

Annual Report

NWT Legislative Assembly Pension Plans

MARCH 31, 2015

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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, 2015.

Over the twelve month period to March 31, 2015 the assets of the RAA earned a return of 16.8% and the assets of the SRAA earned a return of 17.5%, outperforming the benchmark by 2.0% and 1.8% respectively. The market value of the combined assets is approximately \$59.6 million which supports the payment of promised benefits and leaves a surplus of \$5.3 million allowing the Legislative Assembly the option 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 five times to discuss pension related matters. Specifically, the Board undertook the following activities:

- Reviewed and approved the 2014-15 RAA audited financial statements;
- Reviewed and approved the 2014-15 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;
- Reviewed the development of a funding policy;
- Reviewed the results of the Asset Mix study
- Conducted a self-assessment of our governance structure.

I would like to thank the other members of 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 as of March 31, 2015

Hon. Jackie Jacobson **Chair**

Frederick Blake Jr.

Robert Bouchard

Hon. Jackson Lafferty

Hon. David Ramsay

Advisors

Former Member

Brendan Bell

Actuaries

Aon Hewitt

Auditors

Ashton Chartered Accountants

Custodian

CIBC Mellon Global Services

Investment Manager

MFS MacLean Budden

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. The Appendix contains a Plan Activity Chart which details the activities of the Board from April 1, 2014 to March 31, 2015.

The Board met in November 2014 to review a proposal to introduce a funding policy. A funding policy attempts to define the Assembly's funding objectives, in order to appropriately balance the interests of the stakeholders. At present, a final version has not yet been adopted.

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 March 31, 2014 report was tabled February 10, 2015 and is available on the Legislative Assembly website under Tabled Documents.

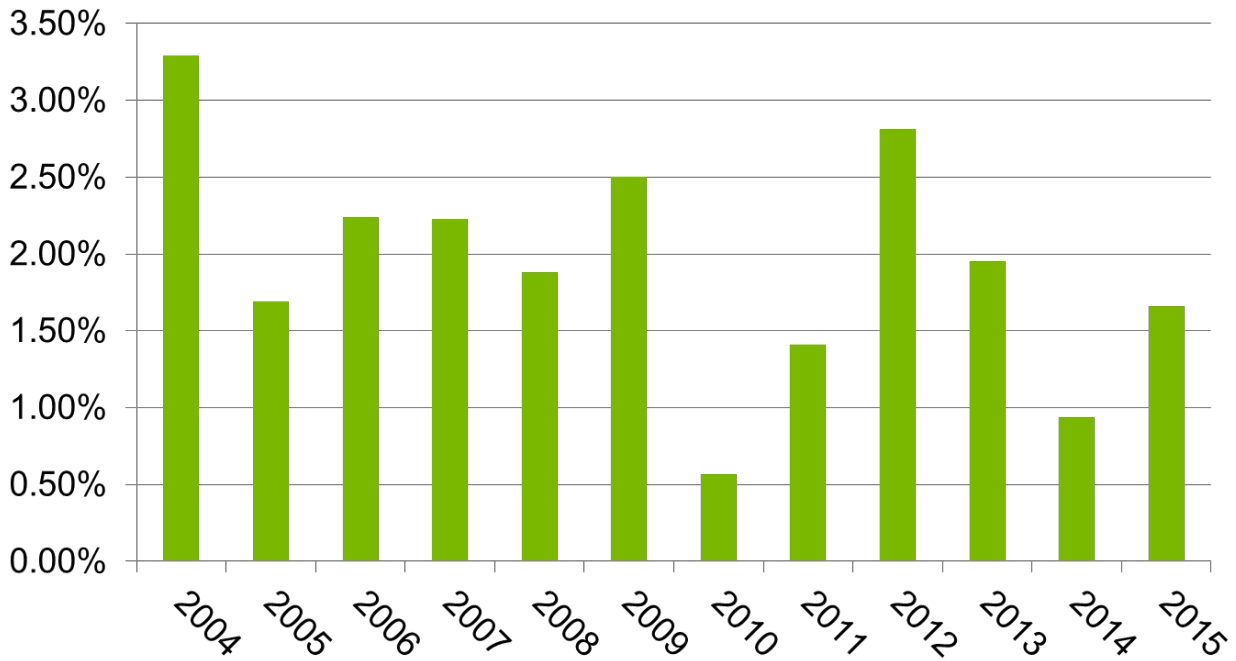
On March 31, 2015 there were thirty-eight (39) prior members or survivors of prior members receiving monthly pensions from the RAA and forty (41) from the SRAA. Membership information at March 31, 2015 is outlined in Table 1: Summary of Membership Information.

Table 1: Summary of Membership Information

	RAA	SRAA
Active	19	19
Deferred Non-Vested Members	13	0
Deferred Vested Pensioners	1	4
Pensioners	39	41

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, 2015 increase was 1.66%. The chart below provides a history of cost-of-living increases that have been applied to pension payments.

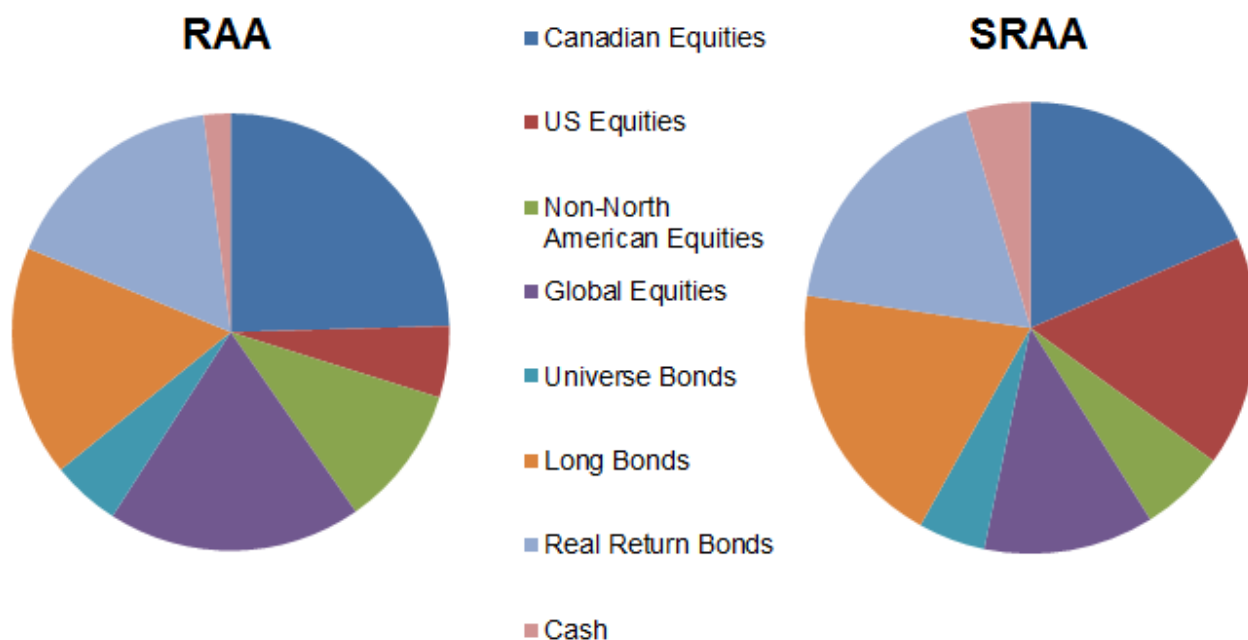
% COLA to Pension Payments 2004 - 2015



Investment Management.

The Board employs two investment management firms to invest the assets of the RAA and the SRAA. Each firm invests roughly half of the assets of the RAA and half of the assets of the SRAA in a number of asset classes that include Canadian, US and International equities as well as fixed income assets (e.g. bonds) to provide diversification. The two firms employ different investment styles which provide additional diversification to the pension assets so that when the assets invested by one firm are not performing very well, the assets invested by the other firm will hopefully perform better.

The asset mix of the RAA and SRAA pension funds at March 31, 2015 is summarized in the chart below.



Investment Performance

The RAA return for the year ending March 31, 2015 was 16.8%, which was greater than the policy benchmark return of 14.8%. Both asset allocation and security selection contributed to the strong one-year performance. All asset classes except the CC&L Real Return Bonds outperformed their respective benchmarks over the past year. For the four-year period ending March 31, 2015, the RAA had an annualized return of 10.7% which exceeded the benchmark return of 10.7% by 1.2%.

Return on Investments %	2015	2014
Annual Return	16.8	13.9
Annual Benchmark	14.8	10.7
Four Year Annualized Return	10.7	9.4
Four Year Benchmark	9.5	8.8

The SRAA return for the year ending March 31, 2015 was 17.5%, exceeding the policy benchmark of 15.7%. As with the RAA fund, all asset classes outperformed their respective benchmarks except the CC&L Real Return Bonds. For the four year period ending March 31, 2015, the SRAA had an annualized return of 11.5% which exceeded the benchmark return of 10.4% by 1.1%.

Return on Investments %	2015	2014
Annual Return	17.5	13.9
Annual Benchmark	15.7	11.8
Four Year Annualized Return	11.5	9.5
Four Year Benchmark	10.4	9.2

Financial Highlights

In this fiscal year, there were no significant membership changes. The payment of pension benefits was relatively steady throughout the year. Investment income and Member contributions exceeded the pension payments and expenses paid out of the plan, resulting in an increase in the overall fund values. A summary of the change in market value of assets over the past year is summarized in the table below.

	RAA	SRAA
Market value at Mar 31, 2014	\$23,107,546	\$29,581,711
Member contributions	205,882	0
Investment income	3,827,714	5,064,848
Pension payments	(775,456)	(1,050,351)
Lump sum payments	0	0
Expenses	(159,424)	(185,459)
Market value at Mar 31, 2015	\$26,206,262	\$33,410,749

Funded Status

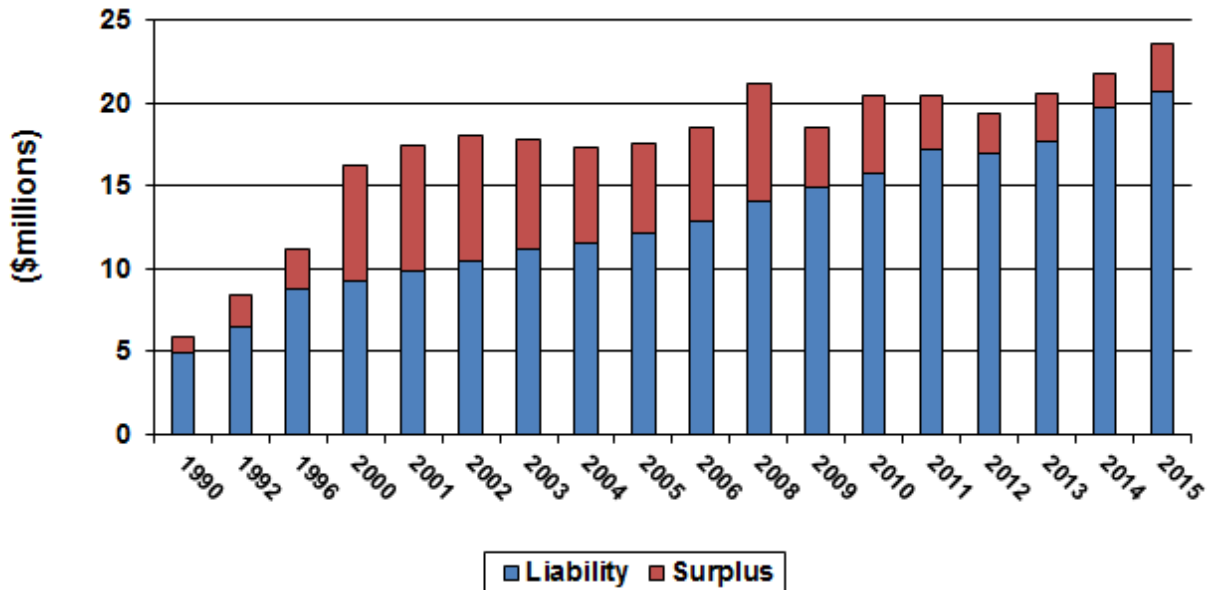
Aon Hewitt, an independent actuary, determines the Plans' funded status by comparing the actuarial value of invested assets to the present value of all pension benefits that members have earned and are expected to earn in the future.

Following each election, a full actuarial funding valuation is performed for each plan and formal reports are produced by the actuaries. The RAA report is filed with the Canada Revenue Agency, who approves the range of contributions that may be deposited into the plan fund until the next formal actuarial funding valuation is filed.

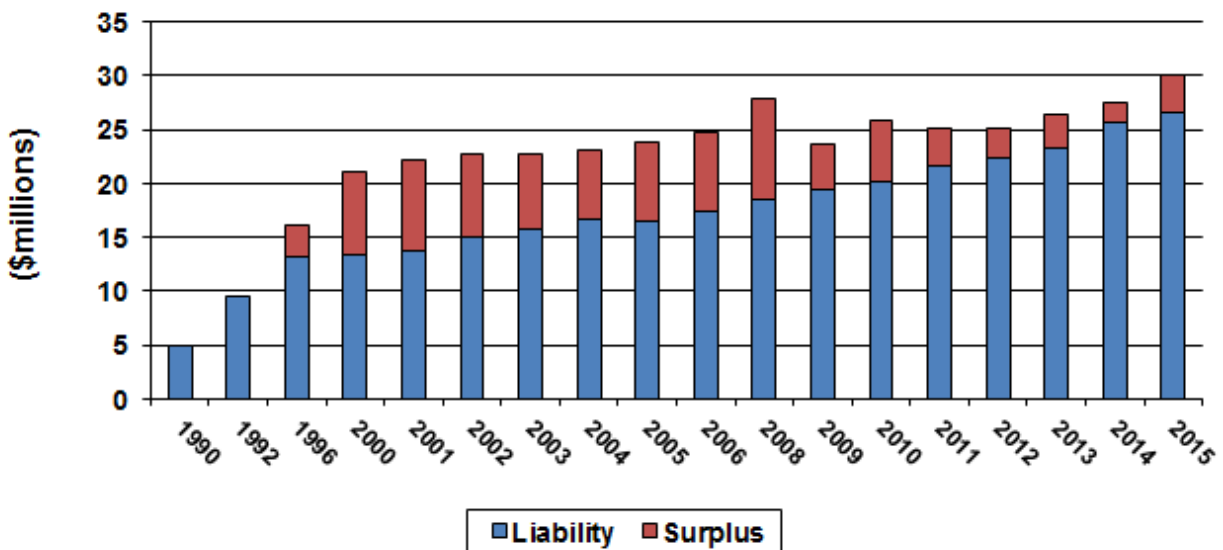
The April 1, 2012 actuarial funding valuations confirmed that both plans continue to be fully funded. The RAA had a surplus of \$2.4 million with plan liabilities totaling \$16.9 million. The SRAA had a surplus of \$2.7 million with plan liabilities totaling \$22.4 million.

Although formal actuarial valuations are generally only performed following each election, the actuary presents the estimated funded position of the plans to the Board once each year. The actuarial estimates at March 31, 2015 have confirmed that both plans continue to have a surplus. At March 31, 2015, the RAA had an estimated surplus of \$2.9 million with an accrued liability of \$20.7million. The SRAA had an estimated surplus of \$3.4 million with an associated accrued liability of \$26.6 million. These estimates use the same assumptions as adopted for the actuarial valuation at April 1, 2012, except that the a revised mortality assumption, reflecting improvements revealed as part of the Canadian Institute of Actuaries Pensioner Mortality Study. The following charts summarize the estimated accrued liability and surplus since 1990 for both plans.

RAA Accrued Liability versus Surplus



SRAA Accrued Liability versus Surplus



The Board has seen a continued decrease in the level of surplus in the plans over the last few years. The decrease in surplus is due, in part, to poor market performance and to the lower interest rate environment. The historical surplus has been used to allow the Assembly to take a contribution “holiday”. In other words, the surplus has been used to pay for Assembly contributions to fund new benefits earned by Members for over a decade. The Board recognizes that as the surplus is depleted, the Assembly will be required to resume cash contributions to the plans. The Board has engaged the actuaries to assist in the drafting of a formal funding policy to guide the current and future Boards in strategic decisions surrounding the appropriate level of cash contributions and contribution “holidays” using surplus in future years.

Fund Audit

Ashton Chartered Accountants audited the Statement of Changes in Net Assets Available for Benefits and the Statement of Obligations for Pension Benefits as at March 31, 2015. 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, 2015 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.

Appendix

Plan Activity Chart – Fiscal Year Ended March 31, 2015

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	Completed	November 24, 2014 370-17-2014
Self-Assessment of Governance Structure	Annually.	Consultant provides forms	Board completes assessment	Completed	November 25, 2014 378-17-2014
Strategic Plan and Risk Assessment	Every 3-4 years	Consultant provides advice	Board determines strategic and risk plan	Aon Hewitt delivered presentation on pension trends	November 25, 2014 377-17-2014
Plan and Communications Review					
Review Plan Text	Ongoing.	Law Clerk monitors developments	Board reviews/acts on advice	Board directs amendments to definition of dependent child	November 24, 2014 379-17-2014
Review member entitlement statements as regulated by pension legislation	Ongoing.	Plan Administrator monitors legislation and member feedback	Board receives/acts on advice	Board reviews Members pension statements. No changes.	November 24, 2014 372-17-2014
Review Statement of Investment Policies and Goals	Ongoing.	Investment Advisor provides advice as necessary	Board reviews/acts on advice	Review completed. Updating of signing authorities are amended.	November 24, 2013 373-17-2014
Monitor Pension and Tax legislation	Ongoing.	Actuary advises Board of changes	Board reviews/acts on advice provided	No changes to report	N/A
Monitor Case Law	Ongoing.	Law Clerk/Actuary advise Board of developments	Board reviews/acts on advice	No developments to address	N/A

Activity	Frequency	Initiation	Completion	Status	Board Minute or Meeting Date
Plan Funding/Accounting					
Review Funding Position	Annually.	Actuary provides information and advice	Board reviews advice and sets policy	Board reviews options for funding target Board approves in principle draft funding policy	August 21, 2014 347-17-2014 November 24, 2014 374-17-2014
Decide Frequency of Valuation Reports	Annually	Actuary provides information and advice	Board reviews advice and sets policy	Completed in November 2012	N/A
Approve Valuation Report	As required.	Actuary provides information and advice	Board reviews advice and sets policy	Completed in November 2012	N/A
Approve Actuarial Method and Assumptions	As required	Actuary provides information and advice	Board reviews advice and sets policy	Completed in November 2012	N/A
Approve Financial Statements	Annually.	Director of Corporate Services prepares statements	Board reviews and approves statements	Completed	August 21, 2014 345-17-2014
Review Performance of Actuary	Annually.	Clerk formulates report and advice	Board considers advice and determines action	Completed in November 2012. Will be reviewed in November 2014	November 24, 2014 381-17, 2014
Review Performance of External Auditor	Annually.	Director of Corporate Services formulates report and advice	Board considers advice and determines action	Completed. Recommendation to seek bids through a competitive process was approved.	November 24, 2014 383-17-2014
Performance of Asset Management					
Monitor Investment Performance	Ongoing.	Investment Advisor provides advice	Board considers advice and determines action	Completed	November 25, 2014 375-17-2014

Activity	Frequency	Initiation	Completion	Status	Board Minute or Meeting Date
Confirm or Amend Investment Strategy	Ongoing.	Investment Advisor provides advice	Board considers advice and determines action	Board provides investment direction to Director	November 25, 2014 376-17-2014
Review Content and Appropriateness of SIP&P	At least annually.	Investment Advisor provides advice	Board considers advice and determines action	Completed	November 25, 2014 376-17-2014
<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 	Board approved and adopted the recommended asset mix review and investment manager structure. November 25, 2014 RoD: 376-17-2014				
■ Approve Securities Lending					
Review Performance of Investment Manager(s)	Annually.	Investment Advisor provides advice	Board considers advice and determines action	Completed	November 25, 2014 375-17-2014
Review Performance of Custodian	Annually.	Director of Corporate Services provides advice	Board considers advice and determines action	Board approves signing authorities to provide direction to custodian	November 24, 2014 380-17-2014
Review Performance of Investment Consultant	Annually.	Director of Corporate Services provides advice	Board considers advice and determines action	Completed in November 2012. To be reviewed again in November 2014	November 24, 2014 382-17-2014
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	Not required	N/A

Activity	Frequency	Initiation	Completion	Status	Board Minute or Meeting Date
Communication					
Content of Communication Materials (annual statements)	Ongoing.	Plan Administrator prepares changes to materials	Board reviews and approves changes	Board approved Members pension statements	November 24, 2014 372-17-2014
Distribution of Plan Member Communication	Ongoing.	Plan Administrator	Board monitors quality and timeliness	Board approved pension administration report and directed tabling of report	November 24, 2014 371-17-2014
Member Feedback	Ongoing.	Plan Administrator monitors and advises Board	Board reviews advice	Board directed that former Member be updated on review of definition of dependent disabled adult.	August 21, 2014 346-17-2014
Hiring/Terminating Agents/Advisors					
Actuary	As required.	Clerk formulates advice	Board reviews advice	Contract expires Dec. 31, 2016	N/A
Auditor	As required.	Clerk formulates advice	Board reviews advice	External auditor from previous year retained.	November 24, 2014 383-17-2014
Custodian	As required.	Clerk formulates advice	Board reviews advice	Contract is on-going	N/A
Investment Manager	As required.	Clerk formulates advice	Board reviews advice	Contract is on-going	N/A
Investment Consultant	As required.	Clerk formulates advice	Board reviews advice	Contract expires Dec. 31, 2016	N/A
Lawyer	As required.	Clerk formulates advice	Board reviews advice	Law Clerk provides service	N/A