

It’s time to invest differently, says Nunavut Trust CEO

Trust is hoping to earn more income, pay down loans

LISA GREGOIRE

After 20 years of managing \$1.1 billion in land claim funds and at the same time growing the capital and paying for operations and programs at Nunavut Tunngavik Inc. and the three regional associations, the Nunavut Trust is setting a new course.

That course includes shifting its investment strategy toward income-generating financial products, hiring new investment managers, bringing in a new slate of advisors and forging a new partnership with NTI.

It’s all an effort to leverage the trust’s capital in new ways to earn more money. That income, if earned, won’t go to more programs for beneficiaries, unfortunately.

Instead, it would be applied to NTI’s outstanding loan from the Nunavut Trust, which has climbed back above \$100 million.

“It’s exciting to be changing, taking over and having a good team behind me,” said Fern Elliott, Nunavut Trust’s new chief executive officer. “We don’t always want to be the one standing up and threatening NTI. We thought, let’s try to work together, alongside them, to come up with a plan that better helps them.”

In a wide-ranging interview, Elliott says the trust will always invest in a low-risk manner to ensure that land claim money is preserved for the future.

But NTI’s outstanding loans need to be dealt with and unless the land claim body and regional Inuit associations can dramatically reduce their annual spending, it’s up to the trust to help out where it can.

The trust estimates it has lost roughly \$155 million in potential earnings because of those outstanding loans.

“When you look at that, that’s four year’s worth of spending” says Elliott.

“These loans do matter. They matter to you and they’ll matter to your children and your great-great-grandchildren.”

Cathy Towtongie, NTI’s president, says she’s “extremely pleased” with how the trust has operated so far and welcomes Elliott’s

leadership and new vision.

“We have a very close working relationship,” Towtongie said. “We have to. It’s our trust, after all. We have to listen to them and they, in turn, have to assist us.

She said NTI is doing its part to be fiscally responsible by implementing a zero-based budgeting policy: its budget has remained static at \$19.2 million for four years in a row.

Elliott joined the trust in 1994 as comptroller and a few years later, she became chief financial officer and treasurer. She became CEO in April 2013, succeeding the trust’s long-time head, Andy Campbell.

For now at least, NTI and the RIAs use only the taxable interest generated by the Trust’s capital. But that hasn’t always been the case.

Loans to NTI were made in the early years, shortly after the land claim was settled, because Nunavut Trust had very little earnings to distribute and NTI needed start-up and operational money.

More loans were made about 10 years later when the trust’s investment earnings fell sharply.

Inuit negotiators also incurred loans before the land claim was settled. Those loans were paid back over the 15 years during which Ottawa made capital transfers to the trust, effectively reducing the size of those transfers.



NTI President Cathy Towtongie says she has full confidence in the leadership and expertise of Nunavut Trust’s new CEO Fern Elliott. She also says NTI will continue cutting costs and cur-tailing spending wherever possible. (FILE PHOTO)

According to 2012 financial statements, the trust’s invested assets and accrued income are currently worth \$1.14 billion.

The Nunavut Trust has a threefold mandate: to provide an income to NTI; to protect the original pool of land claim money; and, to invest the money as a prudent person would.

It’s difficult sometimes to reconcile the first two, Elliott said, because “they send you in different directions.”

So the trust uses a “four per cent rule” to determine how much money they can take out of the trust annually to pay NTI and the RIAs.

Every April, Nunavut Trust indicates to the land claim body what they will be able to spend the following year based on a four per cent payout.

The trust determines that figure by averaging the market value of the investment portfolio over the previous five years and then disbursing four per cent, a maximum withdrawal limit that trustees believe is sustainable.

Any of the trust’s taxable income over and above that four per cent is put towards the loan, Elliott said.

Last year, the trust did exceptionally well, with a 9.72 per cent return on investment.

This year is shaping up to be another banner year, Elliott said, with a return of more than 14 per cent for the first nine months of 2013.

But after the global financial disaster of 2008, the trust lost 17.6 per cent and in

2007, earned only 0.28 per cent.

The four per cent rule was developed to smooth out these wild annual swings in market performance, Elliott said.

Towtongie said based on world market fluctuations, there’s no way of predicting how much money will be available in future, so NTI will keep finding ways to save money.

Travel, office and board expenses have been consolidated or curtailed, she said, and beneficiary payments under the new Resource Revenue Trust will have to wait for now.

That revenue trust, set up in 2012, contains money NTI earns when companies want to explore or extract resources from Inuit-owned lands.

Towtongie hoped to start paying beneficiaries from that trust in 2013, but decided it was not yet feasible.

The Resource Revenue Trust now contains \$4.4 mil-



Fern Elliott, who took over from Andy Campbell as Nunavut Trust CEO in April 2013, says she’s hoping to forge a new relationship with Nunavut Tunngavik Inc. that is less “us and them.” (PHOTO COURTESY OF FERN ELLIOTT)

lion. Towtongie said she wants to grow the endowment to \$100 million before payments start. That will probably take five to seven years.

“A lot of beneficiaries would like direct monetary benefits today, but I have to be conscientious,” she said. “It’s a work in progress but it’s started.”



Government of Nunavut, Department of Community and Government Services
UPDATED PUBLIC NOTICE
Of Amendment Application to a Type “A” Licence 3AM-GRA1015
Hamlet of Rankin Inlet

Notice is given that Government of Nunavut, Department of Community and Government Services filed an amendment application to a type “A” water licence 3AM-GRA1015 to the Nunavut Water Board (NWB) under the provisions of the Nunavut Land Claims Agreement (NLCA), Article 13 to seasonally replenish the Community water source Nipissar Lake for the following project:

NWB File # 3AM-GRA1015
Project: Hamlet of Rankin Inlet
Location: Latitude: 62° 49’ 24’’ N;
Longitude: 92° 06’ 53’’ W
Purpose: Municipal

In accordance with subsection 55(1) of the *Nunavut Waters and Nunavut Surface Rights Tribunal Act* (NWNSRTA or Act), the Board gives notice of the application and invites interested persons to make representation to the Board by no later than December 19, 2013.

In accordance with Rule 14 of the NWB Rules, the NWB will hold an In-person Technical Meeting and Pre-hearing Conference (PHC) on January 14th and 15th, 2014.

Copies of all application documents may be obtained by affected parties, free of charge, through our ftp site using the following access (Username: public and Password: registry) and link at:

<ftp://nunavutwaterboard.org/1%20PRUC/3%20MUNICIPAL/3A/3AM%20-%20Municipality/3AM-GRA1015/1%20APPLICATION/2012%20Amendment/>

or by contacting:
Jason Tologanak, Regional Director,
Kivalliq Region
Government of Nunavut
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