

**PROVINCE OF NOVA SCOTIA  
ACCOUNTS ESTABLISHED UNDER THE  
MEMBERS' RETIRING ALLOWANCES ACT  
FINANCIAL STATEMENTS  
MARCH 31, 2006**

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ACCOUNTS ESTABLISHED UNDER THE  
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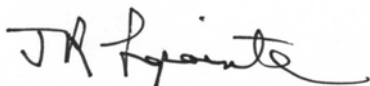
## **AUDITOR'S REPORT**

To the Members of the Legislative Assembly of Nova Scotia

I have audited the statement of net assets available for benefits and accrued pension benefit obligations of the accounts established under the Members' Retiring Allowances Act as at March 31, 2006, 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 benefit obligations of the accounts established under the Members' Retiring Allowances Act as at March 31, 2006 and changes in net assets available for benefits for the period then ended in accordance with Canadian generally accepted accounting principles.



Jacques R. Lapointe, CA•CIA  
Auditor General

Halifax, Nova Scotia  
June 23, 2006

**PROVINCE OF NOVA SCOTIA  
ACCOUNTS ESTABLISHED UNDER THE  
MEMBERS' RETIRING ALLOWANCES ACT  
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS  
AND ACCRUED PENSION BENEFIT OBLIGATIONS  
AS AT MARCH 31, 2006**

	2006	2005
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>		
<b>Receivable from the Consolidated Fund</b>		
Members' Retiring Allowance Account	\$ 20,195,250	\$ 17,040,498
Less: Accounts payable and accruals	<u>4,250</u>	<u>3,087</u>
	<u>20,191,000</u>	<u>17,037,411</u>
 Members' Supplementary Retiring Allowance Account	 48,448,250	 46,445,162
Less: Accounts payable and accruals	<u>10,250</u>	<u>8,413</u>
	<u>48,438,000</u>	<u>46,436,749</u>
	<u>\$ 68,629,000</u>	<u>\$ 63,474,160</u>
<b>ACCRUED PENSION BENEFIT OBLIGATIONS</b>		
Members' Retiring Allowance Account (Note 3)	\$ 20,191,000	\$ 17,037,411
Members' Supplementary Retiring Allowance Account (Note 3)	<u>48,438,000</u>	<u>46,436,749</u>
	<u>\$ 68,629,000</u>	<u>\$ 63,474,160</u>

Approved by:



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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, 2006**

	<b>2006</b>	<b>2005</b>
<b>Increase in Assets</b>		
Interest	\$ 1,431,571	\$ 1,389,432
Contributions		
Members' – matched	301,483	255,969
Government – matched	301,483	255,969
Members' – unmatched	0	1,910
Government – unmatched	<u>190,159</u>	<u>177,561</u>
Total increase in assets	<u>2,224,696</u>	<u>2,080,841</u>
<b>Decrease in Assets</b>		
Allowances (pensions)	875,320	870,695
Refunds – contributions and interest	17,963	9,750
Professional services	<u>6,278</u>	<u>4,740</u>
Total decrease in assets	<u>899,561</u>	<u>885,185</u>
<b>Increase in Net Assets before Actuarial Adjustment</b>	1,325,135	1,195,656
Actuarial adjustment (Note 3)	<u>1,828,454</u>	<u>(721,153)</u>
<b>Increase (decrease) in Net Assets after Actuarial Adjustment</b>	3,153,589	474,503
<b>Net Assets Available for Benefits at Beginning of Year</b>	<u>17,037,411</u>	<u>16,562,908</u>
<b>Net Assets Available for Benefits at End of Year</b>	<u>\$ 20,191,000</u>	<u>\$ 17,037,411</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, 2006**

	2006	2005
<b>Increase in Assets</b>		
Interest	\$ 3,901,855	\$ 3,787,291
Contributions		
Members' – matched	64,207	85,495
Government – matched	64,207	85,495
Members' – unmatched	0	5,206
Government – unmatched	<u>1,711,429</u>	<u>1,598,052</u>
Total increase in assets	<u>5,741,698</u>	<u>5,561,539</u>
<b>Decrease in Assets</b>		
Allowances (pensions)	2,390,799	2,373,324
Refunds – contributions and interest	1,978	26,577
Professional services	<u>15,140</u>	<u>12,920</u>
Total decrease in assets	<u>2,407,917</u>	<u>2,412,821</u>
<b>Increase in Net Assets before Actuarial Adjustment</b>	3,333,781	3,148,718
Actuarial adjustment (Note 3)	<u>(1,332,530)</u>	<u>(1,858,853)</u>
<b>Increase in Net Assets after Actuarial Adjustment</b>	2,001,251	1,289,865
<b>Net Assets Available for Benefits at Beginning of Year</b>	<u>46,436,749</u>	<u>45,146,884</u>
<b>Net Assets Available for Benefits at End of Year</b>	<u>\$ 48,438,000</u>	<u>\$ 46,436,749</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, 2006**

**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 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 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 Consolidated Fund.

Members contribute 10% of indemnities and salaries to the Members' Retiring Allowance Account (and, until January 1, 2006, 10% of expense allowances to the Members' Supplementary Retiring Allowance Account – see below). 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 and expense allowances for the last three years, and average salaries for the best 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 House of Assembly. At year end, 50 were contributors to the accounts. Of the remaining members, one had reached the 15-year maximum contributory service and one seat was vacant. There were also 100 retiring allowances in pay at March 31, 2006 to former Members of the House of 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 and 6%.

Effective January 1, 2006, a change was made to the compensation structure for members. Pursuant to an amendment to the House of Assembly Act (under Bill No. 252, which received Royal Assent on December 8, 2005), expense allowances were eliminated. At the same time, the annual Indemnity was increased by the amount of the former expense allowance, with a further adjustment made to reflect the fact that this portion of a member's compensation will now be taxable. (Previously, it was not taxable.) The amount of the increase in the indemnity was determined such that after the deduction of income tax, the increase would be approximately equal to the amount of the former expense allowance.

**PROVINCE OF NOVA SCOTIA  
ACCOUNTS ESTABLISHED UNDER THE  
MEMBERS' RETIRING ALLOWANCES ACT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006**

**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.

(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.



**PROVINCE OF NOVA SCOTIA  
ACCOUNTS ESTABLISHED UNDER THE  
MEMBERS' RETIRING ALLOWANCES ACT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006**

**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, Morneau Sobeco, performed a valuation as at December 31, 2005 and issued their report in June 2006. An extrapolation of the December 31, 2005 valuation was performed as at March 31, 2006. The results of the valuation and related extrapolation are summarised as follows:

	<b>Extrapolation March 31, 2006</b>	<b>Valuation December 31, 2005</b>
Members' Retiring Allowance Account	\$ 20,191,000	\$ 19,835,000
Members' Supplementary Retiring Allowance Account	\$ 48,438,000	\$ 47,832,000

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

	<b>2006</b>	<b>2005</b>
Members' Retiring Allowance Account	\$ 1,828,454	\$ (721,153)
Members' Supplementary Retiring Allowance Account	\$ (1,332,530)	\$ (1,858,853)

**PROVINCE OF NOVA SCOTIA  
ACCOUNTS ESTABLISHED UNDER THE  
MEMBERS' RETIRING ALLOWANCES ACT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006**

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

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

	<b>2006</b>	<b>2005</b>
Accrued pension benefit obligations at beginning of year	\$ 17,037,411	\$ 16,562,908
Impact of changes in assumptions	221,694	(268,919)
Current service cost	767,573	645,123
Benefits paid	(893,283)	(880,445)
Interest on average accrued pension benefit obligations	1,075,548	978,744
Impact of change in compensation	2,166,460	-
Net impact of other experience gains and losses	<u>(184,403)</u>	<u>-</u>
Accrued pension benefit obligations at end of year	<u>\$ 20,191,000</u>	<u>\$ 17,037,411</u>

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

	<b>2006</b>	<b>2005</b>
Accrued pension benefit obligations at beginning of year	\$ 46,436,749	\$ 45,146,884
Impact of changes in assumptions	604,242	(733,017)
Current service cost	1,844,677	1,754,939
Benefits paid	(2,392,777)	(2,399,901)
Interest on average accrued pension benefit obligations	2,740,980	2,667,844
Impact of change in compensation	(73,460)	-
Net impact of other experience gains and losses	<u>(722,411)</u>	<u>-</u>
Accrued pension benefit obligations at end of year	<u>\$ 48,438,000</u>	<u>\$ 46,436,749</u>

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NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2006**

**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 (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 major economic and demographic assumptions used in the valuation are as follows:

	<b>Extrapolation March 31, 2006</b>	<b>Valuation December 31, 2005</b>
Investment earnings		
- pre-retirement rate	5.95%	5.95%
- post-retirement rate (Net of assumed pensioner cost-of-living increases per annum)	3.11%	3.11%
Salary escalation	2.75%	2.75%
Cost of living	2.75%	2.75%
Retirement age	i) Age 55 if current age < 52.25 ii) Current age + 3.25 if 52.25 < current age < 59.25 iii) Later of current age + .25 and 5 years of service if current age > 59.25	i) Age 55 if current age < 52 ii) Current age + 3.5 if 52 < current age < 59 iii) Later of current age + .5 and 5 years of service if current age > 59
Mortality	1994 Group Annuitant Mortality Table projected to 2000	1994 Group Annuitant Mortality Table projected to 2000