

Annual Performance Report 2007-2008

Newfoundland and Labrador Government
Sinking Fund

**BOARD OF TRUSTEES
NEWFOUNDLAND AND LABRADOR CONSOLIDATED SINKING FUNDS**

**NEWFOUNDLAND AND LABRADOR GOVERNMENT SINKING FUND
NEWFOUNDLAND AND LABRADOR MUNICIPAL FINANCING
CORPORATION SINKING FUND**

**DEBT MANAGEMENT DIVISION
DEPARTMENT OF FINANCE
CONFEDERATION BUILDING
P.O. BOX 8700
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September 26, 2008


Message from the Board

I am pleased to present the Annual Performance Report for the Newfoundland and Labrador Government Sinking Fund for the 2007-08 fiscal year.

The Newfoundland and Labrador Government Sinking Fund administers the sinking funds established by the Province of Newfoundland and Labrador for the repayment of the Province's debenture debt. The effective investment and control of these funds is consistent with the Department's responsibilities with respect to stewardship of public money and management of the funded debt and supports the Department's strategic direction and commitment of sound financial management.

This performance report provides an overview of the Newfoundland and Labrador Government Sinking Fund and identifies key issues and results for the Board of Trustees during the fiscal year 2007-08. A report on the investment strategy of the Sinking Fund was completed during the year and consideration of this report by the Board is ongoing. It is anticipated that if changes to the investment strategy are approved, they would be implemented by the end of 2008-09.

The Board of Trustees is accountable for the preparation of this report and for the results reported therein.


Terry Paddon
Chairman

1.0 Overview

The Newfoundland and Labrador Government Sinking Fund was created pursuant to the *Financial Administration Act* to consolidate and administer sinking funds established for the repayment of the Province's debenture debt. The Province has established sinking funds for most of its long term debenture issues and the annual contributions to these sinking funds are invested by the Board of Trustees of the Newfoundland and Labrador Consolidated Sinking Funds, appointed by the Lieutenant Governor in Council to manage and control the day to day operation of the sinking funds. As at 31 March 2008, the Board of Trustees consists of the incumbents in five senior public service positions with the Department of Finance as follows:

Terry Paddon	Deputy Minister
Donna Brewer	Assistant Deputy Minister Financial Planning and Benefits Administration
Ronald Williams	Comptroller General
Earl Saunders	Director, Debt Management
Linda Howell	Manager of Debt Servicing & Financial Risk

The Newfoundland and Labrador Government Sinking Fund operates with a March 31 fiscal year end and the results of its activities are fully consolidated in the Province's annual financial statements.

2.0 Mandate

The mandate of the Board of Trustees is to manage and control the operational activities of the Newfoundland and Labrador Government Sinking Fund and the sinking funds of certain Crown corporations where the Province has guaranteed the related debt (i.e. Newfoundland and Labrador Municipal Financing Corporation and the Eastern

Regional Integrated Health Authority). These activities include setting investment policy, investment of funds and the monitoring of such. These funds are invested in accordance with the *Financial Administration Act*, primarily in bonds, debentures or other securities issued or guaranteed by the Government of Canada, the government of a province of Canada, or a chartered bank, with the goal of earning the maximum return from investment of the portfolio while ensuring security of the funds.

3.0 Sources of Funding

For debenture issues which have sinking fund requirements, the Province makes the required sinking fund contributions to the Board of Trustees. In 2007-08, these sinking fund payments amounted to \$41,514,305. Sinking fund contributions are invested and the interest earnings, less an amount to cover administrative costs, are re-invested.

The Newfoundland and Labrador Government Sinking Fund's day-to-day activities are managed by employees of the Department of Finance and the Sinking Fund is invoiced quarterly by the Province for reimbursement of these expenses on a cost-recovery basis.

4.0 Highlights and Accomplishments

- During the year 2007-08 the Sinking Fund paid \$226 million to the Province to assist in the retirement of debenture debt.

5.0 Financial Statements

While it is not a legislative requirement that the NL Sinking Fund Limited prepare a Financial Statement, the entity has always made it a practice to prepare an annual financial statement for review and approval by its Board of Directors. The entity is currently in the process of preparing its statements in accordance with Generally Accepted Accounting Principles. Upon finalization of these statements, the Minister of Finance will table a copy of the financial statements for the NL Government Sinking Fund in the House of Assembly.

6.0 Issue

The Newfoundland and Labrador Government Sinking Fund supports the Department of Finance in its responsibilities related to stewardship of public money and fiscal management by the investing of funds in accordance with parameters set out in the *Financial Administration Act* and the Department's mandate and mission statement. The investment strategy of the fund has not been reviewed for some time and a review was undertaken during 2007-08.

Objective

By March 31, 2008, the Newfoundland and Labrador Government Sinking Fund will have completed a review of the current investment strategy of the Sinking Fund, with a view to determining if the legislative parameters and operating policies are overly restrictive, thereby impacting investment activities and returns.

Measure:	Report on Investment Strategy of Sinking Fund
Indicator:	Review of the report completed.
Progress:	A report on the investment strategy of the Sinking Fund was completed during the year, an initial review of the report was completed and further consideration of the report by the Board is ongoing. It is anticipated that if changes to the investment strategy are approved, they would be implemented by the end of 2008-09.