REPORT OF THE

SUPERINTENDENT OF PENSIONS

ON THE ADMINISTRATION OF THE

PENSION BENEFITS ACT

FOR THE YEAR ENDING

MARCH 31, 2009

NOVA SCOTIA
Labour and
Workforce Development
Pension Regulation Division

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30 Sept 2009

The Honourable Marilyn More
Minister of Labour and Workforce Development
P.O. Box 697
HALIFAX, NS B3J 2T8

Dear Minister:

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, 2009.

Respectfully submitted,

N MacNeill Smith

Nancy MacNeill Smith
Superintendent of Pensions

THIRTY-SECOND ANNUAL REPORT ON THE ADMINISTRATION OF THE *PENSION BENEFITS ACT* FOR THE PERIOD ENDED MARCH 31, 2009

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 2008 - 2009.

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 government and all other provincial governments except for Prince Edward Island.

The representatives of those authorities that 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 Regina in September 2008 and in Toronto in March 2009. CAPSA members also participated in two conference call meetings held in June 2008 and January 2009. A summary of CAPSA's activities is as follows:

1. CAPSA consulted on a proposed Multi-Jurisdictional Agreement from October 21, 2008 to January 30, 2009. The proposed Agreement was revised in response to

comments received. The new multilateral agreement will clarify the regulatory requirements for multi-jurisdictional pension plans. Work on the proposed agreement was completed in the summer of 2009.

2. Work on the Model Pension Law was completed in October of 2008. CAPSA members have presented the Model Pension Law to their governments for consideration when legislative changes are contemplated.

3. A Defined Contribution Plan Committee was established to review current approaches to regulating and supervising defined contribution pension plans. A Terms of Reference and Work Plan for the Committee was approved by CAPSA in March 2009.This Committee will also establish an industry working group to provide input and advice to the Committee.

4. A Governance and Strategic Planning Committee will review the role and mandate of CAPSA, exploring the possibility of CAPSA's participation in international associations of pension regulatory authorities and defining a formal role for the recently formed National Compliance Officers Association, including involvement in technical training for regulator staff. The Terms of Reference and work plan for the Governance and Strategic Planning Committee were approved in March 2009.

5. A Prudent Investment and Funding Committee was established to examine the 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 by recognizing the link to fund governance. The Terms of Reference and work plan were approved by CAPSA in early 2009.

6. A Fund Holder Arrangements Committee was established to review existing legislative requirements regarding who can hold pension funds and to define the roles and responsibilities of fund holders and administrators in the investment and administration of a pension fund. The Terms of Reference and work plan were approved by CAPSA in early 2009.

7. The Joint Forum of Financial Market Regulators addresses inter-jurisdictional and cross-sectoral pensions, insurance and securities issues across Canada. CAPSA members are represented on the Joint Forum. The Guidelines for Capital Accumulation Plans (including defined contribution pension plans) were reviewed in 2009, and new point of sale disclosure rules for mutual fund and segregated funds were established. The Joint Forum participated in the organization of Canada's second national conference on financial literacy held in September 2008. A report on the conference was released in March 2009.

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. Work on the development of a new reciprocal agreement to replace the original agreement which has been in place since 1968 is almost complete.

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. Data from a joint Annual Information Return on pension plans is collected by the Superintendent and shared with CRA.

LEGISLATIVE / REGULATORY REVIEW

The Pension Review Panel, appointed in February 2008 to conduct a full review of the pension benefits legislation, released an initial discussion paper on May 28, 2008 for consultation. The paper outlined some of the most significant issues that affect pension plans. There were 51 written responses, and in-person meetings with stakeholders were held. A position paper was released in October 2008 to respond to the feedback received and to seek additional input. There were 42 written submissions, and additional in-person meetings in respect of the position paper. The panel reported back to government in January 2009 with their recommendations.

The *Pension Benefits Act* had been amended in December 2007 to require full funding on wind-up. During 2008/09, the Province amended the Regulations to reflect this change.

On March 31, 2009, fees charged under the *Pension Benefits Act* were increased to take effect on April 1, 2009.

OPERATION OF THE DIVISION

As at March 31, 2009, the Division was responsible for the supervision of 524 pension plans. Twenty-one applications for registration were processed during the fiscal year. Seventeen of the filed plans were in the process of being wound up.

SUMMARY OF PENSION PLANS APPROVED, TRANSFERRED, OR TERMINATED TO MARCH 31, 2009

Active Plans On File as at March 31, 2008	525
New Plans Filed	21
Plans Terminated	-21
Plans Transferred To Other Jurisdictions	-1
Active Plans On File as at March 31, 2009	524
Deduct: Plans In Process of Registration	-13
Registered Plans	511

A total of 23 Certificates of Registration were issued. Eight plans submitted prior to April 1, 2008, and five submitted in 2008/2009 require further documentation and/or amendments before they will be accepted for registration.

The Division received 873 pieces of correspondence during the 2008/2009 period, and responded within an average of 7 days. In the 2007/2008 period, the division's average response time was 24 days in respect of 800 submissions. E-mail submissions were not tracked.

Two hundred and forty one pension plan documents were approved during the fiscal year.

A refund to the employer of surplus totaling $582,300 was made in respect of one terminated plan. Two terminated plans had funding shortfalls of $245,600 and $19.2 million, respectively, which were paid by the employers. One terminated plan of a bankrupt company had a wind-up deficiency of $6.8 million. Benefits for members of that plan were reduced by 8% overall.

As of April 1, 2008, there were 171 approved Life Income Funds on the Superintendent's List of Approved Life Income Fund Arrangements. As of March 31, 2009, there were 187 on the List.

The following table shows that during the period under review, 21 pension plans were terminated covering 2,588 employees. Four hundred and ninety-seven (497) of these employees were members of plans that merged with another plan. Four hundred and nineteen (419) of these employees were with plans that were replaced by a group RRSP. There were five partial plan terminations affecting 1,935 members due in large part to plant or business location closures, including Trenton Works.

TERMINATED PENSION PLANS

Reason for Termination	# of Plans	# of Active Members
No members left	7	0
No reason given	2	4
Merged with another	3	497
Replaced with group RRSP	5	419
Company dissolved / plant closure	3	585
Financial difficulty/bankruptcy	1	1,083
TOTAL	**21**	**2,588**

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 its Annual Report on pension plans in Canada. Information from the Return is also forwarded to Canada Revenue Agency.

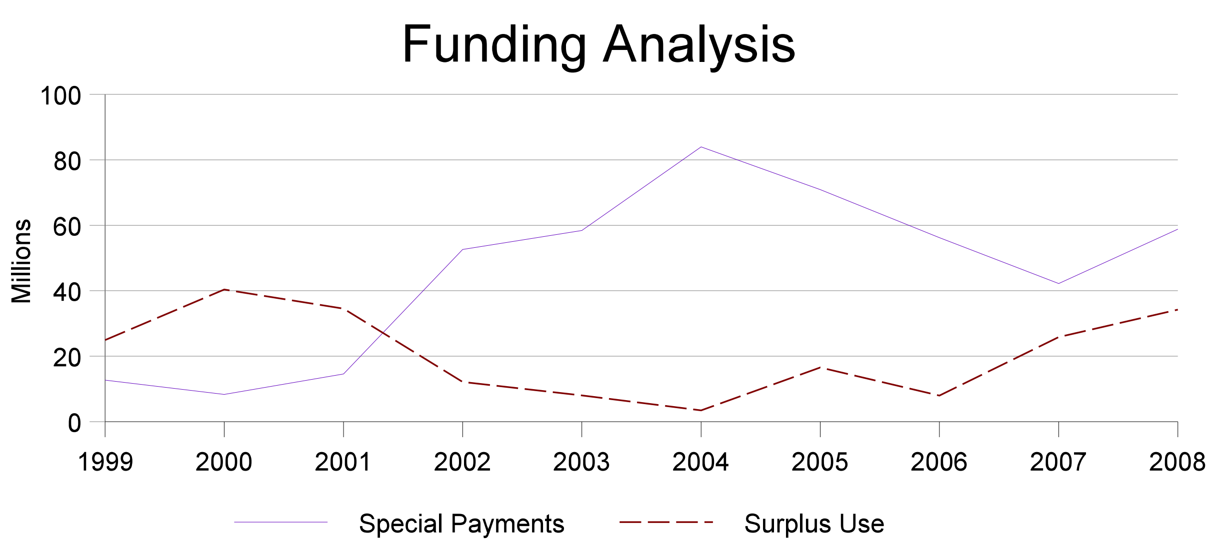
Based on the Returns filed with the Division as of September 13, 2009, total contributions for 2008 were $554.7 million, up from $492.6 million in 2007.

The employee and employer contributions to pension plans under supervision for the year ending December 31, 2008, were as follows:

2008 CONTRIBUTIONS:

Employee Required Contributions	$183,388,391	
Employee Voluntary Contributions	$ 12,524,296	
TOTAL EMPLOYEE CONTRIBUTIONS -		$195,912,687
Actual Employer Current Service Contributions	$265,782,982	
Employer Contributions made from Surplus	$ 34,259,482	
TOTAL EMPLOYER CURRENT SERVICE CONTRIBUTIONS -	$300,042,464	
Employer Special Payments	$ 58,795,086	
TOTAL EMPLOYER CONTRIBUTIONS -		$358,837,550
TOTAL CONTRIBUTIONS		**$554,750,237**

Employer contributions made from surplus were $34.2 million, up from $25.8 million reported for 2007. Employer special payments were $58.7 million, up from the $42.2 million reported for 2007. 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

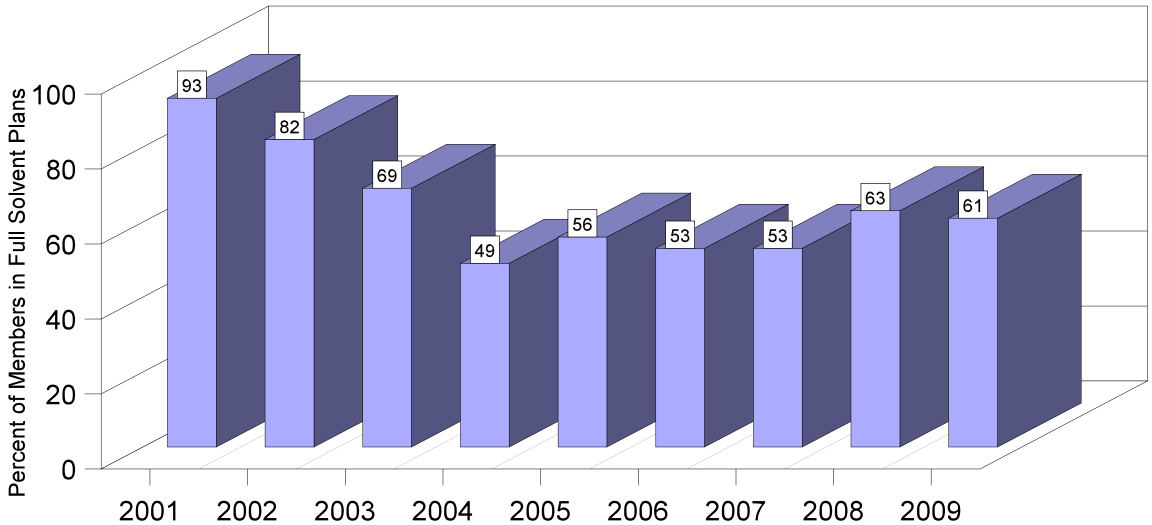
The measure used to determine the security of retirement income for members of private and municipal government pension plans is that of the solvency of the plan. Defined contribution pension plans are solvent by the very nature of the plans, and the solvency of defined benefit plans is measured through solvency valuations performed by an actuary. If defined benefit plans are not fully solvent, there must be a strategy in place to achieve full solvency funding within 5 years (with exceptions for municipalities, universities and specified multi-employer pension plans).

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 receive subsidized early retirement benefits, provided under some plans, when a plan is wound up, even though the members have not met eligibility requirements for receipt of these benefits. The removal of the requirement to fund ‘grow-in benefits” reduced solvency liabilities, thus improving the solvency position of some defined benefit plans. However, grow-in benefits must be funded by an employer when a plan actually winds up.

The solvency funding relief provided to universities gives them 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 for the following 3 years. These regulatory changes will result in a delay in improvement of the solvency position of these plans.

As at March 31, 2009, five specified multi-employer pension plans, three municipality pension plans and five university pension plans had elected to take advantage of the solvency funding relief provided. These plans provided pension coverage for 15,291 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 unlocking criteria are for:

- mortgage arrears where the owner is facing foreclosure;
- medical expenses not paid under another program; and
- income below $18,520 (for 2009).

The following statistics relate to the unlocking program as at March 31, 2009.

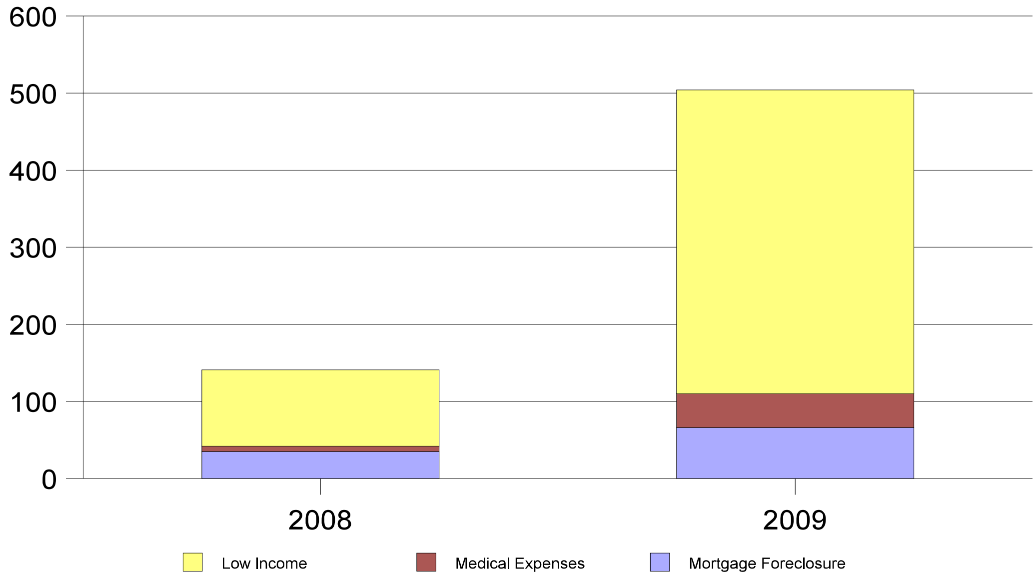
Funds Un-locked in the Year Ending March 31, 2009

Reason of Financial Hardship	Number of Applications Received	Number of Applications Approved	Dollar Value of Funds Released	Average Release per Successful Application
Mortgage Foreclosure	66	29	$177,177	$6,110
Medical Expenses	44	21	$137,488	$6,547
Low Income	394	237	$2,089,125	$8,815
Total	**504**	**287**	**$2,403,790**	**$8,376**

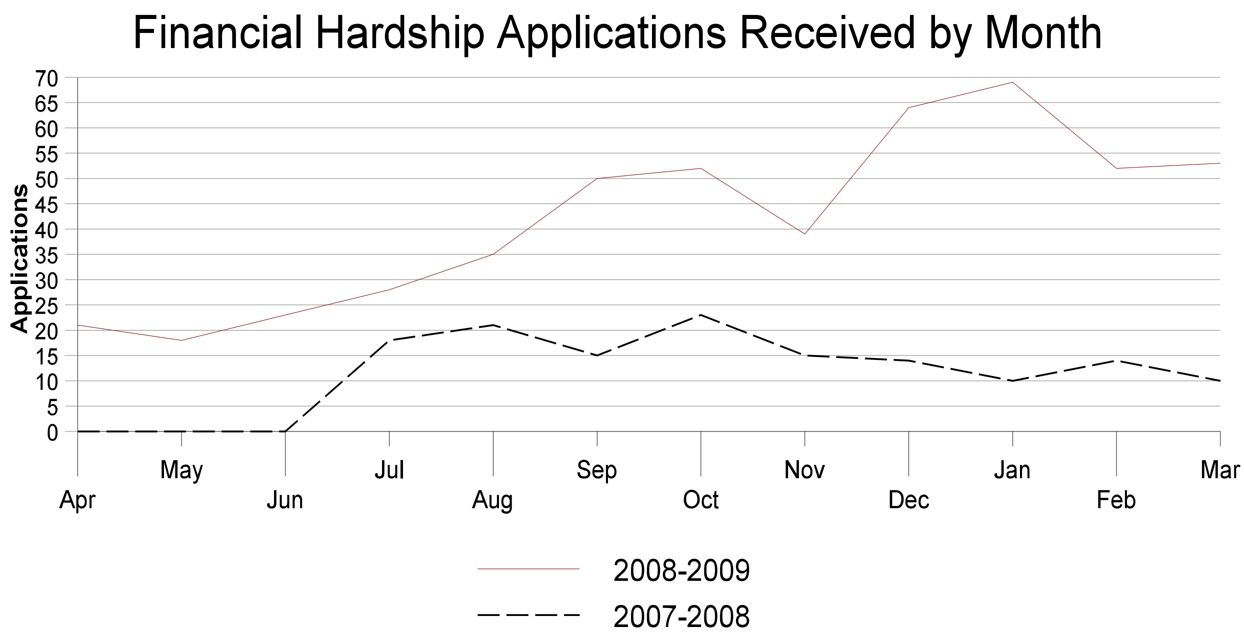
Total Funds Un-locked since 1 July 2007 (program inception)

Reason of Financial Hardship	Number of Applications Received	Number of Applications Approved	Dollar Value of Funds Released	Average Release per Successful Application
Mortgage Foreclosure	101	47	$247,556	$5,267
Medical Expenses	51	24	$165,383	$6,890
Low Income	493	300	$2,653,726	$8,846
Total	**645**	**371**	**$3,066,665**	**$8,266**

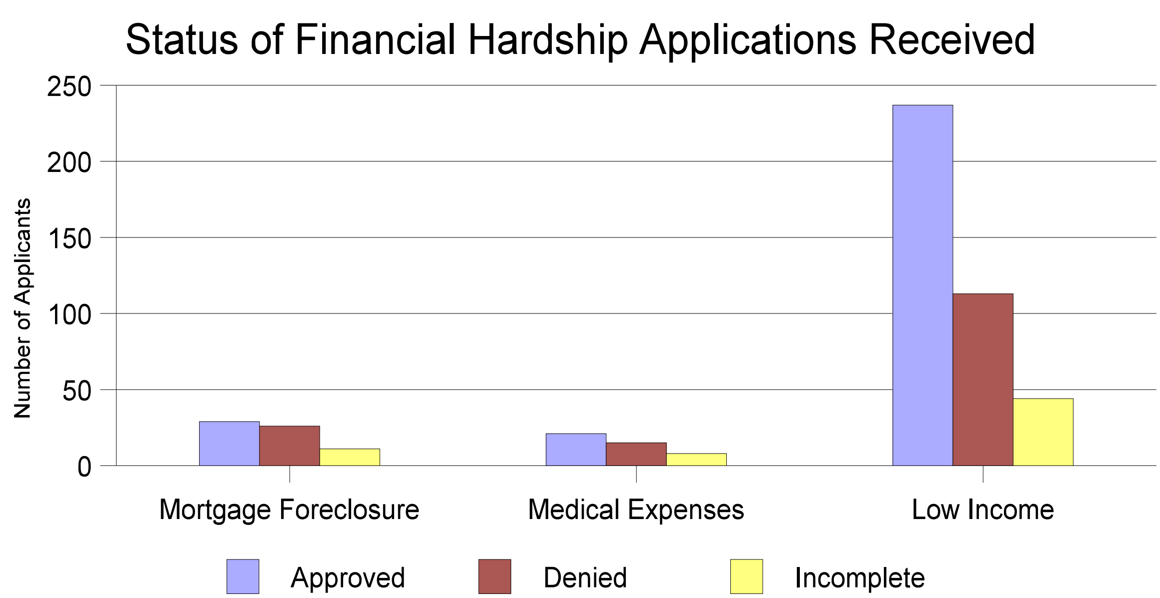
Number of Applications Received Under the Financial Hardship Program
Fiscal years ending March 31, 2008 and March 31, 2009



The following graph illustrates the number of financial hardship applications received per month over the last two fiscal years.



The following graph shows the status of applications received per reason during 2008/2009. Incomplete means that a letter requesting further information was sent to an applicant, but no response was received.



In total, 504 applications were received, 287 were approved, 154 denied, and 63 were incomplete.

Reasons for denial of applications include:

- Funds not under Nova Scotia jurisdiction;
- Funds still in a registered pension plan;
- 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, 2009

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 $5.10 for each member of the pension plan in Nova Scotia, or in a designated province, with a minimum fee of $101.90. The maximum fee is $7,642.50. 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 $1,019.00. A fee of $254.75 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 $101.90.

Fees were increased effective April 1, 2009 by 3%, as determined by Order-in Council 2009-164.

The revenue derived from fees charged in respect of Applications for Registration, Annual Information Returns, Life Income Funds, and financial hardship unlocking amounted to $343,813.

Direct operating costs for the Division for the fiscal year 2008/2009 were $307,573. Note that overhead costs are not included in direct operating costs.

APPENDIX A

STATISTICAL INFORMATION

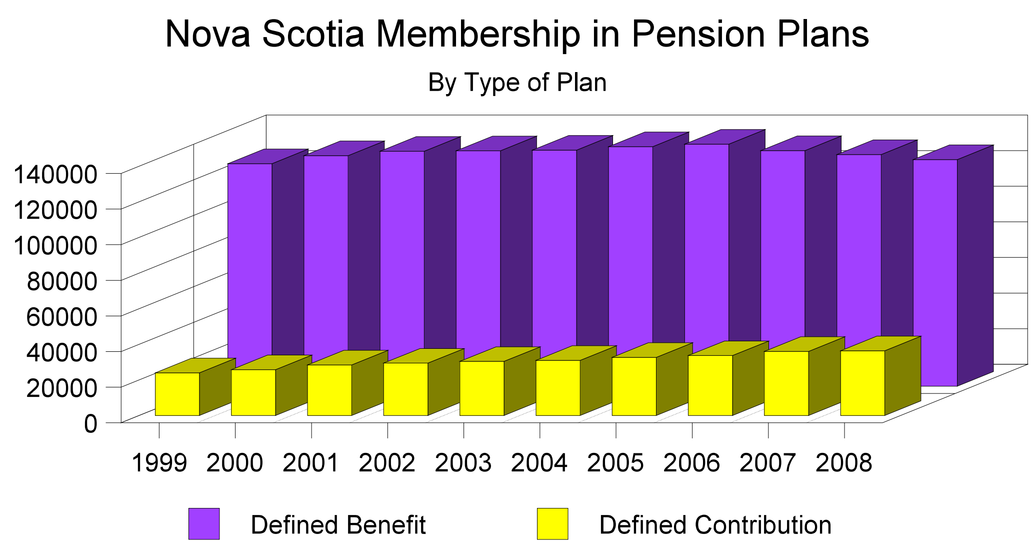
The information provided in this appendix is based on statistical information obtained from Statistics Canada's database on pension plans in Canada as at January 1st, 2008. As of this date, 105,524 members participated in 498 pension plans regulated by the Division.

TYPES OF PLANS

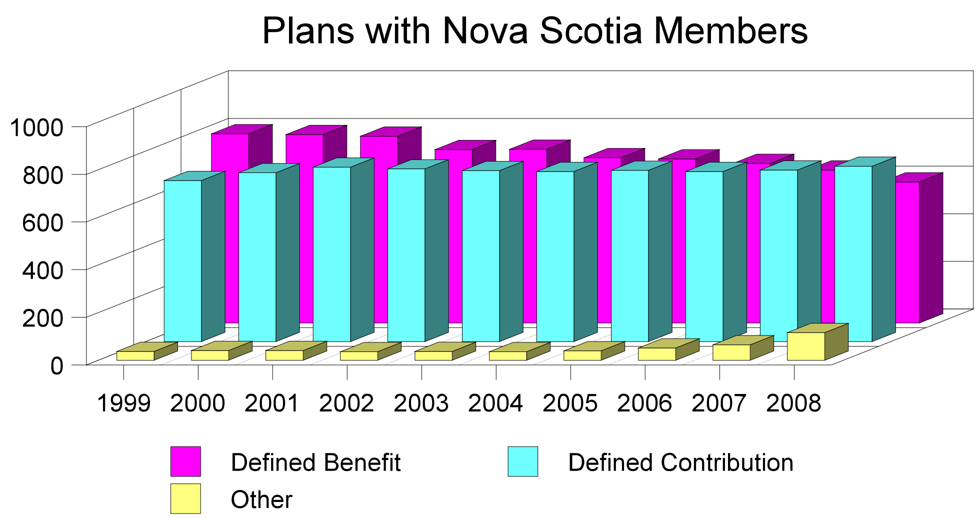
There are two main types of pension plans; a defined contribution plan or a defined benefit plan. Under a defined contribution plan, contributions required by the employer and/or employees are clearly defined. The resulting pension benefit for each employee is whatever can be provided or purchased by 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.

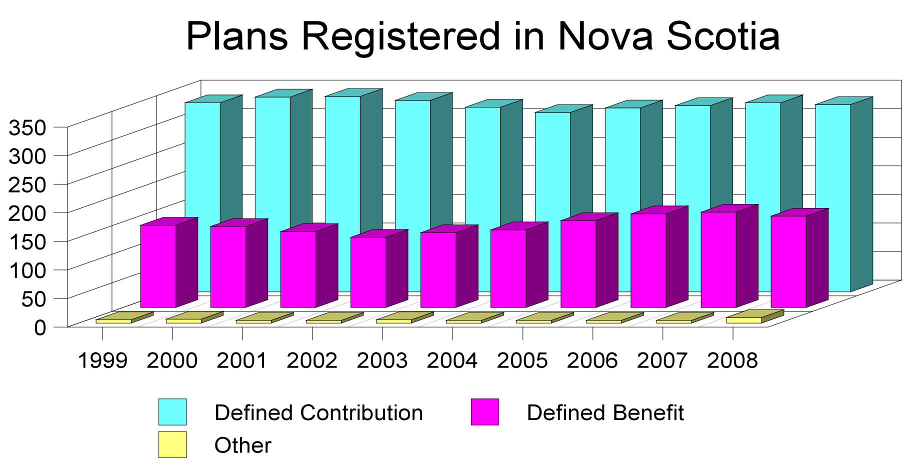
As of January 1, 2008, there were 36,311 Nova Scotia members participating in defined contribution plans, 127,259 participating in defined benefit plans and 7,081 in other types of composite/combination plans.



Membership in pension plans other than defined benefit and defined contribution plans is insignificant and has not been included in the chart on page 12. Participation in defined contribution plans and other combination plans increased while participation in defined benefit plans showed a slight decrease between 2007 and 2008.



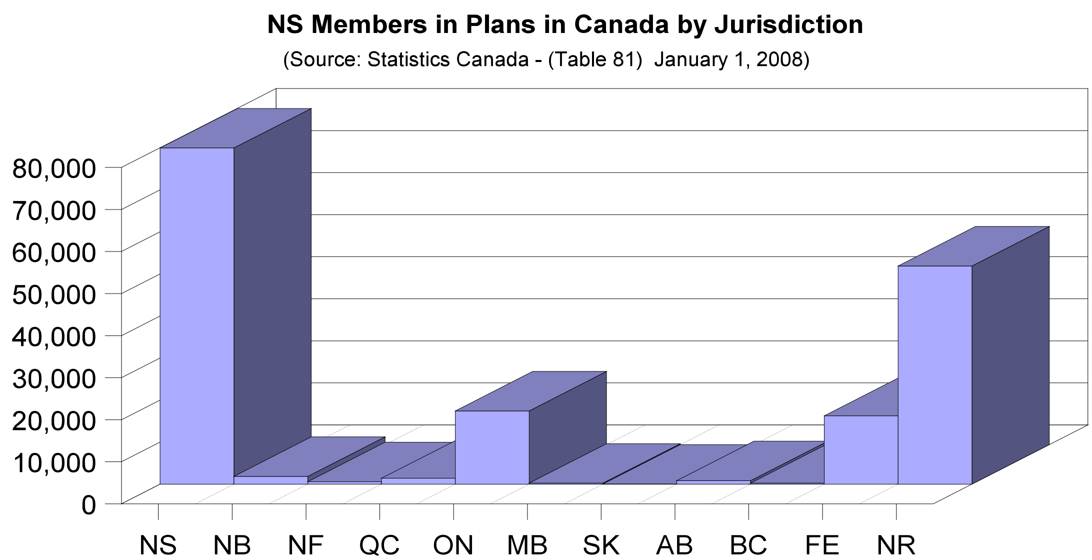
The number of defined benefit pension plans across Canada with Nova Scotia members declined 25% from 1999 to 2008 to 592 plans. The number of defined contribution plans with Nova Scotia members increased by 9% to 736 plans.

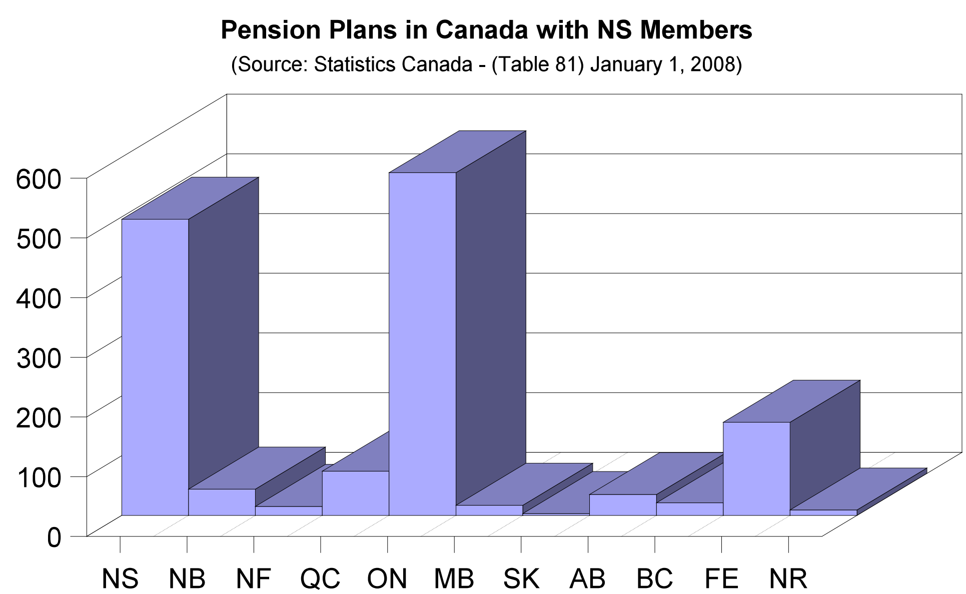


Going against the national trend, the number of defined contribution pension plans registered with Nova Scotia declined 1% between 1999 and 2008 to 328 plans. Defined benefit pension plans increased by 11% from 1999 to 2008 to 160 plans. These plans were primarily established for shareholders/owners of companies.

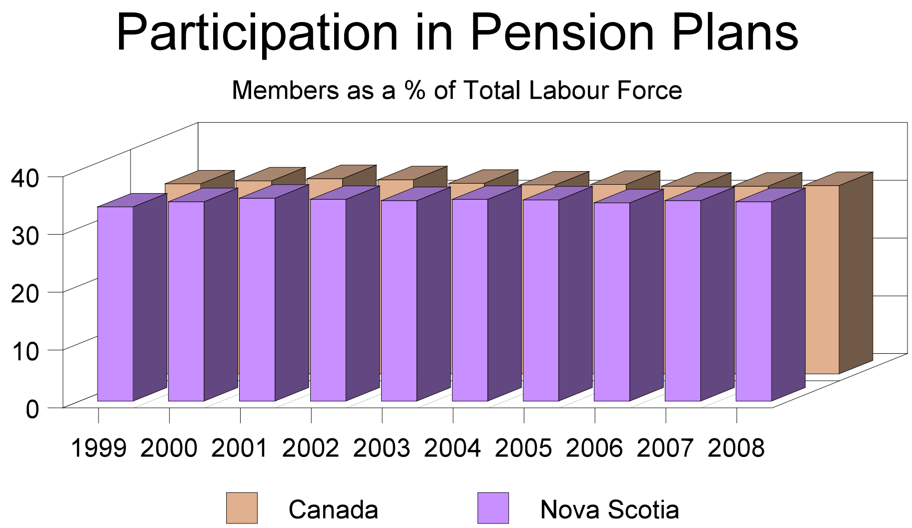
JURISDICTION OF PLAN MEMBERSHIP AND MEMBERSHIP COVERAGE

As of January 1, 2008, there were 1,444 pension plans in all jurisdictions covering 170,651 Nova Scotia Employees. The Division supervised 498 plans covering 105,524 members; 25,574 of these members were employed in other provinces. FE refers to Federal plans and NR means plans that are not registered.

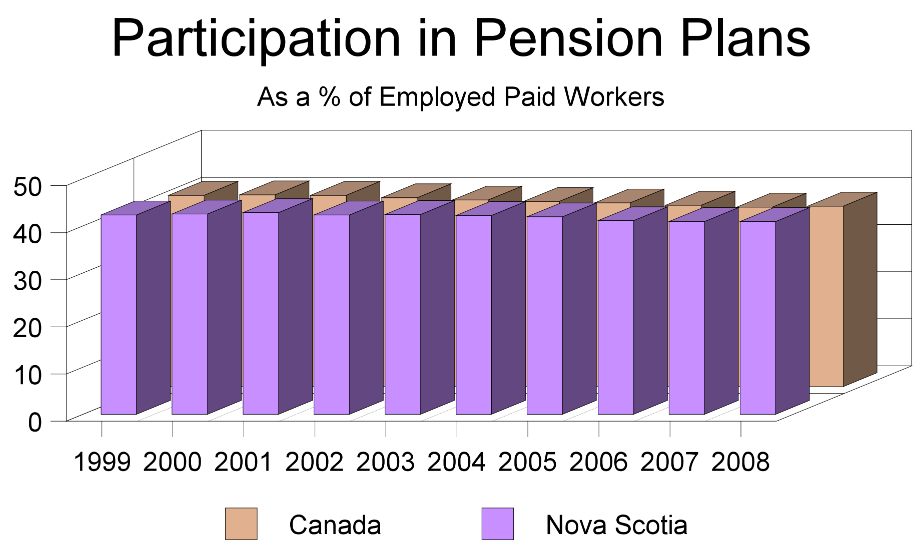




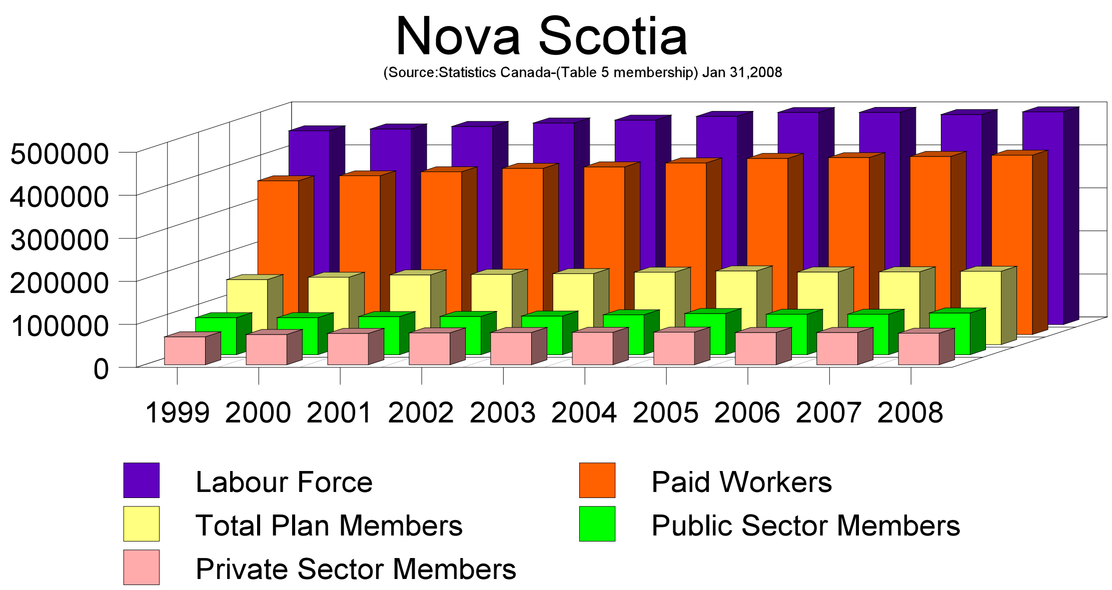
Plans that are not registered include the provincial plans for Civil Servants, Teachers, Judges, Members of the Legislature, and employees of Sydney Steel, as well as federal plans for the Canadian Forces, the RCMP, the Federal Public Service and the Members of Parliament.



As shown in these two graphs, participation of Nova Scotians in pension plans has declined slightly since 1999. Currently in Nova Scotia, 34.5% of the total labour force and 40.9% of employed paid workers participate in pension plans. These numbers for Canada as a whole are 32.6% and 38.3% respectively. 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.



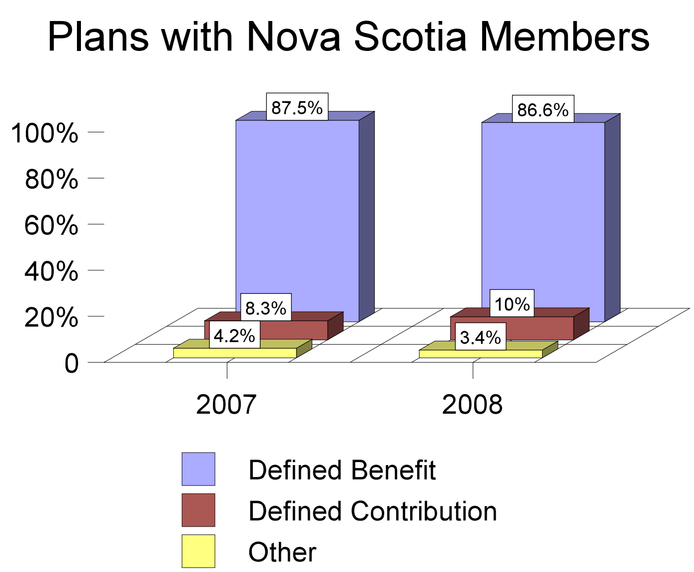
Nova Scotia has a higher than average proportion of paid workers in the public sector, where pension coverage is very high. Currently 56.9% of Nova Scotia pension plan members are employed in the public sector, as illustrated in the following chart:



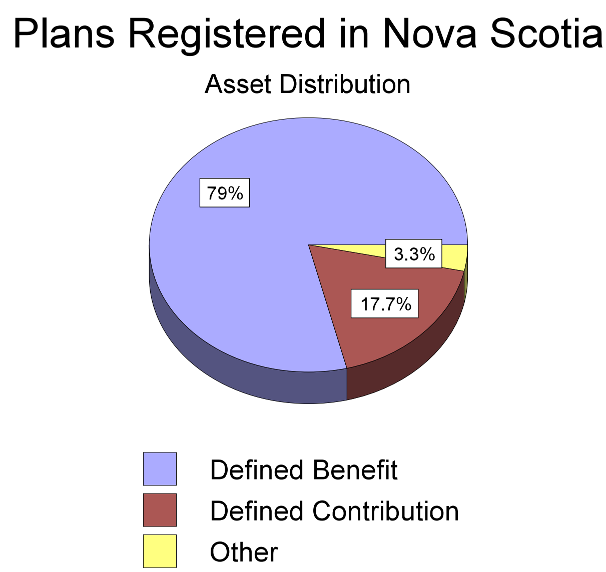
During the period 1999 to 2008, the number of pension plan members in Nova Scotia in the private sector grew 13.2%, compared with a 12% increase in the public sector.

ASSET ANALYSIS

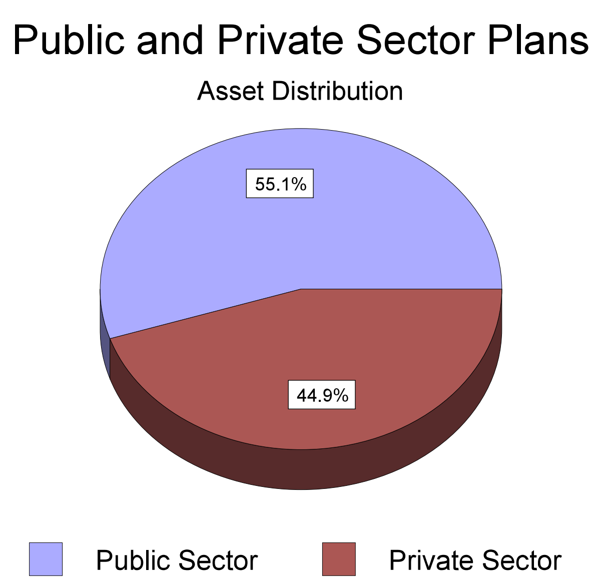
As of January 1, 2008, defined benefit plans with Nova Scotia members held $345 billion in assets. Defined contribution plans held $13.7 billion and composite or combination pension plans held $39.9 billion.



A total of $10.2 billion was held in pension plans registered in Nova Scotia as at January 1, 2008. The majority, $8 billion, was held in defined benefit plans, with $1.8 billion in defined contribution plans and $334 million in composite/combination plans.



For pension plans with members employed in Nova Scotia, public sector pension plans' assets were $219.6 billion and private sector plans' assets were $179.0 billion.



Of the $398.6 billion in assets held in pension plans with Nova Scotia members as at January 1, 2008, a significant portion of funds was held in non-registered plans (see the definition of non-registered plans on page 14). Plans under the federal and Ontario jurisdictions with Nova Scotia members also held significant assets