Audited Financial Statements

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

We have audited the accompanying financial statements of the Nova Scotia Public Service Long Term Disability Plan Trust Fund, which comprise the statement of financial position as of Dec. 31, 2010; the statement of changes in net assets available for benefits; the statement of cash flows for the year then ended; and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Nova Scotia Public Service Long Term Disability Plan Trust Fund as of Dec. 31, 2010, and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

OTHER MATTER

The financial statements of the Nova Scotia Public Service Long Term Disability Plan Trust Fund for the year ended Dec. 31, 2009, were audited by another auditor who expressed an unmodified opinion on those statements on May 7, 2010.

Grant Thornton
Halifax, Nova Scotia
June 7, 2011

CHARTERED ACCOUNTANTS

Audited Financial Statements

NOVA SCOTIA PUBLIC SERVICE
LONG TERM DISABILITY PLAN TRUST FUND

Statement of Changes in Net Assets Available for Benefits for the year ended Dec. 31, 2010

	2010	2009
INCREASE IN ASSETS		
Contributions		
Employer/premiums	$19,825,018	$18,267,602
EI premium rebates	1,788,135	1,651,922
	21,613,153	**19,919,524**
Investment income	8,806,649	11,031,286
Total increase in assets	**30,419,802**	**30,950,810**
DECREASE IN ASSETS		
Benefits paid (Page 21)	12,049,356	11,353,599
Program administration (Page 21)	1,559,804	1,202,422
Administrative expenses (Page 21)	704,114	813,675
Investment expenses (Page 21)	270,214	218,820
Total decrease in assets	**14,583,488**	**13,588,516**
EXCESS OF REVENUE OVER EXPENSES	15,836,314	17,362,294
DECREASE (INCREASE) IN ACCRUED LIABILITIES FOR BENEFITS	**4,000,000**	**(6,400,000)**
INCREASE IN NET ASSETS	19,836,314	10,962,294
NET ASSETS AVAILABLE FOR BENEFITS - BEGINNING OF YEAR	**27,572,706**	**16,610,412**
NET ASSETS AVAILABLE FOR BENEFITS - END OF YEAR	**$47,409,020**	**$27,572,706**

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NOVA SCOTIA PUBLIC SERVICE
LONG TERM DISABILITY PLAN TRUST FUND
Statement of Financial Position as at Dec. 31, 2010

	2010	2009
ASSETS		
Cash and cash equivalents	$4,220,659	$3,475,169
Accounts receivable	971,314	333,630
	5,191,973	**3,808,799**
Investments (Note 5)	104,360,042	89,620,508
Capital assets (Note 7)	25,342	25,646
TOTAL ASSETS	**$109,577,357**	**$93,454,953**
LIABILITIES		
Accounts payable	$1,468,337	$1,182,247
Accrued liability for benefits (Note 6)	60,700,000	64,700,000
TOTAL LIABILITIES	**$62,168,337**	**$65,882,247**
NET ASSETS		
Net assets available for benefits	47,409,020	27,572,706
TOTAL LIABILITIES AND NET ASSETS	**$109,577,357**	**$93,454,953**
CONTINGENCIES (NOTE 10)		

Signed on behalf of the Board of Trustees

Linda Power
Linda Power,
Chair

Charles J. Bruce,
Chief Executive Officer

Audited Financial Statements

NOVA SCOTIA PUBLIC SERVICE
LONG TERM DISABILITY PLAN TRUST FUND
Statement of Cash Flow for the year ended Dec. 31, 2010

	2010	2009
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
OPERATIONS		
Increase in net assets	$19,836,314	$10,962,294
Amortization	8,998	8,584
Unrealized investment income	(5,531,565)	(9,362,807)
	14,313,747	**1,608,071**
Changes in non-cash operating working capital		
Receivables	(637,684)	619,490
Payables and accruals	286,090	120,194
Accrued liabilities for benefits	(4,000,000)	6,400,000
	9,962,153	**8,747,755**
INVESTING		
Net advances to investment account	(9,207,969)	(10,124,194)
Purchase of capital assets	(8,694)	(11,229)
	(9,216,663)	**(10,135,423)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**745,490**	**(1,387,668)**
CASH AND CASH EQUIVALENTS		
BEGINNING OF YEAR	3,475,169	4,862,837
END OF YEAR	**$4,220,659**	**$3,475,169**

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NOVA SCOTIA PUBLIC SERVICE
LONG TERM DISABILITY PLAN TRUST FUND
Schedule of Expenses for the year ended Dec. 31, 2010

	2010	2009
BENEFITS PAID		
CPP recoveries	$(281,511)	$(552,324)
Disability benefits paid	$12,356,014	$12,077,860
Interest on CPP	(17,093)	-
Subrogation recoveries	(8,054)	(116,009)
WCB recoveries	-	(55,928)
	$12,049,356	**$11,353,599**
PROGRAM ADMINISTRATION		
Plan administration services	$825,180	$691,081
Rehabilitation program	341,798	292,492
Short-term illness program	376,626	203,749
Medical appeal hearings	16,200	15,100
	$1,559,804	**$1,202,422**
ADMINISTRATIVE EXPENSES		
Actuarial valuation	$12,500	$10,272
Amortization	8,998	8,584
Audit and accounting	22,093	15,056
Legal	65,223	120,633
Public relations	57,715	83,360
Rent	42,757	40,265
Salaries	365,074	366,618
Projects	42,196	52,870
Professional development	9,914	23,872
Secretarial and office	46,690	55,337
Trustees' expenses	30,954	36,808
	$704,114	**$813,675**
INVESTMENT EXPENSES		
Investment manager	$220,176	$178,258
Investment custodian	44,538	33,999
Performance measurement	5,500	6,563
	$270,214	**$218,820**

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NOVA SCOTIA PUBLIC SERVICE
LONG TERM DISABILITY PLAN TRUST FUND
Notes to Financial Statements for the year ended Dec. 31, 2010

1. DESCRIPTION OF THE PLAN

The following description of the Nova Scotia Public Service Long Term Disability Plan (the Plan) is a summary only. For complete information, please refer to the Plan text.

General

The Plan 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 an Order in Council on Sept. 26, 1985.

The Trust was established by an Agreement and Declaration of Trust on Dec. 23, 1985, and amended Nov. 10, 2004.

Claimants' benefits became effective May 1, 1985, for employees who, at that time, met prescribed eligibility requirements.

Plan amendments

The following is a description of Plan amendments effective Jan. 1, 2009:

- The premium rate has been reduced by 25% for all Plan members
- Coverage has been extended to age 65 and older
- Coverage beyond age 63 is limited to two years of benefits
- Covered salary is increased from $125,000 to $175,000
- Increased benefit from 65% to 70% after three years in receipt of benefits
- Rehabilitation income deducted is reduced from 50% to 35% after five years in receipt of benefits
- The 80% All Source Maximum is increased to 90% after five years in receipt of benefits

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue recognition

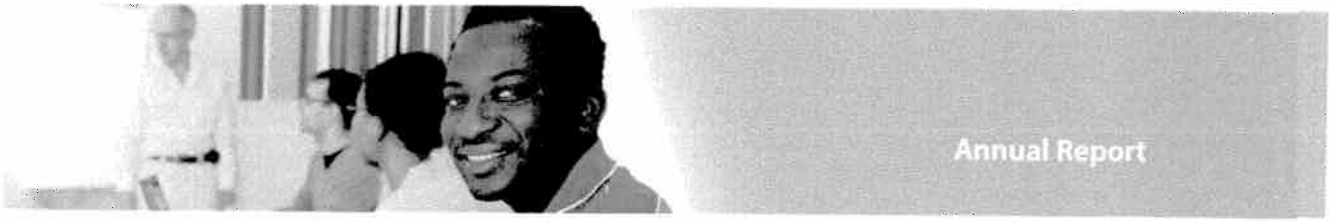
Revenue from premiums and EI premium rebates are recognized as they become receivable. Investment income comprises dividends, interest and realized and unrealized gains.

(b) Cash and cash equivalents

Cash includes bank account balances and reserve held by Manulife.

(c) Investments

Investments are stated at fair market value. Fair market value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. Investment gains and losses are recorded from disposal as realized.



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(d) Benefits paid

Benefit payments to Plan members are recorded in the period in which they are paid.

(e) Capital assets

Computer and office equipment and software are recorded at cost and amortized 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.

(f) Use of estimates

In preparing the Plan's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

(g) Financial instruments

Financial instruments are any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial instruments are identified by the Plan through a review of typical transactions and risk-management activities.

Financial instruments are measured at fair value on initial recognition of the instrument, except in specific circumstances. Measurement in subsequent periods depends on classification of financial instruments into one of five categories: held-for-trading; held to maturity investments; loans and receivables; available for sale financial assets; and other financial liabilities. Held for trading financial instruments are measured at fair value, and all gains and losses are included in operating results in the period in which they arise. All financial instruments are measured in the balance sheet at fair value, except for loans and receivables, which are held to maturity investments and other financial liabilities and which are measured at amortized cost.

Fair value is the amount of consideration agreed upon in an arm's length transaction between willing parties who are under no compulsion to act. The fair value of accounts payable approximate their carrying values due to their short term nature. Fair value for the Plan investments is based on the net assets value as reported by the external managers of the Plan under accepted industry valuation methods.

The Plan has made the following classifications of financial instruments held:

Investments	held-for-trading
Accounts payable	other financial liabilities
Accounts receivable	loans and receivables

Note 4 provides additional information about the Plan's financial risk factors.

(h) Fair value hierarchy

The financial instruments recognized at fair value on the balance sheet must be classified as one of three fair value hierarchy levels. These levels reflect the significance of the input used in making the fair value measurements. The three levels of the fair value hierarchy are as follows:

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Level 1

Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the investment manager has the ability to access at the measurement date.

Level 2

Inputs other than quoted prices that is observable for the asset or liability either directly or indirectly, including inputs in markets that aren't considered to be active.

Level 3

Inputs that are unobservable. There is little, if any, market activity. Inputs into the determination of fair value require significant management judgment or estimation.

The disclosures as required under this section are found in Note 8 to the financial statements.

3. INVESTMENT INCOME

Investment income consists of realized income (including interest, dividends, capital gains and losses) and the current year unrealized change in market value of investments.

	2010	2009
REALIZED INVESTMENT INCOME		
CIBC Mellon		
Dividends	$745,377	$549,454
Interest	1,341,198	1,598,918
Other gains (losses)	1,170,176	(496,282)
	3,256,751	**1,652,090**
Scotiabank		
Interest	18,333	16,389
	3,275,084	**1,668,479**
Unrealized change in market value		
CIBC Mellon	5,531,565	9,362,807
TOTAL INVESTMENT INCOME	**$8,806,649**	**$11,031,286**

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LONG TERM DISABILITY PLAN TRUST FUND
Notes to Financial Statements for the year ended Dec. 31, 2010

4. FINANCIAL RISK FACTORS

A summary of the Plan's potential risk exposures as it relates to financial instruments would include:

(a) Credit risk

Credit risk on financial instruments is the risk of financial loss occurring as a result of default or insolvency of a counter party on its obligations to the Plan. The Plan's main credit risk resides with the debt securities held. Exposure to credit risk is monitored and reviewed based on an assessment of the credit ratings of the various counter parties by a recognized credit rating agency. Below is the Plan's exposure to credit by credit rating:

CREDIT RATING	AMOUNT
AAA	$13,096,998
AA	5,206,847
A	9,193,225
BBB	3,620,348
	$31,117,418

(b) Liquidity risk

Liquidity risk is the risk that the Plan won't be able to pay financial instrument liabilities as they come due. The Plan's liquidity risk from financial instruments is its need to meet operating requirements for accounts payable. The majority of assets held by the Plan are invested in securities that are traded in an active market and can be readily disposed of as liquidity needs arise.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. For purposes of this disclosure, the Plan segregates market risk into three categories: interest rate risk; currency risk; and other price risk.

i. Interest rate risk

The Plan holds cash and cash equivalents through investment accounts at the end of December 2010 and does not have any interest-bearing debt. Sensitivity to a plus or minus 1% change in rates would not have a significant effect on the Plan's operations. The following table illustrates the Plan's financial instruments which are exposed to interest rate risk.

	AMOUNT
Cash and cash equivalents	$445,890
Fixed income	31,117,418
	$31,563,308

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LONG TERM DISABILITY PLAN TRUST FUND
Notes to Financial Statements for the year ended Dec. 31, 2010

(c) Market risk (continued)

ii. Currency risk

Foreign currency exposure arises from the holding of investments denominated in foreign currencies. The Plan does hold foreign securities as part of the CIBC Mellon portfolio investment. Sensitivity to a plus or minus 10% change in the Canadian dollar against foreign currencies wouldn't have a significant effect on the Plan's operations. The Plan doesn't engage in any foreign operations.

iii. Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or currency risk. Securities held for trading are valued at market, and, as such, changes in market value affect earnings (loss) as they occur. The Plan periodically assesses the quality of its investments and is satisfied with the current investments in place. The carrying amounts for receivables and accounts payable on the balance sheet approximate fair value due to their short-term maturity. The Plan is primarily exposed to other price risk as a result of investments held with CIBC Mellon. The fair value of these investments is based on quoted market prices of the underlying investments within each of the investment accounts.

The following table demonstrates the sensitivity to a 5% absolute change in the fair value of the Plan's investments that are exposed to price risk:

	FAIR VALUE	IMPACT OF A 5% ABSOLUTE CHANGE IN FAIR MARKET ON NET ASSETS
CIBC Mellon		
Equities	$46,314,429	$2,315,721
Pooled Funds	$26,192,273	$1,309,614
	$72,506,702	**$3,625,335**

Since all other variables are held constant in assessing price risk sensitivity, it's possible to extrapolate a 5% absolute change in the fair value to any absolute percentage change in fair value.

In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

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5. INVESTMENTS

	2010	2009
CIBC Mellon		
Cash and cash equivalents	$445,890	$8,095,268
Interest and dividend receivable	290,032	245,856
Fixed income	31,117,418	35,190,260
Pooled funds	26,192,273	21,488,015
Equities	46,314,429	24,601,109
	$104,360,042	$89,620,508

6. ACCRUED LIABILITY FOR BENEFITS

An actuarial valuation of the LTD Plan has been completed as of Dec. 31, 2010. It calculated the present value of the Plan's liabilities for current disability claims, plus estimated incurred but unreported claims as of this date, to be $60,700,000. The liability value includes $600,000, which represents the cost of providing ad hoc indexing of claims for inflation up to Dec. 31, 2010. The actuarial value of assets in the Plan as of Dec. 31, 2010, was $108,100,000, resulting in a funded ratio of 178% and an actuarial surplus of $47,400,000.

The liability and net funded position as of Dec. 31, 2010, have been reconciled with the results of the Dec. 31, 2008, actuarial valuation, and the major items contributing to the progression of these items have been quantified. The primary factors included significant investment gains relative to the rate of return on Plan assets assumed in the actuarial valuation, premium revenues in excess of projected claims costs and continuing positive claims experience. The net effect of these factors was a further strengthening of the Plan's financial position in the past two years.

The data used for the valuation as of Dec. 31, 2010, was provided by the disability claims manager. Tests on the data were performed as deemed appropriate under the circumstances to satisfy the actuary regarding the reasonableness and completeness of the data.

The actuarial basis used for the Dec. 31, 2010, valuation is similar to that used in the Dec. 31, 2008, valuation, modified where appropriate to reflect the substantial Plan changes that were implemented in 2009 and a revised investment strategy that was adopted in early 2011. The critical assumptions are:

- A 5.0% rate of return net of investment-related expenses to discount liabilities. This is 0.5% lower than the 5.5% assumption that was used in the previous valuation. After reviewing the Plan's investment strategy, in early 2011 the Board decided to revise the investment policy of the Plan and adopt a more conservative allocation of assets. The adoption of the lower 5% discount rate for the 2010 valuation was made to reflect the expected impact that this decision will have on the rate of return earned in the future by the assets backing the Plan.

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Notes to Financial Statements for the year ended Dec. 31, 2010

- Industry-standard disability recovery tables, which have been adjusted to more accurately reflect past experience of the Plan.
- Explicit recognition of both future costs (rehab expenditures) and recoveries (CPP) relating to claims existing as of the valuation date.

The Plan has adopted a biennial schedule for valuations; accordingly, the next formal actuarial valuation of the Plan is scheduled for Dec. 31, 2012.

7. CAPITAL ASSETS

	2010			2009
	COST	ACCUMULATED DEPRECIATION	NET BOOK VALUE	NET BOOK VALUE
Computer/office equipment	$119,266	$95,081	$24,185	$23,993
Software	9,109	7,952	1,157	1,653
	$128,375	$103,033	$25,342	$25,646

8. FAIR VALUE DISCLOSURE

The Plan's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with CICA 3862 (see Note 2 for an explanation of the Plan's policies about this hierarchy). The following fair value hierarchy table presents information about the Plan's assets measured at fair value on a recurring basis as of Dec. 31, 2010:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
CIBC MELLON				
Cash and cash equivalents	$445,890	$ -	$ -	$445,890
Interest and dividend receivable	290,033	-	-	290,033
Fixed income	-	30,694,902	422,515	31,117,417
Pooled funds	-	26,192,273	-	26,192,273
Equities	46,314,429	-	-	46,314,429
	$47,050,352	$56,887,175	$422,515	$104,360,042

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There were no transfers among the three levels between Dec. 31, 2009, and Dec. 31, 2010.

The following presents additional information about assets that have been classified as Level 3 for Dec. 31, 2010:

Balance Dec. 31, 2009	$411,064
Unrealized change in market value during the year	11,451
Balance Dec. 31, 2010	**$422,515**

9. CAPITAL RISK MANAGEMENT

The Plan employs a capital management plan, a Statement of Investment Policies and Procedures (SIPP), which is reviewed annually by the Board of Trustees. The SIPP dictates the Plan's approach to growth, credit quality and profitability objectives.

The overall objectives in investing the assets of the Plan are as follows: to ensure sufficient liquidity to support its financial obligations; to continue to provide benefits in the best interest of its members; to remain financially self-sufficient; to preserve and enhance the value of capital through adequate diversification in high-quality investments; and to achieve the highest investment return that can be obtained with the assumption of an acceptable degree of risk. The Plan monitors its capital structure and makes adjustments to it with reference to changes in economic conditions and risk characteristics associated with its underlying assets.

There has been no change in the overall strategy employed during the year ending Dec. 31, 2010.

10. CONTINGENCIES

As of Dec. 31, 2010, the Plan was involved in certain litigation and claims. The outcome of such litigation and claims is inherently difficult to predict; however, in management's opinion, any liability that may arise from such contingencies wouldn't have a significant adverse effect on the financial statements.

11. RELATED PARTY TRANSACTIONS

During the year, the Trustees attended meetings and educational conferences as part of their ongoing governance responsibilities. The expenses associated with these activities have been paid for by the Plan and are disclosed separately on the face of the financial statements. At year end, there were no significant amounts payable to the Trustees.

12. COMPARATIVE FIGURES

Certain of the comparative figures for the prior year have been re-classified to conform to the financial-statement presentation adopted for the current year.