

Annual Report

Northwest Territories MLAs' Pension Plans

March 31, 2009

Message from the Speaker

On behalf of the Board of Management, I am pleased to provide the first 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, 2009.

In a market where volatility is a constant, the importance of pension oversight has never been greater. In this regard, the Board of Management continues to take the necessary steps to ensure the structures and processes are in place so the Plans can continue to operate in compliance with existing legislation and administration is carried out in an effective and efficient manner.

2008-09 has been a challenging year for all pension plans. Financial markets were impacted by the global economic downturn, the housing slump, plunging auto sector demand and a drop in commodity prices. This was further exacerbated by the credit crisis which restrained business and housing investment. This recessionary environment has impacted all pension plans including our own. The RAA and the SRAA have seen significant losses to their net assets. From April 1, 2008, to March 31, 2009, the net assets of both funds have decreased by \$8.04 million or about 18%. Of this, \$7.47 million is a result of changes in the market value of our investments, i.e. these losses are unrealized. In comparison, average losses for Canadian pension plans were 15.6% for the same period.

An April 16, 2009, press release from the Office of the Superintendent of Financial Institutions noted that the solvency ratio (the ratio of plan assets to plan liabilities) for defined benefit plans in Canada decreased from 0.98 in June 2008 to 0.85 in December 31, 2008. The primary reason for this decrease was a result of losses associated with equity investments. While the RAA and SRAA incurred significant “paper losses”, the solvency ratio still remains healthy at 1.23.

Despite the impact of a turbulent year, your Pension Plan remains healthy. Net assets of \$37.9 million support the payment of promised

benefits in future years. In addition, the surplus of \$7.73 million will allow the Legislative Assembly to continue its contribution holiday for a number of years.

During the 2008-09 fiscal year, the Board of Management undertook the following key activities in support of its fiduciary responsibilities:

- Reviewed and approved the annual administration report;
- Reviewed and updated the Plans' Statement of Investment Policy and Procedures;
- Reviewed the investment management structure;
- Reviewed the performance of its investment managers;
- Reviewed and approved revised actuarial assumptions;
- Reviewed the results of the Plans' actuarial valuations;
- Implemented a Spousal Waiver of Benefit form for lump sum withdrawal from the RAA; and
- Reviewed and approved the financial statements for the RAA for the period ending March 31, 2009.

I would like to thank my colleagues on the Board of Management for their work on administering the pension plans. The Board will continue to monitor the financial health of the plan to ensure it meets the needs of our Members.

Respectfully,

Paul Delorey
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's 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

Paul Delorey **Chair**
Tom Beaulieu
Jackie Jacobson
Hon. Jackson Lafferty
David Ramsay

Advisors

Actuaries

Hewitt Associates

Auditors

Avery, Cooper and Company

Custodian

CIBC Mellon Global Services

Investment Manager

MacLean Budden Limited
UBS Global Asset Management

Plan Description

The *RAA* is the basic MLA's 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 final 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 by the Plan custodian 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 with respect to the Plans to ensure they are managed in accordance with governance manual and the *RAA* and *SRAA*. Since December 2007, the Board of Management has worked to ensure that it is meeting its fiduciary obligations. The Plan Activity Chart (Attachment A) to this report details the activities of the Board from December 2007 to March 31, 2009.

Administration Report

The *RAA* and *SRAA* require that a report on the administration of each Act be presented to the Assembly by the Board of Management each fiscal year. This report summarized the current active membership, inactive members and plan assets. This report was tabled October 2, 2008, and is available on the Legislative Assembly website.

Membership information for the 2007-08 year is as follows:

	<i>RAA</i>	<i>SRAA</i>
Active	19	19
Deferred Non-Vested Members	13	0
Deferred Vested Pensioners	2	3
Pensioners	35	37

On January 1st each year, pensions are increased to reflect changes in the cost of living as measured by the average Consumer Price Index to September 30th of the previous year. The January 1, 2008 increase was 1.88%.

Statement of Investment Policies and Procedures

In 2008, the Board of Management reviewed the Statement of Investment Policies and Procedures. The last amendment to the Policies and Procedures was undertaken in 2004. The review found that minor changes to the Policies and Procedures were required to reflect the needs of the Plans. This included: (1) changing the benchmarks for real return bonds, long bonds, universe bonds and short-term investments; and (2) providing direction to the Investment Managers in cases where there is conflict between the Board's Investment Policy and the investment policy of a pooled fund. These changes have been adopted by the Board of Management.

The Statement of Investment Policy outlines the principles by which the assets of the Legislative Assembly Retiring Allowances Fund and Supplementary Retiring Allowances Fund are managed. The goals are to ensure that all relevant issues are considered in formulating an investment strategy for the Funds; state the investment guidelines for the Funds; and define the performance goals and the procedure for measuring the Managers' performance.

The current investment strategy for both plans is focused on the long-term growth of the assets with sufficient cash and short-term investments to meet short-term liquidity requirements. In addition, the policy focuses on a defensive position in order to maintain the Plans' funded positions and to ensure additional contributions from the Legislative Assembly are not required.

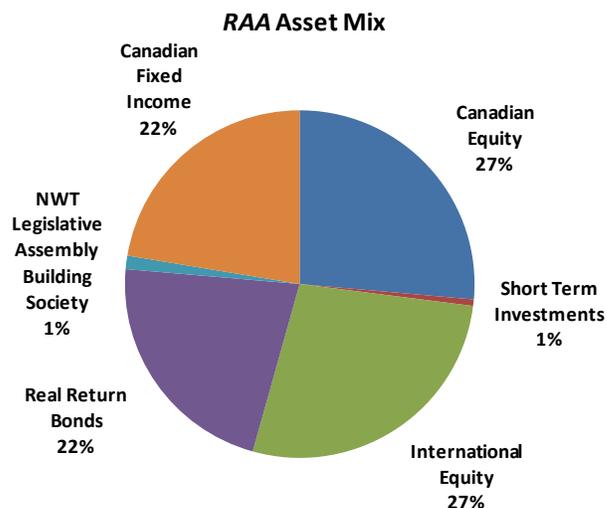
Investment Manager Review

The Board of Management reviewed its current investment management structure this past year. The plan assets are currently managed by UBS Global Asset Management and MacLean Budden Limited. Based on historical returns and a risk audit, the managers were providing reasonable levels of return and risk. While the funds were achieving the real rate of return, they were both underperforming the benchmark portfolio. The

rationale behind this underperformance was based on the managers taking a defensive position with respect to stock selection and holding in what they felt was an overvalued market. Recently, both managers have outperformed the benchmarks thus validating their strategy. At this time, the Board had decided to remain with its current investment management structure, however, the performance of our investment managers is an area the Board will continue to monitor diligently.

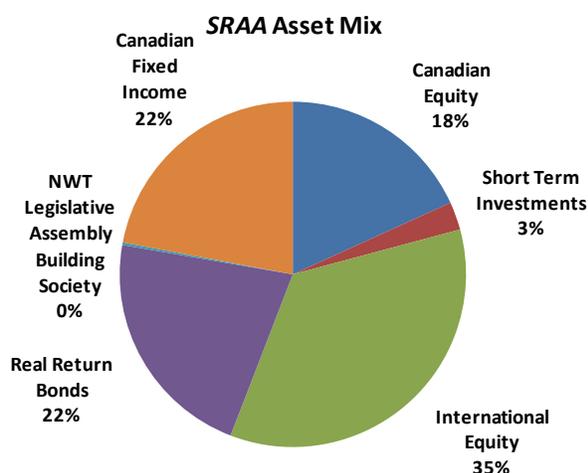
Fund Performance Retiring Allowances Fund

In 2009, net assets for the RAA decreased by \$3,443,178 which represents a 17% decrease from 2008 net assets. Assets were increased by \$683,302 in investment income and \$164,834 in Member contributions and reduced by a loss on sale of investments of \$218,190, pension payments of \$622,214 and \$165,014 in administrative and investment expenses. The net assets were further reduced by the unrealized loss in the fair value of the investments of \$3,291,896. The RAA asset mix at market value on March 31, 2009, is highlighted in the following chart.



Supplementary Retiring Allowances Fund

In 2009, net assets for the *RAA* decreased by \$4,594,426 which represents an 18.5% decrease from 2008 net assets. Assets were increased by \$858,124 in investment income and reduced by a loss on sale of investments of \$196,296, pension payments of \$903,258 and \$175,176 in administrative and investment expenses. The net assets were further reduced by the unrealized loss in the fair value of the investments of \$4,177,820. The *SRAA* asset mix at market value on March 31, 2009 is highlighted in the following chart.

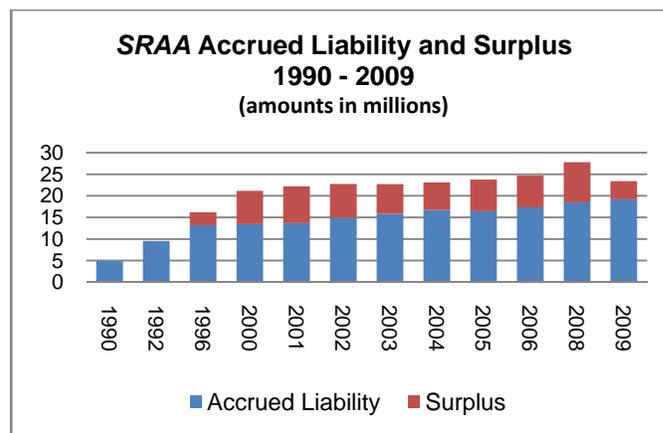
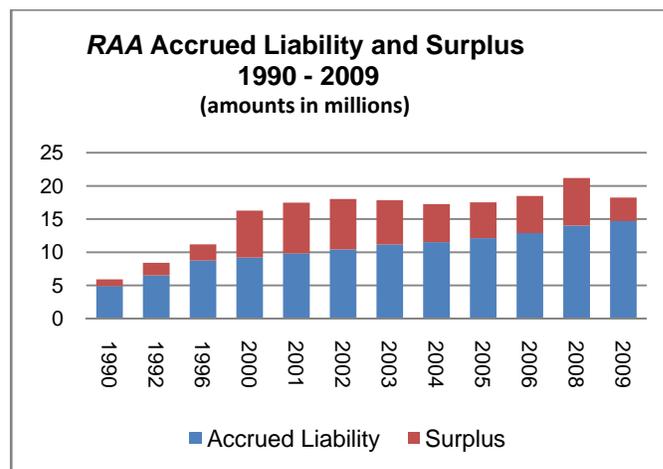


Funded Status

Hewitt Associates, 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 while the surplus in both plans has decreased significantly, both plans continue to be fully funded. In 2009, the *RAA* had an estimated surplus of \$3.53 million and an accrued liability of \$14.7 million. Similarly, the *SRAA* had an estimated surplus of \$4.198 million and an accrued liability of \$19.19 million. While the accrued liability

has increased by a modest amount in 2009, the value of the assets has shrunk by \$2.968 million and \$4.399 million for the *RAA* and the *SRAA* respectively. The following charts summarize the estimated accrued liability and surplus since 1990 for both plans.



Waiver of Spousal Benefit Form

The *RAA* and the *SRAA* provide pension benefits to both the Member and his or her spouse. A portion of the Member's pension continues to be provided to the spouse upon the death of the Member. However, a spouse can lose his or her pension when a Member elects to have a lump sum transfer out of the *RAA*. The *RAA* allows a Member at any time to elect to transfer the aggregate value of their pension under the *RAA* to an RRSP.

Spouses are plan beneficiaries and are entitled to the same fiduciary considerations as the plan members. As per best practice and to protect the interests of all beneficiaries, the Board approved a Spousal Waiver of Benefits form. A Member will require this form be signed by the spouse should they chose to elect a lump sum transfer out of the RAA.

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, 2009. 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, 2009, 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.

Communication

The goal of the communication activities is to increase Member understanding of the pension plans. Communications for 2008-09 focused on how the pension benefit is calculated; the benefit accrual; contributions and survivor benefits. In addition, this governance report is another communication tool to assure membership that the Board of Management is meeting its fiduciary responsibility.