

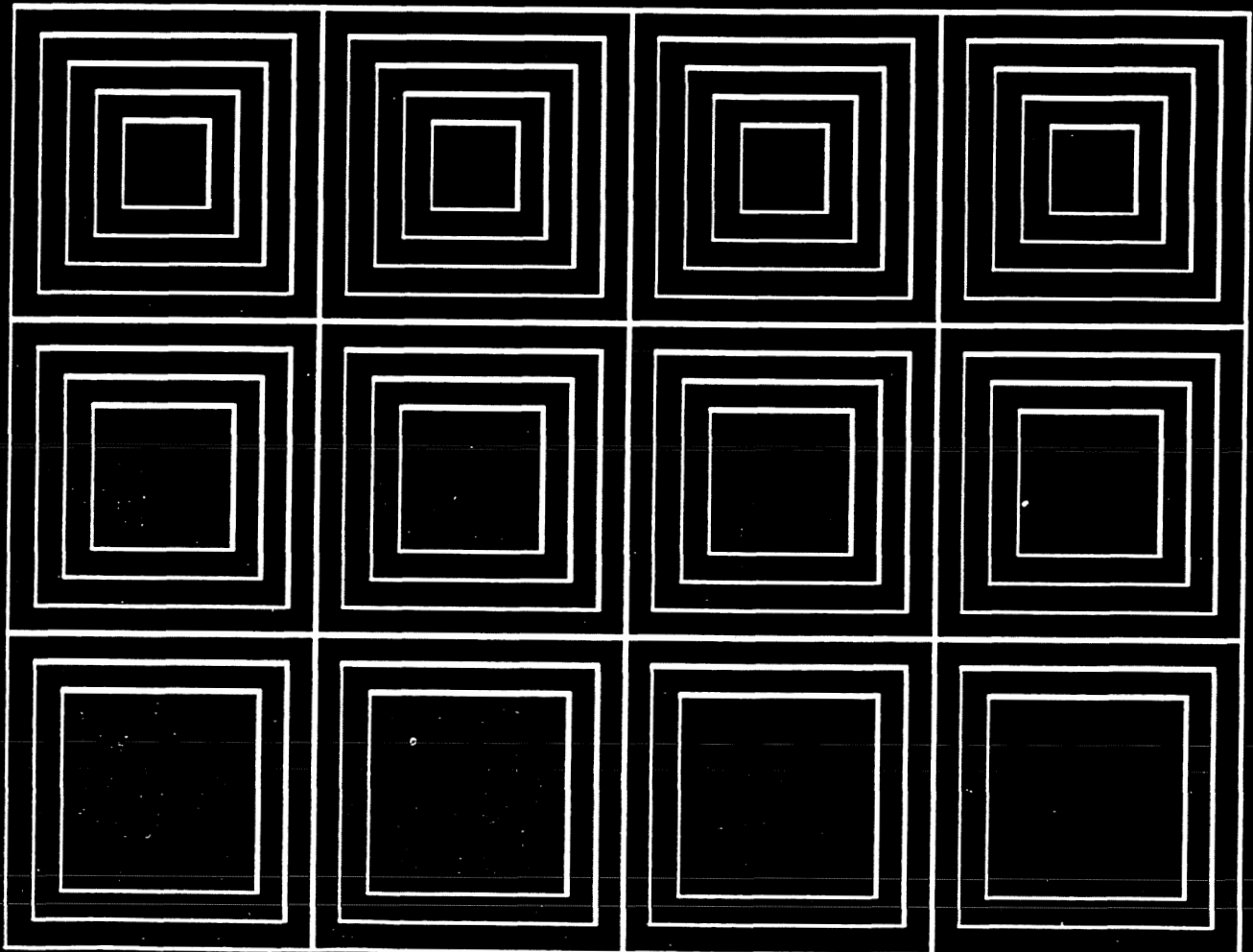
# Office of the Auditor General of Canada



Report  
on the audit of the accounts  
and financial transactions of the

**LEGISLATIVE ASSEMBLY RETIRING  
ALLOWANCES FUND**  
(Northwest Territories)

for the year ended March 31, 1993





Report  
on the audit of the accounts  
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**LEGISLATIVE ASSEMBLY RETIRING  
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AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

## AUDITOR'S REPORT

To the Chairman  
Management and Services Board

I have audited the statement of accrued pension benefits and net assets available for benefits of the Legislative Assembly Retiring Allowances Fund (Northwest Territories) as at March 31, 1993 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the accrued pension benefits and net assets available for benefits of the Fund as at March 31, 1993 and the changes in its net assets available for benefits for the year then ended in accordance with generally accepted accounting principles. As required by the Legislative Assembly Retirement Allowances Act, I report that, in my opinion, these principles have been applied on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept in respect of the Fund and the transactions that have come under my notice during my audit of the financial statements have, in all significant respects, been in accordance with the Legislative Assembly Retiring Allowances Act.

A handwritten signature in black ink, appearing to read 'Ray Dubois'.

Raymond Dubois, FCA  
Deputy Auditor General  
for the Auditor General of Canada

Ottawa, Canada  
September 17, 1993

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCES FUND  
(Northwest Territories)

Statement of Accrued Pension Benefits  
and Net Assets Available for Benefits  
as at March 31, 1993

	<u>1993</u>	<u>1992</u>
ACCRUED PENSION BENEFITS (Pension Obligations)		
Actuarial value of accrued pension benefits (Note 3)	\$ <u>7,413,000</u>	\$ <u>6,525,000</u>
NET ASSETS AVAILABLE FOR BENEFITS		
ASSETS		
Investments (Note 4)	8,913,856	8,088,165
Contributions receivable from Members	-	13,844
Excess benefits receivable from a Member	-	27,354
Total Assets	<u>8,913,856</u>	<u>8,129,363</u>
LIABILITIES		
Accounts payable and accrued liabilities	<u>19,455</u>	<u>-</u>
Net assets available for benefits	<u>8,894,401</u>	<u>8,129,363</u>
Excess of net assets over actuarial value of accrued pension benefits	\$ <u><u>1,481,401</u></u>	\$ <u><u>1,604,363</u></u>

Approved by the Management  
and Services Board:

  
Chairman

  
Secretary

**LEGISLATIVE ASSEMBLY RETIRING ALLOWANCES FUND  
(Northwest Territories)**

**Statement of Changes in Net Assets Available for Benefits  
for the year ended March 31, 1993**

	<u>1993</u>	<u>1992</u>
<b>INCREASE IN ASSETS</b>		
Investment income	\$ 667,097	\$ 132,358
Current year change in market value of investments	<u>216,643</u>	<u>373,294</u>
	<u>883,740</u>	<u>505,652</u>
Contributions:		
Government of the Northwest Territories Members	44,225	617,566
	<u>179,575</u>	<u>167,280</u>
	<u>223,800</u>	<u>784,846</u>
Total increase in assets	<u>1,107,540</u>	<u>1,290,498</u>
<b>DECREASE IN ASSETS</b>		
Expenses:		
Administrative	44,225	57,974
Investment management fees	<u>51,348</u>	<u>37,667</u>
	<u>95,573</u>	<u>95,641</u>
Benefits and Refunds:		
Benefits paid	172,122	130,174
Less: Excess benefits paid to a Member	-	(27,354)
Refund of voluntary contributions	66,029	25,330
Refund of contributions	<u>8,778</u>	<u>-</u>
	<u>246,929</u>	<u>128,150</u>
Total decrease in assets	<u>342,502</u>	<u>223,791</u>
<b>INCREASE IN NET ASSETS</b>	<b>765,038</b>	<b>1,066,707</b>
Net assets available for benefits at beginning of year	<u>8,129,363</u>	<u>7,062,656</u>
Net assets available for benefits at end of year	\$ <u>8,894,401</u>	\$ <u>8,129,363</u>

**LEGISLATIVE ASSEMBLY RETIRING ALLOWANCES FUND  
(Northwest Territories)**

**Notes to Financial Statements  
March 31, 1993**

1. Description of the Plan

(a) General

The Fund was established pursuant to the Legislative Assembly Retiring Allowances Act and is administered by the Management and Services Board.

The Act provides retiring allowances on a contributory, defined benefit basis to Members of the Legislative Assembly who have been Members at any time for six or more years since March 10, 1975, the date of the first fully elected Legislative Assembly.

(b) Funding policy

Under the Act, Members are required to contribute 9% of their biweekly earnings and per diem allowances to the plan. In order to keep the plan fully funded, the Government of the Northwest Territories contributes the balance of the plan's funding requirements.

(c) Refunds of contributions

Members who cease to be Members with less than six years service are refunded their contributions with interest.

Members were allowed to make voluntary contributions until 1990. Members may withdraw these amounts with interest.

(d) Retirement benefits

A Member with six or more years of service is entitled to a retirement benefit of:

- i) 2 percent of the average annual pensionable remuneration multiplied by years of service, and
- ii) 2 percent of the average best earnings as a Minister, Speaker, Deputy Speaker or Committee Chairperson multiplied by years of service. A position must be held for at least one year to be eligible for pension.

**LEGISLATIVE ASSEMBLY RETIRING ALLOWANCES FUND  
(Northwest Territories)**

**Notes to Financial Statements  
March 31, 1993**

In both cases, the average earnings are calculated on any four year period of service selected by the Member. Service is limited to 15 years.

Members eligible for a pension may receive it after reaching 55 years of age. Benefits may be deferred until the age of 71.

(e) Death benefits

The spouse of a Member who dies is entitled to an allowance of 60 percent of the Member's entitlement.

Children are entitled to an allowance of 10 percent of the Member's entitlement, or 25 percent if there is no surviving spouse. Children's death benefits are payable to the age of 18, or 25 if the child is a full time student and unmarried.

There are limits on the total death benefits which can be received by more than one surviving child.

(f) Indexing

In order to protect the pension benefits against inflation, pension entitlements are indexed by the Benefit Index in the Supplementary Retirement Benefits Act (Canada).

(g) Income Taxes

The Fund is a registered pension plan under the Income Tax Act and is therefore not subject to income taxes.

**LEGISLATIVE ASSEMBLY RETIRING ALLOWANCES FUND  
(Northwest Territories)**

**Notes to Financial Statements  
March 31, 1993**

2. Accounting policies

These financial statements were prepared by management in accordance with generally accepted accounting principles considered to be appropriate in the circumstances, applied on a basis consistent with that of the preceding year. The significant policies are described below:

(a) Basis of presentation

These financial statements represent only the financial position of the Legislative Assembly Retiring Allowances Fund (LARAF) established for Members of the Legislative Assembly under the Legislative Assembly Retiring Allowances Act. They do not include any other pension benefits which Members may receive under other plans. They do not portray the funding requirements of the plan, or the benefit security of individual Members.

(b) Investments

The Trustee, Canada Trust, determines the asset values for all investments and has reported that Canadian Stock Fund investments are valued at market based on the closing quotations as at the last business day of the year. Non-traded bonds are valued by internal assessment and large real estate properties are valued on the basis of annual appraisals while other properties are appraised every three years.

3. Actuarial value of accrued pension benefits

The present value of accrued pension benefits was calculated by The Coles Group, the Fund's actuaries, using best estimate assumptions and the projected benefit method prorated on years of service. The effective date of this valuation is March 31, 1993. Previous calculations of the present value were made by the same firm as at March 31, 1992.

The actuarial value of net assets available for benefits as at March 31, 1993 was \$9,083,000 (1992 - \$8,423,000). The actuary determines this amount using a four year moving-average-market method, rather than the market values used in these financial statements.



**LEGISLATIVE ASSEMBLY RETIRING ALLOWANCES FUND  
(Northwest Territories)**

**Notes to Financial Statements  
March 31, 1993**

The actuarial present value of pension benefits as at March 31, 1993 and the principal components of changes in actuarial present values during the year are as follows:

	<u>1993</u>	<u>1992</u>
Actuarial present value of accrued benefits at beginning of year	\$ 6,525,000	\$ 5,776,000
Interest on accrued benefits	557,000	653,000
Cost of benefits accrued	542,000	227,000
Benefits paid out	<u>(211,000)</u>	<u>(131,000)</u>
Actuarial present value of accrued pension benefit at end of year	<u>\$ 7,413,000</u>	<u>\$ 6,525,000</u>

Until April 1, 1990, Members were permitted to make voluntary contributions to the plan. Included in the actuarial liability is \$18,000 (1992 - \$79,000) relating to previous voluntary contributions.

4. Investments

The assets of the Fund are managed by Canada Trust and are invested in a combination of Royal Trust Classified Balanced Funds, Confederation Life Real Estate Fund and an investment in bonds issued by the NWT Legislative Assembly Building Society (see Note 5).

Canada Trust was appointed trustee effective May 1, 1992. The transfer of funds from Confederation Life to Canada Trust was not completed at March 31, 1993, pending liquidation of real estate holdings.

**LEGISLATIVE ASSEMBLY RETIRING ALLOWANCES FUND  
(Northwest Territories)**

**Notes to Financial Statements  
March 31, 1993**

The proportionate asset mix as at March 31 is as follows:

	<u>1993</u>	<u>1992</u>
Canadian Stock Fund	89.68	35.88
NWT Legislative Assembly Building Society Bonds	5.24	6.47
Real Estate Fund	4.75	7.58
Cash and Short-term Bond Fund	0.33	1.41
	-	33.57
US Stock Fund	-	9.31
International Stock Fund	-	5.78
Total	<u>100.00</u> %	<u>100.00</u> %

5. Related party Transactions

Included in the investments held by Canada Trust and described in Note 4 are bonds issued by the NWT Legislative Assembly Building Society with a face value of \$467,000 (1992 - \$467,000), which represent 5.24% (1992 - 6.47%) of the portfolio's value.

LARAF receives various management and administrative services from the Government of the Northwest Territories at no charge.