



Legislative Assembly Pension Plan

Administered by The Civil Service Superannuation Board

2017 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
- A copy of the Pension Plan Summary

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, relationship 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 - Manitoba Legislature

June 21, 2018

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 2017, 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

Ray Erb

Civil Service Representative
Retired, Manitoba Government & General Employees
Union

Jody Gillis

Civil Service Representative
Red River College

Daniel Marchant

Manitoba Hydro Representative
Manitoba Hydro-Electric Board

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 ^

Assistant 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 this committee 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

Jody Gillis - Employee Representative

Ed Balcewich - Employer Representative

Andrew Clarke - Employer Representative

Daniel Marchant - 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

Dale Allen
Director, Management Information Systems

Dawn Prokopowich
Director, Client Services Administration

Patti Malbasa
Director, Communications and Client Services

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

Compared to the significant changes in membership after the 2016 election, 2017 was a year of relative calm for the Legislative Assembly Pension Plan (LAPP). It was also a positive year for the financial position of the plan.

The rate of return on the assets of the pension fund for 2017 was 10.70%. The plan's assets now total over \$31.8 million, compared to \$28.7 million at the end of 2016. This increase in assets is largely the result of excellent investment returns in 2017.

The December 31, 2016 actuarial valuation of the LAPP, completed in 2017, indicated that the plan continues to be in a fully funded position.

As always, I'd like to thank the staff of the Board for their dedication and commitment. They strive to provide excellent customer service to members seeking to understand the pension and insurance benefits available to them. I would also like to thank the Board for their continued support and commitment.



Highlights

		2017	2016
Investments	Rate of Return	10.70%	5.60%
	Investments at Market Value	\$31,784,533	\$28,725,785
	Net Investment Income	\$843,415	\$770,251
	Current Period Change in Fair Value of Investments	\$2,105,757	\$652,977
Contributions and Payments	Member Contributions	\$709,993	\$404,351
	Government Payments	\$1,151,284	\$1,129,874
	Total	\$1,861,277	\$1,534,225
Payments from Fund	Pension Benefits Paid	\$1,063,508	\$790,185
	Refunds and Transfers	\$614,049	\$0
Expenses	Administrative	\$78,479	\$79,028
	Investment	\$72,184	\$68,577
		2017	2016
Membership	Non-Retired Members	65	73
	Retired Members and Other Recipients	47	39
	Total Members	112	112

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 recipients receive the same cost-of-living increases as The Civil Service Superannuation Fund pension recipients
- The COLA granted July 1, 2017 was 1.00%
- The cost-of-living benefit payments to the Civil Service Superannuation Fund pension recipients 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 2017 was 10.70%.

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 31, 2018.

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



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, 2017 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, 2017 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

Office of the Auditor General
May 31, 2018
Winnipeg, Manitoba

LEGISLATIVE ASSEMBLY PENSION FUND
Statement of Financial Position
as at December 31, 2017

	2017	2016
Assets		
Investments, Schedule 1, Note 2(b)	\$ 31,784,533	\$ 28,725,785
Accrued interest and dividends	54,746	49,263
Contributions receivable, Note 4	29,386	30,239
	31,868,665	28,805,287
Liabilities		
Accounts payable and accrued liabilities	66,079	57,114
Net assets available for benefits, Exhibit B	\$ 31,802,586	\$ 28,748,173
Pension Obligations and Surplus		
Actuarial value of pension obligations, Exhibit C, Note 10	\$ 30,411,879	\$ 28,706,538
Surplus, Exhibit D	1,390,707	41,635
Pension obligations and surplus	\$ 31,802,586	\$ 28,748,173

The accompanying notes and schedules 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, 2017

	2017	2016
Increase in assets		
Contributions, Note 1(a) and 5		
Employees	\$ 709,993	\$ 404,351
Employer	1,151,284	1,129,874
Total contributions	1,861,277	1,534,225
Net investment income, Schedule 2	843,415	770,251
Current period change in fair value of investments, Note 7	2,105,757	652,977
Total increase in assets	4,810,449	2,957,453
Decrease in assets		
Benefits paid	1,063,508	790,185
Refunds and transfers	614,049	-
Administrative expenses, Note 9	78,479	79,028
Total decrease in assets	1,756,036	869,213
Increase in net assets available	3,054,413	2,088,240
Net assets available for benefits, beginning of year	28,748,173	26,659,933
Net assets available for benefits, end of year, Exhibit A	\$ 31,802,586	\$ 28,748,173

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

LEGISLATIVE ASSEMBLY PENSION FUND
Statement of Changes in Pension Obligations
for the Year Ended December 31, 2017

	2017	2016
Pension obligations, beginning of year	\$ 28,706,538	\$ 26,150,251
Change in pension obligations		
Experience (gain) loss	(200,953)	1,222,571
Benefits accrued	1,861,277	1,534,225
Benefits paid	(1,756,036)	(869,213)
Interest accrued on benefits	1,733,850	1,660,865
Change in reserves	67,203	41,255
Change in actuarial assumptions	-	(1,033,416)
	1,705,341	2,556,287
Pension obligations, end of year, Exhibit A	\$ 30,411,879	\$ 28,706,538

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

LEGISLATIVE ASSEMBLY PENSION FUND
Statement of Changes in Surplus
for the Year Ended December 31, 2017

	2017	2016
Surplus, beginning of year	\$ 41,635	\$ 509,682
Increase in net assets available	3,054,413	2,088,240
Change in pension obligations	(1,705,341)	(2,556,287)
	1,349,072	(468,047)
Surplus, end of year, Exhibit A	\$ 1,390,707	\$ 41,635

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

LEGISLATIVE ASSEMBLY PENSION FUND
Notes to the Financial Statements
December 31, 2017

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, 2017

(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, 2017

(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) Oil and gas shares are valued at fair value based on the discounted present value of proven oil and gas reserve information provided by external managers or are reflected at cost, which approximates fair value, until such information is available.
- (iii) Venture capital and Private credit 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, 2017

(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.

(e) Related Party Transactions

The Civil Service Superannuation Board and its management, as administrators of the Plan, including investment management, and the Government of the Province of Manitoba, as co-sponsor of the Plan, are related parties of the Legislative Assembly Pension Fund.

Management personnel and their close family members are identified as the board and investment committee members and senior management, including their spouses, and any controlled business or business subject to significant influence.

All related party transactions are recorded at the exchange amount. Material transactions, in aggregate, and balances are disclosed separately.

(f) Net Investment Income and Current Period Change in Fair Value of Investments

Dividend income is recognized based on the ex-dividend date; interest income and income from real estate, infrastructure, venture capital, private credit and security lending are recognized on the accrual basis as earned. Current period change in fair value of investments includes both realized and unrealized gains and losses. Unrealized gains and losses are recognized only when the fair value of the investment is based on a quoted market price in an active market or a valuation using appropriate valuation techniques is performed and approved by management.

LEGISLATIVE ASSEMBLY PENSION FUND
Notes to the Financial Statements
December 31, 2017

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 23.7% (2016 – 24.7%) of its assets in fixed income securities as at December 31, 2017, which generated a rate of return of 3.86% (2016 - 2.54%). The returns on fixed income securities are particularly sensitive to changes in nominal interest rates. As at December 31, 2017, 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 \$599,565 (2016 - \$583,427). 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, 2017, the external fund managers had no open forward foreign exchange contracts (as at December 31, 2016 - \$0). As a result, there were no unrealized gains (losses) on these foreign exchange contracts in 2017 (2016 - \$0).

LEGISLATIVE ASSEMBLY PENSION FUND
Notes to the Financial Statements
December 31, 2017

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

As at December 31, 2017	Actual Currency Exposure	
Canadian dollar	\$ 17,649,881	55.5 %
US dollar	8,348,226	26.3
Euro	1,075,293	3.5
Japanese yen	948,322	3.0
Pound sterling	682,837	2.1
Hong Kong dollar	682,724	2.1
South Korean won	457,041	1.4
India rupee	393,884	1.2
Australian dollar	374,668	1.2
Other currencies	1,171,657	3.7
Total investments	\$ 31,784,533	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 \$1,413,500 (2016 - \$1,241,600).

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 \$2,425,000 (2016 - \$2,163,200).

LEGISLATIVE ASSEMBLY PENSION FUND
Notes to the Financial Statements
December 31, 2017

(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, 2017, the Fund's maximum credit risk exposure relates to bonds and debentures, short-term investments and cash totaled \$7,529,978 (2016 - \$7,093,922), contributions receivable of \$29,386 (2016 - \$30,239) and accrued interest of \$27,612 (2016 - \$24,103) totaled \$7,586,976 (2016 - \$7,148,265). 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.

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	2017 Fair Value		2016 Fair Value	
AAA	\$ 1,847,438	30.9%	\$ 2,020,475	35.9%
AA	429,271	7.2	925,126	16.4
A	3,138,354	52.5	2,511,314	44.6
BBB+	310,758	5.2	115,708	2.1
BBB and lower	252,635	4.2	54,800	1.0
	5,978,456	100.0%	5,627,423	100.0%
Cash and short-term	233,366		356,439	
Total bonds and debentures	\$ 6,211,822		\$ 5,983,862	

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 2017 or 2016.

LEGISLATIVE ASSEMBLY PENSION FUND
Notes to the Financial Statements
December 31, 2017

(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	2017	2016
Less than one year	\$ 1,551,522	\$ 1,539,759
One to five years	965,796	1,730,641
Over five years	5,012,660	3,823,522
Total fixed income investments	\$ 7,529,978	\$ 7,093,922

(d) Fair Value

The following is a summary of the inputs used as of December 31, 2017 and 2016 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 2017
Assets				
Cash	\$ 157,063	\$ -	\$ -	\$ 157,063
Short-Term	-	1,835,136	-	1,835,136
Bonds and debentures	-	5,978,456	-	5,978,456
Equities	15,161,808	2,592,785	-	17,754,593
Infrastructure	-	-	1,373,318	1,373,318
Oil and gas	-	-	246,753	246,753
Venture capital	-	-	495,524	495,524
Private credit	-	-	131,338	131,338
Real estate	-	-	3,812,352	3,812,352
Total investments, Note 2(b) and Schedule 1	\$ 15,318,871	\$ 10,406,377	\$ 6,059,285	\$ 31,784,533

LEGISLATIVE ASSEMBLY PENSION FUND
Notes to the Financial Statements
December 31, 2017

	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
Oil and 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

At December 31, 2017, 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, 2017, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	Infrastructure	Real estate	Oil and gas	Venture capital	Private credit	Total
Beginning Balance	\$ 1,140,868	\$ 3,226,859	\$ 340,004	\$ 559,713	\$ -	\$ 5,267,444
Purchases	180,566	287,000	323,886	-	142,281	933,733
Sales and Withdrawals	-	(54,000)	(340,004)	(39,820)	(3,117)	(436,941)
Capitalized income	-	164,847	-	-	-	164,847
Return of capital	(12,390)	-	-	-	(5,842)	(18,232)
Change in unrealized appreciaton (depreciation)	64,274	187,646	(77,133)	(24,369)	(1,984)	150,418
Ending Balance	\$ 1,373,318	\$ 3,812,352	\$ 246,753	\$ 495,524	\$ 131,338	\$ 6,059,285

(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.

LEGISLATIVE ASSEMBLY PENSION FUND
Notes to the Financial Statements
December 31, 2017

4. Contributions Receivable

	2017	2016
Employees – regular, bi-weekly contributions	\$ 8,144	\$ 7,970
Employer – regular, bi-weekly contributions	21,242	22,269
	<u>\$ 29,386</u>	<u>\$ 30,239</u>

5. Contributions

	2017	2016
Employees – regular, bi-weekly contributions	\$ 412,556	\$ 404,351
Employees – reciprocal transfer in	293,828	-
Employees – regular buy back	3,609	-
	<u>709,993</u>	<u>404,351</u>
Employer – regular, bi-weekly contributions	1,151,284	1,129,874
	<u>\$ 1,861,277</u>	<u>\$ 1,534,225</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:

LEGISLATIVE ASSEMBLY PENSION FUND
Notes to the Financial Statements
December 31, 2017

	Part III	Part IV	Total – 2017
Contributions			
Employees	\$ 709,993	\$ -	\$ 709,993
Employer	1,095,610	55,674	1,151,284
	1,805,603	55,674	1,861,277
Net investment income	824,498	18,917	843,415
Current period change in fair value of investments	2,058,526	47,231	2,105,757
Total increase in assets	4,688,627	121,822	4,810,449
Pension benefits paid	1,014,971	48,537	1,063,508
Refunds and Transfers	254,391	359,658	614,049
Administrative expenses	59,140	19,339	78,479
Total decrease in assets	1,328,502	427,534	1,756,036
Increase (decrease) in net assets	3,360,125	(305,712)	3,054,413
Net assets available for benefits, beginning of year	27,916,621	831,552	28,748,173
Net assets available for benefits, end of year	\$ 31,276,746	\$ 525,840	\$ 31,802,586
	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	\$ 27,916,621	\$ 831,552	\$ 28,748,173

LEGISLATIVE ASSEMBLY PENSION FUND
Notes to the Financial Statements
December 31, 2017

7. Current Period Change in Fair Value of Investments

	2017	2016
Net realized gains on the sale of investments	\$ 945,958	\$ 660,065
Net unrealized market gains (losses)	1,159,799	(7,088)
	<u>\$ 2,105,757</u>	<u>\$ 652,977</u>

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, 2017, the cost of these services amounted to \$13,927 (2016 - \$16,751).

9. Administrative Expenses

	2017	2016
Audit fees	\$ 12,312	\$ 12,096
Actuary fees	51,568	49,510
Administration fees (Note 8)	13,927	16,751
Office and administration	672	671
	<u>\$ 78,479</u>	<u>\$ 79,028</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, 2016 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, 2017. The principal components of the changes in actuarial present value during the year are as follows (also refer to Exhibit C):

LEGISLATIVE ASSEMBLY PENSION FUND
Notes to the Financial Statements
December 31, 2017

	Part III	Part IV	Total – 2017
Actuarial present value of pension obligations based on service to date, beginning of year	\$ 27,300,918	\$ 1,405,620	\$ 28,706,538
Experience (gain) loss	(287,235)	86,282	(200,953)
Past Service Purchased	297,437		297,437
Benefits accrued	1,508,166	55,674	1,563,840
Benefits paid	(1,328,502)	(427,534)	(1,756,036)
Interest on accrued benefits	1,657,449	76,401	1,733,850
Change in reserves	67,203	-	67,203
Actuarial present value of pension obligations based on service to date, end of year	\$ 29,215,436	\$ 1,196,443	\$ 30,411,879
	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	319,166	903,405	1,222,571
Benefits accrued	1,509,880	24,345	1,534,225
Benefits paid	(828,235)	(40,978)	(869,213)
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	\$ 27,300,918	\$ 1,405,620	\$ 28,706,538

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

LEGISLATIVE ASSEMBLY PENSION FUND
Notes to the Financial Statements
December 31, 2017

Significant long-term actuarial assumptions used in the December 31, 2016 and 2015 actuarial valuations of the present value of the accrued basic pension obligations were:

	2016	2015
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	0.50%	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, 2017 was based on the assumptions used in the 2016 actuarial valuation. The extrapolation also reflects the demographic experience to December 31, 2017.

The next actuarial valuation will be prepared as at December 31, 2017 and will be completed by the summer of 2018.

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 investment transactions, which may be funded over the next several years in accordance with the terms and conditions agreed to. As at December 31, 2017, the Fund's share of the outstanding commitment is \$2,554,576 (2016 - \$2,254,938).

LEGISLATIVE ASSEMBLY PENSION FUND
Notes to the Financial Statements
December 31, 2017

13. Comparative Figures

Certain of the 2016 comparative figures have been reclassified to conform with the presentation adopted for 2017.

LEGISLATIVE ASSEMBLY PENSION FUND
Summary of Investments
as at December 31, 2017

	2017	2016
Fixed income		
Short-term	\$ 1,318,156	\$ 1,110,060
Bonds and debentures	6,211,822	5,983,862
Total fixed income	<u>7,529,978</u>	<u>7,093,922</u>
Equities		
Domestic	5,485,878	5,097,775
Foreign	12,662,372	11,249,004
	<u>18,148,250</u>	<u>16,346,779</u>
Real estate	3,859,371	3,244,499
Venture capital	495,525	559,713
Oil and gas	246,753	340,004
Private credit	131,338	-
Infrastructure	1,373,318	1,140,868
Investments, Exhibit A	<u>\$ 31,784,533</u>	<u>\$ 28,725,785</u>

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, 2017

	2017	2016
Fixed income		
Short-term	\$ 9,476	\$ 8,822
Bonds and debentures	179,309	170,700
Total fixed income	<u>188,785</u>	<u>179,522</u>
Equities		
Domestic	142,503	125,432
Foreign	364,061	317,919
	<u>506,564</u>	<u>443,351</u>
Real estate	118,777	110,299
Venture capital	894	1,622
Oil and gas	5,980	-
Private credit	203	-
Infrastructure	80,552	89,430
Security lending revenue	13,844	14,604
Gross investment income	<u>915,599</u>	<u>838,828</u>
Less:		
Investment management expenses	72,184	68,577
Net investment income, Exhibit B	<u>\$ 843,415</u>	<u>\$ 770,251</u>

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



Provided by

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