

Annual Report

Northwest Territories MLAs' Pension Plans

MARCH 31, 2010

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Northwest Territories MLA's Pension Plans

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, 2010.

I am pleased to advise you that from April 1, 2009 to March 31, 2010 the net assets of both funds have increased by \$5.58 million or about 15%. The net assets of \$42.5 million support the payment of promised benefits and the surplus of \$10.3 million, a 30% increase over 2009, will allow 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 7 seven times to discuss pension related matters. Specifically, the Board undertook the following activities:

- Approved the amendment to the Legislative Assembly Retiring Allowances Act to permit the Board to enact a Spousal Waiver;
- Approved an accounting policy change to reflect contributed materials and services used in the preparation and presentation of the RAA financial statements;
- Reviewed and approved the 2008-09 RAA audited financial statements;
- Reviewed and approved the 2008-09 annual governance report;
- Reviewed and approved the annual administration report;
- Reviewed the performance of its investment managers and approved the replacement of one of those managers;
- Reviewed the performance of the Board's external advisors;
- Approved the inclusion of additional information on the personal pension statement; 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,



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

Connor, Clark & Lunn

Plan Description

The RAA is the basic MLA's tax registered pension plan for 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 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 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. Since April 1, 2009, the Board has worked 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, 2009 to March 31, 2010.

Administration Report

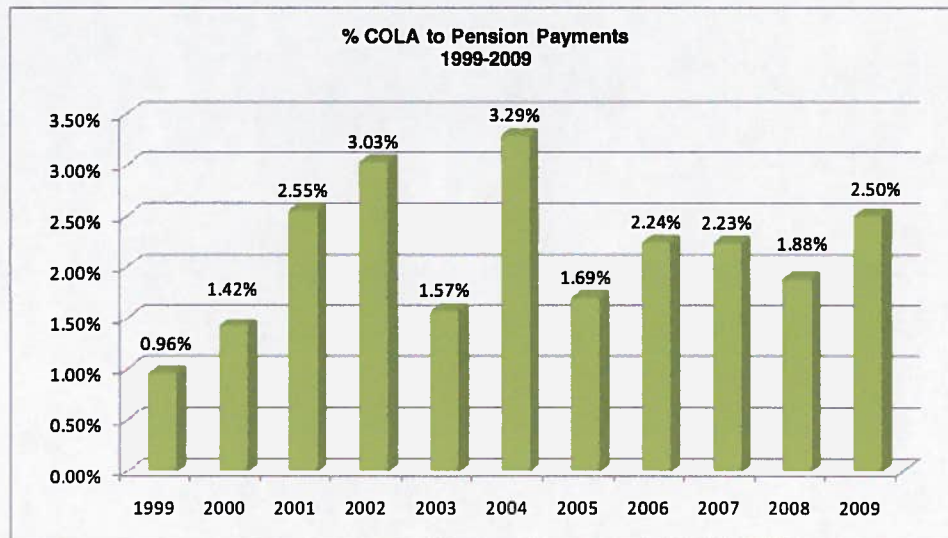
Section 21 of the RAA and section 11.1 of the SRAA require that a report on the administration of each Act be presented to the Assembly each fiscal year. The reports summarize the current active membership, inactive members and plan assets. The report was tabled January 27, 2010 and is available on the Legislative Assembly website under Tabled Documents.

As of March 31, 2009 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, two pensioners died and were replaced by four beneficiaries and one Member elected to draw down a pension. Membership information for the 2008-09 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	38	40

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, 2009 increase was 2.50%. The chart below provides a 10 year 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.

Investment Performance

The RAA return for 2010 was 20.3% up substantially from the 2009 return of -14.4%. However, the fund trailed the policy benchmark of 21.2%. The one year performance was weaker as a result of asset and stock selection in Canadian securities. This weaker return was mitigated somewhat by security selection within the fixed income portfolio and the US equity portfolio. For the four year period ending March 31, 2010, the RAA had an annualized return of 2.7% which is 50 basis points over the benchmark return of 2.2%.

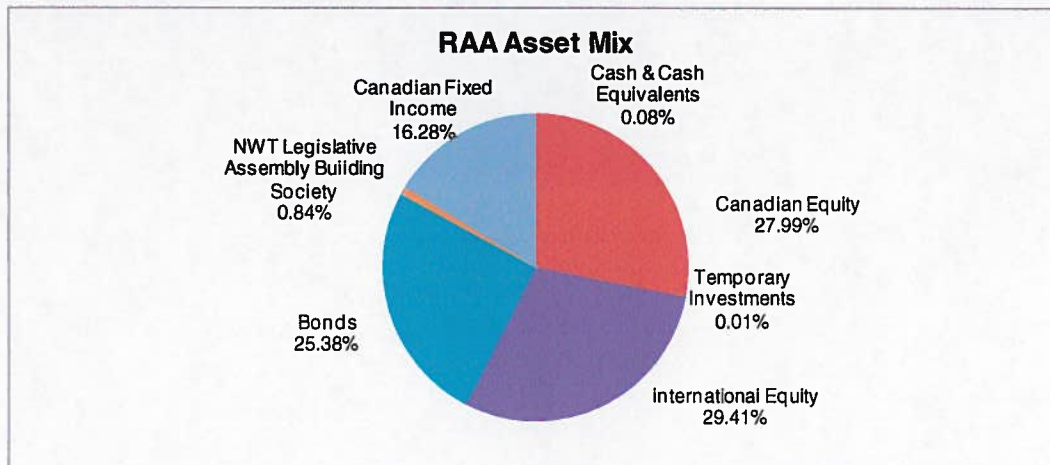
Return on Investments %	2010	2009
Annual Return	20.3	-14.4
Annual Benchmark	21.2	-17.5
Four Year Annualized Return	2.7	1.4
Four Year Benchmark	2.2	1.1

The SRAA return for the same period was 18.4%, a far better return than the previous year's result of -14.0%. While the return was better than the previous period, it trailed the policy benchmark of 19.84%. The one year performance was weaker as a result of asset mix i.e. an overweight in Canadian equities in the last half of the period and an underweight in long bonds. Mitigating this impact was security selection within the fixed income portfolio and the US equity portfolio. For the four year period ending March 31, 2010, the SRAA had an annualized return of 1.8% which is 40 basis points over the benchmark return of 1.4%.

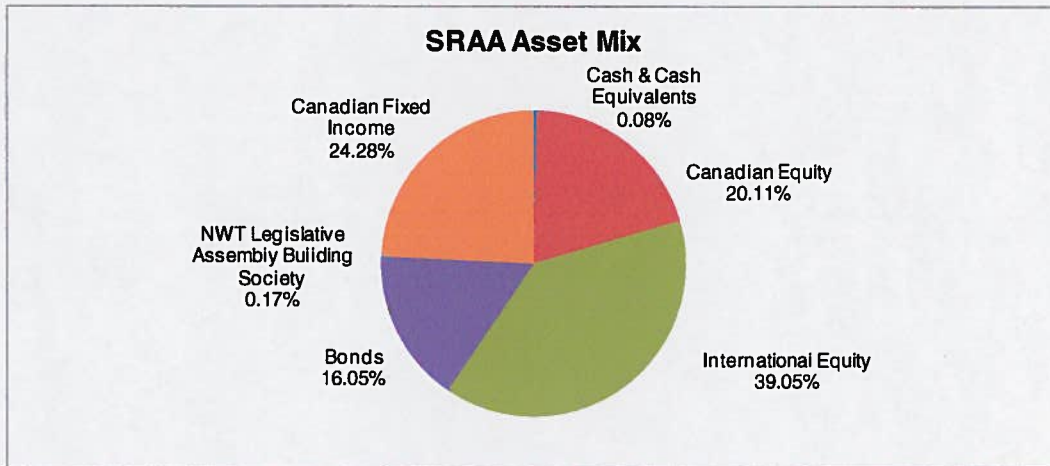
Return on Investments %	2010	2009
Annual Return	18.4	-14.0
Annual Benchmark	19.4	-17.2
Four Year Annualized Return	1.8	0.6
Four Year Benchmark	1.4	0.4

Financial Highlights

In 2010, net assets for the RAA increased by \$2,752,677 which represents a 16.4% increase from 2009 net assets. Assets were increased by \$619,093 in investment income and \$185,251 in Member contributions and reduced by a loss on sale of investments of \$179,689, pension payments of \$632,467 and \$144,921 in administrative and investment expenses. The net assets were increased by the unrealized gain in the fair value of the investments of \$2,899,410. The RAA asset mix at market value on March 31, 2010 is highlighted in the following chart.



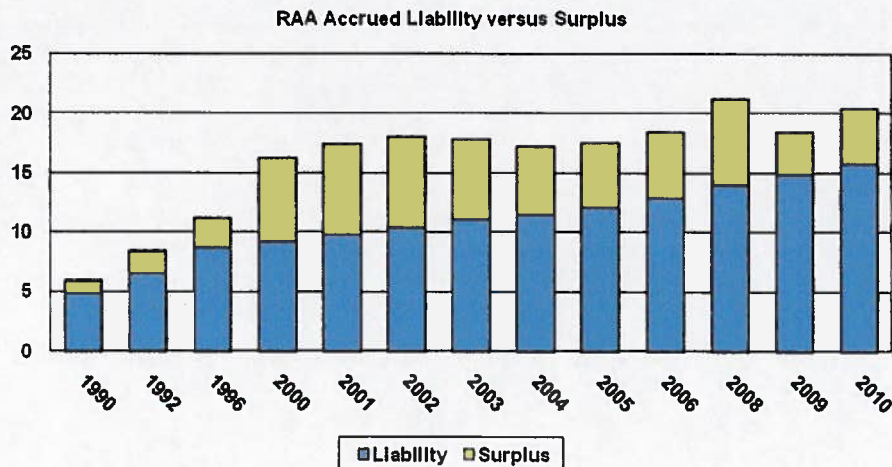
In 2010, net assets for the SRAA increased by \$2,826,735 which represents a 14.0% increase from 2009 net assets. Assets were increased by \$765,480 in investment income and reduced by a loss on sale of investments of \$327,085, pension payments of \$913,983 and \$143,169 in administrative and investment expenses. The net assets were increased by the unrealized gain in the fair value of the investments of \$3,445,492. The SRAA asset mix at market value on March 31, 2010 is highlighted in the following chart.

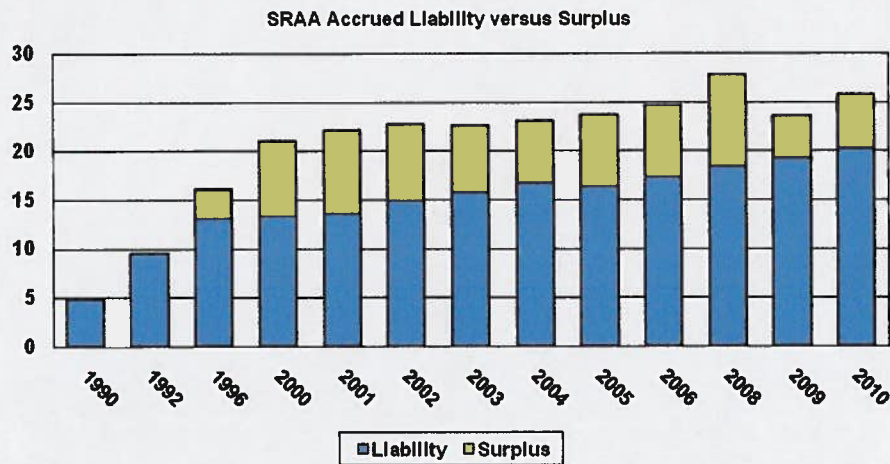


Funded Status

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 the surplus in both plans have increased and both plans continue to be fully funded. In 2010, the RAA had an estimated surplus of \$4.71 million, an increase of \$1.08 over the prior period with an accrued liability of \$15.75 million. Similarly, the SRAA had an estimated surplus of \$5.62 million, an increase of \$1.29 million with an associated accrued liability of \$20.22 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, 2010. 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, 2010 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.

Communication

Over the past year, the Board has worked to increase its level of communication with plan members. One of these steps was a mail out to all members of a copy of the Annual Report for the Northwest Territories MLA's Pension Plans for the year ending March 31, 2009. In addition the Board amended the Personal Pension Statement each member receives annually. This change included information regarding the value of a Member's pension should the Member retire prior to age 60.

Appendix

Plan Activity Chart – Fiscal Year Ended March 31, 2010

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 June 2009	260-16-2009 279-16-2009
Self-Assessment of Governance Structure	Annually.	Consultant provides forms	Board completes assessment	Completed	325-16-2009
Strategic Plan and Risk Assessment	Every 3-4 years	Consultant provides advice	Board determines strategic and risk plan	Periodic July 2007 Next major risk framework review Fall 2010	
Plan and Communications Review					
Review Plan Text	Ongoing.	Law Clerk monitors developments	Board reviews/acts on advice	Mid-Term Review	222-16-2009
Review member entitlement statements as regulated by pension legislation	Ongoing.	Plan Administrator monitors legislation and member feedback	Board receives/acts on advice	Completed	319-16-2009
Review Statement of Investment Policies and Goals	Ongoing.	Investment Advisor provides advice as necessary	Board reviews/acts on advice		
Monitor Pension and Tax legislation	Ongoing.	Actuary advises Board of changes	Board reviews/acts on advice provided	Spousal waiver requirement added to RAA Regulations after 2008 BOM decision.	247-16-2009 255-16-2009

Activity	Frequency	Initiation	Completion	Status	Board Minute or Meeting Date
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	323-16-2009
Decide Frequency of Valuation Reports	Annually	Actuary provides information and advice	Board reviews advice and sets policy	Completed	323-16-2009
Approve Valuation Report	As required.	Actuary provides information and advice	Board reviews advice and sets policy	Completed	223-16-2009
Approve Actuarial Method and Assumptions	As required	Actuary provides information and advice	Board reviews advice and sets policy	No new valuation in 2009	
Approve Financial Statements	Annually.	Director of Corporate Services prepares statements	Board reviews and approves statements	Completed	259-16-2009
Review Performance of Actuary	Annually.	Clerk formulates report and advice	Board considers advice and determines action	Completed	303-16-2009
Review Performance of External Auditor	Annually.	Director of Corporate Services formulates report and advice	Board considers advice and determines action	Completed	301-16-2009
Performance of Asset Management					
Monitor Investment Performance	Ongoing.	Investment Advisor provides advice	Board considers advice and determines action	Completed	289-16-2009 316-16-2009
Confirm or Amend Investment Strategy	Ongoing.	Investment Advisor provides advice	Board considers advice and determines action	Completed	323-16-2009

Activity	Frequency	Initiation	Completion	Status	Board Minute or Meeting Date
Review Content and Appropriateness of SIP&P	At least annually.	Investment Advisor provides advice	Board considers advice and determines action	Defer to 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	261-16-2009 277-16-2009 318-16-2009 349-16-2010
Review Performance of Custodian	Annually.	Director of Corporate Services provides advice	Board considers advice and determines action	Completed	302-16-2009
Review Performance of Investment Consultant	Annually.	Director of Corporate Services provides advice	Board considers advice and determines action	Outstanding	
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	Complete. No changes in 2009.	

Activity	Frequency	Initiation	Completion	Status	Board Minute or Meeting Date
Distribution of Plan Member Communication	Ongoing.	Plan Administrator	Board monitors quality and timeliness	Active: October 2009 Pensioners: December 2009 Annual Report mailed July 2009.	
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		
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	Complete	250-16-2009 317-16-2009
Investment Consultant	As required.	Clerk formulates advice	Board reviews advice		
Lawyer	As required.	Clerk formulates advice	Board reviews advice		