REPORT OF THE

SUPERINTENDENT OF PENSIONS

ON THE ADMINISTRATION OF THE

PENSION BENEFITS ACT

FOR THE YEAR ENDING

MARCH 31, 2010

NOVA SCOTIA
Labour and
Workforce Development
Pension Regulation Division
P.O Box 2531
Halifax NS B3J 3N5

September 27, 2010

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, 2010.

Respectfully submitted,

Nancy MacNeill Smith
Superintendent of Pensions

**THIRTY-THIRD ANNUAL REPORT ON THE
ADMINISTRATION OF THE *PENSION BENEFITS ACT*
FOR THE PERIOD ENDED MARCH 31, 2010**

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 2009 - 2010.

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 Halifax in September 2009 and in Quebec City in March 2010. CAPSA members also participated in two conference call meetings held in June 2009 and January 2010. Various sub-committees of CAPSA met both in-person and by conference call. A summary of CAPSA's activities is as follows:

- On June 30, 2009, CAPSA released the final version of the proposed Agreement Respecting Multi-Jurisdictional Pension Plans (the proposed Agreement). The proposed Agreement is an important initiative which provides a clear framework for the administration and regulation of pension plans that have members in more than one jurisdiction. The revised version of the proposed Agreement will be submitted to governments for their consideration.

The Commentary Guide for the proposed Agreement (Commentary Guide) was released on November 30, 2009. It contains the text of each provision in the proposed Agreement, followed by explanatory notes for each respective provision, as well as examples where necessary. The purpose of the Commentary Guide is to aid in the understanding and application of the proposed Agreement. Draft protocols relating to the implementation of the agreement have also been developed.

CAPSA approved a plan for training regulators' staff across Canada on the proposed Agreement and the protocols in March 2010.

- CAPSA determined that it was necessary to clarify the types of documents that may be used as fund holder agreements and the roles and responsibilities of the key players in a pension plan with respect to fund holder arrangements. Draft guidelines were prepared by the Fund Holder Arrangements Committee in consultation with an Industry Advisory Group. The draft guidelines were released for public consultation in May 2010. The deadline for comments has been extended to September 15, 2010.
- The Governance and Strategic Planning Committee completed its review of the role and mandate of CAPSA and the National Pension Compliance Officers Association. CAPSA approved an updated role and mandate for CAPSA and a formal role for the National Pension Compliance Officers Association in March 2010.
- On November 30, 2009 CAPSA released the consultation paper on the Prudence Standard and the Roles of the Plan Sponsor and Plan Administrator in Pension Plan Funding and Investment for stakeholder review and comment. CAPSA extended the deadline for providing comments on the consultation paper to April 30, 2010.
- The Defined Contribution Plan Committee, established to review current approaches to regulating and supervising defined contribution pension plans, continued its work .The Committee met in-person and through conference calls with an industry working group to provide input and advice to the Committee.

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 Joint Forum reviewed progress on a number of initiatives in its current Strategic Plan:

- As part of its Product Disclosure and Regulation initiative, a survey of product manufacturers will be undertaken on their standards to identify and disclose risks to consumers in new products.

- As part of its consumer awareness and engagement initiative, a consumer publication on financial compensation is being developed. The publication will be posted on the Joint Forum Web site.

- The Joint Forum is examining options to improve sharing of regulatory enforcement information sharing and public awareness of the three financial sector OmbudServices.

- The review of Capital Accumulation Plan Guidelines was completed in the spring of 2009. The Joint Forum concluded that no changes were needed.

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. A new reciprocal agreement to replace the original agreement which has been in place since 1968 has been completed and will likely be implemented by several jurisdictions in 2011.

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

On November 3, 2009, the Pension Benefits Regulations were amended to provide temporary solvency funding relief for defined benefit pension plans. The changes give plan sponsors more flexibility in managing the solvency funding of their plans while continuing to safeguard the members' promised benefits.

The funding relief is only available to plan sponsors whose funding payments are current, and where fewer than one-third of the members, former members and other persons entitled to benefits under the plan object. Existing solvency deficiencies and any new solvency deficiency, identified in the first actuarial valuation report prepared for a valuation date between December 30, 2008 and January 2, 2011, may be consolidated and amortized over 10 years, instead of the current requirement for 5-year solvency funding.

During the first 5 years of the extended solvency funding period, the pension plan cannot be amended to improve benefits if it would create an additional solvency deficiency or unfunded liability, unless the cost of those benefits has been funded by the employer. The formula for determining employee contributions cannot be reduced during that period.

OPERATION OF THE DIVISION

As at March 31, 2010, the Division was responsible for the supervision of 515 pension plans. Nineteen applications for registration were processed during the fiscal year. Six of the filed plans were in the process of being wound up.

SUMMARY OF PENSION PLANS APPROVED, TRANSFERRED, OR TERMINATED TO MARCH 31, 2010

Active Plans On File as at March 31, 2009	524
New Plans Filed	19
Plans Transferred From Other Jurisdictions	1
Plans Terminated	-28
Plans Transferred To Other Jurisdictions	-1
Active Plans On File as at March 31, 2010	515
Deduct: Plans In Process of Registration	-13
Registered Plans	502

A total of 20 Certificates of Registration were issued. Seven plans submitted prior to April 1, 2009, and six submitted in 2009/2010 require further documentation and/or amendments before they will be accepted for registration.

The Division received 713 pieces of correspondence during the 2009/2010 period, and responded within an average of 8 days. In the 2008/2009 period, the division's average response time was 7 days in respect of 873 submissions. E-mail submissions were not tracked.

One hundred and sixty-two pension plan documents were approved during the fiscal year.

Refunds to employees of surplus totaling $215,730 were made in respect of two terminated plans. One terminated plan had a funding shortfall of $5,000 which was paid by the employer.

As of April 1, 2009, there were 187 approved Life Income Funds on the Superintendent's List of Approved Life Income Fund Arrangements. As of March 31, 2010, there were 203 on the List.

The following table shows that during the period under review, 28 pension plans were terminated covering 7,159 employees. Two hundred and sixty-five (265) of these employees were members of plans that merged with another plan. Fifty-four (54) of these employees were with plans that were replaced by a group RRSP or individual annuity. There were seven partial plan terminations affecting 277 members due in large part to plant or business location closures.

TERMINATED PENSION PLANS

Reason for Termination	# of Plans	# of Active Members
No members left	5	0
No reason given	4	21
Merged with another	5	265
Replaced with group RRSP/annuity	2	54
Company dissolved or sold	4	93
Financial difficulty/bankruptcy	4	6,722
Plan registration revoked/rescinded	3	3
Complexity and fees	1	1
TOTAL	**28**	**7159**

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

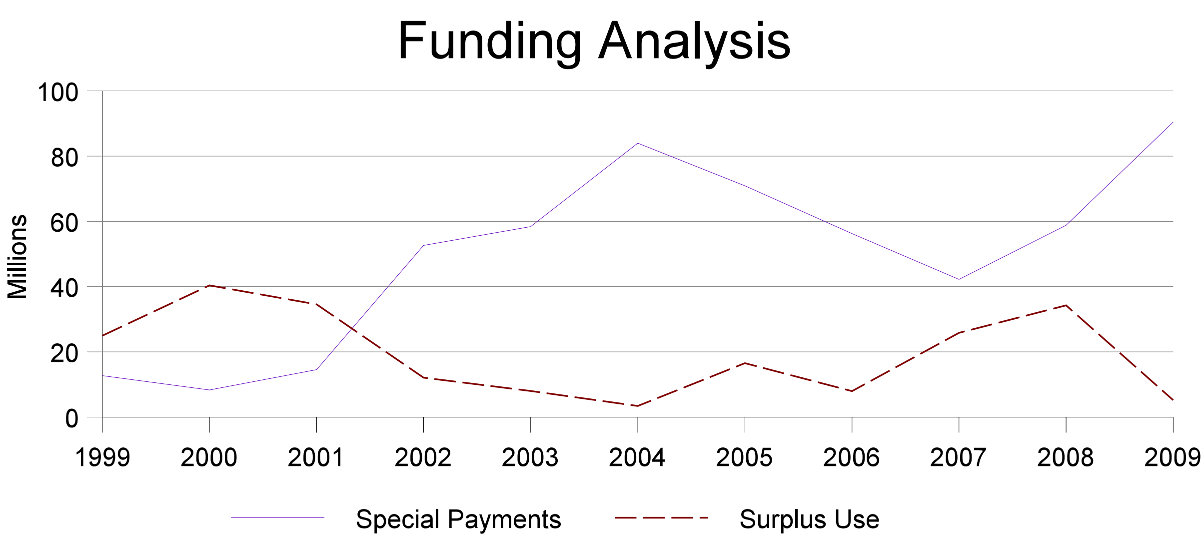
Based on the Returns filed with the Division as of September 17, 2010, total contributions for 2009 were $612.9 million, up from $554.7 million in 2008.

The employee and employer contributions to pension plans under supervision for the year ending December 31, 2009, were as follows:

2009 CONTRIBUTIONS:

Employee Required Contributions	$199,411,822	
Employee Voluntary Contributions	$ 13,331,071	
TOTAL EMPLOYEE CONTRIBUTIONS -		$212,742,893
Actual Employer Current Service Contributions	$304,479,825	
Employer Contributions made from Surplus	$ 5,201,004	
TOTAL EMPLOYER CURRENT SERVICE CONTRIBUTIONS -	$309,680,829	
Employer Special Payments	$ 90,431,026	
TOTAL EMPLOYER CONTRIBUTIONS -		$400,111,855
TOTAL CONTRIBUTIONS		**$612,854,748**

Employer contributions made from surplus were $5.2 million, down from $34.2 million reported for 2008. Employer special payments were $90.4 million, up from the $58.7 million reported for 2008. 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. However, the risk to defined contribution plans is that of non-remittance of contributions to the pension fund. Accordingly, the division followed up on 51 notices of non-remittance issued by the fund holder in the fiscal year, within an average of 7 business days, to ensure the overdue funds were remitted.

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, and for plans where members have consented to 10 years for solvency funding for deficiencies reported prior to January 2, 2011).

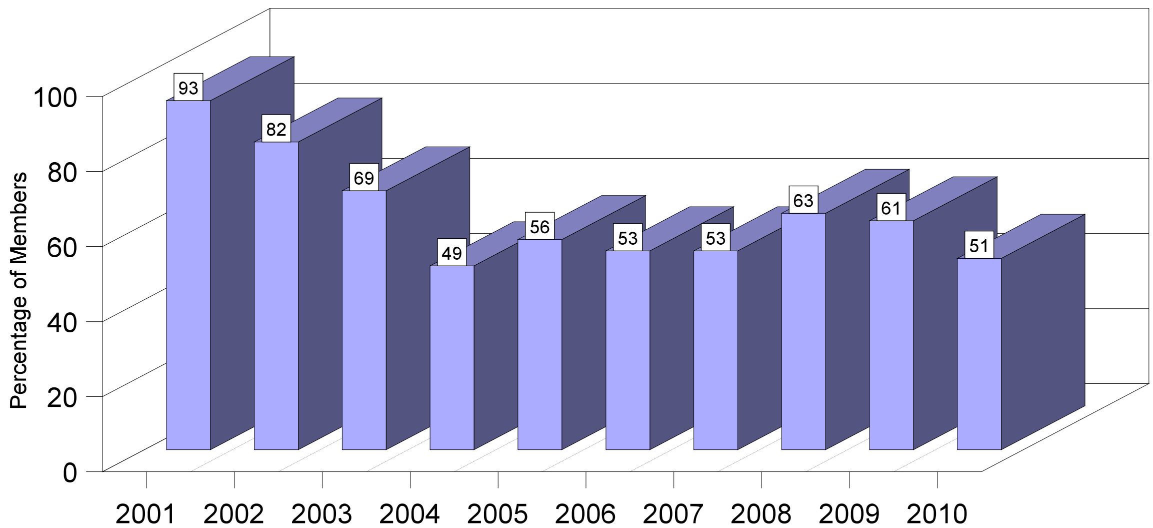
In 2004 the Government removed the requirement to include the liability for “grow-in” benefits in a solvency valuation. “Grow-in” benefits are the right to receive subsidized early retirement benefits, provided under some plans, when a plan is wound up, even though the members have not met eligibility 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. All plans, with member consent, can amortize the solvency deficiency determined in a valuation report prepared before January 2, 2011 over 10 years instead of 5 years. These regulatory changes will result in a delay in improvement of the solvency position of these plans.

As at March 31, 2010, five specified multi-employer pension plans, four 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 15,587 members.

The following table shows the percentage of defined benefit pension plan members in fully solvent plans from 2001 to 2010.

Percentage of Members in Fully Solvent Defined Benefit Plans



The following is a breakdown of membership in defined benefit pension plans in 2010:

- 51% of members are in plans that are 100% solvent,
- 28.4% are in plans that are between 90% and 99% solvent,
- 19.1% are in plans that are between 80% and 89% solvent,
- 1% are in plans that are between 70% and 79% solvent, and
- 0.5% are in plans that are less than 70% solvent.

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 $18,880 (for 2010).

The following statistics relate to the unlocking program as at March 31, 2010.

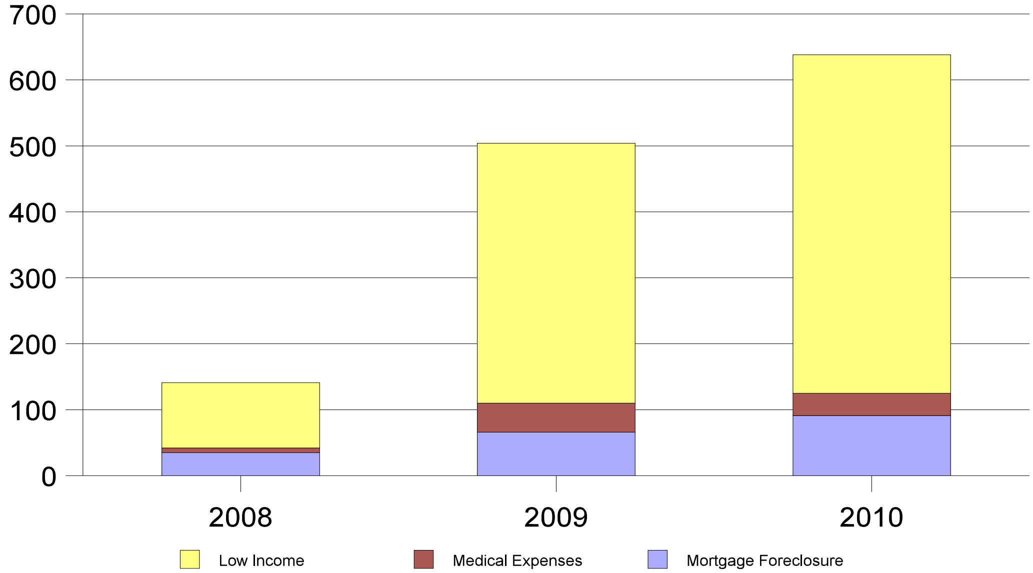
Funds Unlocked in the Year Ending March 31, 2010

Reason of Financial Hardship	Number of Applications Received	Number of Applications Approved	Dollar Value of Funds Released	Average Release per Successful Application
Mortgage Foreclosure	91	52	$255,430	$4,912
Medical Expenses	34	16	$131,901	$8,244
Low Income	513	323	$2,762,975	$8,554
Total	**638**	**391**	**$3,150,306**	**$8,057**

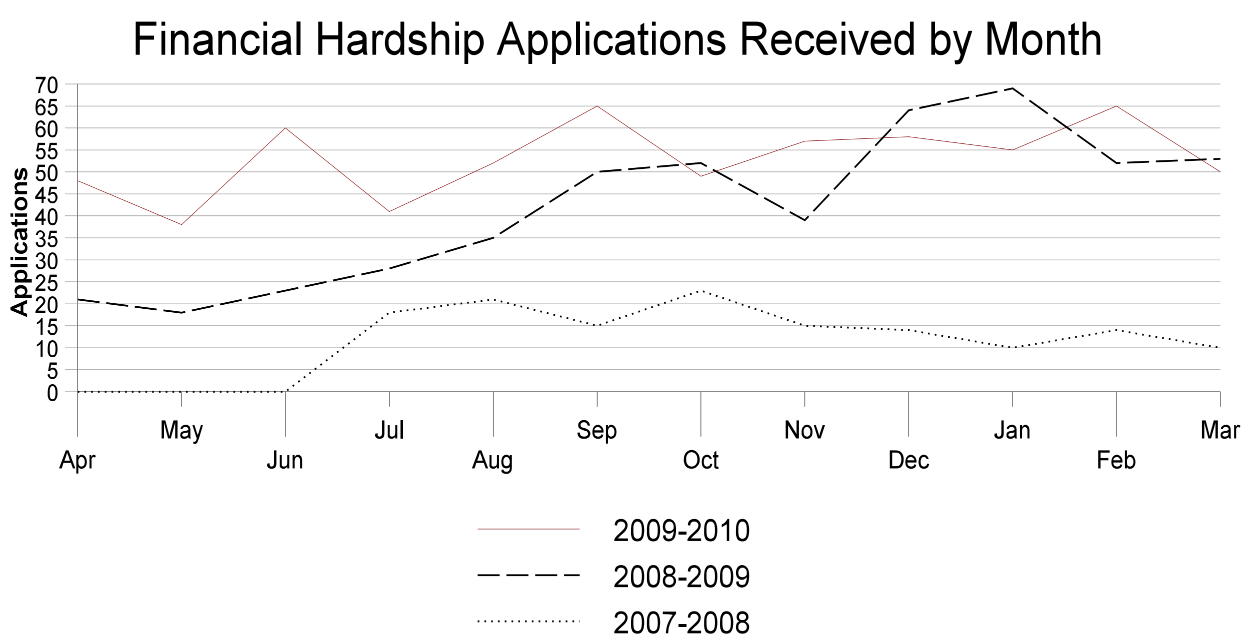
Total Funds Unlocked since July 1, 2007 (program inception)

Reason of Financial Hardship	Number of Applications Received	Number of Applications Approved	Dollar Value of Funds Released	Average Release per Successful Application
Mortgage Foreclosure	192	99	$502,986	$5,081
Medical Expenses	85	40	$297,284	$7,432
Low Income	1,006	623	$5,416,701	$8,695
Total	**1283**	**762**	**$6,216,971**	**$8,159**

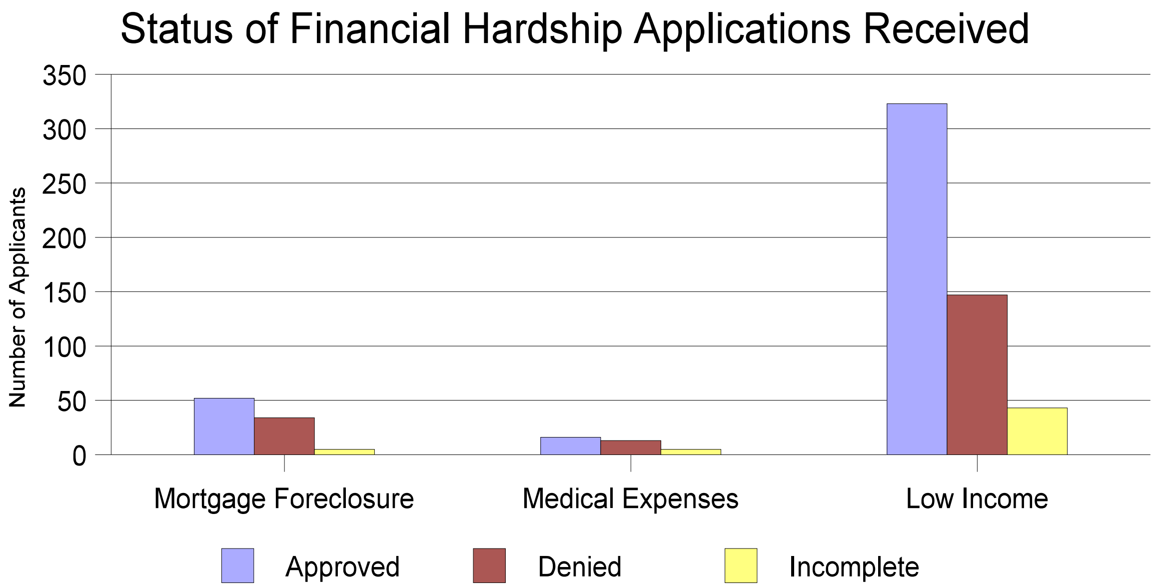
Number of Applications Received Under the Financial Hardship Program
Fiscal years ending March 31



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



The following graph shows the status of applications received per reason during 2009/2010. Incomplete means that a letter requesting further information was sent to an applicant, but no response was received.



In total, 638 applications were received, 391 were approved, 194 denied, and 53 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, 2010

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 $5.25 for each member of the pension plan in Nova Scotia, or in a designated province, with a minimum fee of $104.96. The maximum fee is $7,871.78. 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 $1,049.57. A fee of $262.39 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 $104.96.

The above fees reflect an increase effective April 1, 2009 of 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 $380,837.

Direct operating costs for the Division for the fiscal year 2009/2010 were $323,948. Note that overhead costs are not included in direct operating costs.

APPENDIX A

STATISTICAL INFORMATION

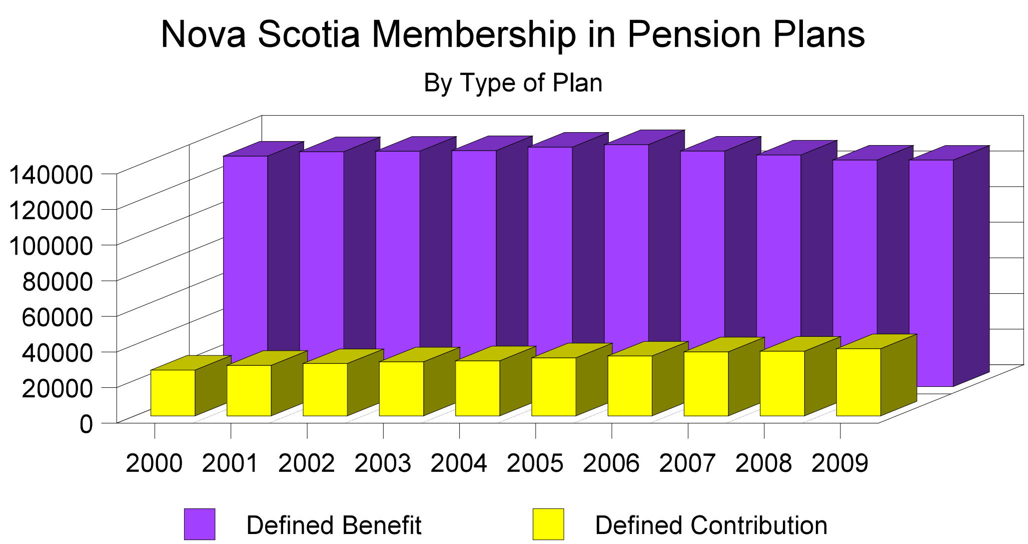
The information provided in this appendix is based on statistical information obtained from Statistics Canada's database on pension plans in Canada as at January 1, 2009. As of this date, 106,559 members participated in 497 pension plans regulated by the Division.

TYPES OF PLANS

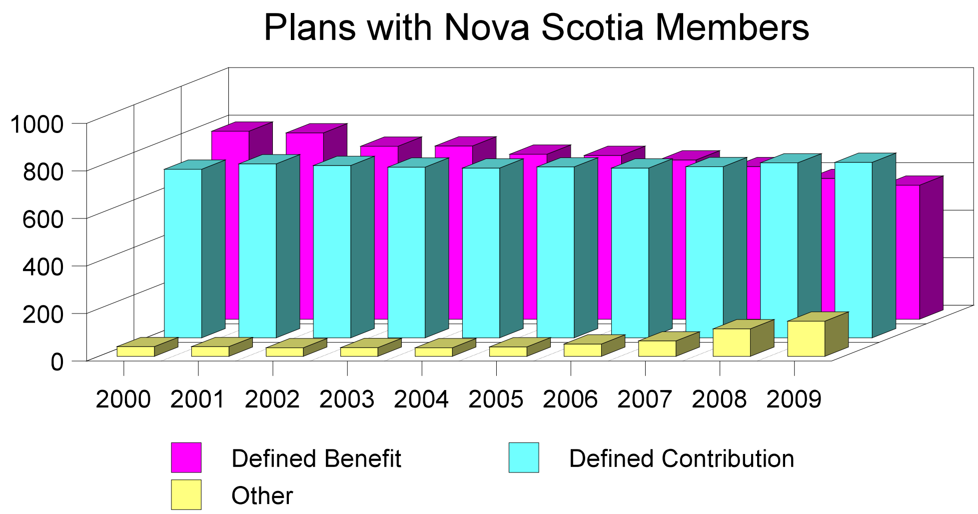
There are two main types of pension plans; a defined contribution plan or a defined benefit plan. Under a defined contribution plan, contributions required by the employer and/or employees are clearly defined. The resulting pension benefit for each employee is whatever can be provided or purchased by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

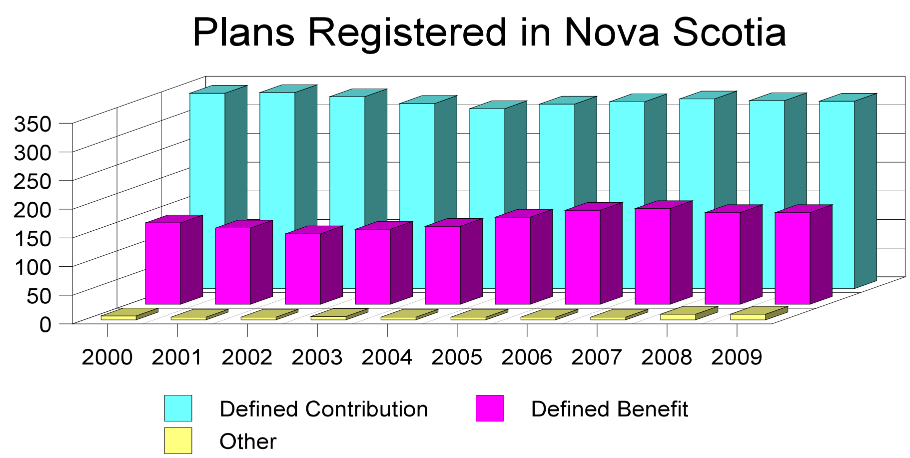
As of January 1, 2009, there were 37,761 Nova Scotia members participating in defined contribution plans, 127,249 participating in defined benefit plans and 9,219 in other types of composite/combination plans.



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 2008 and 2009.



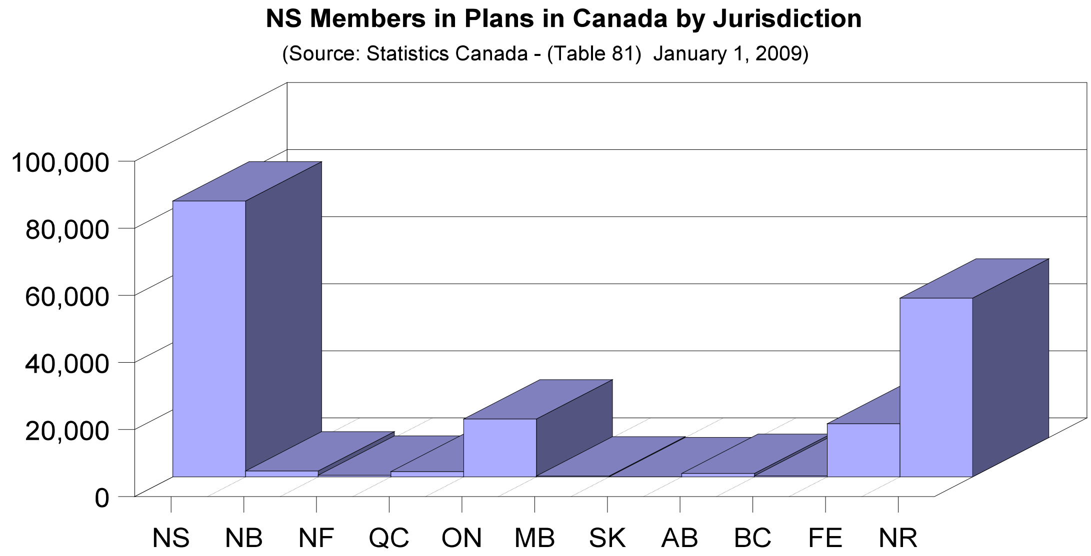
The number of defined benefit pension plans across Canada with Nova Scotia members declined 29% from 2000 to 2009 to 564 plans. The number of defined contribution plans with Nova Scotia members increased by 4% to 738 plans.

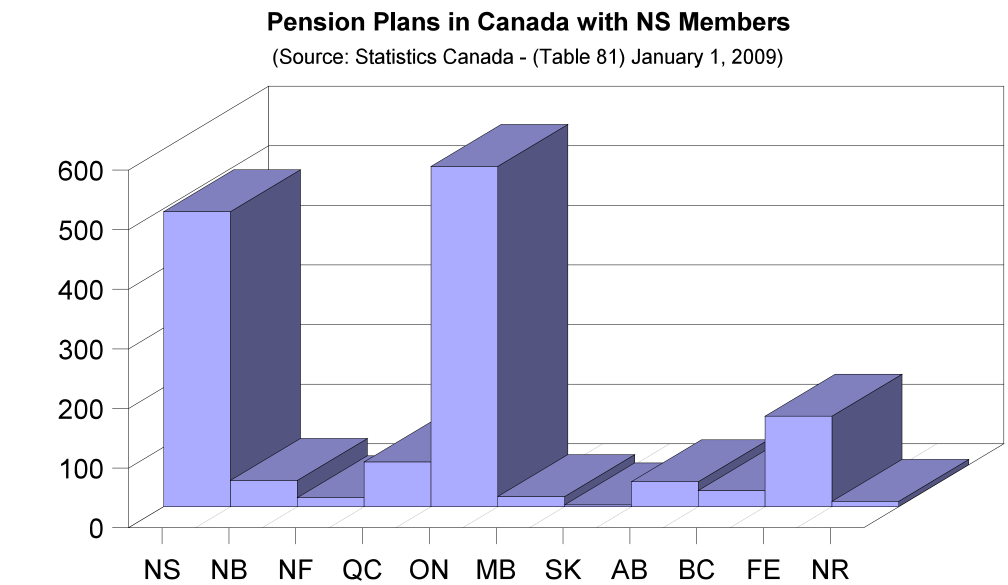


Going against the national trend, the number of defined contribution pension plans registered with Nova Scotia declined 4% between 2000 and 2009 to 327 plans. Defined benefit pension plans increased by 13% from 1999 to 2008 to 160 plans. These plans were established primarily for shareholders/owners of companies.

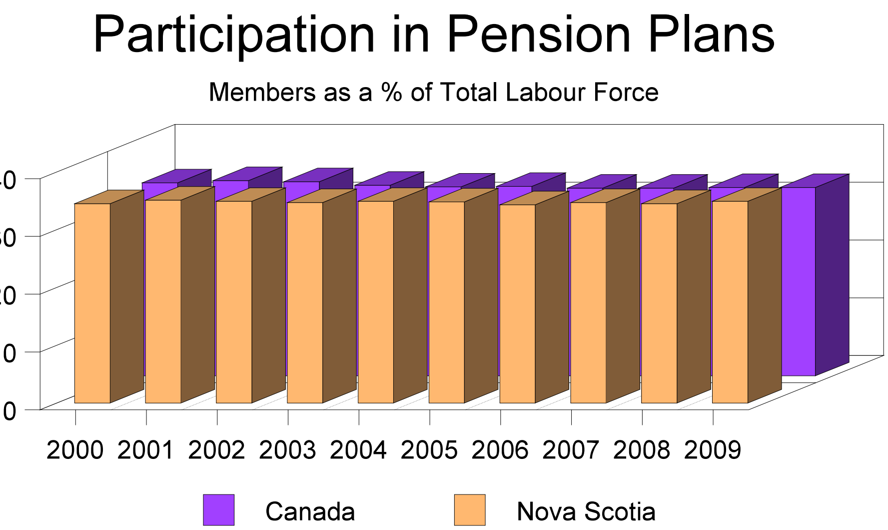
JURISDICTION OF PLAN MEMBERSHIP AND MEMBERSHIP COVERAGE

As of January 1, 2009, there were 1,450 pension plans in all jurisdictions covering 174,229 Nova Scotia Employees. The Division supervised 497 plans covering 106,559 members; 24,293 of these members were employed in other provinces. FE refers to Federal plans and NR means plans that are not registered.

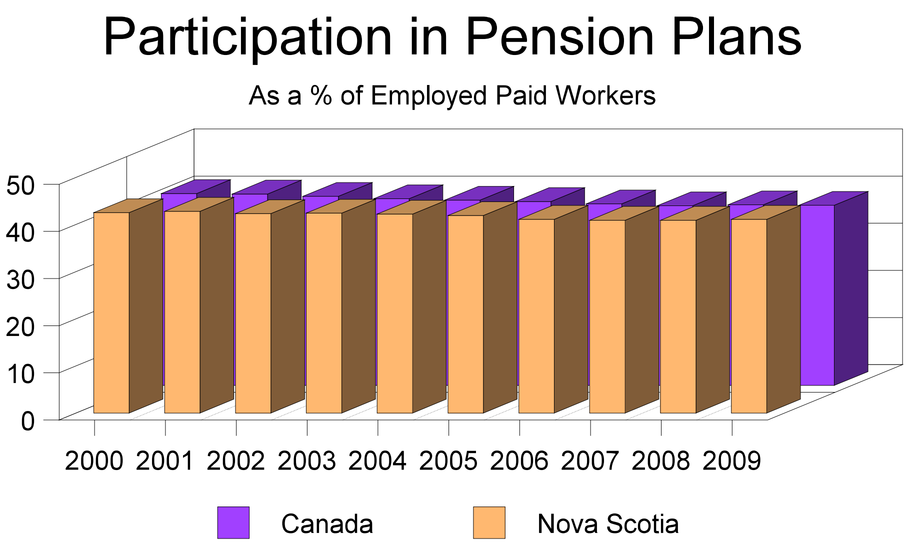




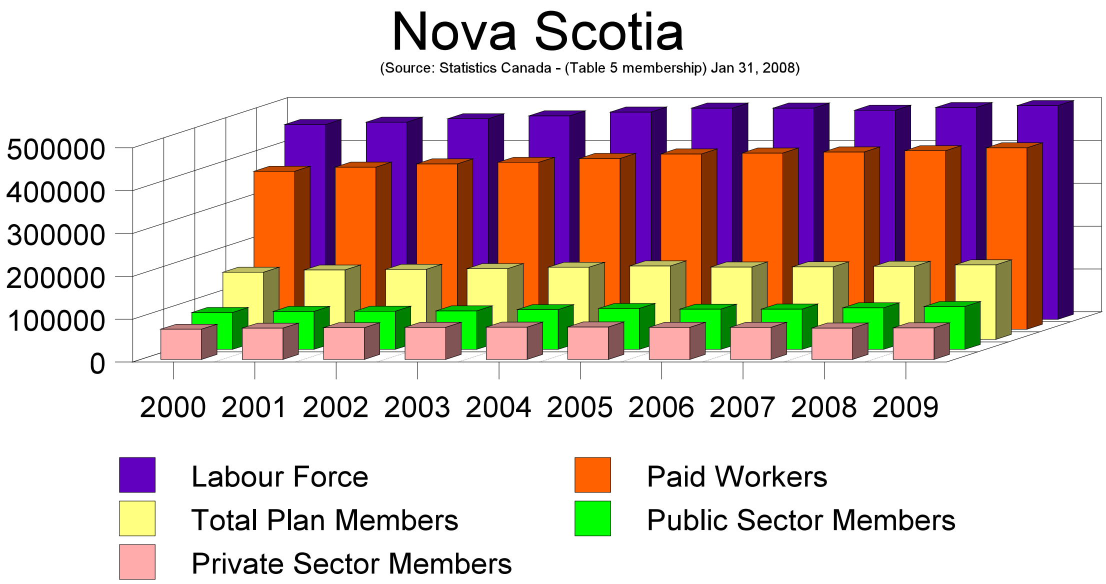
Plans that are not registered include the provincial plans for Civil Servants, Teachers, Judges, Members of the Legislature, and employees of Sydney Steel, as well as federal plans for the Canadian Forces, the RCMP, the Federal Public Service and the Members of Parliament.



As shown in these two graphs, participation of Nova Scotians in pension plans has not varied significantly since 2000. Currently in Nova Scotia, 34.9% of the total labour force and 41.1% of employed paid workers participate in pension plans. These numbers for Canada as a whole are 32.6% and 38.2% 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.



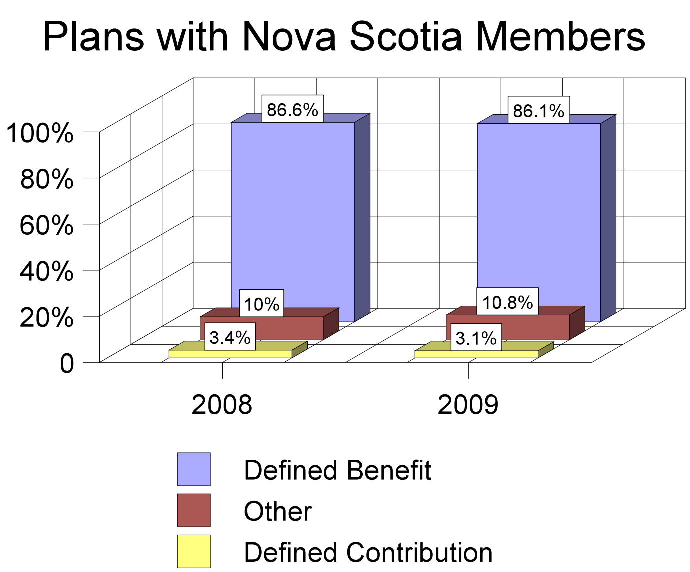
Nova Scotia has a higher than average proportion of paid workers in the public sector, where pension coverage is very high. Currently 57.5% of Nova Scotia pension plan members are employed in the public sector, as illustrated in the following chart:



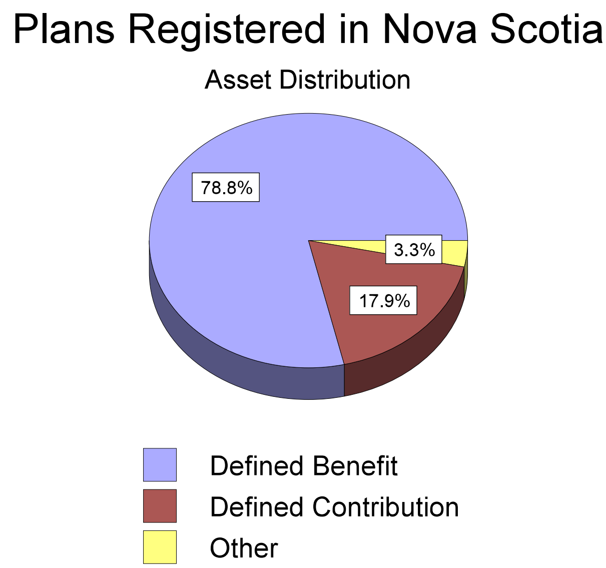
During the period 2000 to 2009, the number of pension plan members in Nova Scotia in the private sector grew 4.6%, compared with a 15.5% increase in the public sector.

ASSET ANALYSIS

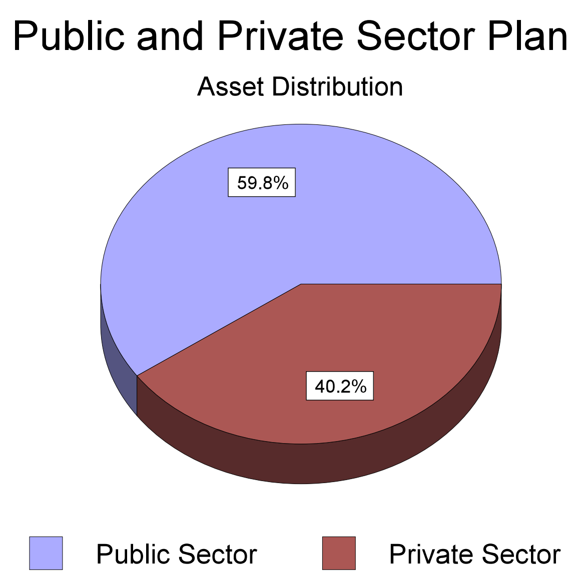
As of January 1, 2009, defined benefit plans with Nova Scotia members held $314.7 billion in assets. Defined contribution plans held $11.4 billion and composite or combination pension plans held $39.3 billion.



A total of $8.5 billion was held in pension plans registered in Nova Scotia as at January 1, 2009. The majority, $6.7 billion, was held in defined benefit plans, with $1.5 billion in defined contribution plans and $282 million in composite/combination plans.



For pension plans with members employed in Nova Scotia, public sector pension plans' assets were $218.5 billion and private sector plans' assets were $146.9 billion.



Of the $365.4 billion in assets held in pension plans with Nova Scotia members as at January 1, 2009, a significant portion of funds was held in non-registered plans (see the definition of non-registered plans on page 16). Plans under the federal and Ontario jurisdictions with Nova Scotia members also held significant assets