

# 16 Pension Accounting

## Policy Statement

It is the policy of the Province of Nova Scotia to report the pension expense and liability of the province in compliance with Public Sector Accounting Board (PSAB) standards.

## Definitions

### **PENSION BENEFITS**

Includes pension plans, funded or unfunded, and other post-retirement or early retirement benefit for which the Province of Nova Scotia has an obligation; includes obligations under ERIPs (Early Retirement Incentive Programs), retirement allowances, etc.

### **ACTUARIAL ESTIMATES**

Actuarial assessment of the financial status of a pension plan; includes the valuation of the assets held by the fund and the calculation of the actuarial present value of benefits to be paid under the plan.

### **ACCOUNTING ASSUMPTIONS**

Assumptions (for accounting purposes) made about future events that will affect pension costs and obligations; include such things as mortality, retirement, changes in compensation, interest on pension obligations, and investment earnings.

### **ACTUARIAL COST METHOD**

The method used to determine the cost of providing pension plan benefits and to allocate that cost to specific time periods.

### **GOVERNMENT REPORTING ENTITY (GRE)**

Comprised of the consolidated fund (through which all receipts and disbursements of public money flow) and other organizations that are accountable for the administration of their financial affairs and resources either to a minister of the government or directly to the House of Assembly and are owned or controlled by government.

## **Policy Objectives**

The objective of this policy is to define the measuring and reporting of the obligation for employee pension benefits and as a means by which to attribute the costs of those benefits to the periods in which the related services are rendered.

## **Application**

This policy applies to all pension benefits to which the consolidated fund contributes in whole or in part, recognizing that some other members of the government reporting entity contribute to these same benefits. It does not apply to any pension benefits that are the complete responsibility of any other members of the government reporting entity.

## **Policy Directives**

Pension obligations result from a promise by government to provide pensions to employees in return for their services. Since the future pension benefits accrue over the years employees render those services, the amount of pension obligation to attribute to each period of employee service must be determined.

It is necessary to develop actuarial estimates of pension liabilities and expenses using actuarial cost methods based on accounting assumptions. These methods and assumptions will be developed in a manner consistent with PSAB requirements and reassessed with each year's actuarial pension estimate.

The pension obligations of other members of the government reporting entity are included in the consolidated financial statements in the manner prescribed by PSAB.

## **Policy Guidelines**

The trustees of the plans agree that an annual actuarial valuation be completed, although PSAB requires valuations to be completed only every three years, at a minimum.

## **Accountability**

Government Accounting is responsible for ensuring that pension obligations and expenses are recorded in an appropriate manner and are accurately reflected in the Public Accounts of the Province.

The Pension Services Group will provide related advice, inform Government Accounting of relevant changes to the plans, and maintain contact with actuaries for the necessary pension valuations and estimates.

## Monitoring

Government Accounting will monitor the policy's implementation, performance, and effectiveness.

## References

- *CICA Public Sector Accounting Handbook*
- *Public Service Superannuation Act*
- 1998 Agreement between the Province and the NSGEU (contribution holiday)
- *Teachers' Pension Act*
- 1993 Agreement between the Province and the Nova Scotia Teachers Union
- Civil Service Master Agreement
- *Provincial Finance Act*
- *Members' Retiring Allowances Act*
- Other miscellaneous pension documents

The following references are located in Government Accounting and are updated independently of this policy (usually annually):

- actuarial valuation reports and opinions
- assumptions review and recommendation
- assessment of percentage of province's liability
- detailed calculations supporting year-end general ledger adjustments and account balances

## Enquiries

Director, Government Accounting, Department of Finance (902) 424-7021

---

*Approval date: July 5, 2001*

*Manual release date: January 9, 2003*

*Approved by: Minister, Department of Finance*

*Most recent review:*

---

