ANNUAL REPORT 2020

Nova Scotia Public Service
Long Term Disability Plan Trust Fund

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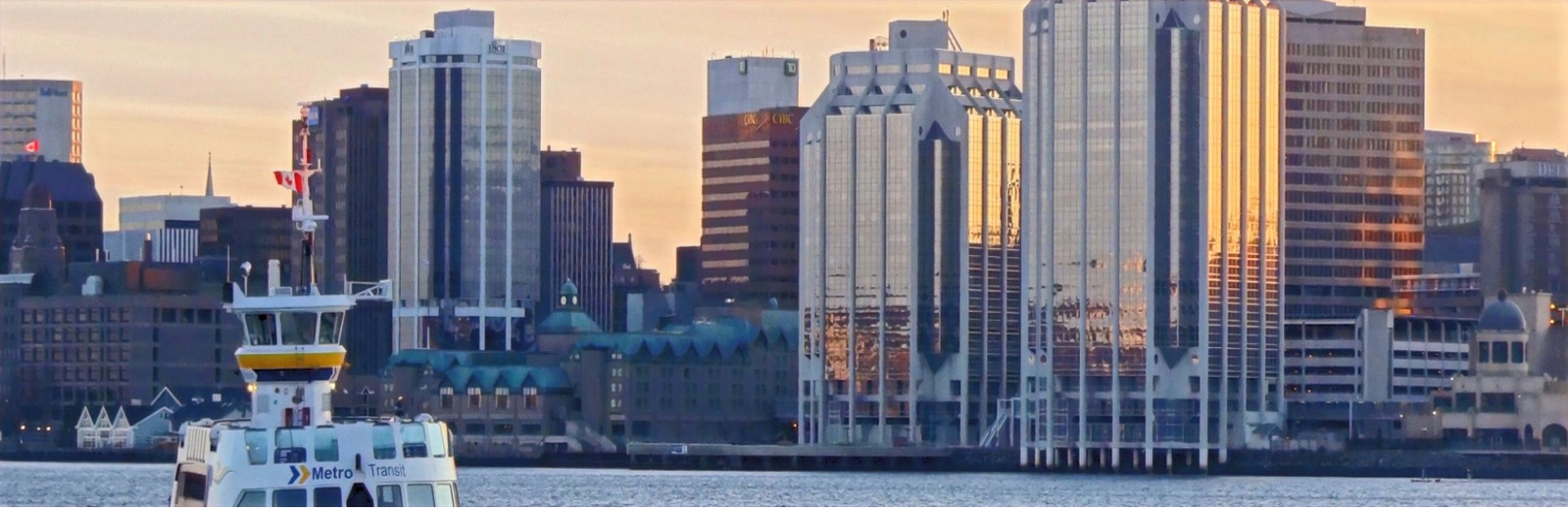

CEO & CHAIR MESSAGE

2020 has been an unprecedented year due to the COVID-19 global pandemic. Our claims incidence declined, investment markets were volatile and as a province we maneuvered through the uncertainty and restrictions imposed by COVID-19. Though Nova Scotia has faired better than most, as the summer of 2021 approaches many are facing pandemic fatigue as we anxiously wait for a reopening.

On a positive note, claims incidence was slightly down in 2020. We also saw an increase in Plan members returning to work, possibly a result of employers being flexible regarding working from home and return to work planning. What 2021 will bring is unknown, it is possible that the postponement of some medical treatments, and an overall decrease in seeking medical attention for certain conditions could have an impact on claims. We will continue to work closely with participating employers and our Plan administrator to address challenges as they present.

Though a volatile year, the Plan continues to be in a strong financial position. 2020 was the year of our biennial actuarial valuation and this resulted in an estimated increase in benefit liabilities ending the year at $116.2 million, with the market value of the Plan's assets as of December 31, 2020 at $174.3 million. The Plan ended the year with a funding margin of $58.1 million and a funded ratio of 150%, a decrease from 162% in 2019 and well within the Trust's long term funding plan.

The Board continues to work toward a 125% funded ratio. The decrease in the funding ratio, largely due to the gap between higher claim costs and premium revenues, was expected in 2020 and in keeping with the Plan's Funding Policy and requirement to reduce the excess funding margin. Funding level adjustments will be reviewed in detail following the next scheduled actuarial valuation in December 2022.

CEO & CHAIR MESSAGE

With our refreshed Mission and Values Statement in hand the Board addressed the strategic priorities as outlined in the 2019 annual report.

We are pleased to announce:

· completion of a communication framework
· launching of our updated website
· submission to the Plan Sponsors of an updated Trust Deed
· a positive, third party Investment manager review
· introduction of a Navigator position to assist Plan members and participating employers.

Our updated website and new Navigator role have been met with positive feedback. The website is designed with Plan members and participating employers in mind, addressing the questions and concerns they most frequently ask. The role of the Navigator is to help Plan members and participating employers navigate through the LTD process from start to finish by answering questions they might have.

The accomplishments of 2020 and planning for the future would not be possible without the dedication and knowledge of the Plan's Trustees. We would like to thank out going Trustee Paul Hagen for his many years of service to the Board and welcome Nicole McKim.

In closing, while 2020 has been a challenging year for many people; for the Trust it has ended well with: lower claims incidence, positive investment returns, funding levels within the long-term plan and the strategic plan on schedule and above all, secure LTD benefits for Plan members with no increase in premiums.

Respectfully,

Doug Stewart, Chair

Anna MacIsaac, CEO

BOARD OF TRUSTEES

The Province of Nova Scotia and the Nova Scotia Government and General Employees Union (NSGEU) established the Nova Scotia Public Service Long Term Disability Plan Trust Fund in 1985 to provide long-term disability benefits to the Province's Public Sector employees.

Five board members are appointed by the NSGEU, one of whom is designated by the Canadian Union of Public Employees (CUPE). Five board members are appointed by the Province through the Lieutenant Governor in Council, one of whom is designated by the Nova Scotia Health Authority. The Plan Sponsors jointly appoint an independent Chair.

"Our shared mission is to administer the Nova Scotia Public Service Long Term Disability Plan Trust Fund to ensure sustainable and affordable funding for negotiated long-term disability benefits and return to work support."

Chair Doug Stewart

Board Trustees

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Darren McPhee
Jim Gosse
Nicole McKim
Steve Joy (CUPE)

Province of NS Sponsored
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Shannon York
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Sarah Bradfield
Nicole McKim

PARTICIPATING EMPLOYERS

Province of Nova Scotia
Nova Scotia Community College
Nova Scotia Health Authority
Atlantic Provinces Special Education Authority
Develop Nova Scotia
Events East Group
Innovacorp
IWK Health Centre
Nova Scotia Business Inc.
Nova Scotia Gaming Corporation
Nova Scotia Government and General Employees Union
Nova Scotia Lands Inc.
Nova Scotia Legal Aid Commission
Nova Scotia Municipal Finance Corporation
Nova Scotia Pension Services Corporation
Nova Scotia Public Service Long Term Disability Plan Trust Fund
Nova Scotia Utility and Review Board
Property Valuation Services Corporation
Tourism Nova Scotia
University Saint Anne

Employers play a significant role in returning their employees to work in a safe and timely manner. As of the end of 2020 the LTD Plan insured 20 employers and approximately 13,750 Plan members.

We encourage our participating employers to visit our website and contact our Navigator if they have any questions pertaining to the LTD Plan.

FUNDING POSITION

The Plan's benefit liabilities are calculated using an actuarial valuation, which provides an estimate of the value of the Plan's commitment to its beneficiaries. The most recent actuarial valuation was completed as of December 31, 2020 by Morneau Shepell, the firm appointed by the Board of Trustees to provide the Plan's actuarial services. The 2020 valuation estimated the benefit liabilities for the Plan to be $116.2 million. This figure includes both active in-force claims as of the valuation date and an allowance for claims incurred before the valuation date but not yet reported or adjudicated. It also includes a provision for future administrative expenses on claims incurred as of the valuation date.

The market value of the assets in the Plan on December 31, 2020 was $174.3 million, resulting in a funding margin of $58.1 million and a funded ratio of 150%.

The Plan continues to have a strong funding position. However, since the last full actuarial valuation as of December 31, 2018, the Plan's funding margin has been reduced by $3.9 million.

The main factor contributing to the strong funding position:

· Interest on existing surplus and investment returns greater than expected: **$20.9 million**.

The main factors contributing to the net decrease are:

· Pre-approval of ad hoc indexing to qualifying claimants to the end of 2022: **$4.5 million.**

· Experience losses on claims incurred as of the last valuation: **$2.8 million.**

· New claims costs more than premiums and EI rebates for 2019 and 2020: **$12.9 million**.

· Increased liabilities resulting from change in valuation discount rate: **$4.4 million.**

FUNDING POSITION

Since the last valuation, the Plan Sponsors pre-approved indexing for qualifying claimants up to the end of 2022.

The Plan's investments earned approximately 8.5% per annum over the past two years versus the 3.25% per annum rate of return assumed in the 2018 valuation. In addition, the Plan had a significant funding margin as of December 31, 2018 ($62.0 million) on which to earn additional investment income. Taken together, these two items contributed $20.9 million to the Plan's funding position.

On the other hand, experience on claims incurred as of December 31, 2018 has resulted in a small net loss of $2.8 million due to a combination of factors. The main contributors were claim terminations different from expected ($1.4 million) and more claims than provided for in the incurred but not reported liability from the last valuation ($2.0 million).

In addition, experience on claims incurred since the last valuation have detracted from the Plan's funding position. In particular, the estimated cost of new long-term disability claims (including associated administration expenses) has exceeded the premiums and EI rebates collected since the previous valuation. This gap between revenue and claims costs has reduced the Plan's funding position by $12.9 million.

It is important to note that this adjustment was expected as there is an existing discount in Plan premiums to amortize the existing funding margin in accordance with the Funding Policy.

FUNDING POSITION

Finally, the discount rate for the valuation of the Plan's benefit liabilities has been revised to 2.5% for the current valuation. The previous valuation used a rate of 3.25%. The change in the discount rate is based on updated expectations for the Plan's net investment returns going forward based on its Investment Policy and current market conditions. The reduction in discount rate increased the estimated benefit liabilities by $4.4 million.

The following table shows the funding position of the Plan for the last five years. Please note that in the years between full actuarial valuations (2017 and 2019) the accrued liability for benefits is based on an extrapolation of the results from the previous full actuarial valuation.

YEAR END	2016	2017*	2018	2019*	2020
Assets (minus accounts payable) $ millions	154.0	160.0	157.1	166.3	**174.3**
Accrued Liabilities for Benefits $ millions	83.0	86.7	95.2	102.8	**116.2**
Funding Margin $ millions	71.0	73.3	62.0	63.5	**58.1**
FUNDED RATIO	**186%**	**185%**	**165%**	**162%**	**150%**

*Based on extrapolated liability results
Source: Morneau Shepell

The Board of Trustees have adopted a Funding Policy to guide how the Plan responds to variations in its funded position. The objective of the policy is to maintain a funded position that provides for the security of benefits promised to claimants while maintaining stable and affordable premium rates. The target funded ratio under the policy is 125%.

FUNDING POSITION

The policy provides guidance on actions (premium adjustments and/or benefit changes, including benefit indexing) to consider when the Plan's funded ratio is outside of its target range. In general, when the Plan is outside of its target funding range, the policy aims to return the Plan to its target level within a ten-year period. The specific adjustments to consider and the level of Board discretion are outlined in the policy, and vary based on the degree of variance from the Plan's target funded ratio.

As noted above, the Plan is 150% funded as of December 31, 2020. At this funding level, the Funding Policy states that the Board should recommend premium discounts and/or benefit improvements with the aim of returning the Plan to its target funded ratio of 125% in 10 years or less. A 125% funded ratio implies target assets of $145.2 million. When compared to the Plan's current net assets of $174.3 million this suggests an excess funding margin of $29.1 million.

In summary, current premium levels and projected EI rebates submitted to the Plan are expected to be below the best-estimate range for the cost of new disability claims, including associated administrative expenses. Given the Plan's significant funding margin, this is not a cause for immediate concern. The Plan is currently financially sound and well able to meet the commitments made to existing disability claimants.

The discount in current premiums will need to be reviewed as the Plan's funded ratio gets close to its target. At that time, premium increases may be necessary unless there is an offsetting reduction in the cost of new disability claims.

The Board will continue to monitor and respond to emerging Plan risks going forward. The actuarial valuation is performed every two years; accordingly, the next formal actuarial valuation of the Plan is scheduled for December 31, 2022.

LTD CLAIMS ADMINISTRATION

The Board has hired Manulife Financial to administer the LTD Plan on their behalf. As Plan administrator, Manulife provides claims management services as dictated by the LTD Plan under the supervision of the Plan office.

Throughout the year, Manulife tracks key claim metrics. The Plan office and Manulife identify claim trends in an effort to understand where we should focus our attention.

THE FOLLOWING KEY METRICS INDICATE NO RISK

Received Claims	Manulife received 210 LTD claims in 2020, tracking lower than 2019 by 9% or 21 less claims and returning to the same number of claims received in 2018.
TAT* - Claim Submission	72% of claims were received before the LTD start date in 2020. Target is to have all forms received prior to the LTD start date.
TAT - Initial Decisions	99% of claim decisions were processed by the 10th business day, exceeding the target of 90%. Average processing time to provide the LTD decision in 2020 was 9 days.
Average Duration	Overall durations from benefit start date to closure (excluding permanent claims**) was 13.6 months. This is in keeping with the previous 2 years. Average return to work durations were relatively stable with members returning to work after 10.6 months on claim.
Resolutions & Outcomes	Overall resolutions increased by 14% or by 21 claims for a total of 169 closures reported in 2020. Return to work closures are the number one reason for claim closure and increased by 36% or by 23 more closures compared to 2019. At a diagnostic level, mental Illness made up 29% of all return to work closures, the highest among all other categories.

Source: Manulife
TAT* Turn Around Time
**Permanent Claims- a return to work is highly unlikely

Claim submissions and initial decisions were managed within established turn around times. We saw a decrease in claims received and an increase in claim resolutions, including return to works which was encouraging. We will continue to work closely with Manulife and our participating employers to maintain service times and positive claim resolutions.

LTD CLAIMS ADMINISTRATION

THE FOLLOWING KEY METRICS WILL BE MONITORED CLOSELY

Incidence rate	Received claim incidence tracked lower in 2020 with an incidence rate of 15.4 per 1,000 lives insured compared to 16.9 in 2019.
Volume by Diagnosis	Mental illness was the leading cause of disability for the Plan making up 36% of the claims received in 2020. The second leading cause of disability was musculoskeletal illness/injury at 20% an increase from 2019. Cancer was the third leading cause of disability with 11% of claims received.
Mental Health	Claim submission for mental illness was down slightly in 2020. This pattern is different from what Manulife saw with their Like Government Industry and Block of Business where LTD submission for Mental Health increased. This pattern could be the result of the more significant impact COVID-19 had on other areas of the country in 2020.
Claim Interventions	Mental Health Specialist (MHS) utilization decreased slightly in 2020. The MHS provides critical support and guidance around individualized recovery, return-to-work plans, and case management actions. Rehab Specialist utilization was also lower in 2020 compared to the previous year. Rehab supports members with treatment facilitation, coordinating accommodation discussions and return to work planning.
Costs	Mental illness and musculoskeletal claims make up the highest percentage of claims paid. In 2020 Mental illness claims made up 37% of claims paid followed by Musculoskeletal claims with 17% of claims paid. Overall LTD benefit payments increased by 11% from the previous year. This increase was largely driven by the increase in the benefits paid for Mental illness.

Source: Manulife

We were pleased to see the incidence rate lower in 2020 compared to 2019, but a rate of 15.4 is still considered high and will be monitored. Mental illness continues to be the leading diagnosis of submitted and approved claims. The slight decrease in claim submissions for mental illness in 2020 could have been due to COVID-19, it was also likely responsible for the decrease in claim interventions. We will continue to monitor and work with our Plan administrator to identify emerging opportunities regarding the management of mental health claims.

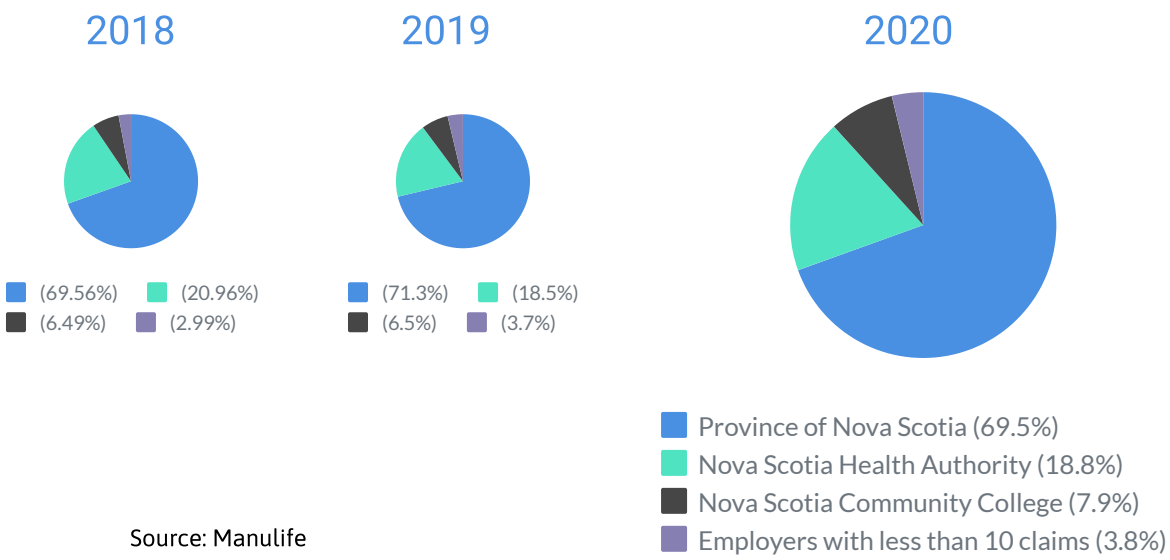
LTD CLAIMS ADMINISTRATION

LTD CLAIMS FOR THE PAST FIVE YEARS

Source: Manulife

LTD CLAIMS DISTRIBUTION BY EMPLOYER AS OF DECEMBER 31, 2020

It is not surprising that the Province as our largest participating employer has the highest percentage of LTD claims. Of note, claims distribution has not changed significantly over the years.

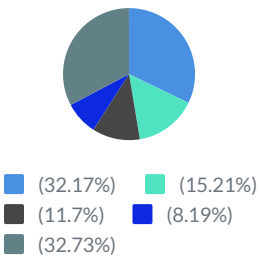


Source: Manulife

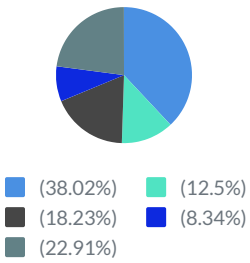
LTD CLAIMS ADMINISTRATION

LTD DIAGNOSES FOR CLAIMS APPROVED

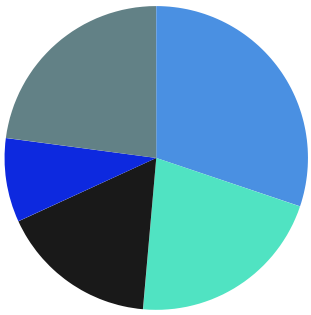
2018



2019



2020



Mental Health (30.17%) Musculoskeletal (21.23%)
Cancer (16.76%) Brain & Nervous (8.94%)
All other (22.9%)

Source: Manulife

CLAIM RESOLUTIONS

YEAR	2018	2019	2020
Return to Work	63	64	87
Medical Evidence	7	18	10
Change of Definition	13	10	9
Max Period or Age	31	37	36
Retirement	15	7	6
Deceased	15	7	13
Other	5	5	8
TOTAL RESOLUTIONS	149	148	**169**

Source: Manulife

*Change of Definition- disabled from own occupation; however not any occupation.

INVESTMENT MANAGER PORTFOLIO SUMMARY

Investment manager Beutel Goodman & Company Ltd. (BG), achieved positive performance results for the NSPS- LTD Plan Trust Fund's Liability Hedging Portfolio, with relative outperformance for the year ending December 31, 2020. With respect to the NSPS- LTD Plan Trust Fund's Balanced Portfolio, performance over the period was positive, however the portfolio underperformed versus its blended benchmark.

Liability Hedging Portfolio

Over the 12-month period ended December 31, 2020, Beutel Goodman Income Fund (the "Fund") outperformed its benchmark.

The period was one of unprecedented volatility across the globe. All-time highs in equity markets were reached in February as corporate earnings, positive trade news from China and strong employment data buttressed equity markets. Then, intensifying concerns around COVID-19 – declared a pandemic on March 11 – and its potentially crippling effects on global growth led credit spreads wider and interest rates to decline.

Possibly the one thing that could be described as positive in the ensuing weeks was the speed with which central banks and governments moved to provide massive intervention and stimulus measures. In Canada, multiple emergency rate cuts were announced in March, along with plans to support the economy and financial markets through quantitative easing measures and significant fiscal stimulus. The relief measures were somewhat successful at calming markets, despite the severity of the downturn.

The sharp rebound in many areas of the economy in the third quarter was a welcome respite. Unemployment rates in both Canada and the U.S. fell dramatically from their second-quarter highs, job vacancies rose, and GDP rebounded after the sharp contraction in March and April.

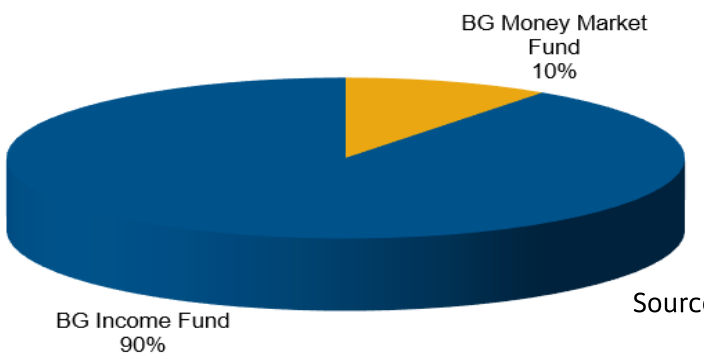
INVESTMENT MANAGER PORTFOLIO SUMMARY

Optimism also rose in the third quarter on growing confidence of the development of a successful vaccine and, in Canada, continued emergency support for businesses and individuals, and a plan to fuel economic growth.

In the fourth quarter, equity markets rose while credit spreads continued to tighten. This surge in risk assets was driven primarily by good news on the vaccine front, the continued commitment of central banks to hold interest rates at the lower zero bound and provide liquidity programs until inflation is at or through the target levels, and, after months of political wrangling, the passing of an additional US$900 billion stimulus bill in the U.S.

Despite an alarming resurgence of the pandemic and a nail-biter of a U.S. presidential election, the economy showed continued improvement into year-end; in the U.S., the unemployment rate continued to decline and in Canada, GDP expanded and unemployment continued its slow tick down. As people emerge from lockdowns, consensus expectations are for pent-up demand to deliver a significant additional boost to the economy on both sides of the border. For the January 1 to December 31, 2020 period, the FTSE Canada Universe Bond Index increased by 8.68% on a total-return basis.

Asset Mix - December 31, 2020



Source: BNY Mellon

INVESTMENT MANAGER PORTFOLIO SUMMARY

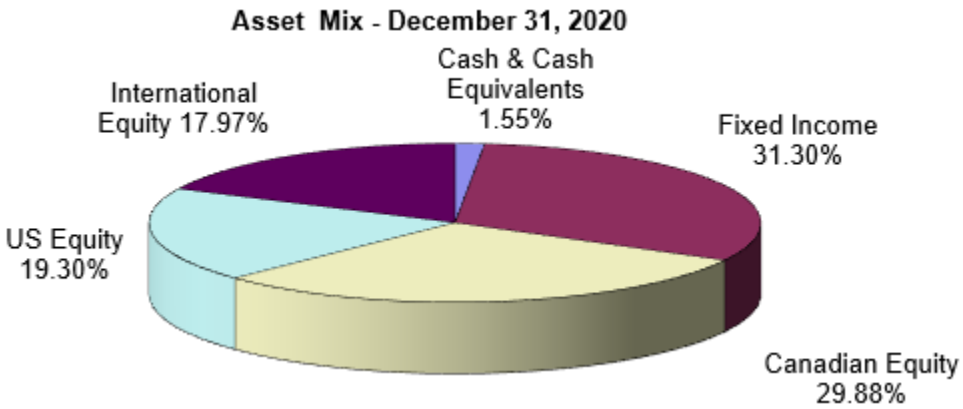
Balanced Fund Portfolio

Over the 12-month period ended December 31, 2020 Beutel Goodman Balanced Fund (the "Fund") underperformed its benchmark.

The new year (and decade) started out relatively positive, and all-time highs were reached in February as corporate earnings, positive trade news from China and strong employment data buttressed equity markets. Then, the crippling effects of COVID-19 on global growth led to steep equity market declines as investors sold equities indiscriminately. Partly a result of the speed with which central banks and governments moved to provide massive intervention and stimulus measures, equity markets began a rebound in the second quarter and posted gains into July and August before reversing course in September. This was due to a looming contentious U.S. presidential election, a possible second wave of COVID-19 cases and uncertainty around a viable vaccine, which tempered the impact of continued liquidity on markets. Additional political discourse in the U.S., including the battle in Congress over a stimulus bill and a new Supreme Court justice nomination six weeks before the election, also contributed to market volatility. During December, COVID-19 vaccine approvals and the start of inoculations provided optimism in the markets, despite a new, more contagious variant of the virus detected in the U.K. and elsewhere. The U.S. presidential election results provided further positive impetus to markets, with the general view that the new administration would support U.S. economic growth. Despite a tumultuous year, markets thus ended 2020 in positive territory, with the S&P/TSX Composite Index posting a total return of 5.60%, the S&P 500 Index (C$) up 16.32%, the MSCI EAFE Index (C$) up 5.92% and the FTSE Canada Universe Bond Index up 8.68%.

INVESTMENT MANAGER PORTFOLIO SUMMARY

The equity portfolio of the Fund is divided into three portions: Canadian equities, U.S. equities and international equities. Each of the three portions of the equity portfolio recorded positive absolute returns, but underperformed their respective benchmarks. Relative underperformance was attributed to a combination of stock selection and a relative overweight to equities, with Canadian equities being the largest detractors from performance. The underweight to fixed income during a period of significant market volatility also detracted slightly, although this was offset by security selection within the asset class.



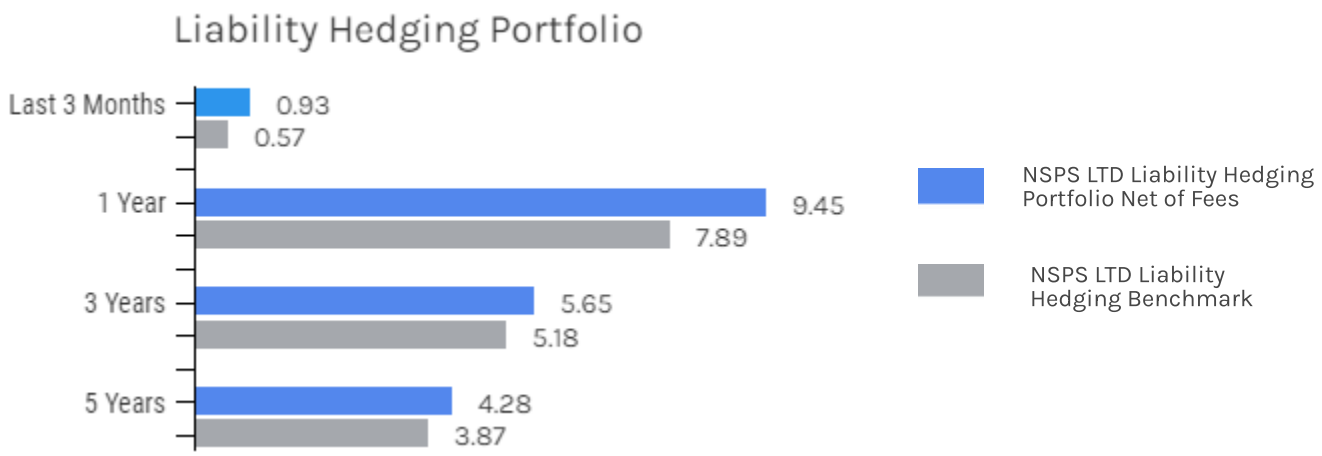
Source: BNY Mellon

Market Risk 2021

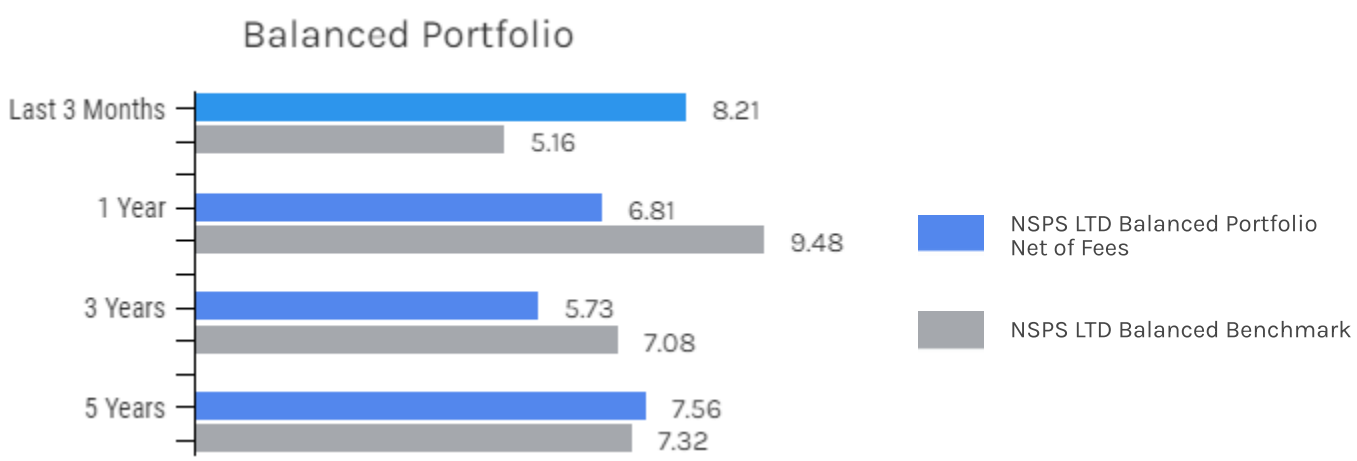
The impact of the COVID-19 pandemic on the financial performance of the Fund's investments will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions. This public health crisis and the impact of COVID-19 on the financial markets and the overall economy are highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the Fund's future investment results may be materially adversely affected.

INVESTMENT MANAGER PORTFOLIO SUMMARY

Annualized Returns



Benchmark: 10% FTSE Canada 91 Day T-Bill Index, 90% FTSE Canada Universe Bond Index (Effective Mar 1, 2014). 5% FTSE Canada 91 Day T-Bill Index, 57% FTSE Canada Short Term Bond Index, 38% FTSE Canada Universe Bond Index
Source: BNY Mellon



Benchmark: 5% FTSE Canada 91 Day T-Bill Index, 40% FTSE Canada Universe Bond Index, 30% S&P/TSX Composite Index, 12% S&P 500 (CAD), 13% MSCI EAFE Net (CAD).
Source: BNY Mellon

LET'S GET IN TOUCH

You can reach us at (902)461-0421 or toll-free at 1(877)461-0421
or
www.nsps-ltd.com

Thank you

Nova Scotia Public Service
Long Term Disability Plan Trust Fund

Grant Thornton

Financial Statements

Nova Scotia Public Service

Long Term Disability Plan Trust Fund

December 31, 2020

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Grant Thornton

Independent auditor's report

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To the Trustees of
Nova Scotia Public Service Long Term Disability Plan Trust Fund

Opinion

We have audited the financial statements of Nova Scotia Public Service Long Term Disability Plan Trust Fund, which comprise the statement of financial position as at December 31, 2020, and the statements of changes in net assets available for benefits and changes in accrued liability for benefit for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Nova Scotia Public Service Long Term Disability Plan Trust Fund as at December 31, 2020, and the changes in its net assets available for benefits and the changes in accrued liability for benefit for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of Nova Scotia Public Service Long Term Disability Plan Trust Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Nova Scotia Public Service Long Term Disability Plan Trust Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Plan Sponsors either intend to liquidate Nova Scotia Public Service Long Term Disability Plan Trust Fund or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Nova Scotia Public Service Long Term Disability Plan Trust Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Nova Scotia Public Service Long Term Disability Plan Trust Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Nova Scotia Public Service Long Term Disability Plan Trust Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Nova Scotia Public Service Long Term Disability Plan Trust Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton LLP

Halifax, Canada
April 22, 2021

Chartered Professional Accountants

Nova Scotia Public Service
Long Term Disability Plan Trust Fund
Statement of financial position

December 31	**2020**	2019
Assets		
Investment assets (Note 4)	**$ 173,604,791**	$ 164,409,605
Cash held for operations	**807,280**	3,322,680
Contributions receivable		
Premiums		
Employer	**91,043**	286,165
Employee	**91,043**	286,165
EI rebates	**8,518**	6,895
Other assets		
Deposit held with Manulife	**1,550,000**	1,550,000
Other receivables	**62,196**	149,025
Capital assets (Note 5)	**12,814**	4,799
Total assets	**176,227,685**	170,015,334
Liabilities		
Accounts payable	**1,953,809**	3,731,287
Net assets available for benefits	**174,273,876**	166,284,047
Accrued liability for benefits (Page 5)	**116,159,000**	102,779,000
Surplus	**$ 58,114,876**	$ 63,505,047

Contingencies (Note 10)

Signed on behalf of the Board of Trustees

DocuSigned by:
Doug Stewart
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Chair

DocuSigned by:
Anna MacIsaac
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Chief Executive Officer

See accompanying notes to the financial statements.

Nova Scotia Public Service
Long Term Disability Plan Trust Fund
Statement of changes in net assets available for benefits

Year ended December 31	**2020**	2019
Revenue		
Contributions		
Premiums		
Employer	**$ 7,464,798**	$ 7,427,986
Employee	**7,464,798**	7,427,986
EI premium rebates	**359,168**	408,061
	15,288,764	15,264,033
Investment income (Note 8)	**4,553,147**	4,506,383
Changes in the fair value of investment assets	**9,727,539**	9,308,760
	14,280,686	13,815,143
	29,569,450	29,079,176
Expenses		
Benefits paid (Note 12)	**19,039,678**	17,381,246
Program administration (Note 13)	**1,300,026**	1,257,776
Administrative expenses (Note 14)	**779,803**	839,542
Investment expenses (Note 15)	**460,114**	457,338
	21,579,621	19,935,902
Change in net assets available for benefits	**7,989,829**	9,143,274
Net assets available for benefits, beginning of year	**166,284,047**	157,140,773
Net assets available for benefits, end of year	**$ 174,273,876**	$ 166,284,047

See accompanying notes to the financial statements.

Nova Scotia Public Service
Long Term Disability Plan Trust Fund
Statement of changes in accrued liability for benefit

Year ended December 31	**2020**	2019
Accrued liability for benefit, beginning of year	**$ 102,779,000**	$ 95,175,000
Change in accrued liability for benefit		
Changes in actuarial assumptions	**4,416,000**	-
Interest accrued on benefits	**3,297,000**	3,237,000
Experience losses	**8,315,000**	-
Benefits accrued	**18,296,000**	19,000,000
Benefits paid	**(19,040,000)**	(17,381,000)
Expense release	**(1,904,000)**	(1,738,000)
Indexing cost	**-**	4,486,000
	13,380,000	7,604,000
Accrued liability for benefit, end of year (Note 6)	**$ 116,159,000**	$ 102,779,000

See accompanying notes to the financial statements.

1. Description of plan

The following description of Nova Scotia Public Service Long Term Disability Plan (the "Plan") is a summary only. For more complete information, reference should be made to the Plan text.

General
The Plan was established to provide a long term disability plan for the employees of the Province of Nova Scotia and such other employee groups as approved by the Trustees.

The Plan was established by Order in Council dated September 26, 1985, as a Health and Welfare Trust Fund. In accordance with the Federal Department of Finance 'Backgrounder: Summary of Draft Legislature Proposals', as issued May 2, 2019, the Plan has elected to continue as an Employee Life and Health Trust.

2. Statement of compliance with Canadian accounting standards for pension plans and summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for pension plans.

Accounting standards for pension plans apply to all pension plans as well as benefit plans with characteristics similar to pension plans (such as long term disability plans) and require entities to select accounting policies for accounts that do not relate to its investment portfolio or accrued benefit obligations in accordance with either Part I (International Financial Reporting Standards ("IFRS")) or Part II (Canadian accounting standards for private enterprises ("ASPE")) of the CPA Handbook. The Plan selected to apply Part II for such accounts on a consistent basis and to the extent that these standards do not conflict with the requirements of the accounting standards for pension plans.

(a) Financial instruments
Financial assets and financial liabilities are recognized when the Plan becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

All financial assets and financial liabilities are initially measured at fair value. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Financial assets and financial liabilities are subsequently measured as described below.

2. Statement of compliance with Canadian accounting standards for pension plans and summary of significant accounting policies (continued)

(a) Financial instruments (continued)

Cash held for operations
Cash held for operations is defined as cash on held with banks and is measured at amortized cost.

Investment assets
All investment assets are measured at fair value at the date of the statement of financial position in accordance with IFRS 13 Fair Value Measurement in Part I of the CPA Handbook. Fair values of the investment assets are determined as follows:

1. Short term notes and deposits are valued at closing bid prices.
2. Bonds and other fixed income securities are valued at closing bid prices. Where the bid price is not available, fair value is calculated using discounted cash flows based on current market yields of instruments with similar characteristics.
3. Pooled funds are valued at the unit value supplied by the pooled fund administrator and which represent the Plan's proportionate share of underlying net assets at fair value determined using closing bid prices.
4. Equities are valued at quoted closing bid prices.

Transaction costs are not included in the fair value of investment assets either on initial recognition or on subsequent re-measurement. Transaction costs are included in the statement of changes in net assets available for benefits as part of expenses incurred in the period.

Investment income, excluding changes in the fair value of investment assets, and changes in the fair value of investment assets are presented in the statement of changes in net assets available for benefits.

Contributions and other receivables
Contributions and other receivables are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Deposit held with Manulife
The deposit held with Manulife consists of cash, as required under terms of agreement with Manulife Financial to provide a float for monthly benefit payments and is recorded at fair value.

Financial liabilities
Financial liabilities are measured subsequently at amortized cost using the effective interest method.

(b) Investment income
Income from investments is recognized on an accrual basis and includes both dividend income and interest income.

2. Statement of compliance with Canadian accounting standards for pension plans and summary of significant accounting policies (continued)

(c) Changes in the fair value of investment assets

This includes both realized gains or losses on sale of investments and unrealized gains or losses on investments.

Realized gains or losses on sale of investments are the difference between the proceeds received and the cost of investments sold.

Unrealized gains or losses on investments represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognized unrealized gains or losses in respect of disposals during the year.

(d) Contributions

Revenue from premiums and EI premium rebates are recognized as they become receivable. Premiums and EI premium rebates both relate to required contribution payments which are evenly split by both employer and employee.

(e) Benefits paid

Benefit payments to Plan members are recorded in the period in which they are paid.

(f) Capital assets

Computer and office equipment and software are recorded at cost and amortized at the annual rate of 30% using the declining balance method.

(g) Estimation uncertainty

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, revenue and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, revenue and expenses are discussed below.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques, management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument.

2. Statement of compliance with Canadian accounting standards for pension plans and summary of significant accounting policies (continued)

(g) Estimation uncertainty (continued)

Fair value of financial instruments (continued)
Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Accrued liability obligation
Management estimates the accrued liability obligation annually with the assistance of an independent actuary; however, the actual outcome may vary due to estimation uncertainties. The estimate of its accrued liability obligation of $116,159,000 (2019 - $102,779,000) is based on industry standard disability recovery tables.

3. Related party transactions

During the year, the Trustees attended meetings and educational conferences as part of their on-going governance responsibilities for the Plan. The expenses associated with these activities have been paid for by the Plan and are disclosed separately in Note 14. At year end, there were no significant amounts payable to the Trustees.

4. Investment assets

	2020	2019
Pooled funds		
Beutel Goodman Money Market Fund	**12,139,241**	10,691,959
Beutel Goodman Income Fund	**110,719,478**	103,216,873
Beutel Goodman Balanced Fund	**50,746,072**	50,500,773
	$ 173,604,791	$ 164,409,605

5. Capital assets

			2020	2019
	Cost	Accumulated Depreciation	**Net Book Value**	Net Book Value
Computer and office equipment	$ 154,425	$ 141,611	**$ 12,814**	$ 4,799
Software	9,109	9,109	**-**	-
	$ 163,534	$ 150,720	**$ 12,814**	$ 4,799

6. Accrued liability for benefits

The present value of accrued liability for benefits was determined using the accrued benefits actuarial cost method. Under this method, the actuarial liability is determined as the present value of benefits accrued up to the valuation date.

The most recent issued actuarial valuation was made as of December 31, 2020, by Morneau Shepell, a firm of consulting actuaries. The Plan has adopted a biennial schedule for valuation; accordingly the next formal actuarial valuation of the Plan is scheduled for December 31, 2022. Extracts from the 2020 actuarial valuation follows:

Actuarial Surplus
The actuarial surplus is the excess of the market value of assets over the actuarial liabilities as at the valuation date.

	2020	2019
Market value of assets	**$ 174,273,876**	$ 166,284,047
Actuarial liabilities	**116,159,000**	102,779,000
Actuarial surplus	**$ 58,114,876**	$ 63,505,047

The assumptions used in determining the actuarial value of accrued benefits were developed by reference to expected medium term market conditions. Significant, actuarial assumptions used in the 2020 valuation are:

Claim Termination	The Canadian Institute of Actuaries 2004-2008 Group Long Term Disability Study tables, modified for historical Plan experience
Discount rate	2.5%
Inflation	2.0%
Retirement age	Pre 2002: Age 63 May 2002 to December 2008: Age 60 Post December 2008: Age 63 (those over 63 at time of disability get 2 years of benefits)
Future admin expense	10.0% of expected benefit payments
Acceptance rate pending CPPD	As follows: 0 – 12 months 0% 12 – 24 months 20% 24 – 36 months 50% 36 – 48 months 75% 48 months+ 90%

7. Financial risk factors

Financial instruments risk exposure and measurement
The Plan is exposed to various risks in relation to its investment portfolio, consisting of investment assets and investment liabilities. The main types of risks are market risk, credit risk and liquidity risk.

The Plan's risk management is coordinated by management with the investment manager, at the direction of the Board of Trustees, and focuses on actively securing the Plan's short to medium term cash flows by ensuring appropriate liquidity. Long term financial investments are managed to generate lasting returns.

The Plan does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Plan is exposed are described below.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. For purposes of this disclosure, the Plan segregates market risk into three categories: interest rate risk, currency risk and other price risk.

i. Interest rate risk

Interest rate risk refers to the effect on the market value of the Plan's assets and liabilities due to fluctuations in interest rates. The value of the Plan's assets is affected by short term changes in nominal and real interest rates. As of December 31, 2020, the Plan had the following exposure to interest rate risk:

	Fair value	Impact of a 1% absolute change in interest rates on net assets
2020		
Pooled funds		
Beutel Goodman Money Market Fund	**$ 12,139,241**	**$ 121,392**
Beutel Goodman Income Fund	**110,719,478**	**1,107,195**
	$ 122,858,719	**$ 1,228,587**
2019		
Pooled funds		
Beutel Goodman Money Market Fund	$ 10,691,959	$ 106,920
Beutel Goodman Income Fund	103,216,873	1,032,169
	$ 113,908,832	$ 1,139,089

In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

7. Financial risk factors (continued)

(a) Market risk (continued)

ii. Currency risk

Foreign currency exposure arises from the holding of investments denominated in foreign currencies. Fluctuations in the relative value of foreign currencies against the Canadian dollar can result in a positive or negative effect on the fair value of investments. Consistent with the prior year the entity does not hold any foreign denominated securities.

iii. Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or currency risk. Securities held for trading are valued at market and, as such, changes in market value affect net assets available for benefit as they occur. The Plan periodically assesses the quality of its investments and is satisfied with the current investments in place.

The carrying amounts for receivables and accounts payable on the balance sheet approximate fair value due to their short term maturity. The Plan is primarily exposed to other price risk as a result of investments held. The fair value of these investments is based on quoted market prices of the underlying investments within each of the investment accounts.

The following table demonstrates the sensitivity to a 5% absolute change in the fair value of the Plan's investments which are exposed to price risk:

	Fair value	**Impact of a 5% absolute change in fair value on net assets**
2020		
Pooled funds		
Beutel Goodman Money Market Fund	**$ 12,139,241**	**$ 606,962**
Beutel Goodman Income Fund	**110,719,478**	**5,535,974**
Beutel Goodman Balanced Fund	**50,746,072**	**2,537,304**
	$ 173,604,791	**$ 8,680,240**
2019		
Pooled funds		
Beutel Goodman Money Market Fund	$ 10,691,241	$ 534,562
Beutel Goodman Income Fund	103,216,873	5,160,844
Beutel Goodman Balanced Fund	50,500,773	2,525,039
	$ 164,408,887	$ 8,220,445

7. Financial risk factors (continued)

(a) Market risk (continued)

iii. Other price risk (continued)

Since all other variables are held constant in assessing price risk sensitivity, it is possible to extrapolate a 5% absolute change in the fair value to any absolute percentage change in fair value.

In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

(b) Credit risk

The Plan is exposed to the risk that a counterparty defaults or becomes insolvent. Financial instruments that potentially subject the Plan to concentrations of credit risk are as follows:

	2020	2019
Cash held for operations	**$ 807,280**	$ 3,322,680
Contributions receivables	**190,604**	579,225
Deposit held with Manulife	**1,550,000**	1,550,000
Other receivables	**62,196**	149,025
	$ 2,610,080	$ 5,600,930

The Plan manages its credit risks on contributions receivable by reviewing each outstanding account and determining the collectability based on its knowledge of the participating employers' situations. All contributions receivable are considered to be current.

Management believes that the Plan is not exposed to significant credit risks on its other receivables.

(c) Liquidity risk

Liquidity risk is the risk that the Plan will not be able to meet its obligations as they fall due. Management believes that cash flows generated from its investment assets and monthly contributions will be sufficient to cover its normal operating expenditures. The Plan monitors cash flows to ensure there is sufficient cash on hand to meet its obligations.

Fair value disclosure

The financial instruments recognized at fair value on the statement of financial position must be classified as one of three fair value hierarchy levels. These levels reflect the significance of the input used in making the fair value measurements. The three levels of the fair value hierarchy are as follows

7. Financial risk factors (continued)

Fair value disclosure (continued)

Level 1
Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Investment Manager has the ability to access at the measurement date.

Level 2
Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3
Inputs that are unobservable. There is little, if any, market activity. Inputs into the determination of fair value require significant management judgment or estimation.

The following fair value hierarchy table presents information about the Plan's assets measured at fair value on a recurring basis:

Financial assets at fair value as at December 31, 2020

	Level 1	**Level 2**	**Level 3**	**Total**
Pooled funds				
Beutel Goodman				
Money Market Fund	**$ -**	**$ 12,139,241**	**$ -**	**$ 12,139,241**
Income Fund	**-**	**110,719,478**	**-**	**110,719,478**
Balanced Fund	**-**	**50,746,072**	**-**	**50,746,072**
	$ -	**$ 173,604,791**	**$ -**	**$ 173,604,791**

Financial assets at fair value as at December 31, 2019

	Level 1	Level 2	Level 3	Total
Pooled funds				
Beutel Goodman				
Money Market Fund	$ -	$ 10,691,959	$ -	$ 10,691,959
Income Fund	-	103,216,873	-	103,216,873
Balanced Fund	-	50,500,773	-	50,500,773
	$ -	$ 164,409,605	$ -	$ 164,409,605

At year end, the Plan's financial assets and liabilities did not include any amounts classified in Level 3 using valuation techniques based on significant inputs that are not based on observable market data. There were no transfers between the level classifications in the current or prior year.

8. Investment income

	2020	2019
Income from investment assets		
Cash held for operations	**$ 18,733**	$ 45,654
Pooled funds	**4,534,414**	4,460,729
	$ 4,553,147	$ 4,506,383

9. Capital risk management

The Plan employs a capital management plan, a Statement of Investment Policies and Procedures ("SIPP") that is reviewed annually by the Board of Trustees. The SIPP dictates the Plan's approach to growth, credit quality and profitability objectives.

The overall objectives in investing the assets of the Plan are to ensure sufficient liquidity to support its financial obligations, to continue to provide benefits in the best interest of its members, to remain financially self-sufficient and to preserve and enhance the value of capital through adequate diversification in high quality investments and achieve the highest investment return that can be obtained with the assumption of an acceptable degree of risk. The Plan monitors its capital structure and makes adjustments to it with reference to changes in economic conditions and risk characteristics associated with its underlying assets.

There has been no change in the overall strategy employed during the year ended December 31, 2020.

10. Contingencies

As at December 31, 2020, the Plan was involved in certain litigation and claims. The outcome of such litigation and claims is inherently difficult to predict; however, in the opinion of management, any liability which may arise from such contingencies would not have a significant adverse effect on the financial statements.

11. Impacts of COVID-19

Since December 31, 2019, the outbreak of COVID-19 and related global responses have caused material disruptions to businesses around the world, leading to an economic slowdown. Global equity markets have experienced significant volatility and weakness. While governments and central banks have reacted with monetary and fiscal interventions designed to stabilize economic conditions, the duration and extent of the impact of the COVID-19 outbreak, as well as the effectiveness of government and central bank responses, remains unclear at this time.

The Plan does not forsee significant impact to future operations or its ability to continue to make benefit payments at this time.

12. Benefits paid	**2020**	2019
CPP recoveries	**$ (714,658)**	$ (595,919)
Disability benefits paid	**19,980,928**	18,207,366
Subrogation recoveries	**(226,592)**	(140,993)
WCB recoveries	**-**	(89,208)
	$ 19,039,678	$ 17,381,246

13. Program administration	**2020**	2019
Plan administration services	**$ 972,975**	$ 904,997
Rehabilitation program	**297,410**	316,974
Medical appeal hearings	**29,641**	35,805
	$ 1,300,026	$ 1,257,776

14. Administrative expenses	**2020**	2019
Actuarial valuation	**$ 25,000**	$ 21,527
Amortization	**3,108**	2,123
Audit and accounting	**33,963**	33,606
Legal	**54,743**	87,819
Projects	**101,533**	124,585
Public relations and professional development	**263**	305
Rent	**57,872**	55,452
Salaries	**432,128**	418,698
Office	**30,295**	29,486
Trustees' expenses	**40,898**	65,941
	$ 779,803	$ 839,542

15. Investment expenses	**2020**	2019
Investment manager	**$ 387,276**	$ 384,977
Investment custodian	**67,088**	65,173
Performance measurement	**5,750**	7,188
	$ 460,114	$ 457,338