

**LEGISLATIVE ASSEMBLY
RETIRING ALLOWANCE FUND
Yellowknife, NT**

FINANCIAL STATEMENTS
For the Year Ended March 31, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Management
Legislative Assembly Retiring Allowance Fund

We have audited the accompanying financial statements of Legislative Assembly Retiring Allowance Fund, which comprise the Statement of Net Assets Available for Benefits as at March 31, 2011, the Statement of Changes in Net Assets Available for Benefits for the year then ended, and the Statement of Obligations for Pension Benefits as at March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Net Assets Available for Benefits as at March 31, 2011, and the Changes in Net Assets Available for Benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Avery, Cooper & Co.

Avery, Cooper & Co.
Certified General Accountants
Yellowknife, NT

May 23, 2011

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

March 31, 2011

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT		
Accounts Receivable (Note 3)	\$ 13,853	\$ 29,415
Accrued Interest Income	<u>34,696</u>	<u>38,399</u>
	48,549	67,814
INVESTMENTS		
Retiring Allowance Fund (Notes 2 and 4)	<u>21,157,694</u>	<u>19,506,495</u>
	<u>\$ 21,206,243</u>	<u>\$ 19,574,309</u>
LIABILITIES		
CURRENT		
Accounts Payable (Note 6)	\$ 38,590	\$ 30,977
FUND BALANCE		
RETIRING ALLOWANCE FUND BALANCE		
Net Assets Available for Benefits per page 2	<u>21,167,653</u>	<u>19,543,332</u>
	<u>\$ 21,206,243</u>	<u>\$ 19,574,309</u>

APPROVED:

_____ Speaker

_____ Clerk

See the accompanying notes.

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For the Year Ended March 31, 2011

	<u>2011</u>	<u>2010</u>
INCREASE IN ASSETS		
Contributions:		
Members	\$ 187,182	\$ 185,251
In-Kind Contributions	<u>6,000</u>	<u>6,000</u>
	<u>193,182</u>	<u>191,251</u>
Investment Income:		
Interest	221,876	145,884
Dividends	352,443	473,209
Other Receipts	292	-
Gain (Loss) on Sale of Investments	<u>355,220</u>	<u>(179,689)</u>
	<u>929,831</u>	<u>439,404</u>
Current Period Change in Fair Values of Investments	<u>1,281,190</u>	<u>2,899,410</u>
Total Increase in Assets	<u>2,404,203</u>	<u>3,530,065</u>
DECREASE IN ASSETS		
Benefits		
Pension Payments	624,217	632,467
Termination Payments	<u>-</u>	<u>-</u>
Total Benefits	<u>624,217</u>	<u>632,467</u>
Administrative		
Actuary Fees	59,254	51,824
Audit Fees	6,000	6,000
Investment Management Fees	63,973	51,076
Meeting Travel & Accommodation	-	13,144
Trustee Fees	<u>26,438</u>	<u>22,877</u>
Total Administrative	<u>155,665</u>	<u>144,921</u>
Total Decrease in Assets	<u>779,882</u>	<u>777,388</u>
INCREASE/ (DECREASE) IN NET ASSETS	1,624,321	2,752,677
NET ASSETS AVAILABLE FOR BENEFITS		
- BEGINNING OF YEAR	<u>19,543,332</u>	<u>16,790,655</u>
- END OF YEAR	<u>\$ 21,167,653</u>	<u>\$ 19,543,332</u>

See the accompanying notes.

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

STATEMENT OF OBLIGATIONS FOR PENSION BENEFITS

March 31, 2011

	<u>2011</u>	<u>2010</u>
ACTUARIAL PRESENT VALUE OF ACCRUED DEFINED BENEFITS		
Active Members	\$ 6,076,000	\$ 5,069,000
Pensioners & Terminated Members	<u>10,512,000</u>	<u>10,525,000</u>
Total Ongoing Plan Liabilities at January 31st (Note 5)	<u>16,588,000</u>	<u>15,594,000</u>
ACTUARIAL VALUE OF NET ASSETS AVAILABLE FOR BENEFITS		
Actuarial Value of Net Assets Available for Benefits (January 31st)	20,269,000	20,387,000
Changes not reflected in actuarial value of net assets	<u>898,653</u>	<u>(843,668)</u>
Fair Value of Net Assets Available for Benefits (page 2)	<u>21,167,653</u>	<u>19,543,332</u>
EXCESS OF ACTUARIAL VALUE OF NET ASSETS OVER ACTUARIAL PRESENT VALUE OF DEFINED BENEFITS	<u>\$ 4,579,653</u>	<u>\$ 3,949,332</u>

See the accompanying notes.

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2011

NOTE 1 DESCRIPTION OF PLAN

a) General

The fund was established pursuant to the Legislative Assembly Retiring Allowances Act and is administered by the Board of Management. The Act provides retiring allowances on a contributory, defined benefit basis to Members of the Legislative Assembly of the Northwest Territories who have been Members at any time for six or more years prior to October 16, 1995 or four or more years after October 16, 1995, commencing March 10, 1975, the date of the first fully elected Legislative Assembly.

b) The following description of the Legislative Assembly Retiring Allowance Plan is a summary only. For more complete information, reference should be made to the Plan agreement.

1) Funding Policy

The Legislative Assembly Retiring Allowance Act requires that the plan sponsor, the Government of the Northwest Territories, 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 Fund that must be completed no less frequently than as of the day on which each general election is held. The next actuarial valuation is tentatively scheduled for January 2012 (See Note 5).

In accordance with the Trust agreement, Plan members are required to contribute 6.5% of their salary and per diem allowances 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 surplus existing in the Plan may be used to reduce the required employer contributions. Any deficit existing in the Plan must be specifically funded in accordance with the requirements of the Pension Benefits Standards Act.

2) Normal Retirement Age

a. Service Prior to 1992

Age 55

b. Service After 1991

The earliest of:

- age 60
- 30 years of service
- age plus service equals 80

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2011

NOTE 1 DESCRIPTION OF PLAN - cont'd

3) Retirement Pension

A retirement pension is payable to a member, based on 2% of the average earnings over four consecutive years as an MLA multiplied by Credited Service as an MLA.

PLUS

2% of the average best earnings over four consecutive years in that capacity of Minister, Speaker or Chairperson multiplied by Credited Service for each position. A position must be held for at least one year for a pension to be paid, and the pension for each position is calculated separately.

4) Early Retirement

A member may retire at any time upon ceasing to be a member of the Assembly. A Member retiring prior to Normal Retirement Age shall receive:

a. Service prior to 1992

A pension which is actuarially equivalent to the pension calculated as if the member was 55.

b. Service after 1991.

A pension which is reduced by 0.25% for each month a member retires before the Normal Retirement Age.

5) Late Retirement

Up to age 69.

6) Maximum Allowance

For benefits earned after 1991, the annual retirement pension payable shall not exceed the lesser of:

a. the defined limit as prescribed under the Income Tax Act of Canada for the year in which the pension commences, times the years of credited service after 1991;

b. 2% of the average annual indexed pensionable remuneration, times the years of credited service after 1991.

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2011

NOTE 1 DESCRIPTION OF PLAN - cont'd

7) Form of Pension

a. Service Prior to 1992

The normal form of payment is a joint and 75% survivor pension reducing on the death of the Member.

Each dependent will receive a pension of 10% of the retirement pension (to a maximum total of 25%) if the spouse survives. If there is no surviving spouse, a benefit of 25% of the retirement pension (to a maximum total of 100%) will be paid to each dependent.

b. Service After 1991

The normal form of payment for service after 1991 is a joint and 66-2/3% survivor pension reducing on the death of the Member with a guarantee of 100% of the first 60 monthly payments in any event.

Each Dependent will receive a pension of 10% of the retirement pension (to a maximum total of 33-1/3%) if the spouse survives. If there is no surviving spouse, a benefit of 100% shall be divided by the number of children for the first 60 monthly payments after the Member's pension commencement and then 25% of the benefit thereafter (to a maximum total of 100%).

8) Increases in Pension

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

9) 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 he was eligible to receive a pension, it will be assumed that the Member retired on the day preceding his death and elected the normal form of pension.

10) Withdrawal Benefits

A Member who terminates with four or more years of service or serves at least one full term as a Member of the Assembly is entitled to a retirement pension. All other Members who terminate will receive a lump sum payment of their accumulated contributions with interest.

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2011

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and plan members. The financial statements are prepared to assist plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the plan nor the benefit security of individual plan members.

b) Contributions are recognized in the accounts on an accrual basis. The Fund recognizes contributed materials and services in these financial statements as in-kind contributions, but only when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Fund's operations and would otherwise have been purchased.

c) Pension and termination benefits are shown as expenditures in the year of payment.

d) Investments of the Fund are stated at fair value from published price quotations in an active market. The change in the difference between market value and cost of investments is reflected in the Statement of Changes in Net Assets Available for Benefits as a Current Period Change in Fair Value of Investments.

e) The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 reported period. Actual results may differ from these estimates.

NOTE 3 ACCOUNTS RECEIVABLE

	<u>2011</u>	<u>2010</u>
Contributions from members	\$ 7,853	\$ 23,415
GNWT	<u>6,000</u>	<u>6,000</u>
	<u>\$ 13,853</u>	<u>\$ 29,415</u>

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2011

NOTE 4 INVESTMENTS - RETIRING ALLOWANCE FUND

	<u>2011</u>	%	<u>2010</u>	%
<u>Funds Managed by Investment Counselors</u>				
Cash and Cash Equivalents	\$ 182,713	\$ 0.86	\$ 16,373	0.08
Canadian Equity Mutual Funds (Cost \$5,027,794; 2010- \$5,181,190)	6,129,051	28.97	5,460,079	27.99
International Equity Mutual Funds (Cost \$6,722,453; 2010- \$6,476,319)	6,207,414	29.34	5,737,658	29.42
Temporary Investments (Cost \$39,279; 2010- \$1,823)	39,279	0.19	1,823	0.01
NWT Legislative Assembly Building Society Series A Bonds (Cost \$124,438; 2010- \$164,454)	124,438	0.59	164,454	0.84
Canada Fixed Income Mutual Funds (Cost \$4,753,409; 2010- \$4,225,648)	4,748,635	22.44	4,164,122	21.35
Government of Canada Bonds (Cost \$2,265,644; 2010- \$2,418,620)	3,174,217	15.00	3,175,731	16.28
Province of Ontario Bonds (Cost \$430,653; 2010- \$691,948)	<u>551,946</u>	2.61	<u>786,255</u>	<u>4.03</u>
Total at Fair Market Value	<u>\$ 21,157,694</u>	<u>100.0</u>	<u>\$ 19,506,495</u>	<u>100.0</u>

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2011

NOTE 5 OBLIGATIONS FOR PENSION BENEFITS

The present value of accrued pension benefits was determined using the projected accrued benefit method prorated on service and the plan administrator's best estimate assumptions. The most recent actuarial valuation was made as of April 1, 2008 by Hewitt Associates LLC, a firm of consulting actuaries. This actuarial valuation report was prepared to April 1, 2008 using the projected accrued benefit actuarial cost method (also known as the projected unit credit method), prorated on service. The report was prepared in accordance with accepted actuarial practice and in accordance with Section PS 3250 of the CICA Public Sector Accounting Handbook.

The principal components of changes in actuarial present values during the year were as follows:

	<u>2011</u>	<u>2010</u>
Actuarial present value of accrued pension benefits		
- beginning of year	\$ 15,594,000	\$ 14,700,000
Cost of benefits earned	663,000	625,000
Interest on accrued benefits	957,000	901,000
Experience (gains) and losses	-	-
Benefits paid	<u>(626,000)</u>	<u>(632,000)</u>
Actuarial present value of accrued pension benefits		
- end of year, January 31st	<u>\$ 16,588,000</u>	<u>\$ 15,594,000</u>

The assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long-term market conditions. Significant long term actuarial assumptions used in the market valuation were:

	<u>2011</u>	<u>2010</u>
Valuation Interest Rate (net of expenses)	6.0%	6.0%
Salary Projection Rate	3.0%	3.0%
Interest Credited on Contributions	6.0%	6.0%
Inflation Rate	3.0%	3.0%

The actuarial value of net assets available for benefits was determined based on market value on January 31, 2011. The actuarial value of assets is equal to a smoothed market value which spreads the difference between actual and expected investment income over a four year period and is then adjusted for payments due to, and payable from, the pension fund.

LEGISLATIVE ASSEMBLY RETIRING ALLOWANCE FUND

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2011

NOTE 6 FINANCIAL INSTRUMENTS

The Fund's financial instruments consist of accounts receivable, accrued interest income, investments, and accounts payable. Unless otherwise noted, it is managements' opinion that the Fund is not exposed to significant interest rate, currency, credit or liquidity risks arising from these financial instruments and that the fair values of these financial instruments approximate their carrying value.

The Fund is exposed to significant market risk, which is the risk that the fair values of investments will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

At March 31, 2011, included in Accounts Receivable is \$6,000 (2010 - \$6,000) due from the Government of the Northwest Territories (GNWT). Included in Accounts Payable is \$6,000 (2009 - \$6,000) due to GNWT. These balances, which are unsecured, non-interest bearing, and due on demand, are measured at fair value and arise from in-kind contributions, and from the payment of audit fees paid by GNWT on the Fund's behalf.

NOTE 7 RECENT ACCOUNTING PRONOUNCEMENTS

In April 2010, the Accounting Standards Board (AcSB) of the Canadian Institute of Chartered Accountants issued Section 4600, "Pension Plans" with an effective date for years beginning on or after January 1, 2011. Earlier adoption is permitted. Substantive modifications to the existing standard include a separate statement of changes in pension obligations that presents separately on the face of the statement more extensive disclosure so as to help users understand the adequacy of the plan assets to satisfy benefit obligations; more guidance on investment assets and investment liabilities to be presented separately in the statement of financial position; presentation of pension obligations on the face of the statement of financial position; more detailed disclosure of administrative expenses and benefit payments, and more disclosure for significant assumptions used. The impact that the application of this new Section will have on the Fund's financial statements in 2012 has not yet been determined