PROVINCE OF NOVA SCOTIA
ACCOUNTS ESTABLISHED UNDER THE
MEMBERS' RETIRING ALLOWANCES ACT
FINANCIAL STATEMENTS
MARCH 31, 2012

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AUDITORS' REPORT

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

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, 2012, 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, 2012, and changes in net assets available for benefits and changes in its pension obligations for the year then ended.

Comparative Information
Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that PNS Accounts Established under the MRAA adopted Canadian accounting standards for pension plans on April 1, 2011 with a transition date of April 1, 2010. These standards were applied retrospectively by management to the comparative information in the financial statements, including the statement of financial position as at March 31, 2011 and April 1, 2010, and the statements of changes in net assets available for benefits, changes in pension obligations for the year ended March 31, 2011 and related disclosures.

Dockrill Horwich Rossiter

Halifax, Nova Scotia
June 15, 2012

Chartered Accountants

Province of Nova Scotia
Accounts Established Under the Members' Retiring Allowances Act
Statement of Financial Position
March 31, 2012 and 2011, and April 1, 2010

	March 31, 2012	March 31, 2011	April 1, 2010
Net Assets Available for Benefits			
Receivable from the General Revenue Fund (note 3)			
Members' Retiring Allowance Account	28,773,233	27,157,314	29,805,769
Less: Accounts payable and accruals	(1,633)	(1,614)	(1,569)
Net assets	28,771,600	27,155,700	29,804,200
Members' Supplementary Retiring Allowance Account	58,829,467	56,449,586	63,045,831
Less: Accounts payable and accruals	(3,367)	(3,386)	(3,431)
Net assets	58,826,100	56,446,200	63,042,400
Total net assets available for benefits	87,597,700	83,601,900	92,846,600
Accrued Pension Obligation			
Member's Retiring Allowance Account	28,771,600	27,155,700	29,804,200
Members' Supplementary Retiring Allowance Account	58,826,100	56,446,200	63,042,400
Accrued pension obligation	87,597,700	83,601,900	92,846,600

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

Approved:

Minister of Finance

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, 2012 and 2011

	March 31, 2012	March 31, 2011
Increase in Assets		
Interest	2,312,276	2,537,984
Contributions		
Members' - matched	521,653	511,497
Members' - unmatched	36,602	-
Government - matched	521,653	511,497
Government - unmatched	370,947	344,903
Total increase in assets	3,763,131	3,905,881
Decrease in Assets		
Benefits paid (note 7)	1,275,997	1,245,858
Refunds - contributions and interest	-	-
Administration expenses (note 8)	9,590	5,308
Total decrease in assets	1,285,587	1,251,166
Increase (decrease) in net assets before actuarial adjustment	2,477,544	2,654,715
Actuarial adjustment	(861,644)	(5,303,215)
Increase (decrease) in net assets after actuarial adjustment	1,615,900	(2,648,500)
Net assets available for benefits, beginning of year	27,155,700	29,804,200
Net assets available for benefits, end of year	28,771,600	27,155,700

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 Net Assets Available for Benefits
In the Members' Supplementary Retiring Allowance Account
March 31, 2012 and 2011

	March 31, 2012	March 31, 2011
Increase in Assets		
Interest	4,765,856	5,324,099
Members' unmatched contributions	3,672	-
Government unmatched contributions	2,315,300	2,241,800
Total increase in assets	7,084,828	7,565,899
Decrease in Assets		
Benefits paid (note 7)	3,123,991	3,050,203
Refunds - contributions and interest	-	-
Administration expenses (note 8)	19,766	11,134
Total decrease in assets	3,143,757	3,061,337
Increase (decrease) in net assets before actuarial adjustment	3,941,071	4,504,562
Actuarial adjustment	(1,561,171)	(11,100,762)
Increase (decrease) in net assets after actuarial adjustment	2,379,900	(6,596,200)
Net assets available for benefits, beginning of year	56,446,200	63,042,400
Net assets available for benefits, end of year	58,826,100	56,446,200

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, 2012 and 2011

	March 31, 2012	March 31, 2011
Accrued pension obligation, beginning of year	27,155,700	29,804,200
Increase in accrued pension benefits:		
Interest on accrued pension obligation	1,293,000	1,245,100
Current service cost	1,408,000	1,363,200
Changes in actuarial assumptions	-	-
	2,701,000	2,608,300
Decrease in accrued pension benefits:		
Benefits paid	(1,278,200)	(1,247,000)
Plan amendments (note 1)	-	(4,051,100)
Difference in estimated benefits paid used in actuarial valuation versus actual benefits paid	2,200	-
Net experience gains and (losses)	190,900	41,300
	(1,085,100)	(5,256,800)
Net increase (decrease) in accrued pension benefits	1,615,900	(2,648,500)
Accrued pension obligation, end of period	28,771,600	27,155,700

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' Supplementary Retiring Allowance Account
March 31, 2012 and 2011

	March 31, 2012	March 31, 2011
Accrued pension obligation, beginning of year	56,446,200	63,942,400
Increase in accrued pension benefits:		
Interest on accrued pension obligation	2,664,700	2,612,100
Current service cost	2,315,300	2,241,800
Plan amendments (note 1)	228,000	-
Changes in actuarial assumptions	-	-
	5,208,000	4,853,900
Decrease in accrued pension benefits:		
Benefits paid	(3,129,500)	(3,053,000)
Plan amendments (note 1)	-	(8,484,600)
Difference in estimated benefits paid used in actuarial valuation versus actual benefits paid	5,500	-
Net experience gains and (losses)	295,900	(812,500)
	(2,828,100)	(12,350,100)
Net increase (decrease) in accrued pension benefits	2,379,900	(7,496,200)
Accrued pension obligation, end of period	58,826,100	56,446,200

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 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 for the last three years, and average salaries for the best three years (if applicable), at a 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 seats in the House of Assembly. At year end, 50 Members were active contributors to the Accounts and 2 Members had ceased contributing because they had reached the maximum of 15 years. There were also 114 retiring allowances in pay at March 31, 2012 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.

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.

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 will take effect following the next general election. These changes include a reduction in the overall accrual rate for service following the next 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, for members first elected during or following the next general election, a reduction in the maximum total accrual from 75% of their average annual salary to 70%. This Act also creates a clearer delineation between the registered plan and the supplementary plan. As well, the Minister of Finance will become the official trustee of the plans. 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 and deficits or total investment income. Consistent with Section 4600, investment assets are presented on a non-consolidated basis. The Accounts' total investment income includes valuation adjustments required to bring the investments to their fair value.

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

Certain comparative figures have been reclassified to adopt the changes to Section 4600.

b) Transition to CICA Section 4600 and IFRS

These financial statements are the Accounts' first in compliance with Section 4600 and IFRS. The comparatives as at April 1, 2010 and for the year ended March 31, 2011 have been restated accordingly. Prior to 2011, the financial statements were prepared in accordance with CICA Handbook Section 4100 - Pension Plans and Part V of the CICA Handbook.

The Accounts have elected to early adopt IFRS 13, Fair Value Measurement, on a prospective basis, commencing January 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 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.

In preparing the first financial statements in accordance with Section 4600, the Accounts have adjusted amounts that were previously reported in accordance with CICA Handbook Section 4100 - Pension Plans.

An explanation of how the transition has affected the Accounts' financial position is set out in the following table:

March 31, 2011	As previously reported	Revised per CICA Section 4600
Net Assets Available for Benefits		
Assets		
Receivable from the General Revenue Fund	83,606,900	83,606,900
Total assets	83,606,900	83,606,900
Liabilities		
Accounts payable and accrued liabilities	5,000	5,000
Total liabilities	5,000	5,000
Net assets available for benefits	83,601,900	83,601,900

Receivable from the General Revenue Fund	92,851,600	92,851,600
Total assets	92,851,600	92,851,600
Liabilities		
Accounts payable and accrued liabilities	5,000	5,000
Total liabilities	5,000	5,000
Net assets available for benefits	92,846,600	92,846,600

c) Functional and presentation currency:

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

d) 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

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 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.

h) Income taxes:

The Accounts are not subject to income taxes.

i) Future changes in accounting policies:

The International Accounting Standards Board has issued a number of new and amended standards that are not yet effective as at March 31, 2012. The relevant new guidance not yet adopted by the Accounts includes:

- IFRS 9, Financial Instruments. The new standards will replace IAS 39, Financial Instruments: Recognition and Measurement and includes guidance on recognition and derecognition of financial assets and financial liabilities. The new standard is effective for annual periods beginning on or after January 1, 2015 and early application is permitted.

Management does not expect any significant impact on either the Accounts' financial position or performance when adopting these new standards.

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 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 an actuarial valuation for funding purposes as at September 30, 2009 and issued their report in January 2010. The results of the September 30, 2009 valuation were extrapolated to March 31, 2012. The results of the valuation and related extrapolation are summarised as follows:

	Extrapolation March 31, 2012	Valuation September 30, 2009
Members’ Retiring Allowance Account	$ 28,769,400	$ 27,966,500
Members’ Supplementary Retiring Allowance Account	$ 58,820,600	$ 63,311,100

Actuarial adjustments were recorded to adjust net assets to the revised estimates as of March 31, 2012.

6. Accrued pension obligation (continued):

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 projected unit credit method was adopted for the actuarial valuation to determine the current cost and actuarial liability. The valuation results are adjusted for any changes in economic assumptions, and an extrapolation to fiscal year end is performed. The major economic and demographic assumptions used for the extrapolation and the most recent actuarial valuation for funding purposes are as follows:

	Extrapolation March 31, 2012	**Valuation September 30, 2009**
Discount rate	4.75%	4.75%
Inflation	2.50%	2.50%
Indexing	1.25% for 5 years commencing January 1, 2011; 50% of inflation thereafter	2.50%
Pensionable earnings increase	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 with generational mortality using scale 'AA"	UP-94 projected to 2020 using scale 'AA"

7. Benefits:

	March 31, 2012	March 31, 2011
Benefits paid to pensioners	3,946,225	3,808,892
Benefits paid to survivors	453,763	487,169
Refunds paid to terminated members	-	-
Total	4,399,988	4,296,061

8. Administration Expenses:

The Accounts are charged with administrative and other expenses, certain of which are incurred on behalf of the Accounts by the Nova Scotia Pension Agency. The following is a summary of these expenses:

	March 31, 2012	March 31, 2011
Plan Administration		
Salaries	16,856	8,237
Travel	127	46
Professional Services	7,970	5,884
Supplies and Services	2,032	1,131
Other	2,371	1,144
Total	29,356	16,442

9. 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.