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Annual Report

NWT Legislative Assembly Pension Plans

MARCH 31, 2011

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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, 2011.

I am pleased to advise you that from April 1, 2010 to March 31, 2011 the assets of both the RAA and SRAA funds performed well, with returns around 10%. The market value of the combined assets is approximately \$46.9 million which supports the payment of promised benefits and leaves a surplus of \$6.7 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 seven times to discuss pension related matters. Specifically, the Board undertook the following activities:

- Reviewed and approved the 2009-10 RAA audited financial statements;
- Reviewed and approved the 2009-10 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;
- Recommended amendments to the Acts to allow for division of benefits on relationship breakdown; adjust the calculation of allowances; and provide an additional payment option for former members; and
- Conducted a self-assessment of our governance structure.

I would like to thank my colleagues on 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

Hon. Paul Delorey **Chair**

Tom Beaulieu

Jackie Jacobson

Hon. Jackson Lafferty

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, 2010 to March 31, 2011.

Administration Report

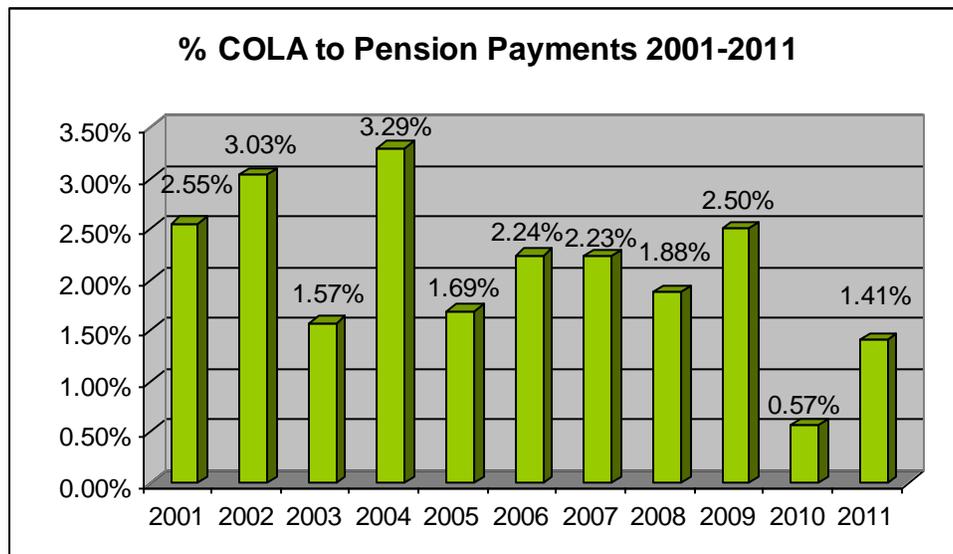
Section 21 of the RAA and section 11.1 of the SRAA require that a report on the administration of the Acts be presented to the Assembly each fiscal year. The report summarizes the current active membership, inactive members and plan assets. The report was tabled February 2, 2011 and is available on the Legislative Assembly website under Tabled Documents.

On April 1, 2010 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, one survivor of a prior member died and one dependent child reach the age of majority. Membership information at March 31, 2011 year 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	1	2
Pensioners	36	38

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, 2011 increase was 1.41%. The chart below provides a history of cost-of-living increases that have been applied to pension payments.



Investment Management

In December 2009 Connor, Clark and Lunn was engaged to replace UBS Global Asset Management for the existing mandate to manage the assets of the *Retiring Allowances Act* and the *Supplementary Retiring Allowances Act*. The transition to Connor, Clark and Lunn was completed late March 2010 and the Board reviewed the new investment manager's performance for the first time in the 2010-11 year.

Investment Performance

The RAA return for the year ending March 31, 2011 was 11.5%, slightly behind of the policy benchmark return of 11.8%. The one year performance was weaker primarily as a result of the performance of the foreign equity portfolios. This weaker return was mitigated somewhat by strong security selection, especially in the Canadian equity portfolio. For the four year period ending March 31, 2011, the RAA had an annualized return of 3.0% which was 20 basis points over the benchmark return of 2.8%.

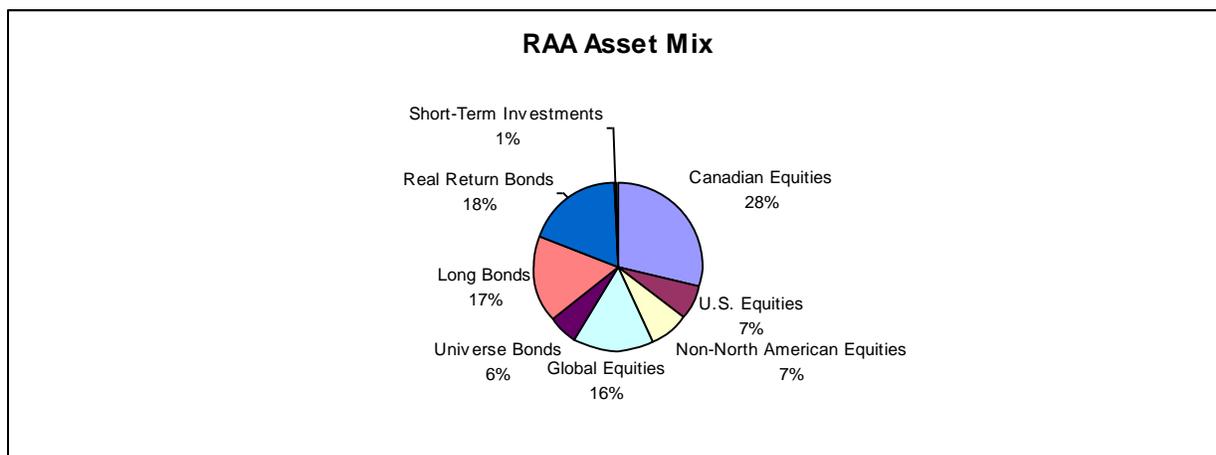
Return on Investments %	2011	2010
Annual Return	11.5	20.1
Annual Benchmark	11.8	21.2
Four Year Annualized Return	3.0	2.6
Four Year Benchmark	2.8	2.2

The SRAA return for the same period was 9.2%, trailing the policy benchmark of 10.6%. The one year performance was weaker as a result of poor performance in all asset classes except Canadian equities. Both the performance and allocation to Canadian equities had a positive effect on the portfolio. For the four year period ending March 31, 2011, the SRAA had an annualized return of 1.8% which was 10 basis points over the benchmark return of 1.7%.

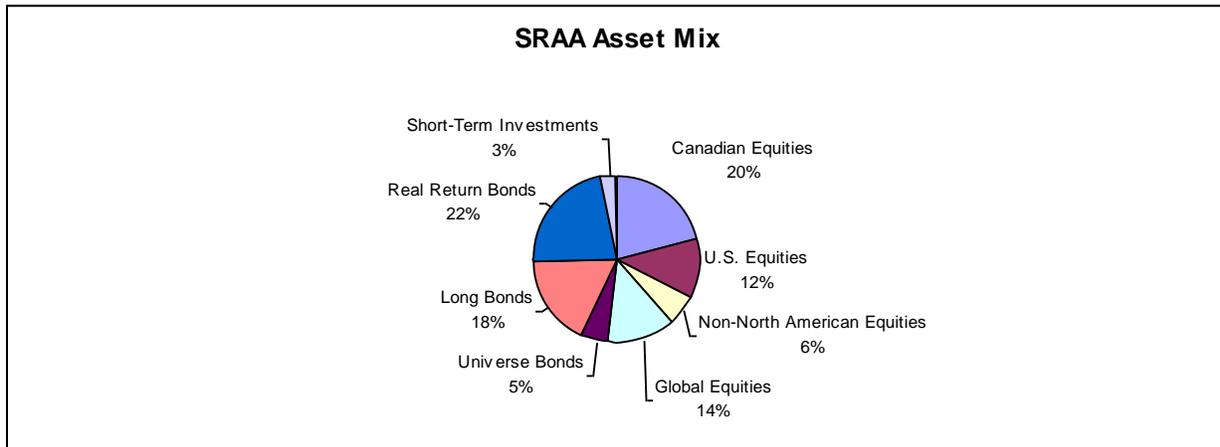
Return on Investments %	2011	2010
Annual Return	9.2	18.4
Annual Benchmark	10.6	19.5
Four Year Annualized Return	1.8	1.8
Four Year Benchmark	1.7	1.4

Financial Highlights

In the 2011 fiscal year, market value of assets for the RAA increased by \$1,647,496. Assets were increased by \$574,611 in investment income, a gain on sale of investments of \$355,220 and \$202,744 in Member contributions and reduced by pension payments of \$624,217 and \$142,052 in administrative and investment expenses. The net assets were increased by the unrealized gain in the fair value of the investments of \$1,281,190. The RAA asset mix at market value on March 31, 2011 is highlighted in the following chart.



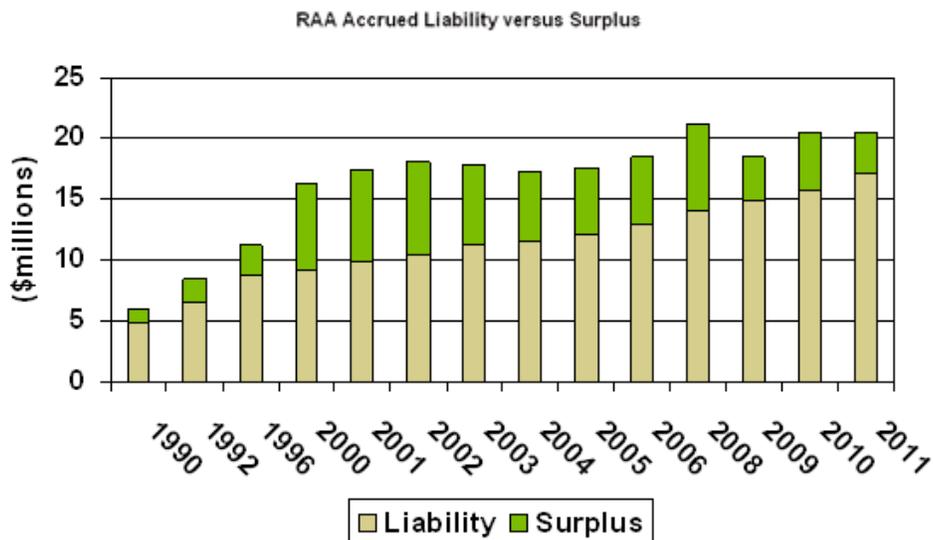
In the 2011 fiscal year, net assets for the SRAA increased by \$1,328,722. Assets were increased by \$673,058 in investment income and gains on sale of investments of \$222,114, and decreased by pension payments of \$901,272 and \$156,290 in administrative and investment expenses. The net assets were increased by the unrealized gain in the fair value of the investments of \$1,491,112. The SRAA asset mix at market value on March 31, 2011 is highlighted in the following chart.



Funded Status

Aon Hewitt, an independent actuary, determines the Plans' funded status by comparing the estimated actuarial value of invested assets to the 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, 2011, the RAA had an estimated surplus of \$3.3 million with an accrued liability of \$17.2 million. Similarly, the SRAA had an estimated surplus of \$3.5 million with an associated accrued liability of \$21.7 million. The following charts summarize the estimated accrued liability and surplus since 1990 for both plans.





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, 2011. 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, 2011 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. The primary changes contained in Bill 2 are summarized here for the information of Members and Former Members.

Pension Division on Marriage or Conjugal Relationship Breakdown

New sections 20.4 of the RAA and 10.3 of the SRAA provide for the division of a Member or Former Member’s pension in the event of a marriage breakdown (separation or divorce) or the breakdown of a conjugal relationship outside of marriage. This means that a Member or Former Member’s former spouse can apply to receive a portion of the pension earned by the Member under certain circumstances.

To qualify as an eligible conjugal relationship outside of marriage, the person must have lived with the Member or Former Member for at least two years, or together with the Member or Former Member be the natural or adoptive parents of a child.

In order to receive a share of the Member's pension, a court order or separation agreement must be filed with the Board of Management. The court order or separation agreement must include the following:

- The date when the period of joint pension accrual began and ended for the purposes of the Family Law Act,
- Any breaks in the period of joint pension accrual, and
- The percentage of the pension earned during the period of joint pension accrual that the former spouse is entitled to.

A court order or separation agreement must be received by the Board of Management within two years of its effective date in order for it to be valid.

Prior to filing a court order or separation agreement, a spouse may request information regarding the Member or Former Member's pension entitlement by making a written request for the information to the Board of Management.

Pension Calculation By Service

For Members that leave the Assembly after October 18, 2007, the method used to calculate pensions has changed. Previously, pensions were calculated separately for each position (e.g. MLA, Chairperson, Minister) that a Member held for at least one year. The amendments revise the calculation so there is just one calculation for all years of service, with earnings from each position combined for the purposes of the pension calculation by service.

New RAA Pension Option

Starting with Members who leave the Sixteenth Assembly, a new pension option was introduced under the RAA. Previously Members could choose between receiving a lifetime pension and having the value of their pension transferred to their personal RRSP (locked-in for Members age 55 or older). However, Members who elected to receive a transfer often had withholding tax assessed on a portion of the transfer because it exceeded Income Tax limits. The new option allows Members to receive a combination of a temporary pension payable until age 65, for example, plus a lump sum transfer in respect of the balance of their pension. By reducing the amount of the lump sum transfer the amount of withholding tax is reduced and in many cases can be completely avoided.

Appendix

Plan Activity Chart – Fiscal Year Ended March 31, 2011

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	Tabled October 2010	394-16-2010 438-16-2010
Self-Assessment of Governance Structure	Annually.	Consultant provides forms	Board completes assessment	Completed	422-16-2010 423-16-2010 439-16-2010
Strategic Plan and Risk Assessment	Every 3-4 years	Consultant provides advice	Board determines strategic and risk plan	Presentation on risk management provided Nov 2010	361-16-2010 431-16-2010
Plan and Communications Review					
Review Plan Text	Ongoing.	Law Clerk monitors developments	Board reviews/acts on advice	Mid-Term Review	N/A
Review member entitlement statements as regulated by pension legislation	Ongoing.	Plan Administrator monitors legislation and member feedback	Board receives/acts on advice	Estimated Statements of Entitlement replace Personal Pension Statements during election year	424-16-2010 433-16-2010
Review Statement of Investment Policies and Goals	Ongoing.	Investment Advisor provides advice as necessary	Board reviews/acts on advice	Completed	358-16-2010

Activity	Frequency	Initiation	Completion	Status	Board Minute or Meeting Date
Monitor Pension and Tax legislation	Ongoing.	Actuary advises Board of changes	Board reviews/acts on advice provided	Substantive amendments to RAA and SRAA	425-16-2010 426-16-2010 427-16-2010 428-16-2010 432-16-2010 445-16-2010 446-16-2010 454-16-2010
Monitor Case Law	Ongoing.	Law Clerk/Actuary advise Board of developments	Board reviews/acts on advice		
Plan Funding/Accounting					
Review Funding Position	Annually.	Actuary provides information and advice	Board reviews advice and sets policy	Completed	434-16-2010
Decide Frequency of Valuation Reports	Annually	Actuary provides information and advice	Board reviews advice and sets policy	Plan specifies next report due January 2012	
Approve Valuation Report	As required.	Actuary provides information and advice	Board reviews advice and sets policy	No new valuation in 2010/2011	
Approve Actuarial Method and Assumptions	As required	Actuary provides information and advice	Board reviews advice and sets policy	No new valuation in 2010/2011	
Approve Financial Statements	Annually.	Director of Corporate Services prepares statements	Board reviews and approves statements	Completed	377-16-2010 379-16-2010
Review Performance of Actuary	Annually.	Clerk formulates report and advice	Board considers advice and determines action	Completed	400-16-2010 421-16-2010
Review Performance of External Auditor	Annually.	Director of Corporate Services formulates report and advice	Board considers advice and determines action	Completed	360-16-2010 401-16-2010

Activity	Frequency	Initiation	Completion	Status	Board Minute or Meeting Date
Performance of Asset Management					
Monitor Investment Performance	Ongoing.	Investment Advisor provides advice	Board considers advice and determines action	Completed	429-16-2010
Confirm or Amend Investment Strategy	Ongoing.	Investment Advisor provides advice	Board considers advice and determines action	Investment Strategy not addressed in 2010/2011	
Review Content and Appropriateness of SIP&P	At least annually.	Investment Advisor provides advice	Board considers advice and determines action	Presentation on pension trends provided Nov 2010	435-16-2010
<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 					
Review Performance of Investment Manager(s)	Annually.	Investment Advisor provides advice	Board considers advice and determines action	Completed	359-16-2010 378-16-2010 393-16-2010 430-16-2010 461-16-2010
Review Performance of Custodian	Annually.	Director of Corporate Services provides advice	Board considers advice and determines action	Completed	402-16-2010
Review Performance of Investment Consultant	Annually.	Director of Corporate Services provides advice	Board considers advice and determines action	Completed	403-16-2010

Activity	Frequency	Initiation	Completion	Status	Board Minute or Meeting Date
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		
Communication					
Content of Communication Materials (annual statements)	Ongoing.	Plan Administrator prepares changes to materials	Board reviews and approves changes	Pension Administration Report tabled Nov 2010	436-16-2010 437-16-2010
Distribution of Plan Member Communication	Ongoing.	Plan Administrator	Board monitors quality and timeliness		
Member Feedback	Ongoing.	Plan Administrator monitors and advises Board	Board reviews advice	Only feedback was update to beneficiary information	
Hiring/Terminating Agents/Advisors					
Actuary	As required.	Clerk formulates advice	Board reviews advice	Exercised one year extension to current contract - 2011	447-16-2010 460-16-2010
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		
Lawyer	As required.	Clerk formulates advice	Board reviews advice		