
**PROVINCE OF NOVA SCOTIA
ACCOUNTS ESTABLISHED UNDER THE
MEMBERS' RETIRING ALLOWANCES ACT
FINANCIAL STATEMENTS
MARCH 31, 2011**

**PROVINCE OF NOVA SCOTIA
ACCOUNTS ESTABLISHED UNDER THE
MEMBERS' RETIRING ALLOWANCES ACT
FINANCIAL STATEMENTS
MARCH 31, 2011**

CONTENTS

| | Page |
|---|-------------|
| Auditors' Report | 1 |
| Statement of Net Assets Available for Benefits and Accrued Pension Benefit Obligations | 2 |
| Statement of Changes in Net Assets Available for Benefits in the Members' Retiring Allowance Account | 3 |
| Statement of Changes in Net Assets Available for Benefits in the Members' Supplementary Retiring Allowance Account | 4 |
| Notes to the Financial Statements | 5-8 |

AUDITORS' REPORT

To the Members of the Legislative Assembly of Nova Scotia; and To the Minister of Finance

We have audited the accompanying financial statements of **Accounts Established Under the Members' Retiring Allowances Act**, which comprise the statement of net assets available for benefits and accrued pension benefit obligations as at March 31, 2011, and the statements of changes in net assets available for benefits for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian 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 in our audit 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 and accrued pension benefit obligations of the accounts established under the Members' Retiring Allowances as at March 31, 2011, and changes in net assets available for benefits for the year then ended.

Dockrill Horwich Rossiter

Halifax, Nova Scotia
June 13, 2011

Chartered Accountants

Province of Nova Scotia
Accounts Established Under the
Members' Retiring Allowances Act
Statement of Net Assets Available for Benefits
And Accrued Pension Benefit Obligations
March 31, 2011

NET ASSETS AVAILABLE FOR BENEFITS

Receivable from the Consolidated Fund (Note 3)

| | 2011 | 2010 |
|---|----------------------|----------------------|
| Members' Retiring Allowance Account | \$ 27,157,314 | \$ 29,805,769 |
| Less: Accounts payable and accruals | <u>1,614</u> | <u>1,569</u> |
| | <u>27,155,700</u> | <u>29,804,200</u> |
| | | |
| Members' Supplementary Retiring Allowance Account | \$ 56,449,586 | \$ 63,045,831 |
| Less: Accounts payable and accruals | <u>3,386</u> | <u>3,431</u> |
| | <u>56,446,200</u> | <u>63,042,400</u> |
| | <u>\$ 83,601,900</u> | <u>\$ 92,846,600</u> |

ACCRUED PENSION BENEFIT OBLIGATIONS

| | | |
|--|----------------------|----------------------|
| Members' Retiring Allowance Account (Note 4) | \$ 27,155,700 | \$ 29,804,200 |
| Members' Supplementary Retiring Allowance Account (Note 4) | <u>56,446,200</u> | <u>63,042,400</u> |
| | <u>\$ 83,601,900</u> | <u>\$ 92,846,600</u> |

APPROVED BY:

Minister of Finance

(See accompanying notes to financial statements)

Province of Nova Scotia
Accounts Established Under the
Members' Retiring Allowances Act
Statement of Changes in Net Assets Available for Benefits
In the Members' Retiring Allowance Account
For the Year Ended March 31, 2011

| | 2011 | 2010 |
|--|----------------------|----------------------|
| Increase in Assets | | |
| Interest | \$ 2,537,984 | \$ 2,428,065 |
| Contributions | | |
| Members' – matched | 511,497 | 508,502 |
| Government – matched | 511,497 | 508,502 |
| Government – unmatched | <u>344,903</u> | <u>473,698</u> |
| Total increase in assets | <u>3,905,881</u> | <u>3,918,767</u> |
| Decrease in Assets | | |
| Allowances (pensions) | 1,245,858 | 1,241,941 |
| Refunds – contributions and interest | 0 | 120,865 |
| Professional services | <u>5,308</u> | <u>6,805</u> |
| Total decrease in assets | <u>1,251,166</u> | <u>1,369,611</u> |
| Increase (decrease) in Net Assets before Actuarial Adjustment | 2,654,715 | 2,549,156 |
| Actuarial adjustment (Note 4) | <u>(5,303,215)</u> | <u>(711,456)</u> |
| Increase (decrease) in Net Assets after Actuarial Adjustment | (2,648,500) | 1,837,700 |
| Net Assets Available for Benefits, beginning of year | <u>29,804,200</u> | <u>27,966,500</u> |
| Net Assets Available for Benefits, end of year | <u>\$ 27,155,700</u> | <u>\$ 29,804,200</u> |

(See accompanying notes to financial statements)

Province of Nova Scotia
Accounts Established Under the
Members' Retiring Allowances Act
Statement of Changes in Net Assets Available for Benefits
In the Members' Supplementary Retiring Allowance Account
For the Year Ended March 31, 2011



| | 2011 | 2010 |
|--|----------------------|----------------------|
| Increase in Assets | | |
| Interest | \$ 5,324,099 | \$ 5,310,555 |
| Government unmatched contributions | <u>2,241,800</u> | <u>2,471,300</u> |
| Total increase in assets | <u>7,565,899</u> | <u>7,781,855</u> |
| Decrease in Assets | | |
| Allowances (pensions) | 3,050,203 | 3,040,615 |
| Refunds – contributions and interest | 0 | 0 |
| Professional services | <u>11,134</u> | <u>14,883</u> |
| Total decrease in assets | <u>3,061,337</u> | <u>3,055,498</u> |
| Increase (decrease) in Net Assets before Actuarial Adjustment | 4,504,562 | 4,726,357 |
| Actuarial adjustment (Note 4) | <u>(11,100,762)</u> | <u>(4,995,057)</u> |
| Increase (decrease) in Net Assets after Actuarial Adjustment | (6,596,200) | (268,700) |
| Net Assets Available for Benefits, beginning of year | <u>63,042,400</u> | <u>63,311,100</u> |
| Net Assets Available for Benefits, end of year | <u>\$ 56,446,200</u> | <u>\$ 63,042,400</u> |

(See accompanying notes to financial statements)

1. Authority and Description of Plan

Members of the House of Assembly are entitled to receive retiring allowances pursuant to provisions of the Members' Retiring Allowances Act. The Act, as amended November 25, 1993, establishes in the General Revenue Fund of the Province a Members' Retiring Allowance Account (a registered pension plan under the Income Tax Act) and a Members' Supplementary Retiring Allowance Account to which Member and government contributions and interest are credited, and payments to pensioners and terminating Members are charged. If at any time the balances of the accounts are insufficient to make required payments, an amount will be credited to the accounts from the General Revenue Fund.

Members contribute 10% of indemnities and salaries to the Members' Retiring Allowance Account. The Province contributes an equal amount. The Province makes additional contributions to the accounts equal to the current service cost (annual cost of benefits accrued) less Members' contributions and the Province's matching contributions. Contributions cease after 15 years. Pensions are paid on the basis of the average indemnities for the last three years, and average salaries for the best three years (if applicable), at a rate of 5% for each year for which contributions were made. As of November 25, 1993 there is no longer a minimum retiring allowance.

There are 52 seats in the House of Assembly. At year end, 49 Members were active contributors to the accounts, 2 Members had ceased contributing because they had reached the maximum of 15 years, and 1 seat was vacant. There were also 117 retiring allowances in pay at March 31, 2011 to former Members of the House of Assembly, surviving spouses, former spouses and dependent children.

A Member qualifies for benefits on ceasing to be a Member after having served five years during two or more General Assemblies, and having attained age 55. Former Members who qualify for a retiring allowance may make application for an actuarially reduced allowance as early as 45 years of age.

In 2010, changes were made to the Members' Retiring Allowances Act. Indexing of pensions in pay is now linked to indexing of pensions payable under the Public Service Superannuation Act. In addition, the pension payable to a surviving spouse of a Member first elected on or after April 6, 2010 will be 60% of the Member's benefit, compared with 66 2/3% for current Members. As well, effective January 1, 2011, deferred pensions will not receive any future indexing in the deferral period. The immediate impact of these amendments was a reduction in the accrued pension benefit obligations of \$12,535,700.

2. Summary of Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles, the most significant of which are described below.

a) **Basis of Presentation**

A statement of cash flow is not provided since disclosure in each of the statements of changes in net assets available for benefits is considered adequate.

b) **Contributions**

Contributions to the accounts are recorded on an accrual basis. An amount representing interest on the balances in the accounts is calculated and credited to the accounts annually at a rate of 8.5% according to the regulations of the Members' Retiring Allowances Act.

c) **Allowances**

Allowances (pensions) paid to retired members and commuted value refund payments are recorded in the period in which they are paid. Accrued allowances are recorded as part of accrued actuarial liabilities.

d) **Use of Estimates**

In preparing these financial statements in conformity with generally accepted accounting principles, management must make certain estimates and assumptions that primarily affect the reported values of assets and liabilities, related income and expense and related disclosures. Due to the inherent uncertainty involved with making such estimates, actual results reported in future years could differ from those estimates.

3. Receivable from the General Revenue Fund

The pension plan established under the Members' Retiring Allowances Act is an unfunded arrangement. No separate investment fund is maintained. All contributions received and disbursements made are through accounts administered by the Department of Finance. These accounts are included in the General Revenue Fund of the Province. The only asset of the pension plan is the amount due from the General Revenue Fund.

4. Accrued Pension Benefit Obligations

Actuarial valuations of benefit obligations under the Members' Retiring Allowances Act are carried out periodically and provide an estimate of pension benefit obligations calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuaries, Morneau Sobeco, performed an actuarial valuation for funding purposes as at September 30, 2009 and issued their report in January 2010. The results of the September 30, 2009 valuation were extrapolated to March 31, 2011. The results of the valuation and related extrapolations are summarised as follows:

| | Extrapolation March 31, 2011 | Valuation September 30, 2009 |
|---|---------------------------------|---------------------------------|
| Members' Retiring Allowance Account | \$ 27,155,700 | \$27,966,500 |
| Members' Supplementary Retiring Allowance Account | \$ 56,446,200 | \$63,311,100 |

Actuarial adjustments were recorded to adjust net assets to the revised estimates as of March 31, 2011.

Reconciliation of changes in accrued pension benefits – Members' Retiring Allowance Account:

| | 2011 | 2010 |
|---|----------------------|----------------------|
| Accrued pension benefits, beginning of year | \$ 29,804,200 | \$ 27,966,500 |
| Impact of changes in assumptions | - | 747,600 |
| Impact of plan amendments | (4,051,100) | - |
| Current service cost | 1,363,200 | 1,500,400 |
| Benefits paid | (1,247,000) | (1,279,300) |
| Interest on average accrued pension benefit obligations | 1,245,100 | 1,369,200 |
| Net impact of other experience gains and losses | 41,300 | (500,200) |
| Accrued pension benefits, end of year | <u>\$ 27,155,700</u> | <u>\$ 29,804,200</u> |

Reconciliation of changes in accrued pension benefits – Members' Supplementary Retiring Allowance Account:

| | 2011 | 2010 |
|--|----------------------|----------------------|
| Accrued pension benefits, beginning of year | \$ 63,042,400 | \$ 63,311,100 |
| Impact of changes in assumptions | - | 1,612,500 |
| Impact of plan amendments | (8,484,600) | - |
| Current service cost | 2,241,800 | 2,471,300 |
| Benefits paid | (3,053,000) | (3,132,100) |
| Interest on average accrued pension benefits obligations | 2,612,100 | 3,068,200 |
| Net impact of other experience gains and losses | 87,500 | (4,288,600) |
| Accrued pension benefits, end of year | <u>\$ 56,446,200</u> | <u>\$ 63,042,400</u> |

4. Accrued Pension Benefit Obligations (Continued)

The actuarial valuation for funding purposes projects liabilities for each member on the basis of service earned to date and the employee's projected three year average indemnity, expense allowance (if applicable) and executive council salary (where applicable) at the expected date of retirement. The projected unit credit method was adopted for the actuarial valuation to determine the current cost and actuarial liability. The valuation results are adjusted for any changes in economic assumptions, and an extrapolation to fiscal year end is performed. The major economic and demographic assumptions used for the extrapolation and the most recent actuarial valuation for funding purposes are as follows:

| | Extrapolation March 31, 2011 | Valuation September 30, 2009 |
|-------------------------------|--|--|
| Discount rate | 4.75% | 4.75% |
| Inflation | 2.50% | 2.50% |
| Indexing | 1.25% for 5 years commencing January 1, 2011; 50% of inflation thereafter | 2.50% |
| Pensionable earnings increase | 2.50% | 2.50% |
| Retirement age | Latest of: a) age 55 b) 4 years since last election c) earliest of i) 8 years since last election ii) 12 years of service iii) age 65 with 5 years of service | Latest of: a) age 55 b) 4 years since last election c) earliest of i) 8 years since last election ii) 12 years of service iii) age 65 with 5 years of service |
| Mortality | UP-94 projected to 2020 using scale 'AA' | UP-94 projected to 2020 using scale 'AA' |