

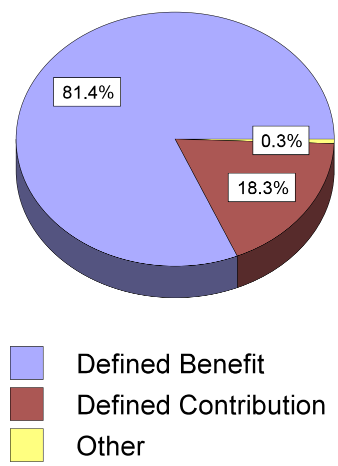
Asset Distribution



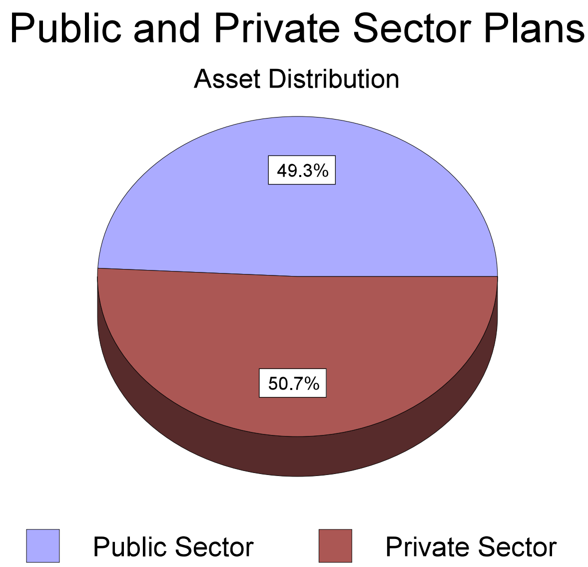
A total of $9,833 million was held in pension plans registered in Nova Scotia as at January 1, 2007. The majority, $8,001 million, was held in defined benefit plans, with $1,800 million in defined contribution plans and $32 million in composite/combination plans.

Plans Registered in Nova Scotia

Asset Distribution



For pension plans with members employed in Nova Scotia, assets are divided almost equally between public sector plans and private sector plans.



Of the $339,937 million in assets held in pension plans for pension plan members employed in Nova Scotia as at January 1, 2007, the majority of funds were held in non-registered plans (see the definition of non-registered plans on page 14). Significant assets for Nova Scotia members are also held in plans under the federal jurisdiction and Ontario provincial jurisdiction.