LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCES FUND
IQALUIT, NUNAVUT

FINANCIAL STATEMENTS
March 31, 2017

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Legislative Assembly 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 7, 2017

LESTER LANDAU
Chartered Professional Accountants

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INDEPENDENT AUDITORS' REPORT

To the Members of the
Legislative Assembly of Nunavut

We have audited the accompanying financial statements of the Legislative Assembly Retiring Allowances Fund, which comprise the statement of net assets available for benefits and accrued pension benefits and surplus as at March 31, 2017 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 Retiring Allowances Fund as at March 31, 2017 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 *Legislative Assembly 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 Retiring Allowances Fund.

Lester Landau.

June 7, 2017
Iqaluit, Nunavut

Chartered Professional Accountants

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCES FUND
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AND ACCRUED PENSION BENEFITS AND SURPLUS
AS AT MARCH 31, 2017

	2017	2016
ASSETS		
Investments (Note 3)	$ 12,433,244	$ 10,178,487
Contributions receivable - Members of the Legislative Assembly	19,965	19,218
Accounts receivable	3,374	2,485
TOTAL ASSETS	12,456,583	10,200,190
LIABILITIES		
Accounts payable	18,493	16,599
TOTAL LIABILITIES	18,493	16,599
NET ASSETS AVAILABLE FOR BENEFITS	12,438,090	10,183,591
ACTUARIAL VALUE OF ACCRUED PENSION BENEFITS	10,900,400	9,504,600
SURPLUS	$ 1,537,690	$ 678,991

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCES FUND
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED MARCH 31, 2017

	2017	2016
INCREASE IN ASSETS		
Investment income		
Interest and dividends	$ 487,237	$ 572,527
Gain on sale of investments	55,585	25,564
	542,822	598,091
Change in fair value of investments	1,099,505	(725,125)
	1,642,327	(127,034)
Other income		
Other income	889	1,054
	889	1,054
Contributions		
Sponsor	916,200	873,500
Members of the Legislative Assembly	232,435	217,234
	1,148,635	1,090,734
TOTAL INCREASE IN ASSETS	2,791,851	964,754
DECREASE IN ASSETS		
Payment of benefits		
Payment of pensions	237,599	225,776
Transfers to RRSPs and cash	228,786	-
Investment management fees	70,967	65,793
TOTAL DECREASE IN ASSETS	537,352	291,569
INCREASE IN NET ASSETS	2,254,499	673,185
NET ASSETS AVAILABLE FOR BENEFITS, OPENING	10,183,591	9,510,406
NET ASSETS AVAILABLE FOR BENEFITS, CLOSING	$ 12,438,090	$ 10,183,591

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCES FUND
STATEMENT OF OBLIGATIONS FOR PENSION BENEFITS
FOR THE YEAR ENDED MARCH 31, 2017

	2017	2016
CHANGE IN ACCRUED BENEFITS		
Benefits earned	$ 1,136,600	$ 1,137,700
Interest accrued on benefits	395,500	339,900
Benefits paid out	(466,400)	(225,800)
Experience loss (gain)	330,100	(433,900)
NET INCREASE IN ACCRUED BENEFITS	1,395,800	817,900
ACTUARIAL PRESENT VALUE OF ACCRUED PENSION BENEFITS, OPENING	9,504,600	8,686,700
ACTUARIAL PRESENT VALUE OF ACCRUED PENSION BENEFITS, CLOSING	$ 10,900,400	$ 9,504,600

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCES FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2017

Note 1 DESCRIPTION OF PLAN

The Fund was established on April 1, 1999 pursuant to the *Legislative Assembly Retiring Allowances Act* and is administered by the Management and Services Board. The following description of the Legislative Assembly Retiring Allowances Fund is a summary only. For a complete description of the Plan, reference should be made to the *Legislative Assembly Retiring Allowances Act*.

Assets to provide benefits under the Retiring Allowances Act are held in trust by RBC Dexia Services Limited. 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 its Fund Manager.

a) General

The Legislative Assembly Retiring Allowances Fund is a contributory defined benefit pension plan for all Members of the Legislative Assembly ("MLA") of Nunavut for credited service after March 31, 1999. Under the Plan, the Plan Members and the Legislative Assembly, Government of Nunavut, the fund's sponsor, make contributions.

b) Funding

Current service costs are funded by Members of the Legislative Assembly contributions and the Sponsor at rates that are expected to provide for all benefits payable under the plan. The rate in effect at March 31, 2017 is 6.5% of pensionable salary for Members to the maximum of the defined benefit limit divided by 2% (as prescribed under the *Income Tax Act* of Canada). In addition, if a member has filed an election in accordance with section 7 of the *Supplementary Retiring Allowances Act*, the member shall contribute to the Fund, in each month, 9% of pensionable salary subject to the same *Income Tax Act* (Canada) limits noted above. Employer contributions required are equal to the amount certified by an actuary as being necessary to fully fund the benefits accruing under the Plan, less the amount of Members' contributions.

The rates are to be reviewed at least once every three years by the Management and Services Board based on recommendations of the Plan's actuary.

Note 1 DESCRIPTION OF PLAN (continued)

c) Retirement Benefits
A retirement pension is payable to a Member, based on 2% of the average best earnings over four consecutive years as an MLA multiplied by credited service as an MLA.

PLUS

Two 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 annual retirement pension payable shall not exceed the lesser of:

(i) The defined limit as prescribed under the *Income Tax Act* of Canada for the year in which the pension commences, times the years of credited service; or
(ii) 2% of the average annual indexed pensionable remuneration, times the years of credited service.

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.

Note 1 DESCRIPTION OF PLAN (continued)

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. All other Members who terminate will receive a lump sum payment of their accumulated contributions with interest.

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.

The Plan invests in units of pooled investment funds established and administered by Beutel, Goodman & Company Ltd. Pooled investment funds have a market-based unit value that is used to allocate income to pool participants and to value purchases and sales of pool units. Pooled investment funds include financial instruments, investment receivables and liabilities, and cash.

b) 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.

Note 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

c) 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.

d) Foreign Exchange

Foreign currency transactions are translated into Canadian dollars using average rates of exchange. At year-end, the fair value of investments and any other assets and liabilities denominated in a foreign currency are translated at the year-end exchange rate. Exchange differences are included in the determination of net investment income.

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 INVESTMENTS

	2017 Fair Value		2016 Fair Value	
		%		%
Cash and cash equivalents	$ 136,766	1.0	$ 223,926	2.2
Fixed income	3,799,599	30.6	3,063,725	30.1
Equities				
Canadian equities	4,014,694	32.3	3,267,295	32.1
US equities	2,026,619	16.3	1,821,949	17.9
Other international equities	2,455,566	19.8	1,801,592	17.7
	8,496,879	68.4	6,890,836	67.7
Total investments	$ 12,433,244	100.0	$ 10,178,487	100.0

Note 3 INVESTMENTS (continued)

The fair values of all investments held by the Plan have been determined with inputs as described under the Level 1 category of the fair value hierarchy. The investments have a cost base at March 31, 2017 of $10,603,643 (2016 - $9,448,391).

Note 4 INVESTMENT RISK MANAGEMENT

The Plan is exposed to financial risks associated with its investment activities. These financial risks include credit risk, market risk and liquidity risk. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is comprised of foreign currency risk, interest rate risk and price risk. Liquidity risk is the risk the Plan will not be able to meet its obligations as they fall due.

a) Credit Risk

Counterparty credit risk is the risk of loss arising from the failure of a counterparty to fully honour its financial obligations with the Plan. The credit quality of financial assets is generally assessed by reference to external credit ratings. Credit risk can also lead to losses when issuers and debtors are downgraded by credit rating agencies usually leading to a fall in the fair value of the counterparty's obligations. Credit risk exposure for financial instruments is measured by the positive fair value of the contractual obligations with counterparties. The majority of the Plan's investments in debt securities are with counterparties considered to be investment grade.

b) Foreign Currency Risk

The Plan is exposed to foreign currency risk associated with the underlying securities held in pooled investment funds that are denominated in currencies other than the Canadian dollar. Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The fair values of investments denominated in foreign currencies are translated into Canadian dollars using the reporting date exchange rate. As a result, fluctuations in the relative value of the Canadian dollar against these foreign currencies can result in a positive or negative effect on the fair value of investments. Approximately 36.1% (2016– 35.6%) of the Plan's investments, or $4,482,185 (2016 - $3,623,541) are denominated in currencies other than the Canadian dollar.

Note 4 INVESTMENT RISK MANAGEMENT (continued)

c) Interest Rate Risk

The Plan is exposed to interest rate risk associated with the underlying interest-bearing fixed income securities held in pooled investment funds. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. In general, investment returns from bonds and mortgages are sensitive to changes in the level of interest rates, with longer term interest bearing securities being more sensitive to interest rate changes than shorter-term bonds. Approximately 30.6% (2016 – 30.1%) of the Plan’s investments, or $3,799,599 (2016 - $3,063,725) are held in fixed income instruments which are exposed to interest rate risk.

d) Price Risk

Price risk relates to the possibility that equity investments will change in value due to future fluctuations in market prices caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. The Plan is exposed to price risk associated with the underlying equity investments held in pooled investment funds. The Plan’s investments are recorded at fair value on the statements of financial position. Approximately 68.4% (2016 – 67.7%) of the Plan’s investments, or $8,496,879 (2016 - $6,890,836) are held in equities exposed to price risk.

e) Liquidity Risk

Liquidity risk is the risk that the Plan will encounter difficulty in meeting obligations associated with its financial liabilities. Liquidity requirements of the Plan are met through income generated from investments, employee and employer contributions, and by investing in publicly traded liquid assets traded in an active market that are easily sold and converted to cash. These sources of cash are used to pay pension benefits and operating expenses, and purchase new investments. The Plan’s future liabilities include the accrued pension benefits obligation and exposure to net payables to counterparties.

Note 5 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 actuarial valuation of the plan at April 1, 2017 is ongoing.

The liabilities are extrapolated from the April 1, 2014 actuarial valuation. Each plan’s liabilities have been estimated at April 1, 2017 by increasing the April 1, 2014 liabilities by the cost of accruing benefits and interest and subtracting the estimated benefit payments.

Note 5 ACTUARIAL VALUATION (continued)

The assumptions and methods used in the calculation of accounting costs for the 2017 fiscal year are based on the funding valuations performed at April 1, 2014, with two exceptions. The discount rate used to calculate the liabilities has been determined based on the yields on high quality Canadian corporate bonds as a proxy for the Government of Nunavut's cost of borrowing. At March 31, 2017, this discount rate has been determined to be 3.6% per annum. The previous year used a discount rate of 3.8%. Secondly, the expected return on assets was determined to be 4.9% per annum for the year ending March 31, 2017, which is unchanged from the value used for the year ending March 31, 2016. Other assumptions include inflation rate of 2.0% and increase in pensionable earnings of 3.0%.

Note 6 RELATED PARTY TRANSACTIONS

The Fund's sponsor incurred $83,880 (2016 - $78,715) in actuary fee expense and $7,500 (2016 - $7,500) in audit fees expense on behalf of the Fund.