

Annual Report

NWT Legislative Assembly Pension Plans

MARCH 31, 2012

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Message from the Speaker

On behalf of the Board of Management, I am pleased to provide the annual report on the operations of the Legislative Assembly Retiring Allowances Act (RAA) and the Supplementary Retiring Allowances Act (SRAA) for the year ended March 31, 2012.

Over the twelve month period to March 31, 2012 the assets of the RAA earned a return of 3.5% and the SRAA assets earned a return of 5.7%. While the absolute value of the returns were modest and less than last year's returns, compared to other Canadian pension plans the RAA and SRAA earned returns that were in the top 25% of similar plans. The market value of the combined assets is approximately \$46.0 million which supports the payment of promised benefits and leaves a surplus of \$4.8 million allowing the Legislative Assembly to continue its contribution holiday.

The Board of Management has a fiduciary responsibility for ensuring that investments in the RAA and the SRAA are made on a prudent basis and in accordance with the needs of its membership. The Board is also responsible for all administrative matters related to the provision of benefits under the plans. These responsibilities are met through regular meetings of the Board and are delegated through external advisors and staff of the Legislative Assembly. This past year the Board met four times to discuss pension related matters. Specifically, the Board undertook the following activities:

- Reviewed and approved the 2010-11 RAA audited financial statements;
- Reviewed and approved the 2010-11 annual governance report;
- Reviewed and approved the annual administration report;
- Reviewed the performance of its investments;
- Reviewed the performance of the Board's external advisors;
- Participated in education sessions on the governance and operation of the pension plans;
- Considered the impact of changes in the ownership of one of the investment management firms that invest assets on behalf of the Assembly's plans;
- Reviewed new CAPSA guidelines relating to prudent investment guidelines and funding policies; and
- Conducted a self-assessment of our governance structure.

I would like to thank the other members of the Board of Management for their continued diligence in the administration of your pension plans and we will continue to meet regularly to ensure our fiduciary obligations are fulfilled.

Respectfully,



Jackie Jacobson
Speaker

Governance

Pursuant to section 4(4) of the *Legislative Assembly Retiring Allowances Act (RAA)* and section 2.1(1) of the *Supplementary Retiring Allowances Act (SRAA)*, the Board of Management is responsible for the administration of the Northwest Territories MLA Pension Plans. The Board of Management is empowered by the Acts to engage any persons that it considers necessary to carry out the provisions of the Plans, and to engage professionals as it requires for advice and assistance.

Board of Management as of March 31, 2012

Hon. Jackie Jacobson **Chair**

Frederick Blake Jr.

Robert Bouchard

Hon. Jackson Lafferty

Hon. David Ramsay

Advisors

Actuaries

Aon Hewitt

Auditors

Avery, Cooper and Company

Custodian

CIBC Mellon Global Services

Investment Manager

MacLean Budden Limited

Connor, Clark & Lunn

Plan Description

The RAA is the basic MLA tax registered pension plan in which all Members must participate. The SRAA is a supplementary pension plan that provides the remaining plan benefits that exceed the benefit levels permitted under the income tax rules. Participation in the SRAA is optional. Plan benefit provisions are dependent on the Member's best average salary and years of credited service with the Legislative Assembly. Members contribute 6.5% of earnings to the RAA and Members who choose to opt into the SRAA contribute an additional 2.5%.

The assets under the RAA are held in a trust and can only be used to pay benefits and expenses of the plan while the assets under the SRAA are part of the Government's Consolidated Revenue Fund and could be used at any time for any other purpose.

Board of Management Activity Administrative Activities

The Board of Management oversees all administrative and business processes associated with the management of the Plans in order to ensure they are managed in accordance with the governance manual, the provisions of the RAA and the SRAA and the applicable provisions of the income tax legislation. Each year, the Board works to ensure prudent stewardship of assets and liabilities.

Attachment A provides the Plan Activity Chart which details the activities of the Board from April 1, 2011 to March 31, 2012.

With the election in October last year, there were a number of new members appointed to the Board of Management. These members attended a full day of in-depth training on the two plans and their operation in order to be able to discharge their responsibilities in an informed manner. The first pension meeting of the Board took place in January 2012 and included meetings with both investment managers as well as the actuary and investment consultant.

The election also meant that the first group of former members retired under the amended acts, and received their entitlements based on the new calculation methodology. More details on the amendments are provided later in this report.

Administration Report

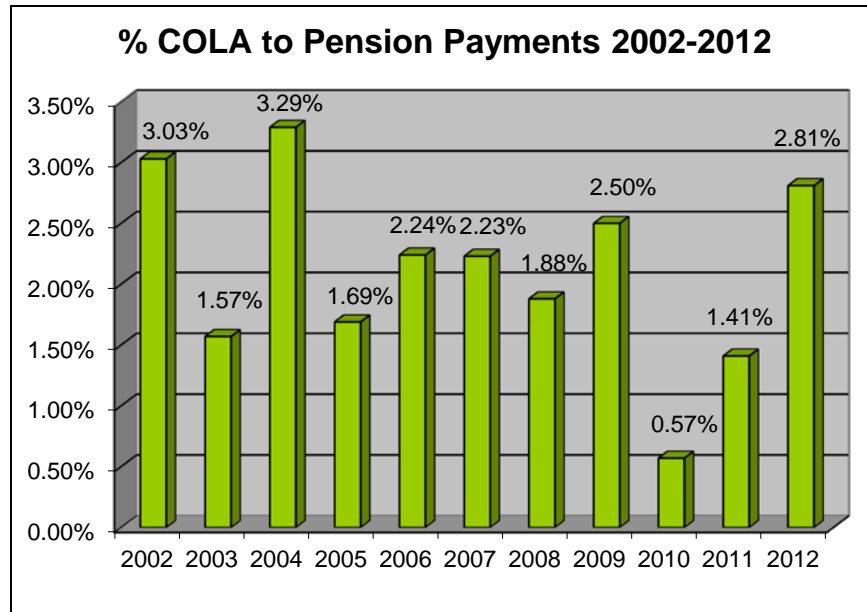
Section 21 of the RAA and section 11.1 of the SRAA require that a report on the administration of the Acts be presented to the Assembly each fiscal year. The report summarizes the current active membership, inactive members and plan assets. The report was tabled February 16, 2012 and is available on the Legislative Assembly website under Tabled Documents.

On March 31, 2012 there were thirty-eight (38) prior members or survivors of prior members receiving monthly pensions from the RAA and forty (40) from the SRAA. During the plan year, two former members elected to commence receiving their Assembly pensions. Membership information at March 31, 2012 is outlined in Table 1: Summary of Membership Information.

Table 1: Summary of Membership Information

	RAA	SRAA
Active	19	19
Deferred Non-Vested Members	13	0
Deferred Vested Pensioners	3	6
Pensioners	38	40

On January 1 of each year, pensions are increased to reflect changes in the cost of living as measured by the average Consumer Price Index to September 30 of the previous year. The January 1, 2012 increase was 2.81%. The chart below provides a history of cost-of-living increases that have been applied to pension payments.

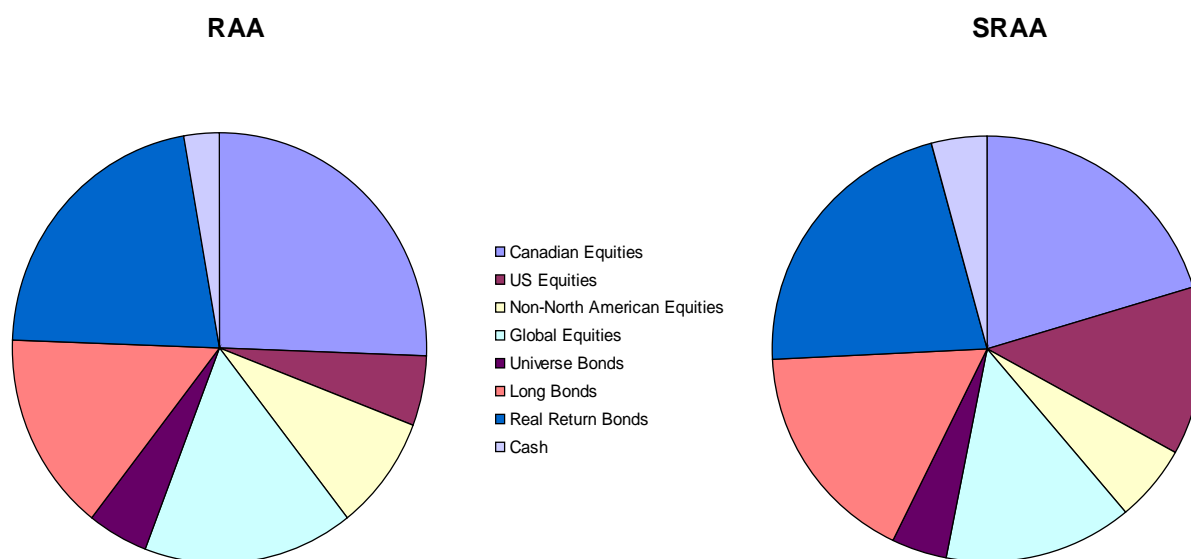


Investment Management

The Board employs two investment management firms to invest the assets of the RAA and the SRAA. Each firm invests roughly half of the assets of the RAA and half of the assets of the SRAA in a number of asset classes that include Canadian, US and International equities as well as fixed income assets (e.g. bonds) to provide diversification. The two firms employ different investment styles which provide additional diversification to the pension assets so that when the assets invested by one firm are not performing very well, the assets invested by the other firm will hopefully perform better.

In September 2011 the Board was advised by Aon Hewitt that the ownership of one of our investment management firms, McLean Budden, had changed. Sun Life purchased the remaining shares of McLean Budden that it did not already own and transferred ownership to MFS Investment Management, of which Sun Life owns approximately 80%. After meeting with McLean Budden and discussing the changes with Aon Hewitt, the Board decided to continue working with McLean Budden but is watching the performance of the funds managed by them closely.

The asset mix of the RAA and SRAA pension funds at March 31, 2012 is summarized in the chart below.



Investment Performance

The RAA return for the year ending March 31, 2012 was 3.5%, which was less than the policy benchmark return of 5.3%. The one year performance was weaker primarily as a result of poor security selection by both managers. This weaker return was mitigated somewhat by strong overall performance by both managers for the last six months of the year. For the four year period ending March 31, 2012, the RAA had an annualized return of 4.4% which was 20 basis points over the benchmark return of 4.2%.

Return on Investments %	2012	2011
Annual Return	3.5	11.5
Annual Benchmark	5.3	11.8
Four Year Annualized Return	4.4	3.0
Four Year Benchmark	4.2	2.8

The SRAA return for the same period was 5.7%, trailing the policy benchmark of 6.3%. The one year performance was weaker as a result of poor security selection in global equities and bonds. For the four year period ending March 31, 2012, the SRAA had an annualized return of 4.1% which was 20 basis points over the benchmark return of 3.9%. The four year performance for both funds was much higher to March 31, 2012 than it was a year ago due to no longer having to include the poor investment performance of fiscal year 2008.

Return on Investments %	2012	2011
Annual Return	5.7	9.2
Annual Benchmark	6.3	10.6
Four Year Annualized Return	4.1	1.8
Four Year Benchmark	3.9	1.7

Financial Highlights

Pension and lump sum payments from the two plans increased in the 2012 fiscal year due to the election in October 2011. Many former members elected to commence receiving their pension or transfer the lump sum value to their personal RRSPs. As a result, the market value of assets for the RAA actually decreased during the year, with benefit payments exceeding contributions and investment income. The level of lump sum payments in the coming year is expected to be closer to zero. The SRAA does not allow for lump sum transfers to a personal RRSP so payments out of the fund were much lower in the past fiscal year than they were for the RAA. Consequently, the market value of the SRAA increased due to investment income exceeding the amount of pension, lump sum and expense payments. A summary of the change in market value of assets over the past year is summarized in the table below.

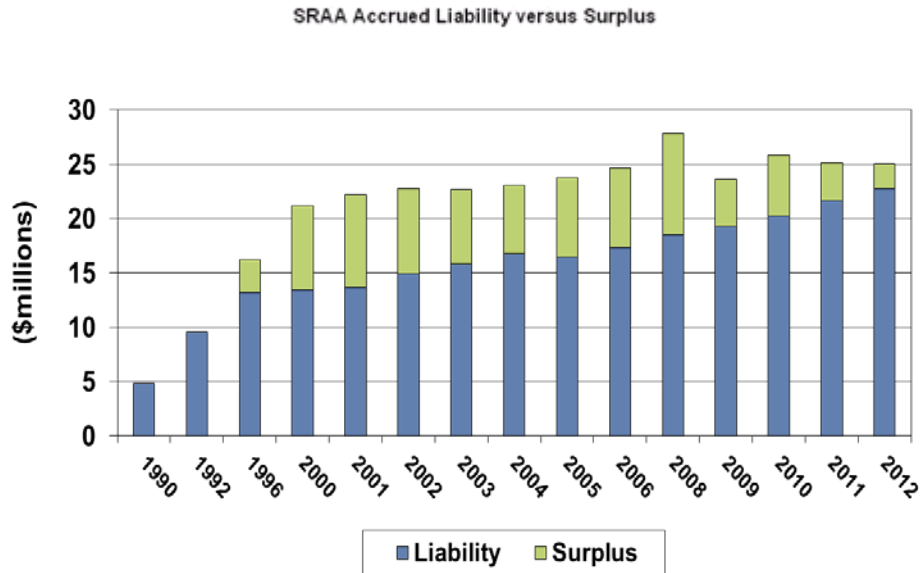
	RAA	SRAA
Market value at Mar 31, 2011	\$21,192,391	\$25,679,831
Member contributions	173,087	0
Investment income	646,707	1,429,791
Pension payments	(653,977)	(933,146)
Lump sum payments	(1,311,599)	(6,944)
Expenses	(113,686)	(139,514)
Market value at Mar 31, 2012	\$19,932,924	\$26,030,017

Funded Status

Aon Hewitt, an independent actuary, determines the Plans' funded status by comparing the estimated actuarial value of invested assets to the estimated present value of all pension benefits that members have earned and are expected to earn in the future.

The actuarial estimates have confirmed that both plans continue to be fully funded. At March 31, 2012, the RAA had an estimated surplus of \$2.5 million with an accrued liability of \$16.9 million. Similarly, the SRAA had an estimated surplus of \$2.3 million with an associated accrued liability of \$22.8 million. The following charts summarize the estimated accrued liability and surplus since 1990 for both plans.





As required by the section 4(6) of the RAA and 2.1 (5) of the SRAA, the Board has engaged the Actuary to perform full actuarial valuations for the two plans as of April 1, 2012 and will be reviewing the results at the pension meeting in the fall.

Fund Audit

Avery Cooper and Company audited the Statement of Changes in Net Assets Available for Benefits and the Statement of Obligations for Pension Benefits as at March 31, 2012. The financial statements are the responsibility of the Board of Management and the auditor’s responsibility is to express an opinion on these financial statements.

The audit was conducted in accordance with Canadian generally accepted auditing standards. The auditors reported that, in their opinion, the statements present fairly, in all material respects, the Net Assets Available for Benefits as at March 31, 2012 and the Changes in Net Assets Available for Benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

A copy of the audited financial statements of the Legislative Assembly Retiring Allowances Fund is available on the Legislative Assembly website under Tabled Documents.

Legislative Amendments

Bill 2 came into force on September 1, 2011. It amended both the Retiring Allowances Act and the Supplementary Retiring Allowances Act as follows:

- to allow for the division of pension benefits in the event of marriage breakdown;
- to provide a pension based on combined earnings and service for all positions held as an MLA; and
- to add a new payment option to the RAA that allows for both a monthly pension to age 65 and a lump sum transfer in respect of the remainder of the pension.

The benefits paid out of the plan in the last year have reflected these changes to the Acts. Specifically, all pensions and lump sums calculated for Members who departed in October 2011 used the new calculation methodology. The plans also saw the first division due to marriage breakdown and the first combined lump sum and pension option put into place.

Appendix

Plan Activity Chart – Fiscal Year Ended March 31, 2012

Activity	Frequency	Initiation	Completion	Status	Board Minute or Meeting Date
Board Mandate					
Annual Governance Report	Annually.	Director of Corporate Services prepares report	Board reviews/acts on report	Board received review from pension administrator, adopted report and directed Speaker to table report.	Jan 23, 2012 34-17-2012 Jan 24, 2012 42-17-2012
Self-Assessment of Governance Structure	Annually.	Consultant provides forms	Board completes assessment	Board completes self-assessment and agrees to review educational options for members and staff	Jan 24, 2012 44-17-2012 46-17-2012 48-17-2012
Strategic Plan and Risk Assessment	Every 3-4 years	Consultant provides advice	Board determines strategic and risk plan	Board reviews risk management materials and agrees to discuss at next pension meeting	Jan 24, 2012 46-17-2012

Activity	Frequency	Initiation	Completion	Status	Board Minute or Meeting Date
Plan and Communications Review					
Review Plan Text	Ongoing.	Law Clerk monitors developments	Board reviews/acts on advice	Approves enactment of amendments to RAA and SRAA regulations	Aug 8, 2011 477-16-2011 Aug 24, 2011 494-16-2011 495-16-2011
Review member entitlement statements as regulated by pension legislation	Ongoing.	Plan Administrator monitors legislation and member feedback	Board receives/acts on advice	Completed	Jan 24, 2012 43-17-2012
Review Statement of Investment Policies and Goals	Ongoing.	Investment Advisor provides advice as necessary	Board reviews/acts on advice	Completed	Jan 23, 2012 38-17-2012
Monitor Pension and Tax legislation	Ongoing.	Actuary advises Board of changes	Board reviews/acts on advice provided	No changes to report	
Monitor Case Law	Ongoing.	Law Clerk/Actuary advise Board of developments	Board reviews/acts on advice	No developments to address	
Plan Funding/Accounting					
Review Funding Position	Annually.	Actuary provides information and advice	Board reviews advice and sets policy	Completed	Jan 24, 2012 39-17-2012
Decide Frequency of Valuation Reports	Annually	Actuary provides information and advice	Board reviews advice and sets policy	To be reviewed at November 2012 meeting	
Approve Valuation Report	As required.	Actuary provides information and advice	Board reviews advice and sets policy	No new valuation in 2011/2012	
Approve Actuarial Method and Assumptions	As required	Actuary provides information and advice	Board reviews advice and sets policy	No new valuation in 2011/2012	

Activity	Frequency	Initiation	Completion	Status	Board Minute or Meeting Date
Approve Financial Statements	Annually.	Director of Corporate Services prepares statements	Board reviews and approves statements	Completed	Jan 23, 2012 31-17-2012
Review Performance of Actuary	Annually.	Clerk formulates report and advice	Board considers advice and determines action	Completed	Jan 23, 2012 32-17-2012
Review Performance of External Auditor	Annually.	Director of Corporate Services formulates report and advice	Board considers advice and determines action	Not completed	
Performance of Asset Management					
Monitor Investment Performance	Ongoing.	Investment Advisor provides advice	Board considers advice and determines action	Completed	Jan 23, 2012 35-17-2012 36-17-2012 37-17-2012
Confirm or Amend Investment Strategy	Ongoing.	Investment Advisor provides advice	Board considers advice and determines action	Requested a proposal for asset mix review	Jan 24, 2012 45-17-2012
Review Content and Appropriateness of SIP&P	At least annually.	Investment Advisor provides advice	Board considers advice and determines action	Completed	Jan 23, 2012 38-17-2012
<ul style="list-style-type: none"> ■ Approve Asset Mix ■ Approve Benchmarks ■ Approve Investment Restrictions and Quality Standards ■ Approve Investments Outside of Asset Class Ranges of a Minor and Temporary Nature ■ Approve Investments Outside of List of Eligible Investments ■ Approve Securities Lending 					

Activity	Frequency	Initiation	Completion	Status	Board Minute or Meeting Date
Review Performance of Investment Manager(s)	Annually.	Investment Advisor provides advice	Board considers advice and determines action	Completed	Jan 23, 2012 35-17-2012
Review Performance of Custodian	Annually.	Director of Corporate Services provides advice	Board considers advice and determines action	Not completed	
Review Performance of Investment Consultant	Annually.	Director of Corporate Services provides advice	Board considers advice and determines action	Not completed	
Administration					
Provide Plan interpretations and provide other guidance as needed to the administrator	As required.	Law Clerk provides advice as needed	Board reviews advice provided	Board directs staff to determine budget for administrative consulting and plan costs	Jan 24, 2012 45-17-2012
Communication					
Content of Communication Materials (annual statements)	Ongoing.	Plan Administrator prepares changes to materials	Board reviews and approves changes	Completed	Jan 24, 2012 41-17-2012 47-17-2012
Distribution of Plan Member Communication	Ongoing.	Plan Administrator	Board monitors quality and timeliness	Distribution of estimated pension on termination statements	Aug. 2011
Member Feedback	Ongoing.	Plan Administrator monitors and advises Board	Board reviews advice	No feedback	

Activity	Frequency	Initiation	Completion	Status	Board Minute or Meeting Date
Hiring/Terminating Agents/Advisors					
Actuary	As required.	Clerk formulates advice	Board reviews advice	Exercised one year extension to current contract – 2012	Jan 23, 2012 32-17-2012
Auditor	As required.	Clerk formulates advice	Board reviews advice		
Custodian	As required.	Clerk formulates advice	Board reviews advice		
Investment Manager	As required.	Clerk formulates advice	Board reviews advice		
Investment Consultant	As required.	Clerk formulates advice	Board reviews advice	Exercised one year extension to current contract – 2012	Jan 23, 2012 32-17-2012
Lawyer	As required.	Clerk formulates advice	Board reviews advice		