



2019-2020
**Nova Scotia
Pension Services
Corporation**
Annual Report

2019-2020

Nova Scotia Pension Services Corporation Annual Report

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About Us

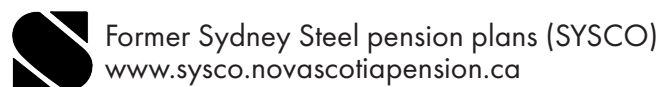
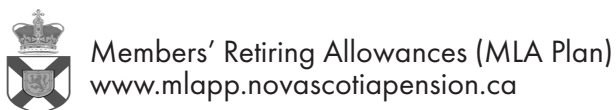
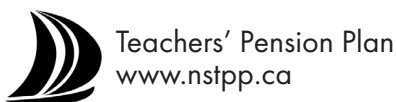
Nova Scotia Pension Services Corporation (Pension Services Corp.) administers the pension benefits and investment assets of the Teachers' Pension Plan and the Public Service Superannuation Plan, and administers the pension benefits of the Members' Retiring Allowances and the three former Sydney Steel 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 72,000 active 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 appointed by 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.

** Based on data as at December 31, 2019 for the Teachers' Pension Plan, and as at March 31, 2020 for the Public Service Superannuation Plan.*



Who We Serve

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

In total, we manage almost \$12 billion of plan assets and serve over 72,000 active members, retirees, and survivors across Nova Scotia, Canada, and the world.



Plan membership breakdown

38,535

PSSP Members*

32,647

TPP Members**

1,080

SYSCO Members*

194

MLA Members*

* as at March 31, 2020

** as at December 31, 2019

2019-2020 Highlights



We presented at **45** 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 **1,110** retirements.



We answered **23,942** phone calls.



88% of phone calls were answered in less than 20 seconds.



Employer Services received and processed contributions from **49** employers from the PSSP and the TPP.



We conducted an average of **22** hours of training for each employee, with 100% of employees attending some form of training.



We have created **26** 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

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, 2020.

The fiscal years for the Teachers' Pension Plan (TPP) and the Public Service Superannuation Plan (PSSP) are not the same – with the TPP's fiscal year ending December 31st, and the PSSP's fiscal year ending March 31st. The full onset of the coronavirus pandemic in March of 2020 therefore impacted the plans quite differently. With the TPP's fiscal year-end being December 31, 2019, its investment returns for fiscal 2019 were extremely solid – 12.36% on a net basis. The PSSP's fiscal timing brought quite different results – with its investment returns ending up essentially flat as at March 31, 2020. Both the TPP and the PSSP experienced steep declines in their discount rates for their respective fiscal periods, resulting in large increases in their actuarial liabilities. Given the TPP's December 31st fiscal year-end, it was able to absorb the increase in liabilities and post a year-over-year gain in its funded ratio to 78.2% from 75.3%. For the PSSP, on the other hand, the large increase in the PSSP's actuarial liabilities (driven by the sharp discount rate decline) was coupled with investment losses in the January-March 2020 period, culminating in a year-over-year decrease of the PSSP's funded ratio to 91.4% from 101.9%.

The last months of fiscal 2019-2020 witnessed truly unprecedented volatility, as the coronavirus pandemic swept the globe and economies were plunged into paralysis. Pension Services Corp. staff had to shift many core operations to a virtual platform in March of 2020, which was maintained going into the 2020-2021 fiscal year. Most key performance indicators were nevertheless met for fiscal 2019-2020 and rigorous adherence to risk management protocols was maintained. Pension Services Corp. staff are to be commended for their efforts to protect plan assets and for their dedication in continuing to provide key services to plan members during an historically-turbulent period.

While demographic challenges for the PSSP and the TPP continued to mount, the membership numbers for both plans held steady. The PSSP membership stood at 38,535 as at March 31, 2020, an overall increase of 1,933 from the year before. The TPP membership stood at 32,647 as at December 31, 2019, an overall increase of 304 from the year before. Pension Services Corp. continued its support of the Trustee of the PSSP in its initiative to achieve membership growth. Pension Services Corp. also supported the Trustee and Sponsors of the TPP in their ongoing work to improve the TPP's funded health.

Attention to our people remained a top priority for Pension Services Corp. We are proud of our support of inclusiveness, diversity, and respectfulness, and our ongoing efforts to make Pension Services Corp. a great place for our employees to work. We completed a biennial employee engagement survey in the late spring of 2019, and saw our scores continue to improve, with an overall rating of 80, and 90% of the respondents indicating they would recommend Pension Services Corp. as a good place to work. We still have things to accomplish, but we are heartened by the spirit of comradery and the collective purpose exhibited by Pension Services Corp. staff, which only were magnified by the challenges brought on by the coronavirus pandemic.

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.

- John B. Carter
Co-Chair
TPPTI Representative

- Keiren Tompkins
Co-Chair
PSSPTI Representative

Board of Directors *(as at March 31, 2020)*

The Board of Directors of Pension Services Corp. (Board) oversees the overall operation and management of the Corporation. 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.



John B. Carter
Co-Chair
TPPTI Representative



Keiren Tompkins
Co-Chair
PSSPTI Representative



Karen Gatien
TPPTI Representative



Leo Mckenna
PSSPTI Representative



Vicki Clark
TPPTI Representative



Ronald Smith
PSSPTI Representative



Kyle Marryatt
TPPTI Representative



Nancy MacLellan
PSSPTI Representative

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

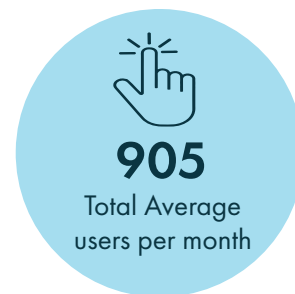
My Retirement Plan website statistics (as at December 31, 2019)



- PSSP member profiles = 18,647
- TPP member profiles = 13,019
- MLA member profiles = 49



- Member logins decreased to 18,588 in 2019.
- In 2018, member logins were 25,804.



- Average users per month increased to 905 in 2019.
- In 2018, average users per month were 862.



The Pension Projection tool was used 22,001 times.

- PSSP members = 16,023 times
- TPP members = 5,922 times
- MLA Plan members = 56 times



The Annual Statement tool was used 11,833 times.

- PSSP members = 8,620 times
- TPP members = 3,193 times
- MLA Plan members = 20 times



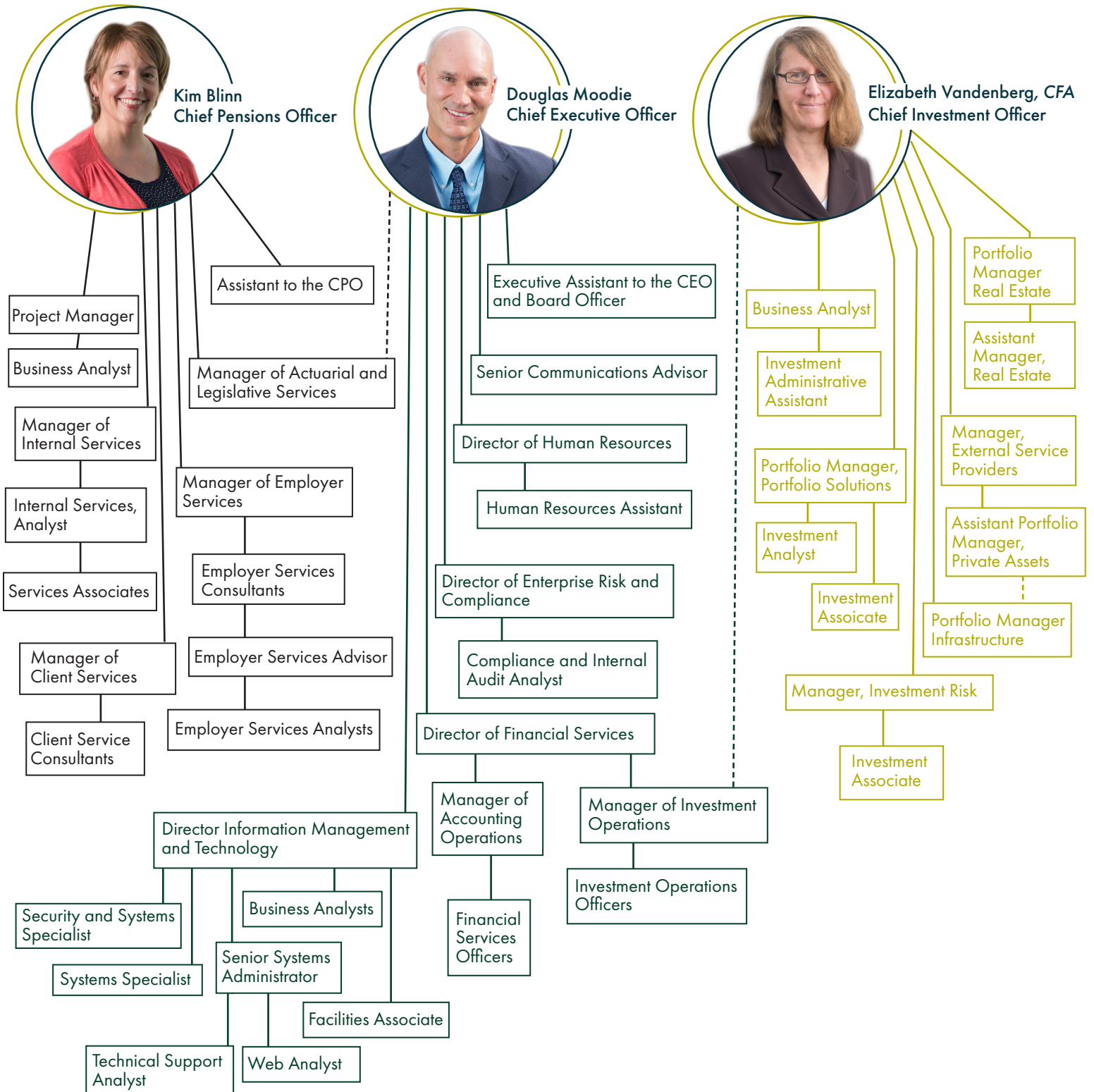
The Pension Profile was used 4,714 times.

- PSSP members = 3,208 times
- TPP members = 1,501 times
- MLA Plan members = 5 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:

- Feed NS
- Souls Harbour Rescue Mission
- Chisholm Foundation for Children
- Therapeutic Paws of Canada
- ADSUM House – Sock it to poverty campaign

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

SUPPORTING LOCAL

- We paid **\$6.1** million in salaries to our employees and matched their contributions of **\$492** thousand to the Public Service Superannuation Plan.
- We spent over **\$2.7** million procuring services from locally-based professional service firms, technology providers and other local companies.
- Our plans paid almost **\$796** 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 **\$7.1** million, including **\$5.7** million of investment management fees paid to local managers.

Our Strategic Plan - 2019-2022



Our Vision

To strengthen the retirement future of Nova Scotians

Our Mission

To provide outstanding pension services

Our Values

- 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

Our Key Strategic Objectives



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



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



We are measured on our progress on 'People' and 'Operational Excellence', as reflected on the Corporate Scorecard which is available on page 12. The area of 'Client Service' is measured by each of PSSPTI and TPPTI, with the results posted on their respective websites. The area of 'Value Leadership' is assessed specifically and separately by the Board of Pension Services Corp.

Our Business Plan for 2020-2021

Client Service

- with the expected continuing disruption of markets and economies due to COVID-19, continue to monitor and manage short-term risks and long-term repercussions to investment assets
- adapt client service delivery model to meet the impacts of the COVID-19 state of emergency, ensuring that key life events and transactions are completed for PSSP and TPP members in a safe and efficient manner
- continue to support and advise PSSPTI in its membership growth initiatives, and its assessment of the impact of Canada Pension Plan changes
- continue to 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
- continue development of a diverse suite of educational materials (including online videos and retirement financial literacy links) focused on active members at different career stages, as well as retired members
- meet or exceed investment target rates of return within acceptable risk tolerances
- complete PSSP and TPP asset-liability studies and receive approvals for policy asset mix changes
- identify and implement revisions to investment strategies and mandates

Operational Excellence

- precipitated by the ongoing COVID-19 state of emergency that came into force in March 2020, shift operations to 'Business Continuity Plan – Level 3' standing, and identify and implement all necessary adjustments to ensure the uninterrupted provision of core business services throughout the state of emergency
- continue to implement outcomes of the records management (RM) initiative – with initial emphasis on destruction of expired/redundant hard-copy records and on exploration of options for digital imaging of current hard-copy records
- continue to review and enhance the Corporation's enterprise-wide risk management program
- continue to evolve and improve cyber-security and other protections, both digital and physical, of member personal information

Value Leadership

- triggered by the COVID-19 state of emergency, create a permanent capacity (through the provision of requisite hardware and connectivity to employees at home) to enable certain key operations to be carried on virtually during periods of short-term office inaccessibility
- adapt pre-retirement and educational seminars to support employers and members in a manner that is respectful of COVID-19 implications for both them and our service-team members
- increase overall use of technology (e.g. audio/visual resources) to improve efficiencies, particularly in response to contingencies catalyzed by the COVID-19 state of emergency
- review office premises requirements through to at least 2030, and explore options for obtaining premises that are space-efficient, cost-effective, secure, suitable for our employees, and reasonably accessible to plan members, board directors and service providers

People

- in the context of the COVID-19 state of emergency that came into force in March 2020, create and implement various detailed arrangements to protect employee health and safety, to accommodate employees' childcare needs, to enable working-from-home, to provide relevant communications, and to support employees and assist them through the stressful and unprecedented circumstances created by the pandemic
- negotiate a new collective agreement in partnership with the NSGEU
- review services/support provided by human resources to ensure roles continue to support the organization's priorities
- 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

Our Annual Corporate Scorecard

As of March 31, 2020

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. One of the remaining goals, Value Leadership, is assessed specifically and separately by the Board.

The remaining goal, Client Service, is measured separately as part of the Trustees' Scorecards.

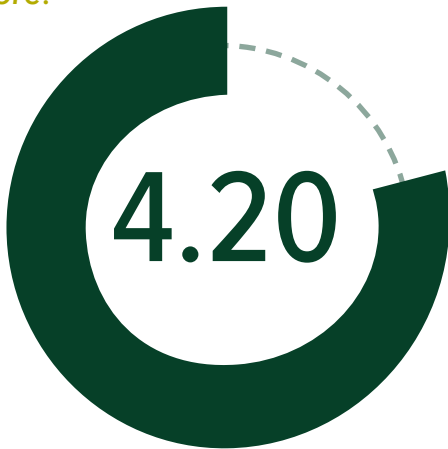
Below is a summary of our Corporate Scorecard for the fiscal year 2019-2020:

Our Goals:

Operational Excellence

Create efficiencies and manage risk.

Score:



People

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 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, 2020*

Below is a summary of the PSSPTI Scorecard of NSPSC for the fiscal year 2019-2020:

Goal:

Client Service: Anticipate and respond to the changing retirement landscape

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, 2019*

Below is a summary of the TPPTI Scorecard of NSPSC for the fiscal year 2019:

Goal:

Client Service: Anticipate and respond to the changing retirement landscape

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

Measurement	PSSPTI Score	TPPTI Score
Trustee Regular Meetings	3.58	4.00
Board Education	3.64	3.00
Budget	3.42	4.00
Actuarial, Audit, and Compliance	3.46	4.00
Communication Materials	3.63	4.00
Special Projects	3.88	4.00
Investment Services	3.45	3.25
Pension Services	3.125	4.00

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

Measurement	Corporate Board Score
Budget and Financial Services	3.50
Infrastructure, Systems, and Organization	3.50
Human Resources	4.00
Risk, Compliance and Internal Controls	3.50
Audit and Actuarial	3.50
Annual Report	3.50
Board Meetings	3.50
Operational Efficiencies, Special Projects, Enhancements of Corporate Profile	4.0

RATING SCALE:

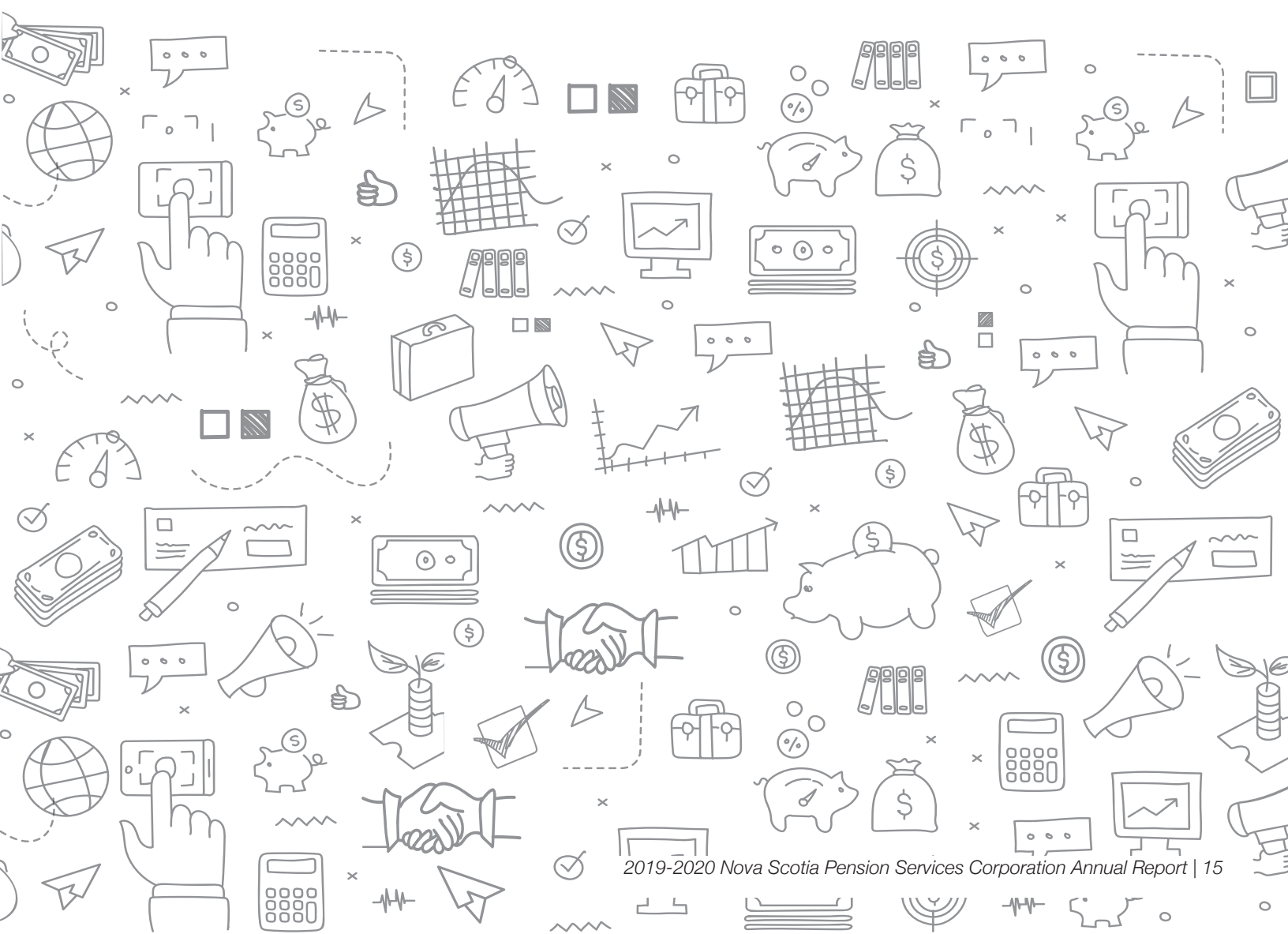
- 5 – Exceptional
- 4 – Exceeds
- 3 – Achieved
- 2 – Partially Achieved
- 1 – Did Not Achieve

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 Boards of the Trustees and the 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, 2020, Pension Services Corp. had total operating expenses of \$12.5 million, a decrease of \$319 thousand over the previous year. Salaries increased 2.25 per cent on average, however, overall salaries and benefits decreased by \$146 thousand due to vacancies during the year. Fully amortized fixed and intangible assets, as compared to in the prior year, decreased amortization expense by \$241 thousand. Professional services increased by \$41 thousand, and property rental increased by \$28 thousand.

The increased expenses noted above were included in the 2019-2020 budget and were pre-approved by the Boards of the Trustees and the Corporate Board. For the year ended March 31, 2020, Pension Services Corp.'s total expenses were within the budgeted targets set by the Boards of the 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 risks and compliance to applicable legislation, regulations, plan text, 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, 2020, they are not aware of any material noncompliance in respect of legislative, regulatory, plan text 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, a Fair Hiring Policy, and 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:

- Pension Investment Association of Canada (PIAC)
- Canadian Public Pension Leadership Council (CPPLC)
- Public Sector Pension National Forum (PSPNF)
- Association of Canadian Pension Management (ACPM)
- Conference Board of Canada
- Association for Information and Image Management (AIIM)
- 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 (IFEBP) and the Institute of Corporate Directors (ICD).

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 \$626,383 for 20 employees based upon performance in the fiscal year ended March 31, 2020. 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, 2020	March 31, 2019
Douglas Moodie, Chief Executive Officer	\$340,100	\$138,965	\$478,965	\$457,190
Elizabeth Vandenberg, Chief Investment Officer	\$222,178	\$74,930	\$297,108	\$269,315
Kim Blinn, Chief Pensions Officer	\$156,756	\$45,099	\$201,855	\$182,079

Financial Statements of
Nova Scotia Pension Services Corporation
Year ended March 31, 2020





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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, 2020;
- 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, 2020, 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 comprises of;

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

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.



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.

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 represents 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'. The signature is written in a cursive, slightly slanted style and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants
Halifax, Canada
June 24, 2020

Financial Statements of
Nova Scotia Pension Services Corporation
Year ended March 31, 2020

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Financial Statements


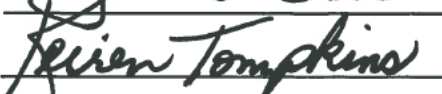
Balance Sheet

Year ended March 31, 2020, with comparative information for 2019	2020	2019
Assets		
Current assets:		
Cash	\$ 64,926	\$ 890,950
Accounts receivable (note 2)	4,448,535	3,614,547
Prepaid expenses	252,301	176,243
	4,765,762	4,681,740
Fixed assets (note 3)	265,211	242,243
Intangible assets (note 3)	10,040	1,252,282
	\$ 5,041,013	\$ 6,176,265
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (note 5)	\$ 2,387,598	\$ 2,074,772
	2,387,598	2,074,772
Loans payable (note 5)	-	1,494,526
Future benefits liability (note 7)	2,653,415	2,606,967
	2,653,415	4,101,493
Shareholders' equity:		
Common shares (note 9)	-	-
	-	-
Commitments (note 11)		
	\$ 5,041,013	\$ 6,176,265

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

On behalf of the Board:

Approved:

Co Chair, Board of Directors

Co-Chair, Board of Directors

Statement of Earnings and Retained Earnings

Year ended March 31, 2020, with comparative information for 2019	2020	2019
Revenue (note 11)	\$ 12,490,494	\$ 12,799,729
Interest income	-	9,370
Total increase in assets	12,490,494	12,809,099
Expenses:		
Salaries and benefits	7,409,463	7,555,772
Office and administration	1,970,646	1,971,350
Amortization	1,331,865	1,572,958
Professional services	1,264,377	1,222,965
Property rental	514,143	486,054
	12,490,494	12,809,099
Net earnings, being retained earnings, end of year	\$ -	\$ -

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

Statement of Cash Flows

Year ended March 31, 2020, with comparative information for 2019	2020	2019
Cash flows from operating activities:		
Net earnings	\$ -	\$ -
Items not involving cash:		
Amortization	1,331,865	1,572,958
Impairment loss on intangible assets	-	6,655
Change in non-cash operating working capital:		
Increase in accounts receivable	(833,988)	(2,269,322)
(Increase) decrease in prepaid expenses	(76,058)	26,649
Increase in accounts payable and accrued liabilities	312,826	517,934
Increase in future benefits liability	46,448	550,836
Net cash provided by operating activities	781,093	405,710
Cash flows from financing activities:		
Payments on loans payable	(1,494,526)	(1,328,544)
Net cash used in financing activities	(1,494,526)	(1,328,544)
Cash flows from investing activities:		
Purchase of fixed assets	(112,591)	(250,469)
Proceeds from sale of short-term investment	-	1,700,000
Net cash used in investing activities	(112,591)	(34,931)
(Decrease) increase in cash	(826,024)	526,697
Cash, beginning of year	890,950	364,253
Cash, end of year	\$ 64,926	\$ 890,950

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended March 31, 2020

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:

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, 2020.

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, 2020:

	2020	2019
Public Service Superannuation Plan	\$ 2,383,515	\$ 1,902,511
Teachers' Pension Plan	2,058,351	1,703,727
Other	6,669	8,309
	\$ 4,448,535	\$ 3,614,547

3. Fixed and intangible assets

2020	Cost	Accumulated amortization	Net book value
Fixed assets:			
Computer hardware	\$ 401,959	\$ (235,967)	\$ 165,992
Furniture	98,734	(67,365)	31,369
Leasehold Improvements	94,540	(26,690)	67,850
	595,233	(330,022)	265,211
Intangible assets:			
Systems	6,607,133	(6,597,093)	10,040
	6,607,133	(6,597,093)	10,040
Total	\$ 7,202,366	\$ (6,927,115)	\$ 275,251

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

4. Accounts payable and accrued liabilities

	2020	2019
Accounts payable and accrued liabilities	\$ 2,164,055	\$ 1,729,504
Harmonized sales tax payable	223,543	345,268
	\$ 2,387,598	\$ 2,074,772

5. 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, 2020, the loans payable was \$nil.

	2020	2019
Due to Teachers' Pension Plan	\$ -	\$ 747,263
Due to Public Service Superannuation Plan	-	747,263
	\$ -	\$ 1,494,526

6. 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, 2020 was \$5,481,668 (2019 - \$5,761,745) (note 10). As at March 31, 2020, the Corporation has a receivable of \$2,058,351 (2019 - \$1,703,727) from the Teachers' Pension Plan for services provided (note 2).

The Teachers' Pension Plan loans the Corporation funds to fund capital assets for the betterment of servicing the clients of the Corporation. As at March 31, 2020, the loan payable due to the Teachers' Pension Plan was \$nil (2019 - \$747,263) (note 5).

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, 2020 was \$6,744,348 (2019 - \$6,803,929) (note 10). As at March 31, 2020, the Corporation has a receivable of \$2,383,515 (2019 - \$1,902,511) from the Public Service Superannuation Plan for services provided (note 2).

The Public Service Superannuation Plan loans the Corporation funds to fund capital assets for the betterment of servicing the clients of the Corporation. As at March 31, 2020, the loan payable due to Public Service Superannuation Plan was \$nil (2019 - \$747,263) (note 5).

Employees of the Corporation are members of the Public Service Superannuation Plan. During the year, the Corporation made contributions of \$492,297 (2019 - \$457,606) to the plan (note 8).

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 \$514,143 (2019 - \$486,054).

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:

	2020	2019
Payroll services	\$ 225,000	\$ 225,000
Payroll system enhancements	4,986	-
Other	442	3,445
	\$ 230,428	\$ 228,445

The amount due to the Province of Nova Scotia as at March 31, 2020 for services provided to the Corporation was \$225,127 (2019 - \$ nil). The amount due to the Corporation for services provided to the Province of Nova Scotia as at March 31, 2020 was \$3,354 (2019 - \$ nil).

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, 2020 for recovery was \$498,953 (2019 - \$nil).

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.

7. 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 and extrapolated to March 31, 2020, 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).

	2020	2019
Discount rate	3.30% per annum	3.30% per annum
Salary	2.50% per annum for 2 years, 2.50% plus merit per annum thereafter, and 2.00% per annum for employees under 30 years of age	2.50% per annum for 2 years, 2.50% plus merit per annum thereafter, and 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 2020, increasing at 2.50% per annum after 2020	\$3,026 per year of service in 2019, increasing at 2.50% per annum after 2019

Future benefits liability (continued)

The future benefits liability as at March 31, 2020 is calculated as follows:

	2020	2019
Supplemental Employee Retirement Plan	\$ 1,509,008	\$ 1,415,532
Post-retirement health benefits	1,077,523	995,495
Public Service Award	66,884	195,940
	\$ 2,653,415	\$ 2,606,967

8. 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 2020 were \$492,297 (2019 - \$457,606) 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.

9. 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.

10. Revenue

Revenue is as follows:

	2020	2019
Public Service Superannuation Plan	\$ 6,744,348	\$ 6,803,929
Teachers' Pension Plan	5,481,668	5,761,745
Members' Retiring Allowances Act Plans	160,013	122,400
Sydney Steel Corporation Superannuation Fund	104,040	102,000
Other	425	9,655
	\$ 12,490,494	\$ 12,799,729


11. Commitments

As at March 31, 2020, the Corporation was contractually obligated under various operating and occupancy leases. Future minimum annual lease payments over the next five years are as follows:

2021	\$ 1,355,209
2022	1,357,632
2023	1,279,002
2024	1,066,098
2025	897,259

Contact Pension Services Corp. at:




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