17.1 Pension, Retirement and Other Obligations

Policy Statement

It is the policy of the Province of Nova Scotia (Province) to report its pension, retirement and other obligations and related expenses on an accrual basis in accordance with Canadian public sector accounting standards (PSAS).

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 fall under the following three main categories:

- Pension benefits including funded and unfunded pension plans
- Retirement benefits consisting of retirement allowances and retirement health plan benefits
- Other employee future benefits including accumulated sick leave and a post-employment benefits plan – self-insured workers' compensation.

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 a calculation of the actuarial present value of benefits to be paid under the plan. The valuation provides the information needed to determine a plan's liability and related expenses in accordance with PSAS.

ACTUARIAL ACCOUNTING ASSUMPTIONS

These are assumptions made about the occurrence of future events that will affect benefit costs and obligations. Assumptions are made for such factors as inflation, mortality, plan withdrawal, disability, retirement, as well as changes in compensation, interest on obligations (discount rate), 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 service rendered by employees.

Policy Objectives

The objective of this policy is to ensure that pension, retirement and other obligations are properly, consistently, and accurately accounted for and reported in the Public Accounts of the Province. Determining such amounts involves attributing 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 for which the General Revenue Fund (GRF) is responsible in whole or in part, recognizing that some members of the Government Reporting Entity[1] (GRE) contribute to these same benefits. It does not apply to any obligations that are the full responsibility of any other members of the GRE or other outside entities.

Organizations outside of the GRF but within the GRE are encouraged to adopt a policy that allows for the accurate and consistent recording and reporting of their pension, retirement and other obligations. This policy should be in compliance with the entity's generally accepted accounting framework. It is recognized that entities may already have an appropriate policy in place. These organizations are responsible for reporting their pension, retirement and other obligations to the Government Accounting Division as part of the year-end consolidation reporting requirements.

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 time as employees render those services, the amount of the obligation to attribute to each period of employee service must be determined.

The amount of the pension, retirement and other obligations outstanding at year-end represents the liability at the financial reporting date, while the value of the benefits employees earned during the period represents the expense of that period. An actuarial cost method using actuarial assumptions is necessary to develop accounting estimates for the liabilities and expenses of pension, retirement and other obligations. An accrued benefit method should be used to attribute the cost of future employee benefits to the periods of employee service. These methods and assumptions should be developed in a manner consistent with PSAS and reassessed each year.

1 For definition, see Budgeting and Financial Management Manual 200, Chapter 4.1 Government Reporting Entity.

Actuarial assumptions should be based on the Province's best estimates of expected long-term experience and short-term forecasts and should be internally consistent. The assumptions should be reviewed and approved by the Minister and Deputy Minister of Finance and Treasury Board, normally within the third quarter of each fiscal year, prior to being sent to the actuaries. This will ensure that all actuarial valuation reports and disclosures will be prepared using the up-to-date pension assumptions and received in time for the preparation of the next fiscal year's budget as well as the current fiscal year's Public Accounts.

The pension, retirement and other obligations of entities within the GRE are included in the Province's Public Accounts by way of the consolidation process.

Other requirements for the accounting and reporting of pension, retirement and other obligations include, but are not limited to, the following:

- coordination with various parties to ensure member data is provided to the actuaries on a timely basis
- coordination with the actuaries to ensure assumptions are reasonable and timely preparation of actuarial valuation reports
- assessment of Province's completeness and share of the various future employee benefit obligations
- calculations supporting year-end general ledger adjustments and account balances.

The retirement allowances for management and non-union civil servants were discontinued effective August 11, 2015 as approved by OIC 2015-273. The retirement allowances for unionized staff were discontinued effective April 1, 2015, in line with Bill 148, the *Public Services Sustainability (2015) Act.* The retirement allowances for Nova Scotia Provincial Court Judges, made under the *Provincial Court Act* were discontinued effective March 31, 2020 as approved by OIC 2020-240.

Policy Guidelines

PSAS require that 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 with extrapolations in the interim year.

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 Services Corporation is responsible for providing member data to the actuaries as well as informing Government Accounting of relevant changes to certain pension plans.

Other entities are responsible for providing their member data and plan information to Government Accounting or directly to the actuaries, as required, to facilitate the preparation of actuarial valuations. Where an entity engages actuaries on its own, a copy of the resulting valuation report should be submitted to Government Accounting.

Monitoring

The Government Accounting Division is responsible for monitoring the application, performance, and effectiveness of this policy

References

- Public Sector Accounting Handbook
  PS 3250 Retirement Benefits
  PS 3255 Post-Employment Benefits, Compensated Absences and Termination Benefits
- *Finance Act*
- *Teachers' Pension Act*
- *Sydney Steel Corporation Sale Act*
- *Members' Retiring Allowances Act*
- Early Retirement Regulations made under the *Public Service Act*
- General Civil Service Regulations made under the *Civil Service Act*
- Civil Service Master Agreement
- 2005 Agreement Between the Province and the Nova Scotia Teachers' Union
- OIC 2015-273 re: amendments to the General Civil Service Regulation, N.S. Reg. 311/2009
- OIC 2020-240 re: amendments to the *Provincial Court Act*
- *Public Services Sustainability (2015) Act*
- Other miscellaneous agreements and pension documents

Enquiries

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