

N.W.T. LEGISLATIVE LIBRARY



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

FINANCIAL STATEMENTS
For the Year Ended March 31, 2004

N.W.T.
LEGISLATIVE LIBRARY
JUN 07 2004
Yellowknife, N.W.T.

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Legislative Assembly Retiring Allowance Fund


Management has prepared the accompanying financial statements, and is responsible for the reliability, integrity and objectivity of the information provided. They have been prepared in accordance with Canadian generally accepted accounting principles. 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 Auditors annually provide an independent, objective audit for the purpose of expressing an opinion on the financial statements in accordance with Canadian generally accepted auditing standards. 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.

Hewitt Associates, an independent firm of consulting actuaries, has been engaged to provide an opinion on the adequacy and appropriation of actuarial valuations of accrued pension benefits of the board.

On behalf of the Board of Management


Chair


Secretary

April 21, 2004



VERY, COOPER & CO.

Certified General Accountants

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AUDITORS' REPORT

To the Board of Management
Legislative Assembly Retiring Allowance Fund

We have audited the Statement of Net Assets Available for Benefits of the Legislative Assembly Retiring Allowance Fund as at March 31, 2004, the Statement of Changes in Net Assets Available for Benefits for the year then ended and the Statement of Obligations for Pension Benefits as at March 31, 2004. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these financial statements present fairly in all material respects the Net Assets Available for Benefits as at March 31, 2004 and the changes in its Net Assets Available for Benefits for the year then ended in accordance with the basis of accounting as disclosed in Note 2 to the financial statements.

Avery, Cooper & Co.

VERY, COOPER & CO.
Certified General Accountants
Yellowknife, NT

April 21, 2004

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

NET ASSETS AVAILABLE FOR BENEFITS

March 31, 2004

	<u>2004</u>	<u>2003</u>
ASSETS		
CURRENT		
Accounts Receivable	\$ 14,200	\$ 18,783
Accrued Investment Income	<u>31,460</u>	<u>3,623</u>
	45,660	22,406
INVESTMENTS		
Retiring Allowance Fund (Notes 2 and 3)	<u>17,181,028</u>	<u>14,726,166</u>
	<u>\$ 17,226,688</u>	<u>\$ 14,748,572</u>
LIABILITIES		
CURRENT		
Accounts Payable	\$ 24,197	\$ 39,054
FUND BALANCE		
RETIRING ALLOWANCE FUND BALANCE		
Net Assets Available for Benefits per page 2	<u>17,202,491</u>	<u>14,709,518</u>
	<u>\$ 17,226,688</u>	<u>\$ 14,748,572</u>

APPROVED:

_____ Director

_____ Director

See the accompanying notes.

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the Year Ended March 31, 2004

	<u>2004</u>	<u>2003</u>
INCREASE (DECREASE) IN ASSETS		
Contributions	\$ 172,483	\$ 195,215
Interest and Dividends	<u>588,464</u>	<u>808,242</u>
	760,947	1,003,457
Current Period Change in Fair Market Value of Investments	<u>2,689,165</u>	<u>(2,542,765)</u>
Total Increase (Decrease) in Assets	<u>3,450,112</u>	<u>(1,539,308)</u>
DECREASE IN ASSETS		
Benefits		
Pension Payments	464,474	433,006
Termination Payments	394,168	-
Administrative Actuary Fees	<u>98,497</u>	<u>94,213</u>
Total Decrease in Assets	<u>957,139</u>	<u>527,219</u>
INCREASE (DECREASE) IN NET ASSETS	2,492,973	(2,066,527)
NET ASSETS AVAILABLE FOR BENEFITS		
- BEGINNING OF YEAR	<u>14,709,518</u>	<u>16,776,045</u>
- END OF YEAR	<u>\$ 17,202,491</u>	<u>\$ 14,709,518</u>

See the accompanying notes.

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

STATEMENT OF OBLIGATIONS FOR PENSION BENEFITS

March 31, 2004

	<u>2004</u>	<u>2003</u>
ACTUARIAL PRESENT VALUE OF DEFINED BENEFITS		
Active Members	\$ 3,299,000	\$ 2,946,000
Pensioners	<u>8,425,000</u>	<u>8,092,000</u>
Total Ongoing Plan Liabilities (Note 4)	<u>11,724,000</u>	<u>11,038,000</u>
ACTUARIAL VALUE OF NET ASSETS AVAILABLE FOR BENEFITS		
Net Assets Available for Benefits	17,563,000	17,831,000
Changes not reflected in actuarial value of net assets	<u>(360,509)</u>	<u>(3,121,482)</u>
Adjusted Actuarial Value of Net Assets Available For Benefits (page 2)	<u>17,202,491</u>	<u>14,709,518</u>
EXCESS OF ACTUARIAL VALUE OF NET ASSETS OVER ACTUARIAL PRESENT VALUE OF DEFINED BENEFITS		
	<u>\$ 5,478,491</u>	<u>\$ 3,671,518</u>

See the accompanying notes.

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2004

NOTE 1 DESCRIPTION OF PLAN

a) General

The fund was established pursuant to the Legislative Assembly Retiring Allowances Act 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 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 next actuarial valuation will be undertaken in May 2004, for the general election that was held in November 2003. (See Note 4).

In accordance with the Trust agreement, Plan members are required to contribute 6.5% of their salary and per diem allowances 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

March 31, 2004

NOTE 1 DESCRIPTION OF PLAN - cont'd

3) Retirement Pension

A retirement pension is payable to a member, based on 2% of the average earnings over four consecutive years as an MLA multiplied by Credited Service 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 69.

6) Maximum Allowance

For benefits earned after 1991, the annual retirement pension payable shall not exceed the lessor 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

March 31, 2004

NOTE 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 25%) 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.

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

March 31, 2004

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

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 nor the benefit security of individual plan members.

b) Contributions are recognized in the accounts on an accrual basis based on earnings as reported by the members' employers.

c) Pension and termination benefits are shown as expenditures in the year of payment.

d) Investments for the Legislative Assembly Retiring Allowance Fund are stated at fair market value.

e) Prior year's figures have been restated, where applicable, to conform to current year's presentation.

f) 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.

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2004

NOTE 3 INVESTMENTS - RETIRING ALLOWANCE FUND

	<u>2004</u>	%	<u>2003</u>	%
<u>Funds Managed by Investment Counsellors</u>				
Cash and Cash Equivalents	\$ 1,381	0.01	\$ 1	-
UBS Canadian Equity Capital Fund Series A (Cost \$1,817,726; 2003-\$4,039,248)	2,282,392	13.28	3,873,251	26.3
McLean Budden Equity Funds (Cost \$3,180,198; 2003-zero)	3,703,560	21.56	-	-
UBS US Equity Fund Series A (Cost \$1,126,268; 2003 - 2,468,373)	1,008,216	5.87	1,844,597	12.5
UBS International Equity Funds Series A (Cost \$1,126,268; zero: 2003 \$4,613,881)	-	-	1,791,601	12.2
Temporary Investments (Cost \$402,951 ; 2003-\$1,114,977)	402,951	2.35	1,114,977	7.6
NWT Legislative Assembly Building Society Series A Bonds (Cost \$323,205; 2003 - \$353,236)	338,694	1.97	356,059	2.4
Canada Fixed Income Mutual Funds (Cost \$3,859,214; 2003 - \$5,856,949)	3,838,761	2.34	5,745,680	39
Government of Canada Bonds (Cost \$2,841,419; 2003 - zero)	3,142,167	8.29	-	-
McLean Budden Canadian Equity Value Fund (Cost \$2,078,068; 2003 - zero)	<u>2,462,906</u>	<u>4.34</u>	<u>-</u>	<u>-</u>
Total at Fair Market Value	<u>\$ 17,181,028</u>	<u>100</u>	<u>\$ 14,726,166</u>	<u>100</u>

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2004

NOTE 4 OBLIGATIONS FOR PENSION BENEFITS

The present value of accrued pension benefits was determined using the projected accrued benefit method prorated on service and the plan administrator's best estimate assumptions. The most recent actuarial valuation was made as of April 1, 2002 by Hewitt Associates, a firm of consulting actuaries. This actuarial valuation report was prepared to March 31, 2003 using the projected accrued benefit actuarial cost method (also known as the projected unit credit method), prorated on service. The report was prepared in accordance with accepted actuarial practice and in accordance with Section PS3250 of the CICA Public Sector Accounting and Auditing Handbook.

The principal components of changes in actuarial present values during the year were as follows:

	<u>2004</u>	<u>2003</u>
Actuarial present value of accrued pension benefits		
- beginning of year	\$ 11,038,000	\$ 10,387,000
Cost of benefits earned	437,000	437,000
Interest accrued on benefits	784,000	743,000
Experience gains and losses	-	(97,000)
Benefits paid	<u>(535,000)</u>	<u>(432,000)</u>
 Actuarial present value of accrued pension benefits		
- end of year	<u>\$ 11,724,000</u>	<u>\$ 11,038,000</u>

The assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long-term market conditions. Significant long term actuarial assumptions used in the market valuation were:

	<u>2004</u>	<u>2003</u>
Valuation Interest Rate (net of expenses)	7.0%	7.0%
Salary Projection Rate	5.0%	5.0%
Interest Credited on Contributions	7.0%	7.0%
Inflation Rate	4.0%	4.0%

The actuarial value of net assets available for benefits was determined based on market value on January 31, 2003. The actuarial value of assets is equal to a smoothed market value which spreads the difference between actual and expected investment income over a four year period and is then adjusted for payments due to, and payable from, the pension fund.

NOTE 5 FINANCIAL INSTRUMENTS

The organization's financial instruments consist of cash, marketable securities, long-term investments, accounts receivable and accounts payable. It is managements' opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments and that the fair value of these financial instruments approximate their carrying value.