



2015 ANNUAL REPORT



Nova Scotia Public Service
Long Term Disability Plan Trust Fund

CEO & CHAIR MESSAGE

AT THE NSPS LTD PLAN, WE AIM TO PROVIDE SUPPORT, CONFIDENCE AND PEACE OF MIND TO OUR APPROXIMATELY 13,100 MEMBERS.

That's why our Plan Sponsors and the Board of the Nova Scotia Public Service Long Term Disability Plan Trust Fund (the Plan) offer a stable and sustainable package that takes into account the diversity of your needs.

The NSPS LTD was busy supporting major provincial initiatives in 2015, like The Working Mind – an anti-stigma and mental health resilience program adopted by the Nova Scotia Government. In a speech, Honorable Leo Glavine and Laura Lee Langley recognized the Plan for our contributions to the National Standard on Psychological Health and Safety in the Workplace. This acknowledgement demonstrates the Plan's ongoing commitment to advancing workplace mental health and combating stigma.

2015 also marked the Plan's 30th anniversary, and to ensure the Plan continues to exceed industry standards, we initiated a comprehensive review of Plan language and best practices. This process included an assessment of Public Service and Long Term Disability offerings, significant consultation with the LTD Fund's legal counsel and in depth consultation with the NSPS LTD Board of Trustees. The staff and Board are pleased with the amendments incorporated into the Plan document, which took effect on December 31, 2015.

**2015 MARKED
THE PLAN'S 30TH
ANNIVERSARY.**

TO ENSURE THE PLAN
CONTINUES TO EXCEED
INDUSTRY STANDARDS,
WE INITIATED A
COMPREHENSIVE
REVIEW OF PLAN
LANGUAGE AND BEST
PRACTICES.

CEO & CHAIR MESSAGE

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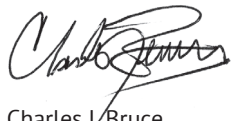
The Plan saw changes to the Board in 2015. We'd like to thank outgoing Trustee, Ms. Karen Fitzner for her contributions. We'd also like to welcome incoming Trustee, Ms. Cynthia Yazbek to our team. As the Executive Director of Labour Services, Department of Labour and Advanced Education, and former Executive Director of Employee Relations and Benefits with the Public Service Commission, we look forward to drawing on Ms. Yazbek's counsel and expertise.

To continue to advance their knowledge, the Chair and Board of Trustees attended the following educational events in 2015: Canadian Health and Wellness Conference, Canadian Public Sector Pensions and Benefits Conference, ATMS Full Program, Annual Canadian Employee Benefits Conference and CPBI Atlantic Regional Conference.

On behalf of our Plan Sponsors, the Board, and staff, we're proud to present the 2015 Annual Report to you, our Plan Members. Our commitment to you is to continuously improve the Plan and stay focused on providing superior service at a competitive price. Together, we'll set the stage for a successful 2016.



Linda Power
Chair of the Board of Trustees



Charles J. Bruce
Chief Executive Officer

BOARD OF TRUSTEES

THE PROVINCE OF NOVA SCOTIA AND THE NOVA SCOTIA GOVERNMENT AND GENERAL EMPLOYEES UNION ESTABLISHED THE NOVA SCOTIA PUBLIC SERVICE LONG TERM DISABILITY PLAN TRUST FUND IN 1985.

The legal basis for the Trust is an Agreement and Declaration of Trust. The Agreement provides for the appointment of eleven trustees.

Five (5) members are appointed by the NSGEU (the Union), one (1) of whom shall be designated by the Canadian Union of Public Employees (CUPE). Five (5) members are appointed by the Province of Nova Scotia (the Employer) through the Lieutenant Governor in Council, one (1) of whom is designated by the Nova Scotia Health Authority. The Union and the Employer jointly appoint an independent Chair.



Top (from left to right): Grant Vaughan, Union Trustee; Peter Urbanc, Employer Trustee; Geoffrey Gatien, Employer Trustee; Cynthia Yazbek, Employer Trustee; Darren McPhee, Union Trustee; Linda Power, Chair.

Bottom (from left to right): Corinne Carey, Union Trustee; Paul Hagen, Union Trustee; Mike MacIsaac, Union Trustee; Cathy Rankin, Employer Trustee.

The vacant Employer Trustee position will be filled early 2016.

DISCUSSION AND ANALYSIS

FUNDING POSITION

The Plan's liabilities are calculated using an actuarial valuation which provides an estimate, based on assumptions and projections, of the value of the Plan's commitment to its beneficiaries. The most recent actuarial valuation was completed as at December 31, 2014 by Morneau Shepell, the firm appointed by the Board of Trustees to provide the Plan's actuarial services.

The 2014 valuation reported Trust assets of \$145.7 million and benefit liabilities of \$78.1 million (after allowing \$2.1 million for pre-approved indexing of benefits as at December 31st, 2015 and 2016) resulting in a funding margin of \$67.6 million.

The Plan's financial position has been extrapolated to December 31, 2015 by projecting Trust liabilities using estimated rates of new claims and actual benefit payments, and by updating asset values to reflect actual investment returns earned to the end of 2015. The Plan's projected benefit liabilities as at December 31, 2015 is \$80.0 million. The value of the Trust assets available for benefits at December 31, 2015 is \$149.1 million. The end result is the Plan's financial position has remained relatively stable, moving from a \$67.6 million funding margin at the end of 2014 to a projected \$69.2 million funding margin at December 31, 2015.

FUNDING POSITION OF THE PLAN FOR THE PAST FIVE YEARS

YEAR END	2011*	2012	2013*	2014	2015*
Assets (minus accounts payable) \$ millions	114.9	127.8	137.0	145.7	149.1
Accrued Liabilities for Benefits \$ millions	65.7	69.2	70.7	78.1	80.0
Funding Margin \$ millions	49.2	58.6	66.3	67.6	69.2
Funded Ratio	175%	185%	194%	187%	186%

*Based on extrapolated liability results
Source: Morneau Shepell

The Plan has adopted a schedule for valuations every other year; accordingly, the next formal actuarial valuation of the Plan is scheduled for December 31, 2016.

DISCUSSION AND ANALYSIS

CLAIMS ADMINISTRATION – LONG TERM DISABILITY

The Plan provides income continuation to Nova Scotia's Public Sector employees who become disabled. The Plan offers high quality claims administration services and continues to review and implement emerging alternatives in disability management that are of mutual benefit to Plan Members and the Plan.

The Board of Trustees has outsourced its Claims Administration to Manulife Financial, which provides a high level of quality service to the LTD Plan and its members.

On a quarterly basis, the Claims Administrator's performance is reviewed and measured by a scorecard to ensure adherence to mutually agreed upon standards. The scorecard process allows for validation of all findings and is signed off by both the LTD Plan and the Claims Administrator. The scorecard specifically measures claims service, response time, rehabilitation services, accuracy, quality assurance, and account management.

While no one factor is totally responsible for the positive claims experience, it is clear that consistent and timely claims administration played a large role in improved outcomes for claimants and improved claims experience for the LTD Plan.

The challenge as we go forward is to continue to offer high quality claims administration services, while also continuing to review and implement emerging alternatives in disability management that benefit both claimants and the LTD Plan.

ACTIVE LTD CLAIMS FOR THE PAST FIVE YEARS

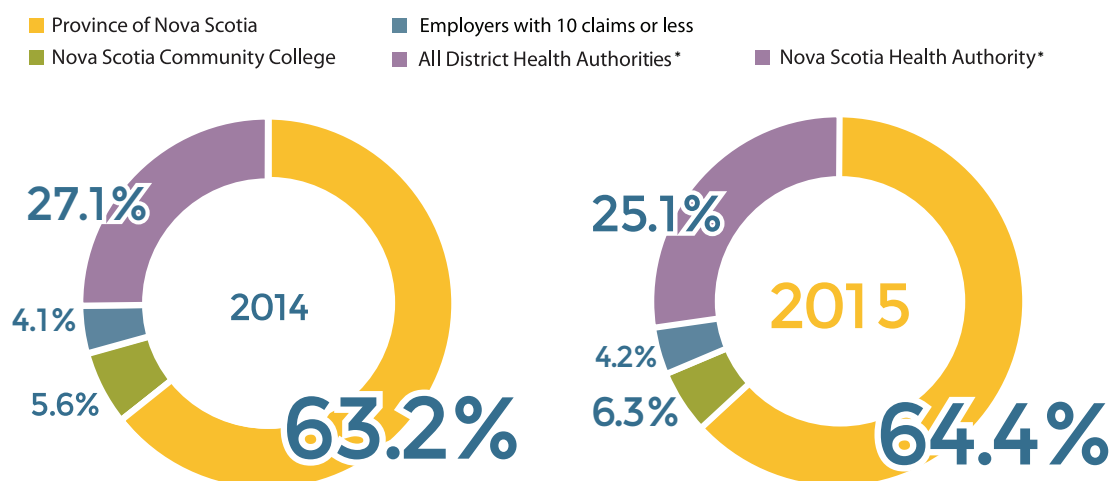


Source: Manulife Financial

DISCUSSION AND ANALYSIS

CLAIMS ADMINISTRATION – LONG TERM DISABILITY

ACTIVE LTD CLAIMS BY EMPLOYER AS AT DECEMBER 31, 2015



* In 2015, all District Health Authorities merged into the Nova Scotia Health Authority.
Source: Manulife Financial

LTD CLAIMS ACTIVITY FOR 2015 WITH COMPARATIVE FIGURES FOR 2014

YEAR END	2014	2015	% Change
Active Claims at January 1	556	536	-3.6%
Approved Claims	128	142	11.0%
Minus Claims Resolved	148	153	3.4%
Active Claims at December 31	536	525	-2.0%

Source: Manulife Financial

DISCUSSION AND ANALYSIS

CLAIMS ADMINISTRATION – LONG TERM DISABILITY

LTD CLAIMS ARE RESOLVED FOR A NUMBER OF REASONS

Including return to work, retirement, and death. Detailed below is the breakdown of the resolved claims for 2015 with comparison to 2014.

	Return to Work	Change of Definition*	Death	Retirement / Benefit Expiry	Other Reason	Total Claims Resolved
2014	65	11	13	46	13	148
2015	51	6	20	61	15	153

*Disabled from own-occupation, but not any occupation
Source: Manulife Financial

The Plan devotes considerable resources, particularly in rehabilitation, towards achieving a successful return to work (RTW) rate. Case managers and rehabilitation specialists work to collaborate with stakeholders to identify and remove barriers wherever possible.

Below is a table showing the 2015 LTD rehabilitation resolution percentages with comparison to 2014.

2015 LTD REHABILITATION RESOLUTION PERCENTAGES

REHABILITATION OUTCOME	2014	2015
RTW – OWN EMPLOYER	50.0%	56.0%
RTW – OTHER EMPLOYER	0.0%	3.0%
JOB READY	15.0%	19.0%
ASSESSED, ILL-SUITED CANDIDATE	35.0%	22.0%
	100.0%	100.0%

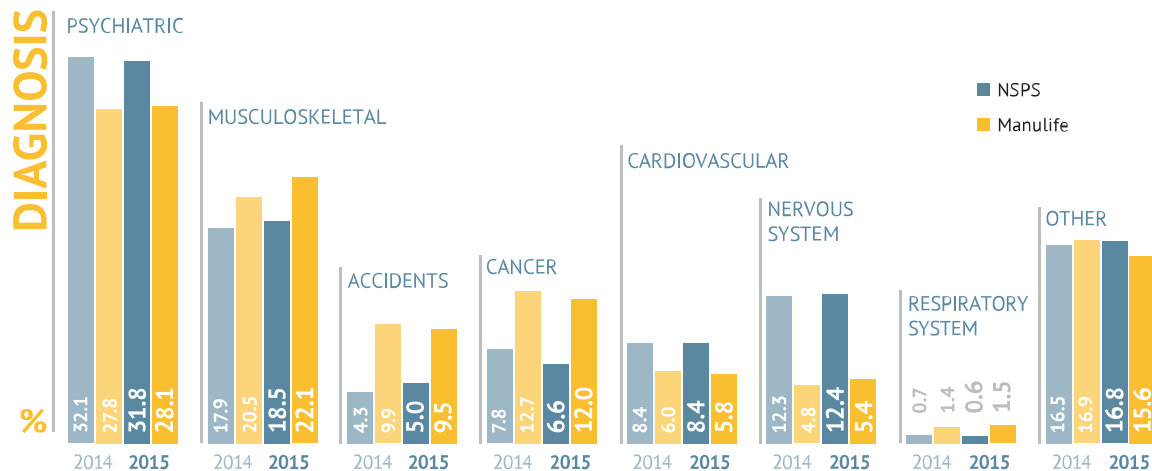
Source: Manulife Financial

DISCUSSION AND ANALYSIS

CLAIMS ADMINISTRATION – LONG TERM DISABILITY

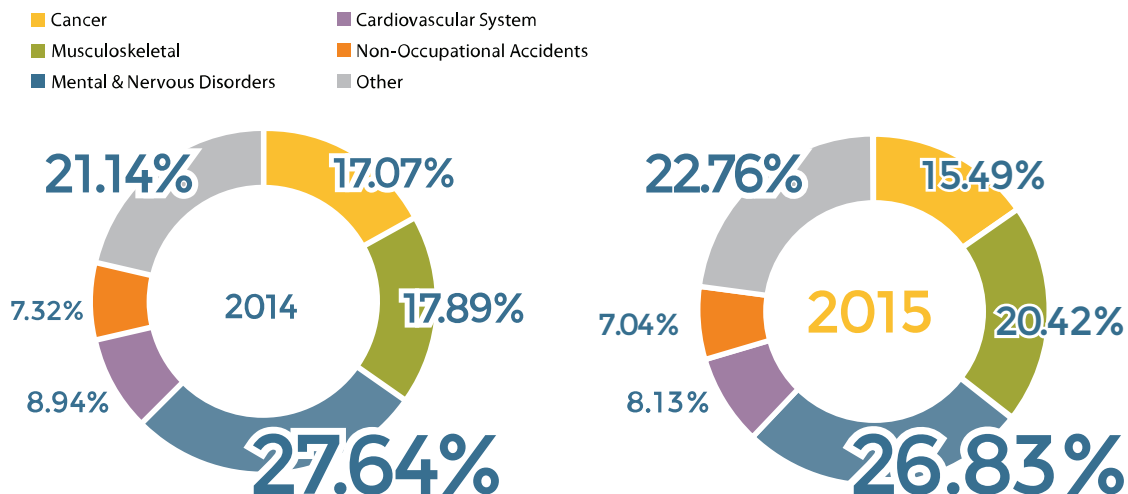
DISTRIBUTION OF DIAGNOSES BY MAJOR CATEGORY

The following table shows the distribution of diagnoses by major category for the total number of LTD claims as at the 2015 year end with comparison to 2014. Also shown are corresponding percentages for Manulife's client base.



Source: Manulife Financial

NUMBER OF APPROVED LTD CLAIMS IN 2015 FOR THE DISTRIBUTION OF DIAGNOSES BY MAJOR CATEGORY WITH COMPARATIVE FIGURES FOR 2014



Source: Manulife Financial

DISCUSSION AND ANALYSIS

INVESTMENT PORTFOLIO SUMMARY

The Plan's investments are managed by Beutel Goodman & Company Ltd. (BG).

Liability Hedging Portfolio

Canadian interest rates declined in the year ending December 31, 2015. The Bank of Canada surprised the market with a 25 basis point cut to the overnight rate in January, which sent yields spiraling downward. The Bank stated that the decision to decrease rates was in response to the sharp drop in oil prices, which the Bank expects will have a negative effect on growth and underlying inflation in Canada. The Bank of Canada further lowered its target for the overnight rate by 25 basis points to 0.5% in July. After the "atrocious" GDP and trade numbers that were released in June, a cut had been widely expected by the market. Commodity prices continued to fall in 2015, in particular oil. By the end the year, oil had fallen to just over \$37, a level not seen since the lows of the financial crisis. Prices for copper and several other industrial commodities similarly approached or breached their lows of 2008. The effect on the currencies of resource-based economies was pronounced. The Canadian dollar fell to 72.3 cents, a level not seen since 2004.

For the one year period under review, the FTSE TMX Canada Bond Universe Index increased 3.55% on a total return basis. The Provincial and Federal sectors both outperformed the Index while the Corporate and Municipal sectors underperformed. Yields decreased, with the greatest movement in the short-end of the yield curve. Corporate credit spreads widened over the period. Corporate sector performance has been affected by illiquidity as well as a heavy amount of new issuance, mostly with significant concessions to secondary spreads. The depressed commodity price environment has weighed heavily on energy related credits. There was continued pullback in reach for yield as the FTSE TMX Canada High Yield Index underperformed all other corporate indices, returning -3.81% for the year, mainly attributable to concerns in the oil and gas sector as well as increased leverage.

For the year ended 2015, the liability hedging portfolio underperformed the benchmark, the FTSE TMX Canada Bond Universe Index. Decisions that detracted from performance included corporate security selection, as the portfolio's overweight position in long pipeline and utility credits underperformed relative to other corporate bonds; sector selection, as provincials outperformed corporates during the year; duration positioning, as interest rates decreased by 41 basis points across the curve during the year; and the portfolio's curve positioning due to the underperformance of the short-end of the curve. This underperformance was partially offset by a positive contribution from the U.S. pay strategy.

Balanced Portfolio

The Beutel Goodman Balanced portfolio achieved a positive return in the one year ending December 31, 2015, and outperformed its blended performance benchmark over the period. An overweight to U.S. and International equities added value, as both asset classes delivered double digit returns for the year. However, an overweight to Canadian equities detracted, as Canada continued to lag other developed equity markets, reflecting concerns over the direct and indirect economic impacts of lower oil prices.

The Canadian equity component of the Fund outperformed the return of the S&P/TSX Composite Index for the year. Outperformance was attributable to sector weighting effects. An underweight to the poorest performing sectors in

DISCUSSION AND ANALYSIS

INVESTMENT PORTFOLIO SUMMARY

the index, Energy and Materials, added significant value. Overweights to Consumer Staples and Telecommunications and an underweight in Health Care also contributed to outperformance. Stock selection in Consumer Staples added significant value due to Molson Coors, which advanced significantly on confirmation that it would acquire SABMiller's stake in the MillerCoors joint venture, a step judged necessary for AB InBev to obtain anti-trust approval in the U.S. for its takeover of SABMiller. Offsetting this was selection in the Energy and Information Technology sectors. In Energy, Baytex Energy fell on the view that oil was unlikely to recover in the near term to a level needed for them to generate positive returns on assets. In Information Technology, Open Text declined after the company reduced guidance and announced cost-cutting measures, citing challenges in the transition of its legacy business lines to the cloud technology.

The portfolio's U.S. component underperformed over the period, primarily due to stock selection. Selection in the Consumer Discretionary and Information Technology sectors were the main causes of underperformance. Returns for the S&P 500 over the year were largely driven by mega cap growth names in these sectors. In Consumer Discretionary, ongoing strength in Internet based names such as Amazon and Netflix dominated returns compared to weakness for the broader consumer retail space. Internet based names such as Google and Facebook drove returns in Information Technology, with prices that ran far ahead of fundamentals. Our exposure to more mature undervalued technology names detracted over the year.

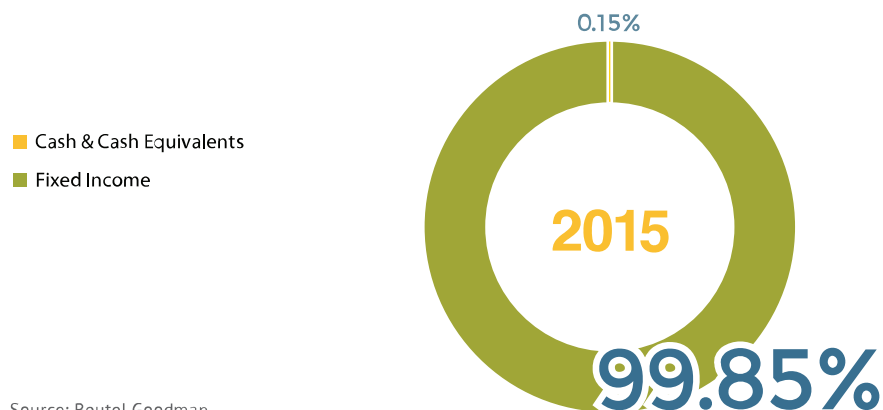
The international equity segment produced double digit returns, but underperformed its benchmark due to both sector allocation and stock selection over the period. With regards to sector allocation, positive effects from an overweight in Telecommunications were more than offset by negative effects from underweights in Health Care and the Consumer sectors and an overweight in Industrials. Stock selection in Industrials and Financials were significant detractors over the period. In Industrials, holdings in UK-based Vesuvius, IMI and Rolls-Royce detracted. Notably, the UK Industrial sector continued to exhibit significant weakness relative to all other EAFE Industrial sub-sectors, as the market reacted to reduced economic outlooks, commodity outlooks, and the implications for industrial earnings.

The fixed income component of the balanced strategy posted a positive return but underperformed the FTSE TMX Canada Bond Universe Index for the one year period. Decisions that detracted from performance include corporate security selection, as the portfolio's overweight position in long pipeline and utility credits underperformed relative to other corporate bonds; sector selection, as provincials outperformed corporates during the year; duration positioning, as interest rates decreased by 41 basis points across the curve during the year; and the portfolio's curve positioning due to the underperformance of the short-end of the curve. This underperformance was partially offset by a positive contribution from the U.S. pay strategy.

DISCUSSION AND ANALYSIS

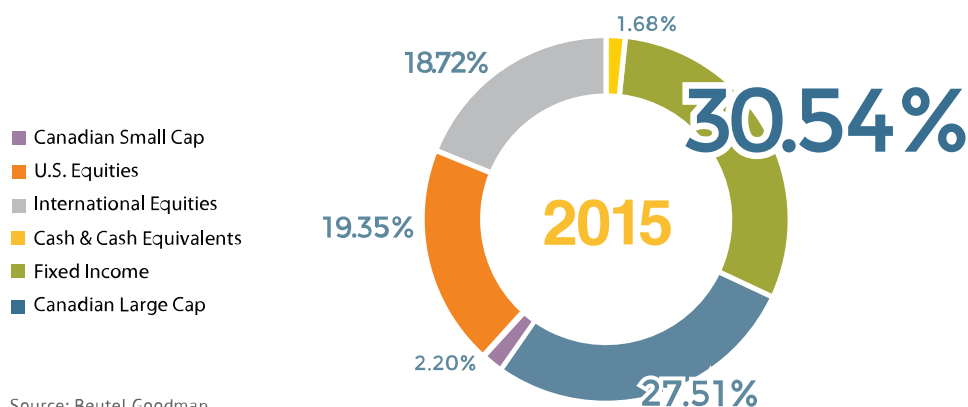
INVESTMENT PORTFOLIO SUMMARY

LIABILITY HEDGING PORTFOLIO - DECEMBER 31, 2015



Source: Beutel Goodman

BALANCED PORTFOLIO - DECEMBER 31, 2015



Source: Beutel Goodman

DISCUSSION AND ANALYSIS

PERFORMANCE ANALYTICS & CUSTODIAL SERVICES

NSPS LTD PLAN – INVESTMENTS

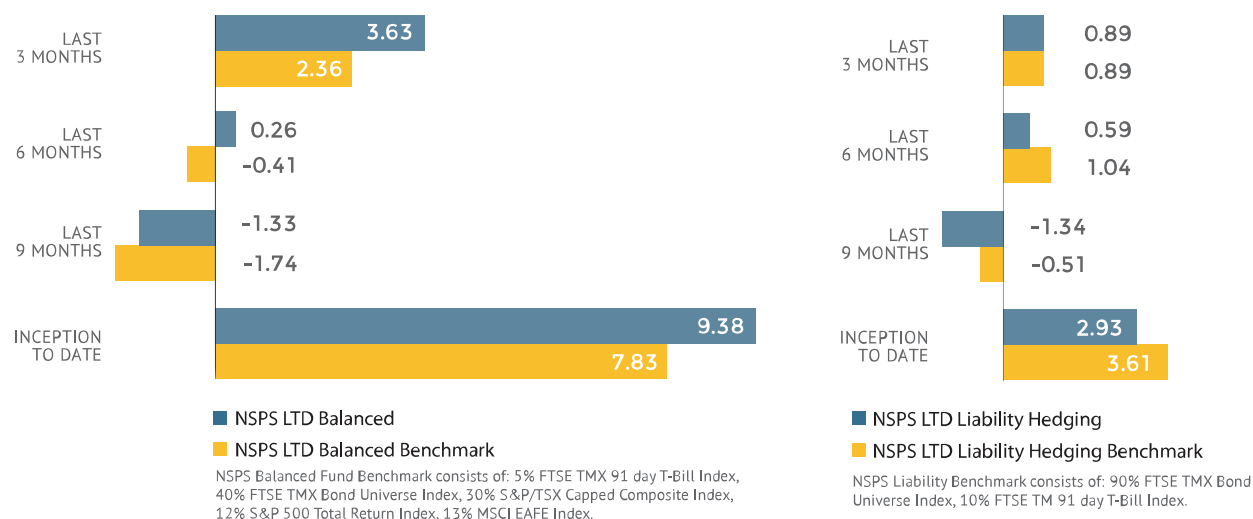
The Plan's investments are managed by Beutel Goodman. The custodial and accounting services are provided by CIBC Mellon Global Security Services Company. Performance measurement services are provided by BNY Mellon Asset Servicing.

The Bank felt GDP likely stalled during the fourth quarter. With a weakened Canadian dollar, consumers were paying more for goods, but the Bank was encouraged by exports becoming more competitive.

The FTSE TMX Canada Bond Universe produced a 1.0% return for the quarter and 3.5% over twelve months. The S&P/TSX Composite Index dropped 1.4% in Q4 and was down 8.3% over twelve months. The Russell 3000 Index was up 10.1% for the quarter and returned 20.5% over twelve months.

The MSCI EAFE Index was up 8.5% for the quarter and delivered a 19.5% return for the year. The MSCI Emerging Markets Index returned 4.4% in Q4 and 2.4% for the year.

The returns as of December 31st, 2015 are outlined below:



Source: BNY Mellon

In 2015 the Plan's investments posted a positive return of 3.06%. Compared to other Canadian institutional investment plans, in 2015 the NSPS LTD Plan ranked in the fourth quartile of the BNY Mellon Canadian Master Trust Universe.