



**REPORT OF THE
SUPERINTENDENT OF PENSIONS
ON THE ADMINISTRATION OF THE
PENSION BENEFITS ACT
FOR THE YEAR ENDING
MARCH 31, 2023**



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Pension Regulation Division**

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October 18, 2023

The Honourable Allan MacMaster
Minister of Finance and Treasury Board
1723 Hollis Street 7th Floor
HALIFAX NS B3J 1V9

Dear Minister:

Pursuant to the requirements of Section 120 of the *Pension Benefits Act*, I have the honour to submit herewith the Annual Report of the Pension Regulation Division for the fiscal year ending March 31, 2023.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Patti Trenholm".

Patti Trenholm
Deputy Superintendent of Pensions

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INTRODUCTION

In accordance with Section 120 of the *Pension Benefits Act* (S.N.S. 2011, c. 41), the Superintendent of Pensions is required to report annually to the Minister. This report covers the affairs and transactions of the fiscal year commencing on April 1, 2022, and ending March 31, 2023.

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 Public Service Superannuation Pension Plan and Nova Scotia pension plans established for teachers, judges, members of the Nova Scotia legislature, or Sydney Steel Corporation.

The main objective of the *Pension Benefits Act* is to oversee administration of the benefits promised to members 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 *NewPage Port Hawkesbury Pension Plans Act* was enacted in May 2012. It gives the administrator of the four NewPage Port Hawkesbury pension plans permission to extend the wind up of the plans to July 1, 2033. Under the regulations established for the Act, members, including retired members, elected to participate in either an immediate wind-up or an extended wind-up of their pension plan. The four plans are subject to the *NewPage Port Hawkesbury Plans Act* and the *Pension Benefits Act* during the extended wind-up period.

The Superintendent of Pensions, Pension Regulation Division (the “Division”), is responsible for the administration of the *Pension Benefits Act* and the *NewPage Port Hawkesbury Pension Plans Act*.

PENSION BENEFITS STANDARDS LEGISLATION

In addition to Nova Scotia, pension benefits standards legislation has been enacted by the federal government and all other provincial governments except for Prince Edward Island.

The representatives of those authorities that 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’s mission is to facilitate an efficient and effective pension regulatory system in Canada.

During the year under review, CAPSA representatives attended various in person and conference call meetings and participated in various sub-committees that meet usually via phone conference numerous times a year. For a summary of CAPSA’s activities and initiatives, please visit their website at <https://www.capsa-acor.org/Home>.

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.

Representatives of the governments of British Columbia, Nova Scotia, Ontario, Quebec and Saskatchewan signed a 2016 Agreement Respecting Multi-Jurisdictional Pension Plans (2016 Agreement), which came into effect for these jurisdictions on July 1, 2016. This agreement was replaced by a Multi-Jurisdictional Pension Plan (MJPP) which came into effect on July 1, 2020. Governments of Alberta, British Columbia, New Brunswick, Nova Scotia, Ontario, Quebec, Saskatchewan and the federal government have signed the agreement. All other provinces (except for Prince Edward Island) are also party to an older Memorandum of Reciprocal Agreement originally signed by the provinces starting in 1968.

MEMORANDA OF UNDERSTANDING

Statistics Canada and the Province have a Memorandum of Understanding respecting the information about 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. Data from a joint Annual Information Return on pension plans is collected by the Superintendent and shared with CRA.

LEGISLATIVE/REGULATORY REVIEW

May 10, 2022 - Order in Council 2022-111 amended the Nova Scotia Pension Benefits Act & Regulations prescribe circumstances in which the Superintendent has the authority to appoint an administrator for a pension plan.

January 7, 2023 - Order in Council 2023-7 amended the NewPage Port Hawkesbury Pension Plans Act and Regulations to prescribe July 1, 2033, to be the new wind-up date.

OPERATION OF THE DIVISION

As at March 31, 2023, the Division was responsible for the supervision of 380 pension plans (including the four NewPage pension plans). Of the 380 registered pension plans on file, 317 are defined contribution pension plans and 63 are defined benefit or combination pension plans.

Chart 1

Summary of Pension Plan Approved, Transferred, or Terminated as at March 31, 2023	
Active Plans on File as at March 31, 2022	393
New Plans Filed	11
Plans Terminated	22
Plans Transferred to Public Service Pension Plan	1
Total Active Plans on File as at March 31, 2023	381
Plans in Process of Registration	-1
Total Registered Plans	380

CONTRIBUTIONS TO NOVA SCOTIA REGISTERED PENSION PLANS

In accordance with Section 31(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. The AIR must be filed within 6 months following the plan year end.

Contributions and membership data from filed AIRs are compiled and forwarded to Statistics Canada for inclusion in its annual report on pension plans in Canada. Information from the AIRs is also forwarded to Canada Revenue Agency.

Chart 2 shows data based on the most recent Annual Information Returns (AIRs) filed with our office near the approximate date the report has been prepared and may exclude data for plans which our office is pending receipt of their AIR. In the below chart “M” represents Millions and “K” represents thousands.

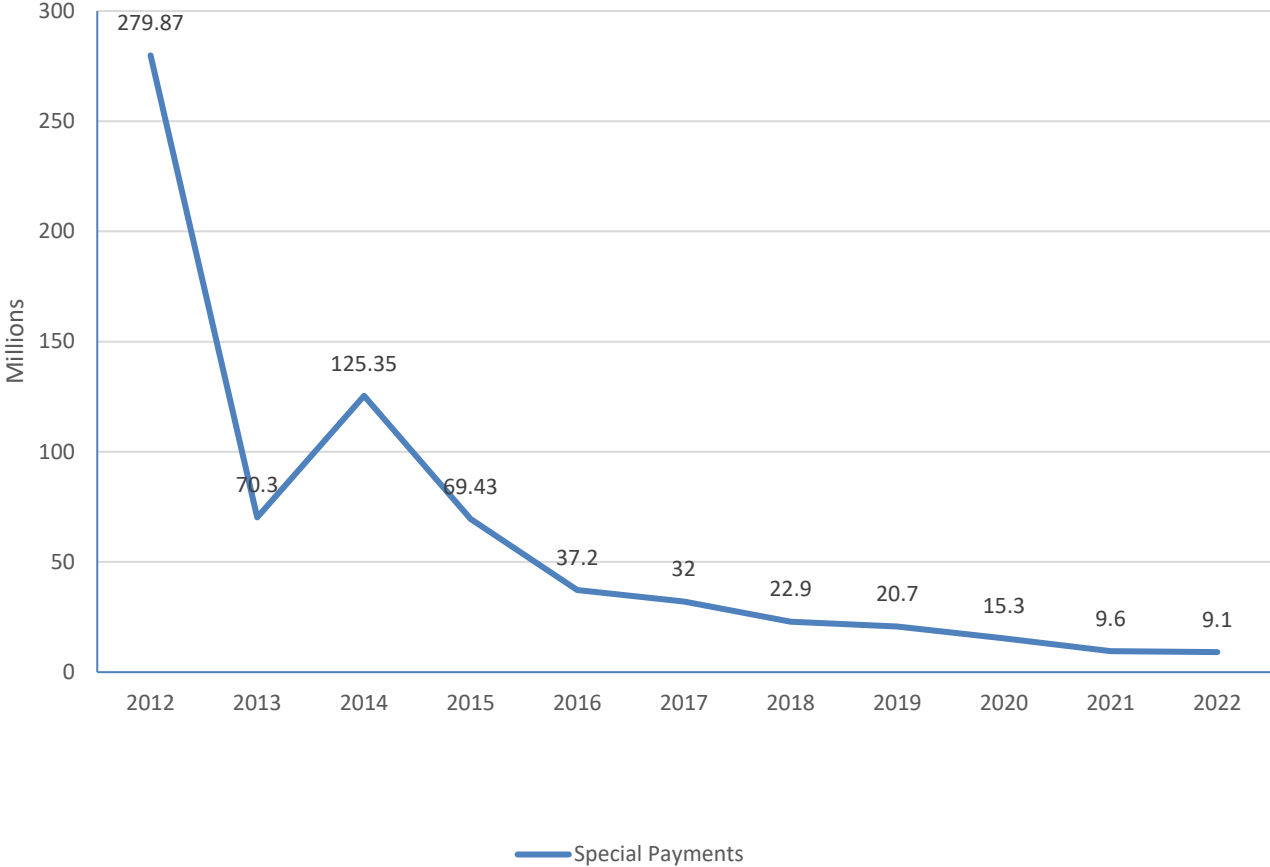
Chart 2

Employee and Employer Contributions		
	2022	2023
Employee Required Contributions	\$324.2 M	\$336.8M
Employee Voluntary Contributions	\$26.6 M	\$6.7 M
Total Employee Contributions	\$350.7 M	\$343.5 M
Required Employer Current Service Contributions	\$425.6 M	\$439.8 M
Employer Contributions made from Surplus	\$12.1 K	\$0
Total Actual Employer Current Service Contributions	\$425.6 M	\$439.8 M
Employer Special Payments	\$9.6 M	\$9.1 M
Total Employer Contributions	\$435.2 M	\$448.9 M
TOTAL CONTRIBUTIONS	\$785.9 M	\$792.4 M

CONTRIBUTIONS TO NOVA SCOTIA REGISTERED PENSION PLANS CONTINUED

An analysis of the special payments made by employers over time, is as follows:

Graph 1
Funding Analysis



SECURITY OF RETIREMENT INCOME

The primary measures used to determine the security of retirement income for members of pension plans are the solvency and going concern funded position of the plans.

SOLVENCY

The solvency funded position of defined benefit plans is measured through solvency valuations performed by an actuary. Pension plan solvency refers to a plan's ability to meet its total obligations towards all plan members, including pensioners, assuming the plan is wound up and all liabilities settled on the valuation date. In solvency valuations, there is no projection of salaries for final average pension benefits, and indexation of benefits provided under a plan's provisions accrued prior to June 1, 2015, do not need to be included. Also, the right to grow-in to unreduced early retirement benefits, provided under Section 97 of the Act, can be excluded from solvency calculations.

Numerous measures for providing temporary relief for solvency funding for all pension plans have been granted since 2009. In 2012, specified multi-employer pension plans, universities, school boards and the Atlantic Police Association were fully exempt from the requirement to fund solvency deficiencies. Directions Council for Community Living Pension Plan was exempted from solvency funding for 5 years.

In September 2017, the Government of Nova Scotia launched a review of the funding for pension plans and other regulatory issues affecting pension plans. As a result of this review, several reforms of the *Pension Benefits Act* and Regulations were developed to balance the needs of private sector employers that offer defined benefit pension plans and the members who contribute to those plans.

The Regulations, effective April 1, 2020, that relate specifically to solvency funding reform include the following:

- Existing and new pension plans with valuation dates on or after December 31, 2019, are required to fund to 85% of liabilities determined on a solvency basis.
- No solvency payments are required if a plan's solvency ratio is 85% or higher.
- If the solvency ratio is less than 85%, the shortfall (up to 85%) will need to be funded over five years.

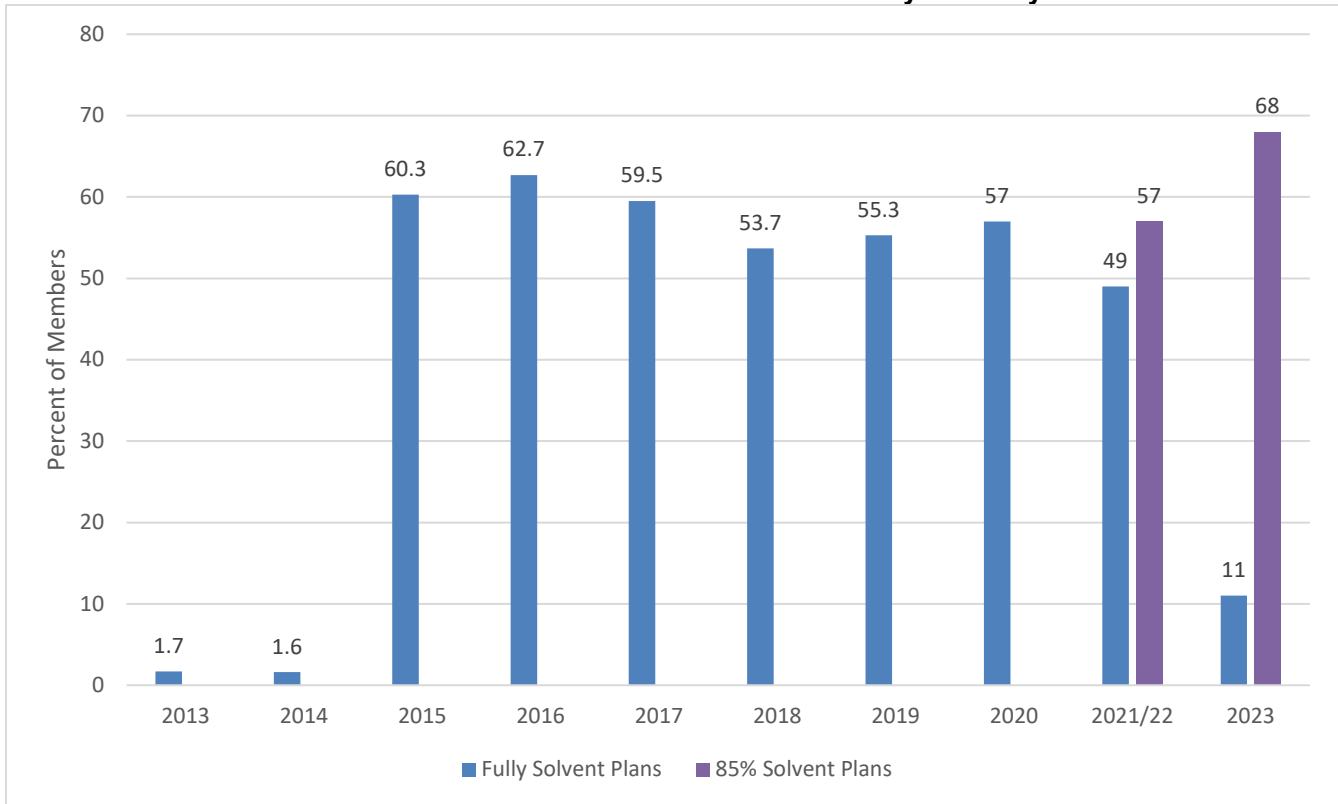
SOLVENCY CONTINUED

The following table shows the change in the percentage of defined benefit pension plan members and combination defined benefit/defined contribution pension plan (combination plan) members in fully solvent plans from the actuarial valuations on file as at the date the report was prepared.

- Members include active members, deferred members, pensioners, survivors, and beneficiaries in this section of the report.
- Solvency assets are determined as the market value of assets less wind-up expenses.
- No adjustments are made for smoothing of assets or for scheduled special payments.
- The NewPage pension plans, and Individual Pension Plans (IPPs) are excluded from this analysis.

Graph 2

Percent of Members in Defined Benefit Plans by Solvency



The breakdown of membership in defined benefit and combination pension plans by the solvency position of the plans is shown below. In total, 69% of members are in pension plans that are 80% solvent or better. The substantial change in fully solvent plans for 2023 relates to one plan that represents 49% of plan members.

- 11.4% of members are in 19 plans that are 100% or more solvent,
- 54.5% are in 17 plans that are between 90% and 99% solvent,
- 3.1% are in 11 plans that are between 80% and 89% solvent,
- 29.9% are in 8 plans that are between 70% and 79% solvent, and
- 1.1% are in 1 plan that is less than 70% solvent.

SOLVENCY CONTINUED

The solvency of defined benefit pension plans registered in Nova Scotia, as shown on the following chart, shows the funded status of pension plans (weighted by number of members) in accordance with the category of solvency funding that applies. Specifics on those plans are as follows:

Chart 3

Solvency Ratio of Pension Plans			
	Number of Plans	Number of Members	Weighted Solvency Ratio
SMEPPs (specified multi-employer plans)	7	14,656	0.81
Municipalities, Police Association and Halifax Water Commission	11	14,307	0.78
Universities	2	5,611	0.80
School Board	5	3,704	0.79
Others	31	63,737	1.01
TOTAL	56	102,015	

GOING CONCERN

The going concern financial position of defined benefit plans is measured through going concern valuations performed by an actuary. The going concern basis of a pension plan refers to a plan's ability to meet its total obligations towards all plan members, including pensioners, assuming the plan continues in operation indefinitely. A pension plan is considered fully funded on a going concern basis if the existing assets will be sufficient to enable accrued benefits to be paid as they fall due.

The Regulations, effective April 1, 2020, that relate specifically to going concern funding reform include the following:

- Going concern deficiencies must be funded over 10 years (previously 15 years).
- A margin/provision for adverse deviations on going concern liabilities was introduced (i.e., a PfAD). The method for determining the size of the margin for each plan is set out in the Regulations.

The breakdown of membership in defined benefit and combination pension plans as at the plans' most recent actuarial valuation on file by funding status on a going concern basis follows. In total, 100% of members are in pension plans that have a going concern funded ratio of 80% or better.

- 93.8% of members are in 48 plans that are 100% or more fully funded on a going concern basis,
- 5.5% are in 5 plans that are between 90% and 99% funded on a going concern basis, and
- less than 1% in 4 plans that are between 80% and 89% funded on a going concern basis.

The following chart shows the funding position on a going concern basis of defined benefit pension plans registered in Nova Scotia, weighted by number of members, in the same categories as were presented in Chart 3 (Solvency Ratio).

- Members include active members, deferred members, pensioners, survivors, and beneficiaries in this section of the report.
- NewPage pension plans and Individual Pension Plans (IPPs) are excluded from this analysis.

Chart 4

Going Concern Funded Ratio of Pension Plans			
	Number of Plans	Number of Members	Weighted Going Concern Ratio
SMEPPs (specified multi-employer plans)	7	14,656	1.25
Municipalities, Police Association and Halifax Water Commission	11	14,307	1.08
Universities	2	5,611	0.97
School Board	5	3,704	1.07
Others	31	63,737	1.35
TOTAL	56	102,015	

APPENDIX A

STATISTICAL INFORMATION

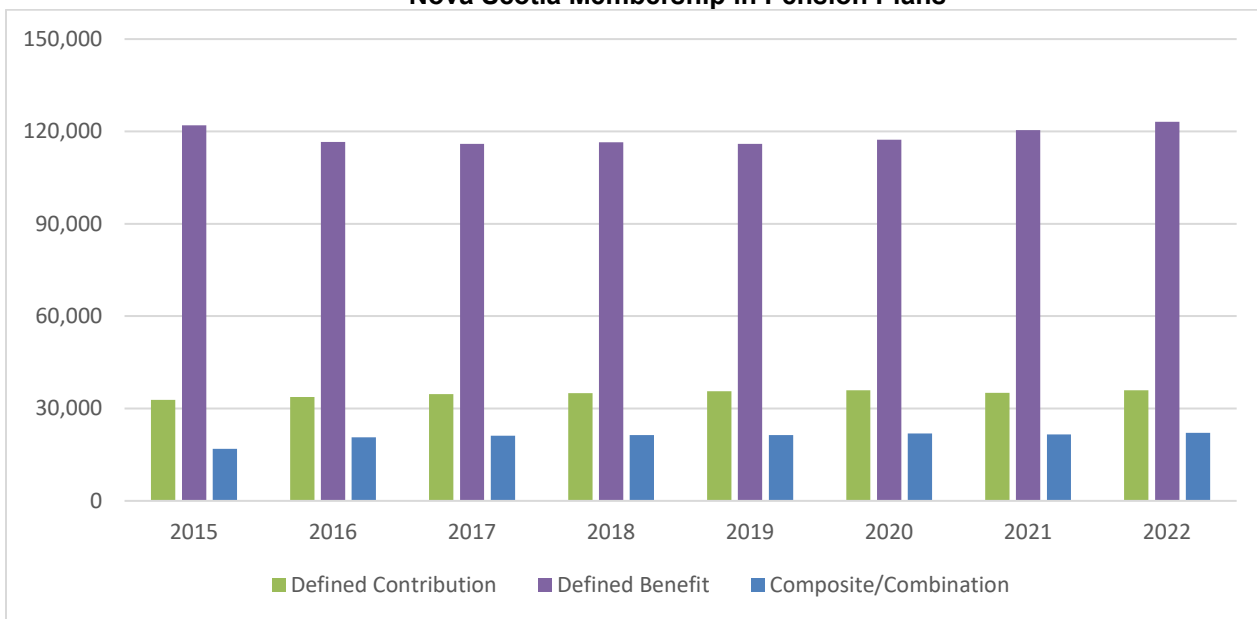
The information provided in this appendix is based on information provided by Statistics Canada's database on pension plans in Canada as at January 1, 2022.

TYPES OF PLANS

As at January 1, 2022 there were 35,882 Nova Scotia members participating in defined contribution plans, 123,124 participating in defined benefit plans and 22,142 were in other types of composite/combination plans which have both defined benefit and defined contribution characteristics. The total number of Nova Scotia members participating in registered pension plans is 181,148 members.

Graph 3

Nova Scotia Membership in Pension Plans

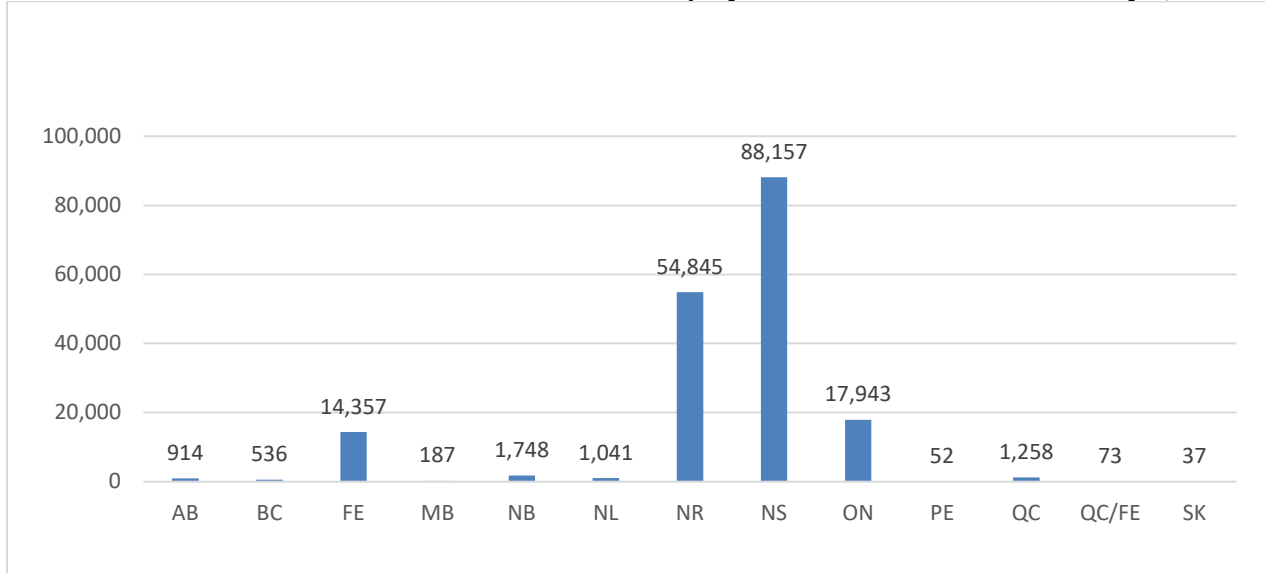


JURISDICTION OF PLAN MEMBERSHIP AND MEMBERSHIP COVERAGE

In the following chart, FE refers to plans of employers subject to federal jurisdiction such as interprovincial transportation and communication. NR means plans that are not registered like 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.

Graph 4

Number of Plan Members in Plans with Members Employed in Nova Scotia as at January 1, 2022

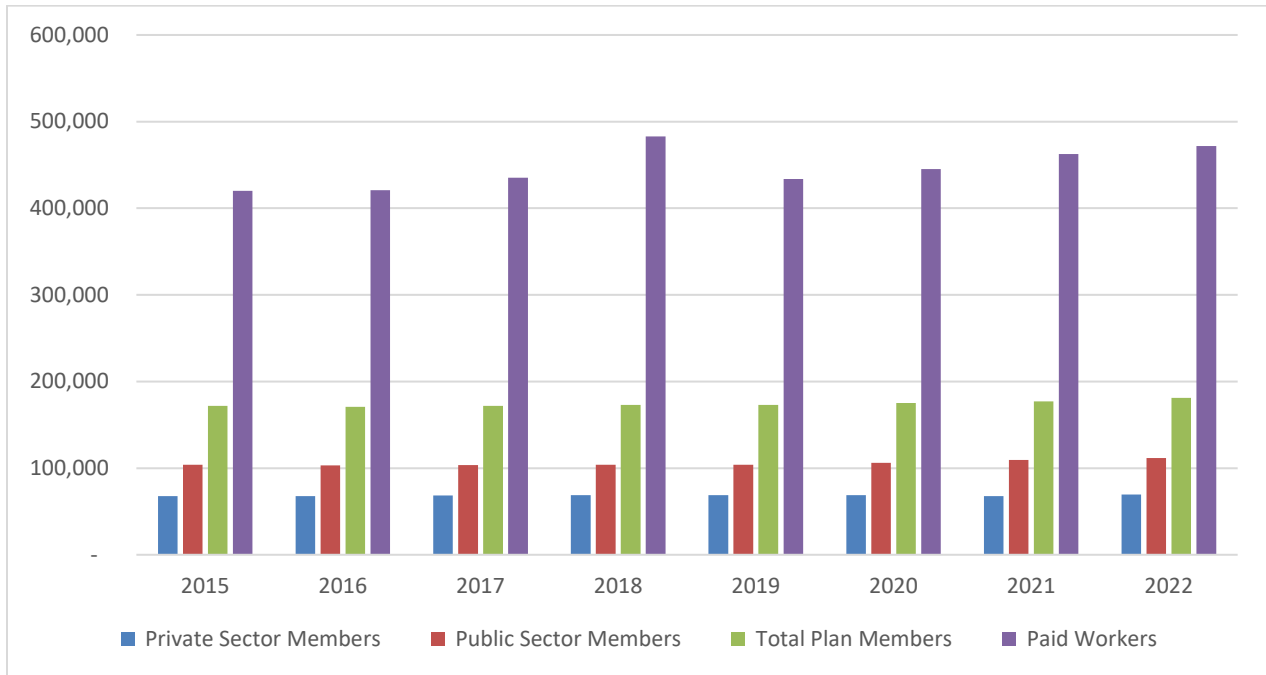


JURISDICTION OF PLAN MEMBERSHIP AND MEMBERSHIP COVERAGE CONTINUED

Nova Scotia has a higher-than-average proportion of paid workers in the public sector, where pension coverage is very high. Currently 61.61% of Nova Scotia pension plan members are employed in the public sector, as illustrated in the following chart:

Graph 5

Nova Scotia Pension Plan Members by Sector

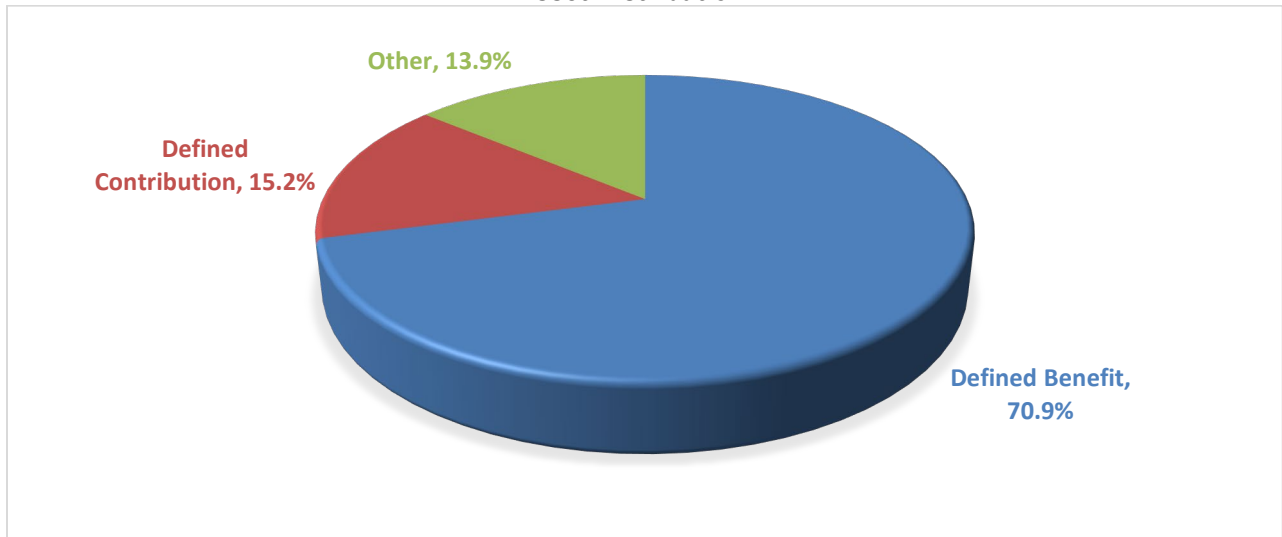


ASSET ANALYSIS

As at January 1, 2022, a total of \$25.5 billion was held in pension plans registered in Nova Scotia. As shown in the following chart, 70.9% of those assets, or \$18.1 billion, was held in defined benefit plans, with 15.2% or \$3.9 billion in defined contribution plans and 13.9% or \$3.5 billion in composite/combination plans.

Graph 6

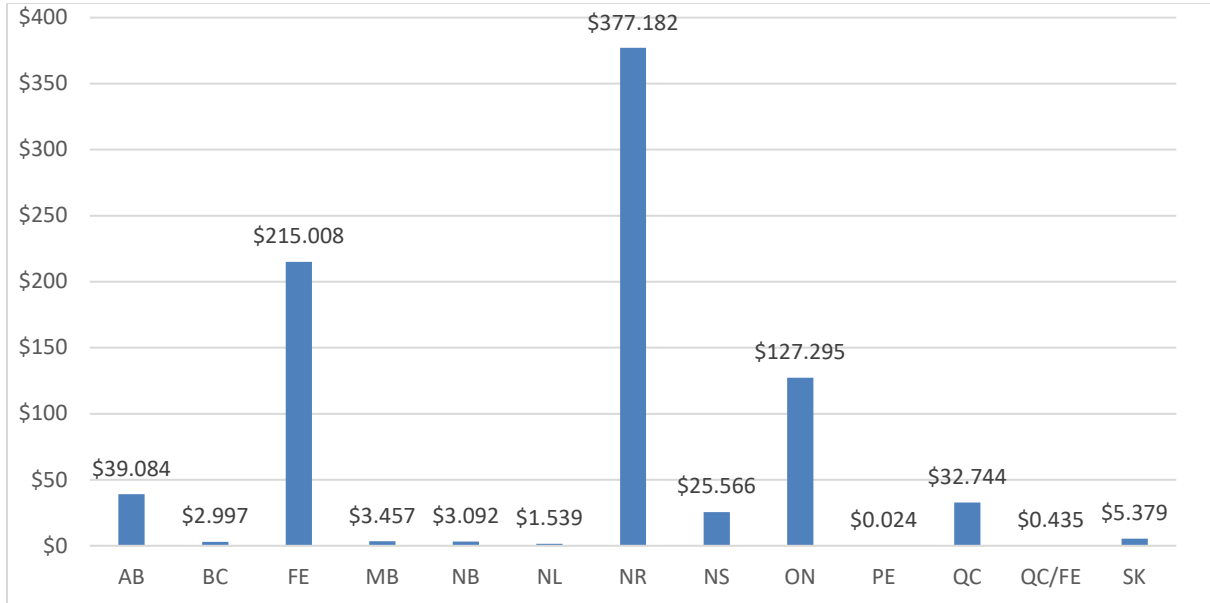
Plans Registered in Nova Scotia Asset Distribution



ASSET ANALYSIS CONTINUED

Graph 7

Assets in Plans with Members Employed in Nova Scotia (billions)



As seen in the previous chart, a significant portion of the \$833.8 billion in assets held in pension plans with Nova Scotia members was held in non-registered plans as at January 1, 2022. Plans under the Federal and Ontario jurisdictions with Nova Scotia members also held significant assets.