
**PROVINCE OF NOVA SCOTIA
SYDNEY STEEL CORPORATION
SUPERANNUATION FUND
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2009**

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Auditors' report

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To the Minister of Finance, Province of Nova Scotia

We have audited the consolidated statement of net assets available for benefits (deficiency) and accrued pension benefits net of deficiency of the Province of Nova Scotia – Sydney Steel Corporation Superannuation Fund as at March 31, 2009 and the consolidated statement of changes in net assets available for benefits (deficiency) for the year then ended. These consolidated financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits net of deficiency of the Fund as at March 31, 2009 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The current year's supplementary information included in Schedules A and B are presented for the purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Halifax, Nova Scotia
June 8, 2009



Chartered accountants

Province of Nova Scotia
 Sydney Steel Corporation Superannuation Fund
 Consolidated Statement of Net Assets Available for
 Benefits (Deficiency) and Accrued Pension Benefits Net of Deficiency
 March 31, 2009

NET ASSETS AVAILABLE FOR BENEFITS	2009	2008
Assets		
Cash	\$ <u>70,306</u>	\$ <u>63,522</u>
Liabilities		
Accounts payable and accrued liabilities	20,688	19,814
Retroactive pension increase (Note 4)	<u>-</u>	<u>735,982</u>
Total liabilities	<u>20,688</u>	<u>755,796</u>
Net assets available for benefits (Deficiency)	<u>\$ 49,618</u>	<u>\$ (692,274)</u>
ACCRUED PENSION BENEFITS NET OF DEFICIENCY		
Accrued pension benefits	\$ 206,936,200	\$ 218,935,100
Deficiency (Note 4)	<u>(206,886,582)</u>	<u>(219,627,374)</u>
Accrued pension benefits net of deficiency	<u>\$ 49,618</u>	<u>\$ (692,274)</u>

Approved:

ORIGINAL SIGNED BY JAMIE MUIR

Trustee – Minister of Finance

(See accompanying notes to the consolidated financial statements)

Province of Nova Scotia
 Sydney Steel Corporation Superannuation Fund
 Consolidated Statement of Changes in Net Assets
 Available for Benefits (Deficiency)
 For the Year Ended March 31, 2009



	2009	2008
Increase In Assets		
Contributions:		
Province of Nova Scotia	\$ 22,262,465	\$ 18,713,677
Investment income	9,958	18,767
Gain on sale of investments	<u>-</u>	<u>496,457</u>
Increase in assets	<u>22,272,423</u>	<u>19,228,901</u>
Decrease in Assets		
Benefits	21,334,482	22,095,018
Operating expenses (Note 5)	196,049	166,158
Current period change in market values of investments	<u>-</u>	<u>495,202</u>
Decrease in assets	<u>21,530,531</u>	<u>22,756,378</u>
Increase (decrease) in Net Assets Available for Benefits	741,892	(3,527,477)
(Deficiency) Net Assets Available for Benefits at Beginning of Year	<u>(692,274)</u>	<u>2,835,203</u>
Net Assets Available for Benefits (Deficiency) at End of Year	<u>\$ 49,618</u>	<u>\$ (692,274)</u>

(See accompanying notes to the consolidated financial statements)

1. Authority and Description of Plans:

The Sydney Steel Corporation Superannuation Fund (the "Fund") was established under Section 7 of the Sydney Steel Corporation Sale Act (the "Act"), which was proclaimed on February 9, 2001. Order in Council No. 2001-98 designated February 28, 2001 as the effective date on which the assets and obligations of the Sydney Steel Corporation pension plans were transferred to the Fund.

Under subsection 7(9) of the Act, the Province of Nova Scotia assumed responsibility to fund any shortfalls arising under the Fund.

a) United Steel Workers of America Pension Plan:

The Plan is a defined benefit pension plan covering former employees of the Sydney Steel Corporation who were members of Locals 1064, 6537 and 6516 of the United Steelworkers of America.

A service pension is available based on \$30.00 per month per year of service, effective January 1, 1995 (previously \$16.50 per month), to a maximum of 35 years plus the amount of pension benefit as established under the provisions of the 1955 Pension Plan.

Death benefits are available if certain criteria are met.

b) Salaried Pension Plan:

The Plan is a defined benefit pension plan covering former salaried employees of the Sydney Steel Corporation.

A service pension is available based on \$30.00 per month per year of service, effective January 1, 1995 (previously \$16.50 per month), to a maximum of 35 years plus certain percentages of required contributions made after May 1, 1995.

Senior management employees receive pension benefits different from the above.

Death benefits are available if certain criteria are met.

1. Authority and Description of Plans (continued):

c) Canadian Union of Public Employees Pension Plan:

The Plan is a defined benefit pension plan covering former employees of the Sydney Steel Corporation who were members of Locals 1675 of the Canadian Union of Public Employees.

A service pension is available based on \$35.00 per month per year of service, effective January 1, 1995 (previously \$16.50 per month), to a maximum of 35 years plus the amount of pension benefit as established under the provisions of the 1955 Pension Plan.

Death benefits are available if certain criteria are met.

2. Significant Accounting Policies:

a) Basis of consolidation:

The consolidated financial statements include the accounts of the following pension plans:

- United Steel Workers of America Pension Plan
- Salaried Pension Plan
- Canadian Union of Public Employees Pension Plan

b) Basis of presentation:

As the Province of Nova Scotia has assumed any shortfall arising under this Fund (Note 1), these consolidated financial statements are prepared on the going concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity. They are prepared in accordance with Canadian generally accepted accounting principles.

c) Marketable securities:

The change in market value of investments for the year is reflected in the Consolidated Statement of Changes in Net Assets Available for Benefits (Deficiency).

d) Gains and losses on sale of investments:

Gains and losses arising on the sale of investments are determined by relating the sale proceeds of the investments to their original cost.

e) Non-investment assets and liabilities:

The fair value of cash and accounts payable approximate their carrying amounts due to their short-term nature.

2. Significant Accounting Policies (continued):

f) Benefits:

Benefit payments to retired members and commuted value payments are recorded in the period in which they are paid. Accrued benefits are recorded as part of accrued actuarial liabilities.

g) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the year. Actual results could differ from these estimates.

h) Changes in Accounting Policies:

On April 1, 2008 the Fund adopted the new recommendation of the Canadian Institute of Chartered Accountants - Section 1535. Section 1535 "Capital Disclosures" requires the disclosure of information about an entity's objectives, policies and capital management processes. The disclosure requirement is in Note 6.

3. Investments:

The Fund's invested assets were depleted in October 2007. Pension payments are now funded completely by the Province. Investment income for 2008 – 2009 is from interest on cash balances and from recoveries from previously owned investments.

4. Accrued Pension Benefits and Deficiency:

Actuarial valuations of the Plans are carried out periodically and provide an estimate of the accrued pension benefits (Fund liabilities) calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Morneau Sobeco, performed valuations as at September 30, 2008. The reports indicated that the Plans had a combined unfunded liability of \$212.1 million. A projection to March 31, 2009, applying the assumptions summarized below, indicated an unfunded liability of \$206.9 million (March 31, 2008 - \$219.6 million).

The following table reflects the unfunded liability as at March 31, 2009 and as at March 31, 2008.

	<u>2009</u>	<u>2008</u>
Actuarial value of assets:	\$ 49,618	\$ (692,274)
Accrued pension benefits:	<u>206,936,200</u>	<u>218,935,100</u>
Unfunded liability:	<u>(\$ 206,886,582)</u>	<u>(\$ 219,627,374)</u>

4. Accrued Pension Benefits and Deficiency (continued):

	2009	2008
Reconciliation of changes in accrued pension benefits:		
Accrued pension benefits at beginning of year	\$ 218,935,100	\$ 216,210,800
Impact of change in discount rate and inflation assumption	-	13,922,700
Estimated benefits paid	(21,084,900)	(22,044,400)
Interest on average liability during fiscal year	10,312,900	10,846,000
Net experience losses (gains)	(1,176,282)	-
Accrued pension benefits at end of year	\$ 206,936,200	\$ 218,935,100

The actuarial valuations project liabilities for each member on the basis of the pension credit years earned. The actuaries have used the unit credit method of determining the actuarial liability.

The net actuarial losses (gains) noted above include experience gains and losses resulting when actual benefits differ from estimated benefits.

The major economic and demographic assumptions used in the extrapolation and most recent valuations are as follows:

	Extrapolation March 31, 2009	Valuation September 30, 2008
Inflation (only applies to the Salaried Plan)	2.50% per annum	2.50% per annum
Average Salary Increase	Not applicable	Not applicable
Interest (discount) rate	4.95% per annum	4.95% per annum
Retirement Age	Earliest unreduced retirement date	Earliest unreduced retirement date
Mortality	UP-94 projected to 2015 using scale AA	UP-94 projected to 2015 using scale AA

5. Operating Expenses:

The Fund is charged with administrative and other expenses, certain of which are incurred on behalf of the Fund by the Nova Scotia Pension Agency. The following is a summary of these operating expenses:

	<u>2009</u>	<u>2008</u>
Investment Expenses		
Investment management fees	\$ -	\$ 1,051
Plan Administration		
Professional services	34,914	16,175
Salaries	86,182	75,983
Supplies and services	62,591	58,959
Travel	936	541
Other	<u>11,426</u>	<u>13,449</u>
	<u>196,049</u>	<u>165,107</u>
Total Operating Expenses	<u>\$ 196,049</u>	<u>\$ 166,158</u>

6. Capital Management:

The Trustee (see Note 1) manages the benefits as required by the Sydney Steel Corporation Sale Act. The Trustee approves and incurs expenses to administer the commerce of the Fund as required under the Act.

Benefit payments are funded by the Consolidated Fund of the Province of Nova Scotia. The Fund exercises due diligence and has established written policies, procedures, and approval processes. Operating budgets, audited financial statements, actuarial valuations and reports, and as required, the retention of supplementary professional, technical and other advisors, are part of the Fund governance structure.

7. Comparative Figures:

Certain comparative figures have been restated to conform to this year's presentation.

Province of Nova Scotia
Sydney Steel Corporation Superannuation Fund
Schedule A – Assets Available for Benefits by Pension Plan
March 31, 2009

	United Steel Workers of America (Locals 1064, 6537 and 6516) Pension Plan	Salaried Pension Plan	Canadian Union of Public Employees (Local 1675) Pension Plan	Total
2009				
Cash	\$ 47,088	\$ 18,757	\$ 4,461	\$ 70,306
Less: Accounts payable and accrued liabilities	17,439	2,809	440	20,688
Less: Retroactive pension increase	-	--	-	-
Net assets available for benefits	<u>\$ 29,649</u>	<u>\$ 15,948</u>	<u>\$ 4,021</u>	<u>\$ 49,618</u>
Accrued pension benefits	152,954,900	51,539,300	2,442,000	206,936,200
Deficiency	<u>(152,925,251)</u>	<u>(51,523,352)</u>	<u>(2,437,979)</u>	<u>(206,886,582)</u>
Accrued pension benefits net of deficiency	<u>\$ 29,649</u>	<u>\$ 15,948</u>	<u>\$ 4,021</u>	<u>\$ 49,618</u>
2008				
Cash	\$ 43,484	\$ 16,868	\$ 3,170	\$ 63,522
Less: Accounts payable and accrued liabilities	16,633	2,753	428	19,814
Less: Retroactive pension increase	-	735,982	-	735,982
Net assets available for benefits	<u>\$ 26,851</u>	<u>\$ (721,867)</u>	<u>\$ 2,742</u>	<u>\$ (692,274)</u>
Accrued pension benefits	\$ 162,148,900	\$ 54,231,200	\$ 2,555,000	\$ 218,935,100
Deficiency	<u>(162,122,049)</u>	<u>(54,953,067)</u>	<u>(2,552,258)</u>	<u>(219,627,374)</u>
Accrued pension benefits net of deficiency	<u>\$ 26,851</u>	<u>\$ (721,867)</u>	<u>\$ 2,742</u>	<u>\$ (692,274)</u>

Province of Nova Scotia
Sydney Steel Corporation Superannuation Fund
Schedule B – Changes in Assets Available for Benefits by Pension Plan
March 31, 2009

	United Steel Workers of America (Locals 1064, 6537 and 6516) Pension Plan	Salaried Pension Plan	Canadian Union of Public Employees (Local 1675) Pension Plan	Total
2009				
Increase in Assets				
Contributions:				
Province of Nova Scotia	\$ 16,638,964	\$ 5,420,454	\$ 203,047	\$ 22,262,465
Investment income	93	9,858	7	9,958
Gain on sale of investments	-	-	-	-
	<u>16,638,957</u>	<u>5,430,312</u>	<u>203,054</u>	<u>22,272,423</u>
Decrease in Assets				
Benefits	16,474,591	4,661,603	198,288	21,334,482
Administrative expenses	161,668	30,894	3,487	196,049
Current period change in market value of investments	-	-	-	-
	<u>16,636,259</u>	<u>4,692,497</u>	<u>201,775</u>	<u>21,530,531</u>
Increase (decrease) in Net Assets	2,798	737,815	1,279	741,892
Assets available for benefits, beginning of year	<u>26,851</u>	<u>(721,867)</u>	<u>2,742</u>	<u>(692,274)</u>
Assets available for benefits, end of year	<u>\$ 29,649</u>	<u>\$ 15,948</u>	<u>\$ 4,021</u>	<u>\$ 49,618</u>
2008				
Increase in Assets				
Contributions:				
Province of Nova Scotia	\$ 16,445,981	\$ 2,098,437	\$ 169,259	\$ 18,713,677
Interest and dividends on investments	1,506	17,175	86	18,767
Gain on sale of investments	-	496,457	-	496,457
	<u>16,447,487</u>	<u>2,612,069</u>	<u>169,345</u>	<u>19,228,901</u>
Decrease in Assets				
Benefits paid	17,042,412	4,849,703	202,903	22,095,018
Administrative expenses	132,873	30,039	3,246	166,158
Current period change in market value of investments	-	495,202	-	495,202
	<u>17,175,285</u>	<u>5,374,944</u>	<u>206,149</u>	<u>22,756,378</u>
Increase (decrease) in Net Assets	(727,798)	(2,762,875)	(36,804)	(3,527,477)
Assets available for benefits, beginning of year	<u>754,649</u>	<u>2,041,008</u>	<u>39,546</u>	<u>2,835,203</u>
Assets available for benefits, end of year	<u>\$ 26,851</u>	<u>\$ (721,867)</u>	<u>\$ 2,742</u>	<u>\$ (692,274)</u>