


**PROVINCE OF NOVA SCOTIA
SYDNEY STEEL CORPORATION
SUPERANNUATION FUND
CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2010**



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Auditors' report

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To the Minister of Finance, Province of Nova Scotia

We 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, 2010 and the consolidated statement of changes in net assets available for benefits for the year then ended. These consolidated financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these consolidated 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, 2010 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Our 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 the 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 our opinion, is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Halifax, Nova Scotia
June 16, 2010

Grant Thornton LLP

Chartered accountants

**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
 AS AT MARCH 31, 2010**

NET ASSETS AVAILABLE FOR BENEFITS	2010	2009
Assets		
Cash	\$ 33,018	\$ 70,306
Liabilities		
Accounts payable and accrued liabilities	<u>13,251</u>	<u>20,688</u>
Net assets available for benefits	<u>\$ 19,767</u>	<u>\$ 49,618</u>
 ACCRUED PENSION BENEFITS NET OF DEFICIENCY		
Accrued pension benefits (Note 4)	\$ 200,890,700	\$ 206,936,200
Deficiency (Note 4)	<u>(200,870,933)</u>	<u>(206,886,582)</u>
Accrued pension benefits net of deficiency	<u>\$ 19,767</u>	<u>\$ 49,618</u>

Approved:

ORIGINAL SIGNED BY GRAHAM STEELE

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, 2010**



	2010	2009
Increase In Assets		
Contributions:		
Province of Nova Scotia	\$ 20,787,393	\$ 22,262,465
Investment income	<u>1,304</u>	<u>9,958</u>
Increase in assets	<u>20,788,697</u>	<u>22,272,423</u>
Decrease in Assets		
Benefits	20,677,776	21,334,482
Operating expenses (Note 5)	<u>140,772</u>	<u>196,049</u>
Decrease in assets	<u>20,818,548</u>	<u>21,530,531</u>
 (Decrease) increase in Net Assets Available for Benefits	 (29,851)	 741,892
Net Assets Available for Benefits (Deficiency) at Beginning of Year	 <u>49,618</u>	 <u>(692,274)</u>
Net Assets Available for Benefits at End of Year	 <u>\$ 19,767</u>	 <u>\$ 49,618</u>

(See accompanying notes to the consolidated financial statements)

Province of Nova Scotia
Sydney Steel Corporation Superannuation Fund
Notes to the Consolidated Financial Statements
MARCH 31, 2010

1. Authority and Description of Plans:

The Sydney Steel Corporation Superannuation Fund (the "Fund") was established under Section 7 of the Sydney Steel Corporation Sale Act (the "Act"), which was proclaimed on February 9, 2001. Order in Council No. 2001-98 designated February 28, 2001 as the effective date on which the assets and obligations of the Sydney Steel Corporation pension plans were transferred to the Fund. The Minister of Finance is the Trustee of the Fund.

Under subsection 7(9) of the Act, the Minister of Finance assumed responsibility to fund any shortfalls arising under the Fund.

a) United Steel Workers of America Pension Plan:

The Plan is a defined benefit pension plan covering former employees of the Sydney Steel Corporation who were 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 defined benefit pension plan covering former salaried employees of the 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.

Province of Nova Scotia
Sydney Steel Corporation Superannuation Fund
Notes to the Consolidated Financial Statements
MARCH 31, 2010

1. Authority and Description of Plans (continued):

c) Canadian Union of Public Employees Pension Plan:

The Plan is a defined benefit pension plan covering former employees of the Sydney Steel Corporation who were 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) Assets and liabilities:

The fair value of cash and accounts payable approximate their carrying amounts due to their short-term nature.

**Province of Nova Scotia
Sydney Steel Corporation Superannuation Fund
Notes to the Consolidated Financial Statements
MARCH 31, 2010**

2. Significant Accounting Policies (continued):

d) 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.

e) 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. Investment income is from interest on cash balances and from recoveries from previously owned investments.

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 Plans' previous actuary, Morneau Sobeco, performed valuations as at September 30, 2008. The reports indicated that the Plans had a combined unfunded liability of \$212.1 million. A projection to March 31, 2010, carried out by the Plans' current actuary, Mercer, applying the assumptions summarized below, indicated an unfunded liability of \$200.9 million (March 31, 2009 - \$206.9 million).

The following table reflects the unfunded liability as at March 31, 2010 and as at March 31, 2009.

	<u>2010</u>	<u>2009</u>
Actuarial value of assets:	\$ 19,767	\$ 49,618
Accrued pension benefits:	<u>200,890,700</u>	<u>206,936,200</u>
Unfunded liability:	<u>(\$ 200,870,933)</u>	<u>(\$ 206,886,582)</u>

**Province of Nova Scotia
Sydney Steel Corporation Superannuation Fund
Notes to the Consolidated Financial Statements
MARCH 31, 2010**

4. Accrued Pension Benefits and Deficiency (continued):

	2010	2009
Reconciliation of changes in accrued pension benefits:		
Accrued pension benefits at beginning of year	\$ 206,936,200	\$ 218,935,100
Impact of change in discount rate and inflation assumption	3,520,000	-
Estimated benefits paid	(20,851,600)	(21,084,900)
Interest on average liability during fiscal year	9,489,600	10,312,900
Net experience losses (gains)	<u>1,796,500</u>	<u>(1,176,282)</u>
Accrued pension benefits at end of year	<u>\$ 200,890,700</u>	<u>\$ 206,936,200</u>

The actuarial valuations project 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.

The net actuarial losses (gains) noted above include experience gains and losses resulting when actual benefits differ from estimated benefits.

The major economic and demographic assumptions used in the extrapolation and most recent valuations are as follows:

	Extrapolation March 31, 2010	Valuation September 30, 2008
Inflation (only applies to the Salaried Plan)	2.50% per annum	2.50% per annum
Average Salary Increase	Not applicable	Not applicable
Interest (discount) rate	4.75% per annum	4.95% per annum
Retirement Age	Earliest unreduced retirement date	Earliest unreduced retirement date
Mortality	UP-94 projected to 2020 using scale AA	UP-94 projected to 2015 using scale AA

Province of Nova Scotia
Sydney Steel Corporation Superannuation Fund
Notes to the Consolidated Financial Statements
MARCH 31, 2010

5. Operating Expenses:

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

	<u>2010</u>	<u>2009</u>
Plan Administration		
Professional services	\$ 14,085	\$ 34,914
Salaries	88,652	86,182
Supplies and services	26,425	62,591
Travel	701	936
Other	<u>10,909</u>	<u>11,426</u>
Total Operating Expenses	<u>\$ 140,772</u>	<u>\$ 196,049</u>

6. Capital Management:

The Trustee (see Note 1) manages the benefits as required by the Sydney Steel Corporation Sale Act. The Trustee approves and incurs expenses to administer the commerce of the Fund as required under the Act.

Benefit payments are funded by the Consolidated Fund of the Province of Nova Scotia. The Fund exercises due diligence and has established written policies, procedures, and approval processes. Operating budgets, audited financial statements, actuarial valuations and reports, and as required, the retention of supplementary professional, technical and other advisors, are part of the Fund governance structure.

**Province of Nova Scotia
Sydney Steel Corporation Superannuation Fund
Schedule A – Assets Available for Benefits by Pension Plan
MARCH 31, 2010**

	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
2010				
Cash	\$ 16,238	\$ 14,302	\$ 2,478	\$ 33,018
Less: Accounts payable and accrued liabilities	<u>10,710</u>	<u>2,266</u>	<u>275</u>	<u>13,251</u>
Net assets available for benefits	<u>\$ 5,528</u>	<u>\$ 12,036</u>	<u>\$ 2,203</u>	<u>\$ 19,767</u>
Accrued pension benefits	147,658,600	50,832,300	2,399,800	200,890,700
Deficiency	<u>(147,653,072)</u>	<u>(50,820,264)</u>	<u>(2,397,597)</u>	<u>(200,870,933)</u>
Accrued pension benefits net of deficiency	<u>\$ 5,528</u>	<u>\$ 12,036</u>	<u>\$ 2,203</u>	<u>\$ 19,767</u>
2009				
Cash	\$ 47,088	\$ 18,757	\$ 4,461	\$ 70,306
Less: Accounts payable and accrued liabilities	<u>17,439</u>	<u>2,809</u>	<u>440</u>	<u>20,688</u>
Net assets available for benefits	<u>\$ 29,649</u>	<u>\$ 15,948</u>	<u>\$ 4,021</u>	<u>\$ 49,618</u>
Accrued pension benefits	152,954,900	51,539,300	2,442,000	206,936,200
Deficiency	<u>(152,925,251)</u>	<u>(51,523,352)</u>	<u>(2,437,979)</u>	<u>(206,886,582)</u>
Accrued pension benefits net of deficiency	<u>\$ 29,649</u>	<u>\$ 15,948</u>	<u>\$ 4,021</u>	<u>\$ 49,618</u>

Province of Nova Scotia
Sydney Steel Corporation Superannuation Fund
Schedule B – Changes in Assets Available for Benefits by Pension Plan
MARCH 31, 2010

	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
2010				
Increase in Assets				
Contributions:				
Province of Nova Scotia	\$ 16,027,935	\$ 4,552,106	\$ 207,352	\$ 20,787,393
Investment income	<u>3</u>	<u>1,300</u>	<u>1</u>	<u>1,304</u>
	<u>16,027,938</u>	<u>4,553,406</u>	<u>207,353</u>	<u>20,788,697</u>
Decrease in Assets				
Benefits	15,938,638	4,532,177	206,961	20,677,776
Administrative expenses	<u>113,421</u>	<u>25,141</u>	<u>2,210</u>	<u>140,772</u>
	<u>16,052,059</u>	<u>4,557,318</u>	<u>209,171</u>	<u>20,818,548</u>
Decrease in Net Assets	(24,121)	(3,912)	(1,818)	(29,851)
Assets available for benefits, beginning of year	<u>29,649</u>	<u>15,948</u>	<u>4,021</u>	<u>49,618</u>
Assets available for benefits, end of year	<u>\$ 5,528</u>	<u>\$ 12,036</u>	<u>\$ 2,203</u>	<u>\$ 19,767</u>
2009				
Increase in Assets				
Contributions:				
Province of Nova Scotia	\$ 16,638,964	\$ 5,420,454	\$ 203,047	\$ 22,262,465
Investment income	<u>93</u>	<u>9,858</u>	<u>7</u>	<u>9,958</u>
	<u>16,638,957</u>	<u>5,430,312</u>	<u>203,054</u>	<u>22,272,423</u>
Decrease in Assets				
Benefits	16,474,591	4,661,603	198,288	21,334,482
Administrative expenses	<u>161,668</u>	<u>30,894</u>	<u>3,487</u>	<u>196,049</u>
	<u>16,636,259</u>	<u>4,692,497</u>	<u>201,775</u>	<u>21,530,531</u>
Increase in Net Assets	2,798	737,815	1,279	741,892
Assets available for benefits, beginning of year	<u>26,851</u>	<u>(721,867)</u>	<u>2,742</u>	<u>(692,274)</u>
Assets available for benefits, end of year	<u>\$ 29,649</u>	<u>\$ 15,948</u>	<u>\$ 4,021</u>	<u>\$ 49,618</u>