

**PROVINCE OF NOVA SCOTIA
ACCOUNTS ESTABLISHED UNDER THE
MEMBERS' RETIRING ALLOWANCES ACT
FINANCIAL STATEMENTS
MARCH 31, 2004**

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Nova Scotia

I have audited the statement of net assets available for benefits and accrued pension benefits of the accounts established under the Members' Retiring Allowances Act as at March 31, 2004, and the statements of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Department of Finance. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits of the accounts established under the Members' Retiring Allowances Act as at March 31, 2004 and changes in net assets available for benefits for the period then ended in accordance with Canadian generally accepted accounting principles.



E.R. Salmon, FCA
Auditor General

Halifax, Nova Scotia
May 31, 2004

**PROVINCE OF NOVA SCOTIA
ACCOUNTS ESTABLISHED UNDER THE
MEMBERS' RETIRING ALLOWANCES ACT
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
AND ACCRUED PENSION BENEFITS
AS AT MARCH 31, 2004**

	2004	2003
NET ASSETS AVAILABLE FOR BENEFITS		
Receivable from the Consolidated Fund		
Members' Retiring Allowance Account	\$ 16,566,108	\$ 16,822,836
Less: Accounts payable and accruals	<u>3,200</u>	<u>8,000</u>
	<u>16,562,908</u>	<u>16,814,836</u>
 Members' Supplementary Retiring Allowance Account	 45,151,684	 45,013,751
Less: Accounts payable and accruals	<u>4,800</u>	<u>12,000</u>
	<u>45,146,884</u>	<u>45,001,751</u>
	<u>\$ 61,709,792</u>	<u>\$ 61,816,587</u>
ACCRUED PENSION BENEFITS OBLIGATIONS		
Members' Retiring Allowance Account (Note 3)	\$ 16,562,908	\$ 16,814,836
Members' Supplementary Retiring Allowance Account (Note 3)	<u>45,146,884</u>	<u>45,001,751</u>
	<u>\$ 61,709,792</u>	<u>\$ 61,816,587</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, 2004**

	2004	2003
Increase in Assets		
Interest	\$ 1,410,645	\$ 1,214,381
Contributions		
Members' – matched	242,924	221,256
Government – matched	242,924	221,256
Members' – unmatched	7,522	-
Government – unmatched	<u>165,442</u>	<u>142,497</u>
Total increase in assets	<u>2,069,457</u>	<u>1,799,390</u>
Decrease in Assets		
Allowances (pensions)	879,631	840,352
Refunds – contributions and interest	24,337	-
Professional services	<u>27,970</u>	<u>11,391</u>
Total decrease in assets	<u>931,938</u>	<u>851,743</u>
Increase in Net Assets before Actuarial Adjustment	1,137,519	947,647
Actuarial adjustment (Note 3)	<u>(1,389,447)</u>	<u>1,374,430</u>
Increase (decrease) in Net Assets after Actuarial Adjustment	(251,928)	2,322,077
Net Assets Available for Benefits at Beginning of Year	<u>16,814,836</u>	<u>14,492,759</u>
Net Assets Available for Benefits at End of Year	<u>\$ 16,562,908</u>	<u>\$ 16,814,836</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, 2004

	2004	2003
Increase in Assets		
Interest	\$ 3,772,804	\$ 3,247,892
Contributions		
Members' – matched	84,839	71,244
Government – matched	84,839	71,244
Members' - unmatched	20,132	-
Government – unmatched	<u>1,542,203</u>	<u>1,378,365</u>
Total increase in assets	<u>5,504,817</u>	<u>4,768,745</u>
Decrease in Assets		
Allowances (pensions)	2,261,908	2,160,904
Refunds – contributions and interest	62,582	-
Professional services	<u>41,954</u>	<u>17,087</u>
Total decrease in assets	<u>2,366,444</u>	<u>2,177,991</u>
Increase in Net Assets before Actuarial Adjustment	3,138,373	2,590,754
Actuarial adjustment (Note 3)	<u>(2,993,240)</u>	<u>3,621,556</u>
Increase in Net Assets after Actuarial Adjustment	145,133	6,212,310
Net Assets Available for Benefits at Beginning of Year	<u>45,001,751</u>	<u>38,789,441</u>
Net Assets Available for Benefits at End of Year	<u>\$ 45,146,884</u>	<u>\$45,001,751</u>

(See accompanying notes to financial statements)

**PROVINCE OF NOVA SCOTIA
ACCOUNTS ESTABLISHED UNDER THE
MEMBERS' RETIRING ALLOWANCES ACT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004**

1. Authority and Description of Plan

Members of the House of Assembly are entitled to receive allowances pursuant to provisions of the Members' Retiring Allowances Act. The Act, as amended November 25, 1993, establishes in the Consolidated 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 members 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 Consolidated Fund.

Members contribute 10% of indemnities and salaries to the Members' Retiring Allowance Account, and 10% of allowances to the Members' Supplementary 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, allowances and salaries for the last three years, at the 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 Members of the Legislative Assembly. At year end, 51 were contributors to the accounts and the remaining member had reached the 15 year maximum contributory service. There are also 104 allowances in pay at March 31, 2004 to former Members of the Legislative Assembly, surviving spouses and/or dependant 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 (increased from age 50 as of November 25, 1993). Former members who qualify for a retiring allowance may make application for an actuarially reduced allowance as early as 45 years of age (increased from age 40 as of November 25, 1993). Retiring allowances are increased annually on January 1 by the lesser of the increase in the consumer price index or 6%.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. 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.

**PROVINCE OF NOVA SCOTIA
ACCOUNTS ESTABLISHED UNDER THE
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FOR THE YEAR ENDED MARCH 31, 2004**

2. Summary of Significant Accounting Policies (Continued)

(b) Contributions

Contributions to the accounts are recorded when received and allowances and refunds are recorded in the accounts when paid. 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) Benefits

Benefit payments to retired members and commuted value payments are recorded in the period in which they are paid. Accrued benefits 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. Actuarial Valuation

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, Eckler Partners Ltd., performed a valuation as at December 31, 2003 and issued their report in March 2004. An extrapolation of the December 31, 2003 valuation was performed as of March 31, 2004. The results of the valuation and related extrapolation are summarised as follows:

	Extrapolation March 31, 2004	Valuation December 31, 2003
Members' Retiring Allowance Account	\$ 16,562,908	\$ 16,361,900
Members' Supplementary Retiring Allowance Account	\$ 45,146,884	\$ 44,604,400

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ACCOUNTS ESTABLISHED UNDER THE
MEMBERS' RETIRING ALLOWANCES ACT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004**

3. Actuarial Valuation (Continued)

Actuarial adjustments were recorded to adjust the asset accounts to reflect the revised estimates of these actuarial values.

	Extrapolation March 31, 2004	Valuation December 31, 2003
Members' Retiring Allowance Account	\$ (1,389,447)	\$ (1,347,500)
Members' Supplementary Retiring Allowance Account	\$ (2,993,240)	\$ (2,854,000)

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the employee's projected three year average indemnity, expense allowance 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 major economic and demographic assumptions used in the valuation are as follows:

	Extrapolation March 31, 2004	Valuation December 31, 2003
Investment earnings		
- pre-retirement rate	6.17%	6.17%
- post-retirement rate (Net of assumed pensioner cost-of-living increases per annum)	3.08%	3.08%
Salary escalation	3.0%	3.0%
Cost of living	3.0%	3.0%
Average retirement age	i) Age 55 if current age <50.25 ii) Current age +5.25 if 50.25 ≤ current age ≤57.25 iii) Later of current age + 1.25 or 5 years of service if current age ≥57.25	i) Age 55 if current age <50 ii) Current age +5.5 if 50 ≤ current age ≤57 iii) Later of current age + 1.5 or 5 years of service if current age ≥57
Mortality	1994 Group Annuitant Mortality Table projected to 2000	1994 Group Annuitant Mortality Table projected to 2000