

18 Long Term Disability (LTD)— Accounting

Policy Statement

It is the policy of the Province of Nova Scotia to report in its financial statements the province's expense and liability associated with the Nova Scotia Public Service Long Term Disability Plan (LTD Plan).

Definitions

LTD PLAN

Created by agreement between the province and the union; contributions are made by employees and employer into the fund; benefits for qualifying members are paid from the fund. There could arise either a fund shortfall or surplus for which the Province of Nova Scotia has an obligation.

ACTUARIAL ESTIMATES

Actuarial assessment of the financial status of the LTD 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 LTD costs and obligations; include such things as past/expected claims experience, mortality, retirement, changes in compensation, interest on LTD Plan obligations, and investment earnings.

ACTUARIAL COST METHOD

The method used to determine the cost of providing LTD 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 LTD benefits and as a means by which to attribute the costs of those benefits to the periods in which the related costs are incurred.

Application

This policy applies to all LTD Plan 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 disability benefits that are the complete responsibility of any other members of the government reporting entity.

Policy Directives

LTD Plan obligations result from a promise by government to provide long-term disability benefits to qualifying employees as part of their compensation package. LTD benefits are triggered by the qualification of a member under the terms of the plan. The amount of LTD Plan obligation to attribute to each period must be determined on this basis.

It is necessary to develop actuarial estimates of LTD Plan liabilities and expenses using actuarial cost methods based on accounting assumptions. These methods and assumptions are developed in a manner consistent with PSAB requirements and reassessed with each actuarial estimate.

The disability benefits 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 ensure that an actuarial valuation is completed periodically, currently every five years.

Accountability

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

The plan's administrative group will provide related advice, inform Government Accounting of relevant changes to the plan, and maintain contact with actuaries for the necessary plan 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*
- May 1985 Agreement and Trust Declaration
- OIC 85-1054 re: creation of Long Term Disability Trust Fund
- Civil Service Master Agreement

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

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