



Legislative Assembly Pension Plan

Administered by The Civil Service Superannuation Board

2016 Annual Report

For more information...

Members may request any of the following from The Civil Service Superannuation Board (Board) office, Monday to Friday (except holidays) from 8:00 a.m. to 4:30 p.m.:

- A copy of The Members' Retirement Benefits Regulation
- A copy of the latest Actuarial Valuation Report

Upon request, the Board will provide members, spouses, common-law partners, or authorized representatives with detailed information and explanations regarding benefits payable in the event of a member's retirement, death, marriage separation, or termination.

The Civil Service Superannuation Board

1200-444 St. Mary Avenue
Winnipeg MB R3C 3T1

Telephone: 204-946-3200
Fax: 204-945-0237
Canada-Wide Toll-Free Number: 1-800-432-5134

E-mail: askus@cssb.mb.ca

Member Services

The Board offers the following services to members and their families, financial planners, solicitors, etc.:

1. Individual Meetings

Members can meet with Board staff to discuss pension and insurance benefits. Members are encouraged to bring anyone they wish to these meetings, like a spouse or financial planner.

2. Seminars

Seminars can be arranged for various size groups and on various topics.

3. Personal and General Inquiries

Board staff are available to answer questions by way of phone and written communication.

Staff are available to meet your information needs with respect to enrolment, retirement, termination and pension projections for estate and retirement planning.

We ask that you have your personal identification number (PIN) or social insurance number (SIN) ready when calling the office and that you make an appointment prior to visiting to assist us in serving you better.

Cover photo - Whiteshell Provincial Park - courtesy of Travel Manitoba.

June 29, 2017

Honourable Myrna Driedger
Speaker of the Legislative Assembly
Room 244 - 450 Broadway
Winnipeg MB R3C 0V8

Your Honour:

The Members' Retirement Benefits Regulation under *The Legislative Assembly Act* includes in section 21 that:

The administrator must prepare and provide to the Speaker of the Assembly, on or before June 30 of each year, a report of the plan and the pension fund for the preceding fiscal year.

I am pleased to provide the enclosed Legislative Assembly Pension Plan Annual Report for 2016, which includes the Report of the Office of the Auditor General and audited financial statements.

Respectfully submitted,



Al Morin, Chair
The Civil Service Superannuation Board

Board and Standing Committee Members

THE CIVIL SERVICE SUPERANNUATION BOARD

Chair

Al Morin

Retired, President and Chief Executive Officer
Assiniboine Credit Union

Employee Representatives

Paul Desorcy

Manitoba Hydro Representative
Manitoba Hydro-Electric Board

Ray Erb

Civil Service Representative
Retired, Manitoba Government & General Employees Union

Jody Gillis

Civil Service Representative
Red River College

Doug Troke

Civil Service Representative
Department of Finance

Employer Representatives

Ed Balcewich

Investment Advisor, FMA, FSCI.

Andrew Clarke

Financial Planner

Normand Collet

Wayne D. McGimpsey
Chartered Accountant

INVESTMENT COMMITTEE

Chair

A. Scott Penman*

Retired, Executive Vice-President and Chief Investment
Officer,
Investors Group Inc.

Brian Allison *

Executive Vice-President, Chief Investment Officer,
The Great-West Life Assurance Company

Richard Brownscombe *

President
Montrose Mortgage Corporation Ltd.

Jody Gillis ^

Civil Service Representative

Al Morin ^

Chair
The Civil Service Superannuation Board

Peter G. Munro *

Retired, Executive Vice-President, Chief Investment Officer,
The Great-West Life Assurance Company

Bruce Schroeder ^

General Manager
The Civil Service Superannuation Board

Garry Steski ^

Deputy Minister of Finance
Province of Manitoba

The Investment Committee also manages the assets of the
Manitoba Hydro Employer Fund and three Centra Gas
portfolios. Manitoba Hydro appointed the following person
as their representative to those committees in conjunction
with the above members.

Jamie McCallum

Chief Finance and Strategy officer
Manitoba Hydro-Electric Board

* Appointed based on investment expertise

^ Required by legislation

FINANCE AND AUDIT COMMITTEE

Chair

Doug Troke - Employee Representative

Normand Collet - Employer Representative

Ray Erb - Employee Representative

Wayne McGimpsey - Employer Representative

HR AND GOVERNANCE COMMITTEE

Chair

Paul Desorcy - Employee Representative

Ed Balcewich - Employer Representative

Andrew Clarke - Employer Representative

Jody Gillis - Employee Representative

The Civil Service Superannuation Board

The Board has the fiduciary responsibility for the administration of the Plan and management of the investment funds in the best interest of all Plan members and beneficiaries. It is also responsible to:

- Ensure that staff fulfil the investment and administrative obligations set out in the Regulation and comply with the requirements of the Income Tax Act
- Delegate the day-to-day management to the General Manager and staff
- Provide overall direction and approval of policy items

These duties are vested in four members that are elected by employees who participate in The Civil Service Superannuation Fund, and five members including a chair that are appointed by Government.

As the Plan trustee, the Board is required to:

- Manage The Legislative Assembly Pension Plan (Plan) in accordance with the rules of the Pension Plan, governing legislation, and common law in the interest of Plan members and their beneficiaries
- Obtain an actuarial valuation at least every three years
- Regularly review its investment policy
- Obtain an independent audit each year
- Prepare an Annual Report

CSSB Management Team

Bruce Schroeder
General Manager

Patti Malbasa
Director, Communications and Client Services

Dale Allen
Director, Management Information Systems

Dawn Prokopowich
Director, Client Services Administration

Rick Wilson
Director, Finance and Investment Communications
& Management Services

Peter Josephson, CFA
Chief Investment Officer

Ellement Consulting Group
Consulting Actuary

Fillmore Riley
Legal Counsel

Office of the Auditor General
Auditor

Message from the General Manager

BRUCE SCHROEDER

It was a year of significant movement for the membership of the Legislative Assembly Pension Plan (LAPP), as approximately one-half of the active membership of the LAPP did not return to their seats after the April 2016 General Election.

Some of these MLAs planned their departure, and for others the post-election situation was less certain. Members required pension information, sometimes under various scenarios, in order to make important decisions regarding their future. The development of an in-house pension estimator in 2015 allowed the staff of the Civil Service Superannuation Board (the Board) to respond to the resulting high volume of requests for information in a timely manner.

The rate of return on the assets of the pension fund for 2016 was 5.60%. The plan's assets now total over \$28.7 million, compared to \$26.6 million at the end of 2015. The December 31, 2015 actuarial valuation of the LAPP, completed in 2016, indicated that the plan continues to be in a fully funded position.

In 2016 the Board completed work on its new Vision, Mission and Purpose statements. These guiding statements reconfirm the Board's commitment to a high standard of service and member focus. They are available on the Board's website at www.cssb.mb.ca under Other Information>>About the CSSB. I would like to thank the Board for their support and hard work in 2016 and also would like to thank the CSSB staff for their continued efforts.



Highlights

		2016	2015
Investments	Rate of Return	5.60%	7.93%
	Investments at Market Value	\$28,725,785	\$26,636,717
	Net Investment Income	\$770,251	\$703,905
	Current Period Change in Fair Value of Investments	\$652,977	\$1,132,146
Contributions and Payments	Member Contributions	\$404,351	\$417,579
	Government Payments	\$1,129,874	\$1,101,064
	Total	\$1,534,225	\$1,518,643
Payments from Fund	Pension Benefits Paid	\$790,185	\$408,492
Expenses	Administrative	\$79,028	\$92,653
	Investment	\$68,577	\$61,339
		2016	2015
Membership	Active Contributors	55	52
	Deferred and Pension Recipients	57	30
	Total Members	112	82

Your Pension Plan

Your Plan is a “defined benefit” plan which means that your pension is based on a formula that provides pension, death and termination benefits for all eligible members. The formula is based on your years of service and average salary. Participating members contribute 7.0% of salary to the pension plan. The balance of the cost to pay pension benefits and other liabilities of the plan is paid by the province.

The amount of pension a member will receive is not related to investment returns. Good investment returns are necessary for the Fund to meet its obligation to pay benefits without higher than expected government funding.

The Plan allows for retirement at or after age 55 assuming the member has at least one year of service.

Members of the Legislative Assembly have the option to join the Plan.

Cost-of-Living Allowance

- LAPP Pension recipient receive the same cost-of-living increases as The Civil Service Superannuation Fund pension recipients
- The COLA paid July 1, 2016 was 1.07%
- The cost-of-living benefit payments are limited to the extent that the Indexing Benefits Account is able to finance its share of each increase. Legislation limits the maximum annual cost-of-living adjustment to $\frac{2}{3}$ of the increase in the Canadian Consumer Price index until the account can pre-fund anticipated adjustments for the next 20 years. The actuary has cautioned that with the current funding model, it is unlikely 20 year pre-funding will ever be achieved.

Funding of Pension Benefits

The Fund's net assets available for benefits are primarily funded by:

- Investment income
- Member contributions
- Government payments

Rate of Return

The LAPP Fund is invested like The Civil Service Superannuation Fund (CSSF), to the extent that it is reasonably practicable. The rate of return for 2016 was 5.60%.

Management Report

MANAGEMENT RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of the Legislative Assembly Pension Fund are the responsibility of management and have been prepared in accordance with Canadian accounting standards for pension plans, as stated in the notes to the financial statements. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to safeguard the assets of the Fund. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to May 25, 2017.

The firm of Ellement Consulting Group has been appointed as consulting actuary for the Fund. The role of the actuary is to complete the triennial actuarial valuations of the Fund in accordance with actuarial practice and estimate the obligations for benefits for inclusion in the annual financial statements.

The Auditor General performs an independent audit of the financial statements in accordance with Canadian generally accepted auditing standards. The resulting opinion is set out in the Auditor's Report attached to the financial statements.

Ultimate responsibility for the financial statements rests with the members of the Civil Service Superannuation Board. The Board established a Finance and Audit Committee to meet with Board staff and representatives of the Auditor General. It is the responsibility of the Finance and Audit Committee to review the financial statements, ensure that each group has properly discharged its respective responsibilities and make a recommendation to the Board regarding approval of the financial statements. The auditors have full and unrestricted access to the Board and to the Finance and Audit Committee.

The Board has reviewed and approved these financial statements.

On behalf of Management,



Bruce Schroeder
General Manager
The Civil Service Superannuation Board



Rick Wilson
Director, Finance
The Civil Service Superannuation Board

Report of the Office of the Auditor General on The Legislative Assembly Pension Fund



INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Members of the Legislative Assembly Pension Fund

We have audited the accompanying financial statements of the Legislative Assembly Pension Fund, which comprise the statement of financial position as at December 31, 2016 and the statements of changes in net assets available for benefits, changes in pension obligations and changes in surplus for the year then ended, 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 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 Legislative Assembly Pension Fund as at December 31, 2016 and the changes in net assets available for benefits, the changes in pension obligations and the changes in surplus for the year then ended in accordance with Canadian accounting standards for pension plans.

Office of the Auditor General
May 25, 2017
Winnipeg, Manitoba

LEGISLATIVE ASSEMBLY PENSION FUND
Statement of Financial Position
as at December 31, 2016


	2016	2015
Assets		
Investments, Schedule 1, Note 2(b)	\$ 28,725,785	\$ 26,636,717
Accrued interest and dividends	49,263	54,918
Contributions receivable, Note 4	30,239	22,699
	<u>28,805,287</u>	<u>26,714,334</u>
Liabilities		
Accounts payable and accrued liabilities	57,114	54,401
Net assets available for benefits, Exhibit B	\$ 28,748,173	\$ 26,659,933


Pension Obligations and Surplus

Actuarial value of pension obligations, Exhibit C, Note 10	\$ 28,706,538	\$ 26,150,251
Surplus, Exhibit D	41,635	509,682
Pension obligations and surplus	\$ 28,748,173	\$ 26,659,933

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

Signed on behalf of the Civil Service Superannuation Board


 Chairperson of the Board


 Chairperson, Finance and Audit
 Committee

LEGISLATIVE ASSEMBLY PENSION FUND
Statement of Changes in Net Assets Available for Benefits
for the Year Ended December 31, 2016

	2016	2015
Increase in assets		
Contributions, Note 1(a) and 5		
Employees	\$ 404,351	\$ 417,579
Employer	1,129,874	1,101,064
	<hr/>	<hr/>
Total contributions	1,534,225	1,518,643
Net investment income, Schedule 2	770,251	703,905
Current period change in fair value of investments, Note 7	652,977	1,132,146
	<hr/>	<hr/>
Total increase in assets	2,957,453	3,354,694
	<hr/>	<hr/>
Decrease in assets		
Benefits paid	790,185	408,492
Administrative expenses, Note 9	79,028	92,653
	<hr/>	<hr/>
Total decrease in assets	869,213	501,145
	<hr/>	<hr/>
Increase in net assets available	2,088,240	2,853,549
Net assets available for benefits, beginning of year	26,659,933	23,806,384
	<hr/>	<hr/>
Net assets available for benefits, end of year, Exhibit A	\$ 28,748,173	\$ 26,659,933
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The accompanying notes are an integral part of these financial statements.

LEGISLATIVE ASSEMBLY PENSION FUND
Statement of Changes in Pension Obligations
for the Year Ended December 31, 2016

	2016	2015
Pension obligations, beginning of year	\$ 26,150,251	\$ 23,799,761
Change in pension obligations		
Experience (gain) loss	1,143,543	(280,699)
Benefits accrued	1,534,225	1,518,643
Benefits paid	(790,185)	(408,492)
Interest accrued on benefits	1,660,865	1,464,976
Change in reserves	41,255	56,062
Change in actuarial assumptions	(1,033,416)	-
	2,556,287	2,350,490
Pension obligations, end of year, Exhibit A	\$ 28,706,538	\$ 26,150,251

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

LEGISLATIVE ASSEMBLY PENSION FUND
Statement of Changes in Surplus
for the Year Ended December 31, 2016

	2016	2015
Surplus, beginning of year	\$ 509,682	\$ 6,623
Increase in net assets available	2,088,240	2,853,549
Change in pension obligations	(2,556,287)	(2,350,490)
	(468,047)	503,059
Surplus, end of year, Exhibit A	\$ 41,635	\$ 509,682

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

LEGISLATIVE ASSEMBLY PENSION FUND
Notes to the Financial Statements
December 31, 2016

1. Description of Plan

The Legislative Assembly Pension Fund (the “Fund”) was established on March 31, 2005, with an effective date of December 7, 2005. The Legislative Assembly Pension Plan (the “Plan”) provides benefits to members of the Manitoba Legislative Assembly (“MLA”).

The following description of the Plan is a summary only. For more complete information, reference should be made to the *Members’ Retirement Benefits Regulation of The Legislative Assembly Act*.

The Fund is a registered Pension trust as defined in the Income Tax Act and is not subject to income taxes.

(a) Funding

The Act requires members to contribute 7% of pensionable earnings and the Province to fund the balance of costs associated with the pension plan. In addition, as members of the Plan, employees can elect to purchase pensionable service for all or any part of the period they were an MLA between April 25, 1995 and the beginning of the pay period for which the member began making contributions by source deduction to the Fund. The Province of Manitoba is required to contribute sufficient funds to pay all pensions and other liabilities as they come due.

(b) Basic Pension Benefit

The lifetime monthly pension calculation equals:

- (i) 2.0% of the average of the five best annual salaries received during which pensionable service was accrued or, if the member has less than five years of pensionable service, the average of the annual salaries for their pensionable service,
- (ii) multiplied by the lesser of thirty five years and the member’s years of pensionable service
- (iii) divided by twelve months.

(c) Indexing Benefit

Whenever an indexing benefit is provided for pensions being paid out of the Civil Service Superannuation Fund, a similar benefit is to be provided for both deferred members and pensioners of this Plan. In the Civil Service Superannuation Plan, the cost-of-living benefit payments are limited to the extent that the amount in the separate Indexing Benefit Account is actuarially able to finance approximately one-half of that payment. Legislation limits the maximum annual adjustment to two-thirds of the increase in the Consumer Price Index (Canada) until the Indexing Benefits Account can pre-fund anticipated adjustments for the next twenty years.

LEGISLATIVE ASSEMBLY PENSION FUND
Notes to the Financial Statements
December 31, 2016

(d) Retirement

A member with at least one year of service as an MLA is eligible to retire at age 55 once they have ceased to be an MLA.

(e) Excess Contributions

On termination, retirement or death, if a member's contributions plus interest exceed 50% of the commuted value of the pension for service after December 31, 1984, the excess contributions are payable to the member or the member's estate.

(f) Death Benefits Pre-retirement

Upon the death of an active member, a survivor's benefit is payable to a spouse or partner or the member's estate when there is no survivor.

(g) Death Benefits Post-retirement

A death refund is payable to the estate of a pensioner or survivor where such pensions have not been paid to the full extent of the member's contributions plus interest.

(h) Withdrawal Refunds

Participants who cease to be an MLA may apply (subject to lock-in provisions) to withdraw funds from the Plan. Members may choose to leave their contributions in the Plan as a vested member.

2. Significant Accounting Policies

(a) Basis of Presentation

The financial statements are prepared on a going-concern basis as a separate financial reporting entity, in accordance with Canadian accounting standards for pension plans. The Fund has selected Part II (accounting standards for private enterprises) of the CPA Canada Handbook for issues not directly addressed by these standards. In accordance with these standards, statements prepared include the statement of financial position, the statement of changes in net assets available for benefits, the statement of changes in pension obligations and the statement of changes in surplus. They are prepared to assist participants and others in reviewing the financial activities of the Plan for the fiscal year.

LEGISLATIVE ASSEMBLY PENSION FUND
Notes to the Financial Statements
December 31, 2016

(b) Investments

Investments are recorded at fair value on a trade date basis. The basis of determining the fair values of the investment categories is described below.

Fixed Income

- (i) Short-term investments are valued at cost, which approximates market value.
- (ii) Bonds and debentures are valued at market by independent sources.

Equities

- (i) Publicly traded securities are valued at year end market prices as listed on the appropriate stock exchange.
- (ii) Pooled equity funds are valued at market by the external manager based on the fair value of the underlying assets.

Other Investments

- (i) Real estate and Infrastructure investments are valued at fair value based on the most recent appraisals or external managers' valuations of the underlying properties.
- (ii) Petroleum and natural gas shares are valued at fair value based on the discounted present value of proven petroleum and natural gas reserve information provided by external managers or are reflected at cost, which approximates fair value, until such information is available.
- (iii) Venture capital investments are valued at the fair value of the underlying investments as established by the external managers or at cost, which approximates fair value, when no valuation has been prepared.

(c) Foreign Currency Translation

Transactions denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing on the dates of the transactions. The foreign currency translation of these transactions (except for any foreign currency translation related to the acquisition of investments) is included in investment income or the current period change in fair value of investments (net realized gains or losses on the sale of investments) or administrative expenses.

The fair value of investments denominated in foreign currencies is translated into Canadian dollars at the exchange rate in effect at year-end and the resulting change from the translation at acquisition (or the prior year end) is included in the current period change in fair value of investments (net unrealized market gains or losses).

LEGISLATIVE ASSEMBLY PENSION FUND
Notes to the Financial Statements
December 31, 2016

(d) Use of Estimates

The preparation of financial statements in accordance with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingencies at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the year. Actual results could differ from those estimates.

3. Risk Management

Fair values of investments are exposed to market risk (interest rate risk, currency risk and price risk), credit risk and liquidity risk.

(a) Market Risk

Interest Rate Risk

Interest rate risk refers to the impact of interest rate changes on the Fund's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Fund's assets and liabilities. The value of the Fund's assets is affected by changes in interest rates.

The Fund's exposure to interest rate risk is concentrated in its investments in bonds and debentures. To properly manage the Fund's interest rate risk, appropriate guidelines on the weighting and duration for bonds and debentures are set and monitored by the Fund's Investment Committee.

The Fund has invested approximately 24.7% (2015 – 25.2%) of its assets in fixed income securities as at December 31, 2016, which generated a rate of return of 2.54% (2015 - 2.81%). The returns on fixed income securities are particularly sensitive to changes in nominal interest rates. As at December 31, 2016, if prevailing interest rates were raised or lowered by 100 basis points, with all other factors held constant, fixed income investments would likely have decreased or increased respectively by approximately \$583,427 (2015 - \$511,653). The Fund's interest rate sensitivity was determined based on portfolio weighted duration.

Currency Risk

Currency risk relates to the possibility that foreign currency-denominated investments will change in value due to future fluctuations in foreign exchange rates. The Fund does, from time to time, hedge some of this exposure. As at December 31, 2016, the external fund managers had no open forward foreign exchange contracts (as at December 31, 2015 - \$0). As a result, there were no unrealized gains (losses) on these foreign exchange contracts in 2016 (2015 - \$0).

LEGISLATIVE ASSEMBLY PENSION FUND
Notes to the Financial Statements
December 31, 2016

The Fund's exposure in cash and investments to foreign currencies and to Canadian dollars is shown below:

As at December 31, 2016	Actual Currency Exposure	Percentage
Canadian dollar	\$ 16,309,661	56.8%
US dollar	7,636,014	26.5
Euro	926,781	3.2
Japanese yen	922,110	3.2
Pound sterling	555,299	1.9
Hong Kong Dollar	515,611	1.8
Australian dollar	357,373	1.2
South Korean won	315,890	1.1
India Rupee	279,724	1.0
Other currencies	907,322	3.3
Total investments	\$ 28,725,785	100.0%

A 10 percent increase or decrease in exchange rates, with all other variables held constant, would result in a change in unrealized gains (losses) of \$1,241,600 (2015 - \$1,211,800).

Price Risk

Price risk is the risk that the value of an investment will fluctuate as a result of a change in market conditions (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Fund's equity and other equity-based investments are sensitive to market fluctuations. To assist in mitigating the impact of price risk, the Fund's Investment Committee has established appropriate guidelines on asset diversification to address specific security, geographic, sector and investment manager risks which they monitor on a regular basis. A decline or increase of 10 percent in fair values of equities and other equity-based investments, with all other variables held constant, will impact the Fund's investments by an approximate loss or gain of \$2,163,200 (2015 - \$1,991,600).

(b) Credit Risk

Credit risk is the risk of loss from the failure of a counter party to discharge its contractual obligations. At December 31, 2016, the Fund's maximum credit risk exposure relates to bonds and debentures, short-term investments and cash totaled \$7,093,923 (2015 - \$6,721,116), contributions receivable of \$30,239 (2015 - \$22,699) and accrued interest of \$24,103 (2015 - \$30,273) totaled \$7,148,265 (2015 - \$6,774,088). The Fund's Investment Committee limits credit risk by concentrating on high quality securities and adhering to a Statement of Investment Policies and Procedures. The Policy establishes investment ownership limits and acceptable credit ratings. In the case of bonds and debentures, all bonds must be rated BBB- or higher at the time of purchase.

LEGISLATIVE ASSEMBLY PENSION FUND
Notes to the Financial Statements
December 31, 2016

All transactions in listed securities are settled upon delivery using approved investment managers. The risk of default is considered minimal, as delivery of securities sold is only made once the investment manager has received payment. Payment is made on a purchase once the securities have been received by the investment manager. The trade will fail if either party fails to meet its obligation.

The breakdown of the Fund's bonds and debentures portfolio by credit rating from various rating agencies is presented below:

Credit Rating	2016 Fair Value		2015 Fair Value	
AAA	\$ 2,020,475	35.9%	\$ 785,031	15.8%
AA	925,126	16.4	844,364	17.0
A	2,511,314	44.6	2,681,602	53.9
BBB+	115,708	2.1	482,043	9.7
BBB and lower	54,800	1.0	181,719	3.6
	5,627,423	100.0%	4,974,759	100.0%
Cash and short-term	356,439		472,978	
Total bonds and debentures	\$ 5,983,862		\$ 5,447,737	

Credit risk associated with contributions receivable is minimized due to their nature. Contributions are collected from participating members through the payroll process. No provision for doubtful contributions receivable has been recorded in either 2016 or 2015.

(c) Liquidity Risk

Liquidity risk is the possibility that investments of the Fund cannot be readily converted into cash when required to meet contractual obligations. The Fund may be subject to liquidity constraints because of insufficient volume in the markets for the securities of the Fund or other securities may be subject to legal or contractual restrictions on their resale. Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active public market and can be readily sold. Although market events could lead to some investments becoming illiquid, the diversity of the Fund's portfolio and current contribution levels should ensure that liquidity is available for benefit payments.

The term to maturity and related market values of fixed income investments are as follows:

Term to Maturity	2016	2015
Less than one year	\$ 1,539,759	\$ 1,746,357
One to five years	1,730,641	1,228,384
Over five years	3,823,522	3,746,375
Total fixed income investments	\$ 7,093,922	\$ 6,721,116

LEGISLATIVE ASSEMBLY PENSION FUND
Notes to the Financial Statements
December 31, 2016

(d) Fair Value

The following is a summary of the inputs used as of December 31, 2016 and 2015 in the measurement of the fair value of the Fund's investments based on the fair value hierarchy:

	Level 1 Quoted Prices in Active Markets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total 2016
Assets				
Cash	\$ 174,215	\$ -	\$ -	\$ 174,215
Short-term	-	1,926,472	-	1,926,472
Bonds and debentures	-	5,554,164	-	5,554,164
Equities	13,633,348	2,170,142	-	15,803,490
Infrastructure	-	-	1,140,868	1,140,868
Petroleum and natural gas	-	-	340,004	340,004
Venture capital	-	-	559,713	559,713
Real estate	-	-	3,226,859	3,226,859
Total investments, Note 2(b) and Schedule 1	\$13,807,563	\$ 9,650,778	\$ 5,267,444	\$28,725,785

	Level 1 Quoted Prices in Active Markets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total 2015
Assets				
Cash	\$ 196,876	\$ -	\$ -	\$ 196,876
Short-term	-	2,042,823	-	2,042,823
Bonds and debentures	-	4,974,759	-	4,974,759
Equities	12,877,602	2,268,416	-	15,146,018
Infrastructure	-	-	952,553	952,553
Petroleum and natural gas	-	-	520,112	520,112
Real estate	-	-	2,803,576	2,803,576
Total investments, Note 2(b) and Schedule 1	\$13,074,478	\$ 9,285,998	\$ 4,276,241	\$26,636,717

LEGISLATIVE ASSEMBLY PENSION FUND
Notes to the Financial Statements
December 31, 2016

At December 31, 2016, no equity investments were transferred from Level 1 to Level 2. All securities in Level 1 can be traded in an active market.

During the year ended December 31, 2016, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	Infrastructure	Real Estate	Petroleum & Natural Gas	Venture Capital	Total
Balance, December 31, 2015	\$ 952,553	\$ 2,803,576	\$ 520,112	\$ -	\$ 4,276,241
Purchases	229,186	342,000	25,810	558,521	1,155,517
Sales	-	(155,166)	-	-	(155,166)
Capitalized income	-	179,458	-	-	179,458
Return of capital	(62,799)	-	-	-	(62,799)
Current period change in fair value of investments	21,928	56,991	(205,918)	1,192	(125,807)
Balance, December 31, 2016	\$ 1,140,868	\$ 3,226,859	\$ 340,004	\$ 559,713	\$ 5,267,444

(e) Security Lending

The Fund participates in a securities lending program through the lending agent, State Street Trust Company Canada. Under the program, the Fund will lend various securities in its possession to borrowers approved by the lending agent. The loans can be secured by either securities or cash collateral. The Fund has risks under this program including borrower default and reinvestment risk, mitigated by an indemnification clause in the securities lending agreement with State Street Bank and Trust Company.

4. Contributions Receivable

	2016	2015
Employees – regular, bi-weekly contributions	\$ 7,970	\$ 5,982
Employer – regular, bi-weekly contributions	22,269	16,717
	<u>\$ 30,239</u>	<u>\$ 22,699</u>

LEGISLATIVE ASSEMBLY PENSION FUND
Notes to the Financial Statements
December 31, 2016

5. Contributions

	2016	2015
Employees – regular, bi-weekly contributions	\$ 404,351	\$ 394,044
Employees – regular buy back	-	23,535
	<u>404,351</u>	<u>417,579</u>
Employer – regular, bi-weekly contributions	1,129,874	1,101,064
	<u>\$ 1,534,225</u>	<u>\$ 1,518,643</u>

6. Part III and Part IV Benefits

Pursuant to the *Income Tax Act Regulation 8503 (3)(c) and 8504*, there is a maximum annual pension benefit from a registered pension plan. Any amount in excess of the defined benefit limit is not considered registered and therefore must be paid outside of the registered pension plan (Part IV benefits). In accordance with section 46 of the *Members' Retirement Benefits Regulation of The Legislative Assembly Act*, there is no maximum salary limit or early retirement reductions; therefore a member does not lose any benefits. The breakdown of Part III (registered) and Part IV (unregistered) cash flows is as follows:

	Part III	Part IV	Total – 2016
Contributions			
Employees	\$ 404,351	\$ -	\$ 404,351
Employer	1,105,529	24,345	1,129,874
	1,509,880	24,345	1,534,225
Net investment income	747,456	22,795	770,251
Current period change in fair value of investments	633,652	19,325	652,977
Total increase in assets	2,890,988	66,465	2,957,453
Pension benefits paid	752,933	37,252	790,185
Administrative expenses	75,302	3,726	79,028
Total decrease in assets	828,235	40,978	869,213
Increase in net assets	2,062,753	25,487	2,088,240
Net assets available for benefits, beginning of year	25,853,868	806,065	26,659,933
Net assets available for benefits, end of year	<u>\$ 27,916,621</u>	<u>\$ 831,552</u>	<u>\$28,748,173</u>

LEGISLATIVE ASSEMBLY PENSION FUND
Notes to the Financial Statements
December 31, 2016

	Part III	Part IV	Total – 2015
Contributions			
Employees	\$ 417,579	\$ -	\$ 417,579
Employer	1,078,264	22,800	1,101,064
	1,495,843	22,800	1,518,643
Net investment income	682,099	21,806	703,905
Current period change in fair value of investments	1,097,075	35,071	1,132,146
Total increase in assets	3,275,017	79,677	3,354,694
Pension benefits paid	384,638	23,854	408,492
Administrative expenses	87,242	5,411	92,653
Total decrease in assets	471,880	29,265	501,145
Increase in net assets	2,803,137	50,412	2,853,549
Net assets available for benefits, beginning of year	23,050,731	755,653	23,806,384
Net assets available for benefits, end of year	\$ 25,853,868	\$ 806,065	\$26,659,933

7. Current Period Change in Fair Value of Investments

	2016	2015
Net realized gains on the sale of investments	\$ 660,065	\$ 1,038,911
Net unrealized market gains (losses)	(7,088)	93,235
	\$ 652,977	\$ 1,132,146

8. Related Party Transactions and Balances

In accordance with the *Members' Retirement Benefits Regulation*, The Civil Service Superannuation Board is the administrator of the Plan. The related costs of administering the Plan are to be charged to the Fund. These administrative services were received in terms and conditions comparable to market terms and conditions. For the year ended December 31, 2016, the cost of these services amounted to \$16,751 (2015 - \$23,978).

LEGISLATIVE ASSEMBLY PENSION FUND
Notes to the Financial Statements
December 31, 2016

9. Administrative Expenses

	2016	2015
Audit fees	\$ 12,096	\$ 11,880
Legal fees	-	8,911
Actuary fees	49,510	47,213
Administration fees (Note 8)	16,751	23,978
Office and administration	671	671
	<u>\$ 79,028</u>	<u>\$ 92,653</u>

10. Obligations for Pension Benefits

In accordance with *The Legislative Assembly Act*, an actuarial valuation of the Plan is required at least every three years. The actuarial valuation was last completed as at December 31, 2015 by Ellement Consulting Group.

The actuarial present value of pension obligations including indexing benefits, based on service to date, was extrapolated by the actuary to December 31, 2016. The principal components of the changes in actuarial present value during the year are as follows (also refer to Exhibit C):

	Part III	Part IV	Total - 2016
Actuarial present value of pension obligations based on service to date, beginning of year	\$ 25,382,776	\$ 767,475	\$ 26,150,251
Experience loss	243,864	899,679	1,143,543
Benefits accrued	1,509,880	24,345	1,534,225
Benefits paid	(752,933)	(37,252)	(790,185)
Interest on accrued benefits	1,586,639	74,226	1,660,865
Change in reserves	41,255	-	41,255
Change in actuarial assumptions	(710,563)	(322,853)	(1,033,416)
Actuarial present value of pension obligations based on service to date, end of year	<u>\$ 27,300,918</u>	<u>\$ 1,405,620</u>	<u>\$ 28,706,538</u>

LEGISLATIVE ASSEMBLY PENSION FUND
Notes to the Financial Statements
December 31, 2016

	Part III	Part IV	Total - 2015
Actuarial present value of pension obligations based on service to date, beginning of year	\$ 23,051,076	\$ 748,685	\$ 23,799,761
Experience (gain)	(256,026)	(24,673)	(280,699)
Benefits accrued	1,495,843	22,800	1,518,643
Benefits paid	(384,638)	(23,854)	(408,492)
Interest on accrued benefits	1,420,459	44,517	1,464,976
Change in reserves	56,062	-	56,062
Actuarial present value of pension obligations based on service to date, end of year	<u>\$ 25,382,776</u>	<u>\$ 767,475</u>	<u>\$ 26,150,251</u>

The Plan liabilities may change significantly in the next year based on variances between actual versus expected investment and demographic experience.

Significant long-term actuarial assumptions used in the December 31, 2015 and 2014 actuarial valuations of the present value of the accrued basic pension obligations were:

	2015	2014
Liability discount rate	5.50%	5.50%
Annual rate of return	5.50%	5.50%
Salary escalation rates:		
(i) general increases		
a) inflation component	2.00%	2.00%
b) productivity component	1.50%	1.50%
(ii) service, merit and promotional increases	Nil	Nil
Mortality rates:		
(i) mortality	CPM 2014 Public	CPM 2014 Public
(ii) mortality improvements	Scale B	Scale B
Indexing	1.33%	1.33%

The extrapolation to December 31, 2016 was based on the assumptions used in the 2015 actuarial valuation except the salary escalation rates decreased to 2.5% from 3.5%. The extrapolation also reflects the demographic experience to December 31, 2016.

The next actuarial valuation will be prepared as at December 31, 2016 and will be completed by the summer of 2017.

LEGISLATIVE ASSEMBLY PENSION FUND
Notes to the Financial Statements
December 31, 2016

11. Capital Disclosures

In the context of the Fund, capital is defined as the net assets available for pension benefits. Externally-imposed capital requirements relate to the administration of the Fund in accordance with the terms of the Fund and the provisions of the Income Tax Act (Canada). The Fund has developed appropriate risk management strategies, as described in Note 3, to preserve the net assets available for benefits. The Fund has complied with externally-imposed capital requirements during the year.

12. Future Commitments

The Fund has contractual obligations for future real estate investment transactions, which may be funded over the next several years in accordance with the terms and conditions agreed to. As at December 31, 2016, the Fund's share of the outstanding commitment is \$774,299 (2015 - \$397,795).

SCHEDULE 1

LEGISLATIVE ASSEMBLY PENSION FUND
Summary of Investments
as at December 31, 2016

	2016	2015
<hr/>		
Fixed income		
Short-term	\$ 1,110,060	\$ 1,273,379
Bonds and debentures	5,983,862	5,447,737
	<hr/>	<hr/>
Total fixed income	7,093,922	6,721,116
	<hr/>	<hr/>
Equities		
Domestic	5,097,775	4,003,354
Foreign	11,249,004	11,628,655
	<hr/>	<hr/>
	16,346,779	15,632,009
	<hr/>	<hr/>
Real estate	3,244,499	2,810,927
Venture Capital	559,713	-
Petroleum and natural gas	340,004	520,112
Infrastructure	1,140,868	952,553
	<hr/>	<hr/>
Investments, Exhibit A	\$ 28,725,785	\$ 26,636,717
	<hr/>	<hr/>

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

LEGISLATIVE ASSEMBLY PENSION FUND
Schedule of Investment Income
for the Year Ended December 31, 2016

	2016	2015
Fixed income		
Short-term	\$ 8,822	\$ 8,476
Bonds and debentures	170,700	168,874
Total fixed income	179,522	177,350
Equities		
Domestic	125,432	116,694
Foreign	317,919	320,004
	443,351	436,698
Real estate	110,299	71,698
Venture Capital	1,622	-
Infrastructure	89,430	65,626
Security lending revenue	14,604	13,872
Gross investment income	838,828	765,244
Less:		
Investment management expenses	68,577	61,339
Net investment income, Exhibit B	\$ 770,251	\$ 703,905

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



Provided by

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