

---

**PROVINCE OF NOVA SCOTIA  
SYDNEY STEEL CORPORATION  
SUPERANNUATION FUND  
CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2008**

---

**CONTENTS**

	<b>Page</b>
Auditor's Report	3
Consolidated Statement of Changes in Net Assets Available for Benefits and Accrued Pension Benefits Net of Deficiency	4
Consolidated Statement of Changes in Net Assets Available for Benefits	5
Notes to the Consolidated Financial Statements	6
Schedule A – Assets Available for Benefits by Pension Plan	11
Schedule B – Changes in Assets Available for Benefits by Pension Plan	12



## Office of the Auditor General

1888 Brunswick Street, Suite #302, Halifax, Nova Scotia B3J 3J8 • Telephone 902 424-4046 • Fax 902 424-4350

### AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia; and

To the Minister of Finance

I have audited the consolidated statement of net assets available for benefits and accrued pension benefits net of deficiency of the Sydney Steel Corporation Superannuation Fund as at March 31, 2008 and the consolidated statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits net of deficiency of the Fund as at March 31, 2008 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

My audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The current year's supplementary information included in Schedules A and B are presented for purposes of additional analysis and are not a required part of the basic consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "J.R. Lapointe".

Jacques R. Lapointe, CA•CIA  
Auditor General

Halifax, Nova Scotia  
June 19, 2008

Province of Nova Scotia  
 Sydney Steel Corporation Superannuation Fund  
 Consolidated Statement of Net Assets Available for  
 Benefits (Deficiency) and Accrued Pension Benefits Net of Deficiency  
 March 31, 2008

**NET ASSETS AVAILABLE FOR BENEFITS**

**Assets**

Marketable securities under administration (Note 3)

Cash and short-term notes	\$ -	\$ 347,950
Bonds and debentures	-	873,109
Equities	-	1,290,772
Investment transactions outstanding	-	125,250
Interest and dividends receivable	-	13,530
	<u>-</u>	<u>2,650,611</u>

Cash	<u>63,522</u>	<u>81,050</u>
Total assets	<u>63,522</u>	<u>3,60,661</u>

**Liabilities**

Accounts payable and accrued liabilities	19,814	19,723
Retroactive pension increase (Note 4)	<u>735,982</u>	<u>605,735</u>
Total liabilities	<u>755,796</u>	<u>625,458</u>

**Net assets available for benefits (Deficiency)** \$ (692,274) \$ 2,835,203

**ACCRUED PENSION BENEFITS NET OF DEFICIENCY**

Accrued pension benefits	\$218,935,100	\$216,210,800
Deficiency (Note 4)	<u>(219,627,374)</u>	<u>(213,375,597)</u>

**Accrued pension benefits net of deficiency** \$ (692,274) \$ 2,835,203

Approved:




---

Trustee – Minister of Finance

(See accompanying notes to the consolidated financial statements)

Province of Nova Scotia  
 Sydney Steel Corporation Superannuation Fund  
 Consolidated Statement of Changes in Net Assets  
 Available for Benefits (Deficiency)  
 For the Year Ended March 31, 2008



	2008	2007
<b>Increase In Assets</b>		
Contributions:		
Province of Nova Scotia	\$ 18,713,677	\$ 16,870,496
Investment income:		
Interest on investments	16,458	90,487
Dividends on investments	2,309	22,998
Gain on sale of investments	<u>496,457</u>	<u>1,174,534</u>
Total increase in assets	<u>19,228,901</u>	<u>18,158,515</u>
<b>Decrease in Assets</b>		
Benefits paid	22,095,018	22,563,460
Operating expenses (Note 5)	166,158	196,785
Current period change in market values of investments	<u>495,202</u>	<u>994,322</u>
Total decrease in assets	(3,527,477)	(5,596,052)
<b>Net Assets Available for Benefits at Beginning of Year</b>	<u>2,835,203</u>	<u>8,431,255</u>
<b>Net Assets Available for Benefits (Deficiency) at End of Year</b>	<u>\$ (692,274)</u>	<u>\$ 2,835,203</u>

(See accompanying notes to the consolidated financial statements)

**1. Authority and Description of Plans:**

The Sydney Steel Corporation Superannuation Fund (the "Fund") was established under the Sydney Steel Corporation Sale Act and was effective March 1, 2001. The Fund assumed responsibility for the assets and obligations of the former Sydney Steel Corporation pension plans. Under the Sub-section 7(9) of the Sydney Steel Corporation Sale Act, the Province of Nova Scotia has assumed responsibility to fund any shortfalls arising under this Fund.

The following descriptions are a summary only. For more complete information, reference should be made to the Plan agreements.

**a) United Steel Workers of America Pension Plan:**

The Plan is non-contributory defined benefit plan, covering employees of Sydney Steel Corporation who are members of Locals 1064, 6537 and 6516 of the United Steelworkers of America.

A service pension is available based on \$30.00 per month per year of service, effective January 1, 1995 (previously \$16.50 per month), to a maximum of 35 years plus the amount of pension benefit as established under the provisions of the 1955 Pension Plan.

Death benefits are available if certain criteria are met.

**b) Salaried Pension Plan:**

The Plan is a partially contributory defined benefit pension plan covering the salaried employees of Sydney Steel Corporation.

A service pension is available based on \$30.00 per month per year of service, effective January 1, 1995 (previously \$16.50 per month), to a maximum of 35 years plus certain percentages of required contributions made after May 1, 1995.

Senior management employees receive pension benefits different from the above.

Death benefits are available if certain criteria are met.

**1. Authority and Description of Plans (continued):**

**c) Canadian Union of Public Employees Pension Plan:**

The Plan is non-contributory defined benefit plan covering employees of Sydney Steel Corporation who are members of Locals 1675 of the Canadian Union of Public Employees.

A service pension is available based on \$35.00 per month per year of service, effective January 1, 1995 (previously \$16.50 per month), to a maximum of 35 years plus the amount of pension benefit as established under the provisions of the 1955 Pension Plan.

Death benefits are available if certain criteria are met.

**2. Significant Accounting Policies:**

**a) Basis of consolidation:**

The consolidated financial statements include the accounts of the following pension plans:

- United Steel Workers of America Pension Plan
- Salaried Pension Plan
- Canadian Union of Public Employees Pension Plan

**b) Basis of presentation:**

As the Province of Nova Scotia has assumed any shortfall arising under this Fund (note 1), these consolidated financial statements are prepared on the going concern basis and present the aggregate financial position of the Fund as a separate financial reporting entity. They are prepared in accordance with Canadian generally accepted accounting principles.

**c) Marketable securities:**

The current period change in market value of investments for the year is reflected in the Consolidated Statement of Changes in Net Assets Available for Benefits.

**d) Gains and losses on sale of investments:**

Gains and losses arising on the sale of investments are determined by relating the sale proceeds of the investments to their original cost.

**e) Non-investment assets and liabilities**

The fair value of contributions receivable, accrued income, net investment transactions outstanding, sundry receivables, cash and accounts payable approximate their carrying amounts due to their short-term nature.

**f) Benefits:**

Benefit payments to retired members and commuted value payments are recorded in the period in which they are paid. Accrued benefits are recorded as part of accrued actuarial liabilities.

**2. Significant Accounting Policies (continued):**

**g) Use of estimates:**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the year. Actual results could differ from these estimates.

**3. Investments:**

The Fund's invested assets were depleted in October 2007. Pension payments are now funded completely by the Province.

**4. Accrued Pension Benefits and Deficiency:**

Actuarial valuations of the Plans are carried out periodically and provide an estimate of the accrued pension benefits (Fund liabilities) calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Morneau Sobeco, performed valuations as at December 31, 2005. The reports indicated that the Plans had a combined unfunded liability of \$213.3 million. A projection to March 31, 2008, applying the assumptions summarized below, indicated an unfunded liability of \$219.6 million (March 31, 2007 - \$213.4 million).

The following table reflects the unfunded liability as at March 31, 2008 and as at March 31, 2007.

	<u>2008</u>	<u>2007</u>
Actuarial value of assets:	\$ (692,274)	\$ 2,835,203
Accrued pension benefits:	<u>218,935,100</u>	<u>216,210,800</u>
Unfunded liability:	<u>(\$ 219,627,374)</u>	<u>(\$ 213,375,597)</u>
	<u>2008</u>	<u>2007</u>
<b>Reconciliation of changes in accrued pension benefits:</b>		
	\$ 216,210,800	\$ 219,719,300
	13,922,700	3,802,000
Accrued pension benefits at beginning of year	(22,044,400)	(22,563,460)
Impact of change in discount rate and inflation assumption	10,846,000	12,097,655
Benefits paid	<u>-</u>	<u>3,155,305</u>
Interest on average liability during fiscal year	<u>\$ 218,935,100</u>	<u>\$ 216,210,800</u>
Net experience losses		
Accrued pension benefits at end of year		

The actuarial valuation projects liabilities for each member on the basis of the pension credit years earned. The actuaries have used the unit credit method of determining the actuarial liability.

**4. Accrued Pension Benefits and Deficiency (continued):**

The net actuarial losses noted above include experience gains and losses resulting when actual benefits differ from estimated benefits. Also, in fiscal year 2007-08, the discount rate changed from 5.70% to 4.95%, and this would have caused an actuarial loss by increasing the liability.

There was one other development that had an impact. Prior to December 31, 2005, under the salaried plan the pension continuing to the spouse upon the death of a retired member was determined as the spousal percentage multiplied by the initial pension amount at retirement. The spouse's pension did not consider any indexing provided to the pensioner between the retirement date and the date of death, nor was any subsequent indexing included once the spouse's pension was in pay.

Upon analysis of the plan document, it was decided that the pension continuing to the surviving spouse will be based on the spousal percentage multiplied by the amount being paid as at the date of death of the retired member. There will, however, be no subsequent indexing on the spouse's pension. Pension amounts paid to spouses will be adjusted to reflect the above change. In addition, surviving spouses will be provided with a lump sum payment equal to the present value of the additional amount that should have been paid to them prior to the date their pension is adjusted.

The major economic and demographic assumptions used in the last valuations are as follows:

	<b>Estimates</b>	<b>Valuations</b>
	March 31, 2008	December 31, 2005
Inflation (only applies to the salaried plan)	2.50% per annum	2.75% per annum
Average Salary Increase	Not applicable	Not applicable
Interest (discount) rate	4.95% per annum	5.95% per annum
Retirement Age	Earliest unreduced retirement date	Earliest unreduced retirement date
Mortality	UP-94 projected to 2015 using scale AA	UP-94 projected to 2015 using scale AA

**5. Operating Expenses:**

The Fund is charged with administrative and other expenses, certain of which are incurred on behalf of the Fund by the Department of Finance. The following is a summary of these operating expenses:

	<u>2008</u>	<u>2007</u>
Investment Expenses		
Investment management fees	\$ 1,051	\$ 17,389
Plan Administration		
Professional services	16,175	28,215
Salaries	75,983	79,735
Supplies and services	58,959	55,747
Travel	541	353
Other	<u>13,449</u>	<u>15,346</u>
	<u>165,107</u>	<u>179,396</u>
Total Operating Expenses	<u>\$ 166,158</u>	<u>\$ 196,785</u>

Certain expense comparative figures have been restated to conform to this year's presentation.

Province of Nova Scotia  
**Sydney Steel Corporation Superannuation Fund**  
**Schedule A – Assets Available for Benefits by Pension Plan**  
**March 31, 2008**

	United Steel Workers of America (Locals 1064, 6537 and 6516) Pension Plan	Salaried Pension Plan	Canadian Union of Public Employees (Local 1675) Pension Plan	Total
<b>2008</b>				
Investments	\$ -	\$ -	\$ -	\$ -
Cash	<u>43,484</u>	<u>16,868</u>	<u>3,170</u>	<u>63,522</u>
	43,484	16,868	3,170	63,522
Less: Accounts payable and accrued liabilities	16,633	2,753	428	19,814
Less: Retroactive pension increase	<u>-</u>	<u>735,982</u>	<u>-</u>	<u>735,982</u>
Net assets available for benefits	<u>\$ 26,851</u>	<u>\$ (721,867)</u>	<u>\$ 2,742</u>	<u>\$ (692,274)</u>
Accrued pension benefits	\$ 162,148,900	\$ 54,231,200	\$ 2,555,000	\$ 218,935,100
Deficiency	<u>(162,122,049)</u>	<u>(54,953,067)</u>	<u>(2,552,258)</u>	<u>(219,627,374)</u>
Accrued pension benefits net of deficiency	<u>\$ 26,851</u>	<u>\$ (721,867)</u>	<u>\$ 2,742</u>	<u>\$ (692,274)</u>
<b>2007</b>				
Investments	\$ -	\$ 2,650,611	\$ -	\$ 2,650,611
Cash	<u>769,280</u>	<u>763</u>	<u>40,007</u>	<u>810,050</u>
	769,280	2,651,374	40,007	3,460,661
Less: Accounts payable and accrued liabilities	14,631	4,631	461	19,723
Less: Retroactive pension increase	<u>-</u>	<u>605,735</u>	<u>-</u>	<u>605,735</u>
Net assets available for benefits	<u>\$ 754,649</u>	<u>\$ 2,041,008</u>	<u>\$ 39,546</u>	<u>\$ 2,835,203</u>
Accrued pension benefits	\$ 161,263,500	\$ 52,495,300	\$ 2,452,000	\$ 216,210,800
Deficiency	<u>(160,508,851)</u>	<u>(50,454,292)</u>	<u>(2,412,454)</u>	<u>(213,375,597)</u>
Accrued pension benefits net of deficiency	<u>\$ 754,649</u>	<u>\$ 2,041,008</u>	<u>\$ 39,546</u>	<u>\$ 2,835,203</u>

Province of Nova Scotia  
**Sydney Steel Corporation Superannuation Fund**  
**Schedule B – Changes in Assets Available for Benefits by Pension Plan**  
**March 31, 2008**

	United Steel Workers of America (Locals 1064, 6537 and 6516) Pension Plan	Salaried Pension Plan	Canadian Union of Public Employees (Local 1675) Pension Plan	Total
<b>2008</b>				
Increase in Assets				
Contributions:				
Province of Nova Scotia	\$ 16,445,981	\$ 2,098,437	\$ 169,259	\$ 18,713,677
Interest and dividends on investments	1,506	17,175	86	18,767
Gain on sale of investments	-	496,457	-	496,457
	<u>16,447,487</u>	<u>2,612,069</u>	<u>169,345</u>	<u>19,228,901</u>
Decrease in Assets				
Benefits paid	17,042,412	4,849,703	202,903	22,095,018
Administrative expenses	132,873	30,039	3,246	166,158
Current period change in market value of investments	-	495,202	-	495,202
	<u>17,175,285</u>	<u>5,374,944</u>	<u>206,149</u>	<u>22,756,378</u>
Increase (decrease) in Net Assets	(727,798)	(2,762,875)	(36,804)	(3,527,477)
Assets available for benefits, beginning of year	<u>754,649</u>	<u>2,041,008</u>	<u>39,546</u>	<u>2,835,203</u>
Assets available for benefits, end of year	<u>\$ 26,851</u>	<u>\$ (721,867)</u>	<u>\$ 2,742</u>	<u>\$ (692,274)</u>
<b>2007</b>				
Increase in Assets				
Contributions:				
Province of Nova Scotia	\$ 16,618,210	\$ 30,734	\$ 221,552	\$ 16,870,496
Interest and dividends on investments	1,558	111,858	69	113,485
Gain on sale of investments	-	1,174,534	-	1,174,534
	<u>16,619,768</u>	<u>1,317,126</u>	<u>221,621</u>	<u>18,158,515</u>
Decrease in Assets				
Benefits paid	17,531,119	4,817,987	214,354	22,563,460
Administrative expenses	148,312	44,833	3,640	196,785
Current period change in market value of investments	-	994,322	-	994,322
	<u>17,679,431</u>	<u>5,857,142</u>	<u>217,994</u>	<u>23,754,567</u>
Increase (decrease) in Net Assets	(1,059,663)	(4,540,016)	3,627	(5,596,052)
Assets available for benefits, beginning of year	<u>1,814,312</u>	<u>6,581,024</u>	<u>35,919</u>	<u>8,431,255</u>
Assets available for benefits, end of year	<u>\$ 754,649</u>	<u>\$ 2,041,008</u>	<u>\$ 39,546</u>	<u>\$ 2,835,203</u>