PROVINCE OF NOVA SCOTIA
ACCOUNTS ESTABLISHED UNDER THE
MEMBERS' RETIRING ALLOWANCES ACT
FINANCIAL STATEMENTS
MARCH 31, 2014

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Grant Thornton

AUDITORS' REPORT

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

We have audited the accompanying financial statements of **Accounts Established Under the Members' Retiring Allowances Act**, which comprise the statement of financial position as at March 31, 2014, and the statements of changes in net assets available for benefits for the year then ended, the statements of changes in pension obligations, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for pension plans, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free 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 financial position of the Members' Retiring Allowances as at March 31, 2014, and changes in net assets available for benefits and changes in its pension obligations for the year then ended.

Other Matter
The financial statement figures presented for comparative purposes were audited by a predecessor accounting firm.

Grant Thornton LLP

Halifax, Nova Scotia
June 30, 2014

Chartered Accountants

Province of Nova Scotia
Accounts Established Under the Members' Retiring Allowances Act
Statement of Financial Position
March 31, 2014 and 2013

	2014	2013
Net Assets Available for Benefits		
Receivable from the General Revenue Fund (note 3)		
Members' Retiring Allowance Account	34,856,469	31,757,248
Less: Accounts payable and accruals	(4,469)	(1,848)
Net assets	34,852,000	31,755,400
Members' Supplementary Retiring Allowance Account	59,734,637	61,553,352
Less: Accounts payable and accruals	(8,137)	(3,652)
Net assets	59,726,500	61,549,700
Total net assets available for benefits	94,578,500	93,305,100
Accrued Pension Obligation		
Member's Retiring Allowance Account	34,852,000	31,755,400
Members' Supplementary Retiring Allowance Account	59,726,500	61,549,700
Accrued pension obligation	94,578,500	93,305,100

The accompanying notes are an integral part of these financial statements.

Approved:

'Original signed by Diana Whalen'

Minister of Finance and Treasury Board

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
March 31, 2014 and 2013

	2014	2013
Increase in Assets		
Interest	2,781,846	2,498,889
Contributions		
Members' - matched	497,439	518,477
Members' - unmatched	-	-
Government - matched	497,439	518,477
Government - unmatched	579,522	591,346
Total increase in assets	4,356,246	4,127,189
Decrease in Assets		
Benefits paid (note 7)	1,932,947	1,380,200
Administration expenses (note 8)	27,175	12,235
Total decrease in assets	1,960,122	1,392,435
Increase (decrease) in net assets before actuarial adjustment	2,396,124	2,734,754
Actuarial adjustment	700,476	249,046
Increase (decrease) in net assets after actuarial adjustment	3,096,600	2,983,800
Net assets available for benefits, beginning of year	31,755,400	28,771,600
Net assets available for benefits, end of year	34,852,000	31,755,400

The accompanying notes are an integral part of these 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
March 31, 2014 and 2013

	2014	2013
Increase in Assets		
Interest	5,065,079	4,939,167
Members' unmatched contributions	-	-
Government unmatched contributions	1,821,500	2,678,100
Total increase in assets	6,886,579	7,617,267
Decrease in Assets		
Benefits paid (note 7)	3,362,962	3,072,100
Administration expenses (note 8)	49,480	24,184
Total decrease in assets	3,412,442	3,096,284
Increase (decrease) in net assets before actuarial adjustment	3,474,137	4,520,983
Actuarial adjustment	(5,297,337)	(1,797,383)
Increase (decrease) in net assets after actuarial adjustment	(1,823,200)	2,723,600
Net assets available for benefits, beginning of year	61,549,700	58,826,100
Net assets available for benefits, end of year	59,726,500	61,549,700

The accompanying notes are an integral part of these financial statements.

Province of Nova Scotia
Accounts Established Under the Members' Retiring Allowances Act
Statement of Changes in Pension Obligations
In the Members' Retiring Allowance Account
March 31, 2014 and 2013

	2014	2013
Accrued pension obligation, beginning of year	31,755,400	28,771,600
Increase in accrued pension benefits:		
Adjustment to accrued pension obligation, beginning of year, due to estimated interest and benefits paid	-	1,000
Interest on accrued pension obligation	1,326,700	1,314,900
Current service cost	1,574,400	1,628,300
Changes in actuarial assumptions	781,200	1,682,000
	3,682,300	4,626,200
Decrease in accrued pension benefits:		
Benefits paid	(1,932,947)	(1,380,200)
Plan amendments (note 1)	-	-
Difference in estimated benefits paid used in actuarial valuation versus actual benefits paid	547	-
Net experience gains and (losses)	1,346,700	(262,200)
	(585,700)	(1,642,400)
Net increase (decrease) in accrued pension benefits	3,096,600	2,983,800
Accrued pension obligation, end of year	34,852,000	31,755,400

The accompanying notes are an integral part of these financial statements.

Province of Nova Scotia
Accounts Established Under the Members' Retiring Allowances Act
Statement of Changes in Pension Obligations
In the Members' Supplementary Retiring Allowance Account
March 31, 2014 and 2013

	2014	2013
Accrued pension obligation, beginning of year	61,549,700	58,826,100
Increase in accrued pension benefits:		
Adjustment to accrued pension obligation, beginning of year, due to estimated interest and benefits paid	-	1,000
Interest on accrued pension obligation	2,554,000	2,663,000
Current service cost	1,821,500	2,678,100
Plan amendments (note 1)	-	-
Changes in actuarial assumptions	1,514,100	3,300,400
	5,889,600	8,642,500
Decrease in accrued pension benefits:		
Benefits paid	(3,362,962)	(3,072,100)
Plan amendments (note 1)	-	-
Difference in estimated benefits paid used in actuarial valuation versus actual benefits paid	1,162	-
Net experience gains and (losses)	(4,351,000)	(2,846,800)
	(7,712,800)	(5,918,900)
Net increase (decrease) in accrued pension benefits	(1,823,200)	2,723,600
Accrued pension obligation, end of year	59,726,500	61,549,700

The accompanying notes are an integral part of these financial statements.

1. Authority and Description of Plans:

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 plus 10% of salaries. The Province contributes an equal amount. The Province makes additional contributions to the account equal to the current service cost (annual cost of benefits accrued) less Members' contributions and the Province's matching contributions. Pensionable service begins the first day of the month in which the Member was elected, regardless of which day of the month the election was held. For Members who resign, pensionable service ceases the last day of the month in which the resignation is effective. If a Member does not contest an election, or is unsuccessful in an election, pensionable service ceases on the last day of the month in which the election was held. Members may only be credited with a maximum of 20 years of pensionable service, to a maximum total of 75% (70% if elected on or after October 8, 2013). For service prior to October 2013, pensions are paid on the basis of the average indemnities for the best three years, and average salaries for the best three years (if applicable), at a rate of 5% for each year of service, to a maximum of 15 years. For service after September 2013, pensions are paid on the basis of the average indemnities for the best three years, and average salaries for the best three years (if applicable), at a rate of 3.5% for each year of service, to a maximum of 20 years.

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 50 years of age.

There are 51 seats in the House of Assembly. At year end, 47 Members were active contributors to the Accounts and four Members had ceased contributing because they had reached the maximum pensionable service. There were also 131 retiring allowances in pay at March 31, 2014 to former Members of the House of Assembly, surviving spouses, former spouses and dependent children.

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.

1. Authority and Description of Plans (continued):

In 2011, additional changes were made to the Members' Retiring Allowances Act, pursuant to the Members' Pension Review Implementation (2011) Act. Most of the changes took effect following the 2013 general election. This Act created a clearer delineation between the registered plan and the supplementary plan; and the Minister of Finance became the official trustee of the plans. Other changes included a reduction in the overall accrual rate for service following the 2013 election from 5.0% per year to 3.5% per year, an increase in the maximum number of years of contributory service from 15 years to 20 years, and a reduction in the maximum total accrual from 75% of average annual earnings to 70% for members first elected during or following the 2013 general election. The earliest age for a reduced pension was increased from 45 to 50. In addition, the minimum monthly pension for members and spouses was increased to $1,000, effective November 3, 2011.

2. Basis of preparation:

a) Basis of presentation:

The Accounts adopted Canadian accounting standards for pension plans in Part IV of the Canadian Institute of Chartered Accountants Handbook (CICA), Section 4600 – Pension Plans ("Section 4600"), on April 1, 2011 with a transition date of April 1, 2010. Section 4600 provides specific accounting guidance on investments and pension obligations. For accounting policies that do not relate to either investments or pension obligations, the Accounts must consistently comply with either International Financial Reporting Standards ("IFRS") in Part I of the CICA Handbook or accounting standards for private enterprises in Part II of the CICA Handbook. The Accounts have elected to comply on a consistent basis with IFRS in Part I of the CICA Handbook. To the extent that IFRS in Part I is inconsistent with Section 4600, Section 4600 takes precedence.

The adoption of Section 4600 had no impact on the Accounts' net assets available for benefits, the accrued pension obligations or total investment income.

These financial statements are prepared on a going concern basis and present the aggregate financial position of the Accounts as a separate reporting entity.

2. Basis of preparation (continued):

b) Transition to CICA Section 4600 and IFRS (continued):

The Accounts have elected to early adopt IFRS 13, Fair Value Measurement, on a prospective basis, commencing April 1, 2010. The mandatory application date of IFRS 13 is for fiscal years beginning January 1, 2013. The AcSB have allowed early adoption for fiscal years beginning on or after January 1, 2011, which is also the effective date for Section 4600. The measurement requirements under IFRS 13 were applied consistently to the fair value of all investment assets and investment related liabilities in the periods presented in the financial statements. The definition of fair value has been amended to comply with IFRS 13. There is no impact on the values of either investment assets or investment related liabilities. As per Section 4600, the Accounts are not required to comply with the disclosure requirements prescribed in IFRS 13.

b) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Accounts' functional currency.

c) Use of estimates and judgments:

The preparation of the financial statements in conformity with Section 4600 and IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the statement of financial position, the reported amounts of changes in net assets available for benefits and accrued pension benefits during the year. Actual results may differ from those estimates. Significant estimates included in the financial statements relate to the determination of the accrued pension obligation.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

3. Significant accounting policies:

a) Basis of consolidation:

These financial statements include the accounts of the following pension plans:

- Members' Retiring Allowance Account (registered pension plan)
- Members' Supplementary Retiring Allowance Account

3. Significant accounting policies (continued):

b) Fair value measurement:

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

The Accounts do not hold any investment assets.

c) Non-investment assets and liabilities:

The fair value of non-investment assets and liabilities are equal to their amortized cost value and are adjusted for foreign exchange where applicable.

d) Accrued pension obligation:

The value of the accrued pension obligation of the Accounts is based on a going concern method actuarial valuation prepared by an independent firm of actuaries using the projected unit credit method. The accrued pension obligation is measured in accordance with accepted actuarial methods using actuarial assumptions and methods adopted by the Accounts for the purpose of establishing the long-term funding requirements of the Plans. The actuarial valuation included in the financial statements is consistent with the valuation for funding purposes.

e) Contributions:

All contributions are made to, and all benefit payments and administration expenses are paid from, the Province's General Revenue Fund.

f) Benefits:

Benefit payments to retired members and refunds of contributions to former members are recorded in the period in which they are paid. Accrued benefits are recorded as part of accrued actuarial liabilities.

g) Operating expenses:

Operating expenses, incurred for plan administration services, are recorded on an accrual basis. Plan administration expenses represent expenses incurred to provide direct services to the plan member and to the Province.

Significant accounting policies (continued):

h) Income taxes:

The Accounts are the funding vehicle for a registered pension plan, as defined by the Income Tax Act (Canada) and, accordingly are not subject to income taxes.

i) New standards and interpretations not yet adopted:

The International Accounting Standards Board has issued a number of new and amended standards that are not yet effective as at March 31, 2014. The relevant new guidance not yet adopted by the Accounts includes:

- IFRS 9 (2010), *Financial Instruments*, will ultimately replace IAS 39, Financial Instruments - Recognition and Measurement ("IAS 39") and augments the previously issued IFRS 9 (2009). The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables. This standard becomes effective for fiscal years beginning on or after January 1, 2013. The Accounts are currently evaluating the impact of this standard.

- IFRS 13, Fair Value Measurement ("IFRS 13"), is a single source of fair value measurement guidance under IFRS. This new IFRS clarifies the definition of fair value, provides a clear framework for measuring fair value, and enhances the disclosures about fair value measurements. IFRS 13 is not only limited to financial instruments, but also to fair value measurement in other IFRS's, such as impairment and employee future benefits. The new standard is effective for fiscal years beginning on or after January 1, 2013. The Plan is currently evaluating the impact of this standard.

4. Contributions:

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. All benefit payments and administration expenses are funded by the Minister of Finance through payments to the Accounts from the Province's General Revenue Fund.

5. Investments:

There are no invested assets. Benefits are paid from the Province's General Revenue Fund.

6. Accrued pension obligation:

Actuarial valuations provide an estimate of the accrued pension obligation (Account liabilities) and are calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Accounts' consulting actuaries, Mercer (Canada) Limited, performed an actuarial valuation for funding purposes as at December 31, 2013 and issued their report in June 2014.

The results of the December 31, 2013 valuation were extrapolated to March 31, 2014. The results of the valuation and related extrapolation with comparative figures as at September 30, 2012 are summarised as follows:

	Extrapolation as at March 31, 2014	Valuation as at December 31, 2013	Valuation as at September 30, 2012
Members' Retiring Allowance Account	$34,852,000	$35,682,000	$31,277,000
Members' Supplementary Retiring Allowance Account	$59,726,500	$60,366,000	$60,425,000
Total	$94,578,500	$96,048,000	$91,702,000

The actuarial present value of the accrued pension obligation is an estimate of the value of pension obligations of the Accounts in respect of benefits accrued to date for all active and inactive members including pensioners and survivors. The actuarial assumptions used to calculate the present value of the accrued pension obligation involve both economic and demographic assumptions. Economic assumptions include the discount rate, the inflation rate, the pensionable earnings escalation rate, and the indexing rate. Demographic assumptions include considerations such as mortality and retirement rates.

The major economic assumptions used in the December 31, 2013 valuation remained unchanged from those used in the September 30, 2012 valuation, with the exception of total rate of return on assets (i.e. the discount rate), which changed from 4.30% to 4.10%.

Mortality rates changed from the 1994 Uninsured Pensioner Mortality Table to the 1994 Uninsured Pensioner Mortality Table projected to 2014 with the 100% of the Scale AA, and mortality improvements changed from 100% of the Scale AA with generational improvements to 150% of the scale AA with generational improvements.

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 valuation prepared as at December 31, 2013 reflects plan amendments set out in the Members' Pension Review Implementation (2011) Act which took effect October 8, 2013 (see note 1).

6. Accrued pension obligation (continued):

The projected unit credit method was adopted for the actuarial valuation to determine the current cost and actuarial liability. The December 31, 2013 valuation results were adjusted for any changes in economic assumptions, and an extrapolation to March 31, 2014 was performed. Actuarial adjustments were recorded to adjust net assets to the revised estimates as of March 31, 2014.

The major economic and demographic assumptions used for the March 31, 2014 extrapolation and the two most recent actuarial valuations for funding purposes are as follows:

	Extrapolation as at March 31, 2014	**Valuation as at December 31, 2013**	**Valuation as at September 30, 2012**
Discount rate	4.10%	4.10%	4.30%
Inflation	2.25%	2.25%	2.25%
Indexing	1.25% Each Jan 1 until Jan 1, 2015, 0% for 5 years, and 1.125% thereafter	1.25% Each Jan 1 until Jan 1, 2015, 0% for 5 years, and 1.125% thereafter	1.25% Each Jan 1 until Jan 1, 2015, 0% for 5 years, and 1.125% thereafter
Pensionable earnings increase	2.25%	2.25%	2.25%
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	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	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
Mortality	100% of UP-94 with 100% of the Scale AA generational mortality improvements projected to 2014 using 150% of the Scale AA	100% of UP-94 with 100% of the Scale AA generational mortality improvements projected to 2014 using 150% of the Scale AA	UP-94 with generational mortality improvements using Scale AA

7. Benefits:

	2014	2013
Members' Retiring Allowance Account		
Benefits paid to pensioners	1,428,283	1,232,600
Benefits paid to survivors	154,263	147,600
Refunds paid to terminated members	350,401	-
	1,932,947	1,380,200
Members' Supplementary Allowance Account		
Benefits paid to pensioners	3,035,147	2,743,570
Benefits paid to survivors	327,815	328,530
Refunds paid to terminated members	-	-
	3,362,962	3,072,100
Total	5,295,909	4,452,300

8. Administration Expenses:

The Accounts are charged by their service providers for administrative and professional services, including their administrator Nova Scotia Pension Services Corporation (formerly Nova Scotia Pension Agency) for plan administration services. The following is a summary of these administrative expenses:

	2014	2013
Plan Administration		
Audit	5,000	5,000
Actuarial	12,000	-
Office and Administration	49,591	31,419
	66,591	36,419
HST	10,064	-
Total	76,655	36,419

Plan administration expenses are allocated to the Members' Retiring Allowance Account and the Members' Supplementary Retiring Allowance Account based on the average actuarial value of the Accounts' registered balance for the fiscal year. Plan administration expenses allocated to the Members' Retiring Allowance Account for 2014 were $27,175 ($12,235 for 2013), while plan administration expenses allocated to the Members' Supplementary Retiring Allowance Account for 2014 were $49,480 ($24,184 for 2013).

9. Related party transactions:

On April 1, 2013, the Plans' administrator Nova Scotia Pension Agency, devolved from the Province of Nova Scotia and became Nova Scotia Pension Services Corporation, an entity for the purpose of providing pension plan administration and investment services. Members of Nova Scotia Pension Services Corporation's Board of Directors include employees of the Province of Nova Scotia. Nova Scotia Pension Services Corporation charges the Accounts at cost, an amount equal to the expenses incurred in order to service the Plans. The administration expense charged to the Accounts from April 1, 2013 to March 31, 2014 was $49,591. As at March 31, 2014, the Accounts have a payable to Nova Scotia Pension Services Corporation of $7,605.

10. Capital Management:

The Minister of Finance (see note 1) administers the benefits as required by the Members' Retiring Allowances Act. The Minister approves and incurs expenses to administer the commerce of the Accounts as required under the Act.

Benefit payments are funded by the General Revenue Fund of the Province of Nova Scotia. The Accounts exercise due diligence and have established written policies, procedures, and approval processes. Operating budgets, audited financial statements, actuarial valuations and reports, and as required, the retention of supplementary professional, technical and other advisors, are part of the Accounts' governance structure.