

2018 -2019
Nova Scotia
Pension Services Corporation
Annual Report

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About Us

Our Story

Nova Scotia Pension Services Corporation (Pension Services Corp.) administers the pension benefits and investment assets of the Teachers' Pension Plan, the Public Service Superannuation Plan, the Members' Retiring Allowances and the three former Sydney Steel pension plans.

We are an independent, non-profit corporation that provides a wide range of investment, pension administration, and compliance services for some of Nova Scotia's leading pension plans. In total, we manage almost \$12 billion of plan assets and serve over 70,000 active and inactive members, retirees, and survivors.

Pension Services Corp. is jointly owned by Teachers' Pension Plan Trustee Inc. (TPPTI) and Public Service Superannuation Plan Trustee Inc. (PSSPTI). We are accountable to a Board of Directors, which consists of directors from both TPPTI and PSSPTI. The Board of Directors oversees our ongoing use of strong controls and risk management practices, transparent reporting, and prudent management of pension plan expenses.

We were established on April 1, 2013, replacing the former Nova Scotia Pension Agency.

Our Business

We administer the pension benefits and investment assets for the following pension plans:



Teachers' Pension Plan
www.nstpp.ca



Public Service Superannuation Plan
www.nspssp.ca



Members' Retiring Allowances
www.mlapp.novascotiapension.ca



Former Sydney Steel pension plans
www.sysco.novascotiapension.ca

Our Mission

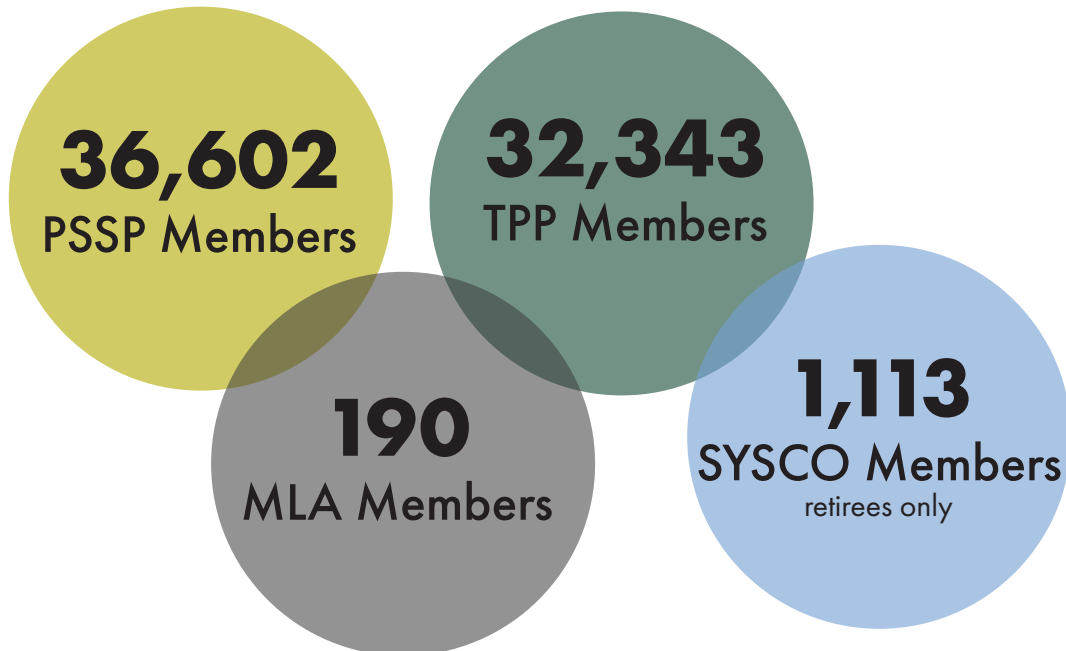
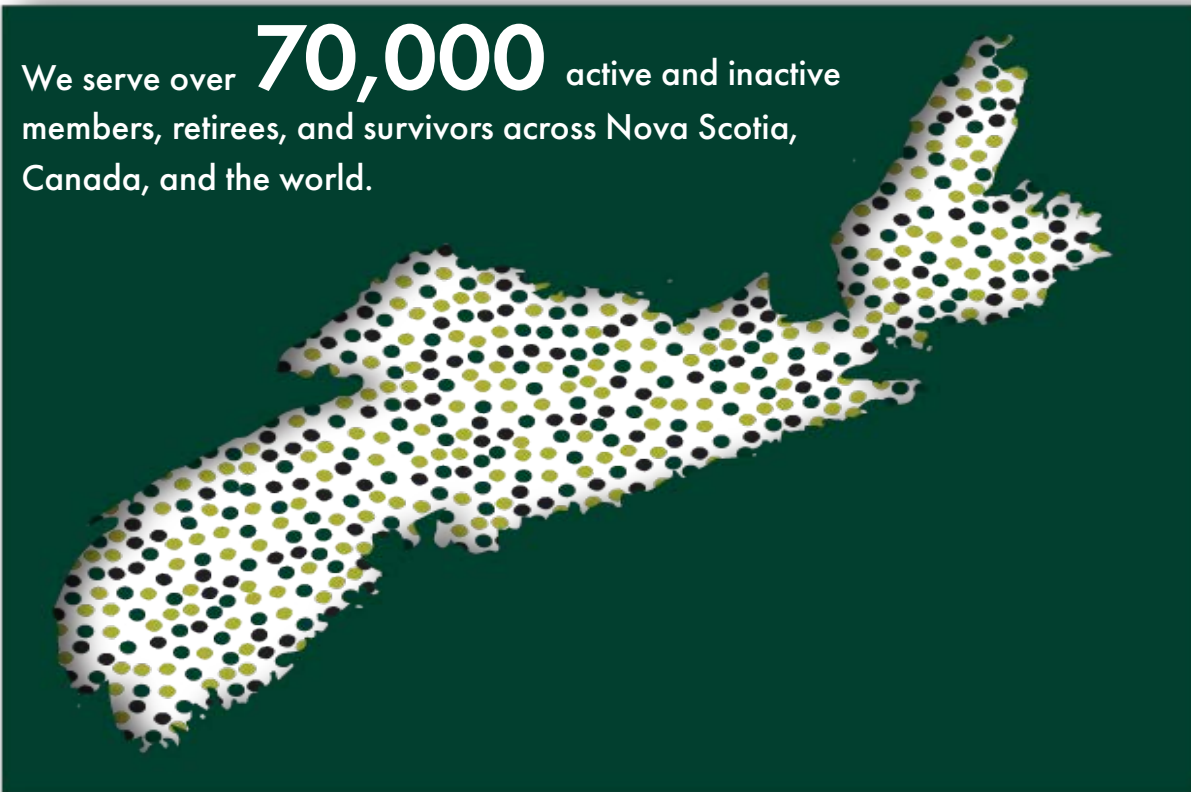
To deliver outstanding pension and investment services to Nova Scotia's public sector pension plans.

Our Vision

To improve the retirement future of Nova Scotia's public sector.

Who We Serve

We service members and retirees of the Teachers' Pension Plan (TPP), the Public Service Superannuation Plan (PSSP), the Members' Retiring Allowances (MLA Plan) and the three former Sydney Steel pension plans (SYSCO).



2018-2019 Highlights



We presented at **56** pre-retirement seminars. At these pre-retirement seminars, we provided plan members with a general understanding of their pension plan and assisted them with making informed retirement decisions.



We processed **1,156** retirements.



23,942

Plan member calls were answered.



89%

of these calls were answered in less than 20 seconds.



We conducted an average of **15** hours of training for each employee, with 100% of employees attending some form of training



The combined investment assets of the Public Service Superannuation Plan and the Teachers' Pension Plan totaled almost **\$12** billion by March 31, 2019.



We have created **22** new high-value local positions since our establishment in April 2013. These high-value positions include roles in client services (bilingual), employer services, information management and technology, corporate accounting, investment management, investment operations, and communications.

Co-Chairs' Message



Keiren Tompkins
Co-Chair
PSSPTI Representative



John B. Carter
Co-Chair
TPPTI Representative

On behalf of Nova Scotia Pension Services Corporation, we are pleased to provide you with the Corporation's Annual Report for the year ended March 31, 2019.

Pension Services Corp. had another successful year. We finished the year with almost \$12 billion in assets under management for the Public Service Superannuation Plan (PSSP) and the Teachers' Pension Plan (TPP), and met the majority of our key performance indicators.

We continued our ongoing emphasis on our people and making Pension Services Corp. a great place to work.

Investment returns were positive for the PSSP and the TPP, and we maintained adherence to rigorous risk-management protocols. We continued our support of the Trustee of the PSSP in its initiative to achieve membership growth via consolidation into the Plan of pension plans from the university and municipal sectors. We also supported the Trustee of the TPP and the sponsors of that Plan, the Province of Nova Scotia and the Nova Scotia Teachers Union, in their effort to initiate a review of the funded status of the TPP by an external pension expert.

While demographic challenges for the PSSP and the TPP continued to mount, the financial health and membership numbers for both plans held steady year over year. The PSSP membership stood at 36,602 as at December 31, 2018, an overall increase of 981 from December 31, 2017. The TPP membership stood at 32,343 as at December 31, 2018, an overall increase of 337 from December 31, 2017.

On behalf of our Board, we would like to recognise former director, Ian Johnson, who retired from the Board at the end of the 2018-2019 fiscal year. Ian served on the Board since its inception on April 1, 2013. Ian's dedication and diligence never wavered. We wish Ian all the best in his future endeavours.

We also wish to thank Janine Kerr for her service to the Board. Janine left our Board during fiscal year 2018-2019 to join the Teachers' Pension Board. Janine was replaced on our Board by Kyle Marryatt, and we extend our welcome to Kyle. Additionally, we wish to welcome our other new Board director, Leo McKenna, who commenced his term on April 1, 2019.

We would like to thank the Boards of Public Service Superannuation Plan Trustee Inc. and Teachers' Pension Plan Trustee Inc. for the continued confidence that they place in Pension Services Corp. and its Board.

Most importantly, we would like to recognize our staff for their dedication and commitment. It is through their efforts that all of Pension Services Corp.'s annual priorities were met in 2018-2019.

Board of Directors *(as at March 31, 2019)*

The Board of Directors of Pension Services Corp. (Board) oversees the overall operation and management of Pension Services Corp. The Board sets the strategic direction of the Corporation, approves its operational budget, and makes key decisions.

The Board consists of four members appointed by each of Public Service Superannuation Plan Trustee Inc. (PSSPTI) and Teachers' Pension Plan Trustee Inc. (TPPTI). One director from TPPTI is appointed by the Nova Scotia Teachers Union and one director from PSSPTI is appointed by the Nova Scotia Government and General Employees' Union. The Board is chaired by two directors acting as Co-Chairs who alternate for six-month periods.



Keiren Tompkins
Co-Chair
PSSPTI Representative



John B. Carter
Co-Chair
TPPTI Representative



Karen Gatien
TPPTI Representative



Ian Johnson
PSSPTI Representative



Ronald Smith
PSSPTI Representative



Vicki Clark
TPPTI Representative



Nancy MacLellan
PSSPTI Representative



Kyle Marryatt*
TPPTI Representative



Janine Kerr*
TPPTI Representative

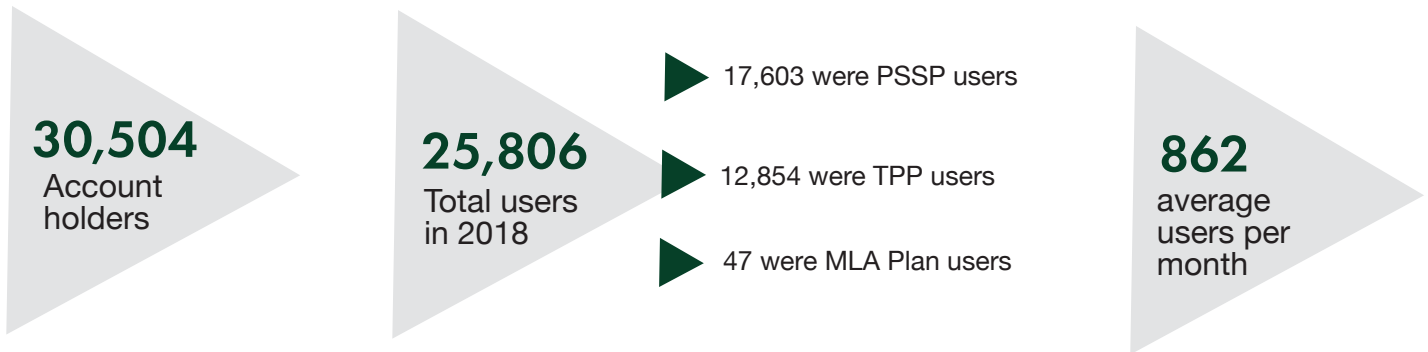
**served for part of fiscal year 2018-2019*

Connecting with our members online

Through our My Retirement Plan website (<https://nspensions.hroffice.com>) active plan members have secure access to their personalized pension information online. Members can:

- View their Annual Member Statement;
- Use the Pension Projection Tool; and
- View helpful retirement and financial planning resources

2018 My Retirement Plan website statistics:



The Pension Projection tool was used:

23,061
times

- Usage of this tool increased by 9.4% in 2018. The tool was used 21,072 times in 2017. PSSP members used the tool 16,534 times. TPP members used the tool 6,460 times. MLA Plan members used the tool 67 times.

The Annual Statement tool was used:

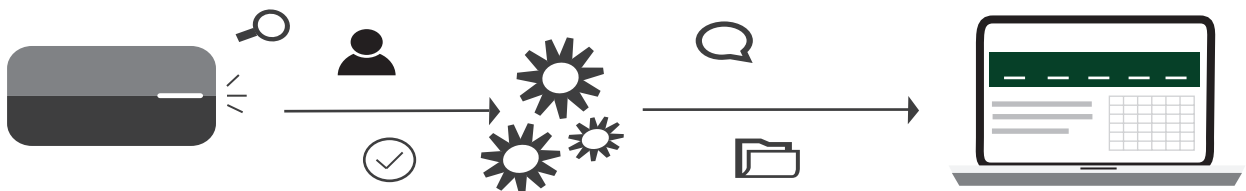
13,439
times

- Usage of this tool increased by 12.9% in 2018. The tool was used 11,907 times in 2017. PSSP members used the tool 9,640 times. TPP members used the tool 3,765 times. MLA Plan members used the tool 34 times.

The Pension Profile tool was used:

5,349
times

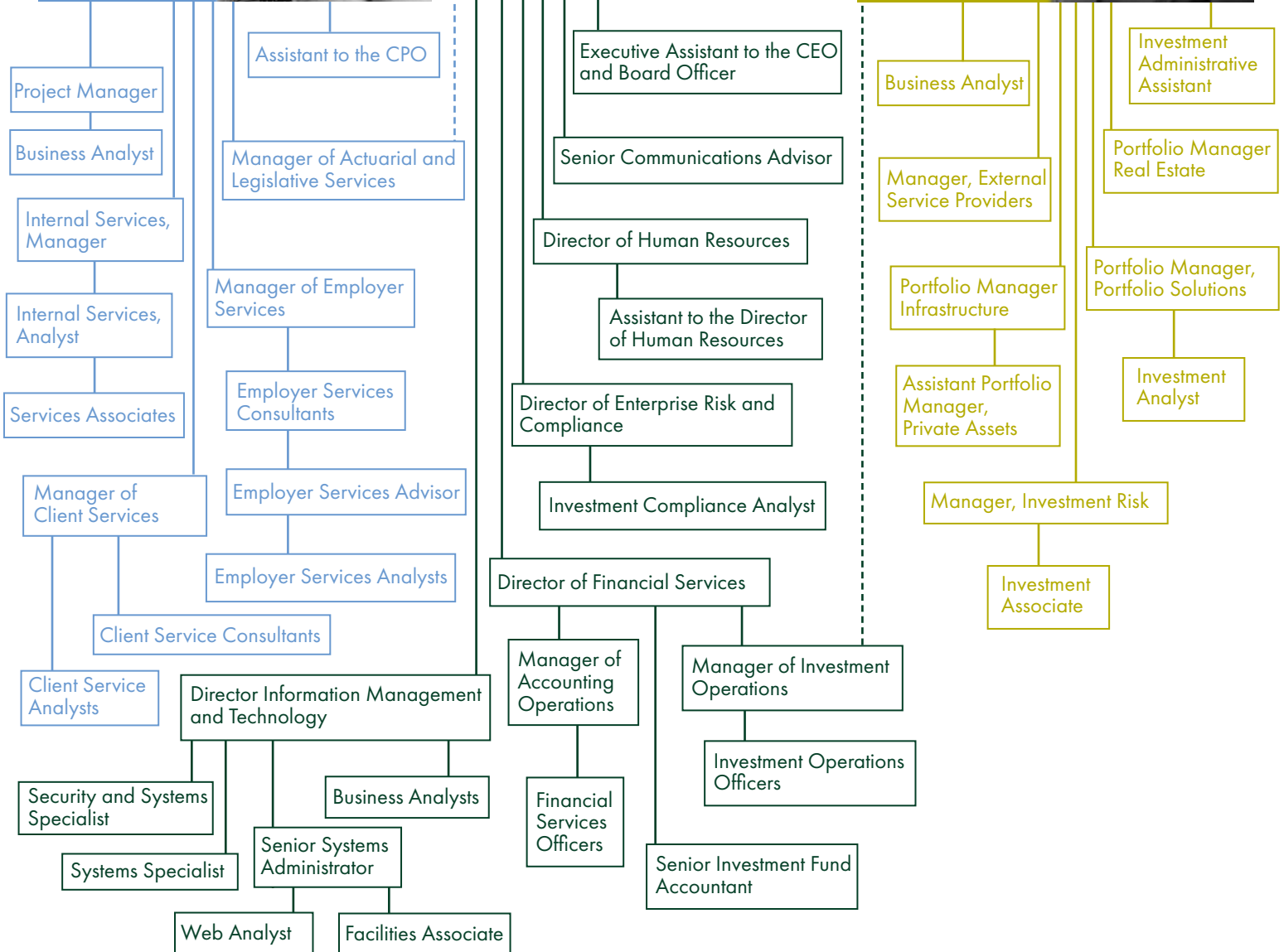
- Usage of this tool increased by 7.8% in 2018. The tool was used 4,964 times in 2017. PSSP members used the tool 3,719 times. TPP members used the tool 1,618 times. MLA Plan members used the tool 12 times.



Our Corporate Structure

Our team of 68 staff manages plan investments and provides pension administration services to plan members and employers. We are accountable to the Board of Directors for achieving the strategic priorities it sets. We are responsible for meeting the service metrics and investment targets set by plan Trustees. We operate within the policies and budgets that the Board and plan Trustees have approved.

Our team is structured according to the following functions: Pension Services, Corporate Services, and Investment Services.



Community Involvement



GIVING BACK

Through the dedication and hard work of Pension Services Corp. staff, we have been able to give back to our community. Many of our employees regularly participate in blood donor clinics. Our fundraising efforts continue throughout the year and have supported local organizations, such as:

- Bide Awhile Animal Shelter
- Boys and Girls Club of Greater Halifax
- IWK Health Centre
- Metro Care and Share Society
- Feed Nova Scotia
- Halifax Regional Police Citizens on Patrol
- Preeclampsia Foundation Canada
- Adsum House, the Chebucto Family Centre
- Metro Turning Point Shelter, and more.

We are very proud of the spirit of caring and sharing continually shown by the staff of Pension Services Corp.

In 2018-2019:

- We paid **\$5.6** million in salaries to our employees and matched their contributions of \$458 thousand to the Public Service Superannuation Plan.
- We spent over **\$2.5** million procuring services from locally-based professional service firms, technology providers and other local companies.
- Our plans paid almost **\$776** million in benefit payments to plan retirees, survivors, and beneficiaries, thus making a significant monetary injection into the Nova Scotia economy.
- Plan Trustees contributed to the local economy with expenditures of approximately **\$5.1** million, including \$4.2 million of investment management fees paid to local managers.



Our Strategic Objectives

As outlined in our 2016-2019 Strategic Plan



Growth and Innovation

take advantage of opportunities which will grow plans and enhance value for members and trustees



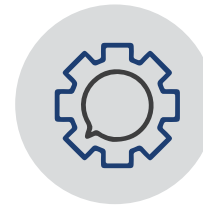
People

develop talent to meet our future organizational needs and to ensure we have the right people in the right jobs at the right time



Member Services

enable plan members to make well-informed decisions about their retirement in a climate of openness and transparency



Operational Efficiency

create efficiencies, reduce risk, increase productivity and support enhanced access to information



We are measured on our progress on 'People' and 'Operational Efficiency', as reflected on the Corporate Scorecard which is available on page 12. The areas of 'Growth and Innovation' and 'Member Services' are measured by each of PSSPTI and TPPTI, with the results posted on their respective websites.

Our Annual Corporate Scorecard

As of March 31, 2019

The Board of Directors is responsible for approving our strategic goals, and monitoring our progress and performance in achieving them. Our 2016-2019 Strategic Plan encompasses four strategic goals. The Board uses this Corporate Scorecard to measure and assess our progress and performance on two of the four goals.

The remaining goals, Member Services and Growth and Innovation, are measured separately as part of the Trustees' Scorecards.

Below is a summary of our Corporate Scorecard for the fiscal year 2018-2019:

Our Goals:

Operational Efficiency

Create efficiencies, reduce risk, increase productivity and support enhanced access to information

Score:



People

Develop talent to meet our future organizational needs and to ensure we have the right people in the right jobs at the right time

Score:



RATING SCALE:

- 5 – Exceptional
- 4 – Exceeds
- 3 – Achieved
- 2 – Partially Achieved
- 1 – Did Not Achieve

Our Performance

Pension Services Corp. is retained by PSSPTI and TPPTI to provide pension administration and investment management services for them. These services are fully described in detailed service agreements between each of the Trustees and Pension Services Corp.

In 2018-2019, considerable effort was put into updating the process of how the Board of Pension Services Corp. and the Trustees assess the performance of Pension Services Corp.

In addition to the identified objective metrics which support the Corporate Scorecard (see page 12), similar Trustee Scorecards were constructed for metrics specific to the Trustees. Those Scorecards are posted on the respective Trustee websites and are also set out below.



PSSPTI Annual Scorecard of NSPSC
As of March 31, 2019

Nova Scotia Public Service Superannuation Plan Trustee Inc. (PSSPTI) is responsible, along with Teachers' Pension Plan Trustee Inc., for monitoring the progress and performance of Nova Scotia Pension Services Corporation (NSPSC) towards achieving its strategic goals. The NSPSC Strategic Plan encompasses four strategic goals.

PSSPTI uses this Scorecard to measure and assess the progress and performance of NSPSC on two of the four goals as they relate to the Public Service Superannuation Plan. The remaining goals, Operational Efficiency and People, are measured separately as part of the NSPSC Board Scorecard, which is available on the NSPSC website at www.novascotiapension.ca

Below is a summary of the PSSPTI Scorecard of NSPSC for the fiscal year 2018-2019:

Our Goals:

Member Services	Growth and Innovation
Enable plan members to make well-informed decisions about their retirement	Take advantage of opportunities which will enhance value for trustees and members
Score: 	Score: 

You can view PSSPTI's Annual Scorecard of Pension Services Corp. online at: www.nspssp.ca

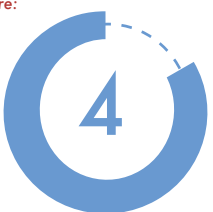

TPPTI Annual Scorecard of NSPSC
As of December 31, 2018

Nova Scotia Teachers' Pension Plan Trustee Inc. (TPPTI) is responsible, along with Public Service Superannuation Plan Trustee Inc., for monitoring the progress and performance of Nova Scotia Pension Services Corporation (NSPSC) towards achieving its strategic goals. The NSPSC Strategic Plan encompasses four strategic goals.

TPPTI uses this Scorecard to measure and assess the progress and performance of NSPSC on two of the four goals as they relate to the Teachers' Plan. The remaining goals, Operational Efficiency and People, are measured separately as part of the NSPSC Board Scorecard, which is available on the NSPSC website at: www.novascotiapension.ca

Below is a summary of the TPPTI Scorecard of NSPSC for the fiscal year 2018:

Our Goals:

Member Services	Growth and Innovation
Enable plan members to make well-informed decisions about their retirement	Take advantage of opportunities which will enhance value for trustees and members
Score: 	Score: 

You can view TPPTI's Annual Scorecard of Pension Services Corp. online at: www.nstpp.ca

Our Performance continued...

Each of the plan Trustees and the Corporate Boards also completed year-end subjective assessments of Pension Services Corp.'s performance in various categories. The tables below summarize those assessments.

The chart below summarizes the Trustee Boards' measurement of Pension Services Corp.:

Measurement	PSSPTI Score	TPPTI Score
Trustee Regular Meetings	3.64	4.00
Board Education	3.59	3.50
Budget	3.59	4.00
Actuarial, Audit, and Compliance	3.54	4.00
Communication Materials	3.77	4.00
Special Projects	4.05	4.00
Investment Services	3.25	3.25
Pension Services	3.43	3.50

The chart below summarizes the Corporate Board's measurement of Pension Services Corp.:

Measurement	Corporate Board Score
Budget and Financial Services	3.44
Infrastructure and Systems	3.56
Human Resources	3.69
Risk, Compliance and Internal Controls	3.44
Audit	3.31
Annual Report	3.44
Board Meetings	3.50
Operational Efficiencies, Special Projects	3.60

RATING SCALE:

- 5 – Exceptional
- 4 – Exceeds
- 3 – Achieved
- 2 – Partially Achieved
- 1 – Did Not Achieve

New Strategic Plan for 2019-2022

We are pleased to report that we have reviewed and revamped our Strategic Plan for the next 3-year period.

Vision

To strengthen the retirement future of Nova Scotians

Mission

To provide outstanding pension services

Our Values

Our Values remain as set out in the Corporation's 2016-2019 Strategic Plan:

- Commitment: to provide the highest quality service
- Trust: to act with integrity and to make sound decisions
- Respect: to show consideration to our members and our colleagues
- Expertise: to build and retain a diverse and talented team
- Collaboration: to build mutually beneficial relationships

Key Strategic Objectives

We have enhanced our Key Strategic Objectives as follows:

- Client Service: anticipate and respond to the changing retirement landscape
 - provide comprehensive, expert support to our clients
 - broaden education and promote retirement planning
 - adapt investment strategies to meet shifting challenges
- Operational Excellence: create efficiencies and manage risk
 - continually improve the way we do business
 - foster a risk-aware and risk-responsible culture
- Value Leadership: champion solutions that enhance sustainability
 - leverage existing relationships and seek beneficial new ones
 - always strive for pragmatic, meaningful results
 - seek value in everything we do without sacrificing quality
- People: have the right people in the right jobs at the right time
 - provide a desirable place to work
 - forecast future resource needs
 - enable and develop our people
 - ensure roles remain relevant and impactful

New Strategic Plan for 2019-2022 continued...

Our Business Plan for 2019-2020 includes:

- support and advise PSSPTI in its membership growth initiatives, its 5-year funding review, and its assessment of the impact of Canada Pension Plan changes
- support and advise TPPTI in its work to improve the funded health of the TPP in a meaningful way, and its assessment of the impact of Canada Pension Plan changes
- begin developing a diverse suite of educational materials, for new and mid-career plan members, to encourage earlier and more comprehensive retirement planning, as well as improving educational materials for late-career and retired members
- support and educate employers towards enhancing their employees' understanding and appreciation of all aspects of their pension plan
- meet or exceed investment target rates of return within acceptable risk tolerances
- enhance the long-term focus of the PSSP and TPP Funds by developing the private asset portfolios and evolving the sustainable investment programs
- maintain strong focus on cyber-security and other protections, both digital and physical, of member personal information
- develop and commence implementing outcomes of the records management (RM) initiative
- begin to review and enhance the Corporation's enterprise-wide risk management program
- fully transition to a cloud-based environment (Windows 10, Office 365, Microsoft Azure)
- begin to review and modernize pre-retirement and educational seminars, improving our ability to manage ad-hoc requests and accommodating new and evolving employers
- complete 2019 employee engagement survey, assess the results, consider opportunities for improvement, and begin to implement appropriate actions
- continue to promote a congenial and collaborative work environment, enhancing the overall physical and mental well-being of our employees
- continue to prioritize succession planning efforts

Financial Summary

Pension Services Corp. operates on a cost-recovery basis. Expenses are allocated and charged to its Trustee clients based upon the Corporate budget and allocation percentages approved by the plan Trustees and Corporate Board. The Province is charged a fee for services provided to the Members' Retiring Allowances Plan, Members' Supplementary Retiring Allowances Plan and the former Sydney Steel pension plans.

For the fiscal year ended March 31, 2019, Pension Services Corp. had total operating expenses of \$12.8 million, an increase of \$1.9 million over the previous year. The largest increase, \$768 thousand, was attributed to a revaluation of employee post-retirement benefits. An increase of \$604 thousand in salaries and benefits, reflects additional head-count, an average 1.75 per cent increase in salaries and other compensation increases. Other notable increases were office lease, \$99 thousand, and amortization, \$103 thousand.

The increased expenses noted above were included in the 2018-2019 budget and were pre-approved by plan Trustees and the Corporate Board. For the year ended March 31, 2019, Pension Services Corp.'s total expenses were within the budgeted targets set by plan Trustees and the Corporate Board.

Compliance

Pension Services Corp. uses a systematic and detailed approach to evaluating, measuring, and monitoring Pension Services Corp.'s operational risk and compliance to applicable legislation, regulation, and internal policies and procedures. Compliance and internal audit reporting is provided quarterly by the Director, Enterprise Risk & Compliance to the Corporate Board. The Director, Enterprise Risk & Compliance has confirmed that, as at March 31, 2019, they are not aware of any material noncompliance in respect of legislative, regulatory, or internal policy or procedural requirements.

Governance

Pension Services Corp. is mandated to the *Nova Scotia Pension Services Corporation Act*.

We are committed to the highest ethical standards. We do this by conducting our business with maximum integrity and by achieving full compliance with all applicable laws, rules, and regulations.

In line with this commitment, we have a Whistleblower Policy that provides an avenue for employees to raise concerns they may have and be assured that they will be protected from reprisal for raising any such concern in good faith.

Pension Services Corp. also has a Code of Business Ethics and Conduct, as well as a Respectful Workplace Policy. The Respectful Workplace Policy formally enshrines our steadfast commitment to a healthy, safe and supportive workplace and to providing a work environment that values diversity where all persons are treated with respect and dignity. It is of the utmost importance for Pension Services Corp. that all of our employees are able to work in an environment that is free from harassment, sexual harassment and discrimination. To that end, our Respectful Workplace Policy specifically seeks to:

- promote awareness for employees and create understanding as to what is considered offensive behaviour,
- support a work environment that is free from all forms of offensive behaviour, and
- provide a mechanism to address offensive behaviour and eliminate it from the workplace

Industry-Related Initiatives

Pension Services Corp. staff participate directly in a number of industry-related organizations and initiatives, including:

- the Pension Investment Association of Canada (PIAC)
- the Canadian Public Pension Leadership Council (CPPLC)
- the Public Sector Pension National Forum (PSPNF)
- the Association of Canadian Pension Management (ACPM)
- the Conference Board of Canada
- the Association for Information and Image Management (AIIM)
- the Association of Records Managers and Administrators (ARMA)

Pension Services Corp. also supports the members of the PSSPTI and TPPTI Boards in their participation in various organizations, including the International Foundation of Employee Benefit Plans (IFEBCP).

Executive Compensation

The goal of the compensation philosophy and framework is to attract, motivate, and reward a high-performing team. The framework is designed to promote a pay-for-performance culture by focusing employee efforts on the achievement of the mission, vision, core values, and critical business performance targets of Pension Services Corp.

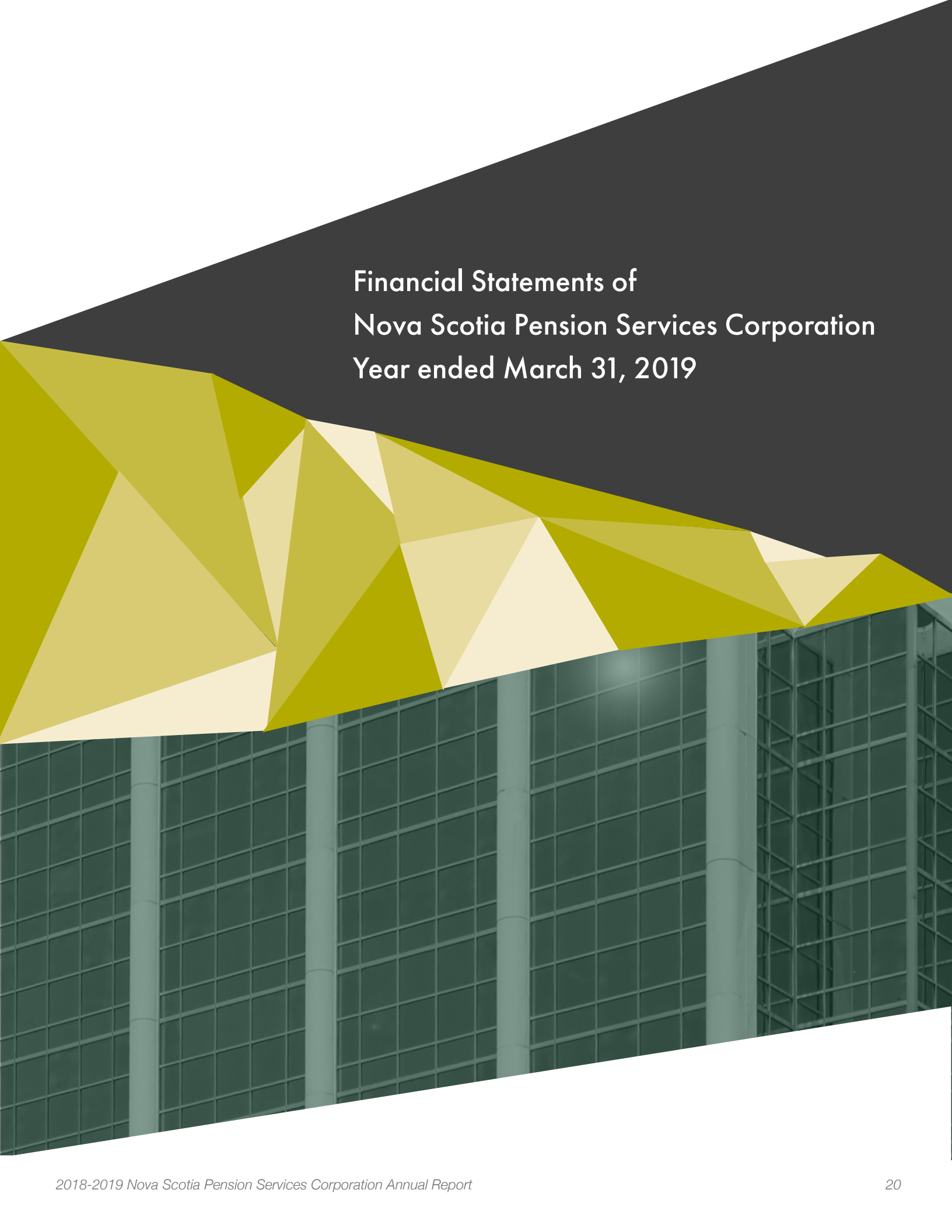
The compensation framework is designed to be fair and reasonable to stakeholders. Compensation is benchmarked to Canadian pension funds of similar size and complexity and to similar roles within Atlantic Canada.

Elements of the framework include base salary, short-term incentive plan (STIP), and benefits. The STIP component of total compensation is 'at-risk' and linked to the performance of corporate, division, and individual objectives. The weightings for each of the three objectives vary by position to reflect roles and job responsibilities.

The Board approved STIP awards totalling \$574,491 for 21 employees based upon performance in the fiscal year ended March 31, 2019. The STIP awards are significantly affected by the annual assessment of the Corporation's performance by our plan Trustees and the Corporate Board. Details of the assessments are summarized on page 12-14.

The Communications and Disclosure Policy for the Board requires that the compensation of the Chief Executive Officer, Chief Investment Officer, and the Chief Pensions Officer be disclosed. These details are provided below:

	Base Pay	Incentive Award	Total Compensation (excluding benefits)	
			March 31, 2019	March 31, 2018
Douglas Moodie, Chief Executive Officer	\$327,500	\$129,690	\$457,190	\$438,800
Elizabeth Vandenberg, Chief Investment Officer	\$201,980	\$67,335	\$269,315	\$242,353
Kim Blinn, Chief Pensions Officer	\$142,505	\$39,574	\$182,079	\$164,736



Financial Statements of
Nova Scotia Pension Services Corporation
Year ended March 31, 2019



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Nova Scotia Pension Services Corporation

Opinion

We have audited the financial statements of Nova Scotia Pension Services Corporation (the "Entity"), which comprise:

- the balance sheet as at March 31, 2019;
- the statement of earnings and retained earnings for the year then ended;
- the statement of cash flows for the year then ended;
- and notes to the financial statements, including a summary of significant accounting policies;

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information is comprised of;

- the information, other than the financial statements and the auditors' report thereon, included in a document entitled "Annual Report"

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Annual Report as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for private enterprises, 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.



The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Chartered Professional Accountants, Licensed Public Accountants
Halifax, Canada
June 24, 2019



Financial Statements of

Nova Scotia Pension Services Corporation

Year ended March 31, 2019

Contents

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Financial Statements

Balance Sheet

Year ended March 31, 2019, with comparative information for 2018	2019	2018
Assets		
Current assets:		
Cash	\$ 890,950	\$ 364,253
Accounts receivable (note 2)	3,614,547	1,345,225
Short term investment (note 3)	-	1,700,000
Prepaid expenses	176,243	202,892
	4,681,740	3,612,370
Fixed assets (note 4)	242,243	93,554
Intangible assets (note 4)	1,252,282	2,730,115
	\$ 6,176,265	\$ 6,436,039
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 2,074,772	\$ 1,556,838
	2,074,772	1,556,838
Loans payable (note 6)	1,494,526	2,823,070
Future benefits liability (note 8)	2,606,967	2,056,131
	4,101,493	4,879,201
Shareholders' equity:		
Common shares (note 10)	-	-
	-	-
Commitments (note 12)		
	\$ 6,176,265	\$ 6,436,039

The accompanying notes are an integral part of these financial statements.

Approved:

Co Chair, Board of Directors

Co-Chair, Board of Directors

Statement of Earnings and Retained Earnings

Year ended March 31, 2019, with comparative information for 2018	2019	2018
Revenue (note 11)	\$ 12,799,729	\$ 10,894,339
Interest income	9,370	21,923
Total increase in assets	12,809,099	10,916,262
Expenses:		
Salaries and benefits	7,555,772	6,184,476
Office and administration	1,971,350	1,686,649
Amortization	1,572,958	1,469,569
Professional services	1,222,965	1,188,849
Property rental	486,054	386,719
	12,809,099	10,916,262
Net earnings, being retained earnings, end of year	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

Financial Statements

Statement of Cash Flows

Year ended March 31, 2019, with comparative information for 2018	2019	2018
Cash flows from operating activities:		
Net earnings	\$ -	\$ -
Items not involving cash:		
Amortization	1,572,958	1,469,569
Impairment loss on intangible assets	6,655	-
Change in non-cash operating working capital:		
Increase in accounts receivable	(2,269,322)	(1,069,439)
Decrease (increase) in prepaid expenses	26,649	(99,972)
Increase (decrease) in accounts payable and accrued liabilities	517,934	(648,351)
Increase in future benefits liability	550,836	187,702
Net cash provided by (used in) operating activities	405,710	(160,491)
Cash flows from financing activities:		
Decrease in long-term loans payable	(1,328,544)	(1,435,236)
Net cash used in financing activities	(1,328,544)	(1,435,236)
Cash flows from investing activities:		
Purchase of fixed assets	(250,469)	(20,951)
Purchase of intangible assets	-	(13,980)
Sale of short-term investment	1,700,000	-
Net cash used in investing activities	1,449,531	(34,931)
Increase (decrease) in cash	526,697	(1,630,658)
Cash, beginning of year	364,253	1,994,911
Cash, end of year	\$ 890,950	\$ 364,253

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended March 31, 2019

Nova Scotia Pension Services Corporation ("the Corporation") is a private enterprise, incorporated on April 1, 2013 under the laws of Nova Scotia under *Bill No. 17 (Financial Measures Act (2012))* dated April 12, 2012).

Under the *Nova Scotia Pension Services Corporation Act* (the "Act"), the Corporation was devolved from the Nova Scotia Pension Agency, a government agency of the Province of Nova Scotia. The Corporation has issued an equal number of shares to the Teachers' Pension Plan Trustee Inc. and the Public Service Superannuation Plan Trustee Inc. All assets, liabilities and obligations of the Nova Scotia Pension Agency as at March 31, 2013 were transferred to the Corporation on April 1, 2013.

The purpose of the Corporation is to provide pension administration and pension investment services for the Teachers' Pension Plan and Public Service Superannuation Plan, Ancillary Plans of the Province of Nova Scotia (Sydney Steel Corporation Superannuation Fund, Members' Retiring Allowances Plan and Members' Supplementary Retiring Allowances Plan established under the Members' Retiring Allowances Act) and any other pension plan or arrangement that retains the services of the Corporation and is approved by the Board of Directors ("the clients").

The Corporation operates on a cost recovery basis as provided for in the Act. The Corporation is a not-for-profit organization and, as such, is exempt from income taxes, provided certain requirements of the *Income Tax Act* are met.

1.

Significant accounting policies

a. Basis of presentation

The Corporation's financial statements are prepared in accordance with Part II – Accounting Standards for Private Enterprises of the CPA Canada Handbook.

b. Investments

Investments in equity instruments that are quoted in an active market are accounted for at fair value, with changes in fair value recorded in net income. Transaction costs are accounted for in the original cost of the investments, except for equity investments that are quoted in an active market, the transaction costs are expensed as incurred.

c. Fixed assets

Fixed assets are stated at cost, less accumulated amortization. Amortization is provided using the following methods and annual rates:

Asset	Basis	Rate
Computer hardware	Straight-line	2-4 years
Furniture	Straight-line	5 years
Leasehold improvements	Straight-line	Lease term

The carrying amount of an item of fixed assets is tested for recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount is not recoverable and exceeds its fair value.

Significant accounting policies (continued)

d. Intangible assets

Intangible assets represent deferred development costs related to corporate, pension and investment systems. Development activities are recognized as an asset provided they meet the capitalization criteria, which include the Corporation's ability to demonstrate: technical feasibility of completing the intangible asset so that it will be available for use or sale; the Corporation's intention to complete the asset for use; the Corporation's ability to use the asset; the adequacy of the Corporation's resources to complete the development; the Corporation's ability to measure reliably the expenditures during the development; and the Corporation's ability to demonstrate that the asset will generate future economic benefits. Development expenditures that do not meet the capitalization criteria and expenditures for research activities are expensed as incurred. Intangible assets are measured at cost less accumulated amortization and are amortized on a straight-line basis over their useful lives of 5 years.

The amortization of project costs related to corporate, pension and investment systems commences upon completion of the systems. As the assets are amortized, an amount equal to the amortization will be charged back to the clients using those systems, offsetting loans from related entities. The basis to account for internally generated intangible asset costs is the aggregation of all intangible costs that can be directly identified as being part of the production of the asset. These costs include the salary costs of specific employees based on their time spent while working on project-related tasks.

e. Employee future benefits

The Corporation has an obligation to provide future benefits to its employees in respect of post-retirement health benefits, public service awards and a supplemental employee retirement plan. The benefits are based on years of service and final average salary.

Post-retirement health benefits are available to all retirees whereas the public service award is only available to bargaining unit employees. The supplemental employee retirement plan benefits are based on years of service and salary level – being available only to employees above a defined salary. The Corporation accrues its obligations under the benefit plans as the employees render the services necessary to earn the benefits on an annual basis.

The obligation at the end of the year is determined based on the most recent actuarial valuation report prepared for accounting purposes. The measurement date of the obligation coincides with the Corporation's fiscal year-end. The date of the most recent actuarial valuation of the obligation prepared for accounting purposes is March 31, 2019.

f. Revenue recognition

Revenue is recognized when services are provided and the customer assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

Significant accounting policies (continued)

g. Expense allocation

The net of operating costs, amortization and income are charged to clients based on the clients' usage rate of the services provided by the Corporation. Wherever practical, these costs are matched to the client based on their use of specific services.

h. Financial instruments

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Corporation has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Corporation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Corporation expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

i. Related party transactions

Monetary related party transactions and non-monetary related party transactions that have commercial substance are measured at the exchange amount when they are in the normal course of business, except when the transaction is an exchange of a product or property held for sale in the normal course of operations. Where the transaction is not in the normal course of operations, it is measured at the exchange amount when there is a substantive change in the ownership of the item transferred and there is independent evidence of the exchange amount.

All other related party transactions are measured at the carrying amount.

j. Use of estimates

The preparation of the Corporation's financial statements 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 revenues and expenses during the year. Significant items subject to such estimates and assumptions include the assumptions used in measuring the future benefits liability. Actual results could differ from those estimates made.

2. Accounts receivable

The following amounts were due to the Corporation as at March 31, 2019:

	2019	2018
Public Service Superannuation Plan	\$ 1,902,511	\$ 1,251,835
Teachers' Pension Plan	1,703,727	74,126
Province of Nova Scotia	-	13,707
Other	8,309	5,557
	\$ 3,614,547	\$ 1,345,225

3. Short-term investment

As at March 31, 2019, there was \$nil short-term investment. As at March 31, 2018, short-term investment consisted of a guaranteed investment certificate which matured on August 27, 2018.

4. Fixed and intangible assets

2019	Cost	Accumulated amortization	Net book value
Fixed assets:			
Computer hardware	\$ 372,251	\$ (249,692)	\$ 122,559
Furniture	98,734	(52,461)	46,273
Leasehold Improvements	84,664	(11,253)	73,411
	555,649	(313,406)	242,243
Intangible assets:			
Systems	6,607,133	(5,354,851)	1,252,282
	6,607,133	(5,354,851)	1,252,282
Total	\$ 7,162,782	\$ (5,668,257)	\$ 1,494,525

2018	Cost	Accumulated amortization	Net book value
Fixed assets:			
Computer hardware	\$ 250,796	\$ (173,046)	\$ 77,750
Furniture	51,661	(37,759)	13,902
Leasehold Improvements	2,722	(820)	1,902
	305,179	(211,625)	93,554
Intangible assets:			
Systems	6,629,318	(3,899,203)	2,730,115
	6,629,318	(3,899,203)	2,730,115
Total	\$ 6,934,497	\$ (4,110,828)	\$ 2,823,669

5. Accounts payable and accrued liabilities

	2019	2018
Accounts payable and accrued liabilities	\$ 1,729,504	\$ 1,331,057
Harmonized sales tax payable	345,268	215,032
Due to Sydney Steel Corporation Superannuation Fund	-	10,749
	<u>\$ 2,074,772</u>	<u>\$ 1,556,838</u>

6. Loans payable

As capital costs are incurred, the Corporation calls for a loan from the Teachers' Pension Plan and Public Service Superannuation Plan. The amount required to cover capitalized costs is funded equally by each plan unless agreed otherwise by the plan making the loan to the Corporation. Loans are long-term in nature and do not bear interest.

As at March 31, 2019, the loans payable are as follows:

	2019	2018
Due to Teachers' Pension Plan	\$ 747,263	\$ 1,411,535
Due to Public Service Superannuation Plan	747,263	1,411,535
	<u>\$ 1,494,526</u>	<u>\$ 2,823,070</u>

7. Related party transactions

a. Teachers' Pension Plan Trustee Inc. as trustee of Teachers' Pension Plan

The Corporation entered into an agreement with the Teachers' Pension Plan Trustee Inc. on April 1, 2013 to provide pension and investment services to the Teachers' Pension Plan. The amount charged to the Teachers' Pension Plan for the year ended March 31, 2019 was \$5,761,745 (2018 - \$4,953,889) (note 11). As at March 31, 2019, the Corporation has a receivable of \$1,703,727 (2018 - \$74,126) from the Teachers' Pension Plan for services provided (note 2).

During the year, the Teachers' Pension Plan loaned the Corporation funds to fund capital assets for the betterment of servicing the clients of the Corporation. As at March 31, 2019, the loan payable due to the Teachers' Pension Plan was \$747,263 (2018 - \$1,411,535) (note 6).

Related party transactions (continued)

b. Public Service Superannuation Plan Trustee Inc. as trustee of Public Service Superannuation Plan

The Corporation entered into an agreement with the Public Service Superannuation Plan Trustee Inc. on April 1, 2013 to provide pension and investment services to the Public Service Superannuation Plan. The amount charged to the Public Service Superannuation Plan for the year ended March 31, 2019 was \$6,803,929 (2018 - \$5,698,245) (note 11). As at March 31, 2019, the Corporation has a receivable of \$1,902,511 (2018 - \$1,251,835) from the Public Service Superannuation Plan for services provided (note 2).

During the year, the Public Service Superannuation Plan loaned the Corporation funds to fund capital assets for the betterment of servicing the clients of the Corporation. As at March 31, 2019, the loan payable due to Public Service Superannuation Plan was \$747,263 (2018 - \$1,411,535) (note 6).

Employees of the Corporation are members of the Public Service Superannuation Plan. During the year, the Corporation made contributions of \$457,606 (2018 - \$411,922) to the plan (note 9).

c. Premises

The Corporation bases its operations in Purdy's Wharf, a building partially owned by both TPP Investments I Inc., a related subsidiary of the Teachers' Pension Plan, and PSS Investments I Inc., a related subsidiary of the Public Service Superannuation Plan. Employees of the Corporation serve as directors of both TPP Investments I Inc. and PSS Investments I Inc. The rent paid to the landlord for the year was \$486,054 (2018 - \$386,719).

d. Province of Nova Scotia

During the year, the Province of Nova Scotia provided services to the Corporation and its clients. The significant related party purchases from the Province of Nova Scotia were as follows:

	2019	2018
Payroll services	\$ 225,000	\$ 225,000
Stationery, printing and postage	3,280	1,627
Other	165	823
	\$ 228,445	\$ 227,450

The amount due to the Province of Nova Scotia as at March 31, 2019 for services provided to the Corporation was \$ nil (2018 - \$354).

The Province of Nova Scotia, the Corporation's payroll service provider, pays the Corporation's staff and recovers the gross payroll amount from the Corporation. The amount due to the Province of Nova Scotia as at March 31, 2019 for recovery was \$nil (2018 - \$218,646).

In all cases the measurement basis of related party transactions has been the value of cash received or paid between parties and the value of invoices raised for services between parties.

8. Future benefits liability

Upon retirement, employees of the Corporation will receive post-retirement health benefits, and where eligible, the Public Service Award and benefits under a Supplemental Employee Retirement Plan. The future benefits liability of the Corporation was calculated as at March 31, 2019 (2018 – as at March 31, 2016 and extrapolated to March 31, 2018) under Section 3463 of Part III of the CPA Canada Handbook – Accounting by Eckler Limited. In determining liabilities under CPA 3463, the method required is the projected unit credit method prorated on services (i.e. benefits are projected with salary increases to retirement and then prorated based on service).

	2019	2018
Discount rate	3.30% per annum	3.90% per annum
Compensation increase	2.50% per annum for 2 years, 2.50% per annum thereafter plus merit, rising to 2.00% per annum for employees under 30 years of age	1.50% per annum for 2 years, 2.50% per annum thereafter plus merit, rising to 2.00% per annum for employees under 30 years of age
Retirement age	<ul style="list-style-type: none"> • 10% at age 59 • 20% at age 60 • 10% at age 61-64 • 50% at age 65-69 • 100% at age 70 <p>However, 20% each year on or after earliest unreduced retirement date, if greater; plus an additional 40% at 35 years of service</p>	<ul style="list-style-type: none"> • 10% at age 59 • 20% at age 60 • 10% at age 61-64 • 50% at age 65-69 • 100% at age 70 <p>However, 20% each year on or after earliest unreduced retirement date, if greater; plus an additional 40% at 35 years of service</p>
Mortality	120% of Canadian Public Sector Mortality Table with future mortality improvements in accordance with Scale B	120% of Canadian Public Sector Mortality Table with future mortality improvements in accordance with Scale B
Income Tax Act maximum pension	\$3,026 per year of service in 2019, increasing at 2.50% per annum after 2019	\$2,890 per year of service in 2016, increasing at 2.50% per annum after 2016

Future benefits liability (continued)

The future benefits liability as at March 31, 2019 is calculated as follows:

	2019	2018
Post-retirement health benefits	\$ 995,495	\$ 940,576
Public service award	195,940	527,308
Supplemental Employee Retirement Plan	1,415,532	588,247
	\$ 2,606,967	\$ 2,056,131

9. Employee pension plan

Permanent employees of the Corporation participate in the 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. The Corporation's contributions range from 8.4% to 10.9% of an employee's salary. Total employer contributions for 2019 were \$457,606 (2018 - \$411,922) and are recognized in salaries and benefits expense in the financial statements.

The Corporation is not responsible for any under-funded liability, nor does the Corporation have access to any surplus that may arise in this Plan.

10. Share capital

The share capital of the Corporation is 100,000 common shares of one class without par value. The shares do not carry a dividend; they are not redeemable and are not convertible. On April 1, 2013, 100 shares were issued, 50 to the Teachers' Pension Plan Trustee Inc. and 50 to Public Service Superannuation Plan Trustee Inc. at \$nil value.

11.

Revenue

Revenue is as follows:

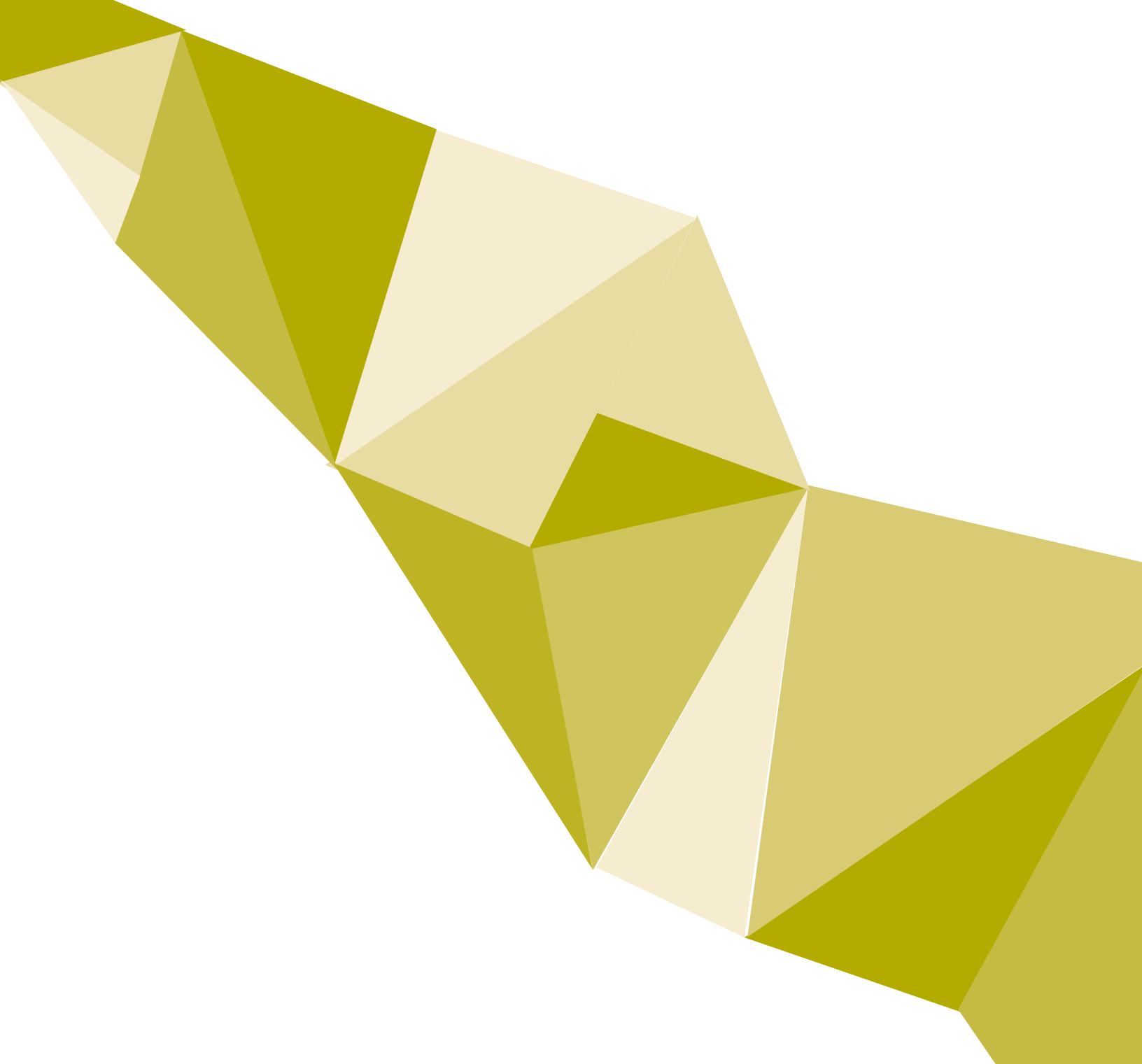
	2019	2018
Public Service Superannuation Plan	\$ 6,803,929	\$ 5,698,245
Teachers' Pension Plan	5,761,745	4,953,889
Members' Retiring Allowances Act Plans	122,400	120,000
Sydney Steel Corporation Superannuation Fund	102,000	100,000
Public Service Superannuation Plan contributing employers	9,655	16,615
Other	-	5,590
	\$ 12,799,729	\$ 10,894,339

12.

Commitments


As at March 31, 2019, the Corporation was contractually obligated under various operating and occupancy leases. Future minimum annual lease payments over the next five years are as follows:

2020	\$ 1,237,928
2021	715,351
2022	717,774
2023	683,851
2024	510,340



Contact Pension Services Corp. at:




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