



NORTHERN EMPLOYEE BENEFITS SERVICES | ስምምነት አገልግሎት
ግብርና ለሰራተኞች ለሰላምና ለሰላም

NORTHERN EMPLOYEE BENEFITS SERVICES (NEBS)

Pension Plan Annual Report

For the Year Ended
December 31, 2016

Chair, Pension Committee

Date

TABLE OF CONTENTS

BACKGROUND	3
REPORT OF THE CHAIR OF THE PENSION COMMITTEE.....	4
CHIEF EXECUTIVE OFFICER'S REPORT	6
FINANCIAL STATEMENTS FOR THE YEAR 2016 AND AUDITOR'S OPINION	7
Management's Responsibility for Financial Reporting	7
Independent Auditor's Report	8
Statement of Financial Position	9
Statement of Changes in Fund Balance	10
Statement of Changes Net Assets Available For Benefits	11
Statement of Changes in Pension Obligations.....	12
Statement of Cash Flows	13
Notes to the Financial Statements	14
1. Descriptions of Plans	14
2. Significant Accounting Policies	16
3. Investments	19
4. Capital and Intangible Assets.....	20
5. Capital Lease Obligation	21
6. Pension Obligations.....	22
7. Pension Contributions	23
8. Investment Income.....	24
9. Capital Management	25
10. Commitments	25
11. Financial Instruments and Risk.....	25
12. Allocated Expenses	28
Combined Schedule of Board Honoraria	29
CERTIFICATE OF COMPLIANCE	30
PENSION COMMITTEES LONG TERM SUSTAINABILITY REPORT FOR THE PLAN.....	32
PLAN SPONSORS' GOALS AND OBJECTIVES REPORT FOR THE COMING YEAR.....	33
NEBS PLAN INFORMATION AND STATISTICS	36

BACKGROUND

This Report is the Annual Financial Report (the “**Report**”) for the Northern Employee Benefits Services Pension Plan (the “**Plan**”) prepared in respect of the year 2015 as required by section 27 of the *Northern Employee Benefits Services Pension Plan Act*, both as S.N.W.T. 2015, c. 6 and S. N. 2015, c. 10 (the “**NEBS Acts**”).

Overall responsibility for preparation and assembly of the Report is with the Northern Employee Benefits Services Pension Plan Pension Committee (the “**Pension Committee**”) which serves as the administrator of the Plan pursuant to section 13 of the NEBS Acts. However, Part III of this Report consists of the audited financial statements for the Plan, prepared by Avery Cooper & Co., Part IV of the Report is a certificate of compliance prepared with the assistance of the Pension Committee’s legal counsel, Lawson Lundell LLP, and Part VI is a report on the long term goals and objections for the Plan, prepared by the Board of Directors of NEBS.

REPORT OF THE CHAIR OF THE PENSION COMMITTEE

For the 2016-2017 Year

The Pension Committee administers the Pension Plan and Committee Members have a fiduciary duty to Plan Members to ensure they receive the retirement benefits established in the Plan. Committee Members are trustees with responsibility for the Plan's funds. In discharging these duties the Committee meets at least three times a year on a face-to-face basis and holds other meetings as necessary by teleconference.

Since last May's report to Members the Committee met in September, December and April in Yellowknife. In addition, some teleconference meetings were held throughout the year.

This past year has seen some significant developments with the NEBS Pension Plan.

The investment fund added an additional 20 million dollars in investment returns and contributions bringing its total to 184 million as of the end of December 2016. Although Market returns are definitely down over previous years due to the global slowing of economic growth, overall the Investment fund continues to do well under the stewardship of our investment firm of Connor, Clark & Lunn, achieving an average 4 year annual return rate of 10.3% ahead of the established Bench Mark by 1.7% per annum.

The NEBS ACT required a change in the Pension Committee governance structure from the traditional manner of oversight. Historically the elected NEBS Directors sat as both the NEBS Board Members and the Pension Committee Members. The meetings were separate and distinct from each other but the Members were the same individuals for both the Pension Committee and Board. Under the NEBS ACT the legislation requires a newly formed Pension Committee comprised of 3 standing NEBS Board Members and an additional 4 members appointed by the Board through a public call of interest. In November advertisement was sent out across the NWT and Nunavut in northern newspapers. 31 applications were received and the Board selected and appointed 4 Pension Committee members through this process. These 4 members along with the 3 NEBS Board members comprise the current NEBS Pension Committee. The Pension Committee is comprised of the following people:

- ✚ Al McDonald, Chairman
- ✚ Art Stewart
- ✚ Adrien Amirault
- ✚ Darren Flynn
- ✚ Brian Fleming
- ✚ Gary McBride
- ✚ Bill Bennett

This Pension Committee met for the 4th time in April 2017.

Lori Satov, the NEBS investment manager with the firm Connor, Clark & Lunn presented on our investments at each of the Committee meetings and Members discussed investment strategies and market trends. The Committee also reviewed reports prepared by our pension consultants, AON Hewitt, on the performance of our investment managers compared to other managers and the performance objectives as set out in our Investment policy. In December 2015 the Pension Committee made the decision to expand the investment portfolio to also include Real Estate as an investment strategy. The Statement of Investment Policy was also changed accordingly.

The Pension Committee along with AON conducted a Real Estate Managers Search in the summer of 2016. A short list of 2 Real Estate Managers was selected and both gave presentations to the Pension Committee in September 2016. Bentall Kennedy was selected as the Manager and in January NEBS purchased 18 million dollars in shares in the Bentall Kennedy Canadian Real Estate Fund.

At each meeting the Committee also reviewed reports on the Plan's operations and dealt with a number of Employer Member and individual Plan Member matters.

Employer participation and the number of enrolled employees increased in 2016-2017 by close to 250 members. Our business plans this year include continued marketing for members in the NWT and Nunavut as well as an expansion into the Yukon.

How well, or poorly, NEBS does with its investments is a key determinant of the financial position of the Pension Plan. The contributions of employees and their employers, plus the investment returns achieved on these contributions, must fund the benefit entitlements of Plan Members.

It is required that a professional actuary determine if the Plan can fund its pension promise to Plan Members. The actuary for the NEBS Plan is AON Hewitt Associates.

AON Hewitt Associates completes a valuation of the Plan on two bases. The first basis, called a going concern valuation, projects the costs of future pension entitlements for all members and estimates the future assets of the Plan. These projections are calculated using a number of assumptions about the future demographics of Plan Members and economic factors such as future inflation rates. Our actuary then determines how much will be required in current contributions to pay the future benefit entitlements.

The Committee has received preliminary valuation figures for 2016 which show the Plan remains solidly funded on a going concern basis. This year the valuation demonstrates a continued surplus in the going Concern analysis. Contributions to service the current and future costs of the Plan remain less than current employer and employee contribution rates and no increase will be necessary.

The second valuation of the Plan that AON Hewitt Associates completes for the Pension Committee is on a solvency basis. This valuation is completed on the assumption the Plan is terminated on the date of the valuation and all Plan Members are paid for future value of their pension entitlements on a commuted value basis. This requirement to finance a pension plan on a solvency basis commonly applies for private plans, not public sector plans such as the NEBS Plan, where the windup of the plan would not occur. With the new legislation, the NEBS Pension Plan is exempt from funding on solvency but will continue to monitor solvency through the valuation process.

The 2016 year was a successful year for the NEBS Plan. The Investment fund is at 184 million dollars, we have continued to add new members to the plan and we are confident in the Plan's future and proud of the accomplishments of this past decade and in a very good position moving forward. We appreciate the partnership we have with Employers and your interest and support.



Al McDonald,
Pension Committee Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

In 2016 The Pension Committee made the final approvals required to implement expanding the investment portfolio of the NEBS Investment Fund to include a Real Estate component. The Pension Committee, on the advice of AON, had agreed to take an \$18 million dollar investment (10.5% of the investment fund) into the Bentall Kennedy Canadian Real Estate Fund after an extensive search for a Real Estate Manager. On October 31, 2016 NEBS made an initial investment of \$1 million dollars that allowed entry to the queue. Normally it is about a 4 month waiting period once an investor has entered the queue before a full share investment is offered. However, once in the queue, the investor is able to purchase shares directly from other investors who are looking to sell. In our case, a pension fund from Quebec was interested in selling \$11 million dollars' worth of shares which we were able to acquire \$5 million at a discounted rate of 1.5% less of market value. This transaction went through at the end of December. NEBS was able to be fully invested in the Bentall Kennedy Canadian real Estate Fund by the end of mid-January 2017. The first quarterly dividend was paid out in March (which we automatically re-invest).

2016 investment returns for the Pension Fund were not as strong as previous years due to slowing global economic growth, the strength of the US dollar and the downturn in the energy sector along with the recent Presidential Election. However, the portfolio return for 2016 was still positive. The Market value of the fund on December 31, 2016 was \$184 million. Over the past 4 years the plans returns were in excess of 10% outperforming the benchmark and in adherence with the Statement of Investment Policy. As of the end of May 2017, the investment fund is at \$198,000,000.

Each summer Northern Employee Benefits Services opens an office in Rankin Inlet to better serve our Nunavut members. In July 2016, while I was in Rankin Inlet, I was asked to attend the Nunavut Tungavik Incorporated (NTI) Annual General Meeting to present information on the NEBS Pension Plan. As a result of this meeting NTI followed up with a visit to Yellowknife to discuss enrollment in the NEBS Pension Plan. I am happy to advise that as of January 1, NTI is enrolled on to the Pension Plan with 100 people and in addition both the Kivalliq (KIA) and Qikiqtani Inuit Associations (QIA) for a total of 200 plus new members. Nicole Pintkowsky followed up with visits to Rankin Inlet and Iqaluit and met with these groups and all their employees to explain the details on the plan. This is a significant addition of members.

During this past year NEBS entered into an agreement with the Alberta Retired Teachers Association (ARTA) to provide post-retirement health and insurance coverage. This is an exciting development as it now provides NEBS pension retiree's with affordable and comprehensive health insurance throughout their retired years. It is a program designed for retirement that is both comprehensive but also individuals can select the level of coverage that they require.

In 2016 the NEBS Board made a decision that rather than continuing to pay rent that they would look into building their own office building. Land was acquired in the downtown core and Stantec was retained to assist in the design and tender process. The building should be ready for occupancy in June 2018.

Expansion of the NEBS program into the Yukon is still a priority strategy for NEBS. In 2016 and 2017 several meetings, presentations and communication took place with interested Yukon parties and the Yukon Government. NEBS continues to advance this initiative.

2016-17 was another successful year for NEBS and we look forward to gaining even more momentum and more success going into 2017-18.

Shawn Maley,
NEBS Chief Executive Officer

FINANCIAL STATEMENTS FOR THE YEAR 2016 AND AUDITOR'S OPINION

Northern Employee Benefits Services
Pension Plan Trust Fund

Management's Responsibility for Financial Reporting

Northern Employee Benefits Services Pension Plan Trust Fund's management is responsible for the preparation, integrity and objectivity of the financial statements. The financial statements have been prepared in accordance with Canadian accounting standards for pension plans relevant to preparing such financial statements and have been approved by the Northern Employee Benefits Services' Board of Directors. Where appropriate, the preparation of financial information contained in this report includes estimates and judgments' based on careful consideration of information available to management. Actual results may differ from those estimates.

Northern Employee Benefits Services Pension Plan Trust Fund's management have developed and maintained books of account, records, financial and management internal control and management practices. These are designed to provide reasonable assurance as to the reliability of financial information in accordance with the Canada Business Corporations Act. Northern Employee Benefits Services Pension Plan Trust Fund's management fulfills their responsibilities for financial reporting, internal control and safeguarding assets.

Avery Cooper & Co. Ltd. Chartered Professional Accountants annually provide an independent, objective audit for the purpose of expressing their opinion on the financial statements.

Aon Hewitt Associates, an independent firm of consulting actuaries, has been engaged to provide an extrapolation of actuarial pension benefits and liabilities of the Northern Employee Benefits Services Pension Plan. This extrapolation was performed as of December 31, 2016 in which they provided their estimated valuation of accrued pension benefits and liabilities of the Plan.

On behalf of Northern Employee Benefits Services Pension Plan Trust Fund,



Al McDonald,
Pension Committee Chairman

Shawn Maley,
NEBS Chief Executive Officer

Independent Auditor's Report



To the Members of Northern Employee Benefits Services,

We have audited the accompanying statement of financial position of Northern Employee Benefits Services Pension Plan Trust Fund as at December 31, 2016, and the Statements of Changes in Fund Balance and Pension Obligations, Net Assets Available for Benefits, and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information (together "the financial statements").

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 relevant to preparing such financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditor's judgement, 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 entity'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 entity'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 evaluating 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, the financial statements present fairly, in all material respects, the financial position of Northern Employee Benefits Services Pension Plan Trust Fund as at December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for pension plans relevant to preparing such financial statements.

Other matter

Northern Employee Benefits Services has prepared a separate set of financial statements of the Health & Welfare Fund for the year ended December 31, 2016 in accordance with Canadian accounting standards for pension plans relevant to preparing such financial statements on which we issued a separate auditor's report to the members of Northern Employee Benefits Services dated April 7, 2017. A separate set of combined financial statements of Northern Employee Benefits Services as at December 31, 2016 and for the year then ended have not been prepared.

Avery Cooper & Co. Ltd.

Avery Cooper & Co. Ltd.
Chartered Professional Accountants
Yellowknife, NT

April 6, 2017

Statement of Financial Position

For the Year Ended December 31, 2016

	<u>2016</u>	<u>2015</u>
ASSETS		
CURRENT		
Contributions Receivable (Note 7)	\$ 1,858,283	\$ 713,610
GST Receivable	38,061	18,238
	<u>1,896,344</u>	<u>731,848</u>
INVESTMENTS (Note 3)	184,349,211	163,750,614
CAPITAL ASSETS (Notes 2(e) and 4)	20,674	15,155
INTANGIBLE ASSETS (Notes 2(e) and 4)	<u>273,796</u>	<u>293,522</u>
	<u>\$ 186,540,025</u>	<u>\$ 164,791,139</u>
LIABILITIES		
CURRENT		
Wages & Benefits Payable	\$ 61,453	\$ 53,520
Accounts Payable & Accrued Liabilities	326,854	191,632
Current Portion of Capital Lease Obligation (Note 5)	2,607	3,322
Due to Health & Welfare Fund (Note 12)	49,360	93,398
	<u>440,274</u>	<u>341,872</u>
CAPITAL LEASE OBLIGATION (Note 5)	<u>14,419</u>	<u>2,057</u>
	<u>454,693</u>	<u>343,929</u>
NET ASSETS AVAILABLE FOR BENEFITS per page 3	186,085,332	164,447,210
PENSION OBLIGATIONS per page 4 (Note 6)	<u>160,963,800</u>	<u>139,574,600</u>
NET ASSETS		
PENSION PLAN TRUST FUND per page 2 (Note 9)	<u>\$ 25,121,532</u>	<u>\$ 24,872,610</u>

Approved and authorized for issue on behalf of the Pension Committee on April 6, 2017:



Member



Member

Statement of Changes in Fund Balance

For the Year Ended December 31, 2016

	<u>2016</u>	<u>2015</u>
FUND BALANCE, BEGINNING OF YEAR	<u>24,872.610</u>	<u>15,474.029</u>
INCREASE IN PENSION OBLIGATIONS per page 4	(21,389.200)	(12,731.700)
INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS per page 3	<u>21,638.122</u>	<u>22,130.281</u>
Net change	<u>248.922</u>	<u>9,398.581</u>
FUND BALANCE, END OF YEAR	<u><u>\$ 25,121.532</u></u>	<u><u>\$ 24,872.610</u></u>

Statement of Changes Net Assets Available For Benefits

For the Year Ended December 31, 2016

	<u>2016</u>	<u>2015</u>
INCREASE IN ASSETS		
Contributions (Note 7)	\$ 19,094,041	\$ 24,433,537
Investment Income (Note 8)	12,730,736	7,480,700
Other Income	10,735	7,254
	<u>31,835,512</u>	<u>31,921,491</u>
 DECREASE IN ASSETS		
Benefits		
Pension Payments	3,748,334	3,409,874
Termination Payments	4,680,349	4,859,383
	<u>8,428,683</u>	<u>8,269,257</u>
Administrative		
Administration	12,508	7,179
Amortization	40,548	22,304
Building & Works	77,239	65,727
Committee	93,735	56,739
Communications	10,059	12,965
Computer Software Development	296	182
Consulting	285,240	196,008
Investment Counselling	525,666	466,021
Legal	231,628	238,045
Marketing	4,687	15,180
Professional Fees	9,878	10,691
Staff Travel & Staff Training	23,993	49,791
Supplies & Materials	2,859	2,403
Translation Services	3,506	500
Trustees & Custodial Fees	37,028	31,525
Wages & Benefits	409,837	346,693
	<u>1,768,707</u>	<u>1,521,953</u>
	<u>10,197,390</u>	<u>9,791,210</u>
 INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	 21,638,122	 22,130,281
 NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	 <u>164,447,210</u>	 <u>142,316,929</u>
 NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR per page 1	 <u>\$ 186,085,332</u>	 <u>\$ 164,447,210</u>

Statement of Changes in Pension Obligations

For the Year Ended December 31, 2016

	<u>2016</u>	<u>2015</u>
INCREASE IN PENSION OBLIGATIONS		
Interest Accrued on Benefits	\$ 8,940,600	\$ 7,457,100
Experience Gains	341,700	1,212,000
Benefits Accrued	15,235,000	14,205,500
Service Buyback	6,015,000	-
	<u>30,532,300</u>	<u>22,874,600</u>
DECREASE IN PENSION OBLIGATIONS		
Other Miscellaneous Losses	65,400	303,300
Changes in Actuarial Assumptions	649,000	1,570,300
Benefits Paid	8,428,700	8,269,300
	<u>9,143,100</u>	<u>10,142,900</u>
INCREASE IN PENSION OBLIGATIONS	21,389,200	12,731,700
PENSION OBLIGATIONS, BEGINNING OF YEAR	<u>139,574,600</u>	<u>126,842,900</u>
PENSION OBLIGATIONS, END OF YEAR per page 1	<u>\$ 160,963,800</u>	<u>\$ 139,574,600</u>
AS REPRESENTED BY:		
Active/Disabled Members	\$ 105,389,100	\$ 87,125,200
Deferred Pensioners	22,582,900	22,534,200
Pensioners	32,991,800	29,915,200
	<u>\$ 160,963,800</u>	<u>\$ 139,574,600</u>

Statement of Cash Flows

For the Year Ended December 31, 2016

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts from Contributions	\$ 17,949,368	\$ 24,393,209
Cash Receipts from Other Income	10,735	7,254
Cash Receipts from Investment Income	16,124,498	13,190,006
Cash Paid for Pension & Termination Benefits	(8,428,683)	(8,269,257)
Cash Paid for Wages & Benefits	(401,904)	(339,715)
Cash Paid for Other Administrative Expenses	(1,214,291)	(1,159,762)
	<u>24,039,723</u>	<u>27,821,735</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Capital Assets	-	(6,431)
Purchase of Intangible Asset	-	(111,546)
Increase in Investments	(23,992,359)	(27,723,421)
	<u>(23,992,359)</u>	<u>(27,841,398)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in Due to Health & Welfare Fund	(44,038)	22,709
Repayment of Capital Lease Obligation	(3,326)	(3,046)
	<u>(47,364)</u>	<u>19,663</u>
INCREASE (DECREASE) IN CASH	-	-
CASH, BEGINNING OF YEAR	-	-
CASH, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>

Notes to the Financial Statements

For the Year Ended December 31, 2016

1. Descriptions of Plans

Northern Employee Benefits Services (the "organization") is registered under federal legislation and was incorporated as a not-for-profit organization under Part II of the Canada Business Corporations Act on March 16, 1999, and is continued under the Canada Not-For-Profit Corporations Act on March 26, 2013.

The organization is also registered as an extra-territorial corporation in the Northwest Territories. The registered address of the organization is located at 5201 50th Avenue, Suite 700, Yellowknife, Northwest Territories, Canada X1A 3S9.

a) General

The Board of Directors is responsible for administering the Group Benefits Plan and the Pension Committee for administering the Pension Plan on behalf of the employer groups participating in these plans and their employees.

The Pension Plan is a contributory multi-employer defined benefit plan covering employees eligible to participate. Eligible employer groups are public sector employers, First Nations, community governments and their agencies, public housing organizations, cooperatives and other not-for-profit employers operating in northern locations (including the Northwest Territories, Nunavut, Yukon Territory and the northern portions of other Canadian provinces) who are members of the organization.

Under both the group benefits and pension plans, contributions are made by the participating employer members and their employees.

The NEBS Pension Plan was registered under the Canada Pension Benefits Standards Act (1985) (PBSA) until 2004 when the Office of the Superintendent of Financial Institutions (OSFI), the regulator of the Act, ruled the Plan exempt from registration. The Board and Pension Committee had jointly agreed to voluntarily comply with the PBSA until the Plan was registered under Territorial legislation.

Both the Government of the Northwest Territories and Government of Nunavut passed mirror legislation, the Northern Employee Benefits Services Pension Plan Protection Act that came into force March 12, 2009. This legislation sets rules to protect Plan Members funds.

During 2015, the Northern Employee Benefits Services Pension Plan Protection Act (NWT) was amended by the NWT Legislative Assembly. In October 2015, the Northern Employee Benefits Services Pension Plan Act (Nunavut) came into effect.

b) The following description of the Northern Employee Benefits Services Pension Plan Trust Fund ("Pension") is a summary only. For more complete information, reference should be made to the Registered Plan Text filed with the Canada Revenue Agency.

i. Funding Policy

The plan administrator, Northern Employee Benefits Services Pension Committee, must fund the benefits determined under the Plan. The determination of the value of these benefits is made on the basis of an actuarial valuation for the pension fund.

In accordance with the Pension Plan Text, Individual Plan Members are required to contribute 8% of their salary to the Plan. Employer contributions required are equal to the amount certified by the Actuary as being necessary to fully fund the benefits accruing under the Plan, less the amount of required employee contributions. Any deficit existing in the Plan must be specifically funded in accordance with the requirements set out in the Registered Plan Text.

ii. Service Pensions

A service pension is payable to a member, for each year of pensionable service in accordance with the Pension Plan Text.

iii. Survivors' Pensions

A survivor pension is paid to a vested member's spouse or eligible children.

iv. Death Benefits

The Plan provides benefits, depending on the age at death, to a spouse, eligible dependents or a beneficiary.

v. Withdrawal Refunds

Refunds include an amount equal to the commuted value of a vested member's pension benefit if the employee's service exceeds two years. If the employee's service is less than two years, the refund is equal to the employee's contributions plus interest.

vi. Income Taxes

The Plan is a Registered Pension Plan as defined in the Income Tax Act and is not subject to income taxes.

c) **New Accounting Standards Issued But Not Yet Effective**

IFRS 16, "Leases", is effective for annual periods beginning on or after January 1, 2019, and permits early adoption. These standards will require lessees to recognize assets and liabilities for most leases. NEBS is in the process of determining the impact of IFRS 16 on its financial statements.

IAS 7, "Statement of Cash Flows." In January 2016, the IASB issued amendments to IAS 7 pursuant to which entities will be required to provide enhanced information about changes in their financial liabilities, including changes from cash flows and non-cash changes. The IAS 7 amendments are effective for annual periods beginning on or after January 1, 2017. NEBS does not expect the amendments to have a material impact on its financial statements.

There are no other IFRSs that are not yet effective that would be expected to have a material impact on NEBS.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian accounting standards for pension plans relevant to preparing such financial statements. The significant policies are detailed as follows:

a) Basis of Presentation

A pension plan is a reporting entity separate from the sponsor and the plan participants using the going concern basis to present the aggregate financial position of the plans independent of the sponsor and plan members.

The financial statements are prepared to assist participating employers 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. As such, participants may also need to review, amongst other things, actuarial reports, and to take into account the financial health of the sponsor.

In selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, Canadian accounting standards for pension plans (ASPP) require the organization to comply on a consistent basis with either International Financial Reporting Standards (IFRS), or Canadian accounting standards for private enterprises (ASPE), to the extent that those standards do not conflict with the requirements of ASPP. The organization has chosen to comply on a consistent basis with IFRS relevant to preparing these financial statements.

As required by the new legislation as referred to in Note 1(a), these separate set of financial statements present the financial position, results of operations and cash flows of the NEBS Pension Plan Trust Fund and exclude the accounts of the NEBS Health & Welfare Fund. The financial position, results of operations and cash flows of the NEBS Health & Welfare Fund are presented in a separate set of financial statements that do not include the financial position, results of operations and cash flows of the NEBS Pension Plan Trust Fund. A separate set of combined financial statements of NEBS as at December 31, 2016 and for the year then ended have not been prepared.

The financial statements of Northern Employee Benefits Services Pension Plan Trust Fund as at December 31, 2016 and for the year then ended were approved and authorized for issue by the Pension Committee on April 6, 2017.

b) Cash Equivalents

Except for cash and cash equivalents held with the investment manager for the Pension Plan Trust Fund, the organization considers all highly-liquid investments with maturities of three months or less, convertible to known amounts of cash, and which are subject to insignificant risk of changes in value, to be cash equivalents.

c) Fair Value Hierarchy

The organization classifies its financial assets and liabilities at fair value using a fair value hierarchy made up of three levels, according to the inputs used in making the measurements.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in an active market that the organization can access at the measurement date.

Level 2: This category includes measurements that use, either directly or indirectly, observable inputs other than quoted prices included in level 1. Derivative instruments in this category are measured using models or other standard valuation techniques using observable market data.

Level 3: The measurements in this category depend upon inputs that are less observable, not available or for which observable inputs do not justify most of the instruments' fair value.

d) Investments

Investments for the Pension Fund Trust Fund are measured at fair value and categorized according to the fair value hierarchy using the market approach valuation technique. The organization determines fair value of investments based on information supplied by the investment manager. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. Purchases and sales of investments are accounted for at trade date. Transaction costs are expensed as incurred. Investment income is recognized on an accrual basis. The current year change in fair value of investments is the difference between the fair value and the cost of investments at the beginning and end of each year, adjusted for realized gains and losses during the year.

e) Capital and Intangible Assets

Northern Employee Benefits Services records capital assets at cost allocated equally between the Group and Pension Funds. The organization provides for amortization allocated equally between the Group and Pension Funds using the straight-line method at the following rates:

Computer equipment	3 - 6 years
Intangible assets	10 years
Office equipment	5 years

Intangible assets, consisting of a software license for the use of the C-DAT Pension and Health Benefits Integrated System (PHBIS), is amortized and allocated between the Group and Pension Funds on a straight-line basis over its estimated useful life of ten years. The recording of annual amortization expense commenced during 2015 when the asset became available for use.

f) Pension Obligations

Pension obligations of the multi-employer defined benefit pension plan are measured using the actuarial present value of accrued pension benefits determined by applying best estimate assumptions and the projected benefit method prorated on services. Net assets available for benefits are the difference between the Pension Plan's assets and its liabilities, excluding the accrued pension benefits.

g) Revenue Recognition

Revenue from contributions, investment income, and interest charged to members' accounts, are recognized on an accrual basis. The accrual basis of accounting recognizes the effect of transactions and events when the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent. Deferred revenue results from contributions for future periods paid in advance. Employer contributions for current service and special payment for funding deficiency must meet or exceed the minimum contributions required based on the most recent actuarial valuation report. Employee contributions for past service are recorded in the year received.

h) Pension and Termination Benefits

Pension and termination benefits are shown as expenses in the year of payment.

i) Allocated Expenses

Expenses incurred that are common to the administration of the organization's two Funds are consistently allocated equally each year.

j) Cash Flows

To provide more relevant information about the flows of funds in and out of the organization's cash balances under Canadian accounting standards for pension plans, the organization has elected to include as an integral part of the financial statements, a Statement of Cash Flows for each period presented.

Information about the organization's timing of cash receipts and cash payments within each Fund enables the organization's management to assess the capacity of the organization to generate cash and cash equivalents and the needs of the organization for cash resources. The adequacy of expected cash flows, taking into consideration their timing and certainty of generation, is evaluated against cash resources required to repay financial obligations, and to conduct the necessary activities of the Fund as described in Note 1(b).

k) Measurement Uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

Significant estimates are used in determining the useful lives of depreciable capital and intangible assets, provisions for delinquent accounts and severance pay, allocating administrative expenses between the organization's two Funds, and pension obligations. The Pension Plan's actual experience may differ significantly from assumptions used in the calculation of the Pension Plan's pension obligations. While best estimates have been used in the valuation of the Pension Plan's actuarial value of accrued benefits, management considers that it is possible, based on existing knowledge, that changes in future conditions in the short term could require a material change in the recognized amounts. Differences between actual results and expectations are disclosed in these financial statements as net experience gains or losses in the Statement of Changes in Pension Obligations in the year when actual results are known.

3. Investments

The Pension Plan's investments are categorized according to the fair value hierarchy as follows:

	<u>Cost</u>	<u>2016 Market</u>	<u>Cost</u>	<u>2015 Market</u>
Level 1:				
Cash	\$ 301,674	\$ 301,674	\$ 518,819	\$ 518,819
Short term investments	361,270	361,270	247,000	247,000
Canadian equities	46,502,558	48,418,596	44,836,939	43,010,595
Foreign equities	<u>55,175,541</u>	<u>65,943,196</u>	<u>33,715,698</u>	<u>49,935,691</u>
	102,341,043	115,024,736	79,318,456	93,712,105
Level 2:				
Fixed income securities	<u>72,913,378</u>	<u>69,324,475</u>	<u>71,943,606</u>	<u>70,038,509</u>
	<u>\$175,254,421</u>	<u>\$184,349,211</u>	<u>\$151,262,062</u>	<u>\$163,750,614</u>

The above listed investments are held by RBC Investor Services Trust and will not be redeemed in the subsequent period.

The fair value hierarchy as described in Note 2(c) requires the use of observable market inputs wherever such inputs exist. A financial instrument is classified at the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

Investments are valued based on information provided by the investment manager. In particular:

- Money market instruments consist of cash and treasury bills, which are valued using published market quotations;
- Fixed-income securities consist of an investment in a bond fund. Directly owned bonds are valued using published market quotations. Valuations of the bond fund are received on a per unit basis from the investment manager. Valuations are derived from the sum of the fair value of bond fund assets determined using published market quotations less bond fund liabilities divided by the total number of units outstanding;
- Equities consist of Canadian and foreign equity funds. Foreign equity funds also include the fair value of foreign exchange forward contracts. Investment valuations for the funds are received from the various issuers and are calculated in accordance with their published valuation methodologies. Valuations are derived from the sum of the fair value of equity fund assets determined using published market quotations less equity fund liabilities divided by the total number of units outstanding.

4. Capital and Intangible Assets

A reconciliation of the carrying amounts of capital assets at the beginning and end of the year is as follows:

	<u>Office Equipment</u>	<u>Computer Equipment</u>	<u>Intangible Assets</u>	<u>Total</u>
Cost:				
Balance, beginning of year	\$ 6,861	\$ 41,688	\$ 351,266	\$ 399,815
Additions	-	17,929	11,368	29,297
Disposals	-	(15,778)	-	(15,778)
Balance, end of year	<u>6,861</u>	<u>43,839</u>	<u>362,634</u>	<u>413,334</u>
Accumulated amortization:				
Balance, beginning of year	6,861	26,533	57,744	91,138
Amortization	-	5,841	31,094	36,935
Disposals	-	(9,209)	-	(9,209)
Balance, end of year	<u>6,861</u>	<u>23,165</u>	<u>88,838</u>	<u>118,864</u>
Net	<u>\$ -</u>	<u>\$ 20,674</u>	<u>\$ 273,796</u>	<u>\$ 294,470</u>

Included in capital assets is computer equipment under capital lease with a cost of \$17,929 (2015 - \$15,779), accumulated amortization of \$1,497 (2015 - \$9,210), and carrying value of \$16,432 (2015 - \$6,569).

During 2013, Northern Employee Benefits Services entered into a software license agreement for the use of the C-DAT Pension and Health Benefits Integrated System (PHBIS). The software was implemented in phases and was complete during 2015. As such, amortization expense relating to this system commenced being recorded in 2015. NEBS includes in the software costs all implementation and license fees, plus administrative wages and benefits expenses directly attributed to the development and implementation of the system.

NEBS Pension Plan Trust Fund had the following non-cash financing and investing activities during the year which are excluded from the Statement of Cash Flows on page 5. Total capital and intangible asset additions with a total cost of \$29,297 (2015 - \$47,013) consists of \$nil (2015 - \$117,977) paid, \$17,929 (2015 - \$nil) by means of capital lease, and \$11,368 (2015 - \$nil) in accounts payable and accrued liabilities.

During 2016, NEBS disposed of leased equipment with a net book value of \$6,569 and related capital lease obligation of \$2,958. The net loss on disposal of \$3,611 is included in amortization expense of \$40,548 (2015 - \$22,304).

5. Capital Lease Obligation

The capital lease with Xerox Canada Ltd. for printer and scanner equipment with a carrying value of \$16,432 (2015 - \$6,569), is recorded at an amount equal to the present value of the lease payments using the interest rate implicit in the lease. The implicit interest rate of the obligation is 9.822% and the lease expires March 30, 2022, repayable in quarterly installments of \$1,050 including interest. The following is a schedule of future minimum lease payments under the capital lease:

2017	\$ 4,198
2018	4,198
2019	4,198
2020	4,198
2021	4,198
Subsequent years	<u>1,050</u>
Total future minimum lease payments	22,040
Less amount representing interest	<u>5,014</u>
Present value of minimum net lease payments	17,026
Less current portion	<u>2,607</u>
Present value of minimum net lease payments	<u><u>\$ 14,419</u></u>

6. Pension Obligations

The actuarial present value of accrued pension benefits was estimated by Aon Hewitt Associates, a firm of consulting actuaries. The data and assumptions used for the December 31, 2016 liabilities are the same as that used in the actuarial valuation as at December 31, 2015. The data and assumptions used for the December 31, 2015 liabilities are the same as that used in the actuarial valuation as at December 31, 2014. The December 31, 2016 extrapolation has been prepared based on the pension plan provisions as at December 31, 2015. The December 31, 2015 extrapolation has been prepared based on the pension plan provisions as at December 31, 2014. The going concern results were prepared using the projected benefit actuarial cost method (also known as the projected unit credit method).

The Plan's liabilities have been estimated as at December 31, 2016 by increasing the liabilities at the last valuation date described above by the cost of accruing benefits and interest, and subtracting benefit payments accumulated with interest for the same period. The cost of benefits accrued is from the December 31, 2015 actuarial valuation report, adjusted for differences in the actual versus expected contributions. Other than the actual cost-of-living increase on January 1, 2016, the actuaries have assumed that there were no experience gains and losses in the interim periods. Significant and long term actuarial assumptions used in the going concern valuation were:

	<u>2016</u>	<u>2015</u>
Interest rate:	6.00%	5.75%
Rate of salary increase:	2.50%	2.50%
Inflation:	2.00%	2.00%

A going concern valuation is performed to determine the funded status of the pension plan and the funding requirements for the pension plan treating the plan as a going concern. The new legislation referred to in Note 1(a) do not require the Plan to be funded on a solvency basis.

The actuarial valuation report on the funded position of the Plan on a going concern basis as at January 1, 2016 was completed by the actuary in July 2016. In accordance with the Northern Employee Benefits Services Pension Plan Act, the next actuarial valuation for the purposes of developing funding requirements should be performed no later than January 1, 2019.

Based on the last report, the NEBS Pension Committee will review action necessary to ensure the deficiency is amortized according to the rules established by the Pension Benefits Standards Act, 1985. Accordingly, the organization has elected to perform a funding valuation annually, the next expected to be in September 2017.

The actuarial value of assets has been calculated using the actual market value of assets as at December 31, 2016 and adjusted for outstanding contributions, and benefit payments.

The actuarial value of net assets available for benefits is equal to the adjusted market value of assets over a four year period as of December 31, 2016.

7. Pension Contributions

Contributions revenue during the year of the Pension Plan Trust Fund consists of the following:

	<u>2016</u>	<u>2015</u>
Employee and employer current service cost	\$ 17,570,016	\$ 16,198,290
Voluntary additional contributions from employees	758,305	8,235,247
Terminating membership buyouts	<u>765,720</u>	<u>-</u>
	<u>\$ 19,094,041</u>	<u>\$ 24,433,537</u>

During the year, in addition to the above buyouts representing the portions of the Pension Plan solvency deficiency owing upon the withdrawal of two members, NEBS received notice of another member's intention to terminate their membership from the Pension Plan in accordance with the NEBS Joining or Terminating Membership Policy. In the opinion of management, it is likely that this withdrawal will occur. However, an estimate of the amount of the resulting contingent gain cannot be made. Contributions revenue during the year of the Pension Plan Trust Fund includes the following:

	<u>2016</u>	<u>2015</u>
Employee portion	\$ 10,309,033	\$ 16,334,392
Employer portion	<u>8,785,008</u>	<u>8,099,145</u>
	<u>\$ 19,094,041</u>	<u>\$ 24,433,537</u>

At December 31, 2016, contributions receivable of the Pension Plan Trust Fund includes the following:

	<u>2016</u>	<u>2015</u>
Employee portion	\$ 929,141	\$ 356,805
Employer portion	<u>929,142</u>	<u>356,805</u>
	<u>\$ 1,858,283</u>	<u>\$ 713,610</u>

8. Investment Income

Total investment income during the year of the Pension Plan Trust Fund is as follows:

	<u>2016</u>	<u>2015</u>
Realized investment income:		
Gain on sale of investments	\$ 2,785,790	\$ 5,146,030
Interest and dividends	<u>13,338,708</u>	<u>8,043,976</u>
Total realized investment income	16,124,498	13,190,006
Unrealized investment income:		
Current period change in fair value of investments	<u>(3,393,762)</u>	<u>(5,709,306)</u>
Total investment income per page 3	<u>\$ 12,730,736</u>	<u>\$ 7,480,700</u>

Investment income during the year from gain on sale of investments of the Pension Plan Trust Fund consist of the following:

	<u>2016</u>	<u>2015</u>
Canadian equities	\$ 756,138	\$ 1,100,925
Foreign equities	1,927,817	3,473,784
Fixed income - Bonds	<u>101,835</u>	<u>571,321</u>
Total gain on sale of investments	<u>\$ 2,785,790</u>	<u>\$ 5,146,030</u>

Investment income during the year from interest and dividends of the Pension Plan Trust Fund consist of the following:

	<u>2016</u>	<u>2015</u>
Canadian equities	\$ 3,527,813	\$ 2,577,351
Foreign equities	6,305,514	1,021,277
Fixed income - Bonds	3,494,889	4,442,237
Canadian pooled money market funds	10,585	3,197
Income on cash	<u>(93)</u>	<u>(86)</u>
	<u>\$ 13,338,708</u>	<u>\$ 8,043,976</u>

9. Capital Management

The purpose of the organization is to provide benefits to members. As such, when managing capital, the objective is to preserve assets of the Pension Plan Trust Fund, and the Health & Welfare Fund, in a manner that provides the organization with the ability to continue as a going concern, to have sufficient assets to meet future obligations for benefits and to have sufficient liquidity to meet all benefit and expense payments.

The capital of the organization consists of its surplus (deficit) as represented by the Pension Plan Trust Fund balance or deficit. Excluding the impact of investment income, the organization is funded through a combination of employee and employer contributions. The surplus (deficit) of the Pension Plan Trust Fund represents the difference between the Net Assets Available For Benefits and the actuarially determined accrued pension benefits on a going-concern basis. Actuarial valuations, which aid in the determination of the extent of the Pension Plan Trust Fund's capital, are performed annually. Surplus or deficit, as they arise, as well as other relevant aspects of the organization, are managed in order to comply with the externally imposed requirements of the Income Tax Act and the new legislation referred to in Note 1(a).

As at December 31, 2016, the organization is not in violation of any externally imposed legal or regulatory requirements.

As at December 31, 2016, the Pension Plan Trust Fund balance of \$25,121,532 (2015 - \$24,872,612) consists of accumulated surplus of \$24,886,135 (2015 - \$24,569,313), net assets invested in capital assets of \$266,074 (2015 - \$303,299), and an unfunded severance pay liability of \$(30,677) (2015 - \$nil) to be funded from future revenues.

10. Commitments

As at December 31, 2016, future minimum lease payments for an operating lease for the premises are as follows:

2017	\$ 38,722
2018	<u>16,134</u>
	<u>\$ 54,856</u>

11. Financial Instruments and Risk

The Pension Plan's investments are recorded at fair value based on information provided by the investment manager. Other financial instruments of the organization consist of cash, short-term investments, contributions receivable, other receivables, interfund balances, wages and benefits payable, and accounts payable. The fair value of these financial instruments approximates their carrying values.

The fair values of Pension Plan investments are exposed to credit, liquidity, and market risks. Asset diversification and investment eligibility requirements serve as basic risk-management tools for the investment portfolio as a whole. The Pension Plan's investment strategy requires that investments be held in a diversified mix of asset types and also sets out investment eligibility requirements. The diversification of assets serves to lower the variations in the expected return performance of the portfolio. Eligibility requirements serve to ensure that Pension Plan assets, to the extent possible, are not placed at undue levels of risk and can meet the obligations of the Pension Plan as necessary. While the above policies aid in risk management, the Pension Plan's investments and performance remain subject to risks, the extent of which is discussed below:

Credit Risk

Credit risk is the risk that a counter party to a financial contract will fail to discharge its obligations in accordance with agreed-upon terms. The Pension Plan is exposed to credit risk through its investments in money market instruments (excluding cash), and fixed-income securities. The Pension Plan's credit risk on money market instruments, fixed-income securities, and inflation linked assets is managed by setting concentration limits on exposure to any single issuer, as well as by setting minimum credit-rating criteria for investment.

Concentrations of credit risk exist when a significant proportion of the portfolio is invested in securities subject to credit risk with similar characteristics or subject to similar economic, political, or other conditions. The investment portfolio as a whole is subject to maximum exposure limits and asset allocation targets that are designed to manage exposure to concentrated credit risk.

Liquidity Risk

Liquidity risk is the risk that the Pension Plan will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Pension Plan's financial liabilities consist of Accounts Payable & Accrued Liabilities, and Due to Health & Welfare Fund. These amounts are short term in duration and are set to mature within one year. Liquidity risk is managed through ensuring that sufficient liquid assets are maintained to meet anticipated payments and investment commitments in general. With respect to the Pension

Plan's financial liabilities and the actuarial value of accrued pension benefits, management believes that the Pension Plan is not subject to any significant liquidity risk. The actuarial value of accrued pension benefits is not considered a financial liability; however, it is the most significant liability of the Pension Plan in the Statement of Financial Position. The organization is required to contribute all funds necessary to meet any funding shortfalls of the Pension Plan as they may arise from time to time.

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is composed of interest rate, currency, and other price risk. The extent of market risk exposure is dependent on the nature of the investment.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate owing to changes in market interest rates. The Pension Plan is exposed to interest rate risk through its investment holdings in interest-bearing, or fixed-income, assets. These principally include money market instruments and fixed-income securities. The Pension Plan manages its exposure to interest rate risk through holding a diversified mix of assets, both interest-bearing and non-interest bearing. This approach lowers the impact of variations in overall portfolio performance owing to factors arising from interest rate risk. The fair value of the Pension Plan's assets, specifically the fixed-income securities, is affected by changes in the nominal interest rate. Investments subject to interest rate risk bear fixed rates of interest.

Therefore, short-term fluctuations in prevailing interest rates would not normally subject the Pension Plan to fluctuating cash flows. In the event of a sale or redemption prior to maturity, proceeds would be affected by the impact of prevailing interest rates on the fair value of the investment. The actuarial value of accrued pension benefits is not considered a financial instrument; however, these benefits are sensitive to changes in long-term interest rates. The Pension Plan is exposed to interest rate risk because of mismatches between the impacts of interest rates on the actuarial value of accrued pension benefits and their corresponding impact on the investment portfolio as a whole. Giving the nature of pension benefits, such risks cannot be eliminated but are addressed through the funding of the Pension Plan and through regular review of the characteristics of the Pension Plan's investment portfolio related to the accrued pension benefit liability.

Currency Risk

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 Pension Plan is exposed to currency risk arising from its holdings of investments denominated in foreign currencies, as well as investments that, although not denominated in foreign currencies, have underlying foreign currency exposure. This exposure lies principally within foreign equity funds. The Pension Plan manages these risks through its investment policy, which limits the proportion of foreign assets within the portfolio.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market.

The Pension Plan is exposed to other price risk through its holdings in Canadian equities. The Pension Plan manages these risks through maximum proportions of equities in its investment portfolio and through concentration limits on investments in any one issuer, as outlined in the investment policy. Future cash flows relating to the sale of an investment exposed to other price risk will vary depending on market prices at the time of sale. Concentrations of other price risk exist when a significant portion of the portfolio is invested in equities with similar characteristics or subject to similar economic, market, political, or other conditions.

12. Allocated Expenses

Included in administrative expenses of the Pension Plan Trust Fund for the year are expenses allocated totaling \$696,047 (2015 - \$624,532) which includes equal allocations between the Health & Welfare Fund and the Pension Plan Trust Fund. Expenses allocated equally include certain expenses included in Intangible Assets, Wages & Benefits, Communications, Building & Works, Supplies & Materials, Professional Fees, Investment Counselling, certain Committee Expenses, and Marketing.

Included in the NEBS Pension Plan Trust Fund as at December 31, 2016 is an amount due to the NEBS Health & Welfare Fund of \$49,360 (2015 - \$93,398). The interfund balance, which arises from the chargeback of expenses during the year allocated to, and paid on behalf of, the Pension Plan Trust Fund, is unsecured, non-interest bearing, and due on demand. Changes during the year in interfund balance are as follows:

	<u>2016</u>	<u>2015</u>
Interfund balance, beginning of year	\$ 93,398	\$ 70,689
Total chargebacks charged from Health & Welfare Fund	696,047	624,532
Repayments to Health & Welfare Fund	<u>(740,085)</u>	<u>(601,823)</u>
Interfund balance, end of year	<u>\$ 49,360</u>	<u>\$ 93,398</u>

During the year, excluded from the accompanying financial statements are self-insured pension premiums expenses incurred totaling \$30,188 (2015 - \$27,966).

Combined Schedule of Board Honoraria

For the Year Ended December 31, 2016

The NEBS Honorarium & Expenses Policy establishes honoraria and expenses to be paid to Directors and the Chairman, and the By-Laws for Northern Employee Benefits Services require that Employer Members ratify any changes in remuneration. The Policy was last changed and ratified in 2012.

During the year, Northern Employee Benefits Services held three in-person Board and Pension Committee meetings in Yellowknife, NT; in addition to teleconferences and legislation review. Directors were in attendance and received honorarium for these meetings as follows:

	2016 Meetings <u>Attended</u>		<u>2016</u>		<u>2015</u>
Amireault, Adrien	2	\$	2,000	\$	1,400
Bennett, Williams	3		6,400		-
Bird, Carl			-		1,750
Cohen, Michael	2		2,800		4,200
Couturier, Marie	3		-		175
Fleming, Brian	3		4,000		5,288
Flynn, Darren	2		2,000		-
Lyons, Blake	1		1,200		2,625
McBride, Gary	3		3,400		-
McDonald, Allan	3		3,750		2,300
McKee, John	3		1,200		3,750
Renaud, Jeff	3		3,600		2,100
Stewart, Art	3		4,200		2,975
			<u>\$ 34,550</u>		<u>\$ 26,563</u>
Allocation:					
Administrative Board Expenses - Health & Welfare Fund		\$	13,775	\$	12,394
Administrative Committee Expenses - Pension Plan Trust Fund			<u>20,775</u>		<u>14,169</u>
			<u>\$ 34,550</u>		<u>\$ 26,563</u>

CERTIFICATE OF COMPLIANCE

Section 27(b) of the NEBS Acts

NORTHERN EMPLOYEE BENEFITS SERVICES PENSION PLAN (the "Plan")

PENSION COMMITTEE'S CERTIFICATE OF COMPLIANCE IN RESPECT OF THE YEAR 2016

The Pension Committee is required by section 27(2)(b) of the Northern Employee Benefits Services Pension Plan Act (the "Act") to file a certificate stating that, in the opinion of the Pension Committee, the Plan complies with the Act and the regulations under the Act.

I, Al MacDonald, the Chair of the Pension Committee for the Northern Employee Benefits Services Pension Plan CERTIFY THAT

1. The Pension Committee has reviewed the compliance of the Plan with the Act and the regulations under the Act;
2. It is the opinion of the Pension Committee that the Plan complies with the Act and the regulations, except as set out in the attached Appendix; and
3. The Pension Committee acknowledges that the obligation to determine compliance of the Plan is the responsibility of the Pension Committee, and declares that the Pension Committee has fulfilled that responsibility and, in making this certificate, has complied with the Act and the regulations.

I declare that the above statements are true to the best of my knowledge and belief and I make these statements conscientiously believing them to be true.



CHAIR OF PENSION COMMITTEE



Date

APPENDIX

Non-Compliance

None

PENSION COMMITTEES LONG TERM SUSTAINABILITY REPORT FOR THE PLAN



In accordance with section 27(2)(c) of the NEBS Act and in compliance with Appendix B of the NEBS Funding Policy, a statement of the long term sustainability has been prepared for the NEBS Plan.

Based on a 15 year projection of the going concern position, using the assumptions and methods disclosed in the January 1, 2017 actuarial valuation report as well as the guidelines recommended in Appendix B of the NEBS Funding Policy, current contribution rates of the NEBS Plan are adequate to sustain the NEBS Plan over the next 15 years.

In accordance with Appendix B of the NEBS Funding Policy, excess amounts existing in the Pension Fund over and above amounts required by the NEBS Acts to be held in the Pension Fund to secure the benefits payable from the Plan over a 15 year period may be used to as a contingency reserve (margin) against adverse deviation arising from negative plan experience, shifts in maturity of the NEBS Plan over time and higher than projected costs of future benefit accruals.

The accompanying presentation details the assumptions, methods, calculation and results of the 15 year projection (i.e. the Contribution Rate Adequacy Test) performed as at January 1, 2017 to assess the long term sustainability of the NEBS Plan.

PLAN SPONSORS' GOALS AND OBJECTIVES REPORT FOR THE COMING YEAR

BACKGROUND

The Northern Employees Benefits Services (NEBS) was established in 1978 by an Act of the Government of the Northwest Territories and then incorporated in 1999 with the creation of Nunavut and Northwest Territories. NEBS offers health and insurance benefits and a pension plan program to public sector employees who work at the community and regional levels. Our programs and services are organized to be comparable and competitive with those offered by the Nunavut and Northwest Territories governments so that our member employers can recruit and retain high quality staff to manage and operate their organizations. We are unique in that we operate and are headquartered in the north, provide programs and services specifically designed to meet the needs of northern public sector employers and their employees and are managed by a Board of Directors that is elected by Employer Member Organizations.

OUR MARKET

We provide a multi-employer program across the vast expanse of Nunavut and the Northwest Territories. Our Employer Members range in size and capacity and we operate in a multi-cultural and multi-lingual environment. In many cases our staff and Directors know our Employer Members and their employees personally. We strive to provide excellent services that are responsive to the unique interests and needs of northerners.

Like any organization providing a pension plan, we are strongly influenced by the international investment market. The past five years have been challenging – but we have ended the period in a strong financial position. In Addition, a full regulatory framework for our pension plan has been established in both the Northwest Territories and Nunavut.

MEMBERS

Membership in NEBS is open to all northern Public Sector Employers, including: Community Governments, Band Councils and Aboriginal Governments, Public Housing Organizations, Boards and Agencies of Government, and Non-Profit Organizations.

OUR VISION

The vision statement for NEBS describes what we want our organization to be in the future. Our vision is:

NEBS VISION STATEMENT

Our vision is to be the provider of choice for pension, health benefits and insurance services for the northern public sector

OUR VALUES

We support our vision by operating NEBS according to some specific values. These values describe our core basic principles and expected behaviors of our Directors and staff.

Our values include:

Integrity

The organization and its Board operate in a manner that demonstrates honesty and truthfulness in thought and action. Integrity is demonstrated through the development of trust between NEBS, Employer Members and their employees.

Independence

Our directors and staff act neutrally and free of conflicts of interest.

Respectful of Member Interests

We protect and advance Member interests in the development and operation of programs and services offered by the organization.

Transparency

Our programs and services are operated with open and direct communication regarding the directions and decisions of the organization.

Fiduciary Stewardship - Board

Our Directors have a fiduciary duty to protect the interests of the Employer Members, placing those interests above all others.

Fiduciary Stewardship – Pension Committee

Members of the Pension Committee act as Trustees of the Pension Plan and have a fiduciary duty to protect the interests of the Employer Members, placing those interests above all others.

Cooperation through Partnership

We treat our relationships with Employer Members, their employees, service providers and other interested parties as partnerships to be developed and maintained.

Professionalism in Thought and Action

We strive to maintain professional standards of skill and conduct in carrying out program activities and commitments.

GOALS AND OBJECTIVES

Governance

Goal: The Pension Committee and the Board of Directors will lead the organization using a participative, result based, governance model.

Objective 1: Continue to update and monitor NEBS Governance objectives and policies.

Objective 2: Continue with Pension Committee member training.

Objective 3: Establish and implement a Pension Committee member evaluation process.

Objective 4: Continue to review all NEBS documents to ensure Legislative Compliance (NEBS ACT)

Funding

Goal: Obtain and maintain full funding by collecting contributions and earning returns on Investments necessary to pay expenses and all promised benefits.

Objective: Achieve optimal, investment returns by working with the Pension Committee, Investment Manager and the AON Investment Consultant.

Plan Administrative

Goal: Provide high quality, cost effective Administrative support.

Objective 1: Continue to implement the use of electronic technology in our operations

Objective 2: Increase electronic communications with members.

Objective 3: Continue with CDAT implementation

Communication

Goal: To further enhance our relationships with our employee members and employers by expanding our communication process to them

Objective 1: Develop a new website that allows members to access information

Objective 2: Provide employer and employee members' regular communication, update all documentation on NEBS plan and process all procedures.

Objective 3: Update the Program Administration manual and make available to all employer members

Strategic

Goal: Continue with efforts to expand the NEBS program into the Yukon.

Chair, Pension Committee

Date

NEBS PLAN INFORMATION AND STATISTICS

Summary of Active Members by Employer as of January 1, 2017

Employer	Number of Active Employees
ARCTIC BAY HOUSING ASSOCIATION	5
ARVIAT, HAMLET OF	34
ARVIAT, HOUSING ASSOCIATION	19
BAKER LAKE HOUSING	18
BAKER LAKE, HAMLET OF	33
BEHCHO KO, TLICHO COMMUNITY GOVERNMENT OF	20
BEHCHOKO KO GHA K AODEE	10
CAMBRIDGE BAY, HAMLET OF	32
CAMBRIDGE BAY, HOUSING ASSOCIATION	10
CAPE DORSET HOUSING AUTHORITY	16
CAPE DORSET, MUNICIPALITY OF	31
CHESTERFIELD INLET, HAMLET OF	17
CHESTERFIELD INLET, HOUSING ASSOCIATION	6
CLYDE RIVER, HOUSING ASSOCIATION	5
CLYDE RIVER, MUNICIPALITY OF	19
CORAL HARBOUR HOUSING AUTHORITY	10
CORAL HARBOUR, HAMLET OF	19
DELINE HOUSING ASSOCIATION	4
ENTERPRISE, HAMLET OF	4
FORT LIARD, HAMLET OF	10
FORT MCPHERSON HOUSING ASSOCIATION	6
FORT McPHERSON, HAMLET OF	9
FORT RESOLUTION, HAMLET OF	5
FORT RESOLUTION, HOUSING ASSOCIATION	4
FORT SIMPSON, HOUSING AUTHORITY	5
FORT SMITH, HOUSING AUTHORITY	8
FORT SMITH, TOWN OF	32
GAMETI HOUSING AUTHORITY	1
GAMETI, COMMUNITY GOVERNMENT OF	11
GIANT MINE OVERSIGHT BODY SOCIETY	2
GJOA HAVEN, HAMLET OF	18
GRISE FIORD, HAMLET	5
GRISE FIORD, HOUSING ASSOCIATION	2
HALL BEACH HOUSING ASSOCIATION	3
HALL BEACH, MUNICIPALITY OF	12
IGLOOLIK HOUSING ASSOCIATION	7
IGLOOLIK, MUNICIPALITY OF	7
INUVIK, HOUSING AUTHORITY	8
INUVIK, TOWN OF	36
IQALUIT HOUSING AUTHORITY	17
JEAN MARIE RIVER DENE BAND	5
KIKITAK HOUSING ASSOCIATION	8
KIMMIRUT HOUSING ASSOCIATION	7
KIMMIRUT, HAMLET OF	19

Employer	Number of Active Employees
KITIKMEOT HERITAGE SOCIETY	3
KUGAARUK, HAMLET OF	19
KUGAARUK, HOUSING AUTHORITY	7
KUGLUKTUK, HAMLET OF	36
KUGLUKTUK, HOUSING ASSOCIATION	14
LEGISLATIVE ASSEMBLY OF THE NWT ~ STATUTORY OFFICE	1
LOCAL GOVERNMENT ADMINISTRATORS OF THE NWT	2
LUTSELKE HOUSING ASSOCIATION	2
MACKENZIE VALLEY EIRB	10
MACKENZIE VALLEY LAND AND WATER BOARD	13
NAHANNI BUTTE DENE BAND	2
NAUJAAT, HAMLET OF	19
NORTHERN EMPLOYEE BENEFITS SERVICES	6
NORTHWEST TERRITORIES TEACHERS' ASSOCIATION	5
NUNAVUT IMPACT REVIEW BOARD	20
NUNAVUT LITERACY COUNCIL	3
NUNAVUT MUNICIPAL TRAINING ORGANIZATION	1
NUNAVUT PLANNING COMMISSION	18
NUNAVUT WATER BOARD	13
NWT ASSOCIATION OF COMMUNITIES	5
PANGNIRTUNG, HOUSING	15
POND INLET, HOUSING ASSOCIATION	10
QAMMAQ HOUSING ASSOCIATION	6
QIKIQTARJUAQ, HOUSING ASSOCIATION	5
QIKIQTARJUAQ, MUNICIPALITY OF	8
RADILIH KOE HOUSING ASSOCIATION	4
RANKIN INLET, HAMLET OF	24
RANKIN INLET, HOUSING ASSOCIATION	6
REPULSE BAY, HOUSING ASSOCIATION	11
RESOLUTE BAY HOUSING ASSOCIATION	2
RESOLUTE BAY, HAMLET OF	11
SACHS HARBOUR, INC. HAMLET OF	9
SAHTU LAND AND WATER BOARD	5
SANIKILUAQ, MUNICIPALITY OF	22
SOUTH SLAVE DIVISIONAL EDUCATION COUNCIL	2
TALOYOAK HOUSING AUTHORITY	9
TALOYOAK, HAMLET OF	22
TASIURQTIT HOUSING ASSOCIATION	3
TLICHO GOVERNMENT	82
TLICHO INVESTMENT CORPORATION	20
TUKTOYAKTUK, HAMLET OF	12
WEK EEZHII LAND AND WATER BOARD	9
WEK EEZHII RENEWABLE RESOURCES BOARD	3
WEKWEETI, TLICHO COMMUNITY GOVERNMENT OF	7
WHALE COVE, HAMLET OF	13
WHATI HOUSING AUTHORITY	1

Employer	Number of Active Employees
WHATI, THE COMMUNITY GOVERNMENT OF	11
YELLOWKNIFE, FIRE FIGHTING	23
YELLOWKNIFE, HOUSING AUTHORITY	10
YELLOWKNIFE, MANAGEMENT	41
YELLOWKNIFE, MUNICIPAL ENFORCEMENT	7
YELLOWKNIFE, UNION	112
YK EDUCATION DISTRICT #1	202
Total	1485