



**LEGISLATIVE ASSEMBLY
SUPPLEMENTARY RETIRING ALLOWANCES
FUND
IQALUIT, NUNAVUT**

**FINANCIAL STATEMENTS
MARCH 31, 2016**

Management's Responsibility for Financial Reporting	1
Independent Auditors' Report	2 - 3
Statement of Net Assets Available for Benefits and Accrued Pension Benefits and Surplus	4
Statement of Changes in Net Assets Available for Benefits	5
Statement of Obligations for Pension Benefits	6
Notes to the Financial Statements	7 - 11

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Legislative Assembly Supplementary Retiring Allowances Fund

The accompanying financial statements have been prepared by management, which is responsible for the reliability, integrity and objectivity of the information provided. They have been prepared in accordance with Canadian accounting standards for pension plans. Where necessary the statements include amounts that are based on informed judgments 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 Management and Services Board 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 auditors also consider whether the transactions that come to their notice in the course of this audit are, in all significant respects, in accordance with specified legislation and directives from the Nunavut Legislative Assembly.

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

On behalf of the Management and Services Board



George Qulaut
Chair



John Quirke
Secretary

June 4, 2016

LESTER LANDAU
Chartered Accountants

Iqaluit
PO Box 20, Iqaluit, NU, X0A 0H0
Tel: 867.979.6603 Fax: 867.979.6493

Rankin Inlet
PO Box 147, Rankin Inlet, NU, X0C 0G0
Tel: 867.645.2817 Fax: 867.645.2483

ᑕᑦᑎᑦ ᑕᑦᑎᑦ
ᑭᑦᑎᑦᑎᑦᑎᑦᑎᑦ ᑭᑦᑎᑦᑎᑦᑎᑦᑎᑦ

ᑕᑦᑎᑦᑎᑦᑎᑦᑎᑦ 20, ᑕᑦᑎᑦᑎᑦᑎᑦᑎᑦ, ᑭᑦᑎᑦᑎᑦᑎᑦᑎᑦ, X0A 0H0
ᑭᑦᑎᑦᑎᑦᑎᑦᑎᑦ: 867.979.6603 ᑭᑦᑎᑦᑎᑦᑎᑦᑎᑦ: 867.979.6493

ᑕᑦᑎᑦᑎᑦᑎᑦᑎᑦ 147, ᑕᑦᑎᑦᑎᑦᑎᑦᑎᑦᑎᑦ, ᑭᑦᑎᑦᑎᑦᑎᑦᑎᑦᑎᑦ, X0C 0G0
ᑭᑦᑎᑦᑎᑦᑎᑦᑎᑦ: 867.645.2817 ᑭᑦᑎᑦᑎᑦᑎᑦᑎᑦ: 867.645.2483

INDEPENDENT AUDITORS' REPORT

To the Members of the
Legislative Assembly of Nunavut

We have audited the accompanying financial statements of the Legislative Assembly Supplementary Retiring Allowances Fund, which comprise the statement of net assets available for benefits and accrued pension benefits and surplus as at March 31, 2016 and the statements of changes in net assets available for benefits, and obligations for pension benefits for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluation of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Legislative Assembly Supplementary Retiring Allowances Fund as at March 31, 2016 and its financial performance for the year then ended in accordance with Canadian accounting standards for pension plans.

Report on Other Legal and Regulatory Requirements

We further report, in accordance with the *Supplementary Retiring Allowances Act*, in our opinion, the financial statements are in agreement therewith and the transactions that have come under our notice have, in all significant respects, been within the statutory powers of the Legislative Assembly Supplementary Retiring Allowances Fund.

A handwritten signature in cursive script that reads "Lester Landau".

June 4, 2016
Iqaluit, Nunavut

CHARTERED ACCOUNTANTS

**LEGISLATIVE ASSEMBLY SUPPLEMENTARY RETIRING ALLOWANCES FUND
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED PENSION
BENEFITS AND SURPLUS
AS AT MARCH 31, 2016**

	<u>2016</u>	<u>2015</u>
ASSETS		
Investments set aside by Sponsor (Note 2)	\$ 14,997,210	\$ 13,756,125
Accounts receivable	2,485	119,190
Contributions receivable - Sponsor	-	283,600
TOTAL ASSETS	14,999,695	14,158,915
 LIABILITIES		
Accounts payable	65,551	13,797
TOTAL LIABILITIES	65,551	13,797
 NET ASSETS AVAILABLE FOR BENEFITS	 14,934,144	 14,145,118
 ACTUARIAL VALUE OF ACCRUED PENSION BENEFITS	 13,809,700	 12,782,500
 SURPLUS	 \$ 1,124,444	 \$ 1,362,618

**LEGISLATIVE ASSEMBLY SUPPLEMENTARY RETIRING ALLOWANCES FUND
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED MARCH 31, 2016**

	<u>2016</u>	<u>2015</u>
INCREASE IN ASSETS		
Investment income		
Interest and dividends	\$ 860,519	\$ 776,644
Gain on sale of investments	79,407	112,981
	939,926	889,625
Change in fair value of investments	(1,137,579)	457,025
	(197,653)	1,346,650
Other income		
Other income	1,353	1,431
Funds set aside by the sponsor	1,710,400	1,949,800
TOTAL INCREASE IN ASSETS	1,514,100	3,297,881
DECREASE IN ASSETS		
Payment of benefits	654,749	688,062
Investment management fees	70,325	54,383
TOTAL DECREASE IN ASSETS	725,074	742,445
INCREASE IN NET ASSETS	789,026	2,555,436
NET ASSETS AVAILABLE FOR BENEFITS, OPENING	14,145,118	11,589,682
NET ASSETS AVAILABLE FOR BENEFITS, CLOSING	\$ 14,934,144	\$ 14,145,118

**LEGISLATIVE ASSEMBLY SUPPLEMENTARY RETIRING ALLOWANCES FUND
STATEMENT OF OBLIGATIONS FOR PENSION BENEFITS
FOR THE YEAR ENDED MARCH 31, 2016**

	<u>2016</u>	<u>2015</u>
CHANGE IN ACCRUED BENEFITS		
Benefits earned	\$ 1,759,000	\$ 1,275,100
Interest accrued on benefits	497,600	484,900
Benefits paid out	(647,300)	(688,100)
Experience loss (gain)	(582,100)	2,621,100
NET INCREASE IN ACCRUED BENEFITS	1,027,200	3,693,000
 ACTUARIAL PRESENT VALUE OF ACCRUED PENSION BENEFITS, OPENING	 12,782,500	 9,089,500
 ACTUARIAL PRESENT VALUE OF ACCRUED PENSION BENEFITS, CLOSING	 \$ 13,809,700	 \$ 12,782,500

LEGISLATIVE ASSEMBLY SUPPLEMENTARY RETIRING ALLOWANCES FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

Note 1 DESCRIPTION OF PLAN

The Fund was established on March 6, 2002 pursuant to the Legislative Assembly's *Supplementary Retiring Allowances Act* (SRAA) and is administered by the Management and Services Board. The following description of the Legislative Assembly Supplementary Retiring Allowances Fund is a summary only. For a complete description of the Plan, reference should be made to the *Supplementary Retiring Allowances Act*.

In January 2010 the Management and Services Board terminated its arrangement with its investment fund manager (UBS Global Asset Management (Canada)) and on January 11, 2010, appointed Beutel Goodman & Company Limited as fund manager.

Assets appropriated to provide pensions under the *Supplementary Retiring Allowances Act* are held within the Government of Nunavut consolidated revenue fund. At all times, the Government of Nunavut ("GN") will retain ownership of these assets. The GN will not contribute amounts to a trust in respect of the Fund and the GN will ensure that assets set aside do not constitute trust property. The assets will not be subject to direct claim by any of the members, or other persons, who are entitled to receive benefits from the Fund and assets will be subject to the claims of the GN's general creditors. A custodial agreement exists with RBC Dexia Investor Services Limited, to hold and report those assets.

a) General

The Legislative Assembly Supplementary Retiring Allowances Fund (SRAF) is a contributory defined benefit plan for credited service after March 31, 1999. Newly elected Members are given the opportunity of joining the Plan at the time of their election.

b) Funding

Current service costs are set aside in the consolidated revenue fund of the Government of Nunavut at rates that are expected to provide for all benefits payable under the Plan. To participate in the Plan, Members must file an election in accordance with Section 7 of the *Supplementary Retiring Allowances Act*. If an election has been made, the member shall contribute to the Legislative Assembly Retiring Allowances Fund, in each month, an additional 2 1/2% of pensionable salary to the defined benefit limits as prescribed by the *Income Tax Act* (Canada). Funds set aside are equal to the amount certified by an actuary as being necessary to fully fund the benefits accruing under the Plan. The rates are reviewed at least once every three years by the Management and Services Board based on recommendations of the Plan's actuary.

LEGISLATIVE ASSEMBLY SUPPLEMENTARY RETIRING ALLOWANCES FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016

Note 1 DESCRIPTION OF PLAN (continued)

c) Retirement Benefits

A retirement pension is payable to a Member, based on 3% of the average best earnings over four consecutive years as an MLA multiplied by credited service as an MLA.

PLUS

Three percent of the average best earnings over four consecutive years in each position 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.

d) Normal Retirement Age

The earliest of:

Age 60

30 years of service

Age plus service equals 80

e) 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 pension reduced by 0.25% for each month a Member Retires before the Normal Retirement Age.

f) Late Retirement

Up to age 69.

g) Maximum Allowance

For benefits earned, the Member's combined allowances payable in respect of a member or former member of the *Legislative Assembly Retiring Allowances Act* and the *Supplementary Retiring Allowances Act* shall not exceed 75% of the sum of:

- (i) the average annual pensionable remuneration as a MLA, multiplied by the years of credited service to a maximum of 15 years and adjusted by the Consumer Price/Benefit index.
- (ii) the average annual pensionable remuneration in each position of Minister, Speaker or Chairperson multiplied by credited service for each position to a maximum of 15 years and adjusted by the Consumer Price/Benefit index.

**LEGISLATIVE ASSEMBLY SUPPLEMENTARY RETIRING ALLOWANCES FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

Note 1 DESCRIPTION OF PLAN (continued)

h) Form of Pension

The normal form of payment for service is joint between the Member and their spouse and is payable at 66 2/3% to the survivor 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.

i) Increase in Pension

Pensions in pay and deferred pensions are increased every January 1 based on increases in the Consumer Price Index up to the preceding September 30.

j) Pre-Retirement Death Benefits

If a Member or former Member dies before retirement and is not eligible to receive a pension, their accumulated contributions with interest will be returned to the beneficiary. If a Member was eligible to receive a pension, it will be assumed that the Member retired on the day preceding their death and elected the normal form of pension.

k) Withdrawal Benefit

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.

l) Fixed Term Benefit Payout

Within 90 days of leaving office, a former Member may elect to receive pension payments over one of three fixed terms (5, 10 or 15 years). In addition a former Member may elect to defer the start of payments to a date of the Members' choice.

**LEGISLATIVE ASSEMBLY SUPPLEMENTARY RETIRING ALLOWANCES FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

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 or the benefit security of individual plan Members. The financial statements have been prepared in accordance with Canadian accounting standards for pension plans.

b) Funds Set Aside by the Sponsor

In accordance with Section 5 of the Supplementary Retiring Allowances Act all allowances and benefits are payable out of the Consolidated Revenue Fund of the Government of Nunavut out of monies appropriated for that purpose.

As a result the GN has set aside monies for the SRAF. These contributions are reflected as Funds Set Aside by the Sponsor on the Statement of Changes in Net Assets Available for Benefits. The accumulated funds are shown as Investments set aside by the Sponsor on the Statement of Net Assets Available for Benefits and Accrued Pension Benefits and Surplus. These investments are recorded at fair value.

c) Valuation of Investments

Investments in units of pooled investment funds are recorded in the financial statements at fair value. The fair value of the units is based on the fair value of the underlying investments in the pooled investment funds. Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

d) Fair Value Hierarchy

Investment assets are classified and disclosed in one of the following categories reflecting the significance of inputs used in making the fair value measurement:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly or indirectly; and
- Level 3 – unobservable inputs.

**LEGISLATIVE ASSEMBLY SUPPLEMENTARY RETIRING ALLOWANCES FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2016**

Note 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Revenue Recognition

Interest income is recognized on an accrual basis over the term of the interest-bearing instrument. Dividends are recognized as revenue on the declaration date of the respective amounts. Realized gains and losses on the sale of investments are reported as the net amount.

Note 3 ACTUARIAL VALUATION

An actuarial valuation of the plan was performed at April 1, 2014 by AON Hewitt Associates using the projected accrued benefit method prorated on service and the plan administrator's best estimate assumptions. The report was prepared in accordance with accepted actuarial practice. The next actuarial valuation of the plan will be performed on April 1, 2017.

The liabilities are extrapolated from the April 1, 2014 actuarial valuation. Each plan's liabilities have been estimated at April 1, 2016 by increasing the April 1, 2014 liabilities by the cost of accruing benefits and interest and subtracting the estimated benefit payments.

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:

Asset rate of return	3.8%
Rate of salary increase	3.0%
Inflation rate	2.0%

Note 4 INVESTMENTS SET ASIDE BY THE SPONSOR

As at March 31, 2016, the Investments Set Aside By the Sponsor had a cost base of \$13,734,200 (2015 - \$11,355,535).

Note 5 RELATED PARTY TRANSACTIONS

The Fund's sponsor for the year incurred \$78,715 (2015 - \$85,070) in actuary fee expense and \$7,500 (2015 - \$7,500) in audit fee expense on behalf of the Fund.