

17.1 Pension, Retirement and Other Obligations

Policy Statement

It is the policy of the Province of Nova Scotia to report its pension, retirement and other obligations and expenses on an accrual basis in accordance with generally accepted accounting principles for the public sector.

Definitions

PENSION, RETIREMENT AND OTHER OBLIGATIONS

Obligations arise as a result of a promise by government to provide benefits to employees at retirement or at other defined times in return for their services. The province's obligations can be categorized into three main categories.

- Pension benefits include funded and unfunded pension plans.
- Retirement benefits consist of retirement allowances and retirement health plan benefits.
- Other obligations include two post-employment benefits plans – self insured workers' compensation and long-term disability.

ACTUAL VALUATION FOR ACCOUNTING PURPOSES

This is an assessment of the financial position of a benefit plan. It consists of the valuation of assets held by the plan (if any) and calculation of the actuarial present value of benefits to be paid under the plan. The valuation provides the information needed to determine the liability and related expenses in accordance with PSAB standards.

ACTUARIAL ACCOUNTING ASSUMPTIONS

These are assumptions made about the occurrence of a future event that will affect benefit costs and obligations. They include assumptions about such matters as mortality, plan withdrawal, disability and retirement as well as changes in compensation, interest on obligations and investment earnings.

ACTUARIAL COST METHOD

This method is used to determine the cost of providing benefits and to allocate that cost to specific time periods. The province uses the projected benefit actuarial method which attributes the estimated costs of benefits to the periods of employee service.

Policy Objectives

The objective of this policy is to define the measuring and reporting of the obligations for employee pension, retirement and other 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, retirement and other obligations 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 obligations that are the complete responsibility of any other members of the government reporting entity or other outside entity.

Policy Directives

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

It is necessary to develop actuarial estimates of certain 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 estimates.

The obligations of other members of the government reporting entity are included in the consolidated financial statements as part of the consolidation process.

Policy Guidelines

PSAB Standards require an actuarial valuation be performed at least every three years. Due to the timing and need for both budget and year-end information, Government Accounting often performs accounting valuations every two years.

Accountability

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

The Nova Scotia Pension Agency will provide data sets, related advice and inform Government Accounting of relevant changes to certain plans.

Other entities will supply their data sets and plan information as required for the province to perform its annual valuations.

Monitoring

Government Accounting will monitor the policy's 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
- Teachers' Pension Act
- Civil Service Master Agreement
- Provincial Finance Act
- Members' Retiring Allowances Act
- 2005 Agreement Between the Province and the Nova Scotia Teachers' Union
- 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

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