

**PROVINCE OF NOVA SCOTIA  
ACCOUNTS ESTABLISHED UNDER THE  
MEMBERS' RETIRING ALLOWANCES ACT  
FINANCIAL STATEMENTS  
MARCH 31, 2005**

**PROVINCE OF NOVA SCOTIA  
ACCOUNTS ESTABLISHED UNDER THE  
MEMBERS' RETIRING ALLOWANCES ACT  
FINANCIAL STATEMENTS  
MARCH 31, 2005**

**CONTENTS**

	Page
Auditor's Report	1
Statement of Net Assets Available for Benefits and Accrued Pension Benefits	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 Financial Statements	5

## **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, 2005, 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, 2005 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  
June 24, 2005

**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, 2005**

	2005	2004
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>		
<b>Receivable from the Consolidated Fund</b>		
Members' Retiring Allowance Account	\$17,040,498	\$16,566,108
Less: Accounts payable and accruals	<u>3,087</u>	<u>3,200</u>
	<u>17,037,411</u>	<u>16,562,908</u>
Members' Supplementary Retiring Allowance Account	46,445,162	45,151,684
Less: Accounts payable and accruals	<u>8,413</u>	<u>4,800</u>
	<u>46,436,749</u>	<u>45,146,884</u>
	<u>\$63,474,160</u>	<u>\$61,709,792</u>
<b>ACCRUED PENSION BENEFITS OBLIGATIONS</b>		
Members' Retiring Allowance Account (Note 3)	\$17,037,411	\$16,562,908
Members' Supplementary Retiring Allowance Account (Note 3)	<u>46,436,749</u>	<u>45,146,884</u>
	<u>\$63,474,160</u>	<u>\$61,709,792</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, 2005**

	2005	2004
<b>Increase in Assets</b>		
Interest	\$ 1,389,432	\$ 1,410,645
Contributions		
Members' – matched	255,969	242,924
Government – matched	255,969	242,924
Members' – unmatched	1,910	7,522
Government – unmatched	<u>177,561</u>	<u>165,442</u>
Total increase in assets	<u>2,080,841</u>	<u>2,069,457</u>
<b>Decrease in Assets</b>		
Allowances (pensions)	870,695	879,631
Refunds – contributions and interest	9,750	24,337
Professional services	<u>4,740</u>	<u>27,970</u>
Total decrease in assets	<u>885,185</u>	<u>931,938</u>
<b>Increase in Net Assets before Actuarial Adjustment</b>	1,195,656	1,137,519
Actuarial adjustment (Note 3)	<u>(721,153)</u>	<u>(1,389,447)</u>
<b>Increase (decrease) in Net Assets after Actuarial Adjustment</b>	474,503	(251,928)
<b>Net Assets Available for Benefits at Beginning of Year</b>	<u>16,562,908</u>	<u>16,814,836</u>
<b>Net Assets Available for Benefits at End of Year</b>	<u>\$ 17,037,411</u>	<u>\$16,562,908</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, 2005**

	2005	2004
<b>Increase in Assets</b>		
Interest	\$ 3,787,291	\$ 3,772,804
Contributions		
Members' – matched	85,495	84,839
Government – matched	85,495	84,839
Members' - unmatched	5,206	20,132
Government – unmatched	<u>1,598,052</u>	<u>1,542,203</u>
Total increase in assets	<u>5,561,539</u>	<u>5,504,817</u>
<b>Decrease in Assets</b>		
Allowances (pensions)	2,373,324	2,261,908
Refunds – contributions and interest	26,577	62,582
Professional services	<u>12,920</u>	<u>41,954</u>
Total decrease in assets	<u>2,412,821</u>	<u>2,366,444</u>
<b>Increase in Net Assets before Actuarial Adjustment</b>	3,148,718	3,138,373
Actuarial adjustment (Note 3)	<u>(1,858,853)</u>	<u>(2,993,240)</u>
<b>Increase in Net Assets after Actuarial Adjustment</b>	1,289,865	145,133
<b>Net Assets Available for Benefits at Beginning of Year</b>	<u>45,146,884</u>	<u>45,001,751</u>
<b>Net Assets Available for Benefits at End of Year</b>	<u>\$46,436,749</u>	<u>\$ 45,146,884</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, 2005**

**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, 50 were contributors to the accounts and of the remaining members, one had reached the 15 year maximum contributory service and one seat was vacant. There are also 101 allowances in pay at March 31, 2005 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  
MEMBERS' RETIRING ALLOWANCES ACT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005**

**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. 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, 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, 2005. The results of the valuation and related extrapolation are summarised as follows:

	<b>Extrapolation March 31, 2005</b>	<b>Valuation December 31, 2003</b>
Members' Retiring Allowance Account	\$ 17,037,411	\$ 16,361,900
Members' Supplementary Retiring Allowance Account	\$ 46,436,749	\$ 44,604,400



**PROVINCE OF NOVA SCOTIA  
ACCOUNTS ESTABLISHED UNDER THE  
MEMBERS' RETIRING ALLOWANCES ACT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005**

**3. Accrued Pension Benefit Obligations (Continued)**

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

	<b>Extrapolation March 31, 2005</b>	<b>Valuation December 31, 2003</b>
Members' Retiring Allowance Account	\$ (721,153)	\$ (1,347,500)
Members' Supplementary Retiring Allowance Account	\$ (1,858,853)	\$ (2,854,000)

**Reconciliation of changes in accrued pension benefits obligations for the Members' Retiring Allowance Account:**

	<b>2005</b>	<b>2004</b>
Accrued pension benefits obligations at beginning of year	\$ 16,562,908	\$ 16,814,832
Impact of changes in assumptions	(268,919)	-
Current service cost	645,123	651,290
Benefits paid	(880,445)	(879,631)
Interest on average accrued pension benefits obligations	978,744	1,030,536
Impact of change in benefits	-	246,619
Experience gain	-	(1,300,738)
Accrued pension benefits obligations at end of year	<u>\$ 17,037,411</u>	<u>\$ 16,562,908</u>

**Reconciliation of changes in accrued pension benefits obligations for the Members' Supplementary Retiring Allowance Account:**

	<b>2005</b>	<b>2004</b>
Accrued pension benefits obligations at beginning of year	\$ 45,146,884	\$ 45,001,755
Impact of changes in assumptions	(733,017)	-
Current service cost	1,754,939	1,711,881
Benefits paid	(2,399,901)	(2,261,908)
Interest on average accrued pension benefits obligations	2,667,844	2,759,894
Impact of change in benefits	-	672,231
Experience gain	-	(2,736,969)
Accrued pension benefits obligations at end of year	<u>\$ 46,436,749</u>	<u>\$ 45,146,884</u>

**PROVINCE OF NOVA SCOTIA  
ACCOUNTS ESTABLISHED UNDER THE  
MEMBERS' RETIRING ALLOWANCES ACT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2005**

**3. Accrued Pension Benefit Obligations (Continued)**

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:

	<b>Extrapolation March 31, 2005</b>	<b>Valuation December 31, 2003</b>
Investment earnings		
- pre-retirement rate	6.05%	6.17%
- post-retirement rate (Net of assumed pensioner cost-of-living increases per annum)	3.21%	3.08%
Salary escalation	2.75%	3.0%
Cost of living	2.75%	3.0%
Average retirement age	i) Age 55 if current age <51.25 ii) Current age +4.25 if 51.25 ≤ current age ≤58.25 iii) Later of current age + .25 or 5 years of service if current age ≥58.25	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