

2017-2018

# Nova Scotia Pension Services Corporation

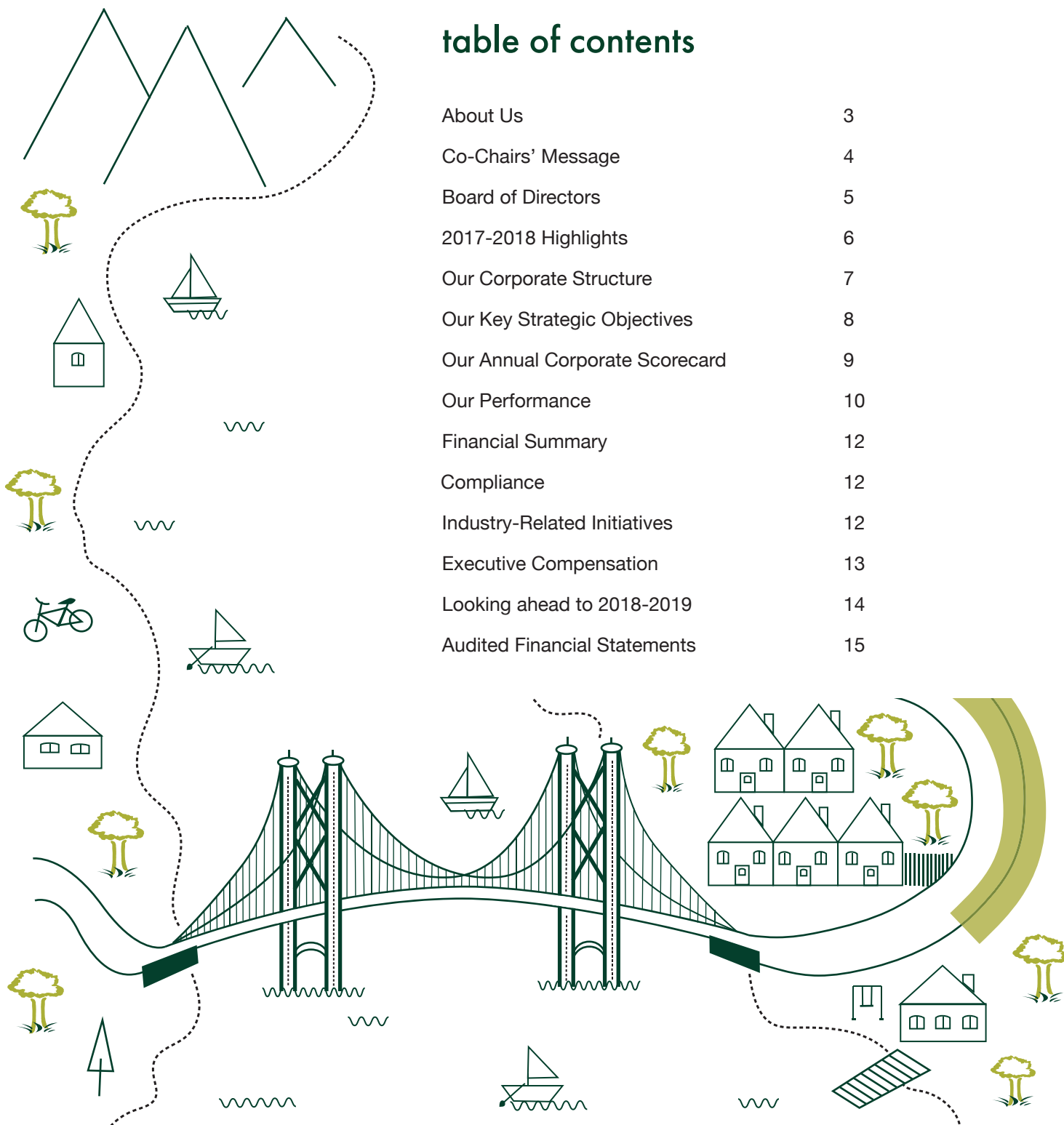
## Annual Report



2017-2018  
Nova Scotia Pension Services Corporation  
Annual Report

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# About Us

## OUR STORY

Nova Scotia Pension Services Corporation (Pension Services Corp.) is a non-profit corporation that was established on April 1, 2013. We evolved from the former Nova Scotia Pension Agency, which itself was formed from the Pension Services Division of the Department of Finance.

We provide a wide range of investment, pension administration, and compliance services for Nova Scotia's leading pension plans. In total, we manage almost \$11.5 billion of plan assets and serve over 72,000 members and retirees.

We are jointly owned by Public Service Superannuation Plan Trustee Inc. and Teachers' Pension Plan Trustee Inc.

## OUR BUSINESS

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



Teachers' Pension Plan  
[www.nstpp.ca](http://www.nstpp.ca)



Public Service Superannuation Plan  
[www.nspssp.ca](http://www.nspssp.ca)



Members' Retiring Allowance  
[www.mlapp.novascotiapension.ca](http://www.mlapp.novascotiapension.ca)



Former Sydney Steel pension plans  
[www.sysco.novascotiapension.ca](http://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.

## Co-Chairs' Message

**Keiren Tompkins**  
Co-Chair  
PSSPTI Representative



**John B. Carter**  
Co-Chair  
TPPTI Representative



We are pleased to provide you with the Annual Report of Nova Scotia Pension Services Corporation for the year ended March 31, 2018.

Nova Scotia Pension Services Corporation had another successful year. We finished the year with almost \$11.5 billion in assets under management for the Public Service Superannuation Plan and the Teachers' Pension Plan, met the majority of our key performance indicators, and completed an external benchmarking review of our pension administration services which showed a competitive level of service being attained on an extremely cost-efficient basis. We also enhanced infrastructure and systems with a focus on improving efficiencies and security.

We continued our ongoing emphasis on our people and making Pension Services Corp. a great place to work. We completed a biennial employee engagement survey, and initiated steps to address areas identified as requiring attention. A new 4-year collective agreement for our bargaining unit employees was negotiated and ratified. And we continued our efforts around workforce planning and succession management.

Investment returns were positive for the Public Service Superannuation Plan and the Teachers' Pension Plan, and we continued adherence to rigorous risk-management protocols. We also supported the Trustee of the Public Service Superannuation Plan in its initiative to achieve membership growth via consolidation into the Plan of pension plans from the university and municipal sectors.

While demographic challenges for the Public Service Superannuation Plan and the Teachers' Pension Plan continued to mount, the financial health and membership numbers for both plans were held steady year over year. The Public Service Superannuation Plan membership stood at 35,621 as at December 31, 2017, an overall increase of 737 from December 31, 2016. The Teachers' Pension Plan membership stood at 32,006 as at December 31, 2017, an overall increase of 162 from December 31, 2016.

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 2017-2018.



# About the Board

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



**Janine Kerr**  
TPPTI Representative



**Nancy MacLellan**  
PSSPTI Representative



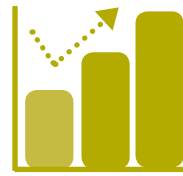
**William Redden**  
TPPTI Representative



# 2017-2018 Highlights



Spent over **\$2** million procuring services from locally-based professional service firms, technology providers and other local companies.



The combined investment assets of the Public Service Superannuation Plan and the Teachers' Pension Plan totaled approximately **\$11.5** billion



We presented at **52** pre-retirement seminars and processed **1,293** retirements

At these 52 pre-retirement seminars, our staff provided plan members with a general understanding of their pension plan and assisted them with making informed retirement decisions.



Through the dedication and hard work of our staff, we have been able to give back to our community and province. Our fundraising efforts have supported Feed Nova Scotia, Halifax Regional Police Citizens on Patrol, Preeclampsia Foundation Canada, Spay Day HRM, the Chebucto Family Centre, Adsum House, Metro Turning Point Shelter, and more!



**24,815** Plan member calls were answered.



**89%** of these calls were answered in less than 20 seconds.



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



The My Retirement Plan website usage statistics for 2017 are:

The Pension Projection tool was used	The Annual Statement tool was used	The Pension Profile tool was used
<b>4,947</b> times	<b>2,825</b> times	<b>1,201</b> times

My Retirement Plan website allows active plan members secure access to their personal pension information online.

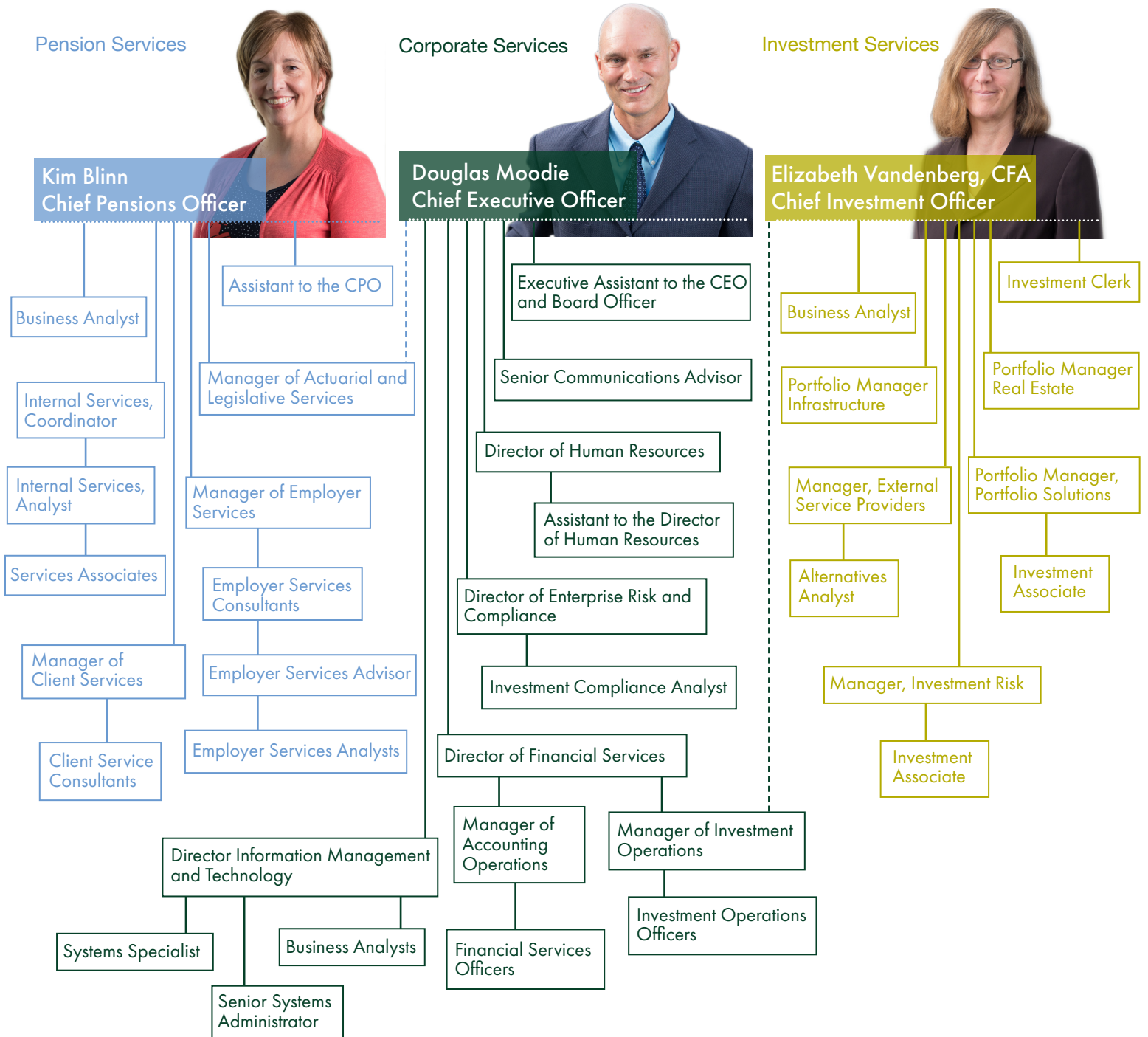
Created **16** new high-value local positions since our establishment in April 2013. These high-value positions include roles in client services (bilingual), information management and technology, corporate accounting, investment management, investment operations, and communications.



# Our Corporate Structure

Our team of 65 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.





# Our Key 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 9. 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, 2018

The Board of Directors is responsible for approving our strategic goals, and monitoring our progress and performance in achieving them. Our 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 the Board's assessment for two of the Corporation's four strategic goals:

## 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 2017-2018, 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 9), 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, 2018*



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](http://www.novascotiapension.ca)

Below is a summary of the PSSPTI Scorecard of NSPSC for the fiscal year 2017-2018:

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**Our Goals:**

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

You can view PSSPTI's Annual Scorecard of Pension Services Corp. online at: [www.nspssp.ca](http://www.nspssp.ca)

**TPPTI Annual Scorecard of NSPSC**  
*As of December 31, 2017*



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](http://www.novascotiapension.ca)

Below is a summary of the TPPTI Scorecard of NSPSC for the fiscal year 2017:

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**Our Goals:**

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

You can view TPPTI's Annual Scorecard of Pension Services Corp. online at: [www.nstpp.ca](http://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	3.68	3.5
Board Education	3.77	3.5
Budget	3.77	3.5
Actuarial, Audit, and Compliance	3.64	3.5
Communication Materials	3.82	4
Special Projects	3.77	3.5
Investment Services	3.25	2.5

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

Measurement	Corporate Board Score
Financial Services	3.5
Infrastructure and IT Systems	3.5
Human Resources	3.5
Risk, Compliance and Internal Controls	3.5
Audit	3
Annual Report	3.5
Board Meetings	3.5
Operational Efficiencies, Special Projects, Corporate Profile	3.5

### RATING SCALE:

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

## 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 the Corporate Board. The Province is charged a fee for services provided to the Members' Retiring Allowance Plan and the former Sydney Steel pension plans.

For the fiscal year ended March 31, 2018, Pension Services Corp. had total operating expenses of \$10.9 million. Overall expenses increased by approximately \$98 thousand over the previous year. The major components of the increase were Salaries and Benefits, \$313 thousand, and Amortization, \$75 thousand. These increases were offset by reductions in Professional Services, by \$275 thousand, and Office Administration, by \$16 thousand. The higher figure for Salaries and Benefits reflects increased headcount, as well as an average 1.25 per cent salary increase for employees.

The increased expenses noted above were included in the 2017-2018 budget and were pre-approved by plan Trustees and the Corporate Board. For the year ended March 31, 2018, the Pension Services Corp.'s total expenses were within the budgeted targets set by plan Trustees and the Corporate Board.



### Supporting the Local Economy

During the fiscal year, Pension Services Corp. paid \$5.2 million in salaries to its employees and matched their contributions of \$412 thousand to the Public Service Superannuation Plan. Procurement of services from locally-based professional service firms, technology providers and other local companies totaled \$2.0 million. In addition to Pension Services Corp., plan Trustees contributed to the local economy with expenditures of approximately \$4.1 million, including \$3.0 million of investment management fees paid to local managers.

## 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 management to the Corporate Board. Management has confirmed that, as at March 31, 2018, it is not aware of any material noncompliance in respect of legislative, regulatory, or internal policy or procedural requirements.

## Industry-Related Initiatives

Pension Services Corp. is a founding member of the Canadian Public Pension Leadership Council (CPPLC), a non-partisan group of public-sector pension organizations from across the country. Formed in November 2013, the members of the CPPLC work together to help inform the debate about retirement income security using evidence-based research.

For more information regarding the CPPLC, including access to research reports sponsored by the CPPLC, please follow the link: [www.cpplc.wordpress.com](http://www.cpplc.wordpress.com)

## 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 Nova Scotia.

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 \$486,331 for 17 employees based upon performance in the fiscal year ended March 31, 2018. The awards were paid shortly after the year end. 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 10 and 11.

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, 2018	March 31, 2017
Douglas Moodie, Chief Executive Officer	\$320,000	\$118,800	\$438,800	\$144,627 <i>(partial year)</i>
Elizabeth Vandenberg, Chief Investment Officer	\$183,618	\$58,735	\$242,353	\$238,317
Kim Blinn, Chief Pensions Officer	\$129,550	\$35,186	\$164,736	\$160,361

# Looking ahead to 2018-2019

Our focus on the following initiatives will continue:

## Member Services

- deliver meaningful and accessible communication to members and employers
- engage with members to enhance education and retirement planning
- improve employer and union education
- enhance services and processes

## Growth and Innovation

- deliver on Trustee investment objectives
  1. meet or exceed target rates of return within acceptable risk tolerances
  2. continue asset mix implementation to enhance returns and reduce risk
  3. deepen sustainable investing practices and capabilities
- evaluate our investment model and existing investment platforms
  1. collaborate with external managers for expertise where value-add is consistently achieved and risk is appropriately managed
  2. analyze opportunities to internalize specific mandates and/or functions
  3. research additional asset classes and implement as directed by Trustees

## Operational Efficiency

- manage content, information and workflow
- promote innovation and improvement
- achieve cost efficiencies

## People

- develop annual training plans by division and by functional unit
- update our organizational design to achieve operational excellence and create career opportunities
- provide educational resources for Trustee directors

Some of our specific priorities for the year ahead are:

- ongoing support of Public Service Superannuation Plan growth initiatives
- ongoing support of analyses regarding the fiscal health of the Teachers' Pension Plan
- continued implementation of actions identified in 2017 employee engagement survey
- implementation of an RRSP program for bargaining unit employees to replace the 'Public Service Award' program
- ongoing workforce planning and succession management
- continued enhancement of cyber-security initiatives
- installation and implementation of real estate management system
- continued participation in CPPLC and other industry-related activities



# Financial Statements of Nova Scotia Pension Services Corporation Year ended March 31, 2018



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Nova Scotia Pension Services Corporation

We have audited the accompanying financial statements of Nova Scotia Pension Services Corporation, which comprise the balance sheet as at March 31, 2018, the statements of earnings and retained earnings and cash flows for the year then ended, and notes, comprising 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 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.

### *Auditors' 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 our 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, we consider 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 Nova Scotia Pension Services Corporation as at March 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

The logo for KPMG LLP, featuring the letters 'KPMG' in a bold, sans-serif font, followed by 'LLP' in a smaller font, all in black. A horizontal line is drawn underneath the text.

Chartered Professional Accountants, Licensed Public Accountants  
June 27, 2018  
Halifax, Canada

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Financial Statements of

# Nova Scotia Pension Services Corporation

Year ended March 31, 2018

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## Balance Sheet

March 31, 2018, with comparative information for 2017	2018	2017
<b>Assets</b>		
Current assets:		
Cash	\$ 364,253	\$ 1,994,911
Accounts receivable (note 2)	1,345,225	275,786
Short term investment (note 3)	1,700,000	1,700,000
Prepaid expenses	202,892	102,920
	3,612,370	4,073,617
Fixed assets (note 4)	93,554	182,272
Intangible assets (note 4)	2,730,115	4,076,035
	\$ 6,436,039	\$ 8,331,924
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 1,556,838	\$ 2,205,189
	\$ 1,556,838	\$ 2,205,189
Loans payable (note 6)	2,823,070	4,258,306
Future benefits liability (note 8)	2,056,131	1,868,429
	4,879,201	6,126,735
<b>Shareholders' equity:</b>		
Common shares (note 10)	-	-
	\$ 6,436,039	\$ 8,331,924

See accompanying notes to financial statements

Approved:

Co Chair, Board of Directors

Co-Chair, Board of Directors



## Statement of Earnings and Retained Earnings

March 31, 2018, with comparative information for 2017	2018	2017
Revenue (note 11)	\$ 10,894,339	\$ 10,798,777
Interest income	21,923	19,664
	10,916,262	10,818,441
Expenses:		
Salaries and benefits	6,184,476	5,871,244
Office and administration	1,686,649	1,702,556
Professional services	1,188,849	1,463,799
Amortization	1,469,569	1,394,769
Property rental	386,719	386,073
	10,916,262	10,818,441
<b>Net earnings, being retained earnings, end of year</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying notes to financial statements.



## Statement of Cash Flows

March 31, 2018, with comparative information for 2017	2018	2017
<b>Cash flows from operating activities:</b>		
Net earnings	\$ -	\$ -
Items not involving cash:		
Amortization	1,469,569	1,394,769
Change in non-cash operating working capital:		
(Increase) decrease in accounts receivable	(1,069,439)	338,783
(Increase) decrease in prepaid expenses	(99,972)	40,852
Decrease in accounts payable and accrued liabilities	(648,351)	(348,649)
Increase in future benefits liability	187,702	162,801
Net cash provided by (used in) operating activities	(160,491)	1,588,556
<b>Cash flows from financing activities:</b>		
Decrease in long-term loans payable	(1,435,236)	(1,204,632)
Net cash used in financing activities	(1,435,236)	(1,204,632)
<b>Cash flows from investing activities:</b>		
Purchase of fixed assets	(20,951)	(108,813)
Purchase of intangible assets	(13,980)	(81,326)
Net cash used in investing activities	(34,931)	(190,139)
<b>Increase in cash</b>	<b>(1,630,658)</b>	<b>193,785</b>
<b>Cash, beginning of year</b>	<b>1,994,911</b>	<b>1,801,126</b>
<b>Cash, end of year</b>	<b>\$ 364,253</b>	<b>\$ 1,994,911</b>

See accompanying notes to financial statements.

# Notes to Financial Statements

Year ended March 31, 2018

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 Teachers' Pension Plan Trustee Inc. and 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

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, 2016, and has been extrapolated to March 31, 2018.

### 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**

Accounts receivable include amounts owed to the Corporation from its clients for services provided and accrued interest on the short-term investment.

The following amounts were due to the Corporation as at March 31, 2018:

	2018	2017
Public Service Superannuation Plan	\$ 1,251,835	\$ -
Teachers' Pension Plan	74,126	-
Public Service Superannuation Plan contributing employers	-	210,503
Sydney Steel Corporation Superannuation Fund	-	25,930
Members' Retiring Allowances Act Plans	-	22,466
Accrued interest on short-term investment	13,707	12,184
Province of Nova Scotia	-	1,438
Other	5,557	3,265
	<b>\$ 1,345,225</b>	<b>\$ 275,786</b>

## 3.

**Short-term investment**

The short-term investment consists of a guaranteed investment certificate with a maturity date of August 27, 2018 (2017 – August 25, 2017).

## 4.

**Fixed and intangible assets**

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Fixed assets				
Computer hardware	\$ 250,796	\$ (173,046)	\$ 77,750	\$ 148,283
Furniture	51,661	(37,759)	13,902	31,542
Leasehold Improvements	2,722	(820)	1,902	2,447
	305,179	(211,625)	93,554	182,272
Intangible assets				
Systems	6,629,318	(3,899,203)	2,730,115	4,076,035
	6,629,318	(3,899,203)	2,730,115	4,076,035
Total	<b>\$ 6,934,497</b>	<b>\$ (4,110,828)</b>	<b>\$ 2,823,669</b>	<b>\$ 4,258,307</b>



5.

**Accounts payable and accrued liabilities**

	2018	2017
Accounts payable and accrued liabilities	\$ 1,331,057	\$ 1,381,136
Due to Teachers Pension Plan	-	503,725
Harmonized sales tax payable	215,032	179,171
Due to Public Service Superannuation Plan	-	141,157
Due to Sydney Steel Corporation Superannuation Fund	10,749	-
	<b>\$ 1,556,838</b>	<b>\$ 2,205,189</b>

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, 2018, the loans payable are as follows:

	2018	2017
Teachers' Pension Plan	\$ 1,411,535	\$ 2,129,153
Public Service Superannuation Plan	1,411,535	2,129,153
	<b>\$ 2,823,070</b>	<b>\$ 4,258,306</b>

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 Teachers' Pension Plan for the year ended March 31, 2018 was \$4,953,889 (2017 - \$4,987,915) (note 11). As at March 31, 2018, the Corporation has a receivable of \$74,126 (2017 - \$nil) from Teachers' Pension Plan for services provided (note 2).

Teachers' Pension Plan advances cash to the Corporation on a short-term basis to pay expenses. As at March 31, 2018, the amount due to Teachers' Pension Plan was \$nil (2017 - \$503,725) (note 5). During the year, 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, 2018, the loan payable due to Teachers' Pension Plan was \$1,411,535 (2017 - \$2,129,153) (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 Public Service Superannuation Plan Trustee Inc. on April 1, 2013 to provide pension and investment services to Public Service Superannuation Plan. The amount charged to Public Service Superannuation Plan for the year ended March 31, 2018 was \$5,698,245 (2017 - \$5,395,165) (note 11). As at March 31, 2018, the Corporation has a receivable of \$1,251,835 (2017 - \$nil) from Public Service Superannuation Plan for services provided (note 2).

Public Service Superannuation Plan advances cash to the Corporation on a short-term basis to pay expenses. As at March 31, 2018, the amount due to Public Service Superannuation Plan was \$nil (2017 - \$141,157) (note 5). During the year, 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, 2018, the loan payable due to Public Service Superannuation Plan was \$1,411,535 (2017 - \$2,129,153) (note 6).

Employees of the Corporation are members of Public Service Superannuation Plan. During the year, the Corporation made \$411,922 (2017 - \$382,655) in contributions 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 Teachers' Pension Plan, and PSS Investments I Inc., a related subsidiary of 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 \$386,719 (2017 - \$386,073).

## Related party transactions (continued)

### 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:

	2018	2017
Payroll services	\$ 225,000	\$ 370,700
Stationery, printing and postage	1,627	2,545
Other	823	1,983
	\$ 227,450	\$ 375,228

The amount due to the Province of Nova Scotia as at March 31, 2018 for services provided to the Corporation was \$354 (2017 – \$358).

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, 2018 for recovery was \$218,646 (2017 – \$619,340).

Pension services were provided to the Province of Nova Scotia during the year. The amount charged to the Province of Nova Scotia was \$nil (2017 - \$1,756) (note 11).

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, 2016 under Section 3463 of Part III of the CPA Canada Handbook – Accounting by Eckler Limited and extrapolated to March 31, 2018. 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).

## Future benefits liability (continued)

The significant assumptions used are as follows:

	March 31, 2018	March 31, 2017
Discount rate	3.90% per annum	3.90% per annum
Compensation increase	1.5% per annum for 2 years, 2.5% per annum thereafter plus merit, rising to 2.0% per annum for employees under 30 years of age	1.5% per annum for 2 years, 2.5% per annum thereafter plus merit, rising to 2.0% per annum for employees under 30 years of age
Retirement age	<ul style="list-style-type: none"> <li>• 10% at age 59</li> <li>• 20% at age 60</li> <li>• 10% at age 61-64</li> <li>• 50% at age 65-69</li> <li>• 100% at age 70</li> </ul> <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"> <li>• 10% at age 59</li> <li>• 20% at age 60</li> <li>• 10% at age 61-64</li> <li>• 50% at age 65-69</li> <li>• 100% at age 70</li> </ul> <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	\$2,890 per year of service in 2016, increasing at 2.50% per annum after 2016	\$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, 2018 is calculated as follows:

	2018	2017
Post-retirement health benefits	\$ 940,576	\$ 859,768
Public service award	527,308	507,922
Supplemental Employee Retirement Plan	588,247	500,739
	\$ 2,056,131	\$ 1,868,429

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 2018 were \$411,922 (2017 - \$382,655) 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.

### Issued common shares

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:

	2018	2017
Public Service Superannuation Plan	\$ 5,698,245	\$ 5,395,165
Teachers' Pension Plan	4,953,889	4,987,915
Sydney Steel Corporation Superannuation Fund	100,000	123,194
Members' Retiring Allowances Act Plans	120,000	105,133
Public Service Superannuation Plan contributing employers	16,615	185,614
Other	5,590	-
Province of Nova Scotia	-	1,756
	<b>\$ 10,894,339</b>	<b>\$ 10,798,777</b>

## 12.

**Commitments**

As at March 31, 2018, the Corporation was contractually obligated under various operating and occupancy leases. Future minimum annual lease payments over the next five years are as follows.

2019	\$ 1,569,605
2020	1,215,542
2021	692,965
2022	695,388
2023	692,965



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