

January 2011

Nova Scotia Association of Health Organizations Pension Plan

Report on the Actuarial Valuation for Funding Purposes as at October 31, 2010

MERCER

Nova Scotia Superintendent of Pensions Registration Number: 0355925
Canada Revenue Agency Registration Number: 0355925

[Consulting. Outsourcing. Investments.](#)

Note to reader regarding actuarial valuations:

This valuation report may not be relied upon for any purpose other than those explicitly noted in the Introduction, nor may it be relied upon by any party other than the parties noted in the Introduction. Mercer is not responsible for the consequences of any other use. A valuation report is a snapshot of a plan's estimated financial condition at a particular point in time; it does not predict a pension plan's future financial condition or its ability to pay benefits in the future.

If maintained indefinitely, a plan's total cost will depend on a number of factors, including the amount of benefits the plan pays, the number of people paid benefits, the amount of plan expenses, and the amount earned on any assets invested to pay the benefits. These amounts and other variables are uncertain and unknowable at the valuation date.

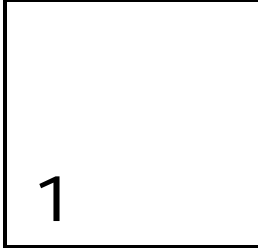
To prepare this report, actuarial assumptions are used to model the results for a single scenario from a range of possibilities. The results of that single scenario are included in this report. However, the future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant. In addition, different assumptions or scenarios may also be within the reasonable range and results based on those assumptions would be different. Actuarial assumptions may also be changed from one valuation to the next because of changes in regulatory and professional requirements, developments in case law, plan experience, changes in expectations about the future and other factors.

Furthermore, should the plan be wound up, the going concern funded status and solvency financial position, if different from the wind-up financial position, become irrelevant. The hypothetical wind-up financial position estimates the financial position of the plan assuming it is wound-up on the valuation date. Emerging experience, including the growth of wind-up liabilities compared to the plan's assets (including future contributions and investment returns), will affect the wind-up financial position of the plan assuming it is wound-up in the future. In fact, even if the plan were wound-up on the valuation date, the financial position would continue to fluctuate until the benefits are fully settled.

Because actual plan experience will differ from the assumptions, decisions about benefit changes, investment policy, funding amounts, benefit security and/or benefit-related issues should be made only after careful consideration of alternative future financial conditions and scenarios, and not solely on the basis of a valuation report or reports.

Contents

1. Introduction.....	1
2. Valuation Results – Going Concern.....	5
3. Valuation Results - Hypothetical Wind-up.....	8
4. Valuation Results – Solvency	10
5. Minimum Funding Requirements.....	12
6. Maximum Eligible Contributions.....	14
7. Actuarial Opinion	15
Appendix A: Prescribed Disclosure	
Appendix B: Plan Assets	
Appendix C: Methods and Assumptions – Going Concern	
Appendix D: Methods and Assumptions – Hypothetical Wind-up and Solvency	
Appendix E: Membership Data	
Appendix F: Summary of Plan Provisions	
Appendix G: Administrator Certification	



Introduction

To NSAHO Pension Plan Trustees

At your request, we have conducted an actuarial valuation of the Nova Scotia Association of Health Organizations Pension Plan (the “Plan”), as at the valuation date, October 31, 2010. We are pleased to present the results of the valuation.

Purpose

The purpose of this valuation is to determine:

- the funded status of the plan as at October 31, 2010 on going concern, hypothetical wind-up and solvency bases,
- the minimum required funding contributions from November 1, 2010, in accordance with the *Nova Scotia Pension Benefits Act* and the Trustees’ elections in regards to determining the solvency funding requirements; and
- the maximum permissible funding contributions from November 1, 2010, in accordance with the *Income Tax Act*.

The information contained in this report was prepared for the internal use of the NSAHO Pension Plan Trustees and for filing with the Nova Scotia Superintendent of Pensions and with the Canada Revenue Agency, in connection with our actuarial valuation of the Plan. This report will be filed with the Nova Scotia Superintendent of Pensions and with the Canada Revenue Agency. This report is not intended or suitable for any other purpose.

The next actuarial valuation of the Plan will be required as at a date not later than October 31, 2013, or as at the date of an earlier amendment to the Plan.

Events Since the Last Valuation at July 1, 2008

Pension Plan

There have been no special events since the last valuation date.

The Plan has been amended since the date of the previous valuation as follows:

- Effective April 1, 2009, the plan was amended to increase member contributions to 7.0666% of earnings up to the Years' Maximum Pensionable Earnings (YMPE) and 9.2555% of earnings in excess of the YMPE;
- Effective September 30, 2009, the plan was amended to change the base year to 2007;
- Effective September 30, 2009, the plan was amended to increase deferred pensions by 2.5%;
- Effective December 31, 2009, the plan was amended to change the base year to 2008;
- Effective December 31, 2009, the plan was amended to increase deferred pensions by 3.0%; and
- Effective December 31, 2010, the plan was amended to change the base year to 2009.

In addition, a number of plan amendments were made for plan administration purposes. None of these amendments impacted the financial position of the plan.

A summary of the Plan provisions is provided in Appendix F.

Assumptions

We have used the same going concern valuation assumptions and methods as were used for the previous valuation, except for the following:

Assumption	Current valuation	Previous valuation
Discount rate:	5.8% per year	Pre-retirement: 6.7% for three years and 3.5% per year thereafter Post-retirement: 6.7% per year
Pensionable earnings increases:	3.6% for year following the valuation	3.9% for year following the valuation
YMPE increases:	2.4% for year following the valuation	2.7% for year following the valuation
Indexation:	1.9% per year	2.1% per year

The hypothetical wind-up and solvency assumptions have been updated to reflect market conditions at the valuation date.

A summary of the going concern, and hypothetical wind-up and solvency assumptions are provided in Appendices C and D, respectively.

Regulatory Environment and Actuarial Standards

There have been changes to the Nova Scotia *Pension Benefits Act* (the "Act") and Regulations which could impact the funding of the Plan. Effective November 3, 2009, the Regulations were amended to provide temporary solvency relief. Under the relief, special payments to amortize a solvency deficiency may be extended to be paid over a ten year period rather than a five year period. There are conditions to be satisfied in order to receive the relief.

A new Canadian Institute of Actuaries Standard of Practice for determining pension commuted values ("CIA Standard") became effective April 1, 2009. The new CIA Standard changed the assumptions to be used to value the solvency and wind-up liabilities for benefits assumed to be settled through a lump sum transfer and for other benefits for which this basis has been used as a proxy to the cost of purchasing annuities. The financial impact of the new CIA Standard has been reflected in this actuarial valuation.

Subsequent Events

After checking with representatives of the NSAHO Pension Plan, to the best of our knowledge there have been no events subsequent to the valuation date which, in our opinion, would have a material impact on the results of the valuation.

Impact of Case Law

This report has been prepared on the assumption that all of the assets in the pension fund are available to meet all of the claims on the Plan. We are not in a position to assess the impact that the Ontario Court of Appeal's decision in *Aegon Canada Inc. and Transamerica Life Canada versus ING Canada Inc.* or similar decisions in other jurisdictions might have on the validity of this assumption.

On July 29, 2004, the Supreme Court of Canada dismissed the appeal in *Monsanto Canada Inc. versus Superintendent of Financial Services ("Monsanto")*, thereby upholding the requirements to distribute surplus on partial plan wind-up under The *Pension Benefits Act (Ontario)*. The decision has retroactive application.

Although this decision dealt with Ontario legislation, it is possible that it could have application to other provinces since the underlying language in the *Pension Benefits Act (Ontario)*, is similar to language in a number of other provinces, either currently or in the past.

We are aware of several past partial wind-ups of the plan where the Monsanto decision may have application. However, as at the date of filing this report, we are not able to assess the impact of the decision on the financial position of the plan and, therefore,

have not identified a reserve for this potential claim on plan assets. A subsequent distribution of plan assets in respect of the past partial wind-ups will cause a deterioration of the financial position of the plan and may increase the contribution requirements. Furthermore, the subsequent declaration of a partial wind-up of the plan where *Monsanto* may apply in respect of other past events, or disclosure of an additional existing past partial wind-up of the plan where *Monsanto* may apply, could cause an additional claim on plan assets, the consequences of which would be addressed in a subsequent report. We note the discretionary nature of the power of the Superintendent of Pensions to declare partial wind-ups and the lack of clarity with respect to the retroactive scope of that power. We are making no representation as to whether the Superintendent of Pensions might declare a partial wind-up in respect of other events in the plan's history.

2

Valuation Results – Going Concern

Financial Status

A going concern valuation compares the relationship between the value of Plan assets and the present value of expected future benefit cash flows in respect of accrued service, assuming the Plan will be maintained indefinitely.

The results of the current valuation, compared with those from the previous valuation, are summarized as follows:

	31.10.2010	01.07.2008
Assets		
Market value of assets	\$3,413,394,000	\$2,670,812,000
Going concern funding target		
▪ active members	\$2,148,328,000	\$1,791,840,000
▪ pensioners and survivors	\$1,123,487,000	\$816,552,000
▪ deferred pensioners	\$41,155,000	\$33,731,000
Total	\$3,312,970,000	\$2,642,123,000
Funding excess (shortfall)	\$100,424,000	\$28,689,000

Reconciliation of Financial Status

Funding excess (shortfall) as at previous valuation		\$28,689,000
Interest on funding excess (funding shortfall) at 6.7% per year		\$4,695,000
Contributions less than current service cost determined at previous valuation		(\$3,300,000)
Expected funding excess (funding shortfall)		\$30,084,000
Net experience gains (losses)		
▪ Net Investment return	\$109,697,000	
▪ Retirement	\$42,276,000	
▪ Increases in pensionable earnings & YMPE	(\$15,191,000)	
▪ Indexation	\$9,118,000	
▪ Termination	\$3,958,000	
▪ Mortality	(\$1,464,000)	
Total experience gains (losses)		\$148,394,000
Impact of changes in assumptions		\$51,794,000
Impact of change to assumed base year (upgrade to 2011)		(\$123,091,000)
Net impact of other elements of gains and losses		(\$6,757,000)
Funding excess (shortfall) as at current valuation		\$100,424,000

Current Service Cost

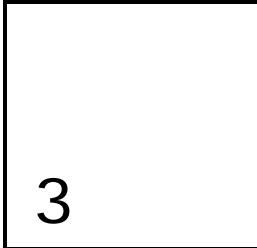
The current service cost is an estimate of the present value of the additional expected future benefit cash flows in respect of pensionable service that will accrue after the valuation date, assuming the Plan will be maintained indefinitely.

The current service cost during the year following the valuation date compared with the corresponding value determined in the previous valuation, is as follows:

	12 months following 31.10.2010	12 months following 31.03.2009
Total current service cost	\$185,359,000	\$172,774,000
Estimated members' required contributions	(\$92,165,000)	(\$78,857,000)
Estimated residual current service cost	\$93,194,000	\$93,917,000
Total current service cost expressed as a percentage of members' pensionable earnings	15.03%	16.28%
Residual current service cost expressed as a percentage of members' pensionable earnings	7.56%	8.85%

The key factors that have caused a change in the total current service cost since the previous valuation are summarized in the following table:

Total current service cost as at previous valuation	16.28%
Demographic changes	0.29%
Changes in assumptions	(1.54%)
Total current service cost as at current valuation	15.03%



Valuation Results - Hypothetical Wind-up

Financial Position

When conducting a hypothetical wind-up valuation, we determine the relationship between the respective values of the Plan's assets and its liabilities assuming the Plan is wound up and settled on the valuation date, assuming benefits are settled in accordance with the Act and under circumstances producing the maximum wind-up liabilities on the valuation date.

The hypothetical wind-up financial position as of the valuation date, compared with that at the previous valuation, is as follows:

	31.10.2010	01.07.2008
Assets		
Market value of assets	\$3,413,394,000	\$2,670,812,000
Termination expense provision	(\$5,000,000)	(\$5,000,000)
Wind-up assets	\$3,408,394,000	\$2,665,812,000
Present value of accrued benefits for:		
▪ active members	\$3,042,306,000	\$2,277,912,000
▪ pensioners and survivors	\$1,335,742,000	\$1,002,421,000
▪ deferred pensioners	\$54,480,000	\$40,400,000
Total wind-up liability	\$4,432,528,000	\$3,320,733,000
Wind-up excess (shortfall)	(\$1,024,134,000)	(\$654,921,000)

Impact of Plan Wind-up

In our opinion, the value of the Plan's assets would be less than its actuarial liabilities if the Plan were to be wound up on the valuation date.

Specifically, actuarial liabilities would exceed the market value of plan assets by \$1,024,134,000. This calculation includes a provision for termination expenses that might be payable from the pension fund and also assumes that benefits under Section 79 of the Nova Scotia *Pension Benefits Act* would be paid.

4

Valuation Results – Solvency

Overview

The Act also requires the financial position of the Plan to be determined on a solvency basis. The financial position on this basis is determined in a similar manner to the Hypothetical Wind-up Basis, except for the following:

Exceptions	Reflected in valuation based on the Trustees' directions
The circumstance under which the Plan is assumed to be wound-up could differ for the solvency and hypothetical wind-up valuations.	Same circumstances were assumed for the solvency valuation as were assumed for the hypothetical wind-up.
Certain benefits can be excluded from the solvency financial position. These include: (a) any escalated adjustment (e.g. indexing), (b) additional benefits payable under Section 79 of the Act (“grow-in” benefits), and (c) prospective benefit increases.	The following benefits were excluded from the solvency liabilities shown in this valuation: <ul style="list-style-type: none"> ▪ post-retirement indexing, ▪ benefits payable under Section 79 of the Act (“grow-in” benefits), ▪ future base year upgrades beyond 2009
The solvency financial position can be determined by smoothing assets and the solvency discount rate over a period of up to 5 years.	Smoothing was not used.

Financial Position

The financial position on a solvency basis, compared with the corresponding figures from the previous valuation, is as follows:

	31.10.2010	01.07.2008
Assets		
Market value of assets	\$3,413,394,000	\$2,670,812,000
Termination expense provision	(\$5,000,000)	(\$5,000,000)
Net assets	\$3,408,394,000	\$2,665,812,000
Total hypothetical wind-up liabilities		
Value of excluded benefits	(\$1,126,980,000)	(\$817,655,000)
Liabilities on a solvency basis	\$3,305,548,000	\$2,503,078,000
Surplus (shortfall) on a market value basis	\$102,846,000	\$162,734,000
Transfer ratio	103%	107%

5

Minimum Funding Requirements

The Act prescribes the minimum contributions that the participating employers must make to the Plan. The minimum contributions in respect of a defined benefit component of a pension plan are comprised of going concern current service cost and special payments to fund any going concern or solvency shortfalls.

There is a funding excess and no special payments are required for solvency purposes on the basis of the assumptions and methods described in this report. Under these circumstances the Act does not require the employer to contribute to the Plan until after the funding excess has been applied towards the employer's current service cost. We note, however, that employer contribution requirements may be determined or affected by other obligations or agreements in force from time to time, including the Memorandum of Agreement between the District Health Authorities and IWK Health Centre and the health care unions signed October 2006.

Once the funding excess has been so applied, employer contributions must resume. On the basis of the assumptions and methods described in this report, the rule for determining the minimum required employer monthly contributions, as well as an estimate of the employer contributions, from the valuation date until the next required valuation are as follows:

Period beginning	Employer's current service cost	Current service cost	Funding excess applied ¹	Minimum monthly contributions
31.10.2010	7.56%	\$93,194,000	\$93,194,000	\$0
31.10.2011	7.70%	\$94,920,000	\$7,230,000	\$87,690,000
31.10.2012	7.80%	\$96,152,000	\$0	\$96,152,000

The estimated contribution amounts above are based on members' pensionable earnings. Therefore, actual employer's current service cost will be different from the above estimates and, as such, the contribution requirements should be monitored closely to ensure contributions resume in accordance with the Act.

Other Considerations

Differences between valuation bases

There is no provision in the minimum funding requirements to fund the difference between the hypothetical wind-up and solvency shortfalls, if any.

In addition, although minimum funding requirements do include a requirement to fund the going concern current service cost, there is no requirement to fund the expected growth in the hypothetical wind-up or solvency liability after the valuation date, which could be greater than the going concern current service cost.

Timing of contributions

Funding contributions are due on monthly basis. Contributions for current service cost and special payments must be made within 30 days following the month to which they apply.

¹ These amounts do not reflect any additional employer contributions that may be required pursuant to agreements or obligations outside of the plan text that may be applicable to some or all of the participating employers.

6

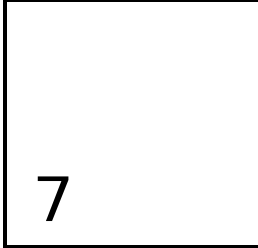
Maximum Eligible Contributions

The *Income Tax Act* (the "ITA") limits the amount of employer contributions that can be remitted to the defined benefit component of a registered pension plan. However, notwithstanding the limit imposed by the ITA, for plans which are not 'Designated' as defined in the ITA, in general, the minimum required contributions under the Act can be remitted.

In accordance with Section 147.2 of the ITA and *Income Tax Regulation* 8516, for a plan which is underfunded on either a going concern or on a hypothetical wind-up basis the maximum permitted contributions are equal to the employer's current service cost plus the greater of the going concern funding shortfall and hypothetical wind-up shortfall.

For a plan which is fully funded on both going concern and hypothetical wind-up bases, the employer can remit a contribution equal to the employer's current service cost, including the explicit expense allowance if applicable, as long as the surplus in the plan does not exceed a prescribed threshold. Specifically, in accordance with Section 147.2 of the ITA, for a plan which is fully funded on both going concern and hypothetical wind-up bases, the plan may not retain its registered status if the employer makes a contribution while the going concern funding excess exceeds 25% of the going concern funding target (i.e. 25% of \$3,312,970,000, or \$828,242,500).

The participating employers are permitted to fully fund the greater of the going concern and hypothetical wind-up shortfalls; \$1,024,134,000, as well as make current service cost contributions. The portion of this contribution representing the payment of the hypothetical wind-up shortfall can be increased with interest from the valuation date to the date the payment is made, and must be reduced by the amount of any deficit funding made from the valuation date to the date the payment is made.



Actuarial Opinion

**With respect to the Actuarial Valuation as at October 31, 2010
of the Nova Scotia Association of Health Organizations Pension Plan
Registration #0355925**

Based on the results of this valuation, I hereby certify that, as at October 31, 2010:

- The employers' current service cost should be determined as 7.56% of members' pensionable earnings.
- The employers' current service cost for the 12 months following October 31, 2010 is estimated to be \$93,194,000.
- There is a funding excess of \$100,424,000 and a transfer ratio of 103% as at October 31, 2010 on the basis of the assumptions and methods described in this report. Thus, from an actuarial perspective, the employers need not contribute to the plan, in order to maintain its fully-funded status, until after the entire funding excess has been applied towards the employers' current service cost. If the entire funding excess has been so applied, monthly employer contributions must resume. These comments do not reflect obligations that may have been assumed by the employers outside of the current terms of the plan text, including the Memorandum of Agreement between the District Health Authorities and IWK Health Centre and the health care unions signed October 2006.
- The plan has a solvency excess of \$102,846,000 as at October 31, 2010. No special payments are required for solvency purposes.

- Solvency liabilities exclude the value of escalated adjustments (post-retirement indexing) and the value of benefits payable under Section 79 of the Nova Scotia *Pension Benefits Act* (“grow-in” benefits). These benefits are included in wind-up liabilities and there is a wind-up deficiency of \$1,024,134,000 at October 31, 2010.

- In my opinion,
 - the data on which the valuation is based are sufficient and reliable,
 - all assumptions were independently reasonable at the time the valuation was prepared and are, in aggregate, appropriate, and
 - the methods employed in the valuation are appropriate.

This report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada. It has also been prepared in accordance with the funding and solvency standards set by the Nova Scotia Pension Benefits Act.



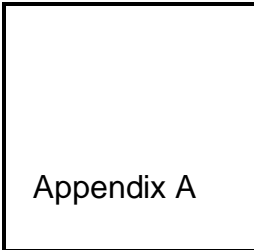
Philip Churchill

Fellow, Canadian Institute of Actuaries

Fellow, Society of Actuaries

February 10, 2011

Date



Prescribed Disclosure

Definitions

The Act defines a number of terms as follows:

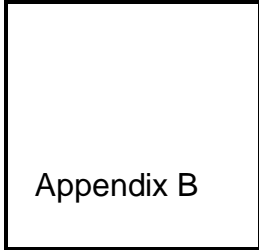
Defined Term	Description	Result
Transfer Ratio	The ratio of solvency assets to the sum of the solvency liabilities and liabilities for benefits, other than benefits that were excluded in calculating the solvency liabilities.	103%
Solvency Assets	Market value of assets including accrued or receivable income.	\$3,408,394,000
Solvency Liabilities	Liabilities determined as if the plan had been wound up on the valuation date, but excluding liabilities for, (a) any escalated adjustment, and (b) additional benefits payable under Section 79 of the Act ("grow-in" benefits).	\$3,305,548,000

Timing of Next Required Valuation

The next valuation of the Plan will be required as of October 31, 2013.

Special Payments

As the Plan does not have a going concern deficit or a solvency deficit, no special payments are required.



Appendix B

Plan Assets

The pension fund is held in trust by RBC Dexia Investor Services. In preparing this report, we have relied upon the auditors' report for the period from January 1, 2008 to December 31, 2009 and on financial statements prepared by the NSAHO Pension Plan for the period January 1, 2008 to June 30, 2008 and January 1, 2010 to October 31, 2010.

Reconciliation of Market Value of Plan Assets

The pension fund transactions since the last valuation are summarized in the following table:

	01.07.2008 – 31.12.2008	01.01.2009 – 31.12.2009	01.01.2010 – 31.10-2010
Opening balance	\$2,670,812,000	\$2,109,266,000	\$2,868,766,000
PLUS			
Members' contributions	\$32,947,000	\$71,169,000	\$64,560,000
Member's buy-back contributions	\$2,500,000	\$2,527,000	\$3,880,000
Employer's contributions	\$41,968,000	\$90,253,000	\$82,180,000
Net transfers to/from other plans	(\$2,450,000)	\$253,000	\$1,100,000
Investment income and net capital gains (losses)	(\$592,477,000)	\$690,530,000	\$480,447,000
	(\$517,512,000)	\$854,732,000	\$632,167,000
LESS			
Pensions paid	\$34,745,000	\$76,737,000	\$70,630,000
Lump-sums paid	\$4,656,000	\$10,728,000	\$10,830,000
Administration fees	\$4,633,000	\$7,767,000	\$6,079,000
	\$44,034,000	\$95,232,000	\$87,539,000
Closing balance	\$2,109,266,000	\$2,868,766,000	\$3,413,394,000

Appendix C

Methods and Assumptions – Going Concern

Valuation of Assets

For this valuation, we have continued to use the market value of the fund as the actuarial value of plan assets.

The actuarial value of assets, determined as at October 31, 2010, is \$3,413,394,000.

Valuation of Going Concern Liabilities

Over time, the real cost to the employer of a pension plan is the excess of benefits and expenses over member contributions and investment earnings. The actuarial cost method allocates this cost to annual time periods.

For purposes of the going concern valuation, we have continued to use the unit credit actuarial cost method. Under this method, we determine the present value of benefit cash flows expected to be paid in respect of service accrued prior to the valuation date. For this valuation, we have also assumed that the plan's base year will eventually be improved to 2011 and have reflected the plan's benefits based on this base year. For each individual plan member, accumulated contributions with interest are established as a minimum actuarial liability.

The funding excess or funding shortfall, as the case may be, is the difference between the actuarial value of assets and the actuarial liabilities. A funding excess on a market value basis indicates that the current market value of assets and expected investment earnings are expected to be sufficient to meet the cash flows in respect of benefits accrued to the valuation date as well as expected expenses – assuming the plan is maintained indefinitely. A funding shortfall on a market value basis indicates the opposite – that the current market value of the assets is not expected to meet the plan's cash flow requirements.

As required under the Act, a funding shortfall will be amortized over no more than 15 years through special payments. A funding excess may, from an actuarial standpoint, be applied immediately to reduce required employer current service contributions unless precluded by the terms of the plan, legislation or other binding agreement.

The actuarial funding method used for the purposes of this valuation produces a reasonable matching of contributions with accruing benefits. Because benefits are recognized as they accrue, the actuarial funding method provides an effective funding target for a plan that is maintained indefinitely.

Current Service Cost

The current service cost is the present value of projected benefits to be paid under the plan with respect to service expected to accrue during the period until the next valuation.

The employer's current service cost is the total current service cost reduced by the members' required contributions.

The employer's current service cost has been expressed as a percentage of the members' pensionable earnings to provide an automatic adjustment in the event of fluctuations in membership and/or pensionable earnings.

Under the unit credit actuarial cost method, the current service cost for an individual member will increase each year as the member approaches retirement. However, the current service cost of the entire group, expressed as a percentage of the members' pensionable earnings, can be expected to remain stable as long as the average age of the group remains constant.

Actuarial Assumptions – Going Concern Basis

The present value of future benefit payment cash flows is based on economic and demographic assumptions. At each valuation we determine whether, in our opinion, the actuarial assumptions are still appropriate for the purposes of the valuation, and we revise them, if necessary. Emerging experience will result in gains or losses that will be revealed and considered in future actuarial valuations.

The table below shows the various assumptions used in the current valuation in comparison with those used in the previous valuation.

Assumption	Current valuation	Previous valuation
Discount rate:	5.8% per year	Pre-retirement: 6.7% for three years and 3.5% per year thereafter Post-retirement: 6.7% per year
Explicit expenses:	None	None

Assumption	Current valuation	Previous valuation
Inflation:	2.4% per year	2.7% per year
YMPE increases:	2.4% for year following the valuation date	2.7% for year following the valuation date
Pensionable earnings increases:	3.6% for year following the valuation date	3.9% for year following valuation date
Post retirement pension increases:	1.9% per year	2.1% per year
Interest on employee contributions:	4.5% per year	4.5% per year
Retirement rates:	75% at earliest unreduced retirement date (or in one year if already eligible), remainder at age 65. Deferred members and members in receipt of LTD are assumed to retire at age 60.	75% at earliest unreduced retirement date (or in one year if already eligible), remainder at age 65. Deferred members and members in receipt of LTD are assumed to retire at age 60.
Termination rates:	None	None
Mortality rates:	100% of the rates of the 1994 Uninsured Pensioner Mortality Table	100% of the rates of the 1994 Uninsured Pensioner Mortality Table
Mortality improvements:	Fully generational using Scale AA	Fully generational using Scale AA
Disability rates:	None	None
Eligible spouse at retirement:	90% of males and 70% of females	90% of males and 70% of females
Spousal age difference:	Male 3 years older	Male 3 years older
Base year for pension calculations:	2011	2009

Rationale for Assumptions

A rationale for each of the assumptions used in the current valuation is provided below.

Discount Rate

We have discounted the expected benefit payment cash flows using the expected investment return on the actuarial value of the fund. Other bases for discounting the expected benefit payment cash flows may be appropriate, particularly for purposes other than those specifically identified in this valuation report.

The discount rate is comprised of the following:

- Estimated returns for each major asset class consistent with market conditions on the valuation date and the target asset mix specified in the Plan's investment policy
- Additional returns assumed to be achievable due to active equity management (net of related expenses)
- Implicit provision for expenses determined as the average rate of investment and administrative expenses paid from the fund over the last 3 years.
- A margin for adverse deviations, based on the proportion of the Plan assets invested in equities and the excess return expected on equities, over government bond yields.

The discount was developed as follows:

Assumed investment return, including allowance for active management and investment related expenses	6.89%
Implicit non-investment related expense provision	(0.08%)
Margin	(1.01%)
Net discount rate	<hr/> 5.80%

Inflation

The inflation assumption is based on the Bank of Canada's inflation target and market expectations of long-term inflation implied by the yields on nominal and real return bonds at the valuation date.

Year's Maximum Pensionable Earnings

The assumption is based on the underlying inflation assumption.

Pensionable Earnings

The assumption is based on our best estimate of future merit and promotional increases considering current economic and financial market conditions.

Post retirement pension increases

The assumption is based on the Plan formula and inflation assumption above.

Retirement rates

The assumption is based on plan experience, the plan provisions and our experience with similar plans and employee groups.

Termination rates

Such an assumption would not have a material impact on the valuation.

Mortality rates

There is no reason to expect the mortality to differ from the industry standard 1994 Uninsured Pensioners mortality table. Furthermore, there is strong evidence of continuing improvement in mortality since 1994 and it has become an industry standard to assume this trend continues into the future. We have used the AA projection scale to allow for improvements in mortality since 1994 and indefinitely in the future.

Based on the assumption used, the life expectancy of a member age 65 at the valuation date is 19.5 years for males and 22.0 years for females.

Interest on employee contributions

The assumption is based on Plan terms and the underlying the investment return assumption.

Disability rates

Such an assumption would not have a material impact on the valuation.

Eligible spouse

The assumption is based on an industry standard for non-retired members (actual status used for retirees).

Spousal age difference

The assumption is based on an industry standard showing males are typically 3 years older than their spouse.

Appendix D

Methods and Assumptions – Hypothetical Wind-up and Solvency

Hypothetical Wind-up Basis

The Canadian Institute of Actuaries requires actuaries to report the financial position of a pension plan on the assumption that the plan is wound-up on the effective date of the valuation. For the purposes of the hypothetical wind-up valuation, the plan wind-up is assumed to occur in circumstances that maximize the actuarial liability.

To determine the actuarial liability on the hypothetical wind-up basis, we have valued those benefits that would have been paid had the Plan been wound up on the valuation date, with all members fully vested in their accrued benefits.

No benefits payable on plan wind-up were excluded from our calculations.

Upon plan wind-up members are given options for the method of settling their benefit entitlements. The options vary by eligibility and by province of employment, but in general, involve either a lump sum transfer or an immediate or deferred pension.

The value of benefits assumed to be settled through a lump sum transfer is based on the assumptions described in Section 3800 – *Pension Commuted Values* of the Canadian Institute of Actuaries' Standards of Practice applicable for October 31, 2010 for benefits expected to be settled through a lump sum transfer in accordance with relevant portability requirements.

Benefits provided as an immediate or deferred pension are assumed to be settled through the purchase of annuities based on an estimate of the cost of purchasing annuities.

However, there is limited data available to provide credible guidance on the cost of a purchase of indexed annuities in Canada. In accordance with the *Canadian Institute of Actuaries Educational Note: Assumptions for Hypothetical Wind-up and Solvency Valuations with Effective Dates Between December 31, 2009 and December 30, 2010*, we have assumed that an appropriate proxy for estimating the cost of such purchase is using the yield on the long-term Government of Canada Real Return bonds. For the non-indexed liabilities, we have estimated the cost of settlement through purchase of annuities in accordance with the *Canadian Institute of Actuaries Educational Note: Assumptions for Hypothetical Wind-up and Solvency Valuations with Effective Dates Between December 31, 2009 and December 30, 2010*.

We have not included a provision for adverse deviation in the solvency and hypothetical wind-up valuations.

The assumptions are as follows:

Form of benefit settlement elected by member

Lump sum	80% of active members under age 55 and 30% of active members over age 55 elect to receive their benefit entitlement in a lump sum
Annuity purchase	All remaining members are assumed to elect to receive their benefit entitlement in the form of a deferred or immediate pension. These benefits are assumed to be settled through the purchase of deferred or immediate pension

Basis for benefits assumed to be settled through a lump sum

Mortality rates:	UP94 projected to 2020
Interest rate:	Pre-retirement (non-indexed): 3.1% per year for 10 years, 5.0% per year thereafter Post-retirement: 1.9% per year for 10 years, 3.1% per year thereafter

Basis for benefits assumed to be settled through the purchase of an annuity

Mortality rates:	UP94 projected to 2020
Interest rate:	Pre-retirement (non-indexed): 4.42% per year Post-retirement: 2.07% per year

Retirement age

Maximum value:	Members are assumed to retire at the age which maximizes the value of their entitlement from the Plan based on the eligibility requirements which have been met at the valuation date
Grow-in:	The benefit entitlement and assumed retirement age of members whose age plus service equal at least 55 at the valuation date, reflect their entitlement to grow into early retirement subsidies

Other assumptions

Family composition:	85% of members are assumed to be married with the male partner being three years older than the female partner
---------------------	--

Termination expenses: \$5,000,000
Base year: 2009

To determine the hypothetical wind-up position of the Plan, a provision has been made for estimated termination expenses payable from the Plan's assets in respect of actuarial and administration expenses that may reasonably be expected to be incurred in terminating the Plan and to be charged to the Plan.

Because the settlement of all benefits on wind-up is assumed to occur on the valuation date and is assumed to be uncontested, the provision for termination expenses does not include custodial, investment management, auditing, consulting and legal expenses that would be incurred between the wind-up date and the settlement date or due to the terms of a wind-up being contested. Expenses associated with the distribution of any surplus assets that might arise on an actual wind-up are also not included in the estimated termination expense provisions.

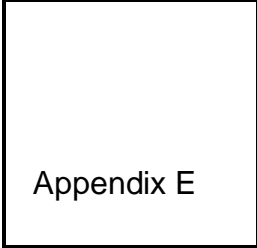
In determining the provision for termination expenses payable from the Plan's assets, we have assumed that the plan sponsor would be solvent on the wind-up date. We have also assumed, without analysis, that the Plan's terms as well as applicable legislation and court decisions would permit the relevant expenses to be paid from the Plan.

Actual fees incurred on an actual plan wind-up may differ materially from the estimates disclosed in this report.

Solvency Basis

In determining the financial position of the Plan on the solvency basis, we have excluded the value of escalated adjustments (post-retirement indexing) and the value of benefits payable under Section 79 of the Nova Scotia *Pension Benefits Act* ("grow-in" benefits). This exclusion is allowed under Regulation 16(1)(a) of the Nova Scotia *Pension Benefits Act*.

The solvency position is determined in accordance with the requirements of the Act.



Appendix E

Membership Data

Analysis of Membership Data

The actuarial valuation is based on membership data as at October 31, 2010, provided by Nova Scotia Association of Health Organizations Pension Plan. Specifically, we were provided with the December 31, 2009 year end data as well as information regarding new members, retirements, terminations and deaths for the ten-month period January 1, 2010 to October 31, 2010. Pensionable earnings for active members at December 31, 2009 were assumed to increase by 3.6% for 2010 and members were assumed to work at the same full-time ratio as in 2009. Salaries for new plan members were estimated based on the average earnings of new plan members over the last two years. New plan members since January 1, 2010 were assumed to have full service. Contributions for 2010 were based on member's estimated earnings and the actual 2010 YMPE.

We have applied tests for internal consistency, as well as for consistency with the data used for the previous valuation. These tests were applied to membership reconciliation, basic information (date of birth, date of hire, date of membership, gender, etc.), pensionable earnings, credited service, contributions accumulated with interest and pensions to retirees and other members entitled to a deferred pension. The results of these tests were satisfactory.

Plan membership data are summarized below. For comparison, we have also summarized corresponding data from the previous valuation.

	31.10.2010	01.07.2008
Active Members		
Number	26,730	23,863
Total pensionable earnings*	\$1,249,033,206	\$1,021,304,612
Average pensionable earnings	\$50,956	\$47,507
Average years of pensionable service	8.3	8.4
Average age	44.5	44.3
Accumulated contributions with interest	\$641,543,602	\$517,585,034
Deferred Pensioners		
Number	606	493
Total annual pension	\$3,407,582	\$2,663,116
Average annual pension	\$5,623	\$5,402
Average age	51.0	50.9
Pensioners and Survivors		
Number	6,385	5,468
Total annual lifetime pension	\$76,746,682	\$60,068,181
Total annual temporary pension	\$10,484,592	\$7,592,724
Average annual lifetime pension	\$12,020	\$10,985
Average age	69.1	69.1

* Excludes members with no salary reported and members in receipt of LTD.

The membership movement for all categories of membership since the previous actuarial valuation is as follows:

	Actives	Deferred Vested	Pensioners and Beneficiaries	Total
Total at 01.07.2008	23,863	493	5,468	29,824
Net adjustments	(27)	(9)	(4)	(40)
New entrants	5,577	22		5,599
Terminations:				
▪ transfers/lump sums	(1,331)	(5)		(1,336)
▪ deferred pensions	(166)	166		
Deaths	(56)		(299)	(355)
Retirements				
▪ monthly pension	(1,061)	(64)	1,125	
▪ small benefit	(69)		(2)	(71)
Pensions ceased			(24)	(24)
New pensions – marriage breakdown		3	8	11
Beneficiaries			113	113
Total at 31.10.2010	26,730	606	6,385	33,721

The distribution of the active members by age and continuous service as at 31.10.2010 is summarized as follows:

Age	Years of Pensionable Service							Total
	0-4	5-9	10-14	15-19	20-24	25-29	30 +	
Under 20	4 \$46,700							4 \$46,700
20 to 24	650 \$45,177	15 \$37,041						665 \$44,993
25 to 29	1,603 \$49,026	480 \$48,555	10 \$34,438					2,093 \$48,848
30 to 34	1,183 \$49,762	1,071 \$54,119	311 \$47,353	8 \$37,440				2,573 \$51,246
35 to 39	939 \$50,533	972 \$53,184	858 \$53,367	189 \$47,285	20 \$38,345			2,978 \$51,927
40 to 44	783 \$49,395	820 \$51,661	812 \$52,460	427 \$53,962	399 \$52,569	23 \$39,407		3,264 \$51,642
45 to 49	747 \$47,326	854 \$48,921	806 \$50,132	401 \$49,793	889 \$55,987	439 \$53,897	52 \$40,049	4,188 \$50,865
50 to 54	526 \$48,004	706 \$47,656	726 \$49,518	350 \$48,264	585 \$54,669	577 \$58,272	721 \$54,021	4,191 \$51,609
55 to 59	317 \$50,780	512 \$49,014	521 \$48,418	308 \$49,346	458 \$52,519	343 \$56,174	493 \$57,332	2,952 \$51,898
60 to 64	129 \$52,138	224 \$51,424	293 \$47,174	149 \$45,542	233 \$47,596	134 \$51,179	190 \$51,130	1,352 \$49,198
65 – 69	19 \$56,895	41 \$55,636	53 \$45,802	32 \$44,299	36 \$52,243	22 \$45,556	30 \$49,436	233 \$49,671
70 +	1	6 \$71,418	4 \$45,937	2	4 \$39,047	1	1	19 \$54,172
Total	6,901 \$48,937	5,701 \$50,978	4,394 \$50,404	1,866 \$49,644	2,624 \$53,611	1,539 \$55,462	1,487 \$54,171	24,512 \$50,956

Members in receipt of LTD and members with no earnings reported for 2010 are excluded. Earnings in cells with two or less members are excluded for confidentiality reasons.

The distribution of the inactive members by age as at the valuation date is summarized as follows:

Age	Deferred Pensioners		Pensioners and Survivors*	
	Number	Average Pension	Number	Average Pension
Under 30	4	\$2,565		
30 – 34	26	\$3,043	1	
35 – 39	44	\$4,103	1	
40 – 44	69	\$4,576	8	\$4,994
45 – 49	96	\$5,091	13	\$5,355
50 – 54	117	\$7,034	51	\$8,308
55 – 59	157	\$6,775	690	\$17,403
60 – 64	79	\$4,948	1,461	\$14,486
65 – 69	13	\$3,878	1,426	\$11,809
70 – 74			1,044	\$11,051
75 – 79	1		665	\$10,224
80 – 84			496	\$9,060
85 – 89			327	\$7,390
90 – 94			139	\$5,064
95 and over			30	\$5,430
Total	606	\$5,623	6,352	\$12,070

* excludes dependent children and beneficiaries and bridge benefits.

Appendix F

Summary of Plan Provisions

This valuation is based on the plan provisions in effect on October 31, 2010. Since the previous valuation, the Plan has been amended as follows:

- Effective April 1, 2009, the plan was amended to increase member contributions to 7.0666% of earnings up to the Years' Maximum Pensionable Earnings (YMPE) and 9.2555% of earnings in excess of the YMPE;
- Effective September 30, 2009, the plan was amended to change the base year to 2007;
- Effective September 30, 2009, the plan was amended to increase deferred pensions by 2.5%;
- Effective December 31, 2009, the plan was amended to change the base year to 2008;
- Effective December 31, 2009, the plan was amended to increase deferred pensions by 3.0%; and
- Effective December 31, 2010, the plan was amended to change the base year to 2009.

In addition, a number of plan amendments were made for plan administration purposes. None of these amendments impacted the financial position of the plan.

The following is a summary of the main provisions of the Plan in effect on October 31, 2010. This summary is not intended as a complete description of the Plan.

Background	The Plan became effective January 1, 1961.
Eligibility for membership	<p>A full-time employee must join the plan on the first day of the month coincident with or next following the completion of three months of continuous service. A full-time employee may join the plan immediately upon hire.</p> <p>A part-time employee may join the plan after two years of continuous service provided that, in the two consecutive calendar years immediately prior to joining the plan, the employee has:</p> <ul style="list-style-type: none">▪ earned at least 35% of the YMPE; or▪ worked at least 700 hours.
Employee Contributions	Members contribute 7.0666% of earnings up to the YMPE and 9.2555% of earnings in excess of the YMPE. Members not eligible to contribute to the CPP for reasons other than age would contribute at the full 9.2555% rate.
Retirement Dates	<p>Normal Retirement Date</p> <ul style="list-style-type: none">▪ The normal retirement date is the first day of the month coincident with or next following the member's 65th birthday. <p>Optional Retirement Date</p> <ul style="list-style-type: none">▪ A member may retire on the first day of any month coincident with or next following:<ol style="list-style-type: none">1. the date on which the sum of the member's age and continuous service equals or exceeds 85, provided the member is at least 55 years of age;2. the date on which the sum of the member's age and continuous service equals or exceeds 90, provided the member joined the plan prior to January 1, 1999; and3. the date on which the member attains age 60 and has completed ten years of continuous service. <p>Early Retirement Date</p> <ul style="list-style-type: none">▪ If a member who would otherwise be entitled to a deferred pension may retire on the first day of any month coincident with the following:<ol style="list-style-type: none">1. age 55;2. the date on which the sum of the member's age and continuous service equals or exceeds 80; and3. the date on which the member attains age 50 and has completed ten years of continuous service. <p>Postponed Retirement Date</p> <ul style="list-style-type: none">▪ An active member may postpone retirement beyond the normal retirement date, but not beyond December 1, of the year the member attains age 71.

Normal Retirement Pension	<p>Service Prior to the Effective Date</p> <ul style="list-style-type: none"> ▪ 0.7% of 2009 earnings* plus 0.3% of the excess of such earnings over \$46,300* for each year of continuous service prior to January 1, 1961 (less two years). If the member does not contribute to CPP, benefits are based on 1% of 2009 earnings*. <p>Service from the Effective Date to December 31, 2009</p> <ul style="list-style-type: none"> ▪ 1.4% of 2009 earnings* plus 0.6% of the excess of such earnings over \$46,300* for each year of credited service. If the member does not contribute to CPP, benefits are based on 2% of 2009 earnings*. <p>Service from January 1, 2010</p> <ul style="list-style-type: none"> ▪ 1.4% of earnings in each year plus 0.6% of the excess of such earnings over the YMPE in the year for each year of credited service. If the member does not contribute to CPP, benefits are based on 2% of earnings. <p>Bridging Supplement from the Effective Date to December 31, 2009</p> <ul style="list-style-type: none"> ▪ 0.6% of earnings* to a maximum of \$46,300* for each year of credited service. <p>Bridging Supplement from January 1, 2010</p> <ul style="list-style-type: none"> ▪ 0.6% of earnings in each year to a maximum of the YMPE in the year for each year of credited service. <p>Minimum Bridging Supplement from Age 60</p> <ul style="list-style-type: none"> ▪ The bridging supplement payable after age 60 will not be less than \$12.50 per month multiplied by the member's credited service to January 1, 1999, provided the member is at least age 50 and has completed ten years of continuous service at the date of retirement. <p>* subject to three-year averaging limitation</p>
Early Retirement Pension	<ul style="list-style-type: none"> ▪ If a member retires early, the member will be entitled to a pension that is calculated the same way as for a normal retirement. The basic pension payable, however, will be reduced by 1/2% for each month the member's age at retirement precedes the age on which the member's optional retirement date would have been reached (based on service to the actual retirement date) or the normal retirement age, if earlier.
Postponed Retirement Pension	<ul style="list-style-type: none"> ▪ A member may elect to postpone retirement. In that case, the member continues to contribute and accrue benefits under the plan.
Maximum Pension	<p>The total annual pension payable from the Plan upon retirement, death or termination of employment cannot exceed the lesser of:</p> <ul style="list-style-type: none"> ▪ 2% of the average of the best three consecutive years of total compensation paid to the member by their employer, multiplied by total credited service; and ▪ \$2,494.00 or such other maximum permitted under the <i>Income Tax Act</i>, multiplied by the member's total credited service.

Death benefits	<p>Pre-retirement:</p> <ul style="list-style-type: none"> ▪ If a member dies before the normal or optional retirement date and before any pension payments have begun, the member's spouse, or beneficiary if there is no spouse, will receive a lump sum settlement equal to the value of the benefits to which the member would have been entitled had employment terminated on the date of death. ▪ If, however, at the date of death, the member had ten years of continuous service and leaves an eligible spouse or dependent children, in lieu of the lump sum payment, the spouse will receive an immediate pension equal to 66 2/3% of the member's accrued pension plus additional pension benefits of 10% of the member's accrued pension for each dependent child (maximum 3) payable until age 18, or 23 if still in school. 20% of the member's accrued pension will be paid to each dependent child if both parents are deceased. <p>Post retirement:</p> <ul style="list-style-type: none"> ▪ Unless an optional form of pension is elected, pension payments are guaranteed for five years. If the member leaves an eligible spouse, the spouse will receive the balance of any guaranteed payments and thereafter 66 2/3% of the pension received by the member plus additional pension payments of 10% of the pension received by the member for each dependent child (maximum 3) payable until the child attains age 18, or 23 if still in school.
Termination Benefits	<p>Less than two years of membership:</p> <ul style="list-style-type: none"> ▪ A refund of the member's contributions with interest. <p>At least two years of membership:</p> <ul style="list-style-type: none"> ▪ A deferred lifetime pension. The member may transfer the commuted value of the deferred pension into another retirement vehicle in accordance with the applicable federal and provincial legislation. Members who are eligible to receive an immediate pension, however, may not transfer the commuted value of their deferred pension, but must receive a pension (immediate or deferred) from the plan.
Post-Retirement Indexing	<p>Pensions in payment are indexed each January 1 by the increase in the Consumer Price Index ("CPI") for Canada for the month ending September 30 of the year preceding the adjustment date over the CPI for the month ending September 30 of the prior year, subject to a maximum increase of 3%. If an individual's pension commenced in the year preceding the adjustment, a pro-rata portion of the increase is provided based on the number of months of pension payments received in the year.</p> <p>If the CPP decreases over the period, pensions are not reduced, however, the CPI for the September prior to the last increase is used in the calculation the following year.</p>

Appendix G

Administrator Certification

With respect to the report on the actuarial valuation of the Nova Scotia Association of Health Organizations Pension Plan, as at October 31, 2010, I hereby certify that, to the best of my knowledge and belief:

- the valuation reflects the Trustees' decisions in regards to determining the solvency funding requirements,
- a copy of the official plan documents and of all amendments made up to October 31, 2010, were provided to the actuary and is reflected appropriately in the summary of plan provisions contained herein,
- the asset information summarised in Appendix B is reflective of the Plan's assets,
- the membership data provided to the actuary included a complete and accurate description of every person who is entitled to benefits under the terms of the Plan for service up to October 31, 2010, and
- all events subsequent to October 31, 2010 that may have an impact on the Plan have been communicated to the actuary.

February 7, 2011

Date



Signed

Calvin Jordan

Name

MERCER

Mercer (Canada) Limited
Suite 1300, 1801 Hollis Street
Halifax, Nova Scotia B3J 3N4
902 429 7050

Consulting. Outsourcing. Investments.