

Financial Statements of

# **NOVA SCOTIA PENSION AGENCY**

Year ended March 31, 2009



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## AUDITORS' REPORT

To the Minister of Finance

We have audited the statement of financial position of Nova Scotia Pension Agency as at March 31, 2009 and the statement of operations for the year then ended. These financial statements are the responsibility of the Nova Scotia Pension Agency's management. Our responsibility is to express an opinion on these 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 financial statements present fairly, in all material respects, the financial position of the Nova Scotia Pension Agency as at March 31, 2009 and the results of its operations and its cash flows 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 financial statements of the Nova Scotia Pension Agency taken as a whole. The supplementary information included in the Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads 'KPMG LLP' with a long horizontal line underneath.

Chartered Accountants

Halifax, Canada

May 15, 2009

# NOVA SCOTIA PENSION AGENCY

## Statement of Financial Position

March 31, 2009, with comparative figures for 2008

	2009	2008
<b>Assets</b>		
Current assets:		
Cash	\$ 300	\$ 200
Accounts receivable - operating expenses (note 3)	5,239,926	4,412,955
Accounts receivable - investment management fees (note 4)	3,979,084	4,289,504
	<b>\$ 9,219,310</b>	<b>\$ 8,702,659</b>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 89,802	\$ 135,773
Accrued investment management fees	3,979,084	3,578,546
Due to Province of Nova Scotia, advances	5,150,424	4,988,340
Commitments (note 5)		
	<b>\$ 9,219,310</b>	<b>\$ 8,702,659</b>

See accompanying notes to financial statements.

# NOVA SCOTIA PENSION AGENCY

## Statement of Operations

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Recoveries from pension plans (Schedule)	\$ 23,731,040	\$ 19,035,572
Operating expenses:		
Salaries and benefits	3,336,409	2,603,474
Travel	103,702	67,545
Professional services	967,168	909,360
Investment management and custodian fees	18,329,963	14,487,659
Supplies and services	505,313	450,219
Other	488,485	517,315
	23,731,040	19,035,572
Excess of recoveries over expenses	\$ -	\$ -

See accompanying notes to financial statements.

# NOVA SCOTIA PENSION AGENCY

## Notes to Financial Statements

Year ended March 31, 2009

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Nova Scotia Pension Agency (the "Agency") was established on February 10, 2006 pursuant to Order in Council 2006-97. The Agency is responsible for providing pension administration and investment services as directed by Teachers' Pension Plan Trustee Inc. as trustee for the Nova Scotia Teachers' Pension Plan and the Minister of Finance as trustee for the Nova Scotia Public Service Superannuation Plan, Members of the Legislative Assembly Pension Plan and the Sydney Steel Corporation Superannuation Fund.

### 1. Significant accounting policies:

#### (a) Basis of presentation:

The policies used in preparing the Agency's financial statements are in accordance with Canadian generally accepted accounting principles. Expenses and recoveries are recognized on an accrual basis. The Agency is funded from the pension plans on a full cost recovery basis.

#### (b) Statement of cash flows:

A statement of cash flows has not been presented as it would not provide additional meaningful information.

#### (c) Revenue recognition:

Revenue of the Agency is derived from the four Provincial Pension Plans and represents the recovery of 100% of the expenses allocated to the Agency.

#### (d) Accounts receivables, accounts payables and due to the Province of Nova Scotia:

Accounts receivables, accounts payables and accruals and amounts due to the Province of Nova Scotia are recorded at amortized cost.

#### (e) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

# NOVA SCOTIA PENSION AGENCY

Notes to Financial Statements (continued)

Year ended March 31, 2009

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## 2. Change in accounting policy:

Effective April 1, 2008, the Agency adopted the Canadian Institute of Chartered Accountants' Handbook Section 3862 - Financial Instruments - Disclosures, Section 3863 - Financial Instruments - Presentation and Section 1535 - Capital Disclosures.

Section 3862, Financial Instruments - Disclosures, describes the required disclosures related to the significance of financial instruments on the Agency's financial position and performance and the nature and extent of risks arising for financial instruments to which the entity is exposed and how the entity manages those risks.

Section 3863, Financial Instruments - Presentation, establishes standards for presentation of financial instruments and non-financial derivatives.

As required by the transitional provisions, these new standards have been applied without restatement of prior period amounts. The information related to these sections is contained in note 8.

Section 1535 - Capital Disclosures, establishes standards for disclosing information about an entity's capital and how it is managed. The Agency has complied with the new disclosure requirements beginning April 1, 2008 and the new disclosure requirements are presented in note 8.

## 3. Accounts receivable - operating expenses:

Accounts receivable - operating expenses represent estimated annual operating expenses to be recovered from pension plans.

	2009	2008
Due from Teachers Pension Plan	\$ 2,711,833	\$ 2,357,102
Due from Public Service Superannuation Plan	2,528,093	2,055,853
	<u>\$ 5,239,926</u>	<u>\$ 4,412,955</u>

# NOVA SCOTIA PENSION AGENCY

Notes to Financial Statements (continued)

Year ended March 31, 2009

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## 4. Accounts receivable - investment management fees:

Accounts receivable - investment management fees represent estimated recoveries from pension plans for investment management fees.

	2009	2008
Due from Teachers Pension Plan	\$ 2,211,365	\$ 2,134,347
Due from Public Service Superannuation Plan	1,767,719	2,155,157
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	\$ 3,979,084	\$ 4,289,504

## 5. Commitments:

As at March 31, 2009, the Agency was contractually obligated under various operating and occupancy leases. Future minimum annual lease payments over the next five years are as follows.

2010	\$ 393,345
2011	391,519
2012	358,905
2013	364,513
2014	364,513
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	\$ 1,872,795

# NOVA SCOTIA PENSION AGENCY

Notes to Financial Statements (continued)

Year ended March 31, 2009

## 6. Related party transactions:

Included in the financial statements of the Agency are transactions with various provincial government departments. Funding of expenses for the Agency is provided initially by the Department of Finance on a full recovery basis. During the year, significant related party purchases include:

	2009	2008
Department of Finance	\$ 390,432	\$ 434,221
Department of Transportation and Infrastructure Renewal	205,856	228,078
Department of Justice	128,847	102,024
Communications Nova Scotia	45,965	18,754
Office of the Auditor General	25,470	22,985
Department of Natural Resources (IT CSU)	76,080	88,875
Public Service Commission	9,445	2,361
Tourism, Culture & Heritage	480	645
	<u>\$ 882,575</u>	<u>\$ 897,943</u>

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

## 7. Employee pension plan:

Employees of the Agency participate in the Nova Scotia Public Service Superannuation Plan (the "Plan"), a contributory defined benefit pension plan, which provides pension benefits based on length of service and earnings. Contributions to the Plan are required by both the employees and the employer. Total employer contributions for 2009 were \$223,759 (2008 - \$169,779) and are recognized as an expense in the year. The Agency is not responsible for any under-funded liability, nor does the Agency have any access to any surplus that may arise in the Plan.



# NOVA SCOTIA PENSION AGENCY

Notes to Financial Statements (continued)

Year ended March 31, 2009

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## 8. Fair value of financial instruments:

### (a) Fair value of financial assets and financial liabilities:

The carrying value of all of the Agency's financial instruments, including its current assets and current liabilities, approximate their fair value due to the relatively short periods to maturity of these items.

### (b) Credit risk exposure:

The maximum credit risk exposure for all of the Agency's current financial assets is the carrying value of those assets.

### (c) Capital:

The Agency operates on a full cost recovery basis with the pension plan expenditures being fully reimbursed to the Department of Finance on an accrual basis. As such, the Agency does not have any accumulated equity. During the year, the liabilities of the Agency increased by \$516,651 (2008 - \$29,366).

# NOVA SCOTIA PENSION AGENCY

## Schedule of Recoveries by Fund

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Teachers' Pension Plan:		
Salaries and benefits	\$ 1,670,477	\$ 1,290,735
Travel	56,135	39,701
Professional services	486,290	540,919
Investment management fees	9,976,963	7,547,979
Supplies and services	252,274	222,642
Other	246,657	263,105
	12,688,796	9,905,081
Nova Scotia Public Service Superannuation Plan:		
Salaries and benefits	1,572,107	1,230,927
Travel	46,548	27,261
Professional services	439,243	343,629
Investment management fees	8,353,000	6,939,680
Supplies and services	240,806	214,287
Other	229,389	239,749
	10,881,093	8,995,533
Sydney Steel Corporation Superannuation Fund:		
Salaries and benefits	86,182	75,983
Travel	936	542
Professional services	34,914	18,422
Supplies and services	11,182	12,282
Other	11,426	13,448
	144,640	120,677
Members of the Legislative Assembly Pension Plan:		
Salaries and benefits	7,643	5,829
Travel	83	41
Professional services	6,721	6,390
Supplies and services	1,051	1,008
Other	1,013	1,013
	16,511	14,281
Total recoveries from pension funds	\$ 23,731,040	\$ 19,035,572