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BACKGROUND

This Report is the Annual Financial Report (the “**Report**”) for the Northern Employee Benefits Services Pension Plan (the “**Plan**”) prepared in respect of the year 2018 as required by section 27 of the *Northern Employee Benefits Services Pension Plan Act*, both as S.N.W.T. 2015, c. 6 and S. N. 2015, c. 10 (the “**NEBS Acts**”).

Overall responsibility for preparation and assembly of the Report is with the Northern Employee Benefits Services Pension Plan Pension Committee (the “**Pension Committee**”) which serves as the administrator of the Plan pursuant to section 13 of the NEBS Acts. However, Part III of this Report consists of the audited financial statements for the Plan, prepared by Avery Cooper & Co., Part IV of the Report is a certificate of compliance prepared with the assistance of the Pension Committee’s legal counsel, Lawson Lundell LLP, and Part VI is a report on the long term goals and objections for the Plan, prepared by the Board of Directors of NEBS.

REPORT OF THE CHAIR OF THE PENSION COMMITTEE

For the 2019-2020 Year

GENERAL OVERVIEW

The Pension Committee administers the Pension Plan and Committee Members have a fiduciary duty to Plan Members to ensure they receive the retirement benefits established in the Plan. Committee Members are trustees with responsibility for the Plan's funds. In discharging these duties, the Committee meets at least three times a year on a face-to-face basis and holds other meetings as necessary by teleconference.

Since last May's report to Members, the Committee met in Yellowknife in September, Yellowknife in December and by conference call in April due to the pandemic. In addition, some other teleconference meetings were held throughout the year.

When the COVID-19 pandemic hit, markets across the globe were effected negatively and in response to these severe Market disruptions NEBS asked both the Government of Nunavut and the Government of the NWT to put in place a regulation associated with the NEBS ACT that would temporarily restrict portability (for up to 24 months) of terminating NEBS Pension Plan members. Both Governments agreed and this will go into effect on July 15, 2020.

HIGHLIGHTS OF ACTIVITIES

2019 was an election year for some of the NEBS Board Members. Elections are held every 2 years with members having staggered terms of 4 years each. The Election nomination process begins in January and closes in February with the election being held in April and the elected Board members being announced at the Annual; General Meeting held in May. Re-elected in 2019 were Al McDonald, John McKee, and Art Stewart and newly elected members were Tommy Bruce and Gwen Young. The Board Members chosen to sit on the Pension Committee were Art Stewart and Al McDonald. Al McDonald was re-elected as both The Chairman of the Pension Committee and President of NEBS.

The Pension Committee is comprised of the following people:

- ✦ Al McDonald, Chairman
- ✦ Art Stewart
- ✦ Michael Cohen
- ✦ Brian Fleming
- ✦ Gary McBride
- ✦ Bill Bennett
- ✦ Mike Aumond

Lori Satov, the NEBS investment manager with the firm Connor, Clark & Lunn presented on our investments at each of the Committee meetings and Members discussed investment strategies and market trends. The Committee also reviewed reports prepared by our pension consultants, AON Hewitt, on the performance of our investment managers compared to other managers and the performance objectives as set out in our Investment policy.

The Pension Committee also approved AON to conduct an Asset Liability Modelling study that was completed this year and presented in April. These studies are important as they emphasize matching assets and liabilities within the investment strategy. The Pension Committee will be considering changes to the asset mix in the coming months.

At each meeting the Committee also reviewed reports on the Plan's operations and dealt with a number of Employer Member and individual Plan Member matters.

PLAN MEMBERSHIP

Employer participation and the number of enrolled employees increased in 2019 by 5 employer members. Our business plans this year include continued marketing for members in the NWT and Nunavut as well as an expansion into the Yukon.

FINANCING THE PLAN

How well, or poorly, NEBS does with its investments is a key determinant of the financial position of the Pension Plan. The contributions of employees and their employers, plus the investment returns achieved on these contributions, must fund the benefit entitlements of Plan Members.

It is required that a professional actuary determine if the Plan can fund its pension promise to Plan Members. The actuary for the NEBS Plan is AON Hewitt Associates.

AON Hewitt Associates completes a valuation of the Plan on two bases. The first basis, called a going concern valuation, projects the costs of future pension entitlements for all members and estimates the future assets of the Plan. These projections are calculated using a number of assumptions about the future demographics of Plan Members and economic factors such as future inflation rates. Our actuary then determines how much will be required in current contributions to pay the future benefit entitlements.

This past year has seen some significant developments with the NEBS Pension Plan. The investment fund added an additional 30 million dollars in investment returns and contributions bringing its total to 285 million as of the end of March 2020.

The Committee has received preliminary valuation figures for 2019 (January 1, 2020 Valuation) which show the Plan remains solidly funded on a going concern basis. This year the valuation demonstrates a continued surplus in the going concern analysis. Contributions to service the current and future costs of the Plan remain less than current employer and employee contribution rates and no increase will be necessary.

The second valuation of the Plan that AON Hewitt Associates completes for the Pension Committee is on a solvency basis. This valuation is completed on the assumption the Plan is terminated on the date of the valuation and all Plan Members are paid for future value of their pension entitlements on a commuted value basis. This requirement to finance a pension plan on a solvency basis commonly applies for private plans, not public-sector plans such as the NEBS Plan, where the windup of the plan would not occur. With the NEBS legislation, the NEBS Pension Plan is exempt from funding on solvency but will continue to monitor solvency through the valuation process.

CONCLUSION

The 2019 saw NEBS once again add new members, grow its investment fund and continue to implement best practices. On Behalf of the Board and myself, it's a pleasure to continue to offer a quality retirement pension plan for all our NWT and Nunavut Members.



Pension Committee Chairman

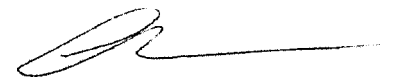
CHIEF EXECUTIVE OFFICER'S REPORT

2019 saw the NEBS Investment Fund grow by 30 million dollars and despite COVID-19 related market disruptions in March and April 2020, at the time of writing this report the fund had stabilized itself with no negative returns.

Expansion of the NEBS program into the Yukon is still a priority strategy for NEBS. In 2019 several meetings, presentations and communication took place with interested Yukon parties and the Yukon Government. NEBS has continued to advance this initiative and has had positive feedback from the Yukon Government on developing legislation in that territory.

As indicated in the Pension Committee Chairman's Report, NEBS January 1, 2020 Valuation shows the Plan is solidly funded on a surplus going concern basis and the current rates of 8% employer and 8% employee remain sufficient to continue to fund the Plan.

We continue to strive to serve all our members in both the NWT and Nunavut to the best of our ability.



Shawn Maley,
NEBS Chief Executive Officer

FINANCIAL STATEMENTS FOR THE YEAR 2019 AND AUDITOR'S OPINION

Northern Employee Benefits Services
Pension Plan Trust Fund

Management's Responsibility for Financial Reporting

Northern Employee Benefits Services Pension Plan Trust Fund's management is responsible for the preparation, integrity and objectivity of the financial statements. The financial statements have been prepared in accordance with Canadian accounting standards for pension plans relevant to preparing such financial statements and have been approved by the Northern Employee Benefits Services' Board of Directors. Where appropriate, the preparation of financial information contained in this report includes estimates and judgments based on careful consideration of information available to management. Actual results may differ from those estimates.

Northern Employee Benefits Services Pension Plan Trust Fund's management have developed and maintained books of account, records, financial and management internal control and management practices. These are designed to provide reasonable assurance as to the reliability of financial information in accordance with the Canada Business Corporations Act. Northern Employee Benefits Services Pension Plan Trust Fund's management fulfills their responsibilities for financial reporting, internal control and safeguarding assets.

Avery Cooper & Co. Ltd. Chartered Professional Accountants annually provide an independent, objective audit for the purpose of expressing their opinion on the financial statements in accordance with Canadian generally accepted auditing standards.

Aon Hewitt Inc., an independent firm of consulting actuaries, has been engaged to provide an extrapolation of actuarial pension benefits and liabilities of the Northern Employee Benefits Services Pension Plan. This extrapolation was performed as of December 31, 2019 in which they provided their estimated valuation of accrued pension benefits and liabilities of the Plan.

On behalf of Northern Employee Benefits Services Pension Plan Trust Fund,



Al McDonald,
Pension Committee Chairman



Shawn Maley,
NEBS Chief Executive Officer

April 2, 2020

To the Members of Northern Employee Benefits Services

Opinion

We have audited the financial statements of Northern Employee Benefits Services Pension Plan Trust Fund (the "Organization"), which comprise the statement of financial position as at December 31, 2019, and the statements of changes in fund balance, net assets available for benefits, pension obligations, and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies (together "the financial statements").

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Organization as at December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for pension plans relevant to preparing such financial statements.

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 the Organization 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.

Emphasis of Matter

As described in Note 2(a), Northern Employee Benefits Services has prepared a separate set of financial statements of the Health & Welfare Fund for the year ended December 31, 2019 in accordance with Canadian accounting standards for pension plans relevant to preparing such financial statements on which we issued a separate auditor's report to the members of Northern Employee Benefits Services dated April 3, 2020. A separate set of combined financial statements of Northern Employee Benefits Services as at December 31, 2019 and for the year then ended have not been prepared.

Other Information

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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 relevant to preparing such financial statements, 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 the Organization'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 management either intends to liquidate the Organization or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization'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 the Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate 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 the Organization'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 the Organization 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.

Avery Cooper & Co. Ltd.

Avery Cooper & Co. Ltd.
Chartered Professional Accountants
Yellowknife, NT

April 2, 2020

Statement of Financial Position

For the Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT		
Cash	\$ 801,906	\$ 615,074
Contributions Receivable (Note 7)	678,690	1,475,198
GST Receivable	21,030	20,511
	<u>1,501,626</u>	<u>2,110,783</u>
INVESTMENTS (Note 3)	274,255,719	222,599,288
CAPITAL ASSETS (Notes 2(e) and 4)	18,742	11,171
INTANGIBLE ASSETS (Notes 2(e) and 4)	<u>340,288</u>	<u>310,042</u>
	<u>\$ 276,116,375</u>	<u>\$ 225,031,284</u>
LIABILITIES		
CURRENT		
Wages & Benefits Payable (Note 9)	\$ 96,168	\$ 98,613
Accounts Payable & Accrued Liabilities	308,853	230,008
Current Portion of Capital Lease Obligation (Note 5)	2,743	2,874
Due to Health & Welfare Fund (Note 11)	<u>158,444</u>	<u>95,905</u>
	566,207	427,400
CAPITAL LEASE OBLIGATION (Note 5)	<u>15,511</u>	<u>8,671</u>
	<u>581,718</u>	<u>436,071</u>
NET ASSETS AVAILABLE FOR BENEFITS per page 3	275,534,657	224,595,213
PENSION OBLIGATIONS per page 4 (Note 6)	<u>232,997,800</u>	<u>209,471,600</u>
NET ASSETS		
PENSION PLAN TRUST FUND per page 2 (Note 9)	<u>\$ 42,536,857</u>	<u>\$ 15,123,613</u>

Statement of Changes in Fund Balance

For the Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>
FUND BALANCE, BEGINNING OF YEAR	<u>\$ 15,123,613</u>	<u>\$ 31,926,928</u>
INCREASE IN PENSION OBLIGATIONS per page 4	(23,526,200)	(24,543,400)
INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS per page 3	<u>50,939,444</u>	<u>7,740,085</u>
Net change	<u>27,413,244</u>	<u>(16,803,315)</u>
FUND BALANCE, END OF YEAR per page 1	<u><u>\$ 42,536,857</u></u>	<u><u>\$ 15,123,613</u></u>

Statement of Changes Net Assets Available For Benefits

For the Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>
INCREASE IN ASSETS		
Contributions (Note 7)	\$ 25,561,778	\$ 24,317,854
Investment Income (Loss) (Note 8)	40,305,651	(3,975,609)
Other Income	33,018	29,554
	<u>65,900,447</u>	<u>20,371,799</u>
DECREASE IN ASSETS		
Benefits		
Pension Payments	4,908,519	4,531,279
Termination Payments	8,146,316	6,337,729
	<u>13,054,835</u>	<u>10,869,008</u>
Administrative		
Administration	18,168	8,040
Amortization and losses (Note 4)	46,221	44,184
Building & Works	91,063	78,610
Committee	86,499	84,769
Communications	12,153	12,753
Computer Software Development	1,228	6,095
Consulting	266,720	183,868
Investment Counselling	684,741	594,015
Legal	139,305	192,756
Marketing	9,661	7,212
Professional Fees	12,694	9,498
Staff Travel & Staff Training	28,706	36,067
Supplies & Materials	4,166	1,694
Trustees & Custodial Fees	41,465	39,578
Wages & Benefits	463,380	463,567
	<u>1,906,168</u>	<u>1,762,706</u>
	<u>14,961,003</u>	<u>12,631,714</u>
INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	50,939,444	7,740,085
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	<u>224,595,213</u>	<u>216,855,128</u>
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR per page 1	<u>\$ 275,534,657</u>	<u>\$ 224,595,213</u>

Statement of Changes in Pension Obligations

For the Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>
INCREASE IN PENSION OBLIGATIONS		
Interest Accrued on Benefits	\$ 12,694,700	\$ 11,362,600
Changes in Actuarial Assumptions	-	2,210,300
Experience Gains	1,730,800	649,160
Benefits Accrued	22,139,400	21,599,400
New entrants	1,421,700	-
Service Buyback	-	180,100
	<u>37,986,600</u>	<u>36,001,500</u>
DECREASE IN PENSION OBLIGATIONS		
Other Miscellaneous Gains	405,300	434,500
Experience due to Expenses	174,300	154,600
Service Buyback	826,000	-
Benefits Paid	<u>13,054,800</u>	<u>10,869,000</u>
	<u>14,460,400</u>	<u>11,458,100</u>
INCREASE IN PENSION OBLIGATIONS per page 2	23,526,200	24,543,400
PENSION OBLIGATIONS, BEGINNING OF YEAR	<u>209,471,600</u>	<u>184,928,200</u>
PENSION OBLIGATIONS, END OF YEAR per page 1	<u>\$ 232,997,800</u>	<u>\$ 209,471,600</u>
AS REPRESENTED BY:		
Active/Disabled Members	\$ 151,684,400	\$ 138,000,500
Deferred Pensioners	33,818,400	29,563,000
Pensioners	<u>47,495,000</u>	<u>41,908,100</u>
	<u>\$ 232,997,800</u>	<u>\$ 209,471,600</u>

Statement of Cash Flows

For the Year Ended December 31, 2019

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts from Contributions	\$ 26,358,286	\$ 24,047,951
Cash Receipts from Other Income	33,018	29,554
Cash Receipts from Investment Income	16,745,673	16,550,531
Cash Paid for Pension & Termination Benefits	(13,054,835)	(10,869,008)
Cash Paid for Wages & Benefits	(465,824)	(448,165)
Cash Paid for Other Administrative Expenses	<u>(1,314,773)</u>	<u>(1,301,891)</u>
	<u>28,301,546</u>	<u>28,008,972</u>
CASH FLOWS USED FOR INVESTING ACTIVITIES		
Purchase of Capital & Intangible Assets	(77,623)	(103,983)
Increase in Investments	<u>(28,096,454)</u>	<u>(27,644,722)</u>
	<u>(28,174,077)</u>	<u>(27,748,705)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in Due to Health & Welfare Fund	62,539	4,852
Repayment of Capital Lease Obligation	<u>(3,175)</u>	<u>(2,952)</u>
	<u>59,363</u>	<u>1,900</u>
INCREASE IN CASH	186,832	262,167
CASH, BEGINNING OF YEAR	<u>615,074</u>	<u>352,907</u>
CASH, END OF YEAR per page 1	<u>\$ 801,906</u>	<u>\$ 615,074</u>

See the accompanying notes.

Notes to the Financial Statements

For the Year Ended December 31, 2019

1. Descriptions of Plans

Northern Employee Benefits Services (the "Organization" or "NEBS") is registered under federal legislation and was incorporated as a not-for-profit organization under Part II of the Canada Business Corporations Act on March 16, 1999, and is continued under the Canada Not-For-Profit Corporations Act on March 26, 2013.

NEBS is also registered as an extra-territorial corporation in the Northwest Territories. The registered address of NEBS is located at 5122 53rd Street, Yellowknife, Northwest Territories, Canada X1A 1V6.

a) General

The Board of Directors is responsible for administering the Group Benefits Plan and the Pension Committee for administering the Pension Plan on behalf of the employer groups participating in these plans and their employees.

The Pension Plan is a contributory multi-employer defined benefit plan covering employees eligible to participate. Eligible employer groups are public sector employers, First Nations, community governments and their agencies, public housing organizations, cooperatives and other not-for-profit employers operating in northern locations (including the Northwest Territories, Nunavut, Yukon Territory and the northern portions of other Canadian provinces) who are members of the organization.

Under both the group benefits and pension plans, contributions are made by the participating employer members and their employees.

The NEBS Pension Plan was registered under the Canada Pension Benefits Standards Act (1985) (PBSA) until 2004 when the Office of the Superintendent of Financial Institutions (OSFI), the regulator of the Act, ruled the Plan exempt from registration. The Board and Pension Committee had jointly agreed to voluntarily comply with the PBSA until the Plan was registered under Territorial legislation.

Both the Government of the Northwest Territories and Government of Nunavut passed mirror legislation, the Northern Employee Benefits Services Pension Plan Protection Act that came into force March 12, 2009. This legislation sets rules to protect Plan Members funds.

During 2015, the Northern Employee Benefits Services Pension Plan Protection Act (NWT) was amended by the NWT Legislative Assembly. In October 2015, the Northern Employee Benefits Services Pension Plan Act (Nunavut) came into effect.

- b) The following description of the Northern Employee Benefits Services Pension Plan Trust Fund ("Pension") is a summary only. For more complete information, reference should be made to the Registered Plan Text filed with the Canada Revenue Agency.

1) Funding Policy

The plan administrator, Northern Employee Benefits Services Pension Committee, must fund the benefits determined under the Plan. The determination of the value of these benefits is made on the basis of an actuarial valuation for the pension fund.

In accordance with the Pension Plan Text, Individual Plan Members are required to contribute 8% of their salary to the Plan. Employer contributions required are equal to the amount certified by the Actuary as being necessary to fully fund the benefits accruing under the Plan, less the amount of required employee contributions. Any deficit existing in the Plan must be specifically funded in accordance with the requirements set out in the Registered Plan Text.

2) Service Pensions

A service pension is payable to a member, for each year of pensionable service in accordance with the Pension Plan Text.

3) Survivors' Pension

A survivor pension is paid to a vested member's spouse or eligible children.

4) Death Benefits

The Plan provides benefits, depending on the age at death, to a spouse, eligible dependents or a beneficiary.

5) Withdrawal Refunds

Refunds include an amount equal to the commuted value of a vested member's pension benefit if the employee's service exceeds two years. If the employee's service is less than two years, the refund is equal to the employee's contributions plus interest.

6) Income Taxes

The plan is a Registered Pension Plan as defined in the Income Tax Act and is not subject to income taxes.

2. Significant Accounting Policies

The Organization follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

a) Basis of Presentation

A pension plan is a reporting entity separate from the sponsor and the plan participants using the going concern basis to present the aggregate financial position of the plans independent of the sponsor and plan members.

The financial statements are prepared to assist participating employers and others in reviewing the activities of the plan for the fiscal period but they do not portray the funding requirements of the plan or the benefit security of individual plan members. As such, participants may also need to review, amongst other things, actuarial reports, and to take into account the financial health of the sponsor.

In selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, Canadian accounting standards for pension plans (ASPP) requires NEBS to comply on a consistent basis with either International Financial Reporting Standards (IFRS), or Canadian accounting standards for private enterprises (ASPE), to the extent that those standards do not conflict with the requirements of ASPP. NEBS has chosen to comply on a consistent basis with IFRS relevant to preparing these financial statements.

As required by the legislation referred to in Note 1(a), these separate set of financial statements present the financial position, results of operations and cash flows of the NEBS Pension Plan Trust Fund and exclude the accounts of the NEBS Health & Welfare Fund. The financial position, results of operations and cash flows of the NEBS Health & Welfare Fund are presented in a separate set of financial statements that do not include the financial position, results of operations and cash flows of the NEBS Pension Plan Trust Fund. A separate set of combined financial statements of NEBS as at December 31, 2019 and for the year then ended have not been prepared.

The financial statements of Northern Employee Benefits Services Pension Plan Trust Fund as at December 31, 2019 and for the year then ended were approved and authorized for issue by the Pension Committee on April 2, 2020.

b) Cash Equivalents

NEBS considers all highly-liquid investments with maturities of three months or less, convertible to known amounts of cash, and which are subject to insignificant risk of changes in value, to be cash equivalents.

c) Fair Value Hierarchy

The Organization classifies its financial assets and liabilities at fair value using a fair value hierarchy made up of three levels, according to the inputs used in making the measurements.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in an active market that the Organization can access at the measurement date.

Level 2: This category includes measurements that use, either directly or indirectly, observable inputs other than quoted prices included in level 1. Derivative instruments in this category are measured using models or other standard valuation techniques using observable market data.

Level 3: The measurements in this category depend upon inputs that are less observable, not available or for which observable inputs do not justify most of the instruments' fair value.

d) Investments

Investments for the Pension Fund Trust Fund are measured at fair value and categorized according to the fair value hierarchy using the market approach valuation technique. NEBS determines fair value of investments based on information supplied by the investment manager. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. Purchases and sales of investments are accounted for at trade date. Transaction costs are expensed as incurred. Investment income is recognized on an accrual basis. The current year change in fair value of investments is the difference between the fair value and the cost of investments at the beginning and end of each year, adjusted for realized gains and losses during the year.

e) Capital and Intangible Assets

Northern Employee Benefits Services records capital assets at cost allocated equally between the Group and Pension Funds. NEBS provides for amortization allocated equally between the Group and Pension Funds using the straight-line method at the following rates:

Office Equipment	5 years
Computer Equipment	3 - 6 years
Intangible Assets	10 years

f) Pension Obligations

Pension obligations of the multi-employer defined benefit pension plan are measured using the actuarial present value of accrued pension benefits determined by applying best estimate assumptions and the projected benefit method prorated on services. Net assets available for benefits is the difference between the Pension Plan's assets and its liabilities, excluding the accrued pension benefits.

g) Revenue Recognition

Revenue from contributions, investment income, and interest charged to members' accounts, are recognized on an accrual basis. The accrual basis of accounting recognizes the effect of transactions and events when the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent. Deferred revenue results from contributions for future periods paid in advance. Employer contributions for current service and special payment for funding deficiency must meet or exceed the minimum contributions required based on the most recent actuarial valuation report. Employee contributions for past service are recorded in the year received.

h) Pension and Termination Benefits

Pension and termination benefits are shown as expenses in the year of payment.

i) Allocated Expenses

Expenses incurred that are common to the administration of the organization's two Funds are consistently allocated equally each year.

j) Cash Flows

To provide more relevant information about the flows of funds in and out of NEBS's cash balances under Canadian accounting standards for pension plans, NEBS has elected to include as an integral part of the financial statements, a Statement of Cash Flows for each period presented.

Information about NEBS's timing of cash receipts and cash payments within each Fund enables NEBS's management to assess the capacity of NEBS to generate cash and cash equivalents and the needs of NEBS for cash resources. The adequacy of expected cash flows, taking into consideration their timing and certainty of generation, is evaluated against cash resources required to repay financial obligations, and to conduct the necessary activities of the Fund as described in Note 1(b).

k) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

Significant estimates are used in determining the useful lives of depreciable capital and intangible assets, provisions for delinquent accounts and severance pay, allocating administrative expenses between NEBS's two Funds, and pension obligations. The Pension Plan's actual experience may differ significantly from assumptions used in the calculation of the Pension Plan's pension obligations. While best estimates have been used in the valuation of the Pension Plan's actuarial value of accrued benefits, management considers that it is possible, based on existing knowledge, that changes in future conditions in the short term could require a material change in the recognized amounts. Differences between actual results and expectations are disclosed in these financial statements as net experience gains or losses in the Statement of Changes in Pension Obligations in the year when actual results are known.

3. Investments

The Pension Plan's investments are categorized according to the fair value hierarchy as follows:

	<u>Cost</u>	<u>2019 Market</u>	<u>Cost</u>	<u>2018 Market</u>
Level 1				
Canadian equities	\$ 93,832,325	\$ 97,262,560	\$ 82,005,946	\$ 76,783,262
Foreign equities	<u>86,007,687</u>	<u>101,030,302</u>	<u>72,605,143</u>	<u>77,842,649</u>
	179,840,012	198,292,862	154,611,089	154,625,911
Level 2				
Fixed income securities	<u>74,132,722</u>	<u>75,962,857</u>	<u>71,265,191</u>	<u>67,973,377</u>
Net	<u>\$253,972,734</u>	<u>\$274,255,719</u>	<u>\$225,876,280</u>	<u>\$222,599,288</u>

The above listed investments are held by RBC Investor Services Trust and will not be redeemed in the subsequent period.

The fair value hierarchy as described in Note 2(c) requires the use of observable market inputs wherever such inputs exist. A financial instrument is classified at the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Investments are valued based on information provided by the investment manager. In particular:

- Money market instruments consist of cash and treasury bills, which are valued using published market quotations;
- Fixed-income securities consist of an investment in a bond fund. Directly owned bonds are valued using published market quotations. Valuations of the bond fund are received on a per unit basis from the investment manager. Valuations are derived from the sum of the fair value of bond fund assets determined using published market quotations less bond fund liabilities divided by the total number of units outstanding;
- Equities consist of Canadian and foreign equity funds. Foreign equity funds also include the fair value of foreign exchange forward contracts. Investment valuations for the funds are received from the various issuers and are calculated in accordance with their published valuation methodologies. Valuations are derived from the sum of the fair value of equity fund assets determined using published market quotations less equity fund liabilities divided by the total number of units outstanding.

4. Capital and Intangible Assets

A reconciliation of the carrying amounts of capital assets at the beginning and end of the year is as follows:

	<u>Office Equipment</u>	<u>Computer Equipment</u>	<u>Intangible Assets</u>	<u>Total</u>
Cost:				
Balance, beginning of year	\$ 6,861	\$ 48,414	\$ 466,618	\$ 521,893
Additions	-	19,883	75,092	94,975
Disposals	-	<u>(17,929)</u>	-	<u>(17,929)</u>
Balance, end of year	<u>6,861</u>	<u>50,368</u>	<u>541,710</u>	<u>598,939</u>
Accumulated amortization:				
Balance, beginning of year	6,861	37,242	156,576	200,680
Amortization	-	4,845	44,845	49,690
Disposals	-	<u>(10,461)</u>	-	<u>(10,461)</u>
Balance, end of year	<u>6,861</u>	<u>31,626</u>	<u>201,421</u>	<u>239,909</u>
	<u>\$ -</u>	<u>\$ 18,742</u>	<u>\$ 340,289</u>	<u>\$ 359,030</u>

Included in capital assets is computer equipment under capital lease with a cost of \$19,883 (2018 - \$17,929), accumulated amortization of \$3,311 (2018 - \$10,461), and carrying value of \$16,572 (2018 - \$7,468).

During 2013, NEBS entered into a software license agreement for the use of the C-DAT Pension and Health Benefits Integrated System (PHBIS). The software was implemented in phases and was completed during 2015. As such, amortization expense relating to this system commenced being recorded in 2015. In 2018 the software license was purchased outright and is now the property of NEBS to utilize as the organization deems necessary. NEBS includes in the software costs all implementation and license fees, plus administrative wages and benefits expenses directly attributed to the development and implementation of the system.

NEBS Pension Plan Trust Fund had the following non-cash financing and investing activities during the year which are excluded from the Statement of Cash Flows on page 5. Total capital and intangible asset additions with a total cost of \$94,975 (2018 - \$108,559) consists of \$77,623 (2018 - \$103,983) paid, \$19,883 (2018 - \$nil) by means of capital lease, and \$nil (2018 - \$4,575) in accounts payable and accrued liabilities.

During 2019, NEBS disposed of leased equipment with a net book value of \$7,468 (2018 - \$nil).

5. Capital Lease Obligation

The capital lease with Xerox Canada Ltd. for printer and scanner equipment with a carrying value of \$16,572 (2018 - \$7,468), is recorded at an amount equal to the present value of the lease payments using the interest rate implicit in the lease. The implicit interest rate of the obligation is 11.650% and the lease expires December 7, 2024, repayable in quarterly installments of \$2,376 including interest. The following is a schedule of future minimum lease payments under the capital lease:

2020	\$	4,752
2021		4,752
2022		4,752
2023		4,752
2024		<u>5,525</u>
Total future minimum lease payments		24,533
Less amount representing interest		<u>6,279</u>
Present value of minimum net lease payments		18,254
Less current portion		<u>2,743</u>
	\$	<u><u>15,511</u></u>

6. Pension Obligations

The actuarial present value of accrued pension benefits was estimated by Aon Hewitt Inc., a firm of consulting actuaries. The data and assumptions used for the extrapolated December 31, 2019 liabilities are the same as that used in the actuarial valuation as at December 31, 2018. The data and assumptions used for the extrapolated December 31, 2018 liabilities are the same as that used in the actuarial valuation as at December 31, 2017. The December 31, 2019 extrapolation has been prepared based on the pension plan provisions as at December 31, 2018. The December 31, 2018 extrapolation has been prepared based on the pension plan provisions as at December 31, 2017. The going concern results were prepared using the projected benefit actuarial cost method (also known as the projected unit credit method).

The Plan's liabilities have been estimated as at December 31, 2019 by increasing the liabilities at the last valuation date described above by the cost of accruing benefits and interest, and subtracting benefit payments accumulated with interest for the same period. The cost of benefits accrued is from the December 31, 2018 actuarial valuation report, adjusted for differences in the actual versus expected contributions. Other than the actual cost-of-living increase on January 1, 2019, the actuaries have assumed that there were no experience gains and losses in the interim periods.

Significant and long-term actuarial assumptions used in the going concern valuation were:

	<u>2019</u>	<u>2018</u>
Interest rate:	5.90%	5.90%
Rate of salary increase:	2.50%	2.50%
Inflation:	2.00%	2.00%

A going concern valuation is performed to determine the funded status of the pension plan and the funding requirements for the pension plan treating the plan as a going concern. The legislation referred to in Note 1(a) does not require the Plan to be funded on a solvency basis.

The actuarial valuation report on the funded position of the Plan on a going concern basis as at January 1, 2019 was completed by the actuary in November 2019. In accordance with the *Northern Employee Benefits Services Pension Plan Act*, the next actuarial valuation for the purposes of developing funding requirements should be performed no later than January 1, 2022.

Should there be a deficiency, the NEBS Pension Committee would review the action necessary to ensure such a hypothetical deficiency is amortized according to the rules established by the Pension Benefits Standards Act, 1985. Accordingly, NEBS has elected to perform a funding valuation annually, the next expected to be in January 1, 2020.

The actuarial value of assets has been calculated using the actual market value of assets as at December 31, 2019 and adjusted for outstanding contributions, and benefit payments.

The actuarial value of net assets available for benefits is equal to the adjusted market value of assets over a four-year period as of December 31, 2019.

7. Pension Contributions

Contributions revenue during the year of the Pension Plan Trust Fund consists of the following:

	<u>2019</u>	<u>2018</u>
Employee and employer current service cost	\$ 25,004,704	\$ 23,624,925
Employee past service cost	362,759	677,480
Voluntary additional contributions from employees	<u>194,315</u>	<u>15,449</u>
	<u>\$ 25,561,778</u>	<u>\$ 24,317,854</u>

Terminating membership buyouts during the year of \$nil (2018 - \$nil) consists of \$nil (2018 - \$516,123) representing the portions of the Pension Plan solvency deficiency owed upon the withdrawal of a member; no member withdrawals in both 2019 and 2018, and no amounts arising from the subsequent cancellation of a member's termination process to return to the Pension Plan for both years. Management is not aware of any pending withdrawing members.

Contributions revenue during the year of the Pension Plan Trust Fund includes the following:

	<u>2019</u>	<u>2018</u>
Employee portion	\$ 12,502,352	\$ 12,505,391
Employer portion	<u>13,059,426</u>	<u>11,812,463</u>
	<u>\$ 25,561,778</u>	<u>\$ 24,317,854</u>

As at December 31, 2019, contributions receivable of the Pension Plan Trust Fund includes the following:

	<u>2019</u>	<u>2018</u>
Employee portion	\$ 339,345	\$ 737,599
Employer portion	<u>339,345</u>	<u>737,599</u>
	<u>\$ 678,690</u>	<u>\$ 1,475,198</u>

8. Investment Income

Total investment income during the year of the Pension Plan Trust Fund is as follows:

	<u>2019</u>	<u>2018</u>
Realized investment income:		
Gain (loss) on sale of investments	\$ (86,141)	\$ 887,045
Interest and dividends	<u>16,831,814</u>	<u>15,663,486</u>
Total realized investment income	16,745,673	16,550,531
Unrealized investment income:		
Current period change in fair value of investments	<u>23,559,978</u>	<u>(20,526,140)</u>
Total investment income (loss) per page 3	<u>\$ 40,305,651</u>	<u>\$ (3,975,609)</u>

Investment income during the year from gain on sale of investments of the Pension Plan Trust Fund consist of the following:

	<u>2019</u>	<u>2018</u>
Canadian equities	\$ 56,946	\$ 350,410
Foreign equities	214,789	1,175,482
Fixed income - Bonds	<u>(357,876)</u>	<u>(638,847)</u>
	<u>\$ (86,141)</u>	<u>\$ 887,045</u>

Investment income during the year from interest and dividends of the Pension Plan Trust Fund consist of the following:

	<u>2019</u>	<u>2018</u>
Canadian equities	\$ 6,228,077	\$ 4,058,163
Foreign equities	7,446,897	9,459,817
Fixed income - Bonds	3,132,830	2,139,255
Canadian pooled money market funds	15,557	208
Income on cash	<u>8,453</u>	<u>6,043</u>
	<u>\$ 16,831,814</u>	<u>\$ 15,663,486</u>

9. Capital Management

The purpose of NEBS is to provide benefits to members. As such, when managing capital, the objective is to preserve assets of the Pension Plan Trust Fund, and the Health & Welfare Fund, in a manner that provides NEBS with the ability to continue as a going concern, to have sufficient assets to meet future obligations for benefits, and to have sufficient liquidity to meet all benefit and expense payments.

The capital of NEBS consists of its surplus (deficit) as represented by the Pension Plan Trust Fund balance or deficit. Excluding the impact of investment income, NEBS is funded through a combination of employee and employer contributions. The surplus (deficit) of the Pension Plan Trust Fund represents the difference between the Net Assets Available For Benefits and the actuarially determined accrued pension benefits on a going-concern basis. Actuarial valuations, which aid in the determination of the extent of the Pension Plan Trust Fund's capital, are performed annually. Surplus or deficit, as they arise, as well as other relevant aspects of NEBS, are managed in order to comply with the externally imposed requirements of the *Income Tax Act* and the legislation referred to in Note 1(a).

As at December 31, 2019, NEBS is not in violation of any externally imposed legal or regulatory requirements.

As at December 31, 2019, the Pension Plan Trust Fund balance consists of the following:

	<u>2019</u>	<u>2018</u>
Net assets invested in capital and intangible assets:		
Capital assets	\$ 18,742	\$ 11,172
Intangible assets	340,288	310,042
Trade payables related to intangible assets	-	(4,575)
Capital lease obligation	<u>(18,254)</u>	<u>(11,545)</u>
Net assets invested in capital and intangible assets	340,776	305,094
Unfunded severance pay liability in wages & benefits payable	(59,849)	(65,002)
Unrestricted surplus	<u>42,255,930</u>	<u>14,883,521</u>
Pension Plan Trust Fund balance	<u>\$ 42,536,857</u>	<u>\$ 15,123,613</u>

10. Financial Instruments and Risk

The Pension Plan's investments are recorded at fair value based on information provided by the investment manager. Other financial instruments of NEBS consist of cash, short-term investments, contributions receivable, other receivables, interfund balances, wages and benefits payable, and accounts payable. The fair value of these financial instruments approximates their carrying values.

The fair values of Pension Plan investments are exposed to credit, liquidity, and market risks. Asset diversification and investment eligibility requirements serve as basic risk-management tools for the investment portfolio as a whole. The Pension Plan's investment strategy requires that investments be held in a diversified mix of asset types and also sets out investment eligibility requirements. The diversification of assets serves to lower the variations in the expected return performance of the portfolio. Eligibility requirements serve to ensure that Pension Plan assets, to the extent possible, are not placed at undue levels of risk and can meet the obligations of the Pension Plan as necessary. While the above policies aid in risk management, the Pension Plan's investments and performance remain subject to risks, the extent of which is discussed below:

Credit Risk

Credit risk is the risk that a counterparty to a financial contract will fail to discharge its obligations in accordance with agreed-upon terms. The Pension Plan is exposed to credit risk through its investments in money market instruments (excluding cash), and fixed-income securities. The Pension Plan's credit risk on money market instruments, fixed-income securities, an inflation linked assets is managed by setting concentration limits on exposure to any single issuer, as well as by setting minimum credit-rating criteria for investment.

Concentrations of credit risk exist when a significant proportion of the portfolio is invested in securities subject to credit risk with similar characteristics or subject to similar economic, political, or other conditions. The investment portfolio as a whole is subject to maximum exposure limits and asset allocation targets that are designed to manage exposure to concentrated credit risk.

Liquidity Risk

Liquidity risk is the risk that the Pension Plan will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Pension Plan's financial liabilities consist of Accounts Payable & Accrued Liabilities, and Due to Health & Welfare Fund. These amounts are short term in duration and are set to mature within one year. Liquidity risk is managed through ensuring that sufficient liquid assets are maintained to meet anticipated payments and investment commitments in general. With respect to the Pension Plan's financial liabilities and the actuarial value of accrued pension benefits, management believes that the Pension Plan is not subject to any significant liquidity risk. The actuarial value of accrued pension benefits is not considered a financial liability; however, it is the most significant liability of the Pension Plan in the Statement of Financial Position. NEBS is required to contribute all funds necessary to meet any funding shortfalls of the Pension Plan as they may arise from time to time.

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. Market risk is composed of interest rate, currency, and other price risk. The extent of market risk exposure is dependent on the nature of the investment.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate owing to changes in market interest rates. The Pension Plan is exposed to interest rate risk through its investment holdings in interest-bearing, or fixed-income, assets. These principally include money market instruments and fixed-income securities. The Pension Plan manages its exposure to interest rate risk through holding a diversified mix of assets, both interest-bearing and non-interest bearing. This approach lowers the impact of variations in overall portfolio performance owing to factors arising from interest rate risk. The fair value of the Pension Plan's assets, specifically the fixed-income securities, is affected by changes in the nominal interest rate. Investments subject to interest rate risk bear fixed rates of interest.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. The Pension Plan is exposed to other price risk through its holdings in Canadian equities. The Pension Plan manages these risks through maximum proportions of equities in its investment portfolio and through concentration limits on investments in any one issuer, as outlined in the investment policy. Future cash flows relating to the sale of an investment exposed to other price risk will vary depending on market prices at the time of sale. Concentrations of other price risk exist when a significant portion of the portfolio is invested in equities with similar characteristics or subject to similar economic, market, political, or other conditions.

11. Allocated Expenses

Included in administrative expenses of the Pension Plan Trust Fund for the year are expenses allocated under a cost-sharing arrangement totaling \$893,940 (2018 - \$899,853) which includes equal allocations between the Health & Welfare Fund and the Pension Plan Trust Fund. Expenses allocated equally include certain expenses included in Intangible Assets, Wages & Benefits, Communications, Building & Works, Supplies & Materials, Professional Fees, Investment Counselling, certain Committee Expenses, and Marketing.

Included in the NEBS Pension Plan Trust Fund as at December 31, 2019 is an amount due to the NEBS Health & Welfare Fund of \$158,444 (2018 - \$95,905). The interfund balance, which arises from the chargeback of expenses during the year allocated to, and paid on behalf of, the Pension Plan Trust Fund, is unsecured, non-interest bearing, and due on demand. Changes during the year in interfund balance are as follows:

	<u>2019</u>	<u>2018</u>
Interfund balance, beginning of year	\$ 95,905	\$ 91,054
Total chargebacks charged from Health & Welfare Fund	893,941	899,852
Repayments to Health and Welfare Fund	<u>(831,402)</u>	<u>(895,001)</u>
Interfund balance, end of year	<u>\$ 158,444</u>	<u>\$ 95,905</u>

During the year, excluded from the accompanying financial statements are self-insured pension premiums expenses incurred totaling \$41,083 (2018 - \$38,860).

Combined Schedule of Board Honoraria

For the Year Ended December 31, 2019

The NEBS Honorarium & Expenses Policy establishes honoraria and expenses to be paid to Directors and the Chairman, and the By-Laws for Northern Employee Benefits Services requires that Employer Members ratify any changes in remuneration. The Policy was last changed and ratified in 2015.

During the year, Northern Employee Benefits Services held three in-person Board and two in-person Pension Committee meetings in Yellowknife, NT, a Pension Committee meeting was also held in Calgary to facilitate attendance at the ACPM conference; in addition to teleconferences. Directors were in attendance and received honorarium for these meetings as follows:

	2019 Meetings <u>Attended</u>		<u>2019</u>		<u>2018</u>
Amireault, Adrien	0	\$	-	\$	400
Aumond, Michael	2		800		-
Bennett, William	2		4,000		4,000
Bruce, Tommy	2		4,000		-
Cohen, Michael	3		6,000		4,800
Couturier, Marie	3		200		400
Dibblee, Daryl	3		3,200		3,600
Fleming, Brian	3		6,000		5,200
McBride, Gary	3		4,800		3,600
McDonald, Allan	3		4,250		7,500
McKee, John	3		2,200		2,800
Renaud, Jeff	1		1,600		1,200
Stewart, Art	3		5,000		3,400
Young, Gwen	2		1,800		-
			<u>\$ 43,850</u>		<u>\$ 36,900</u>
Allocation:					
Administrative Board Expenses - Health & Welfare Fund		\$	20,625	\$	15,900
Administrative Committee Expenses - Pension Plan Trust Fund			<u>23,225</u>		<u>21,000</u>
			<u>\$ 43,850</u>		<u>\$ 36,900</u>

CERTIFICATE OF COMPLIANCE

Section 27(b) of the NEBS Acts

NORTHERN EMPLOYEE BENEFITS SERVICES PENSION PLAN (the "Plan")

PENSION COMMITTEE'S CERTIFICATE OF COMPLIANCE IN RESPECT OF THE YEAR 2019

The Pension Committee is required by section 27(2)(b) of the Northern Employee Benefits Services Pension Plan Act (the "Act") to file a certificate stating that, in the opinion of the Pension Committee, the Plan complies with the Act and the regulations under the Act.

I, Al MacDonald, the Chair of the Pension Committee for the Northern Employee Benefits Services Pension Plan CERTIFY THAT

1. The Pension Committee has reviewed the compliance of the Plan with the Act and the regulations under the Act;
2. It is the opinion of the Pension Committee that the Plan complies with the Act and the regulations, except as set out in the attached Appendix; and
3. The Pension Committee acknowledges that the obligation to determine compliance of the Plan is the responsibility of the Pension Committee, and declares that the Pension Committee has fulfilled that responsibility and, in making this certificate, has complied with the Act and the regulations.

I declare that the above statements are true to the best of my knowledge and belief and I make these statements conscientiously believing them to be true.



CHAIR OF PENSION COMMITTEE

June 30, 2020

Date

APPENDIX

Non-Compliance

1.14	Were members provided with their Year end 2018 annual member statements in 2019 and did such statements contain the prescribed information as required by the NEBS Act? ³⁹ Were they distributed on time?	No	Due to technical issues associated with the switchover to new software, 2018 statements were not distributed within the first 180 days of 2019. NEBS has provided statements for certain groups and to all members who have asked for a statement. Steps have been taken to ensure correctly functioning software is in place to produce and distribute overdue statements, but these systems will not be fully implemented until later in 2020. Members were provided notice in 2017 of the delays and invited to inquire if they had a need for immediate information, in which cases a statement would be prepared manually. Many 2016 and 2017 statements also remain outstanding and will be made available on request. Priority will be given to the most current outstanding pension statements.
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³⁹ The Pension Committee must provide an annual statement containing prescribed information to each active member of the Plan. [NEBS Act s. 28(2); NEBS Regulations s. 4]. Neither the Act nor the Regulations prescribe a due date, but 180 days after year end is typical of the requirement in similar statutes.

PENSION COMMITTEES LONG TERM SUSTAINABILITY REPORT FOR THE PLAN



In accordance with section 27(2)(c) of the NEBS Act and in compliance with Appendix B of the NEBS Funding Policy, a statement of the long term sustainability has been prepared for the NEBS Plan.

Based on a 15 year projection of the going concern position, using the assumptions and methods disclosed in the January 1, 2019 actuarial valuation report as well as the guidelines recommended in Appendix B of the NEBS Funding Policy, current contribution rates of the NEBS Plan are adequate to sustain the NEBS Plan over the next 15 years.

In accordance with Appendix B of the NEBS Funding Policy, excess amounts existing in the Pension Fund over and above amounts required by the NEBS Acts to be held in the Pension Fund to secure the benefits payable from the Plan over a 15 year period may be used to as a contingency reserve (margin) against adverse deviation arising from negative plan experience, shifts in maturity of the NEBS Plan over time and higher than projected costs of future benefit accruals.

The accompanying presentation details the assumptions, methods, calculation and results of the 15 year projection (i.e. the Contribution Rate Adequacy Test) performed as at January 1, 2020 to assess the long term sustainability of the NEBS Plan.

PLAN SPONSORS' GOALS AND OBJECTIVES REPORT FOR THE COMING YEAR

BACKGROUND

The Northern Employees Benefits Services (NEBS) was established in 1978 by an Act of the Government of the Northwest Territories and then incorporated in 1999 with the creation of Nunavut and Northwest Territories. NEBS offers health and insurance benefits and a pension plan program to public sector employees who work at the community and regional levels. Our programs and services are organized to be comparable and competitive with those offered by the Nunavut and Northwest Territories governments so that our member employers can recruit and retain high quality staff to manage and operate their organizations. We are unique in that we operate and are headquartered in the north, provide programs and services specifically designed to meet the needs of northern public sector employers and their employees and are managed by a Board of Directors that is elected by Employer Member Organizations.

OUR MARKET

We provide a multi-employer program across the vast expanse of Nunavut and the Northwest Territories. Our Employer Members range in size and capacity and we operate in a multi-cultural and multi-lingual environment. In many cases our staff and Directors know our Employer Members and their employees personally. We strive to provide excellent services that are responsive to the unique interests and needs of northerners.

Like any organization providing a pension plan, we are strongly influenced by the international investment market. The past five years have been challenging – but we have ended the period in a strong financial position. In Addition, a full regulatory framework for our pension plan has been established in both the Northwest Territories and Nunavut.

MEMBERS

Membership in NEBS is open to all northern Public Sector Employers, including: Community Governments, Band Councils and Aboriginal Governments, Public Housing Organizations, Boards and Agencies of Government, and Non-Profit Organizations.

OUR VISION

The vision statement for NEBS describes what we want our organization to be in the future.

Our vision is:

NEBS VISION STATEMENT

Our vision is to be the provider of choice for pension, health benefits and insurance services for the northern public sector

OUR VALUES

We support our vision by operating NEBS according to some specific values. These values describe our core basic principles and expected behaviors of our Directors and staff.

Our values include:

Integrity

The organization and its Board operate in a manner that demonstrates honesty and truthfulness in thought and action. Integrity is demonstrated through the development of trust between NEBS, Employer Members and their employees.

Independence

Our directors and staff act neutrally and free of conflicts of interest.

Respectful of Member Interests

We protect and advance Member interests in the development and operation of programs and services offered by the organization.

Transparency

Our programs and services are operated with open and direct communication regarding the directions and decisions of the organization.

Fiduciary Stewardship - Board

Our Directors have a fiduciary duty to protect the interests of the Employer Members, placing those interests above all others.

Fiduciary Stewardship – Pension Committee

Members of the Pension Committee act as Trustees of the Pension Plan and have a fiduciary duty to protect the interests of the Employer Members, placing those interests above all others.

Cooperation through Partnership

We treat our relationships with Employer Members, their employees, service providers and other interested parties as partnerships to be developed and maintained.

Professionalism in Thought and Action

We strive to maintain professional standards of skill and conduct in carrying out program activities and commitments.

GOALS AND OBJECTIVES

Governance

- Goal: The Pension Committee and the Board of Directors will lead the organization using a participative, result based, governance model.
- Objective 1: Continue to update and monitor NEBS Governance objectives and policies.
- Objective 2: Continue with Pension Committee member training.
- Objective 3: Establish and implement a Pension Committee member evaluation process.
- Objective 4: Continue to review all NEBS documents to ensure Legislative Compliance. (NEBS ACT)

Funding

- Goal: Obtain and maintain full funding by collecting contributions and earning returns on Investments necessary to pay expenses and all promised benefits.
- Objective: Achieve optimal, investment returns by working with the Pension Committee, Investment Manager and the AON Investment Consultant and by updating the Statement of Investment Policy.

Plan Administrative

- Goal: Provide high quality, cost effective Administrative support.
- Objective 1: Continue to implement the use of electronic technology in our operations.
- Objective 2: Increase electronic communications with members.

Marketing

- Goal: Expand Plan membership by attracting Nunavut and NWT Employers that qualify to be on the plan.
- Objective 1: Continue to market the Plan
- Objective 2: Continue to research and monitor qualified organizations that are currently not on the plan and direct marketing activities towards them.

Strategic

Goal: Continue with efforts to expand the NEBS program into the Yukon, working with the Yukon Government, Yukon Hospital and Yukon College.

Objective 1: Continue dialogue with the Yukon Government on the required legislation

Objective 2: Continue dialogue with Yukon Stakeholders

Objective 3: Continue to market in the Yukon

Goal: Effectively respond to Business Continuity disruptions such as COVID-19

Objective 1: Remain vigilant of environmental conditions that could affect the Pension Plan

Objective 2: Implement strategies to safeguard the Plan during disruptive times

Objective 3: Communicate with stakeholders



Pension Committee Chairman

June 30, 2020

NEBS PLAN INFORMATION AND STATISTICS

Summary of Active Members by Employer as of January 1, 2020

Employer Name	Active Members
ARCTIC BAY HOUSING ASSOCIATION	5
ARCTIC BAY, HAMLET OF	20
ARVIAT, HAMLET OF	42
ARVIAT, HOUSING ASSOCIATION	17
BAKER LAKE HOUSING	20
BAKER LAKE, HAMLET OF	32
BEHCHO KO, TLICHO COMMUNITY GOVERNMENT OF	18
BEHCHOKO KO GHA K AODEE	9
CAMBRIDGE BAY, HAMLET OF	33
CAMBRIDGE BAY, HOUSING ASSOCIATION	11
CAPE DORSET HOUSING AUTHORITY	11
CAPE DORSET, MUNICIPALITY OF	26
CHESTERFIELD INLET, HAMLET OF	13
CHESTERFIELD INLET, HOUSING ASSOCIATION	5
CLYDE RIVER, HOUSING ASSOCIATION	3
CLYDE RIVER, MUNICIPALITY OF	15
CORAL HARBOUR HOUSING AUTHORITY	8
CORAL HARBOUR, HAMLET OF	22
DELINE GOTINE GOVERNMENT	36
DELINE HOUSING ASSOCIATION	3
DELINE, CHARTER COMMUNITY OF	1
ENTERPRISE, HAMLET OF	3
FORT LIARD, HAMLET OF	9
FORT MCPHERSON HOUSING ASSOCIATION	4
FORT MCPHERSON, HAMLET OF	10
FORT RESOLUTION, HAMLET OF	3
FORT RESOLUTION, HOUSING ASSOCIATION	4
FORT SIMPSON, HOUSING AUTHORITY	5
FORT SMITH, HOUSING AUTHORITY	5
FORT SMITH, TOWN OF	35
GAMETI HOUSING AUTHORITY	2
GAMETI, COMMUNITY GOVERNMENT OF	10
GIANT MINE OVERSIGHT BODY SOCIETY	1
GJOA HAVEN, HAMLET OF	17
GRISE FIORD, HAMLET	2
GRISE FIORD, HOUSING ASSOCIATION	2
GWICH IN LAND AND WATER BOARD	3
HALL BEACH HOUSING ASSOCIATION	2
HALL BEACH, MUNICIPALITY OF	14
IGLOOLIK HOUSING ASSOCIATION	6
IGLOOLIK, MUNICIPALITY OF	26
INUIT HERITAGE TRUST INCORPORATED	7
INUVIK, HOUSING AUTHORITY	8
INUVIK, TOWN OF	37

Employer Name	Active Members
IQALUIT HOUSING AUTHORITY	12
JEAN MARIE RIVER DENE BAND	6
KAKIVAK ASSOCIATION	20
KATLODEECHE FIRST NATIONS	25
KIKITAK HOUSING ASSOCIATION	9
KIMMIRUT HOUSING ASSOCIATION	7
KIMMIRUT, HAMLET OF	16
KITIKMEOT HERITAGE SOCIETY	6
KITIKMEOT INUIT ASSOCIATION	20
KIVALLIQ INUIT ASSOCIATION	38
KUGAARUK, HAMLET OF	17
KUGAARUK, HOUSING AUTHORITY	8
KUGLUKTUK, HAMLET OF	31
KUGLUKTUK, HOUSING ASSOCIATION	11
LEGISLATIVE ASSEMBLY OF THE NWT ~ STATUTORY OFFICE	2
LOCAL GOVERNMENT ADMINISTRATORS OF THE NWT	1
LUTSELKE HOUSING ASSOCIATION	1
MACKENZIE VALLEY EIRB	13
MACKENZIE VALLEY LAND AND WATER BOARD	16
NAHANNI BUTTE DENE BAND	2
NAUJAAT, HAMLET OF	18
NORMAN WELLS, TOWN OF	18
NORTHERN EMPLOYEE BENEFITS SERVICES	5
NORTHWEST TERRITORIES TEACHERS' ASSOCIATION	4
NUNAVUT ASSOCIATION OF MUNICIPALITIES	2
NUNAVUT IMPACT REVIEW BOARD	24
NUNAVUT LITERACY COUNCIL	7
NUNAVUT MUNICIPAL TRAINING ORGANIZATION	1
NUNAVUT PLANNING COMMISSION	12
NUNAVUT TUNNGAVIK INC.	86
NUNAVUT WATER BOARD	12
NWT ASSOCIATION OF COMMUNITIES	6
PANGNIRTUNG, HAMLET OF	23
PANGNIRTUNG, HOUSING	14
POND INLET, HAMLET OF	12
POND INLET, HOUSING ASSOCIATION	13
QAMMAQ HOUSING ASSOCIATION	9
QIKIQTANI INUIT ASSOCIATION	48
QIKIQTARJUAQ, HOUSING ASSOCIATION	5
QIKIQTARJUAQ, MUNICIPALITY OF	6
RADILIH KOE HOUSING ASSOCIATION	3
RANKIN INLET, HAMLET OF	30
RANKIN INLET, HOUSING ASSOCIATION	6
REPULSE BAY, HOUSING ASSOCIATION	8
RESOLUTE BAY HOUSING ASSOCIATION	3
RESOLUTE BAY, HAMLET OF	12
SACHS HARBOUR, INC. HAMLET OF	9

Employer Name	Active Members
SAHTU LAND AND WATER BOARD	6
SAHTU LAND USE PLANNING BOARD	2
SANIKILUAQ, MUNICIPALITY OF	23
TALOYOAK HOUSING AUTHORITY	12
TALOYOAK, HAMLET OF	24
TASIURQTIT HOUSING ASSOCIATION	4
TLICHO GOVERNMENT	95
TLICHO INVESTMENT CORPORATION	15
TLICHO INVESTMENT CORPORATION - MANAGEMENT GROUP	1
TLICHO MANAGEMENT SERVICES LTD.	4
TLICHO MANAGEMENT SERVICES LTD. – MANAGEMENT GROUP	1
TUKTOYAKTUK, HAMLET OF	13
TULITA HOUSING ASSOCIATION	5
UQUUTAQ SOCIETY	11
WEK EEZHII LAND AND WATER BOARD	11
WEK EEZHII RENEWABLE RESOURCES BOARD	3
WEKWEETI, TLICHO COMMUNITY GOVERNMENT OF	7
WHALE COVE, HAMLET OF	9
WHATI HOUSING AUTHORITY	2
WHATI, THE COMMUNITY GOVERNMENT OF	14
YELLOWKNIFE, FIRE FIGHTING	33
YELLOWKNIFE, HOUSING AUTHORITY	10
YELLOWKNIFE, MANAGEMENT	35
YELLOWKNIFE, MUNICIPAL ENFORCEMENT	7
YELLOWKNIFE, UNION	126
YK EDUCATION DISTRICT #1	234
Grand Total	1929