
Update on Prior Years' Report Items

2003 Recommendation

The Corporation should ensure its annual reports contain information on the performance of the Corporation in relation to its original approved plan and objectives.

Action Taken

The Corporation indicated that the Annual Report is moving to reflect performance versus plan in all areas. The current administration could not develop a plan in mid-stream, but all future reports will reflect comparative performance data.

3.2.6 Province of Newfoundland and Labrador Pooled Pension Fund (2003 Annual Report, Part 2.15)

Introduction

In 2003, we performed a review of the Province of Newfoundland and Labrador Pooled Pension Fund. The objectives of our review were to determine changes in the unfunded pension liability and how the Pension Investment Committee monitors the activities of the Fund.

Conclusions from our 2003 review

As a result of our review we concluded the following:

- Although Government had taken some action to address the unfunded pension liability, the liability continued to increase.
- Even though Government had committed substantial annual special payments to address pension funding issues, two of the pension plans administered by the Fund will be depleted of assets and require deficiency payments (Uniformed Services Pension Plan 2013-14 and Teachers' Pension Plan 2015-16).
- The Pension Investment Committee did not require an independent external appraisal prior to the acquisition of real estate property by Newvest Realty Corporation, the entity formed by the Committee to administer the real estate holdings.

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- Neither the Committee nor the Pensions Administration Division of the Department of Finance had visited any of the real estate properties.
 - The Committee was not aware of operational issues within Newvest Realty Corporation, prior to our audit of the Corporation.
 - Newvest Realty Corporation contravened the *Financial Administration Act* by borrowing without legislative authority.
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Update

In October 2005, we contacted the Department of Finance requesting an update as to the progress on the comments and recommendations included in our 2003 report. The information provided by the Department in response to our request is outlined below.

2003 Recommendation

Government should continue its efforts to address the unfunded pension liability.

Action Taken

The Department of Finance indicated that it continues to monitor the growth of the unfunded pension liability and make recommendations to improve the financial status of all plans. While the Department continues to seek solutions, it is conscious that any changes to improve the unfunded status of the plans would require the full cooperation and participation of all stakeholders and must be within the financial constraints of the Province.

2003 Recommendation

Pension Investment Committee should review its approach to monitoring Newvest Realty Corporation; and comply with the Financial Administration Act.

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Action Taken

The Pension Investment Committee indicated that it relies on the expertise of the Pension Fund's Real Estate manager to fulfill its fiduciary role with respect to Newvest Realty Corporation. The performance and compliance of Newvest is reviewed regularly by officials of the Department of Finance and quarterly by the Committee in consultation with its advisors. With respect to independent appraisals, the Committee advised that it continues to believe that such appraisals prior to purchase would not add any value to the due diligence process already undertaken by the real estate manager with respect to every purchase and, in fact, may result in unnecessary delays that could be detrimental to the purchase process. Also, the Committee indicated that a review of properties by a designate of the Committee is of limited value given that none of its members have expertise in the real estate field.

With regard to compliance with the *Financial Administration Act*, the Pension Investment Committee was of the view that the Fund was not subject to the *Financial Administration Act*. However, for clarification purposes, the *Pensions Funding Act* was amended on 16 December 2004 to provide the Fund with the authority to borrow in regard to real estate purchases.

Department of Government Services

3.2.7 Prepaid Funeral Services (2002 Annual Report, Part 2.12)

Introduction

In 2002, we performed a review of the prepaid funeral services program. The *Prepaid Funeral Services Act* was assented to on 12 May 2000 and came into force on 22 December 2000. The *Act* is intended to protect consumers who have entered into prepaid funeral contracts from financial loss in the event of the failure of a funeral home. The *Act* also establishes a Consumer Protection Fund for Prepaid Funeral Services (Assurance Fund) to reimburse consumers who lose their investment due to the failure of a funeral home.

The objective of our review was to determine Government's progress on the implementation of this new prepaid funeral services program.
