Grant Thornton

Financial Statements

Pension Plan For CUPE Employees of New Brunswick Hospitals

December 31, 2011

Contents

Independent auditor's report

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To the Board of Trustees of the Pension Plan for CUPE Employees of New Brunswick Hospitals

We have audited the accompanying financial statements of the Pension Plan for CUPE Employees of New Brunswick Hospitals which comprise the statement of financial position as at December 31, 2011, and statement of changes in net assets available for benefits and statement of 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.

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

Independent auditors' report (Cont'd)

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 Pension Plan for CUPE Employees of New Brunswick Hospitals as at December 31, 2011, and the changes in net assets available for benefits and changes in pension obligation for the year then ended in accordance with the Canadian accounting standards for pension plans.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the pension plan's accrued pension benefits exceed its net assets available for benefits by $242,739,011. This situation, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the pension plan's ability to continue as a going concern.

Grant Thornton LLP

Fredericton, NB
June 8, 2012

Chartered Accountants

Pension Plan For CUPE Employees Of New Brunswick Hospitals
Statement of financial position

December 31,	2011	2010
Assets		
Investments		
Short term instruments	**$ 20,360,478**	$ 12,921,156
Fixed income	**175,134,155**	182,000,944
Canadian equities	**113,896,026**	120,702,985
Foreign equities	**140,111,332**	138,753,669
	449,501,991	454,378,754
Receivables		
Employee contributions	**1,913,177**	1,929,019
Employer contributions	**1,800,295**	1,812,909
Accrued interest and dividends	**996,758**	1,016,918
	4,710,230	4,758,846
Prepaids	**880**	935
Cash	**73,925**	225,137
Total assets	**454,287,026**	459,363,672
Liabilities		
Accounts payable	**523,099**	527,597
Pension commuted value payable (Note 5)	**1,058,499**	347,677
Pension refunds payable	**692,439**	37,541
Total liabilities	**2,274,037**	912,815
Net assets available for benefits	**452,012,989**	458,450,857
Pension obligations (Note 11)	**694,752,000**	658,017,000
Deficiency	**$(242,739,011)**	$(199,566,143)

Going concern (Note 1)
Subsequent event (Note 15)

ON BEHALF OF THE BOARD OF TRUSTEES

See accompanying notes to the financial statements.

Pension Plan For CUPE Employees
Of New Brunswick Hospitals
Statement of changes in net assets available for benefits

Year ended December 31	**2011**	2010
Contributions		
Employee (Note 6)	**$ 14,303,262**	$ 13,325,288
Employer (Note 6)	**13,869,967**	13,041,562
Reciprocal transfers	**785,026**	487,807
	28,958,255	26,854,657
Revenue		
Fixed income and short term	**8,993,534**	8,539,658
Equities	**7,628,408**	5,716,806
	16,621,942	14,256,464
Securities lending	**23,339**	19,060
Realized gain on sale of investments	**718,190**	3,180,590
Unrealized current period change in market value of investments	**(17,467,145)**	23,471,516
	28,854,581	67,782,287
Expenses		
Benefit payments (Note 7)	**32,341,133**	29,087,993
Reciprocal transfers	**586,804**	569,307
	32,927,937	29,657,300
Fees and expenses		
Investment management fees	**1,240,444**	1,166,505
Administrative expenses (Note 8)	**936,660**	948,981
Transaction costs	**66,710**	61,224
Performance measurement fees	**55,300**	59,356
Compliance reporting fees	**28,000**	28,000
Custodial fees	**37,398**	18,478
	2,364,512	2,282,544
	35,292,449	31,939,844
(Decrease) increase in net assets available for benefits	**(6,437,868)**	35,842,443
Net assets available for benefits, beginning of year	**458,450,857**	422,608,414
Net assets available for benefits, end of year	**$ 452,012,989**	$ 458,450,857

See accompanying notes to the financial statements.

Pension Plan For CUPE Employees
Of New Brunswick Hospitals
Statement of changes in pension obligations

Year ended December 31	**2011**	2010
Pension obligations, beginning of year	**$ 658,017,000**	$ 615,509,000
Change in pension obligations		
Changes in actuarial assumptions and membership demographics	**-**	6,867,000
Benefits accrued	**26,447,000**	24,395,000
Net interest accrued on benefits	**43,216,000**	40,903,000
Benefits paid	**(32,928,000)**	(29,657,000)
	36,735,000	42,508,000
Pension obligations, end of year	**$ 694,752,000**	$ 658,017,000

See accompanying notes to the financial statements.

1. Going concern

These financial statements have been prepared on the basis of accounting principles applicable to a “going concern”, which assume that the Pension Plan will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations.

However, several adverse conditions and events cast substantial doubt upon the validity of this assumption. The Pension Plan has incurred significant deficiency in net assets available for benefits in the amount of $242,739,011.

The Pension Plan’s continued existence is dependent upon its ability to restore and maintain sustainable contributions, investment returns and benefits to members.

These financial statements do not reflect adjustments that would be necessary if the “going concern” assumption were not appropriate because the Board of Trustees have commenced actions that could mitigate the adverse conditions and events which raise doubts about the validity of the “going concern” assumption used in preparing these financial statements.

If the “going concern” assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported increases and decreases in net assets, and the classifications used in the statement of financial position, changes in net assets available for benefits and changes in pension obligations.

2. Description of Plan

The following description of the Pension Plan for CUPE Employees of New Brunswick Hospitals is a summary only. For more information, reference should be made to the Plan Document.

(a) General

The Plan is a defined benefit pension plan covering full-time CUPE Employees of the New Brunswick Hospital sector. The benefits as defined in the pension plan may be modified from time to time by the Board of Trustees upon advice from the Plan’s actuary.

(b) Funding Policy

Contributions are made by the Plan members and the Plan sponsor to fund the benefits determined under the Plan. The determination of the value of benefits is made on the basis of an actuarial valuation (see note 10).

(c) Service pensions

A member who retires at age 60 is entitled to an annual pension at retirement equal to the product of:

I. the number of years of the member’s pensionable service prior to January 1997, and

II. the difference between:

2. Description of Plan (continued)

(a) 2% of the annual average of the member's earnings in the period of five consecutive years during which such earnings are highest, and

(b) 0.25% of the annual average of his basic earnings (i.e., average earnings up to the YMPE) during the period referred to in (a) above;

plus the product of:

III. the number of years of the member's pensionable service after December 31, 1996 and the difference between:

(a) 2% of the annual average of the members' earnings in the period of five consecutive years during which such earnings are highest, and
(b) 0.6% of the annual average of his basic earnings (i.e., average earnings up to the YMPE) during the period referred to in (a) above;

Pension benefits are indexed at a flat 2% per year. A member may elect a basic pension, providing a life pension with a guarantee period of 5 years, or one of five optional forms of pensions being: 1) life pension with no guarantee period; 2) life pension with guarantee period of 10 years; 3) joint life and last survivor pension at 50%; 4) joint life and last survivor pension at 66 2/3%; 5) joint life and last survivor at 100%.

Normal retirement age is 65. Unreduced pension benefits are available at age 60 with 5 years of continuous employment. Reduced benefits are available at age 55 with 5 years of continuous employment. A member who elects to take an early retirement will also receive a temporary bridging benefit payable to age 65 equal to $18 per month per year of pensionable service.

(d) Disability pensions

A disability pension is not provided for under the terms of the Plan Agreement.

(e) Death benefits

If a member dies prior to retirement and before completing 5 years continuous employment, the benefit payable to his beneficiary or estate is a refund of all contributions made by the member with accumulated interest.

If a member dies prior to retirement and has completed 5 or more years of continuous employment, the beneficiary or estate shall be paid the commuted value. The commuted value is, as at the date of the member's death, the deferred pension to which the member would have been entitled had the member's continuous employment terminated just prior to their death. In addition, excess contributions (if applicable) to which the member would have been entitled would be refunded to the designated beneficiary or estate.

If a member dies after retirement, the death benefit payable is determined in accordance with the provisions of the form of pension selected by the member.

2. Description of Plan (continued)

(f) Benefits on termination

A member who has less than five years of continuous employment and is terminated is entitled to a refund of contributions made to the Plan with accumulated interest.

Currently, a member with more than 5 years continuous employment who is terminated and who is not eligible to receive an immediate pension benefit may elect to receive a deferred pension commencing as early as age 55 or an amount equal to the commuted value of the pension benefit as at the date of the member's termination. In addition, excess contributions (if applicable) to which the member is entitled shall be refunded to the member in cash or transferred to a non-locked in RRSP should sufficient RRSP room be available. The commuted value of the pension benefit is to be transferred on a locked-in basis to any registered retirement savings arrangement where the transfer is allowed under the Pension Benefits Act. Members who terminate their employment and are immediately eligible to receive a monthly pension benefit may elect an immediate or deferred pension.

(g) Income taxes

The Plan is a Registered Pension Plan as defined in the Income Tax Act and is not subject to taxes on income.

3. Statement of Compliance with Canadian accounting standards for pension plans and summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for pension plans.

Accounting standards for pension plans require entities to select accounting policies for accounts that do not relate to its investment portfolio or pension obligations in accordance with either Part I (International Financial Reporting Standards ("IFRS")) or Part II (Canadian accounting standards for private enterprises ("ASPE")) of the CICA Handbook. The Plan selected to apply Part II for such accounts on a consistent basis and to the extent that these standards do not conflict with the requirements of the accounting standards for pension plans.

(a) Basis of presentation

These financial statements are prepared on the basis of accounting principles applicable to a going concern and present the aggregate financial position of the Plan as a financial reporting entity independent of the plan sponsors and plan members. The application of the going concern concept is dependent upon the Plan's continued ability to receive sufficient pension contributions and obtain sufficient investment returns to cover the Plan's unfunded liability. If the pension contributions and investment returns are not sufficient to cover the Plan's unfunded liability, management may need to recommend either an increase in contributions or a reduction in benefits sufficient to allow the Plan to operate on a sound financial basis with the funds available.

3. Statement of Compliance with Canadian accounting standards for pension plans and summary of significant accounting policies (continued)

These financial statements 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.

(b) Financial instruments

Financial assets and financial liabilities are recognized when the Plan becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

All financial assets and financial liabilities are initially measured at fair value. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act.

Financial assets and financial liabilities are subsequently measured as described below.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash within three months of deposit.

Investment assets and investment liabilities

All investment assets and investment liabilities are measured at fair value at the date of the statement of financial position in accordance with IFRS 13 Fair Value Measurement in Part I of the CICA Handbook. Fair values of investment assets and liabilities are determined as follows:

1. Short-term notes and deposits are valued at cost plus accrued interest, which approximates fair value.
2. Bonds and other fixed income securities are valued at closing bid prices. Where the bid price is not available, fair value is calculated using discounted cash flows based on current market yields of instruments with similar characteristics.
3. Pooled funds are valued at the unit value supplied by the pooled fund administrator and which represent the Plan's proportionate share of underlying net assets at fair value determined using closing bid prices.
4. Equities are valued at year-end closing prices. Where the bid price is not available or reliable, fair value is determined using accepted industry valuation methods.

Transaction costs are not included in the fair value of investment assets and investment liabilities either on initial recognition or on subsequent re-measurement. Transaction costs are included in the statement of changes in net assets available for benefits as part of expenses incurred in the period.

3. Statement of Compliance with Canadian accounting standards for pension plans and summary of significant accounting policies (continued)

Investment income, excluding changes in the fair value of investment assets and investment liabilities, and changes in the fair value of investment assets and investment liabilities are presented in the statement of changes in net assets available for benefits.

Contributions and other receivables

Contributions and other receivables are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. A provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence that the Plan will not be able to collect all of the amounts due. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Financial liabilities

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

(c) Pension contributions

Contributions from Members and the Hospitals are recorded in the period that payroll deductions are made, and accrued up to year-end for payroll periods that extend to the subsequent fiscal year.

(d) Pension obligations

The Plan is a defined benefit plan established for members. The pension obligations recognized in the statement of financial position are the actuarial present value of accrued pension benefits determined by using the projected unit credit method pro-rated on services and actuarial assumptions which reflect management's best estimate for the future

(e) Investment income

Income from investments is recognized on an accrual basis and includes dividend income (recognized on ex-dividend date) and interest income gross of investment manager fees.

(f) Realized and unrealized gains or losses on investments

Realized gains or losses on sale of investments are the difference between the proceeds received and the average cost of investments sold.

3. Statement of Compliance with Canadian accounting standards for pension plans and summary of significant accounting policies (continued)

Unrealized gains or losses on investments represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognized unrealized gains and losses in respect of disposals during the year.

(g) Translation of foreign currencies

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the transaction date. Investments and other monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the year-end date with any resulting foreign exchange gain or loss included in income.

(h) Estimation Uncertainty

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, revenue and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, revenue and expenses are discussed below.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Pension obligations

An independent actuary estimates the pension obligation using assumptions provided by management; however, the actual outcome may vary due to estimation uncertainties. The estimate of $694,752,000 (2010 - $658,017,000) is based on the following demographic assumptions: rates of retirement, mortality, rates in terminations and disability incidence rates. The economic assumptions used in the estimate are the rate of return on assets (which is also used as the discount rate), rate of salary increases, pension cost of living indexation rate, real rate of return, and inflation.

4. First-time adoption of accounting standards for pension plans

These are the Plan's first financial statements prepared in accordance with Canadian accounting standards for pension plans ("new standards"). The date of transition to these new standards is January 1, 2010.

These financial statements of the Plan have been prepared using policies specified by those standards that are in effect at the end of the reporting period ended December 31, 2011. The significant accounting policies that have been applied in the preparation of these financial statements are summarized in Note 3. These accounting policies have been applied retrospectively to all prior periods presented.

The plan has elected to early adopt IFRS 13 for the year ended December 31, 2011. This standard provides guidance on measurement and disclosure of fair value of financial instruments. IFRS 13 is applied on a prospective basis with no restatement of prior periods.

The transition to the new standards have no effect on net assets available for benefits, financial position and changes in pension obligations.

5. Commuted values payable

Effective November 1, 2009, only a portion of commuted value is paid at the initial transfer. The remaining portion plus interest is to be paid within five years from the date of initial payment. The pension commuted value payables (including accumulated interest) at December 31, 2011 are payable as follows:

2015	$ 354,283
2016	640,504
2017	63,712
	$ 1,058,499

6. Contributions

	2011	2010
Employee contributions		
Regular	**$13,813,572**	$13,087,456
Past service	**489,690**	237,832
	$ 14,303,262	$ 13,325,288
Employer contributions		
Regular	**$ 13,813,572**	$ 12,952,108
Past service	**56,395**	89,454
	$ 13,869,967	$ 13,041,562

7. Benefit payments	**2011**	2010
Retirement benefit payments	**$ 29,466,123**	$ 27,201,933
Termination benefit payments	**1,688,934**	1,228,861
Death benefit payments	**978,074**	600,115
Marriage breakdown	**208,002**	57,084
	$ 32,341,133	$ 29,087,993

8. Administrative expenses	**2011**	2010
Administrative expenses	**$ 813,737**	$ 745,802
Actuarial and consulting fees	**88,555**	183,366
Audit and accounting fees	**25,748**	17,724
Legal fees	**8,620**	2,089
	$ 936,660	$ 948,981

9. Related party transactions

The plan is provided with certain services from departments of the Province of New Brunswick. These related party transactions are in the ordinary course of business and measured at amounts agreed to by the parties.

During the year, the Plan was charged $417,091 (2010 – $395,179) for employee salaries and benefits, and $43,890 (2010 – $41,806) for information technology services.

Other services are provided without consideration during the year.

10. Funding policy

In October 1999 the payment of $58.5 million was made by the Province of New Brunswick to the Pension Plan for CUPE Employees of New Brunswick Hospitals. $48.5 million of the total was considered a deemed contribution by the Province. The balance will accrue interest at the rate of return of the Fund and be reduced by amounts deemed to have been contributed by the Province as employer contributions. Effective January 1, 2010, the employer contribution rate used in the calculation is 4.08% of the earnings of plan members. This deemed remittance shall continue until the Actuary determines that the current value of the $48.5 million has been exhausted by the deemed contributions from the Province. Until that time, the Province will be considered on a contribution holiday. Note the exception below.

10. Funding policy (continued)

In accordance with the agreement entered into on September 23, 1999, the Board must account separately for all monies deemed to be received by the Fund from the Province for the contribution holiday.

	2011	2010
Balance, beginning of year	**$ 31,490,245**	$ 28,766,018
Allocation of investment income	**-**	2,808,010
Deemed employer contributions paid	**(88,409)**	(83,783)
Balance, end of year	**$ 31,401,836**	$ 31,490,245

As a result of the January 1, 2005 actuarial valuation for funding purposes, which disclosed an unfunded liability of $52,988,600, an agreement was reached between the "Parties" i.e. CUPE, represented by the Council of Hospital Unions and CUPE Local 1252 and the Province of New Brunswick represented by Board of Management to amend the funding provision until the signing of the next collective agreement (the collective agreement at the time expired on June 30, 2007). Until that time, the employers' contribution holiday was suspended. However, earnings equivalent to the rate of the investment gain or loss on fund assets continued to accrue on the balance which is $31.4 million at December 31, 2011. In addition, the employer began making cash contributions into the fund on the first full pay period after April 1, 2006 equal to 6.17% of employee earnings. Employee contributions also increased to 6.17% of earnings. A new collective agreement was signed on September 24, 2008, and the parties agreed to continue with the amendments until the signing of the next collective agreement (last collective agreement expired on June 30, 2011).

The most recent actuarial valuation for funding purposes was prepared by Morneau Shepell as of January 1, 2010. This valuation disclosed an unfunded liability of $199,767,600. See subsequent events note 15. In the report, the actuary stated that current benefits under the Plan were not sustainable at the current contribution levels. As a result, the Board of Trustees was required to act on Section 24.01 of the Plan document, to officially advise the Parties of the increased funding required or the benefit changes needed to offset funding deficiencies. A notice letter was sent to the Parties and no acceptable solution was provided; therefore the Board of Trustees had the authority to implement the benefit reductions included in the notification letter.

Motions were made to reduce benefits as per the notice letter at two June 2011 meetings. The vote was deadlocked at both meetings, therefore the motions were defeated. The Trust Agreement does not have a deadlock resolution protocol, therefore the Parties were again advised of the situation and requested to find an acceptable solution to the Plan's funding deficit.

Refer to Note 15 for events that have taken place subsequent to December 31, 2011.

11. Pension obligations

The present value of accrued pension benefits was determined using the projected unit credit method pro-rated on services and actuarial assumptions which reflect management's best estimate for the future. An actuarial valuation was made as of January 1, 2010 by Morneau Shepell, a firm of consulting actuaries, and was then extrapolated to December 31, 2011.

Significant long-term assumptions used in the valuation are:

		Long-term Assumptions
Interest		6.60%
Salary increases	Pre 2012	2.50%
	2012-2013	0.00%
	Post 2013	2.50%
Inflation		2.50%
Pensioner cost of living increases		2.00%

The next actuarial valuation is expected to be valued as of January 1, 2013.

12. Financial instruments

In the normal course of business, the Plan is exposed to a variety of financial risks: credit risk, interest rate risk, currency risk and other price risk. The value of investments within the Plan's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions and market news related to specific securities within the Plan. The level of risk depends on the Plan's investment objectives and the type of securities it invests in.

For all of the risks noted below, there has been no change in how the Plan manages those risks from the previous year.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with a Plan. Where the Plan invests in debt instruments, this represents the main concentration of credit risk. The market value of debt instruments includes consideration of the credit worthiness of the issuer, and accordingly, represents the maximum credit risk exposure of the Plan. All transactions executed by a Plan in listed securities are settled/paid for upon delivery to the custodian. The risk of default is considered minimal, as delivery of securities sold is only made once the custodian has received payment. Payment is made on a purchase once the securities have been received by the custodian. The trade will fail if either party fails to meet its obligation.

12. Financial instruments (continued)

As at December 31, 2011, the Plan invested in debt instruments with the following credit ratings:

Debt instrument by credit rating	Percentage of value	
	2011	2010
AAA	**36.81%**	38.94%
AA	**24.35%**	22.02%
A	**27.95%**	28.25%
BBB	**10.89%**	10.51%
Less than BBB and non-rated	**0.00%**	0.28%

Credit ratings are obtained from Standard & Poor's, Moody's, Fitch or Dominion Bond Rating Services. Where one or more rating is obtained for a security, the lowest rating has been used.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises when the Plan invests in interest-bearing financial instruments. The Plan is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates.

As at December 31, 2011, the Plan's exposure to debt instruments by maturity and the impact on net assets had the yield curve shifted in parallel by 25 basis points with all other variables held constant ("sensitivity analysis"), is as follows:

Debt instruments by maturity date	**2011**	2010
Less than 1 year	**$ 40,326,854**	$ 31,125,073
1-5 years	**55,272,455**	49,905,279
Greater than 5 years	**104,380,224**	117,082,175
	$ 199,979,533	$ 198,112,527
Sensitivity	**$ 2,884,053**	$ 3,150,104

In practice actual trading results may differ from the above sensitivity analysis and the difference could be material.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Plan.

12. Financial instruments (continued)

The Plan is exposed to the following currencies:

	2011		2010	
	Currency Exposure ($)	**Percentage of Net Assets (%)**	Currency Exposure ($)	Percentage of Net Assets (%)
US dollar	**103,679,289**	**23.0**	94,842,851	20.8
Euro	**10,481,990**	**2.3**	12,859,093	2.8
Pounds sterling	**6,620,254**	**1.5**	10,508,751	2.3
Japanese yen	**6,400,257**	**1.4**	8,936,689	2.0
Swiss franc	**3,539,462**	**0.8**	4,116,102	0.9
Other	**5,805,385**	**1.3**	8,602,695	1.9

This amount is based on the market value of the Plan's financial instruments. Other financial assets and financial liabilities that are denominated in foreign currencies do not expose the Plan to significant currency risk.

As at December 31, 2011, if the Canadian dollar strengthened or weakened by one percent in relation to the respective exchange rates, with all other variables held constant, net assets would have an increase or decrease, respectively, of approximately $1,365,266 (2010 - $1,398,662).

In practice actual trading results may differ from the above sensitivity analysis and the difference could be material.

Liquidity risk

Liquidity risk is the risk that the Plan will not be able to meet its obligations as they fall due. Management believes that cash flows generated from its investment assets and monthly contributions will be sufficient to cover its normal operating expenditures. The Plan monitors cash flows to ensure there is sufficient cash on hand to meet forecasted pension benefit payments, operating expenses and other financial obligations

Other price risk

Other price risk is the risk that the market value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). All investments represent a risk of loss of capital. The portfolio manager of the portfolio moderates this risk through a careful selection and diversification of securities and other financial instruments within the limits of the Plan's investment objectives and strategy. The maximum risk resulting from financial instruments is determined by the market value of the financial instruments. The Plan's overall market positions are monitored on a daily basis by the portfolio manager. Financial instruments held by the Plan are susceptible to market price risk arising from uncertainties about future prices of the instruments.

12. Financial instruments (continued)

The statement of accrued pension benefits and net asset available for benefits classifies securities by market segment.

The impact on net assets of the Plan due to a one percent change in the benchmark, with all other variables held constant as at December 31, 2011 is estimated to be 0.9% or $4.5 million (2010 - 0.9% or $4.1 million). For the purpose of this calculation, historical portfolio returns were compared to the historical index return of an average asset mix commitment.

The historical results may not be representative of the future results, and accordingly the impact on net assets could be materially different.

Fair value disclosure

Investments are classified in a hierarchy of three levels depending on the inputs used to determine fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs used in determining the fair value. If different levels of inputs are used to measure the fair value of an investment, the classification is based on the lowest level input used. The three levels of the fair value hierarchy are as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly; and

Level 3 - inputs for the assets or liabilities that are not based on observable market data.

The following fair value hierarchy table presents the Plan's assets measured at fair value on a recurring basis as of December 31, 2011 (in $ millions):

				2011				2010
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**	Level 1	Level 2	Level 3	Total Fair Value
Bonds and debentures	**$ 73.3**	**$101.9**	**$ -**	**$175.2**	$ 75.2	$ 106.8	$ -	$182.0
Canadian equities	**113.9**	**-**	**-**	**113.9**	120.7	-	-	120.7
Foreign equities	**140.1**	**-**	**-**	**140.1**	138.8	-	-	138.8
Total	**$327.3**	**$101.9**	**$ -**	**$429.2**	$334.7	$ 106.8	$ -	$441.5

13. Capital management

The Plan employs a capital management plan, a Statement of Investment Policies and Goals (“SIP&G”), that is reviewed annually by the Board of Trustees. The SIP&G formulates investment principles and guidelines which are appropriate to the needs and objectives of the pension plan.

The overall objectives in investing the assets of the Plan are to preserve and enhance the value of capital through adequate diversification in high quality investments and achieve the highest investment return that can be obtained with the assumption of an acceptable degree of risk.

The SIP&G’s investment guidelines outline that the Plan’s assets shall be invested in fixed income and equity securities in such proportions as may be established from time to time by the Trustees. The Plan’s investment in equities, bonds and short term securities shall be diversified by industry group and by individual companies. The Plan’s investment in income or unit trusts and similar investment instruments is limited to those securities that are listed on a recognizable stock exchange and are resident in jurisdictions that provide limited liability to unit holders. The fund manager shall have complete freedom in determining the asset mix of the fund, subject to 17% - 40% investment in Canadian equities, 11% - 25% in US equities, 6% - 14% in International equities, 32% - 52% in bonds, and 1% - 9% in cash and short term limitation guidelines.

There has been no significant change to the SIP&G during the year ended December 31, 2011.

14. Investment in plan sponsor

As at December 31, 2011, $2,453,055 of the Plan’s assets consisted of Province of New Brunswick securities (2010 - $1,480,387).

15. Subsequent event

In September 2011, the Province appointed a three-person pension task force to review provincially sponsored public sector pension plans. The goal of the task force is to ensure that these are affordable and sustainable. In March 2012, the task force commenced discussions with the Board of Trustees on finding a solution to the Plan’s funding deficit.

On May 22, 2012, the parties signed a Memorandum of Understanding where it was agreed that the Plan would adopt a new pension model, collaboratively developed by union leadership and the pension task force, which will be effective July 1, 2012. This new model, known as the CUPE Shared Risk Pension Plan, and the resulting changes addresses the funding deficiency in the plan. The new model provides additional funding through increased member and employer contributions. It also introduces risk management procedures, funding goals and sharing of benefit risks to prudently manage the variability of funding results over time.