

# Providing Confidence + Value



Nova Scotia Public Service  
**Long Term Disability Plan Trust Fund**

Annual Report

08

## Audited Financial Statements

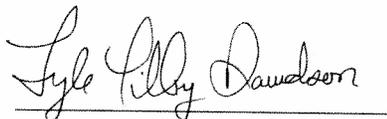
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To the Board of Trustees of the Nova Scotia Public Service  
Long Term Disability Plan Trust Fund

We have audited the statement of financial position of the Nova Scotia Public Service Long Term Disability Plan Trust Fund as at December 31, 2008 and the statement of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the fund'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 fund as at December 31, 2008 and the statement of operations and changes in net assets for the year then ended in accordance with Canadian generally accepted accounting principles.



**Lyle Tilley Davidson**

CHARTERED ACCOUNTANTS  
Halifax, Nova Scotia  
February 22, 2009



## Audited Financial Statements

NOVA SCOTIA PUBLIC SERVICE  
 LONG TERM DISABILITY PLAN TRUST FUND  
**Statement of Financial Position** as at December 31, 2008

	2008	2007
<b>ASSETS</b>		
Cash	\$4,862,837	\$2,670,991
Accounts receivable	953,120	1,850,854
Investments (note 3)	70,133,507	74,254,198
Equipment and furnishings (note 4)	22,999	31,286
	<b>\$ 75,972,463</b>	<b>\$78,807,329</b>
<b>LIABILITIES</b>		
Accounts payable	\$1,062,051	\$1,249,508
Accrued liability for benefits (note 6)	58,300,000	59,600,000
	<b>59,362,051</b>	<b>60,849,508</b>
<b>NET ASSETS</b>		
	16,610,412	17,957,821
	<b>\$75,972,463</b>	<b>\$78,807,329</b>

Signed on behalf of the Board of Trustees

George L. Fox,  
 Chair

Charles J. Bruce,  
 Chief Executive Officer

## Audited Financial Statements

### NOVA SCOTIA PUBLIC SERVICE LONG TERM DISABILITY PLAN TRUST FUND

Statement of Operations and Changes in Net Assets for the year as at December 31, 2008

	2008	2007
<b>REVENUE</b>		
Premiums (note 5)	\$22,010,109	\$20,766,145
EI premium rebates	1,522,430	1,340,878
	<b>\$23,532,539</b>	<b>\$23,206,214</b>
<b>EXPENSES</b>		
Disability claims (schedule)	11,071,531	12,021,075
Other (schedule)	730,946	841,523
Program administration (schedule)	1,148,687	1,173,102
Trustee	39,842	38,539
	<b>12,991,006</b>	<b>14,074,239</b>
	<b>10,541,533</b>	<b>8,032,784</b>
<b>INVESTMENT INCOME (LOSS)</b>		
Dividends, interest and valuation change	(12,999,523)	1,099,191
Investment expenses (schedule)	(189,419)	(185,298)
	<b>(13,188,942)</b>	<b>913,893</b>
<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>(2,647,409)</b>	<b>8,946,677</b>
<b>(INCREASE) DECREASE IN ACCRUED LIABILITIES FOR BENEFITS (note 6)</b>	<b>1,300,000</b>	<b>4,100,000</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(1,347,409)</b>	<b>13,046,677</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>17,957,821</b>	<b>4,911,144</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$16,610,412</b>	<b>\$17,957,821</b>



## Audited Financial Statements

NOVA SCOTIA PUBLIC SERVICE  
LONG TERM DISABILITY PLAN TRUST FUND  
Statement of Cash Flow for the year as at December 31, 2008

	2008	2007
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets for the year	\$(1,347,409)	\$13,046,677
Adjustments:		
Amortization	\$9,580	10,845
Investment income (loss)	13,188,942	(913,893)
	<b>11,851,113</b>	<b>12,143,629</b>
Changes in non-cash working capital		
Accounts receivable	897,734	(713,971)
Accounts payable	(187,458)	(1,003,770)
Accrued liabilities for benefits	(1,300,000)	(4,100,000)
	<b>11,261,389</b>	<b>6,325,888</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Net advances to investment account	(9,068,248)	(8,034,794)
Purchase of property and equipment	(1,295)	(11,958)
	<b>(9,069,543)</b>	<b>(8,046,752)</b>
INCREASE (DECREASE) IN CASH DURING THE YEAR	2,191,846	(1,720,864)
CASH BEGINNING OF YEAR	2,670,991	4,391,855
CASH - END OF YEAR	<b>\$4,862,837</b>	<b>\$2,670,991</b>

## Audited Financial Statements

### NOVA SCOTIA PUBLIC SERVICE LONG TERM DISABILITY PLAN TRUST FUND

**Notes to Financial Statements** for the year ended December 31, 2008

#### 1. OVERVIEW

The fund was established to provide a long term disability plan for the employees of the Province of Nova Scotia and such other employee groups as approved by the Trustees.

The Plan was established by Order in Council dated September 26, 1985.

The Trust was established by Agreement and Declaration of Trust dated December 23, 1985. Claimants' benefits became effective May 1, 1985 for employees who, at that time, met prescribed eligibility requirements

#### 2. ACCOUNTING POLICIES

##### FINANCIAL INSTRUMENTS

The fund's financial instruments are classified as follows:

##### Held for trading:

Cash  
Investments

##### Loans and receivables:

Accounts receivable

##### Other liabilities:

Accounts payable  
Accrued liability for benefits

##### Credit risk

The company is exposed to a credit risk by its customers and suppliers. However, because of the nature of customers and different suppliers, credit risk concentration is reduced to a minimum.

##### Investments

Marketable securities are stated at market value.

##### Amortization of equipment and furnishings

The fund records amortization of the equipment and furnishings at the annual rate of 30%, using the declining balance method. Amortization is calculated at one-half of the normal annual rate in the year of acquisition; no amortization is recorded in the year of disposal.

##### Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires the fund's management to make estimates and assumptions that affect the amounts reported in the financial statements and related notes to the financial statements. Actual results may differ from these estimates.

##### Revenue Recognition

Revenue from premiums and EI premium rebates are recognized as they become receivable. Investment income comprises dividends, interest and realized and unrealized gains.



## Audited Financial Statements

### NOVA SCOTIA PUBLIC SERVICE LONG TERM DISABILITY PLAN TRUST FUND

Notes to Financial Statements for the year ended December 31, 2008

#### 3. INVESTMENTS

Investments include marketable securities, accrued interest thereon, and the custodian's account balance. The investments as at December 31, 2008 are recorded at market value of \$70,133,507 (cost - \$79,946,566) and at December 31, 2007 were recorded at market value of \$74,254,198 (cost - \$69,933,914).

#### 4. EQUIPMENT AND FURNISHINGS

	2008			2007
	COST	ACCUMULATED AMORTIZATION	NET	NET
Computer/office equipment	\$99,341	\$78,703	\$20,638	\$27,913
Software	9,109	6,748	2,361	3,373
	<b>\$108,450</b>	<b>\$85,451</b>	<b>\$22,999</b>	<b>\$31,286</b>

#### 5. PREMIUMS

	2008	2007
Atlantic Provinces Special Education Authority Centres	\$119,749	\$82,020
Capital District Health Authority	2,929,564	3,110,307
District Health Authority 1, 2 and 3	225,732	198,279
District Health Authority 4, 5 and 6	237,842	219,167
District Health Authority 7 and 8	308,770	262,913
Nova Scotia Business Inc.	155,673	145,185
Nova Scotia Community College	1,186,008	1,126,181
Nova Scotia Government & General Employees Union	119,006	106,969
Nova Scotia Legal Aid	343,641	287,019
Nova Scotia Utility and Review Board	70,521	66,726
Other	67,659	50,238
Province of Nova Scotia Employees	16,240,570	15,090,885
Université Sainte-Anne	5,374	20,256
	<b>\$22,010,109</b>	<b>\$20,766,145</b>

## Audited Financial Statements

### NOVA SCOTIA PUBLIC SERVICE LONG TERM DISABILITY PLAN TRUST FUND

**Notes to Financial Statements** for the year ended December 31, 2008

#### 6. ACTUARIAL VALUATION

An actuarial valuation has been completed as at December 31, 2008. This calculated the present value of the fund's liabilities for current disability claims plus estimated incurred but unreported claims as of this date to be \$58,300,000. This liability value includes the cost of providing ad-hoc indexing of claims for inflation since the December 31, 2006 actuarial valuation to the current date. The actuarial value of assets in the fund at December 31, 2008 was \$74,910,412 producing a funded ratio of 128% and an actuarial surplus of \$16,610,412.

The liability and net funded position as at December 31, 2008 have been reconciled with the results of the December 31, 2006 actuarial valuation and the major items contributing to the progression of these items have been quantified. The primary factors included significant investment losses relative to the rate of return on fund assets assumed in the actuarial valuation, surplus premium revenues and continuing positive claims experience. The net effect of these factors was a further strengthening of the fund's financial position in the past two years.

The data used for the valuation as at December 31, 2008 was provided by the disability claims manager. Tests on the data were performed as deemed appropriate under the circumstances to satisfy the actuary as to the reasonableness and completeness of the data.

The actuarial basis used for the December 31, 2008 valuation is identical to that used in the December 31, 2006 valuation. The critical assumptions are:

- A 5.5% rate of return net of investment related expenses to discount liabilities
- Industry standard disability recovery tables which have been adjusted to more accurately reflect actual past experience of the fund
- Explicit recognition of both future costs (rehab expenditures) and recoveries (CPP) relating to claims existing as of the valuation date

The fund has adopted a biannual schedule for valuations; accordingly, the next formal actuarial valuation of the fund is scheduled for December 31, 2010.

#### 7. COMMITMENTS

The aggregate annual payments under long-term property lease, expiring February 28, 2010 are as follows:

Year ending December 31, 2009	\$38,904
2010	6,499



## Audited Financial Statements

NOVA SCOTIA PUBLIC SERVICE  
 LONG TERM DISABILITY PLAN TRUST FUND

Schedule of Disbursements and Expenses for the year ended December 31, 2008

	2008	2007
<b>DISABILITY CLAIMS</b>		
Disability benefits paid	\$11,800,368	\$12,962,348
CPP recoveries	(418,672)	(651,047)
Subrogation recoveries	(135,945)	(166,943)
WCB recoveries	(174,220)	(123,283)
	<b>\$11,071,531</b>	<b>\$12,021,075</b>
<b>PROGRAM ADMINISTRATION</b>		
Plan administration services	\$679,395	\$719,601
Rehabilitation program	258,154	217,510
Short-term illness program	204,800	221,764
Medical appeal hearings	6,338	14,227
	<b>\$1,148,687</b>	<b>\$1,173,102</b>
<b>OTHER</b>		
General office and administration	\$506,286	\$557,131
Projects	87,091	70,159
Consultants	25,366	76,332
Actuarial	12,500	33,677
Legal	75,019	75,850
Audit and accounting	15,104	17,529
Amortization	9,580	10,845
	<b>\$730,946</b>	<b>\$841,523</b>
<b>INVESTMENT EXPENSES</b>		
Investment manager	\$155,948	\$149,697
Investment custodian	29,533	30,313
Performance measurement	3,938	5,288
	<b>\$189,419</b>	<b>\$185,298</b>