

**TERRITORIAL COURT JUDGES REGISTERED
PENSION PLAN FUND
Yellowknife, NT**

FINANCIAL STATEMENTS

For the Year Ended January 1, 2015

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

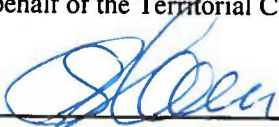
The accompanying financial statements have been prepared by management, which is responsible for the reliability, integrity and objectivity of the information provided. They have been prepared in accordance with Canadian accounting standards for pension plans. Where necessary the statements include amounts that are based on informed judgements and estimates by management, giving appropriate consideration to reasonable limits of materiality.

In discharging its responsibility for the integrity and fairness of the financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records are maintained. These controls include quality standards in hiring and training employees, written policies and procedures manuals, and accountability for performance within appropriate and well-defined areas of responsibility. The Board's management recognizes its responsibility for conducting the Fund's affairs in accordance with the requirements of applicable laws and sound business principles, and for maintaining standards of conduct that are appropriate.

The Accounting firm of Avery, Cooper & Co., Certified General Accountants, annually provides an independent, objective audit for the purpose of expressing an opinion on the financial statements in accordance with Canadian generally accepted auditing standards. The auditor also considers whether the transactions that come to his notice in the course of this audit are, in all significant respects, in accordance with specified legislation and directives from the Government of the Northwest Territories Department of Justice.

Aon Hewitt, an independent firm of consulting actuaries, has been engaged to provide actuarial valuations of the present value of the accrued pension benefits to be provided from the Territorial Court Judges' Registered Pension Plan Fund.

On behalf of the Territorial Court Judges' Registered Pension Plan Fund



Ms. Sylvia Haener
Deputy Minister



Witness

May 4, 2015



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INDEPENDENT AUDITOR'S REPORT

To the Members of Territorial Court Judges Registered Pension Plan Fund

We have audited the accompanying financial statements of Territorial Court Judges' Registered Pension Plan Fund, which comprise the Statement of financial position as at January 1, 2015, and the statements of changes in net assets available for benefits, and changes in pension obligations 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.

Auditors' 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 organization'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 organization'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 Territorial Court Judges' Registered Pension Plan Fund as at January 1, 2015, and the changes in its net assets available for benefits, and changes in pension obligations in accordance with Canadian accounting standards for pension plans.

Avery, Cooper & Co.

Avery, Cooper & Co.
Certified General Accountants
Yellowknife, NT

May 4, 2015

**TERRITORIAL COURT JUDGES' REGISTERED
PENSION PLAN FUND**

**STATEMENT OF FINANCIAL POSITION
January 1, 2015**

	<u>2015</u>	<u>2014</u>
ASSETS		
CURRENT		
Contributions Receivable - GNWT (Note 3)	\$ 12,873	\$ 14,606
INVESTMENTS (Note 4)	<u>5,529,723</u>	<u>5,085,352</u>
	<u><u>\$ 5,542,596</u></u>	<u><u>\$ 5,099,958</u></u>
LIABILITIES		
CURRENT		
Accounts Payable & Accrued Liabilities (Note 3)	<u>\$ 19,699</u>	<u>\$ 25,087</u>
NET ASSETS AVAILABLE FOR BENEFITS per page 2	5,522,896	5,074,870
PENSION OBLIGATIONS per page 3 (Note 5)	<u>6,560,600</u>	<u>5,852,500</u>
DEFICIENCY		
PENSION PLAN FUND DEFICIT per page 2	<u><u>\$ (1,037,704)</u></u>	<u><u>\$ (777,630)</u></u>

APPROVED



Deputy Minister

See the accompanying notes.

**TERRITORIAL COURT JUDGES' REGISTERED
PENSION PLAN FUND**

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For the Year Ended January 1, 2015**

	<u>2015</u>	<u>2014</u>
INCREASE IN ASSETS		
Contributions		
Current Service Cost	\$ 77,227	\$ 42,601
Special Payments	-	73,700
Members	62,098	61,283
In-Kind Contributions	<u>38,560</u>	<u>65,307</u>
	<u>177,885</u>	<u>242,891</u>
Investment Income		
Interest & Dividends	369,118	98,839
Gain on Sale of Investments	<u>69,521</u>	<u>44,698</u>
	438,639	143,537
Current Period Change in Fair Value of Investments	<u>189,125</u>	<u>504,204</u>
Net investment income	<u>627,764</u>	<u>647,741</u>
Total Increase in Assets	<u>805,649</u>	<u>890,631</u>
DECREASE IN ASSETS		
Benefits		
Pension Payments	278,702	276,106
Administrative		
Actuary Fees	28,506	55,253
Audit Fees	10,054	10,054
Investment Management Fees	27,452	24,929
Trustee Fees	<u>12,908</u>	<u>12,654</u>
	<u>78,920</u>	<u>102,890</u>
Total Decrease in Assets	<u>357,622</u>	<u>378,996</u>
INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	\$ 448,027	\$ 511,635
NET ASSETS AVAILABLE FOR BENEFITS		
BEGINNING OF YEAR	<u>5,074,869</u>	<u>4,563,234</u>
END OF YEAR per page 1	<u>\$ 5,522,896</u>	<u>\$ 5,074,869</u>
CHANGES IN PENSION PLAN FUND DEFICIT		
BEGINNING OF YEAR	\$ (777,630)	\$ (334,465)
Increase in net assets available for benefits	448,027	511,635
Increase in pension obligations per page 3	(708,100)	(954,800)
Net change	<u>(260,073)</u>	<u>(443,165)</u>
END OF YEAR per page 1	<u>\$ (1,037,703)</u>	<u>\$ (777,630)</u>

See the accompanying notes.

**TERRITORIAL COURT JUDGES' REGISTERED
PENSION PLAN FUND**

**STATEMENT OF CHANGES IN PENSION OBLIGATIONS
For the Year Ended January 1, 2015**

	<u>2015</u>	<u>2014</u>
INCREASE IN PENSION OBLIGATIONS		
Interest accrued on benefits	\$ 301,900	\$ 269,800
Benefits accrued	219,200	198,600
Actuarial Gain on ABO	-	762,500
Changes in mortality assumption	<u>469,300</u>	<u>-</u>
	990,400	1,230,900
DECREASE IN PENSION OBLIGATIONS		
Benefits paid	<u>282,300</u>	<u>276,100</u>
INCREASE IN PENSION OBLIGATIONS	708,100	954,800
PENSION OBLIGATIONS, BEGINNING OF YEAR	<u>5,852,500</u>	<u>4,897,700</u>
PENSION OBLIGATIONS, END OF YEAR	<u><u>\$ 6,560,600</u></u>	<u><u>\$ 5,852,500</u></u>

See the accompanying notes.

TERRITORIAL COURT JUDGES' REGISTERED PENSION PLAN FUND

NOTES TO THE FINANCIAL STATEMENTS

January 1, 2015

1. DESCRIPTION OF PLAN

a) General

The Fund for the Territorial Court Judges Registered Pension Plan (the Plan) represents the assets of the registered defined benefit plan covering all Territorial Court Judges of the Northwest Territories. The Plan was established by the Judges' Registered Pension Plan Regulations under Section 32 of the Territorial Court Act. The Plan is registered under the Income Tax Act, but it is not subject to any provincial or federal pension standards legislation. The Plan came into effect on February 1, 1994 and was a non-contributory plan until April 1, 1999 when it became contributory at 6% of pensionable earnings. A Territorial Court Judge appointed after the effective date participates in the Plan, unless the Judge objects on the basis of religious belief.

- b) The following description of the Territorial Court Judges' Pension Plan Fund is a summary only. For more complete information, reference should be made to the Plan Regulations.

1) Funding Policy

The Territorial Court Act requires that the plan sponsor, the Government of the Northwest Territories (GNWT) and the Plan members, fund the benefits determined under the Plan. The determination of the value of these benefits is made on the basis of a triennial actuarial valuation for the fund (See Note 5).

In accordance with the Trust agreement, employer and member contributions required are equal to the amount certified by the Actuary as being necessary to fully fund the benefits accruing under the Plan. Any surplus existing in the Plan may be used to reduce the required contributions. Any deficit existing in the Plan must be specifically funded in accordance with the requirements of section 8 of the Judges' Pension Plan Regulations.

2) Normal Retirement Age

A Judge may retire on or after attainment of age 60 without reduction in pension.

3) Early Retirement

A Judge may retire anytime after age 50 and prior to age 60 with a pension that is reduced by a quarter of one percent for each month that retirement precedes age 60. However, there is no reduction if the Judge has attained 80 years of combined judicial service and age at the date of pension commencement.

4) Late Retirement

A Judge who attains 69 years of age shall receive a retirement pension commencing on the first day of the month immediately following the month in which the judge attains that age.

TERRITORIAL COURT JUDGES' REGISTERED PENSION PLAN FUND

NOTES TO THE FINANCIAL STATEMENTS

January 1, 2015

1. DESCRIPTION OF PLAN, continued

5) Benefits on Death

When a Judge or former Judge dies, the Judge's surviving spouse is entitled to receive a pension for life equal to 60% (50% in respect of pre 1992 pensionable service) of the pension that the Judge was receiving immediately before death, or, if the Judge was not yet retired, 60% (50% in respect of pre 1992 pensionable service) of the pension that the Judge had earned up to the date of death. If the deceased Judge was not receiving a pension prior to his/her death, the spouse has the option of transferring the commuted value of the spouse's pension to a Registered Retirement Savings Plan or receiving the commuted value as a cash payment.

6) Credited Pension

The benefit payable from the Plan for each year of pensionable service for periods after January 1, 1992 is equal to the maximum permitted under the Income Tax Act. The limit increases annually to reflect increases in average Canadian wages.

The annual pension at retirement for each year of pensionable service credited in respect of periods before 1992 is calculated as 2% of average annual earnings in the six consecutive years before retirement in which such average was the highest, reducing at age 65 by an amount equal to 0.7% of the average Year's Maximum Pensionable Earnings (as defined in the Canada Pension Plan) determined over 3 years at the time of retirement. The Income Tax Act maximum pension does not affect the pre 1992 entitlement.

7) Cost of Living Increases

All retirement, spousal and deferred pensions receive cost of living increases equal to the full rate of increase in the Consumer Price Index for Canada. Increases are applied at each January 1st; with the first such increase being pro-rated to reflect the portion of the prior year since the date of retirement/termination/death. Commuted values are calculated to reflect future cost of living increases.

8) Benefits Paid on Resignation

A Judge who resigns from the bench prior to attainment of age 60, and who is not entitled to an immediate unreduced pension, may elect to receive either a monthly deferred pension (commencing at any time between the ages of 50 and 69) or a lump sum payment of the commuted value of the deferred pension

TERRITORIAL COURT JUDGES' REGISTERED PENSION PLAN FUND

NOTES TO THE FINANCIAL STATEMENTS

January 1, 2015

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for pension plans. The significant policies are detailed as follows:

(a) Basis of presentation

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity independent of the sponsor and plan members. They are prepared to assist plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the plan or the benefit security of individual plan members. As such, participants may also need to review, amongst other things, actuarial reports, and to take into account the financial health of the sponsor.

In selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, Canadian accounting standards for pension plans (ASPP) require the Plan to comply on a consistent basis with either International Financial Reporting Standards (IFRS), or Canadian accounting standards for private enterprises (ASPE), to the extent that those standards do not conflict with the requirements of ASPP. The Plan has chosen to comply on a consistent basis with ASPE.

(b) Fair value hierarchy

The Fund classifies its financial assets and liabilities at fair value using a fair value hierarchy made up of three levels, according to the inputs used in making the measurements.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in an active market that the company can access at the measurement date.

Level 2: This category includes measurements that use, either directly or indirectly, observable inputs other than quoted prices included in level 1. Derivative instruments in this category are measured using models or other standard valuation techniques using observable market data.

Level 3: The measurements in this category depend upon inputs that are less observable, not available or for which observable inputs do not justify most of the instruments' fair value.

(c) Investments

Investments for the Pension Fund are measured at fair value and categorized according to the fair value hierarchy using the market approach valuation technique. The Fund determines the fair value of investments based on information supplied by the investment manager.

TERRITORIAL COURT JUDGES' REGISTERED PENSION PLAN FUND

NOTES TO THE FINANCIAL STATEMENTS

January 1, 2015

2. SIGNIFICANT ACCOUNTING POLICIES, continued

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. Purchases and sales of investments are accounted for at trade date.

Transaction costs are expensed as incurred. Investment income is recognized on an accrual basis. The current year change in fair value of investments is the difference between the fair value and the cost of investments at the beginning and end of each year, adjusted for realized gains and losses during the year

(d) Pension obligations

Pension obligations of the defined benefit pension plan are measured using the actuarial present value of accrued pension benefits determined by applying best estimate assumptions and the projected benefit method prorated on services. Net assets available for benefits is the difference between the Plan's assets and its liabilities, excluding the accrued pension benefits.

(e) Revenue recognition

Revenue from contributions and investment income are recognized on an accrual basis. Deferred revenue results from contributions for future periods invoiced in advance. Employer contributions for current service and special payment for funding deficiency must meet or exceed the minimum contributions required based on the most recent actuarial valuation report. Employee contributions for past service are recorded in the year received.

(f) Contributed services

The Fund recognizes in-kind contributions of materials and services in these financial statements, but only when a fair value can be reasonably estimated and when the materials and services are used in the normal course of the Fund's operations and would otherwise have been purchased.

(g) Pension benefits

Pension benefits are shown as expenses in the year of payment.

(h) Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results may differ from these estimates.

TERRITORIAL COURT JUDGES' REGISTERED PENSION PLAN FUND

NOTES TO THE FINANCIAL STATEMENTS

January 1, 2015

2. SIGNIFICANT ACCOUNTING POLICIES , continued

Significant estimates are used in determining pension obligations. The Plan's actual experience may differ significantly from assumptions used in the calculation of the Plan's pension obligations.

While best estimates have been used in the valuation of the Plan's actuarial value of accrued benefits, management considers that it is possible, based on existing knowledge, that changes in future conditions in the short term could require a material change in the recognized amounts. Differences between actual results and expectations are disclosed in these financial statements as actuarial gains or losses on Actuarial Benefit Obligations in the Statement of Changes in Pension Obligations in the year when actual results are known.

3. CONTRIBUTIONS RECEIVABLE - GNWT

	2015	2014
	<u> </u>	<u> </u>
In-Kind Contributions	\$ 10,921	\$ 14,606
Current Service Contributions	<u>1,952</u>	<u>-</u>
	<u>\$ 12,873</u>	<u>\$ 14,606</u>

In-kind contributions arise from the payment of audit and actuary fees by GNWT on the Fund's behalf and are also included in Accounts Payable and Accrued Liabilities.

These balances, which are unsecured, non-interest bearing, and due on demand, are measured at fair value.

4. INVESTMENTS

The Plan's investments are categorized according to the fair value hierarchy as follows:

	2015	2014
	<u> </u>	<u> </u>
Canadian Equities	\$ 1,706,576	\$ 1,796,396
Global Equities	1,530,413	1,300,490
Emerging Market Equity	214,698	-
Canadian Bonds	1,943,294	1,664,829
Canadian Money Market Funds	<u>134,742</u>	<u>323,637</u>
Total market value of the investment portfolio	<u>\$ 5,529,723</u>	<u>\$ 5,085,352</u>

TERRITORIAL COURT JUDGES' REGISTERED PENSION PLAN FUND

NOTES TO THE FINANCIAL STATEMENTS

January 1, 2015

4. INVESTMENTS, continued

The total cost of the investments for the year ended Jan 1, 2015 is \$4,374,694 (2014: \$4,119,447).

The above listed investments are held in a pooled pension Trust by Philips, Hager and North (PH & N) Investments Ltd. and will not be redeemed in the subsequent period.

The fair value hierarchy requires the use of observable market inputs wherever such inputs exist.

A financial instrument is classified at the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The total investment portfolio by fair value hierarchy is as follows:

	2015	2014
	<u> </u>	<u> </u>
Level 1	\$ <u>5,529,723</u>	\$ <u>5,085,352</u>

Investments are valued based on information provided by the investment manager. In particular, the market value for the portfolio is determined by the Net Asset Value Per Unit (NAPVU or unit price) for the PH & N Balanced Pension Trust (BPT) on the last day of each quarter. This price is derived by end-of-day prices for each of the securities that make up the BPT.

The prices of each security are taken from relevant exchanges or third party providers for each security (TSX for Canadian stocks, NYSE for US stocks, PC Bond Analytics for Bonds) and are compiled by the BPT's custodian, RBC Investor Services Trust.

5. OBLIGATIONS FOR PENSION BENEFITS

The actuarial present value of accrued pension benefits was estimated by Aon Hewitt Associates, a firm of consulting actuaries. Their going concern valuation results are reflected in an extrapolation that was based on their last actuarial valuation conducted as at April 1, 2013. The data and assumptions used for the January 1, 2015 obligations are the same as that used in the actuarial valuation as at April 1, 2013. The going concern results were prepared using the projected benefit actuarial cost method (also known as the projected unit credit method).

The following were the assumptions used in determining the actuarial value of accrued pension benefits. They were developed by reference to expected long term market conditions.

TERRITORIAL COURT JUDGES' REGISTERED PENSION PLAN FUND

NOTES TO THE FINANCIAL STATEMENTS

January 1, 2015

5. OBLIGATIONS FOR PENSION BENEFITS, continued

	<u>2015</u>	<u>2014</u>
Discount rate	4.80%	4.80%
Salary Projection Rate	2.25%	2.25%
Price Inflation	2.25%	2.25%
Real Rate of Return	3.25%	3.25%

An actuarial valuation is performed on a going concern basis to determine the funded status and the funding requirements of the pension plan.

The latest actuarial valuation report conducted for the period April 1, 2013 was completed in July, 2013. The next funding valuation must be performed no later than April 1, 2016.

As provided by the Actuary, the value of pension benefit obligations as at January 1 of each year is not available. Instead, the value as at March 31 is being used to compare with the net assets available for benefits as at January 1.

6. FINANCIAL INSTRUMENTS AND RISK

The Fund's investments are recorded at fair value based on information provided by the investment manager. Other financial instruments consist of contributions receivable and accounts payable and accrued liabilities. The fair value of these other financial instruments approximates their carrying values.

The fair values of investments are exposed to credit, liquidity, and market risks. Asset diversification and investment eligibility requirements serve as basic risk-management tools for the investment portfolio as a whole. The Fund's investment strategy requires that investments be held in a diversified mix of asset types and also sets out investment eligibility requirements. The diversification of assets serves to lower the variations in the expected return performance of the portfolio. Eligibility requirements serve to ensure that Fund assets, to the extent possible, are not placed at undue levels of risk and can meet the obligations of the Fund as necessary. While the above policies aid in risk management, the Fund's investments and performance remain subject to risks, the extent of which is discussed below:

Credit risk

Credit risk is the risk that counterparty to a financial contract will fail to discharge its obligations in accordance with agreed-upon terms. The Fund is exposed to credit risk through its investments in money market instruments (excluding cash), and fixed-income securities.

TERRITORIAL COURT JUDGES' REGISTERED PENSION PLAN FUND

NOTES TO THE FINANCIAL STATEMENTS

January 1, 2015

6. FINANCIAL INSTRUMENTS AND RISK, continued

The Fund's credit risk on money market instruments and fixed-income securities is managed by setting concentration limits on exposure to any single issuer, as well as by setting minimum credit-rating criteria for investment.

Concentrations of credit risk exist when a significant proportion of the portfolio is invested in securities subject to credit risk with similar characteristics or subject to similar economic, political, or other conditions. The investment portfolio as a whole is subject to maximum exposure limits and asset allocation targets that are designed to manage exposure to concentrated credit risk.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Fund's financial liabilities consist of Accounts Payable & Accrued Liabilities. These amounts are short term in duration and are set to mature within one year.

Liquidity risk is managed through ensuring that sufficient liquid assets are maintained to meet anticipated payments and investment commitments in general. With respect to the Fund's financial liabilities and the actuarial value of accrued pension benefits, management believes that the Fund is not subject to any significant liquidity risk. The actuarial value of accrued pension benefits is not considered a financial liability; however, it is the most significant liability of the Fund in the Statement of Financial Position. The Government of Northwest Territories (GNWT), as Plan sponsor, is required to contribute all funds necessary to meet any funding shortfalls of the Plan as they may arise from time to time.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is composed of interest rate, currency, and other price risk. The extent of market risk exposure is dependent on the nature of the investment.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate owing to changes in market interest rates. The Fund is exposed to interest rate risk through its investment holdings in interest-bearing, or fixed-income, assets. These principally include money market instruments and fixed-income securities. The Fund manages its exposure to interest rate risk through holding a diversified mix of assets, both interest-bearing and non-interest bearing. This approach lowers the impact of variations in overall portfolio performance owing to factors arising from interest rate risk. The fair value of the Fund's assets, specifically the fixed-income securities, is affected by changes in the nominal interest rate. Investments subject to interest rate risk bear fixed rates of interest. Therefore, short-term fluctuations in prevailing interest rates would not normally subject the Fund to fluctuating cash flows. In the event of a sale or redemption prior to maturity, proceeds would be affected by the impact of prevailing interest rates on the fair value of the investment. The actuarial value of accrued pension benefits is not considered a financial instrument; however, these benefits are sensitive to changes in long-term interest rates.

TERRITORIAL COURT JUDGES' REGISTERED PENSION PLAN FUND

NOTES TO THE FINANCIAL STATEMENTS

January 1, 2015

6. FINANCIAL INSTRUMENTS AND RISK, continued

The Fund is exposed to interest rate risk because of mismatches between the impacts of interest rates on the actuarial value of accrued pension benefits and their corresponding impact on the investment portfolio as a whole.

Given the nature of pension benefits, such risks cannot be eliminated but are addressed through the funding of the Fund and through regular review of the characteristics of the Fund's investment portfolio related to the accrued pension benefit liability.

This exposure lies principally within foreign equity funds. The Fund manages these risks through its investment policy, which limits the proportion of foreign assets within the portfolio.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk arising from its holdings of investments denominated in foreign currencies, as well as investments that, although not denominated in foreign currencies, have underlying foreign currency exposure.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. The Fund is exposed to other price risk through its holdings in Canadian equities.

The Fund manages these risks through maximum proportions of equities in its investment portfolio and through concentration limits on investments in any one issuer, as outlined in the investment policies and procedures. Future cash flows relating to the sale of an investment exposed to other price risk will vary depending on market prices at the time of sale. Concentration of other price risk exists when a significant portion of the portfolio is invested in equities with similar characteristics or subject to similar economic, market, political, or other conditions.

7. CONTRIBUTIONS

The GNWT made quarterly contributions to the Fund based on the most recent actuarial valuation which was as at April 1, 2013. Contribution values are based on the assumption of an annual expected return on Fund assets. The GNWT may reduce contributions to the Fund by the amount of any surplus existing within the Fund on the last actuarial valuation date. Per the actuarial valuation, a going concern unfunded liability in the amount of \$999,800 (2010 - \$846,800) existed in the Fund at April 1, 2013. Per actuarial valuation, the rule for determining the employer's current service cost and special payments is based on the maximum funding valuation as the going concern valuation produces a higher total employer contribution and unfunded liability. Per the actuarial valuation, the Plan had a maximum funding unfunded liability of \$73,700 as at April 1, 2013 (2010 - \$460,500).

TERRITORIAL COURT JUDGES' REGISTERED PENSION PLAN FUND

NOTES TO THE FINANCIAL STATEMENTS

January 1, 2015

7. CONTRIBUTIONS, continued

Per the Plan Regulations, this amount is required to be funded over a period of not more than 15 years from the valuation date. Special payments required to fund the maximum funding unfunded liability are \$28,400 per quarter until a total of \$73,700 special payments are made, in addition to the regular quarterly current service cost contributions.

8. ADMINISTRATIVE EXPENSES

Administrative expenses include fees charged by the investment manager, trustee, auditor and actuary. Administration costs of the Fund may be paid directly by the GNWT or by the trustee from Fund assets. Payments made directly by the GNWT to the Fund are recognized as a corresponding increase to in-kind contributions.