



Actuarial Valuation as at April 1, 2018

Legislative Assembly of Nunavut Retiring Allowances Act
Canada Revenue Agency Registration Number: 1054915

March 2019

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Executive Summary

An actuarial valuation has been prepared for the Legislative Assembly of Nunavut Retiring Allowances Act (the "Plan") as at April 1, 2018 for the primary purpose of establishing a funding recommendation for the Plan until the next actuarial valuation is performed. This section provides an overview of the important results and the key valuation assumptions which have had a bearing on these results.

Summary of Principal Results

	April 1, 2018	April 1, 2017
	Target Margin	Target Margin
Assets	\$ 12,406,100	\$ 11,707,400
Liabilities	<u>10,553,400</u>	<u>10,951,800</u>
Position	\$ 1,852,700	\$ 755,600

Contribution Requirements

Considering the funding status of the Plan, the minimum contributions for the Legislative Assembly of Nunavut (the "Assembly") recommended in this report with effect for the first plan year following April 1, 2018, and those recommended at April 1, 2017, are as follows:

	April 1, 2018	April 1, 2017
Assembly Current Service Cost	\$ 845,600	\$ 978,600
Special Payments	0	0
Application of Surplus	(162,600)	(65,100)
Total Assembly Contribution	\$ 683,000	\$ 913,500

Key Assumptions

The principal assumptions to which the valuation results are most sensitive are outlined in the following table.

	April 1, 2018	April 1, 2017
Discount rate (Target Margin)	3.65%	3.40%
(Best Estimate)	5.00%	4.75%
Inflation rate	2.00%	2.00%
Pensionable earnings	2.50%	3.00%
Mortality table	CPM2014_MI-2017 generational	CPM2014_B generational
Retirement rates	Active: Later of age 50, 4 years of service or end of current session	Active: Later of age 50, 4 years of service or end of current session
	Deferred: Age 50	Deferred: Age 50

Section 1: Introduction

Purpose and Terms of Engagement

We have been engaged by the Management and Services Board of the Legislative Assembly of Nunavut, and hereafter referred to as the “Board”, to conduct an actuarial valuation of the Plan as at April 1, 2018 for the general purpose of determining the minimum and maximum funding contributions, based on the actuarial assumptions and methods summarized herein. More specifically, the purposes of the valuation are to:

- Determine the financial position of the Plan on a best estimate and target margin basis as at April 1, 2018;
- Determine the funding requirements of the Plan as at April 1, 2018; and
- Provide the necessary actuarial certification required under the *Income Tax Act*.

The results of this report may not be appropriate for accounting purposes or any other purposes not listed above.

The next valuation will be performed as at April 1, 2022 to reflect the results of the general election held on October 25, 2021.

Summary of Changes Since the Last Valuation

The last such actuarial valuation in respect of the Plan was performed as at April 1, 2017. Since the time of the last valuation, we note that the following events have occurred:

- A general election was held on October 30, 2017 resulting in the turnover of about half of the active Plan membership. Members who did not return to the Assembly were provided options to commence their pension or receive their entitlement as a lump sum.
- Actuarial assumptions have been revised. The changes to key assumptions are summarized on the previous page and more details are contained in Appendix D.

Information and Inputs

In order to prepare our valuation, we have relied upon the following information:

- A copy of the previous valuation report as at April 1, 2017;
- Membership data compiled as at April 1, 2018 by the Assembly;
- Asset data taken from the Plan's unaudited financial statements from April 1, 2017 to March 31, 2018 prepared by RBC Investor and Treasury Services; and
- A copy of the latest Retiring Allowances Act and Regulations.

Furthermore, our actuarial assumptions and methods have been chosen to reflect our understanding of the Assembly's desired funding objectives, as set out in the Funding Policy, with due respect to accepted actuarial practice and regulatory constraints.

Subsequent Events

As of the date of this report, we have not been made aware of any subsequent events which would have an effect on the results of this valuation. However, the following points should be noted in this regard:

- Actual experience deviating from expected after April 1, 2018 will result in gains or losses which will be reflected in the next actuarial valuation report; and
- To the best of our knowledge, the results contained in this report are based on the regulatory and legal environment in effect at the date of this report and do not take into consideration any potential changes that may be currently under review. To the extent that actual changes in the regulatory and legal environment transpire, any financial impact on the Plan as a result of such changes will be reflected in future valuations.

Section 2: Target Margin Valuation Results

Target Margin Financial Position of the Plan

The target margin valuation provides an assessment of the Plan's financial position at the valuation date on the premise that the Plan continues indefinitely.

The selection of the applicable actuarial assumptions and methods reflect the Plan's Funding Policy, actuarial standards of practice, and pension standards.

Based on the Plan provisions, membership data, target margin assumptions and methods, and asset information described in the Appendices, the target margin financial position of the Plan as at April 1, 2018 is shown in the following table. The results as at April 1, 2017 are also shown for comparison purposes.

Target Margin Financial Position

	April 1, 2018	April 1, 2017
Actuarial Value of Assets	\$ 12,406,100	\$ 11,707,400
Target Margin Liabilities		
▪ Active Members	\$ 2,754,200	\$ 5,476,200
▪ Deferred Vested Members	965,600	948,100
▪ Retired Members and Beneficiaries	6,833,600	4,527,500
Total Liabilities	\$ 10,553,400	\$ 10,951,800
Excess/(Unfunded Liability)	\$ 1,852,700	\$ 755,600
Funded Ratio	117.6%	106.9%

Based on the Plan provisions, membership data, target margin assumptions and methods and asset information described in the Appendices, the target margin current service cost of the Plan as at April 1, 2018 is shown in the following table. The current service cost as at April 1, 2017 is also shown for comparison purposes.

Target Margin Current Service Cost

	April 1, 2018	April 1, 2017
Current Service Cost		
Total Current Service Cost	\$ 1,093,000	\$ 1,209,100
Required Member Contributions	(247,400)	(230,500)
Assembly Current Service Cost	\$ 845,600	\$ 978,600
Total pensionable earnings (in year following valuation date)	\$ 2,729,200	\$ 2,589,500
As a % of total pensionable earnings	31.0%	37.8%

Change in Financial Position

During the period from April 1, 2017 to April 1, 2018, the target margin financial position of the Plan changed from an excess of \$755,600 to an excess of \$1,852,700. The major components of this change are summarized in the following table.

Reconciliation of the Target Margin Financial Position for the Period from April 1, 2017 to April 1, 2018

Excess/(Unfunded Liability) as at April 1, 2017	\$ 755,600
Expected interest on excess (unfunded liability)	25,700
Expected Excess/(Unfunded Liability) as at April 1, 2018	\$ 781,300
Change in liabilities due to experience gains/(losses)	
Gain/(loss) due to investment experience	339,400
Gain/(loss) due to retirement experience	84,900
Gain/(loss) due to salary experience	14,800
Gain/(loss) due to termination experience	176,800
Gain/(loss) due to mortality experience	(103,400)
Gain/(loss) due to contribution experience	(45,400)
Gain/(loss) due to indexing experience	21,900
Gain/(loss) due to ITA maximum increases	158,500
Excess/(Unfunded Liability) after experience gains/(losses) as at April 1, 2018	\$ 1,428,800
Change in liabilities due to change in demographic assumptions	(109,000)
Change in liabilities due to change in economic assumptions	453,400
Net gain/(loss) due to other experience and miscellaneous items	79,500
Excess/(Unfunded Liability) as at April 1, 2018	\$ 1,852,700

Discussion of Changes in Assumptions

Effective April 1, 2018, the mortality improvement projection scale was changed from scale CPM-B to scale MI-2017. This assumption change increased the target margin liabilities by \$109,000 and the Assembly current service cost by \$14,100.

Effective April 1, 2018, the salary increase assumption was changed from 3.00% per annum to 2.50% per annum. This assumption change decreased the target margin liabilities by \$31,200 and the Assembly current service cost by \$17,700.

Effective April 1, 2018, the interest rate assumption was changed from 3.40% per annum to 3.65% per annum. This assumption change decreased the target margin liabilities by \$422,200 and the Assembly current service cost by \$60,600.

Target Margin Valuation Sensitivity Results

In accordance with the Canadian Institute of Actuaries Standards of Practice specific to pension plans, the table below presents the sensitivity of the target margin liabilities and the total current service cost of using a discount rate 1% lower than that used for the target margin valuation.

	Valuation Basis	Based on Rate of	Effect	
	April 1, 2018	1% Lower	\$	%
Target Margin Liabilities	\$ 10,553,400	\$ 12,412,500	\$ 1,859,100	17.6%
Current Service Cost	\$ 1,093,000	\$ 1,365,500	\$ 272,500	24.9%

Note that using a discount rate 1% higher than that assumed would result in a comparable reduction in the Plan's target margin liabilities and current service cost.

Section 3: Best Estimate Valuation Results

Financial Position of the Plan – Best Estimate Basis

The best estimate valuation provides an assessment of the Plan's financial position at the valuation date on the premise that the Plan continues indefinitely. This basis contains no margin for adverse experience.

Based on the plan provisions, membership data, best estimate assumptions and methods, and asset information described in the Appendices, the best estimate financial position of the Plan as at April 1, 2018 is shown in the following table. The results at April 1, 2017 are also shown for comparison purposes.

Best Estimate Financial Position

	April 1, 2018	April 1, 2017
Actuarial Value of Assets	\$ 12,406,100	\$ 11,707,400
Best Estimate Liabilities		
▪ Active Members	\$ 2,135,200	\$ 4,441,100
▪ Deferred Vested Members	789,400	767,300
▪ Retired Members and Beneficiaries	5,735,200	3,790,500
Total Liabilities	\$ 8,659,800	\$ 8,998,900
Excess/(Unfunded Liability)	\$ 3,746,300	\$ 2,708,500
Funded Ratio	143.3%	130.1%

Based on the plan provisions, membership data, best estimate assumptions and methods and asset information described in the Appendices, the best estimate current service cost of the Plan as at April 1, 2018 is shown in the following table. The results at April 1, 2017 are also shown for comparison purposes.

Best Estimate Current Service Cost

	April 1, 2018	April 1, 2017
Current Service Cost		
Total Current Service Cost	\$ 832,200	\$ 977,300
Required Member Contributions	(247,400)	(230,500)
Assembly Current Service Cost	\$ 584,800	\$ 746,800
Total pensionable earnings (in year following valuation date)	\$ 2,729,200	\$ 2,589,500
As a % of total pensionable earnings	21.4%	28.8%

Section 4: Contribution Requirements

Funding Policy

The Board's Funding Policy outlines the contribution strategy the Assembly intends to follow to reach and maintain the target funding level. The Board has decided on a target funding level of 120% of best estimate liabilities.

The contribution strategy that the Assembly will follow in a given year must be greater than the minimum funding requirements set out in the Retiring Allowances Act and be no more than the maximum contributions allowed under the *Income Tax Act*. In meeting these requirements, and balancing the various interests of the Plan's stakeholders, the Plan's Funding policy sets out that the Assembly will contribute within the following range:

- A minimum contribution of the current service cost (on a best estimate basis), plus special payments to eliminate any deficit (on a best estimate basis) over a period of no more than 15 years, less any Surplus (on a best estimate basis).
- A maximum contribution of the current service cost (on a target margin basis), plus any unfunded liability (on a target margin basis) less any excess surplus (on a target margin basis).

With that said, the Board will consider a target contribution of the current service cost (on a target margin basis), plus special payments to eliminate any deficit (on a target margin basis) over 15-years, less the amortization of any excess surplus above the target funding level (on a target margin basis) over 15-years.

Development of Minimum Contributions

The table below presents the development of the minimum Assembly contributions for the Plan year commencing April 1, 2018. While we have shown a fixed Assembly current service cost in the table below, the Assembly may fund the current service cost as a percentage of pensionable earnings.

Plan Year Commencing	April 1, 2018	April 1, 2019	April 1, 2020	April 1, 2021
Current Service Cost (Best Estimate Basis)				
Total Current Service Cost	\$ 832,200	\$ 853,000	\$ 874,300	\$ 896,200
Required Member Contributions	\$ (247,400)	\$ (253,600)	\$ (259,900)	\$ (266,400)
Assembly Current Service Cost	\$ 584,800	\$ 599,400	\$ 614,400	\$ 629,800
Surplus (Best Estimate Basis)	\$ 3,746,300	\$ 3,319,600	\$ 2,856,200	\$ 2,353,900
Minimum Contributions				
Assembly Current Service Cost	\$ 584,800	\$ 599,400	\$ 614,400	\$ 629,800
Less: Application of Surplus	\$ 3,746,300	\$ 3,319,600	\$ 2,856,200	\$ 2,353,900
Minimum Assembly Contributions (cannot be less than zero)	\$ 0	\$ 0	\$ 0	\$ 0

Development of Maximum Permissible Assembly Contribution

The Income Tax Act requires that any excess surplus first be applied to reduce or eliminate the Assembly contribution requirements. Excess surplus is defined in Section 147.2(2)(d) of the Income Tax Act, as the portion of excess (if any) that exceeds 25% of the target margin liabilities.

Since the excess of \$1,852,700 is less than 25% of the target margin liabilities of \$10,553,400, there is no excess surplus and therefore it does not impact the development of the Assembly contribution requirements.

The table below presents the development of the maximum permissible Assembly contribution for the Plan year commencing April 1, 2018. While we have shown a fixed Assembly current service cost in the table below, the Assembly may fund the current service cost as a percentage of pensionable earnings.

Plan Year Commencing	April 1, 2018	April 1, 2019	April 1, 2020	April 1, 2021
Assembly current service cost	\$ 845,600	\$ 866,700	\$ 888,400	\$ 910,600
Special payments toward amortizing unfunded liability	0	0	0	0
Required application of excess surplus	0	0	0	0
Maximum Permissible Assembly Contribution	\$ 845,600	\$ 866,700	\$ 888,400	\$ 910,600

Development of Funding Policy Recommended Contributions

The table below presents the development of the recommended Assembly contributions for the Plan year commencing April 1, 2018. While we have shown a fixed Assembly current service cost in the table below, the Assembly may fund the current service cost as a percentage of pensionable earnings.

Plan Year Commencing	April 1, 2018	April 1, 2019	April 1, 2020	April 1, 2021
Current Service Cost (Target Margin Basis)				
Total Current Service Cost	\$ 1,093,000	\$ 1,120,300	\$ 1,148,300	\$ 1,177,000
Required Member Contributions	\$ (247,400)	\$ (253,600)	\$ (259,900)	\$ (266,400)
Assembly Current Service Cost	\$ 845,600	\$ 866,700	\$ 888,400	\$ 910,600
Surplus (Target Margin Basis)	\$ 1,852,700	\$ 1,751,800	\$ 1,647,200	\$ 1,538,800
Application of Surplus	\$ (162,600)	\$ (162,600)	\$ (162,600)	\$ (162,600)
Funding Policy Recommended Contributions				
Assembly Current Service Cost	\$ 845,600	\$ 866,700	\$ 888,400	\$ 910,600
Less: Application of Surplus	\$ (162,600)	\$ (162,600)	\$ (162,600)	\$ (162,600)
Funding Policy Recommended Assembly Contributions	\$ 683,000	\$ 704,100	\$ 725,800	\$ 748,000

In the event an updated funding recommendation is not certified before April 1, 2022, the rule for determining the Assembly contributions recommended in the above tables will continue to be appropriate for the plan year commencing on the next valuation date of April 1, 2022. Adjustment to the Assembly contributions (retroactive to April 1, 2022) may be required once the next actuarial funding recommendations are certified.

Section 5: Actuarial Certificate

Actuarial Opinion, Advice and Certification for the Legislative Assembly of Nunavut Retiring Allowances Act

Canada Revenue Agency Registration Number: 1054915

Opinion

This actuarial certification forms an integral part of the actuarial valuation report for the Plan as at April 1, 2018. I confirm that I have prepared an actuarial valuation of the Plan as at April 1, 2018 for the purposes outlined in the Introduction section to this report and consequently:

My advice on funding is the following:

- The Assembly should contribute the amounts within the range of minimum and maximum contribution levels outlined in **Section 4** of this report.
- The next actuarial valuation for the purpose of developing funding requirements should be performed no later than as at April 1, 2022.

I hereby certify that, in my opinion:

- With respect to the purposes of determining the Plan's financial position on a target margin basis as at April 1, 2018:
 - The Plan has a target margin excess of \$1,852,700 as at April 1, 2018, based on target margin assets of \$12,406,100 less target margin liabilities of \$10,553,400.
 - There is no excess surplus as defined by Section 147.2(2) of the *Income Tax Act* in the Plan at April 1, 2018.
 - The pre-1990 maximum pension restrictions in Subsection 8504(6) of the Regulations to the *Income Tax Act* do not apply to any Members of the Plan.

- With respect to determining the funding requirements of the Plan:
 - The estimated total current service cost for the Plan year commencing April 1, 2018, including the portions of the current service cost attributed to Members and the Assembly are as follows:

Plan Year Commencing	April 1, 2018	April 1, 2019	April 1, 2020	April 1, 2021
Current Service Cost				
Total Current Service Cost	\$ 1,093,000	\$ 1,120,300	\$ 1,148,300	\$ 1,177,000
Required Member Contributions	(247,400)	(253,600)	(259,900)	(266,400)
Assembly Current Service Cost	\$ 845,600	\$ 866,700	\$ 888,400	\$ 910,600
Total pensionable earnings	\$ 2,729,200	\$ 2,797,400	\$ 2,867,400	\$ 2,939,100
As a % of pensionable earnings	31.0%	31.0%	31.0%	31.0%

- The contribution range as outlined in this report is expected to be sufficient to satisfy the Plan's funding requirements.
- The Assembly contributions recommended in this report are eligible contributions under Section 147.2(2) of the *Income Tax Act*.
- For the purposes of the valuation:
 - The data on which this valuation is based are sufficient and reliable;
 - The assumptions used are appropriate; and
 - The actuarial cost methods and the asset valuation methods used are appropriate.
 - This report and its associated work have been prepared, and my opinion given, in accordance with accepted actuarial practice in Canada and in compliance with the requirements outlined in subparagraphs 147.2(2)(a)(iii) and (iv) of the *Income Tax Act*.
- Notwithstanding the above certifications, emerging experience differing from the assumptions will result in gains or losses that will be revealed in subsequent valuations.

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March 2019

Appendix A: Glossary of Terms

- The **actuarial value of assets** is the asset value used for target margin valuation purposes. Smoothing methods are sometimes used to smooth investment gains and losses over a certain period.
- The **best estimate liabilities** are the actuarial present value of benefits earned in respect of service prior to the valuation date. The best estimate liabilities are calculated using the best estimate assumptions and methods summarized in Appendix D of this report, which includes no margin for adverse experience.
- The **target margin liabilities** are the actuarial present value of benefits earned in respect of service prior to the valuation date. The target margin liabilities are calculated using the target margin assumptions and methods summarized in Appendix D of this report, which include a margin (contained fully within the discount) equal to approximately 20% of liabilities calculated on a best estimate basis.
- The **target margin position** is the difference between the actuarial value of assets and the target margin liabilities.
- The **maximum deductible Assembly contribution** refers to an eligible contribution pursuant to Section 147.2(2) of the *Income Tax Act*. Under Subsection 8502(b) of the Regulations to the *Income Tax Act*, each Assembly contribution made after 1991 in respect of a defined benefit provision of a registered pension plan must be such eligible contribution.

In an assembly's fiscal year, the following contributions are eligible under Section 147.2 of the *Income Tax Act*.

- The Assembly current service cost on a target margin basis, eligible under Section 147.2(2) subject to certification by the actuary and approval by the Canada Revenue Agency; plus
- Special payments eligible under Section 147.2(2) up to the amount of the unfunded liability on a target margin basis, subject to certification by the actuary and approval by the Canada Revenue Agency; less
- Required application of excess surplus on a target margin basis.

The Assembly current service cost and special payments for this Plan will be deductible under Section 147.2(2) of the *Income Tax Act*, subject to the approval of the Canada Revenue Agency.

In order to be deductible in a given fiscal year, Assembly contributions must be made not later than 120 days after the end of the fiscal year.

- The **minimum required Assembly contribution** for each Plan year is equal to:
 - The Assembly current service cost on a best estimate basis; plus
 - Special payments toward amortizing any unfunded liability, determined on a best estimate basis, over 15 years from the date on which the unfunded liability was established; less
 - Required application of excess surplus; less
 - Permitted application of excess.

- The **special payments** are payments required to liquidate the unfunded liability:
 - The target margin special payments are payments required to liquidate the unfunded liability, with interest at the target margin valuation discount rate, by equal monthly instalments over a period of 15 years beginning on the valuation date of the report in which the target margin unfunded liability was determined;
- The **excess/(unfunded liability)** is the difference between the actuarial value of assets and the sum of the target margin liabilities.
- The **total current service cost** is the actuarial present value of benefits expected to be earned in respect of service for each year starting on the valuation date. Required Member contributions (if any) are deducted from the total current service cost to determine the Assembly current service cost. The total current service cost is calculated using both the target margin and best estimate valuation assumptions and methods summarized in Appendix D of this report.

Appendix B: Assets

Asset Data

The Plan assets are held by RBC Investor and Treasury Services and invested by Beutel-Goodman Investment Counsel. The asset information presented in this report is based on the unaudited financial statements of the pension fund from April 1, 2017 to April 1, 2018 prepared by RBC Investor and Treasury Services.

Tests of the sufficiency and reliability of the asset data were performed, and the results were satisfactory. The tests included:

- A reconciliation of actual cash flow with expected cash flow from the previous actuarial report; and
- A reconciliation of any anticipated benefit payments from April 1, 2017 to April 1, 2018 (for retirees, terminated or deceased Members) against the financial statements of the pension fund for confirmation of payments.

Market Value of Assets

The following is a summary of the composition of the Plan's assets by asset type as reported by RBC Investor and Treasury Services as at April 1, 2018. For comparison purposes, the composition at the previous valuation date of April 1, 2017 is also shown.

	April 1, 2018		April 1, 2017	
	\$	%	\$	%
Cash and short term	\$ 234,800	2%	\$ 136,800	1%
Fixed-income	3,965,000	31%	3,799,600	31%
Canadian equities	4,464,200	34%	4,014,700	32%
U.S. equities	1,780,200	14%	2,026,600	16%
Non-North American equities	2,521,900	19%	2,455,500	20%
Total Invested Assets	\$12,966,100	100%	\$12,433,200	100%

Target Asset Mix

The target asset mix of the Plan is contained in the Plan's Statement of Investment Policies and Procedures and is as follows:

	Minimum (%)	Target (%)	Maximum (%)
Equities			
Canadian Equities	25	30	55
Foreign Equities			
▪ U.S. Equities	7	12	20
▪ Non-North American Equities	8	13	20
Total Foreign Equities	15	25	40
Total Equities	45	55	70
Fixed Income	30	40	55
Cash and Short Term	0	5	15
Total Fund		100	

Reconciliation of Changes in Market Value of Assets

The table below reconciles changes in the market value of assets between April 1, 2017 and April 1, 2018.

Plan Year Commencing April 1,	2017
Market Value of Assets, Beginning of Plan Year	\$ 12,433,244
Contributions During Plan Year	
Member	\$ 242,757
Assembly current service cost	941,200
Assembly special payments	0
Total	\$ 1,183,957
Benefit Payments During Plan Year	
Non-retired Members	\$ (946,927)
Retired Members	(276,029)
Total	\$ (1,222,956)
Fees/Expenses	
Investment fees/expenses	\$ (60,198)
Non-investment fees/expenses	(14,248)
Total	\$ (74,446)
Investment Income	\$ 646,332
Market Value of Assets, End of Plan Year	\$ 12,966,131
Rate of return, net of fees/expenses	4.61%

Development of Adjusted Market Value of Assets

The adjusted market value of assets is equal to the market value of assets adjusted to reflect any contributions, benefit payments, transfers and fees/expenses in-transit as of the valuation date. The development of the adjusted market value of assets is shown below.

	April 1, 2018
Market value of assets	\$ 12,966,100
Contributions receivable	21,100
Benefits payable	0
Transfers (payable)/receivable	0
Fees/expenses payable	(19,300)
Adjusted market value of assets	\$ 12,967,900

Development of Actuarial Value of Assets

The actuarial value of assets is determined by modifying the adjusted market value of assets to recognize asset gains (losses) (i.e., the difference between actual investment return and expected investment return based on the target margin discount rate assumption) over a 4-year period.

The development of the actuarial value of assets as of April 1, 2018 is shown below:

Year Ending	Original Amount of (Gain) Loss	(Gain) Loss Admitted in Prior Years	(Gain) Loss Admitted in Current Year	(Gain) Loss to be Admitted in Future Years
March 31, 2016	\$ 549,400	\$ 274,700	\$ 137,300	\$ 137,400
March 31, 2017	\$ (1,173,500)	\$ (293,400)	(293,300)	(586,800)
March 31, 2018	\$ (149,800)	\$ 0	(37,400)	(112,400)
			\$ (193,400)	\$ (561,800)
Adjusted market value of assets, April 1, 2018				\$ 12,967,900
Actuarial value of assets, April 1, 2018				\$ 12,406,100

Appendix C: Membership Data

Source of Data

This funding valuation was based on Member data provided by the Assembly as of April 1, 2018. Tests of the sufficiency and reliability of the Member data were performed, and the results were satisfactory. The tests included:

- A reconciliation of membership status against the membership status at the last valuation. This test was performed to ensure that all Members were accounted for. A summary of this reconciliation follows on the next page;
- A reconciliation of birth, hire, and participation dates against the corresponding dates provided for the last valuation to ensure consistency of data;
- A reconciliation of credited service against the corresponding amount provided for the last valuation to ensure that no Member accrued more than one year of credited service from April 1, 2017. This test also revealed any Members who accrued less than one year of credited service;
- A reconciliation of pensionable earnings against the corresponding amounts provided for the last valuation to identify any unusual increases or decreases (more than 20%);
- A reconciliation of accrued benefits against the corresponding amounts provided for the last valuation to identify any unusual benefit accruals;
- A reconciliation of any stated benefit payments between April 1, 2017 and April 1, 2018 (for retired, terminated or deceased Members) against the financial statements of the pension fund for confirmation of the payments;
- A reconciliation of inactive Member benefit amounts against the corresponding amounts provided for the last valuation to ensure consistency of data.

A copy of the administrator certification certifying the accuracy and completeness of the Member data (and the plan provisions summarized in this report) is included in **Appendix F** of this report.

Membership Summary

The table below reconciles the number of Members as of April 1, 2018 with the number of Members as of April 1, 2017 and the changes due to experience in the period.

	Active Members	Deferred Vested Members	Retired Members	Total
Members, April 1, 2017	21	2	19	42
Changes due to:				
New entrants	11	-	-	11
Termination				
Non-vested	(1)	-	-	(1)
Deferred vested pension	-	-	-	-
Lump sum	(3)	-	-	(3)
Death				
Pensioner with survivor	-	-	-	-
Surviving beneficiary	-	-	-	-
Retirement				
Lifetime pension	(5)	-	5	-
Temporary pension	(1)	-	1	-
Expired temporary pension	-	-	(1)	(1)
Net change	1	-	5	6
Members, April 1, 2018	22	2	24	48

Membership Summary

Active Members

April 1, 2018			
	Male	Female	Total
Number	16	6	22
Average age	52.4	50.2	51.8
Average credited service – MLA	3.1	1.1	2.6
Minister	1.5	0.4	1.1
Other	3.8	0.9	3.3
Average pensionable earnings ¹ – MLA			\$ 103,874
Minister			\$ 85,557
Other			\$ 33,657

April 1, 2017			
	Male	Female	Total
Number	19	2	21
Average age	58.2	58.1	58.2
Average credited service – MLA	4.4	4.5	4.4
Minister	3.1	1.5	3.0
Other	4.4	2.4	4.1
Average pensionable earnings – MLA			\$ 101,817
Minister			\$ 77,330
Other			\$ 32,127

Deferred Vested Members

	April 1, 2018	April 1, 2017
Number	2	2
Average age	55.0	54.0
Average annual pension	\$ 24,347	\$ 23,987
Proportion female	50%	50%

¹ Expected earnings in the year following the valuation date.

Retired Members

	April 1, 2018	April 1, 2017
Number	24	19
Average age	64.7	64.9
Average annual pension	\$ 13,747	\$ 12,165
Proportion female	16.7%	15.8%

Appendix D: Assumptions and Methods

Assumptions and Methods

A Member's entitlements under a pension plan are generally funded during the period over which service is accrued by the Member. The cost of each Member's benefits is allocated in some fashion over the Member's service. An actuarial valuation provides an assessment of the extent to which allocations relating to periods prior to a valuation date (often referred to as the actuarial liabilities) are covered by the plan's assets.

The target margin valuation provides an assessment of a pension plan on the premise that the plan continues indefinitely based on assumptions in respect of future events upon which a plan's benefits are contingent and methods that effectively determine the way in which a plan's costs will be allocated over the Members' service. The true cost of a plan, however, will emerge only as experience develops, investment earnings are received, and benefit payments are made.

This appendix summarizes the target margin assumptions and methods that have been used for the target margin valuation of the Plan at the valuation date. The target margin assumptions and methods have been chosen to reflect our understanding of the Plan's Funding Policy. For purposes of this valuation, the target margin methods and assumptions were reviewed, and changes as indicated were made.

The best estimate assumptions and methods are identical to those of the target margin basis, with the exception of the discount rate, which holds no margin for adverse experience.

Assumptions and Methods

The actuarial assumptions and methods used in the current and previous valuations are summarized below and described on the following pages. With the exception of discount rates, the assumptions used in the target margin and best estimate basis have the same assumptions

	April 1, 2018	April 1, 2017
Economic Assumptions		
Discount rate (target margin)	3.65%	3.40%
(best estimate)	5.00%	4.75%
Inflation rate	2.00%	Same
Increases in pensionable earnings	2.50%	3.00%
Increases in maximum pension limit	In accordance with <i>Income Tax Act</i> , then 2.50%	Same
Demographic Assumptions		
Mortality	2014 Canadian Pensioners' Mortality Table combined with mortality improvement scale MI-2017 No mortality assumed prior to retirement	2014 Canadian Pensioners' Mortality Table combined with mortality improvement scale CPM-B No mortality assumed prior to retirement
Retirement	Actives: Later of age 50, 4 years of service or end of current session Deferred: Age 50 or current age if older	Same
Termination of employment	None	Same
Proportion married		
Non-retired proportion with spouse	100%	Same
Non-retired spousal age differential	Males three years older	Same
Retired Members	Actual marital status and ages are used	Same
Methods		
Actuarial cost method	Projected Unit Credit Cost Method	Same
Asset valuation method	Smoothed market value of assets adjusted to recognize asset gains and losses over a four-year period and to reflect contributions and benefit payments in transit as of the valuation date.	Same

Justification of Actuarial Assumptions and Methods

The Management Services Board of the Legislative Assembly of Nunavut adopted a formal funding policy in December 2011. The objective of the funding policy is to provide a reasonable level of benefit security to Plan beneficiaries at a cost level that is sustainable for the long term.

The funding policy provides the following guidance:

- When performing an actuarial valuation, the emphasis is on the going concern value of the Plan's liabilities.
- The risk of wind-up is negligible which makes solvency funding inappropriate for the Plan.
- The Board works with the Plan actuary to develop "best estimate" assumptions regarding future economic and demographic variables that affect Plan costs.
- The Board and the actuary may then add an explicit provision for adverse deviation (margin of conservatism) to the assumptions, typically the discount rate.
- The actual margin that is applied to the best estimate assumptions may change over time to allow for some smoothing of the contribution rates.
- The long-term funded ratio target is 120% of liabilities (best estimate).

Economic Assumptions

Discount Rate

We have used a discount rate of 3.65% per annum for the target margin valuation and 5.00% per annum for the best estimate valuation.

The overall expected return (“best estimate”) is 5.48% per annum. This best estimate rate of return was developed using best estimate returns for each major asset class in which the pension fund is invested and then using a building block approach, based on the Plan’s investment policy, to develop an overall best estimate rate of return for the entire pension fund. Any additional gains from rebalancing and diversification have been included above.

To set the discount rate, we have incorporated the following adjustments to the overall expected rate of return:

Development of Discount Rate

Overall expected return	5.48%
Non-investment expenses	(0.10)%
Investment expenses	(0.40)%
Margin for adverse experience	(1.33)%
Discount Rate	3.65%

Therefore, we have arrived at a discount rate of 3.65% per annum for the target margin valuation.

This assumption is changed from the previous valuation when a discount rate of 3.40% per annum was used.

The best estimate valuation used the same methodology to calculate the discount rate, however no margin was held for adverse experience. Therefore, a rate of 5.00% per annum (rounded from 4.98%) was used.

Inflation Rate

The inflation rate is assumed to be 2.00% per annum. This reflects our best estimate of future inflation considering current economic and financial market conditions.

Increases in Pensionable Earnings

We have assumed future remuneration increases will be 2.50% per annum based on the assumed rate of inflation of 2.00% per annum, plus 0.50% per annum for the effect of productivity growth in the Canadian economy. This assumption was reduced from 3.00% per annum used at the previous valuation.

Increases in the Maximum Pension Limit

Pensions are limited to the maximum limits under the *Income Tax Act*. The maximum lifetime annual pension per year of pensionable service payable under the *Income Tax Act* is \$2,944.44 in 2018. It is assumed that the maximum limit will increase at 2.50% per year after 2018. This is comprised of an annual increase of 2.00% on account of inflation, plus 0.50% on account of productivity, which is consistent with historical real economic growth.

Expenses

Since the discount rate has been established net of all expenses, no explicit assumption is required for expenses. This is unchanged from the previous valuation.

Economic Margins for Adverse Deviations

Margins for conservatism or provisions for adverse experience have been built into the target margin assumptions, as outlined in the Funding Policy. The margin determined in the Funding Policy was chosen to balance the need for financial security for existing Plan Members against overly conservative contribution requirements that potentially result in intergenerational inequity among Members and unnecessary financial strain on the Assembly.

A margin for adverse deviations of 1.33% has been reflected in the interest rate assumption.

The actuary has discussed the Plan's experience with the Board and compared it to the expected experience. This review indicates that there is a need for use of margins for adverse deviations. The margins for adverse deviations incorporated in the assumptions reflect this review and the Assembly's desire to maintain safety cushions.

Demographic Assumptions

Mortality

During 2014, the CIA completed a study of Canadian pensioner mortality levels and trends. The 2014 study published mortality rates split by sector and included Public, Private and Combined tables, as well as possible pension size adjustment factors. A generational projection scale, CPM-B, was also developed to allow for improvements in mortality after 2014. This base table and projection scale were used at the previous valuation date.

During 2017, the CIA released a research paper and subsequently published an Educational note introducing a new Mortality Improvements Scale (MI-2017) to be used in conjunction with published mortality tables to reflect anticipated increases in life expectancy.

In light of the CIA study, the MI-2017 mortality improvement projection scale has been adopted. The same table of base rates, the 2014 Canadian Pensioners' Mortality Table, continues to be used. No adjustment factor has been applied for pension size.

The incidence of preretirement mortality is assumed to be nil.

Retirement

Members are assumed to retire at the later of age 50, four years of service or the end of current session. The benefit on early retirement is subject to a reduction of 3% per annum before the earliest of age 60, 30 years of service or 80 points. In order to be vested in pension benefits, Members must have 4 years of service or serve at least one full term as a member of the Assembly. Based on historical experience, most members remain in the Assembly for the entire session and very few members choose to defer their pension benefits when they leave the Assembly. This assumption includes a small margin of conservatism.

Termination of Employment

No allowance has been made for termination of membership prior to retirement on the basis that the impact of including such an assumption would not have a material impact on the valuation results. Terminations after meeting the vesting requirement are treated as retirements, which are explained above. This is unchanged from the previous valuation. This assumption includes a small margin of conservatism.

Proportion of Members with Spouses and Spousal Age Differential

These assumptions are relevant to the valuation of benefits since there is a subsidized joint and survivor benefit available for Members with a spouse. Assuming all Members will be married at death provides a small margin of conservatism. The spousal age difference was based on observance of actual age differences in the group for Members where the spouse age is known. This is unchanged from the previous valuation.

Other

Actuarial Cost Method

An actuarial cost method is a technique used to allocate in a systematic and consistent manner the expected cost of a pension plan over the years of service during which plan Members earn benefits under the Plan. By funding the cost of a pension plan in an orderly and rational manner, the security of benefits provided under the terms of the plan in respect of service that has already been rendered is significantly enhanced.

The projected accrued benefit actuarial cost method has been used for this valuation. Under this method, the actuarial present value of benefits in respect of service prior to the valuation date, but based on pensionable earnings projected to retirement, is compared with the actuarial asset value, revealing either an excess or an unfunded actuarial liability.

With respect to service after the valuation date, the expected value of benefits for service in the year following the valuation date (i.e., the current service cost) net of any required Member contributions is expressed as a percentage of the expected value of participating payroll for that year. The employer current service cost contributions are determined each year by applying this percentage to the actual participating payroll for the year.

When calculating the actuarial present value of benefits at the valuation date, the present value of all retirement, withdrawal and pre-retirement death benefits are included. For each Member, the retirement, withdrawal and pre-retirement death benefits for a particular period of service are first projected each year into the future taking into account future vesting, early retirement entitlements and minimum pension/value entitlements. These projected benefits for each future year are then capitalized, multiplied by the probability of the Member leaving the Plan in that year and discounted with interest and survivorship to the valuation date. The actuarial present value of benefits for the particular period of service is then determined by summing the present values of these projected benefits.

The pattern of future contributions necessary to pre-fund future benefit accruals for any one individual will increase gradually as a percentage of their pensionable earnings as the individual approaches retirement. For a stable population (i.e., one where the demographics of the group remain constant from year to year), the current service cost will remain relatively level as a percentage of payroll. The projected accrued benefit actuarial cost method therefore allocates contributions among different periods in an orderly and rational manner for a stable population group.

In the event of future adverse experience, contributions in addition to the current service cost calculated under the projected accrued benefit actuarial cost method may be required to ensure that the Plan assets are adequate to provide the benefits. Conversely, favourable experience may generate excess which may serve to reduce future contribution requirements.

Asset Valuation Method

The actuarial value of assets (AVA) methodology used described in Appendix A, was used to moderate fluctuations in contribution rates. The method used tracks market value and would asymptotically approach market value if rates of return matched target margin assumptions. The method chosen should not typically deviate materially from market value, and additionally, we have set a corridor for the method to produce actuarial values within plus or minus 10% of market value should the method produce an AVA outside of this range. The method is not unduly influenced by investment transactions, i.e., sale of an asset will not have an impact on the AVA. A 4-year period of averaging was chosen which is within the typical range of an economic cycle. There exists minimal bias in the method, due to the margin contained in the target margin assumption.

Appendix E: Summary of Plan Provisions

This summary contains the main provisions of the Legislative Assembly of Nunavut Supplementary Retiring Allowances Act and Regulations (the "Plan") as at April 1, 2018. For a complete description of the Plan, reference should be made to the Legislative Assembly Retiring Allowances Act and Regulations.

Effective Date	April 1, 1999.
Eligibility	All Members of the Legislative Assembly are Members of the Plan.
Credited Service	Service since April 1, 1999
Member Contributions	Members contribute 9.0% of earnings (up to a maximum which is the defined benefit limit divided by 2%) to the fund unless they do not participate in the Supplementary Retiring Allowances Act, in which case they contribute 6.5%.
Pensionable Age	The earliest of: (a) the age of 60 years (b) 30 years of service the aggregate of age and service equal to 80
Late Retirement	Up to age 71
Retirement Pension at Pensionable Age	2% of the average best earnings over any four years as an MLA multiplied by Credited Service as an MLA, plus 2% of the average best earnings over any four years in an eligible position multiplied by Credited Service in that 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.

Maximum Pension

The annual benefit for a Member cannot exceed the lesser of:

- a) the defined benefit limit as prescribed in the Income Tax Act of Canada for the year in which the pension commences, times years of Credited Service
- b) 2% of average annual pensionable remuneration adjusted with average wage increase to the year in which the pension commences, times years of Credited Service

The combined pension amount under the Nunavut Legislative Assembly Retiring Allowances Act and the Nunavut Legislative Assembly Supplementary Retiring Allowances Act shall not exceed 75% of the average best earnings over any four years.

Early Retirement

If a Member elects to retire prior to pensionable age, the benefit shall be reduced by 0.25% for each month preceding pensionable age. There is no reduction for early retirement at pensionable age.

Form of Pension

The normal form of pension is a joint and 66-2/3% survivor pension reducing on the death of the member with a guarantee of 5 years in any event.

Each dependent will receive a pension of 10% of the retirement pension (to a maximum total of 33-1/3%) if the spouse survives. If there is no surviving spouse, a benefit of 25% of the retirement pension (to a maximum total of 100%) will be paid to each dependent. Pensions payable to a dependent cease when they no longer qualify as a dependent under the Plan.

Increases 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.

Pre-Retirement Death Benefits

If a Member or Former Member dies before retirement and is not eligible to receive a pension, his accumulated contributions with interest will be returned to the beneficiary. If the Member was eligible to receive a pension, the spouse will receive an annuity of 100% of the retirement pension for the first 5 years and 66-2/3% of the pension for the remaining lifetime.

Each dependent will receive a pension of 10% of the retirement pension (to a maximum total of 33-1/3%) if the spouse survives. If there is no surviving spouse, a benefit of 25% of the retirement pension (to a maximum total of 100%) will be paid to each dependent. Pensions payable to a dependent cease when they no longer qualify as a dependent under the Plan.

Withdrawal Benefits

A Member who ceases to be a Member 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. The Member may elect to transfer the retirement pension to an RRSP, which must be locked-in if the Member is over age 55.

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

Appendix F: Administrator Certification

With respect to the Legislative Assembly of Nunavut Retiring Allowances Act, forming part of the actuarial report as at April 1, 2018, I hereby certify that, to the best of my knowledge and belief:

- The asset data contained in Appendix B of this report is complete and accurate;
- The membership data summarized in Appendix C of this report form a complete and accurate description of all persons who are entitled to benefits under the terms of the plan in respect of service up to the date of the valuation;
- The summary of the Plan provisions contained in Appendix E is an accurate summary of the Plan provisions up to and including April 1, 2018; and
- The actuary has been notified of all relevant events subsequent to the valuation measurement date.

Name (print) of Authorized Signatory

Title

Signature

Date

Contact Information

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