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Office of the Auditor General of Canada
Bureau du vérificateur général du Canada



Financial Statements États financiers

LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCES FUND
(Northwest Territories)
Financial Statements
March 31, 1996

N.W.T.
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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Legislative Assembly management are responsible for the preparation, integrity and objectivity of the financial statements. The financial statements have been prepared in accordance with generally accepted accounting principles considered appropriate in the circumstances and have been approved by the Management and Services Board. Where appropriate, the preparation of financial information contained in this report includes estimates and judgements based on careful consideration of information available to management.

Legislative Assembly management have developed and maintain books of account, records, financial and management controls and management practices. These are designed to provide reasonable assurance as to the reliability of financial information in accordance with the Legislative Assembly Retiring Allowances Act. The Management and Services Board ensures that the Legislative Assembly's management fulfil their responsibilities for financial reporting, internal control and safeguarding assets.

The Auditor General of Canada annually provides an independent, objective audit for the purpose of expressing his opinion on the financial statements. He also considers whether the transactions which come to his notice in the course of this audit are, in all significant respects, in accordance with the specified legislation.

The Coles Group, an independent firm of consulting actuaries, has been engaged to provide an opinion on the adequacy and appropriateness of actuarial valuations of accrued pension benefits of the Fund.

On behalf of the Management and Services Board



Chair



Secretary

September 27, 1996



AUDITOR GENERAL OF CANADA

VÉRIFICATEUR GÉNÉRAL DU CANADA

AUDITOR'S REPORT

To the Legislative Assembly of the Northwest Territories

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, 1996 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, 1996 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 to 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', written in a cursive style.

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

Ottawa, Canada
September 27, 1996

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

**Statement of Accrued Pension Benefits
and Net Assets Available for Benefits
as at March 31, 1996**

	<u>1996</u>	<u>1995</u>
ACCRUED PENSION BENEFITS (Pension Obligations)		
Actuarial value of accrued pension benefits (Note 3)	\$ <u>8,759,000</u>	\$ <u>9,418,000</u>
NET ASSETS AVAILABLE FOR BENEFITS		
ASSETS		
Investments (Note 4)	11,665,753	10,328,458
Accounts receivable and accrued investment income	<u>39,844</u>	<u>36,479</u>
Total Assets	11,705,597	10,364,937
LIABILITIES		
Accounts payable and accrued liabilities	<u>142,601</u>	<u>37,599</u>
Net assets available for benefits	<u>11,562,996</u>	<u>10,327,338</u>
Excess of net assets over actuarial value of accrued pension benefits	\$ <u>2,803,996</u>	\$ <u>909,338</u>

Approved by the Management and Services Board:


Chair


Secretary

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

**Statement of Changes in Net Assets Available for Benefits
for the year ended March 31, 1996**

	<u>1996</u>	<u>1995</u>
INCREASE IN ASSETS		
Investment income	\$ 640,672	\$ 952,581
Current year change in fair value of investments	<u>883,805</u>	<u>(492,929)</u>
	<u>1,524,477</u>	<u>459,652</u>
Contributions:		
Members	153,612	168,850
Government of the Northwest Territories	<u>39,623</u>	<u>24,754</u>
	<u>193,235</u>	<u>193,604</u>
Total increase in assets	<u>1,717,712</u>	<u>653,256</u>
DECREASE IN ASSETS		
Expenses:		
Investment management fees	52,807	53,784
Actuary fees	<u>39,623</u>	<u>24,754</u>
	<u>92,430</u>	<u>78,538</u>
Benefits and Refunds:		
Benefits paid	259,604	184,108
Refund of contributions	130,020	24,760
Refund of voluntary contributions	<u>-</u>	<u>20,734</u>
	<u>389,624</u>	<u>229,602</u>
Total decrease in assets	<u>482,054</u>	<u>308,140</u>
INCREASE IN NET ASSETS	1,235,658	345,116
Net assets available for benefits at beginning of year	<u>10,327,338</u>	<u>9,982,222</u>
Net assets available for benefits at end of year	\$ <u>11,562,996</u>	\$ <u>10,327,338</u>

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

**Notes to Financial Statements
March 31, 1996**

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.

(d) Retirement benefits

A Member with six or more years of service or a full term as a member of the Legislative Assembly 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.

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).

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

**Notes to Financial Statements
March 31, 1996**

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

**Notes to Financial Statements
March 31, 1996**

1. Description of the Plan (continued)

(g) Income Taxes

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

2. Accounting policies

(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

Investments are valued at fair value. Actively traded investments are valued at market value, based on the closing quotations as at the last business day of the year. Non-traded bonds are valued by internal assessment. Real estate investments are valued on the basis of appraisal.

3. Actuarial value of accrued pension benefits

The present value of accrued pension benefits was calculated as of March 31, 1996 by The Coles Group, the Fund's actuaries, using best estimate assumptions and the projected benefit method prorated on years of service.

The actuarial value of net assets available for benefits as at March 31, 1996 was \$11,205,000 (1995 - \$10,532,000). The actuaries determine this amount using a four year moving-average-market method, rather than the fair values used in these financial statements.

The actuarial present value of pension benefits as at March 31, 1996 and the principal components of changes in actuarial present values during the year are as follows:

	<u>1996</u>	<u>1995</u>
Actuarial present value of accrued pension benefits at beginning of year	\$ 9,418,000	\$ 8,400,000
Interest on accrued benefits	781,000	706,000
Cost of benefits accrued	542,000	542,000
Benefits paid out	(386,000)	(230,000)
Change in management's best estimate assumptions	1,279,000	-
Experience (gain) loss	<u>(2,875,000)</u>	-
Actuarial present value of accrued pension benefits at end of year	<u>\$ 8,759,000</u>	<u>\$ 9,418,000</u>

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

**Notes to Financial Statements
March 31, 1996**

4. Investments

The assets of the Fund are managed by Canada Trust and are invested in RT Capital Management Inc. Balanced Fund, Confederation Life Real Estate Fund and NWT Legislative Assembly Building Society Bonds (see Note 5).

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

	<u>1996</u>	<u>1995</u>
Balanced Fund	92.83	93.04
Building Society Bonds	3.85	4.44
Real Estate Fund	3.04	2.36
Cash	<u>0.28</u>	<u>0.16</u>
Total	<u>100.00%</u>	<u>100.00%</u>

5. Related party transactions

Included in the investments described in Note 4 are NWT Legislative Assembly Building Society (the "Society") Bonds with a value of \$453,230 (1995 - \$459,269), which represent 3.85% (1995 - 4.44%) of the portfolio's value. Interest income of \$12,801 (1995 - \$7,420) was recorded during the year. The Legislative Assembly leases a building from the Society.

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