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June 14, 2005

**The Honourable Kerry Morash
Minister of Environment and Labour
P.O. Box 697
HALIFAX, NS B3J 2T8**

Dear Sir:

Pursuant to the requirements of Section 94 of the *Pension Benefits Act*, I have the honour to submit herewith the Annual Report of the Pension Regulation Division for the fiscal year ended March 31, 2004.

Respectfully submitted,

**Nancy MacNeill Smith
Superintendent of Pensions**

encl.

NMS/mm

**REPORT
OF THE
SUPERINTENDENT OF PENSIONS
ON THE
ADMINISTRATION OF THE PENSION BENEFITS ACT
FOR
THE YEAR ENDING MARCH 31, 2004**

**TWENTY-SEVENTH ANNUAL REPORT ON THE
ADMINISTRATION OF THE PENSION BENEFITS ACT
FOR THE PERIOD ENDED MARCH 31, 2004**

INTRODUCTION

In accordance with Section 94 of the *Pension Benefits Act* (RSNS, 1989, ch. 340), the Superintendent of Pensions is required to report annually to the Minister. This Report covers the affairs and transactions of the fiscal year 2003 - 2004.

The *Pension Benefits Act* governs employer-sponsored pension plans established in respect of Nova Scotia employees. It does not apply to employees engaged in work that is subject to federal jurisdiction, nor does it apply to the pension plans established for provincial public servants, teachers, judges, members of the legislature, or Sydney Steel Corporation.

The main objective of the *Pension Benefits Act* is to safeguard employee entitlements to benefits promised under pension plans. This is accomplished through the establishment of minimum funding standards and minimum benefit standards in respect of eligibility requirements, vesting and locking-in, employer contributions, transfer rights, spousal benefits, prohibitions against sex discrimination and disclosure of information.

The Superintendent of Pensions, Pension Regulation Division, is responsible for the administration of the Act.

Based on information collected by the Division and provided to Statistics Canada, 89,428 members participated in 460 pension plans regulated by the Division at January 1, 2003.

PENSION BENEFITS STANDARDS LEGISLATION

In addition to the *Pension Benefits Act* of Nova Scotia, pension benefits standards legislation has been enacted by the following governments:

Canada	Pension Benefits Standards Act, effective October 1967. Revised effective January 1, 1987.
Ontario	The Pension Benefits Act, 1965, effective January 1, 1965. Revised effective January 1, 1988.
Saskatchewan	The Pension Benefits Act, 1967, effective January 1, 1969. Revised effective January 1, 1993.

Quebec	Supplemental Pensions Plan Act, effective January 1, 1966. Revised effective January 1, 1990.
Manitoba	The Pension Benefits Act, effective July 1, 1976. Amended January 1, 1990.
Alberta	Employment Pension Plans Act, effective January 1, 1987. (Replaced the Pension Benefit Act which was effective January 1, 1967).
Newfoundland	The Pension Benefits Act, effective January 1, 1985. Revised effective January 1, 1997.
New Brunswick	The Pension Benefits Act, effective January 1, 1992.
British Columbia	The Pension Benefits Standards Act, effective January 1, 1993.

The representatives of those authorities who have pension legislation, meet on a continuing basis to discuss changes in the pension field and means of dealing with problem areas. Representatives of the various authorities are members of the Canadian Association of Pension Supervisory Authorities (CAPSA).

CAPSA is an interjurisdictional association of pension supervisory authorities whose mission is to facilitate an efficient and effective pension regulatory system in Canada.

During the year under review, CAPSA met in Toronto in March/April of 2003, in Vancouver in September 2003 and in Quebec City during March of 2004. CAPSA members also participated in two conference call meetings held in June 2003 and January 2004. The meetings focused on development of a model pension law, defined contribution plan investment disclosure, plan governance, investment policy, and issues relating to the administration of multi-jurisdictional plans.

The draft Governance Guidelines and Self-Assessment Questionnaire were released in November 2003 for “road testing” by plan administrators.

In January 2004, CAPSA released for consultation, proposed regulatory principles for model pension law. The consultation continued until June 30, 2004.

Representatives of CAPSA also participate in the Joint Forum of Financial Market Regulators. The Joint Forum discusses issues of common interest among Canadian securities, insurance, and pension regulators arising from the growing integration of the financial services sector. Work continues on the development of basic investment disclosure principles for capital accumulation plans, which include defined contribution pension plans, group registered retirement savings plans, deferred profit sharing plans and employee profit sharing plans. A consultation paper on proposed Guidelines for Capital Accumulation Plans was released for comment in April 2003. The development of a common set of principles and practices for the sale of products and services by all financial intermediaries is another project of the Joint Forum. Public Consultation on the principles began

on March 6, 2003. The Joint Forum also released a consultation paper in February 2003 proposing changes to the way information is communicated to consumers, of segregated funds and mutual funds, about their investment choices. Issues raised during those consultations are being considered by the Joint Forum.

AGREEMENTS WITH OTHER AUTHORITIES

Agreements with the Government of Canada and other provinces having pension legislation provide for the reciprocal registration, audit and inspection of pension plans. Under these agreements, a pension plan subject to the legislation of more than one authority is supervised by the jurisdiction which has the greatest number of plan members. The regulatory body in the jurisdiction of registration applies the rules of other jurisdictions, where applicable.

MEMORANDUM OF UNDERSTANDING

Statistics Canada and the Province have a Memorandum of Understanding respecting the employer pension plans under the custody and control of the Superintendent of Pensions. Under that Memorandum, information compiled by the Superintendent is submitted to Statistics Canada for the development of integrated social statistics for Canada.

The Province also has a Memorandum of Understanding with the Canada Revenue Agency (CRA) to harmonize the exchange of data and information respecting employer pension plans under the control of the Superintendent of Pensions. Data from a joint Annual Information Return on pension plans is collected by the Superintendent of Pensions and shared with CRA.

SUPERINTENDENT'S DECISIONS / HEARINGS / APPEALS

Newfoundland Capital Corporation

On November 20, 2003, the Superintendent of Pensions issued a proposal to order payment of an unreduced early retirement benefit to a member of the Pension Plan for Employees of Newfoundland Capital Corporation and its Affiliated Employers (the "Plan"). The Superintendent also proposed to refuse to register Amendment # 4 to the Plan. Newfoundland Capital Corporation requested a hearing on the proposals and submitted additional information to the Superintendent for her consideration. The member and Newfoundland Capital Corporation continue discussions to resolve the issue.

Halifax Regional Municipality Pension Committee

On December 9, 2003 the Superintendent of Pensions issued a proposed order to the Halifax Regional Municipality Pension Committee to stop charging members a \$500 fee for transfers of benefits to or from the Halifax Regional Municipality Pension Plan from or to another pension plan under a reciprocal transfer agreement. A reconsideration hearing on the proposed order was held on March 4, 2004 and the Superintendent issued an order on April 27, 2004 to the Pension Committee directing the Committee to stop charging a fee for reciprocal agreement transfers.

OPERATION OF THE DIVISION

As at March 31, 2004, the Division was responsible for the supervision of 481 pension plans. Twenty-three applications for registration were received during the fiscal year and thirteen of the filed plans were in the process of being wound up.

SUMMARY OF PENSION PLANS APPROVED TRANSFERRED OR TERMINATED TO MARCH 31, 2004

	TOTAL AS AT MARCH 31, 2003	ADDITIONS - (DELETIONS)	TOTAL AS AT MARCH 31, 2004
Filed Plans	1378	23	1401
Plans Transferred From Other Jurisdictions	22	0	22
Plans Transferred From Other Jurisdictions for Purposes of Merger	0	1	1
Applications Withdrawn	-14	0	-14
Plans Terminated	-842	-13	-855
Plans Transferred To Other Jurisdictions	-74	0	-74
Active Plans On File	470	11	481
Deduct: Plans In Process of Registration	-7	-13	-20
Registered Plans	463	-2	461

A total of 10 Certificates of Registration were issued. Two plans submitted prior to April 1, 2003, and 18 submitted in 2003/2004 require further documentation and/or amendments before they will be accepted for registration.

The Division received 1,632 pieces of correspondence during the 2003/2004 period, and responded within an average of 51 days. In the 2002/2003 period, the division's average response time was 43 days in respect of 1,530 submissions.

Three hundred ninety-six pension plan documents were approved during the fiscal year.

A refund to the employer of surplus of \$12,352 was made in respect of one terminated plan.

As of April 1, 2003, there were 165 approved Life Income Funds on the Superintendent's List of Approved Life Income Fund Arrangements. As of March 31, 2004, there were 125 on the List.

The following table shows that during the period under review, 13 pension plans were terminated covering 1,293 employees. There was no loss of pension coverage for the 1,257 members of plans merged with another. There were 6 partial plan terminations affecting 148 members.

TERMINATED PENSION PLANS

REASON	# OF PLANS	# OF ACTIVE MEMBERS
No members left	1	0
Financial difficulty/bankruptcy	2	27
Merged with another	6	1,257
No reason given	4	9
TOTAL	13	1,293

CONTRIBUTIONS

In accordance with Section 27(1) of the *Pension Benefits Act*, the administrator of a pension plan registered in Nova Scotia is required to file an Annual Information Return (AIR) outlining the contributions made to the pension plan and changes in plan membership.

Contributions and membership data from filed Annual Information Returns are compiled and forwarded to Statistics Canada for the inclusion in their Annual Report on pension plans in Canada. Information from the Return is also forwarded to Canada Customs and Revenue Agency.

Based on the Returns filed with the Division, total contributions for 2003 were \$370,259,685, up from \$333,894,290 in 2002.

The employee and employer contributions to pension plans under supervision for the year ending December 31, 2003, were as follows:

2003 CONTRIBUTIONS:

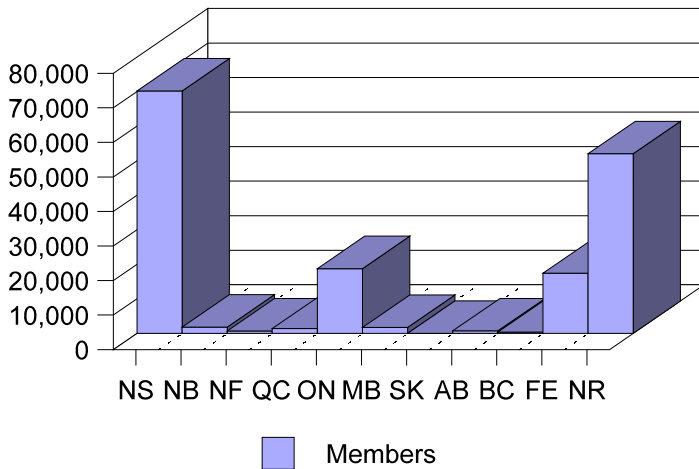
Employee Required Contributions	\$113,650,897	
Employee Voluntary Contributions	<u>7,201,464</u>	
TOTAL EMPLOYEE CONTRIBUTIONS -	\$120,852,361	\$120,852,361
Actual Employer Current Service Contributions	\$183,025,594	
Employer Contributions made from Surplus	<u>7,999,163</u>	
TOTAL EMPLOYER CURRENT SERVICE CONTRIBUTIONS -	\$191,024,757	
Employer Special Payments	<u>58,382,567</u>	
TOTAL EMPLOYER CONTRIBUTIONS -	\$249,407,324	<u>\$249,407,324</u>
TOTAL CONTRIBUTIONS		<u>\$370,259,685</u>

JURISDICTION OF PLAN MEMBERSHIP AND MEMBERSHIP COVERAGE

Information provided by Statistics Canada based on information collected by the Division indicates that as of January 1, 2003, there were 1,486 pension plans in all jurisdictions covering 165,323 Nova Scotia Employees. The Division supervised 460 plans covering 89,428 members; 19,217 of these members were employed in other provinces.

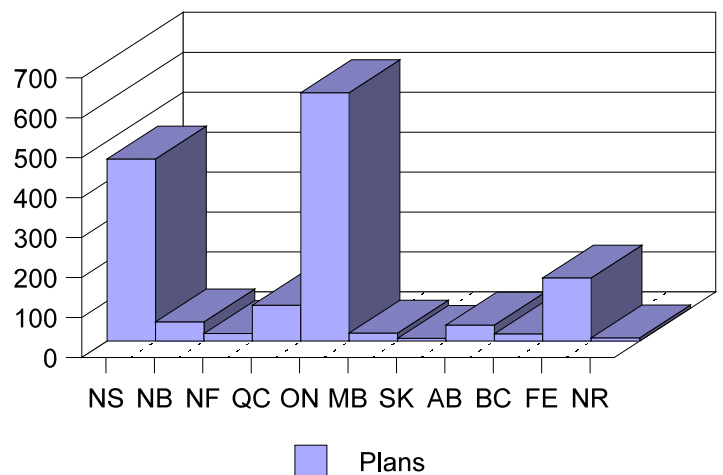
NS Members in Plans in Canada by Jurisdiction

(Source: Statistics Canada - January 1, 2003)



Pension Plans in Canada with NS Members

(Source: Statistics Canada - January 1, 2003)



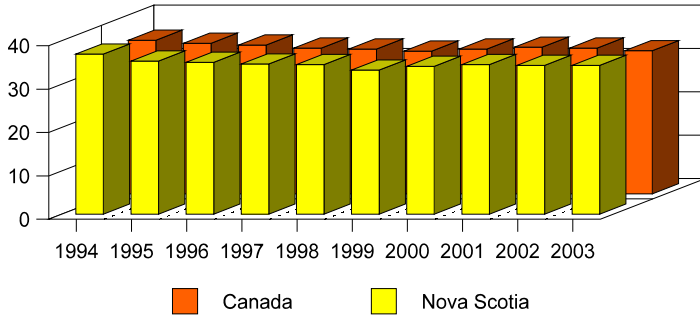
FE - Federal

N/R Not registered - these plans include the provincial plans for Civil Servants, Teachers, Judges, Members of the Legislature, and employees of Sydney Steel, as well as federal plans for the Canadian Forces, the RCMP, the Federal Public Service and the Members of Parliament.

As shown below, participation of Nova Scotians in pension plans has declined slightly since 1994. Currently in Nova Scotia, 34.3% of the total labour force and 41.8% of employed paid workers participate in pension plans. Note that with respect to labour force coverage pension plan membership is potentially available to paid workers only; self-employed owners of unincorporated business, unpaid family workers and the unemployed are not eligible for membership.

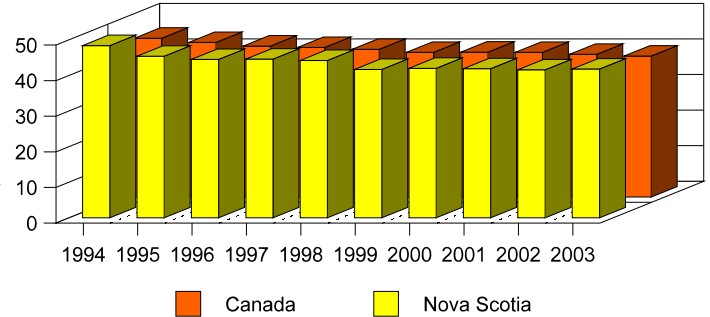
Participation in Pension Plans

Members as a % of Total Labour Force



Participation in Pension Plans

As a % of Employed Paid Workers

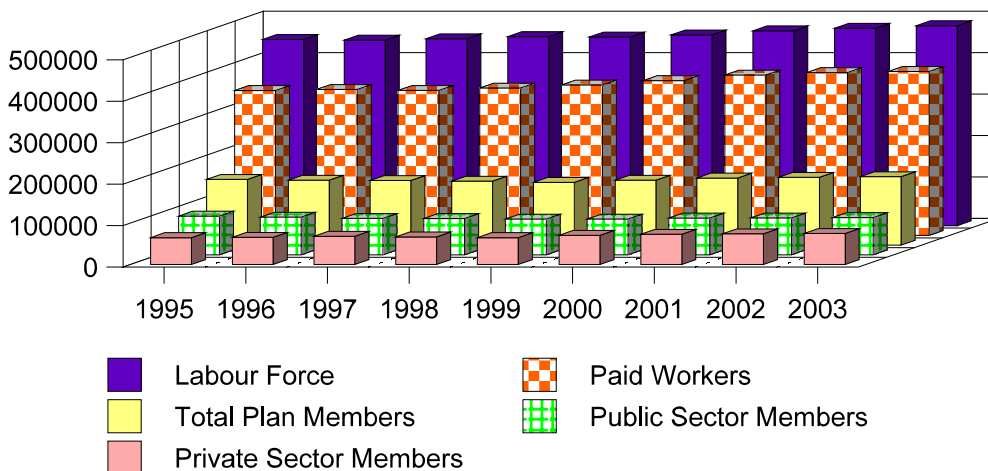


(Source: Statistics Canada)

(Excludes self-employed & unpaid family workers)

Nova Scotia has a higher than average proportion of paid workers in the public sector, where pension coverage is very high. Currently 54.5% of Nova Scotia pension plan members are employed in the public sector, as illustrated in the following chart:

Nova Scotia



During the period 1995 to 2003, the number of pension plan members in Canada, in the private sector, grew 15.6%, compared with a 3.8% decline in the public sector.

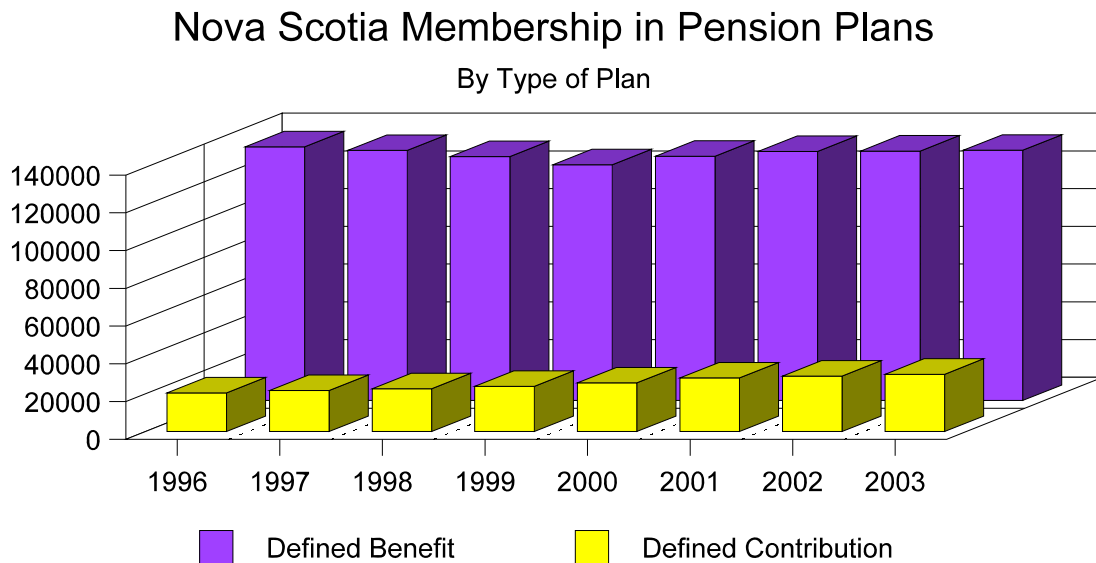
TYPES OF PLANS

Basically there are two main types of pension plans; a defined contribution/money purchase type; or a defined benefit type.

Under a defined contribution/money purchase plan, contributions required by the employer and/or employees are clearly defined. The resulting pension benefit for each employee is whatever can be provided or purchased by the accumulated contributions and investment earnings.

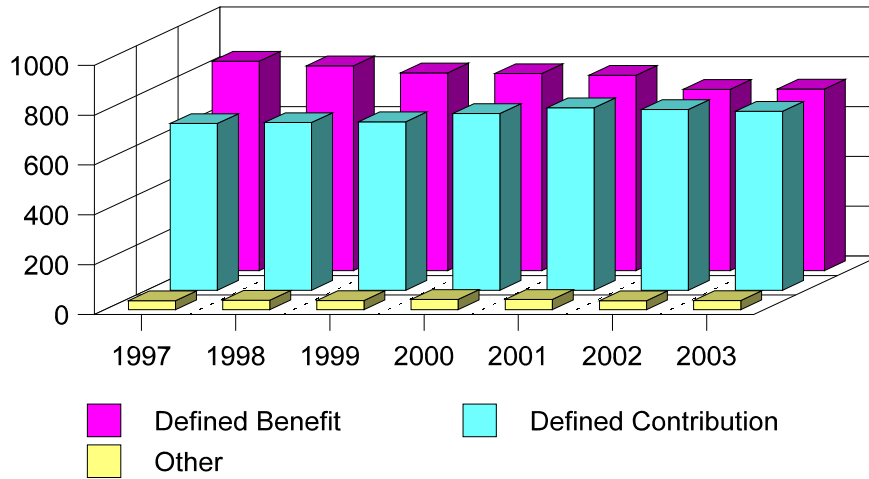
A defined benefit plan contains a specific formula as to the amount of pension each member is to receive. Effectively, the employer/administrator guarantees to provide this level of benefits and it is necessary for an actuary to estimate periodically how large the fund should be and how much should be contributed to ensure adequate funding of the benefits. To date, the most common type of plan is a defined benefit plan.

As of January 1, 2003, there were 30,348 Nova Scotia members participating in defined contribution plans, 132,593 participating in defined benefit plans and 1,339 in other composite/combination plans.



Membership in pension plans in other than defined benefit and defined contribution is insignificant and has not been included in the above chart. Participation in both types of plans increased between 2002 and 2003.

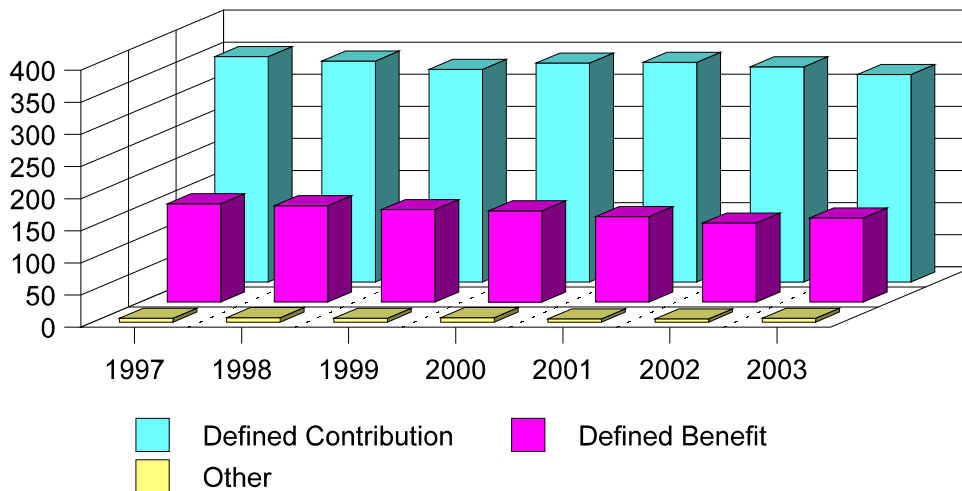
Plans with Nova Scotia Members



The number of defined benefit pension plans with Nova Scotia members declined 13% from 1997 to 2003. The number of defined contribution plans with Nova Scotia members increased by 7%.

The number of defined contribution pension plans registered with Nova Scotia declined 8% between 1997 and 2003.

Plans Registered in Nova Scotia



REVENUE AND EXPENDITURE FOR THE YEAR ENDED MARCH 31, 2004

Fees are payable in respect of all Applications for Registration of pension plans and for each Annual Information Return filed on a plan. The Registration and Annual Information filing fee is \$5.00 for each member of the pension plan in Nova Scotia, or in a designated province, with a minimum fee of \$100.00. The maximum fee is \$7,500.00. A late filing fee is charged in respect of Annual Information Returns submitted more than six months after the end of the fiscal year of the pension plan. The additional fee is 50% of the regular fee.

The fee payable for registration by a financial institution of a specimen Life Income Fund is \$1,000.00. A fee of \$250.00 is charged for amendments to Life Income Funds specimen contracts.

The revenue derived from fees charged in respect of Applications for Registration, Annual Information Returns and Life Income Funds, amounted to \$314,823. Financial Institutions had until December 31, 2003 to revise their Life Income Fund contracts for compliance with changes to the regulations which took effect on January 1, 2003. As all Life Income Funds had to be amended, fees were higher than the \$259,476 generated for the previous year.

Direct operating costs for the Division for the fiscal year 2003/2004 were \$179,449. Note that overhead costs are not included in direct operating costs.