

**LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCE FUND
Yellowknife, NT**

FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by management, which is responsible for the reliability, integrity and objectivity of the information provided. They have been prepared in accordance with Canadian accounting standards for pension plans. Where necessary the statements include amounts that are based on informed judgements and estimates by management, giving appropriate consideration to reasonable limits of materiality.

In discharging its responsibility for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained. These controls include quality standards in hiring and training employees, written policies and procedures manuals, and accountability for performance within appropriate and well-defined areas of responsibility. The Board's management recognizes its responsibility for conducting the Fund's affairs in accordance with the requirements of applicable laws and sound business principles, and for maintaining standards of conduct that are appropriate.

The Accounting firm of Ashton Chartered Accountants has provided an independent objective audit for the purpose of expressing an opinion on the financial statements in accordance with Canadian accounting standards for pension plans. The auditor also considers whether the transactions that come to his notice in the course of this audit are, in all significant respects, in accordance with specified legislation and directives from the NWT Legislative Assembly.

Aon Hewitt, 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 board.

On behalf of the Board of Management:

Frederick Blake Jr., Speaker

Glen Rutland, Clerk

August 19, 2023

**LEGISLATIVE ASSEMBLY RETIRING
ALLOWANCE FUND**

STATEMENT OF FINANCIAL POSITION
March 31, 2023

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT		
Accounts Receivable (Note 3)	\$ 35,894	\$ 16,643
Accrued Interest Income	<u>-</u>	<u>18,502</u>
	35,894	35,145
INVESTMENTS (Note 4)	<u>23,250,267</u>	<u>23,968,061</u>
	<u>\$ 23,286,161</u>	<u>\$ 24,003,206</u>
LIABILITIES		
CURRENT		
Accounts Payable	<u>\$ 52,511</u>	<u>\$ 37,053</u>
NET ASSETS AVAILABLE FOR BENEFITS per page 2	23,233,650	23,966,153
PENSION OBLIGATIONS per page 3 (Note 5)	<u>18,566,700</u>	<u>19,948,300</u>
PENSION PLAN FUND SURPLUS	<u>4,666,950</u>	<u>4,017,853</u>

APPROVED

_____ Speaker

_____ Clerk

INDEPENDENT AUDITORS' REPORT

To the Members of Legislative Assembly Retiring Allowance Fund

Opinion

We have audited the financial statements of Legislative Assembly Retiring Allowance Fund (the Fund), which comprise the statement of financial position as at March 31, 2023, and the statements of changes in net assets available for benefits and changes in pension obligations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting standards for pension plans.

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 Fund 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 those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting standards for pension plans, 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 Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund'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:

(continues)

Independent Auditor's Report to the Members of Legislative Assembly Retiring Allowance Fund
(continued)

- 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on 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 Fund'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 Fund 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.

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**LEGISLATIVE ASSEMBLY RETIRING
ALLOWANCE FUND**

STATEMENT OF FINANCIAL POSITION
March 31, 2023

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PENSION PLAN FUND SURPLUS	<u>4,666,950</u>	<u>4,017,853</u>

APPROVED

_____ Speaker

_____ Clerk

**LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCE FUND**

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For the Year Ended March 31, 2023

	<u>2023</u>	<u>2022</u>
INCREASE IN ASSETS		
Contributions:		
Members	236,162	224,854
Government of the NWT	856,000	856,000
In-Kind Contributions	<u>8,500</u>	<u>7,500</u>
	<u>1,100,662</u>	<u>1,088,354</u>
Investment Income:		
Interest	534,177	325,776
Dividends	305,581	259,104
Gain on Sale of Investments	<u>781,238</u>	<u>1,687,947</u>
	1,620,996	2,272,827
Current Period Change in Fair Values of Investments	<u>(2,098,658)</u>	<u>(1,734,036)</u>
Net Investment Income (Loss)	<u>(477,662)</u>	<u>538,791</u>
Total Increase in Assets	<u>623,000</u>	<u>1,627,145</u>
DECREASE IN ASSETS		
Benefits		
Pension Payments	1,074,910	1,054,627
Termination/Lump sum Payments	<u>115,764</u>	<u>22,974</u>
Total Benefits	<u>1,190,674</u>	<u>1,077,601</u>
Administrative		
Actuary Fees	34,537	24,396
Audit Fees	8,500	7,500
Investment Management Fees	84,772	78,448
Meeting Travel & Accommodation	13,456	-
Trustee Fees	<u>23,564</u>	<u>25,867</u>
Total Administrative	<u>164,829</u>	<u>136,211</u>
Total Decrease in Assets	<u>1,355,503</u>	<u>1,213,812</u>
INCREASE (DECREASE) IN NET ASSETS AVAILABLE FOR BENEFITS	\$ (732,503)	\$ 413,333
NET ASSETS AVAILABLE FOR BENEFITS		
BEGINNING OF YEAR	<u>23,966,153</u>	<u>23,552,820</u>
END OF YEAR	<u>\$ 23,233,650</u>	<u>\$ 23,966,153</u>

**LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCE FUND**

STATEMENT OF CHANGES IN PENSION OBLIGATIONS
For the Year Ended March 31, 2023

	<u>2023</u>	<u>2022</u>
INCREASE IN PENSION OBLIGATIONS		
Interest Accrued on Benefits	\$ 890,000	\$ 863,000
Benefits Accrued	868,000	849,000
Experience Loss	-	-
	<u>1,758,000</u>	<u>1,712,000</u>
DECREASE IN PENSION OBLIGATIONS		
Benefits Paid	\$ 1,188,000	\$ 1,070,000
Experience Gains	<u>1,951,600</u>	<u>-</u>
	<u>3,139,600</u>	<u>1,070,000</u>
INCREASE (DECREASE) IN PENSION OBLIGATIONS	642,000	(1,381,600)
PENSION OBLIGATIONS, BEGINNING OF YEAR	<u>19,948,300</u>	<u>19,306,300</u>
PENSION OBLIGATIONS, END OF YEAR	<u>\$ 18,566,700</u>	<u>\$ 19,948,300</u>
AS REPRESENTED BY		
Active Members	\$ 4,633,900	\$ 4,375,100
Pensioners & Terminated Members	<u>13,932,800</u>	<u>15,573,200</u>
	<u>\$ 18,566,700</u>	<u>\$ 19,948,300</u>

**LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCE FUND**

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

1. DESCRIPTION OF PLAN

a) General

The Fund was established pursuant to the Legislative Assembly Retiring Allowances Act (NWT) and is administered by the Board of Management. The Act provides retiring allowances on a contributory, defined benefit basis to Members of the Legislative Assembly of the Northwest Territories who have been Members at any time for six or more years prior to October 16, 1995 or four or more years after October 16, 1995, commencing March 10, 1975, the date of the first fully elected Legislative Assembly.

b) The following description of the Legislative Assembly Retiring Allowance Plan is a summary only. For more complete information, reference should be made to the Plan agreement.

1) Funding Policy

The Legislative Assembly Retiring Allowance (NWT) Act requires that the plan sponsor, the Government of the Northwest Territories, 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 fund that must be completed no less frequently than as of the day on which each general election is held.

The Legislative Assembly Retiring Allowances Act (NWT) requires Plan members to contribute 6.5% of their pensionable remuneration and earnings 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 surplus existing in the Plan may be used to reduce the required employer contributions. Any deficit existing in the Plan must be specifically funded in accordance with the requirements of the Pension Benefits Standards Act.

2) Normal Retirement Age

a. Service Prior to 1992

Age 55

b. Service After 1991

The earliest of:

- age 60
- 30 years of service
- age plus service equals 80

**LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCE FUND**

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

1. DESCRIPTION OF PLAN - cont'd

3) Retirement Pension

Two percent of the average best total earnings over four years multiplied by Credited Services as a Member

Note that prior to the amendment in 2011, the retirement pension was determined as follows:

Two percent of the average best earnings over four years as an MLA multiplied by Credited Services as an MLA.

PLUS

2% of the average best earnings over four consecutive years in that capacity of Minister, Speaker or Chairperson multiplied by Credited Service for each position. A position must be held for at least one year for a pension to be paid, and the pension for each position is calculated separately.

4) Early Retirement

A member may retire at any time upon ceasing to be a member of the Assembly. A Member retiring prior to Normal Retirement Age shall receive:

a. Service prior to 1992

A pension which is actuarially equivalent to the pension calculated as if the member was 55.

b. Service after 1991.

A pension which is reduced by .25% for each month a member retires before the Normal Retirement Age.

5) Late Retirement

Up to age 71.

6) Maximum Allowance

For benefits earned after 1991, the annual retirement pension payable shall not exceed the lesser of:

a. the defined limit as prescribed under the Income Tax Act of Canada for the year in which the pension commences, times the years of credited service after 1991;

b. 2% of the average annual indexed pensionable remuneration, times the years of credited service after 1991.

**LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCE FUND**

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

1. DESCRIPTION OF PLAN - cont'd

7) Form of Pension

a. Service Prior to 1992

The normal form of payment is a joint and 75% survivor pension reducing on the death of the Member.

Each dependent will receive a pension of 10% of the retirement pension (to a maximum total of 25%) if the spouse survives. If there is no surviving spouse, a benefit of 25% of the retirement pension (to a maximum total of 100%) will be paid to each dependent.

b. Service After 1991

The normal form of payment for service after 1991 is a joint and 66-2/3% survivor pension reducing on the death of the Member with a guarantee of 100% of the first 60 monthly payments in any event.

Each Dependent will receive a pension of 10% of the retirement pension (to a maximum total of 33-1/3%) if the spouse survives. If there is no surviving spouse, a benefit of 100% shall be divided by the number of children for the first 60 monthly payments after the Member's pension commencement and then 25% of the benefit thereafter (to a maximum total of 100%).

8) Increases in Pension

Pensions in pay and deferred pensions are increased every January 1st based on increases in the Consumer Price Index up to the preceding September 30th.

9) Pre-Retirement Death Benefits

If a Member or Former Member dies before retirement and is not eligible to receive a pension, his accumulated contributions with interest will be returned to the beneficiary. If he was eligible to receive a pension, it will be assumed that the Member retired on the day preceding his death and elected the normal form of pension.

10) Withdrawal Benefits

A Member who terminates with four or more years of service or serves at least one full term as a Member of the Assembly is entitled to a retirement pension. All other Members who terminate will receive a lump sum payment of their accumulated contributions with interest.

**LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCE FUND**

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for pension plans. The Significant polices are detailed as follows:

a) Basis of Presentation

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and plan members. The financial statements are prepared to assist plan members 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.

b) Investments

Investments for the Pension Fund are measured at fair value and categorized according to the fair value hierarchy using the market approach valuation technique. The Fund 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. 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.

c) Fair Value Hierarchy

The company 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 company 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

**LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCE FUND**

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

2. SIGNIFICANT ACCOUNTING POLICIES, continued

d) Pension Obligations

Pension obligations of the 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 Plan's assets and its liabilities, excluding the accrued pension benefits.

e) Revenue Recognition

Revenue from contributions and investment income are recognized on an accrual basis.

f) Contributed Services

The Fund recognizes in-kind contributions of materials and services in these financial statements, but only when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Fund's operations and would otherwise have been purchased.

g) Pension Benefits

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

h) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 reported period. Actual results may differ from these estimates.

Significant estimates are used in determining pension obligations. The Fund's actual experience may differ significantly from assumptions used in the calculation of the Plan's pension obligations. While best estimates have been used in the valuation of the 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 actuarial gains or losses on Actuarial Benefit Obligations in the Statement of Changes in Pension Obligations in the year when actual results are known.

**LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCE FUND**

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

3. ACCOUNTS RECEIVABLE

	2023	2022
Member Contributions	\$ 27,394	\$ 9,143
In-Kind Contributions- GNWT	8,500	7,500
	\$ 35,894	\$ 16,643

In-kind contributions arise from the payment of audit fees by GNWT on the Fund's behalf and are also included in Accounts Payable and Accrued Liabilities.

These balances, which are unsecured, non-interest bearing, and due on demand, are measured at fair value

4. INVESTMENTS

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

	Cost	2023 Market	Cost	2022 Market
Cash & Cash Equivalents	127,596	127,594	89,132	89,132
Canadian Equity Mutual Funds	4,063,399	4,129,509	3,648,522	4,329,714
International Equity Mutual Funds	6,752,056	7,335,466	7,465,909	8,218,315
Temporary Investments	124,475	124,475	90,890	90,890
Canadian Fixed Income Funds	13,471,026	11,533,223	9,475,254	8,397,179
Government of Canada Bonds	-	-	1,957,327	2,175,035
Province of Ontario Bonds	-	-	430,653	667,796
	\$ 24,538,552	\$ 23,250,267	\$ 23,157,687	\$ 23,968,061

The above listed investments are managed by CIBC Mellon Global Securities and invested by MFS Investment Management Canada Limited and Connor, Clark & Lunn Investment Management Ltd. The investments will not be redeemed in the subsequent period.

**LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCE FUND**

TO THE FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

4. INVESTMENTS, continued

The fair value hierarchy as described in not 2(c) requires the use of observable market inputs whenever 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. The total investment portfolio by fair value hierarchy is as follows:

	<u>2023</u>	<u>2022</u>
Level 1	<u>\$ 23,250,267</u>	<u>\$ 23,968,061</u>

5. OBLIGATIONS FOR PENSION BENEFITS

The actuarial present value of accrued pension benefits was determined by Aon Hewitt, a firm of consulting actuaries. Their going concern valuation results are reflected in an extrapolation that was based on their last actuarial valuation conducted as at April 1, 2020.

The data and assumptions used for the March 31, 2023 obligations are the same as those used to determine the Best Estimate going-concern valuation results in the most recent valuations at April 1, 2020.

The actuarial liability and cost of benefits accruing after the valuation date have been determined using the Projected Accrued Benefit (or Unit Credit) Actuarial Cost Method.

The following were the assumptions used in determining the actuarial value of accrued pension benefits. They were developed by reference to expected long term market conditions.

	<u>2023</u>	<u>2022</u>
Valuation Interest Rate (net of expenses)	4.40%	4.40%
Remuneration Projection Rate	2.00%	2.00%
Interest Credited on Contributions	5.20%	4.40%
Inflation Rate	2.00%	2.00%

The actuarial valuation is performed on a going concern basis to determine the funded status and the funding requirements of the pension plan.

The latest actuarial valuation was conducted for the period April 1, 2020 and the related report completed in April 2021. The next actuarial valuation will be completed for April 1, 2024.

As provided by the Actuary, the value of pension benefit obligations as at March 31, 2023 has been obtained using a measurement date of January 31, 2023 by increasing the April 1, 2020 liability by the cost of accruing benefits and interest and subtracting the estimated benefit payments.

**LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCE FUND**

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

6. FINANCIAL INSTRUMENTS

The Fund's investments are recorded at fair value based on information provided by the investment manager. Other financial instruments consist of accounts receivable, accrued interest income and accounts payable. The fair value of these other financial instruments approximates their carrying values.

The fair values of investments are exposed to credit, liquidity, and market risks. Asset diversification and investment eligibility requirements serve as a basic risk-management tool for the investment portfolio as a whole. The Fund'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 Fund assets, to the extent possible, are not placed at undue levels of risk and can meet the obligations of the Fund as necessary. While the above policies aid in risk management, the Fund's investments and performance remain subject to risks, the extent to which is discussed below:

a) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the changes in foreign exchange rates. The Fund is exposed to currency risk arising from its holdings to investments denominated in foreign currencies, as well as investments that, although not denominated in foreign currencies, have underlying foreign currency exposure. This exposure lies principally within foreign equity funds. The Plan manages these risks through its investment policy, which limits the proportion of foreign assets within the portfolio.

b) 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.

**LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCE FUND**

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

6. FINANCIAL INSTRUMENTS, continued

c) 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 Fund is exposed to credit risk through its investments in money market instruments (excluding cash), and fixed-income securities. The Fund's credit risk on money market instruments and fixed-income securities is managed by setting concentration limits on exposure to any single issuer, as well as by setting minimum credit-rating criteria for investment.

d) Concentration Risk

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.

e) Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Fund's financial liabilities consist of Accounts Payable. 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 Fund's financial liabilities and the actuarial value of accrued pension benefits, management believes that the Fund 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 Fund in the Statement of Financial Position. The government of Northwest Territories (GNWT), as Plan sponsor, is required to contribute all funds necessary to meet any funding shortfalls of the Plan should they occur.

**LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCE FUND**

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

6. FINANCIAL INSTRUMENTS, continued

f) Interest Rate Risk

Interest 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 Fund is exposed to interest rate risk through its investment holdings in interest-bearing assets. These principally include money market instruments and fixed-income securities. The Fund 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 Fund'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. Therefore, short-term fluctuations in prevailing interest rates would not normally subject the Fund to fluctuating cash flows. In the event of a sale or redemption prior to maturity, proceeds would be affected by the impact of prevailing interest rates on the fair value of the investment. The actuarial value of accrued pension benefits is not considered a financial instrument; however, these benefits are sensitive to changes in long-term interest rates. The Fund is exposed to interest rate risk because of mismatches between the impacts of interest rates on the actuarial value of accrued pension benefits and their corresponding impact on the investment portfolio as a whole. Given the nature of pension benefits, such risks cannot be eliminated but are addressed through the funding of the Plan and through regular review of the characteristics of the Fund's investment portfolio related to the accrued pension benefit liability.

g) 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 Fund is exposed to other price risk through its holdings in Canadian equities. The Fund 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 policies and procedures. 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 exists when a significant portion of the portfolio is invested in equities with similar characteristics or subject to similar economic, market, political, or other conditions.

**LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCE FUND**

NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended March 31, 2023

7. CAPITAL MANAGEMENT

The purpose of the Fund is to provide benefits to plan members. As such, when managing capital, the objective is to preserve assets in a manner that provides the Fund 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 the Fund consists of its surplus. Excluding the impact of investment income, the Fund is financed through member contributions. The surplus 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 Fund's capital, are performed every four years following the general election. Surpluses, as well as other relevant aspects of the Plan, are managed in order to comply with the externally imposed requirements of the Income Tax Act and the PBSA.

As at March 31, 2023, the Plan is not in violation of any externally imposed legal or regulatory requirements.

8. AUTHORIZATION

On September 25, 2023 the Board of Management authorized the issue of the financial statements for the year ended March 31, 2023.