Public Service Shared Risk Plan Trust

Financial Statements

December 31, 2014

KPMG LLP

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the Public Service Shared Risk Plan

We have audited the accompanying financial statements of Public Service Shared Risk Plan Trust (the Entity), which comprise the statement of net assets available for benefits as at December 31, 2014, the statement of changes in net assets available for benefits for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management in accordance with the basis of accounting in Note 2(a) to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting in Note 2(a) to the financial statements. This includes determining that the basis of accounting is an acceptable basis for the preparation of these financial statements in the circumstances, 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 an 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 our 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, we consider 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 net assets available for benefits of the Entity as at December 31, 2014, and the changes in net assets available for benefits for the year then ended in accordance with the basis of accounting in Note 2(a) to the financial statements.

Basis of Accounting and Restriction on Use

Without modifying our opinion, we draw attention to Note 2(a) to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Board of Trustees of the Entity in its oversight capacity and the Province of New Brunswick. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Board of Trustees of the Entity and the Province of New Brunswick and should not be used by parties other than the Board of Trustees of the Entity.

Comparative Information

The statement of changes in net assets available for benefits for the year ended December 31, 2013 are unaudited. As a result we do not express an opinion on them.

KPMG LLP

Chartered Professional Accountants
May 12, 2015
Fredericton, Canada

PUBLIC SERVICE SHARED RISK PLAN TRUST

Statement of Net Assets Available for Benefits

(In thousands of Canadian dollars)

As at

		December 31, 2014		January 1, 2014
ASSETS				
Investments *(notes 3 and 4)*	$	6,555,369	$	5,962,309
Contributions receivable from employers *(note 8)*		15,776		12,478
Contributions receivable from employees *(note 8)*		6,172		5,252
Other receivable		26		65
Total Assets		6,577,343		5,980,104
LIABILITIES				
Accounts payable and accrued liabilities *(note 8)*		9,998		3,569
NET ASSETS AVAILABLE FOR BENEFITS	$	6,567,345	$	5,976,535

See accompanying notes to the financial statements.

PUBLIC SERVICE SHARED RISK PLAN TRUST

Statement of Changes in Net Assets Available for Benefits

(In thousands of Canadian dollars)

YEAR ENDED DECEMBER 31

		2014		2013
INCREASE IN NET ASSETS				*(Unaudited)*
Net investment income *(note 6)*	$	718,114	$	703,030
Employee pension contributions *(note 8)*		90,768		77,387
Employer pension contributions *(note 8)*		126,543		111,058
Employer special contributions *(note 8)*		—		16,963
		935,425		908,438
DECREASE IN NET ASSETS				
Payments to Province of New Brunswick for benefits		331,265		312,967
Payments to Province of New Brunswick for expenses		3,135		3,125
Investment management fees		10,215		9,075
		344,615		325,167
NET INCREASE FOR THE YEAR		590,810		583,271
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR		5,976,535		5,393,264
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	$	6,567,345	$	5,976,535

See accompanying notes to the financial statements.

Commitments *(note 9)*
Indemnification *(note 10)*

Approved on behalf of the Board of Trustees:

Marilyn Quinn
Chair

Leonard Lee-White
Vice Chair

1. Description of the Plan

The following description is intended as a summary only. For complete information, reference should be made to the plan text.

On January 1, 2014, the defined benefit pension plan created by the *Public Service Superannuation Act* ("PSSA") was converted to the Public Service Shared Risk Plan (the "PSSRP"), a shared risk plan registered under the *Pension Benefits Act* of New Brunswick. The PSSRP is governed by a Board of Trustees consisting of an equal number of representatives appointed by the Province of New Brunswick, as employer, and representatives appointed by the employees covered by the pension plan.

The primary purpose of the PSSRP is to provide secure pensions to plan members upon retirement and until death in respect of their service as plan members. A shared risk pension plan uses a risk management approach set out in its funding policy to ensure that a base pension benefit is provided in most potential future economic scenarios. Accordingly, future cost of living adjustments and other ancillary benefits such as early retirement subsidies will only be provided to the extent that the pension assets are sufficient to pay such benefits as determined by the Board of Trustees in accordance with applicable laws and the plan's funding policy.

All members of the PSSA and certain members of the Pension Plan for Part-Time and Seasonal Employees of the Province of New Brunswick became members of the PSSRP. All new full-time employees, term employees, and personal service contracts signed after February 1, 2014 are required to join the PSSRP. All other employees will become a member of the PSSRP upon the date of completion of twenty-four successive months of employment provided the employee has earned at least 35% of the YMPE in each of the preceding two calendar years.

Initial employee contribution rates of 5.8% of eligible earnings up to the Yearly Maximum Pension Entitlement ("YMPE") and 7.5% of eligible earnings in excess of the YMPE increased to 7.5% and 10.7% respectively effective April 1, 2014. The current employer contributions rates of 8.932% up to the YMPE and 11.55% above YMPE also increased on April 1, 2014 to 11.25% of eligible earnings. In addition, unless the funding level is 140% of the estimated pension obligations, the employer will make temporary contributions of 0.5% of earnings for a five-year period from January 1, 2014, and 0.75% of earnings for the ten-year period from January 1, 2014. Employee and employer contribution rates will become equal after fifteen years. Contribution rates are subject to change in accordance with triggers identified in the Funding Policy for the PSSRP.

Pension benefits vest on the earlier of: (i) five years of continuous employment; or (ii) two years of membership in the PSSRP, including membership in any predecessor plan (the PSSA or the Pension Plan for Part-Time and Seasonal Employees of the Province of New Brunswick). The normal retirement date is at age 65. Early retirement may be taken at any time between the ages of 55 and 65.

1. Description of the Plan *(continued)*

A member's annual pension payable up to age 65 is equal to the sum of:

1) In respect of service before January 1, 2014, the product of:

   a) The number of years of pensionable service before January 1, 2014 up to the annual average YMPE, and

   b) 2% of the annual average of the best five consecutive years of earnings at January 1, 2014, and

   c) An early retirement factor; and

2) In respect of service from January 1, 2014, the sum of the product (a), (b) and (c) below for each calendar year or portion thereof:

   a) 2% of annualized earnings;

   b) The number of hours worked for which contributions are made divided by the full-time equivalent hours;

   c) An early retirement factor; and

   d) Such cost of living adjustments as may be granted by the Board of Trustees.

A member's annual retirement pension payable after age 65 is equal to the sum of:

1) In respect of service before January 1, 2014, the product of:

   a) The number of years of pensionable service before January 1, 2014, and

   b) 1.3% of the annual average of the best five consecutive years of earnings at January 1, 2014 up to the annual average YMPE for the three years prior to January 1, 2014, plus 2% of the excess of the annual average of the best five consecutive years of earnings at January 1, 2014 over the annual average YMPE for the three years prior to January 1, 2014;

and

2) In respect of service from January 1, 2014, the sum of (a) and (b) below for each calendar year or portion thereof:

   a) 1.4% of annualized earnings up to the YMPE and 2.0% of annualized earnings in excess of the YMPE;

   b) The number of hours worked for which contributions are made divided by the full-time equivalent hours; and

   c) Such cost of living adjustments as may be granted by the Board of Trustees.

An early retirement factor of 3/12% per month that the pension commences prior to age 60 is applicable to all service earned prior to January 1, 2014, while an early retirement factor of 5/12% per month that the pension commences prior to age 65 is applicable to all service earned on or after January 1, 2014.

A legislative guarantee protects members' base pension benefits that were earned, accrued or vested as of December 31, 2013.

1. Description of the Plan *(continued)*

The form of pension must be selected at retirement and includes a joint and survivor pension (with survivor benefit at 50%, 60% or 100% of benefit payable) or a life pension with a guaranteed payment period of either five, ten or fifteen years.

In the case of termination prior to retirement, employees whose pension benefits have not vested will receive a refund of contributions with accumulated interest. All other employees will have a choice of deferring commencement of their pension benefit until age 65 for an unreduced benefit or deferring commencement of their pension until a date between age 55 or later and age 65 for a reduced benefit. An employee terminating before age 55 may also defer their pension between the ages of 55 to 65 (subject to the applicable early retirement reduction) or may transfer their termination value in a lump sum to a locked-in retirement account, a life income fund or to a pension plan offered by their new employer (certain restrictions apply).

In the case of death prior to retirement, the surviving spouse or designated beneficiaries of an employee whose pension has not vested will receive a refund of contributions with accumulated interest. In the case of death when pension benefits have vested, a surviving spouse may receive a monthly pension of 50% of the pension payable at age 65 for their lifetime or the termination value in a lump sum payment. In the case of death when pension benefits have vested and there is no surviving spouse, the designated beneficiary will receive the termination value in a lump sum payment, unless the designated beneficiary is an eligible dependent, in which case they would receive a monthly pension of 50% of the pension payable at age 65 while they are an eligible dependent.

2. Significant Accounting Policies

(a) Accounting entity and basis of presentation

These special purpose financial statements provide information on the PPSRP's net assets available for benefits (the "Trust"). They do not include the pension liabilities of the PSSRP. Consequently, these financial statements do not purport to show the adequacy of the Trust to meet the PSSRP's pension obligations. Such an assessment requires additional information, such as the PSSRP's actuarial report.

These financial statements have been prepared in accordance with Canadian accounting standards for pension plans in Part IV of the Chartered Professional Accountants' ("CPA") of Canada Handbook excluding pension obligations and any resulting surplus or deficit. They are prepared solely for the information and use of the PSSRP Board of Trustees and the Province of New Brunswick. As a result, these financial statements may not be suitable for another purpose.

All investment assets and liabilities are measured at fair value in accordance with IFRS 13, *Fair Value Measurements.* In selecting or changing accounting policies that do not relate to its investment portfolio, Canadian accounting standards for pension plans excluding pension obligations and any resulting surplus or deficit requires the Trust to comply on a consistent basis with either International Financial Reporting Standards ("IFRS") or with Canadian accounting standards for private enterprises. The Trust has chosen to comply on a consistent basis with IFRS.

These financial statements have been prepared in accordance with the significant accounting policies set out below. These financial statements were authorized for issue by the Board of Trustees on May 12, 2015.

2. Significant Accounting Policies *(continued)*

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for investments, which are measured at fair value through the Statement of Changes in Net Assets Available for Benefits.

(c) Financial instruments

(i) Recognition and measurement

Financial assets and financial liabilities are initially recognized in the Statement of Net Assets Available for Benefits on the trade date, which is the date on which the Trust becomes a party to the contractual provisions of the instrument.

All investments of the Trust consist of holdings of units of New Brunswick Investment Management Corporation ("NBIMC") unit trust funds. The Trust classifies all investments as fair value through the Statement of Changes in Net Assets Available for Benefits upon initial recognition.

The fair value of each investment in units of the NBIMC unit trust funds is based on the calculated daily net asset value per unit multiplied by the number of units held, and represents the Trust's proportionate share of the underlying net assets at fair values determined using closing market prices.

The underlying investments held in the NBIMC unit trust funds are valued at fair value as of the date of the financial statements. 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 in the principal or, in its absence, the most advantageous market to which the unit trust funds have access at that date.

The fair value of the financial assets and liabilities traded in active markets (such as exchange-traded derivatives and debt and equity securities) are based on quoted market prices at the close of trading on the reporting date.

If there is no quoted price in an active market, then the NBIMC unit trust funds use valuation techniques that maximize the use of the relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Certain of the Trust's financial assets and financial liabilities such as contributions and other receivables and accounts payable and accrued liabilities are measured at amortized cost, which is the cost at initial recognition, minus any reduction for impairment. The carrying amount of these assets and liabilities approximates fair value due to their short settlement period. At the reporting date, the Trust assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Trust recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate.

(ii) Derecognition

The Trust derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or are transferred in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

2. Significant Accounting Policies *(continued)*

On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration is recognized in the Statement of Changes in Net Assets Available for Benefits as net investment income.

The Trust derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(d) Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the functional currency of the Trust.

(e) Use of estimates and judgments

The preparation of the Trust's financial statements requires judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the Statement of Net Assets Available for Benefits. Significant estimates and judgments are required in determining the reported estimated fair value of private investments, which are included in the underlying investments held in the NBIMC unit trust funds, since these determinations may include estimates of expected future cash flows, rates of return and the impact of future events. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

(f) Taxes

The Trust is a Registered Pension Plan Trust as defined in the *Income Tax Act* (Canada) and is not subject to income taxes.

(g) Contributions

Contributions from the employers and pension plan members are recorded in the period that payroll deductions are made.

(h) Net investment income

Investment transactions are recognized by the underlying unit trusts as of their trade date. Net investment income includes realized and unrealized gains and losses in the value of the units held in each of the unit trusts.

(i) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies held by the NBIMC unit trust funds are translated at the prevailing rates of exchange at the date of the Statement of Net Assets Available for Benefits. Investment income and expenses are translated at the exchange rates prevailing on the transaction date. Realized and unrealized exchange gains and losses are included in net investment income.

2. Significant Accounting Policies *(continued)*

(j) Future changes in accounting policies

The following standards, interpretations and amendments to published standards that are mandatory for future accounting periods, but where early adoption is permitted, have not been duly adopted:

IFRS 9 (effective not earlier than January 1, 2018) – Financial instruments

Management is in the process of assessing the impact of this amendment to this standard and believes that this amendment will not significantly affect the Trust's net assets available for benefits but may affect the disclosures in the financial statements.

3. Investments

The Trust invests in certain pooled unit trust funds established by NBIMC, the investment manager for the Trust. Each unit trust fund has a specific investment mandate. Investing in the unit trust funds enables the Trust to achieve its required asset class weights in accordance with its Statement of Investment Policies.

Following is a description of each unit trust fund in which an interest is held by the Trust as at December 31, 2014:

NBIMC Nominal Bond Fund

This fund invests primarily in investment grade bonds (a minimum of triple-B rated by a major rating agency) of G-7 countries and Canadian provinces paying a nominal rate of interest. The performance objective is to add 20 basis points to its benchmark, the FTSE TMX Canada All Government Bond Index, over a four-year moving average.

NBIMC Corporate Bond Fund

This fund invests primarily in investment grade corporate bonds (a minimum of triple-B rated by a major rating agency) paying a nominal rate of interest. The performance objective is to add 20 basis points to its benchmark, the FTSE TMX All Corporate Bond Index, over a four-year moving average.

NBIMC New Brunswick Fixed Income Opportunity Fund

This fund invests primarily in fixed income issues to finance economic activity in New Brunswick. The performance objective is to add 20 basis points to its benchmark, the FTSE TMX Canada All Government Bond Index, over a four-year moving average.

NBIMC Money Market Fund

This fund invests primarily in fixed income securities having a maturity of less than one year. The performance objective is to add 20 basis points to its benchmark. The benchmark is calculated as 93% of the FTSE TMX Canada 91-Day Treasury Bill Index and 7% of the Call Loan Rate.

NBIMC Student Investment Fund

This fund is managed by students at the University of New Brunswick who are registered in the Student Investment Fund Program. Its initial capital of $1 million, funded in 1998, has been invested using the same general investment policies and guidelines as are used by NBIMC. The overall benchmark for this fund is composed of 50% S&P/TSX Total Return Composite Index, 45% FTSE TMX Canada All Government Bond Index, 4.65% FTSE TMX Canada 91-Day Treasury Bill Index and 0.35% Call Loan Rate. NBIMC staff closely monitor the activities of this fund, including executing and processing all transactions on behalf of the students.

3. Investments *(continued)*

NBIMC Canadian Equity Index Fund

This fund invests in physical securities and derivative strategies to gain exposure to various segments of the S&P/TSX Composite Index. Leverage on derivative products is avoided by ensuring each derivative product is supported by an appropriate value of short-term investments. The performance objective is to match the return of the S&P/TSX Total Return Composite Index over four year rolling periods.

NBIMC Low Volatility Canadian Equity Fund

This fund actively invests in securities to gain exposure to the MSCI Canada Minimum Volatility Index (pre-October 1, 2014 – the S&P/TSX Composite Index). The objective is to achieve a long-term rate of return equivalent to this index, net of fees, on an annualized four year rolling average.

NBIMC External Canadian Equity Fund

This fund is managed by external managers and invests in publicly traded Canadian equities. The performance objective is to add 150 basis points to its benchmark, the S&P/TSX Total Return Composite Index, over a four-year moving average.

NBIMC S&P/TSX Completion Index Fund

Managed by an external manager, this fund invests primarily in the companies of the S&P/TSX Completion Index. The performance objective is to exceed the performance of its benchmark, the S&P/TSX Completion Total Return Index, by 150 basis points, net of fees. Effective November 28, 2014, the assets of this fund were sold at fair value to the NBIMC Canadian Equity Index Fund and this fund was terminated.

NBIMC Canadian Equity Active Long Strategy Fund

This fund seeks to add value through prudent selection of individual securities and sector allocations through over and under weighting of the index. The performance objective is to add 150 basis points to its benchmark, the S&P /TSX Total Return Composite Index.

NBIMC External International Equity Fund

This fund is managed by external managers and invests in publicly traded equities in markets in Europe, Australasia and the Far East. The performance objective is to exceed the performance of the benchmark, which is a weighting of the respective country or regional indices (CAD$), by 150 basis points over a four-year moving average.

NBIMC EAFE Equity Index Fund

This fund invests in securities in the MSCI EAFE (Developed Markets) Index (CAD$). The objective is to achieve a rate of return equivalent to the MSCI EAFE (Developed Markets) Net Dividends.

NBIMC Low Volatility International Equity Fund

This fund actively invests in securities in the MSCI EAFE Minimum Volatility Total Return Index, Net (CAD$) (pre-October 1, 2014 – the MSCI EAFE (Developed Markets) Net Dividends Index (CAD$)). The objective is to achieve a long-term rate of return equivalent to this index, net of fees, on an annualized four year rolling average.

3. Investments *(continued)*

NBIMC U.S. Equity Index Fund

This fund passively invests in physical securities and derivatives to gain exposure to the S&P 500 Index. Leverage on derivative products is avoided by ensuring each derivative product is supported by an appropriate value of short-term investments. The performance objective is to match the return of the S&P 500 Total Return Index (CAD$).

NBIMC Low Volatility U.S. Equity Fund

This fund actively invests in securities to gain exposure to the MSCI U.S.A. Minimum Volatility Total Return Index, Net (CAD$) (pre-October 1, 2014 – the S&P 500 Total Return Index (CAD$)). The objective is to achieve a long-term rate of return equivalent to this index, net of fees, on an annualized four year rolling average.

NBIMC Inflation Linked Securities Fund

This fund invests primarily in fixed income instruments that are adjusted for inflation of G-7 countries. The performance objective is to add 10 basis points to its benchmark, the FTSE TMX Canada Real Return Bond Index, over a four-year moving average.

NBIMC Canadian Real Estate Fund

This fund invests in Canadian real estate investments, directly through a wholly-owned subsidiary, NBIMC Realty Corp., or indirectly through limited partnerships or similar investment vehicles. The benchmark is inflation, as measured by the percentage change in the twelve-month CPI-Canada All Items Index, plus 4%.

NBIMC Canadian Real Estate Investment Trust Fund

This fund invests in publicly-traded Canadian real estate investment trust securities. The performance objective is to match the return of the S&P/TSX Capped REIT Index.

NBIMC International Real Estate Fund

This fund is managed by an external manager that invests primarily in publicly traded securities of international Real Estate Investment Trusts (REITs). The performance objective is to add 150 basis points to the countries' blended REIT Equity Indices (CAD$), net of fees, over the long-term.

NBIMC Infrastructure Fund

This fund was created to provide additional investment diversification through direct investment in infrastructure through co-investment structures. The benchmark is inflation, as measured by the percentage change in the twelve-month CPI-Canada All Items Index, plus 4%.

NBIMC North American Market Neutral Fund

This fund focuses on adding value through security selection within its universe of the S&P/TSX Composite Index as well as certain publicly traded US-listed stocks. Favored securities are purchased and offset by a corresponding short position in another security within the same sector. The portfolio is supported by a cash underlay and its performance objective is to add 350 basis points annually over a four-year moving average basis to its benchmark. The benchmark is calculated as 93% of the FTSE TMX Canada 91-Day Treasury Bill Index and 7% of the Call Loan Rate.

3. Investments *(continued)*

NBIMC Quantitative Strategies Fund

This fund seeks to add value by investing in either long or short positions where announced mergers or dual class share structures present arbitrage potential. Short positions are supported by cash underlay. The objective is to add 350 basis points over its benchmark. The benchmark is calculated as 93% of the FTSE TMX Canada 91-Day Treasury Bill Index and 7% of the Call Loan Rate.

NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund

This fund invests in public and private equities or instruments convertible into equities of New Brunswick and Atlantic Canada companies. The performance objective is to achieve a 4% real rate of return over a long-term investment horizon.

NBIMC Private Equity Fund

This fund is managed by external managers that invest primarily in non-publicly traded securities of U.S. and European companies. The performance objective is to exceed the performance of its benchmark, a blend of the respective countries' total return indices (CAD$).

3. Investments *(continued)*

Following are details of unit trust holdings by the Trust:

($ thousands)	**Number of Units** *(rounded)*	**Unit Value** *(in dollars)*	**Fair Value December 31, 2014**	**Fair Value January 1, 2014**
Fixed Income:				
NBIMC Nominal Bond Fund	434,856	$ 2,493	$ 1,084,291	$ 947,714
NBIMC Corporate Bond Fund	890,656	1,163	1,035,933	425,230
NBIMC New Brunswick Fixed Income Opportunity Fund	2,891	2,970	8,586	8,547
NBIMC Money Market Fund	74,122	1,577	116,869	78,060
NBIMC Student Investment Fund	485	3,182	1,544	1,399
			2,247,223	1,460,950
Equities:				
NBIMC Canadian Equity Index Fund	200,260	3,058	612,352	657,169
NBIMC Low Volatility Canadian Equity Fund	194,215	1,396	271,125	126,941
NBIMC External Canadian Equity Fund	45,523	3,599	163,855	236,078
NBIMC S&P/TSX Completion Index Fund	—	—	—	113,468
NBIMC Canadian Equity Active Long Strategy Fund	92,142	1,302	119,976	129,455
NBIMC External International Equity Fund	85,803	1,729	148,367	144,727
NBIMC EAFE Equity Index Fund	401,090	1,228	492,369	774,564
NBIMC Low Volatility International Equity Fund	187,913	1,557	292,631	178,349
NBIMC U.S. Equity Index Fund	191,188	2,020	386,162	615,862
NBIMC Low Volatility U.S. Equity Fund	160,557	1,924	308,935	191,819
			2,795,772	3,168,432
Inflation Linked Assets:				
NBIMC Inflation Linked Securities Fund	100,800	3,403	342,981	513,364
NBIMC Canadian Real Estate Fund	39,838	3,517	140,121	117,191
NBIMC Canadian Real Estate Investment Trust Fund	114,573	1,105	126,642	115,715
NBIMC International Real Estate Fund	23,348	5,857	136,757	128,081
NBIMC Infrastructure Fund	43,180	1,298	56,061	52,368
			802,562	926,719
Alternative Investments:				
NBIMC North American Market Neutral Fund	117,391	1,289	151,260	86,479
NBIMC Quantitative Strategies Fund	237,858	1,294	307,844	122,381
NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund	3,443	4,561	15,701	16,161
NBIMC Private Equity Fund	109,578	2,145	235,007	181,187
			709,812	406,208
			$ 6,555,369	$ 5,962,309

4. Fair Value of Financial Instruments

Investments are valued at fair value with changes in fair values over time recognized in net investment income.

The determination of fair value is dependent upon the use of measurement inputs with varying degrees of subjectivity. The level of subjectivity can be classified and is referred to as the fair value hierarchy. The fair value hierarchy levels are:

Level 1 - Quoted market prices in active markets. This is considered to be the most reliable input for fair value measurement. A financial instrument is regarded as quoted in an active market if quoted prices are readily or regularly available from an exchange or prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 – Inputs (other than quoted prices included within Level 1) that are observable for the investment, either directly or indirectly. These inputs include quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, and inputs other than quoted prices that are observable for the investment. These are inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3 – Inputs that are unobservable that are used to measure fair value when observable inputs are not available. Unobservable inputs reflect subjective assumptions that market participants may use in pricing the investment.

The units held in each NBIMC unit trust fund are classified as a Level 2 investment since the units are priced based on each unit trust net asset value, which is observable, but the units are not traded in an active market.

5. Financial Instrument Risk Management

Financial instruments are exposed to risks such as market, interest rate, credit and liquidity risk.

Under its terms of reference, the PSSRP Board of Trustees has overall responsibility for understanding the principal risks facing the PSSRP. Accordingly, the PSSRP Board of Trustees is responsible for the establishment of a Statement of Investment Policies ("SIP") for the Trust. Day-to-day investment activities and monitoring of risk controls are delegated to NBIMC, which acts in accordance with the SIP. NBIMC produces quarterly reporting of investment performance, policy compliance, and trends and changes in investment risks for the Board of Trustees.

The Board of Trustees, using information from independent actuarial valuations as well as expectations concerning financial markets, is responsible for approval of a recommended investment asset mix that seeks to deliver the long-term investment returns necessary for the sustainability of the PSSRP. This process has the intent of achieving the maximum investment returns possible while meeting the risk management tests in the Funding Policy. The recommended strategic asset allocation is reviewed on at least an annual basis to ensure that it remains appropriate. Once approved, NBIMC is responsible for the implementation of the asset mix decision.

5. Financial Instrument Risk Management *(continued)*

(a) Market Risk: Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. Market risk includes foreign currency risk, interest rate risk and pricing risk among others. The principal lever for managing market risk is to invest in widely diversified countries, sectors, and issuers. The Trust holds investments in unit trust funds that invest in active and passive investment strategies and are diversified among domestic and international markets.

Investment strategies used by the unit trust funds may involve the use of financial derivatives such as forward foreign exchange contracts or total return swaps. Investment strategies also include "market neutral" strategies whereby an investment in a long position in one stock is matched with a short position in another stock, typically within the same industry sector. With the limited exception of prudent financing for investments in real property, the SIP for the Trust precludes the use of leverage in the investment portfolio. Accordingly, to the extent that there is market exposure from derivative investments and short positions, each unit trust fund will hold cash underlay equal to the amount of market exposure. Market neutral strategies help to mitigate market risk through adherence to maximum investment limits and stop-loss constraints and have a lower correlation to broad market indices.

NBIMC conducts certain of its investment activities in the unit trust funds on behalf of the Trust by trading through broker channels on regulated exchanges and in the over-the-counter market. Brokers typically require that collateral be pledged against potential market fluctuations when trading in derivative financial instruments or when shorting security positions. As at December 31, 2014, the fair value of securities that have been deposited or pledged with various financial institutions as collateral or margin on account was $263,537 (January 1, 2014 - $107,751) *(see also note 5(c))*.

Foreign currency risk arises from holding investments denominated in currencies other than the Canadian dollar. All of the Trust's investments are in Canadian dollar denominated unit trust funds managed by NBIMC, however certain of the unit trust funds invest in assets denominated in foreign currencies or domiciled in foreign jurisdictions. The SIP for the Trust permits hedging of foreign currency exposure at the portfolio manager's discretion. Approximately 30.3% (January 1, 2014 - 36.5%) of the Trust's underlying investments are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the U.S. dollar (16.5%; January 1, 2014 -19.2%) and the Euro (4.6%; January 1, 2014 - 6.0%).

A 1% increase or decrease in the value of the Canadian dollar against all other currencies with all other variables are held constant would result in an approximate decrease or increase in the value of the net investment assets at December 31, 2014 of $19,853 (January 1, 2014 - $21,751).

Interest rate risk refers to the effect on the market value of investments due to fluctuation of interest rates. The Trust invests in certain unit trust funds that invest in fixed income securities whose fair values are sensitive to interest rates. The SIP requires NBIMC to adhere to guidelines on duration and yield curve, which are designed to mitigate the risk of interest rate volatility.

If interest rates increased by 1%, and all other variables are held constant, the potential loss in fair value to the net investment assets at December 31, 2014 would be approximately $209,266 (January 1, 2014 - $233,468).

5. Financial Instrument Risk Management *(continued)*

Pricing risk is the risk that equity investments will change in value due to future fluctuations in market prices caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. The Trust is exposed to price risk associated with the underlying equity investments held in pools managed by NBIMC. If equity market prices indices declined by 1%, and all other variables are held constant, the potential loss at December 31, 2014 would be approximately $31,080 (January 1, 2014 - $33,426).

(b) Credit Risk: The Trust is exposed to credit-related risk in the event that a unit trust investment in a derivative or debt security counterparty defaults or becomes insolvent. NBIMC has established investment criteria which are designed to manage credit risk by establishing limits by issuer type and credit rating for fixed income and derivative credit exposure. NBIMC monitors these exposures monthly. Such derivative and short and long-term debt securities are restricted to those having investment grade ratings, as provided by a third party rating agency. In addition, each counterparty exposure is restricted to no more than 5% of total assets. Investment grade ratings are BBB and above for longer term debt securities and R-1 for short-term debt. Any credit downgrade below investment grade is subject to review by the Board of Trustees.

5. Financial Instrument Risk Management *(continued)*

The maximum credit exposure for the Trust as of December 31, 2014 and January 1, 2014 is as follows:

($ thousands)		December 31, 2014		January 1, 2014
Fixed Income				
NBIMC Nominal Bond Fund	$	1,026,941	$	937,488
NBIMC Corporate Bond Fund		968,883		416,889
NBIMC New Brunswick Fixed Income Opportunity Fund		8,586		8,547
NBIMC Money Market Fund		116,869		78,060
NBIMC Student Investment Fund		664		576
		2,121,943		1,441,560
Equities				
NBIMC Canadian Equity Index Fund		451,138		589,986
NBIMC Low Volatility Canadian Equity Fund		921		436
NBIMC External Canadian Equity Fund		84		159
NBIMC S&P/TSX Completion Index Fund		—		295
NBIMC Canadian Equity Active Long Strategy Fund		43,200		65,631
NBIMC EAFE Equity Index Fund		779		2,994
NBIMC Low Volatility International Equity Fund		960		662
NBIMC U.S. Equity Index Fund		613		1,232
NBIMC Low Volatility U.S. Equity Fund		723		343
		498,418		661,738
Inflation Linked Assets				
NBIMC Inflation Linked Securities Fund		337,541		505,798
NBIMC Canadian Real Estate Fund		6,346		—
NBIMC Canadian Real Estate Investment Trust Fund		618		434
NBIMC International Real Estate Fund		645		543
NBIMC Infrastructure Fund		5,160		5,061
		350,310		511,836
Alternative Investments				
NBIMC North American Market Neutral Fund		573		376
NBIMC Quantitative Strategies Fund		2,563		288
NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund		—		279
		3,136		943
Contributions receivable		21,948		17,730
Other receivables		26		65
Total	$	2,995,781	$	2,633,872

The quality of the maximum credit exposure is as follows:

($ thousands)		December 31, 2014		January 1, 2014
AAA	$	718,872	$	897,023
AA		962,450		804,236
A		801,154		612,527
BBB		270,295		106,818
R-1		193,918		207,931
Other		49,092		5,337
	$	2,995,781	$	2,633,872

The highest concentration of credit risk at each reporting date is with Government of Canada bonds.

5. Financial Instrument Risk Management *(continued)*

(c) Liquidity Risk: Liquidity risk is the risk of not having sufficient funds available to meet cash demands. Sources of liquidity include pension contributions collected from the employers and employees, cash and readily marketable assets such as government bonds and publicly traded securities. Uses of liquidity include payments to the plan beneficiaries, purchases of securities and settlement of prior commitments for private equity, real estate and infrastructure investments.

The Trust's asset mix is specifically designed to ensure that sufficient liquid assets are available to meet pension benefit obligations as they are required. Other than cash, treasury bills and bankers' acceptances, government bonds are considered the most liquid asset class whereas privately-held debt, equity, real estate and infrastructure investments are considered highly illiquid due to the lack of a readily available market and the longer term to maturity for these investments.

Net liquid assets are defined to include the fair value of all assets excluding private equity, private real estate, infrastructure, New Brunswick regional investments, the fair value of collateral pledged with brokers and counterparties and any unfunded investment commitments. The following table shows the determination of net liquid assets:

($ thousands)		**December 31, 2014**		**January 1, 2014**
Net assets available for benefits	$	6,567,345	$	5,976,535
Less: investment in NBIMC New Brunswick Fixed Income Opportunity Fund *(note 3)*		(8,586)		(8,547)
Less: investment in NBIMC Canadian Real Estate Fund *(note 3)*		(140,121)		(117,191)
Less: investment in NBIMC Infrastructure Fund *(note 3)*		(56,061)		(52,368)
Less: investment in NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund *(note 3)*		(15,701)		(16,161)
Less: investment in NBIMC Private Equity Fund *(note 3)*		(235,007)		(181,187)
Less: collateral pledged *(note 5(a))*		(263,537)		(107,751)
Less: investment commitments *(note 9)*		(200,333)		(193,179)
Net liquid assets	$	5,647,999	$	5,300,151

(d) Securities Lending: The Trust's SIP permits NBIMC to enter into a securities lending arrangement externally with their securities custodian or internally among the unit trust funds that NBIMC manages with the objective of enhancing portfolio returns.

Under the external program, the securities custodian, who is an independent third party, may loan securities owned by the unit trust funds to other approved borrowers in exchange for collateral in the form of readily marketable government-backed securities equal to at least 105% of the value of securities on loan and a borrowing fee. NBIMC has restricted the approved borrowers under the external securities lending program to manage exposure to counterparty credit risk. As at December 31, 2014, underlying securities in the amount of $629,223 (January 1, 2014 - $608,662) were loaned on behalf of the PSSRP.

Under the internal securities lending program, certain unit trust funds may loan securities to a borrowing unit trust fund subject to an intra-fund collateral management agreement and a borrowing fee. As at December 31, 2014, underlying securities in the amount of $32,788 (January 1, 2014 - $29,810) were loaned on behalf of the Trust and $45,638 (January 1, 2014 - $29,246) were borrowed.

6. Net Investment Income

Net investment income (loss) by unit trust fund for the year ended December 31, after allocating net gains (losses) on investments, is as follows:

($ thousands)	2014	2013 *(Unaudited)*
Fixed Income:		
NBIMC Nominal Bond Fund	$ 94,500	$ (16,399)
NBIMC Corporate Bond Fund	43,102	1,823
NBIMC New Brunswick Fixed Income Opportunity Fund	810	(161)
NBIMC Money Market Fund	1,258	503
NBIMC Student Investment Fund	145	84
	139,815	(14,150)
Equities:		
NBIMC Canadian Equity Index Fund	76,808	87,336
NBIMC Low Volatility Canadian Equity Fund	29,837	16,117
NBIMC External Canadian Equity Fund	27,368	33,219
NBIMC S&P/TSX Completion Index Fund	6,537	13,624
NBIMC Canadian Equity Active Long Strategy Fund	15,855	17,823
NBIMC External International Equity Fund	10,006	38,547
NBIMC EAFE Equity Index Fund	25,315	198,108
NBIMC Low Volatility International Equity Fund	21,828	38,061
NBIMC U.S. Equity Index Fund	122,939	219,791
NBIMC Low Volatility U.S. Equity Fund	56,301	49,975
	392,794	712,601
Inflation Linked Assets:		
NBIMC Inflation Linked Securities Fund	65,311	(66,398)
NBIMC Canadian Real Estate Fund	11,580	14,836
NBIMC Canadian Real Estate Investment Trust Fund	12,257	(5,127)
NBIMC International Real Estate Fund	46,681	13,997
NBIMC Infrastructure Fund	2,533	1,741
	138,362	(40,951)
Alternative Investments:		
NBIMC North American Market Neutral Fund	(793)	5,877
NBIMC Quantitative Strategies Fund	11,072	8,094
NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund	(406)	1,333
NBIMC Private Equity Fund	37,270	30,226
	47,143	45,530
Net investment income	$ 718,114	$ 703,030

7. Capital

The purpose of the PSSRP is to provide secure pension benefits to plan members and beneficiaries of the plan without an absolute guarantee, but with a risk-focused management approach delivering a high degree of certainty that base benefits can be met in the vast majority of potential future economic scenarios.

The primary focus is to provide a highly secure base lifetime pension at normal retirement age. However, the intention is that additional benefits may be provided depending on the financial performance of the Trust. The Funding Policy is the tool used by the Board of Trustees to manage the risks inherent in a shared risk plan. The Funding Policy sets out a primary and two secondary risk management objectives as follows:

(a) The primary objective is to achieve a 97.5% probability that the past base benefits at the end of each year will not be reduced over a 20-year period.

(b) The secondary objectives are:

(i) on average, provide contingent indexing on base benefits for services rendered on or before the conversion date that is in excess of 75% of the indexation provided under the pre-conversion plan over a 20-year period; and

(ii) on average, over a 20-year period provide other ancillary benefits that exceed 75% of the value of ancillary benefits described in the PSSRP Text at conversion.

The above risk management objectives are measured annually using an asset liability model with future economic scenarios developed using a stochastic process. The Funding Policy sets out the decisions to be made by the Board of Trustees. Depending upon the testing results, these decisions would involve either the funding excess utilization plan or the funding deficit recovery plan that will ensure future changes to contribution rates and benefits are made within the constraints of the above risk management objectives.

8. Related Party Transactions

The Trust is related to the Province of New Brunswick including its departments, agencies, school districts, regional health authorities, crown corporations (including NBIMC) and other crown entities. The Board of Trustees, consisting of an equal number of representatives of the employers and the employees, determines the amounts of contributions to and payments from the Trust.

All of the Trusts' investments included in the Statement of Net Assets Available for Benefits are in unit trust funds that are managed by NBIMC. The Trust has an undivided interest in the underlying assets of the unit trust funds *(see note 3)*. In addition, the NBIMC Canadian Real Estate Fund has made certain of its direct and indirect real estate investments using wholly-owned subsidiary company structures.

Included in the investments in the NBIMC unit trust funds are underlying investments in New Brunswick provincial and municipal bonds that are recorded at their fair values as at December 31, 2014 of $50,559 (January 1, 2014 - $35,965).

Contributions from employers and employees for the year ended December 31, 2014 and December 31, 2013 are as shown in the Statement of Changes in Net Assets Available for Benefits. Contributions receivable from the employers and employees as at December 31, 2014 and January 1, 2014 are as shown in the Statement of Net Assets Available for Benefits.

Payments to the Province of New Brunswick for benefits for the years ended December 31, 2014 and December 31, 2013 are as shown in the Statement of Changes in Net Assets Available for Benefits.

8. Related Party Transactions (continued)

Expenses related to pension administration paid to the Province of New Brunswick for the year ended December 31, 2014 were $3,034 (2013 (unaudited) - $3,125).

Investment management fees paid to NBIMC for the year ended December 31, 2014 were $6,853 (2013 (unaudited) - $5,849).

Accounts payable and accrued liabilities as at December 31, 2014 shown in the Statement of Net Assets Available for Benefits include fees payable to NBIMC in the amount of $1,033 (January 1, 2014 - $781), expenses related to pension administration payable to the Province of New Brunswick in the amount of $1,874 (January 1, 2014 - $254) and an amount payable to the Province of New Brunswick for over-contributions in the amount of $6,247.

9. Commitments

The NBIMC Canadian Real Estate Fund and the NBIMC Private Equity Fund have committed to enter into investments, which may be funded over the next several years in accordance with the terms and conditions agreed to in various partnership agreements. The Trust's share of unfunded commitments is:

($ thousands)		**December 31, 2014**		**January 1, 2014**
NBIMC Canadian Real Estate Fund	$	25,567	$	27,837
NBIMC Private Equity Fund		174,766		165,342
	$	200,333	$	193,179

10. Indemnification

The Board of Trustees has been named in an application seeking an order to protect the pre-conversion pension benefits of retirees and other claimants. Pursuant to the Agreement and Declaration of Trust, the Board of Trustees are entitled to be indemnified out of the assets of the Trust in respect of any liability, including defence costs, incurred in the performance of their duties as trustees. As a consequence, a request for indemnification may be made against the Trust although to date no such claim has been received and no indemnification payments have been made by the Trust. The contingent nature of these indemnification obligations prevents the Trust from making a reasonable estimate of the maximum potential payments that may be required.