
**PROVINCE OF NOVA SCOTIA
ACCOUNTS ESTABLISHED UNDER THE
MEMBERS' RETIRING ALLOWANCE ACT
FINANCIAL STATEMENTS
MARCH 31, 2008**

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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, 2008, 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, 2008 and changes in net assets available for benefits for the period then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'J.R. Lapointe'.

Jacques R. Lapointe, CA•CIA
Auditor General

Halifax, Nova Scotia
May 2, 2008

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, 2008

NET ASSETS AVAILABLE FOR BENEFITS

Receivable from the Consolidated Fund (Note 3)

	2008	2007
Members' Retiring Allowance Account	\$ 26,095,750	\$ 22,019,427
Less: Accounts payable and accruals	<u>1,650</u>	<u>1,627</u>
	<u>26,094,100</u>	<u>22,017,800</u>
 Members' Supplementary Retiring Allowance Account	 60,198,750	 52,054,773
Less: Accounts payable and accruals	<u>3,850</u>	<u>3,873</u>
	<u>60,194,900</u>	<u>52,050,900</u>
	<u>\$ 86,289,000</u>	<u>\$ 74,068,700</u>

ACCRUED PENSION BENEFIT OBLIGATIONS

Members' Retiring Allowance Account (Note 4)	\$ 26,094,100	\$ 22,017,800
Members' Supplementary Retiring Allowance Account (Note 4)	<u>60,194,900</u>	<u>52,050,900</u>
	<u>\$ 86,289,000</u>	<u>\$ 74,068,700</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, 2008

	2008	2007
Increase in Assets		
Interest	\$ 1,895,919	\$ 1,724,540
Contributions		
Members' – matched	525,607	494,984
Government – matched	525,607	494,984
Government – unmatched	<u>464,193</u>	<u>278,316</u>
Total increase in assets	<u>3,411,326</u>	<u>2,992,824</u>
Decrease in Assets		
Allowances (pensions)	990,142	938,836
Refunds – contributions and interest	0	46,884
Professional services	<u>4,285</u>	<u>6,475</u>
Total decrease in assets	<u>994,427</u>	<u>992,195</u>
Increase in Net Assets before Actuarial Adjustment	2,416,899	2,000,629
Actuarial adjustment (Note 4)	<u>1,659,401</u>	<u>(173,829)</u>
Increase in Net Assets after Actuarial Adjustment	4,076,300	1,826,800
Net Assets Available for Benefits, beginning of year	<u>22,017,800</u>	<u>20,191,000</u>
Net Assets Available for Benefits, at end of year	<u>\$ 26,094,100</u>	<u>\$ 22,017,800</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, 2008**



	2008	2007
Increase in Assets		
Interest	\$ 4,423,209	\$ 4,105,711
Government unmatched contributions (Note 5)	<u>2,741,400</u>	<u>2,244,500</u>
Total increase in assets	<u>7,164,609</u>	<u>6,350,211</u>
Decrease in Assets		
Allowances (pensions)	2,704,418	2,564,285
Refunds – contributions and interest	0	16,504
Professional services	<u>9,997</u>	<u>15,415</u>
Total decrease in assets	<u>2,714,415</u>	<u>2,596,204</u>
Increase in Net Assets before Actuarial Adjustment	4,450,194	3,754,007
Actuarial adjustment (Note 4)	<u>3,693,806</u>	<u>(141,107)</u>
Increase in Net Assets after Actuarial Adjustment	8,144,000	3,612,900
Net Assets Available for Benefits, beginning of year	<u>52,050,900</u>	<u>48,438,000</u>
Net Assets Available for Benefits, end of year	<u>\$60,194,900</u>	<u>\$ 52,050,900</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 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. 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, all 52 were contributors to the accounts. There were also 109 retiring allowances in pay at March 31, 2008 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. Retiring allowances are increased annually on January 1 by the lesser of the increase in the Consumer Price Index and 6%.

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.

2. Summary of Significant Accounting Policies (Continued)

b) Contributions

Contributions to the accounts are recorded when received. 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 Consolidated Fund

The pension plan established under the Members' Retiring Allowance 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 Consolidated Fund of the Province. The only asset of the pension plan is the amount due from the Consolidated 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 a valuation as at September 30, 2006 and issued their report in January 2007. An extrapolation of the September 30, 2006 valuation was performed as of March 31, 2008. The results of the valuation and related extrapolation are summarised as follows:

Province of Nova Scotia
Accounts Established Under the
Members' Retiring Allowances Act
Notes to the Financial Statements
March 31, 2008

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

	Extrapolation March 31, 2008	Valuation September 30, 2006
Members' Retiring Allowance Account	\$ 26,094,100	\$ 22,017,800
Members' Supplementary Retiring Allowance Account	\$ 60,194,900	\$ 52,050,900

Actuarial adjustments were recorded to adjust net assets to the revised estimates as of March 31, 2008.

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

	2008	2007
Accrued pension benefits, beginning of year	\$ 22,017,800	\$ 20,191,000
Impact of changes in assumptions	2,331,000	(179,200)
Current service cost	1,497,200	1,226,800
Benefits paid	(970,200)	(952,900)
Interest on average accrued pension benefit obligations	1,218,300	1,158,700
Impact of change in compensation	-	-
Net impact of other experience gains and losses	-	394,200
Accrued pension benefits, end of year	<u>\$ 26,094,100</u>	<u>\$ 22,017,800</u>

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

	2008	2007
Accrued pension benefits, beginning of year	\$ 52,050,900	\$ 48,438,000
Impact of changes in assumptions	5,215,600	(420,600)
Current service cost	2,741,400	2,244,500
Benefits paid	(2,650,000)	(2,602,800)
Interest on average accrued pension benefits obligations	2,837,000	2,750,800
Impact of change in compensation	-	1,647,200
Net impact of other experience gains and losses	-	1,220,400
Accrued pension benefits, end of year	<u>\$ 60,194,900</u>	<u>\$ 52,050,900</u>

4. 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:

	2008	2007
Investment earnings		
- pre-retirement rate	4.95%	5.70%
- post-retirement rate (Net of assumed pensioner cost-of-living increases per annum)	2.39%	3.12%
Salary escalation	2.50%	2.50%
Cost of living	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 2015 using scale 'AA'	UP-94 projected to 2015 using scale 'AA'

5. Contributions

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.