New Brunswick Teachers' Pension Plan Fund
Financial Statements

December 31, 2015

KPMG LLP

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the New Brunswick Teachers' Pension Plan

We have audited the accompanying financial statements of New Brunswick Teachers' Pension Plan Fund (the Entity), which comprise the statement of net assets available for benefits as at December 31, 2015, 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 in accordance with the basis of accounting described 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 the 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, 2015, 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 and the Province of New Brunswick.

KPMG LLP

Chartered Professional Accountants

May 12, 2016
Fredericton, Canada

NEW BRUNSWICK TEACHERS' PENSION PLAN FUND
Statement of Net Assets Available for Benefits
(In thousands of Canadian dollars)
AS AT DECEMBER 31

	2015	2014
ASSETS		
Investments *(notes 3 and 4)*	$ 5,320,061	$ 5,056,706
Contributions receivable from employers *(note 8)*	7,295	5,927
Contributions receivable from employees *(note 8)*	1,706	1,167
Other receivable	8	18
Total assets	5,329,070	5,063,818
LIABILITIES		
Accounts payable and accrued liabilities *(note 8)*	2,770	2,336
NET ASSETS AVAILABLE FOR BENEFITS	$ 5,326,300	$ 5,061,482

See accompanying notes to financial statements.

NEW BRUNSWICK TEACHERS' PENSION PLAN FUND
Statement of Changes in Net Assets Available for Benefits
(In thousands of Canadian dollars)
YEAR ENDED DECEMBER 31

	2015	2014
INCREASE IN NET ASSETS		
Net investment income *(note 6)*	$ 422,159	$ 575,216
Employer pension contributions *(note 8)*	71,674	63,218
Employee pension contributions *(note 8)*	60,278	52,431
	554,111	690,865
DECREASE IN NET ASSETS		
Payments to Province of New Brunswick for benefits *(note 8)*	275,800	269,586
Payments to Province of New Brunswick for refunds and transfers *(note 8)*	3,059	2,950
Payments to Province of New Brunswick for administration expenses *(note 8)*	1,702	1,612
Direct administration expenses	156	26
Investment management fees *(note 8)*	8,576	8,201
	289,293	282,375
NET INCREASE FOR THE YEAR	264,818	408,490
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	5,061,482	4,652,992
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	$ 5,326,300	$ 5,061,482

See accompanying notes to financial statements.
Commitments *(note 9)*
Indemnification (*note 10*)
Subsequent events *(note 12)*

Approved on behalf of the Board of Trustees:

Larry Jamieson
Chairman

David Nowlan
Vice-Chair

YEAR ENDED DECEMBER 31, 2015

1. Description of the Pension Plan

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

On July 1, 2014, the defined benefit pension plan created by the *Teachers' Pension Act* ("TPA") was repealed and converted to the New Brunswick Teachers' Pension Plan ("NBTPP") pursuant to the *Teachers' Pension Plan Act* ("TPPA") of New Brunswick. The NBTPP 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 New Brunswick Teachers' Federation.

The primary purpose of the NBTPP is to provide pensions to eligible teachers after retirement and until death in respect of their service as teachers. A further purpose is to provide secure pension benefits to teachers without an absolute guarantee but with a risk-focused management approach delivering a high degree of certainty that full lifetime pensions will be payable in the vast majority of potential future economic scenarios.

All members of the TPA became members of the NBTPP. A future employee will become a member of the NBTPP on the first date of employment as a teacher.

Employee contribution rates of 7.3% of eligible earnings up to the Yearly Maximum Pension Entitlement ("YMPE") and 9.0% of eligible earnings in excess of the YMPE increased to 8.5% of eligible earnings up to the YMPE and 10.2% of eligible earnings in excess of the YMPE respectively, effective July 1, 2014. Each contribution rate will increase by 0.5% respectively each year until July 1, 2029, subject to adjustment as may be required under the limitations imposed by the Funding Policy from time to time.

Previously, the employer contributions were equal to the employees' contributions plus special payments as determined by an actuary. For the five years commencing July 1, 2014, the employer contribution rates are 11.5% up to the YMPE and 13.2% above the YMPE, subject to adjustment as may be required under the limitations imposed by the Funding Policy. For the next five years commencing July 1, 2019, the employer contribution rates will be 10.75% up to the YMPE and 12.45% above the YMPE, subject to adjustment under the Funding Policy. For the subsequent five years commencing July 1, 2024, the employer contribution rates will be 10.0% up to YMPE and 11.7% above the YPME, subject to adjustment under the Funding Policy.

On July 1, 2029, the required contribution amounts for teachers and the employers shall be equal. The contribution amounts shall be determined based on the average contribution rate produced by the formula of: (i) 9.25% of eligible earnings up to the YMPE and 10.95% of eligible earnings above the YPME for teachers who are plan members at the time, and (ii) 9.75% of earnings.

Pension benefits vest on the earliest of: (i) five years of employment as a teacher; (ii) two years of pensionable service; or (iii) two years of membership in the NBTPP and TPA. The normal retirement date is the first of the month following the later of attaining age 65 or the vesting date. Early retirement may be taken at the earliest of age 55 or 35 years of pensionable service or the sum of age plus years of pensionable service reaches 80 points (84 if the member became a teacher after July 1, 2014).

1. Description of the Pension Plan *(continued)*

A member's annual normal retirement pension ("lifetime pension") is equal to the sum of:

A. In respect of service before July 1, 2014, the product of:

(i) the number of years of the member's pensionable service before July 1, 2014, and

(ii) 1.3% of the annual average of the best five consecutive years of earnings at July 1, 2014, up to the annual average YMPE for 2014, 2013 and 2012, plus 2% of the excess of the annual average of the best five consecutive years of earnings at July 1, 2014 over the annual average YMPE for 2014, 2013 and 2012;

And

B. In respect of service from July 1, 2014, the sum of (i) and (ii) for each calendar year (or prorated for a portion thereof):

(i) 1.3% of the member's annualized earnings for the calendar year, up to the YMPE for the calendar year; and

(ii) 2.0% of the portion of the member's annualized earnings for the calendar year that are in excess of the YMPE for the calendar year.

Pensions accrued above are subject to regular indexing every January 1st following July 1, 2014 equal to 100% of the increase in the Consumer Price Index (CPI) (subject to a maximum of 4.75%) while the teacher is active, and equal to 75% of CPI (subject to a maximum of 4.75%) after the teacher's termination of employment, and contingent on the NBTPP's financial condition as outlined in the Funding Policy.

The normal form of pension is a pension payable in equal monthly instalments commencing on the member's pension commencement date and continuing throughout the lifetime of the member. For a member with a spouse or common-law partner at the time of the member's death, 50% of the member's pension (before application of reductions for early retirement) continues to such spouse or common-law partner. Should the member have dependent children at the time of his/her death, such dependent children may be entitled to a pension if there is no spouse or common-law partner or after the death of such spouse or common-law partner. A minimum amount of pension equal to the member's contributions with interest to retirement will be payable in total. Optional forms of pension are also available on an actuarially equivalent basis.

Early retirement is permitted as of the earliest of age 55, or 35 years of pensionable service or the age at which the member reaches 80 points (or 84 points if the member became a teacher after July 1, 2014).

On early retirement, an annual bridge benefit is payable in addition to the lifetime pension. The annual bridge benefit is payable to age 65 or to the death of the member, if earlier, and is equal to the sum of:

A. In respect of service before July 1, 2014, the product of:

(i) the number of years of the member's pensionable service before July 1, 2014, and

(ii) 0.7% of the annual average of the best five consecutive years of earnings at July 1, 2014 up to the annual average YMPE for 2014, 2013 and 2012;

And

B. In respect of service from July 1, 2014, for each calendar year (or prorated for a portion thereof), 0.7% of the member's annualized earnings for the calendar year up to the YMPE for the calendar year.

1. Description of the Pension Plan *(continued)*

The portions of the lifetime pension and bridge benefit accrued for service up to July 1, 2014 are unreduced if the pension and bridge commence payment upon or after fulfillment of one of the following criteria:

- Achievement of the 87 points rule (age plus years of pensionable service)
- Age 60 and 20 years of pensionable service
- 35 years of pensionable service
- Age 65, with 5 years of continuous service or 2 years of pensionable service or plan membership.

If payment commences before any of these criteria are met, the normal retirement pension and bridge benefit shall each be reduced by 5/12% per month that the pension and bridge commencement date precedes the first day of the month in which the criterion is met.

The portions of the lifetime pension and bridge benefit accrued for service on and after July 1, 2014 are reduced by 5/12% per month that the pension and bridge commencement date precedes the first day of the month following the first of the following events:

- Achievement of the 91 points rule
- Age 62 and 20 years of pensionable service
- 35 years of pensionable service
- Age 65, with 5 years of continuous service or 2 years of pensionable service or plan membership.

If a member terminates employment or dies prior to achieving 5 years of continuous service or 2 years of pensionable service or plan membership, the member is entitled to a refund of the total amount of his/her contributions to the NBTPP and the TPA, if any, with interest.

If a member terminates employment before age 55 but after achieving 5 years of continuous service or 2 years of pensionable service or plan membership, the member may elect to receive:

i. A deferred lifetime pension payable from the normal retirement date equal to the accrued pension to which the member is entitled as at his/her date of termination in accordance with the formula specified above for the normal retirement pension; or

ii. To transfer the termination value calculated in accordance with the TPPA, to a registered retirement savings arrangement as allowed under the *Pension Benefits Act*.

2. Significant Accounting Policies

(a) Accounting entity and basis of presentation

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

2. Significant Accounting Policies *(continued)*

(a) Accounting entity and basis of presentation (continued)

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 NBTPP Board of Trustees and the Province of New Brunswick. As a result, these financial statements may not be suitable for another purpose.

These financial statements have been prepared on a calendar year basis to conform with the Fund's deemed tax year end. These financial statements present the net assets and the changes in net assets available for benefits for the year ended December 31, 2015 with comparative information for the year ended December 31, 2014.

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 Fund to comply on a consistent basis with either International Financial Reporting Standards ("IFRS") in Part I of the CPA Handbook or with Canadian accounting standards for private enterprises in Part II of the CPA Handbook. The Fund 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, 2016.

(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) Classification, 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 Fund becomes a party to the contractual provisions of the instrument. A financial asset or liability is measured initially at fair value. Transaction costs are recognized in the Statement of Changes in Net Assets Available for Benefits as incurred.

Financial assets on initial recognition are required to be classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL) according to the business model used for managing them and their contractual cash flow characteristics. Financial liabilities are classified as measured at amortized cost unless they are measured at FVTPL.

The Fund makes an assessment of the objective of a business model because this best reflects the way the business is managed and information is provided. The information considered includes:

- the stated policies and objectives and the operation of those policies in practice. In particular, whether strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- how performance is evaluated and reported;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

2. Significant Accounting Policies *(continued)*

(c) Financial instrument (continued)

- how managers of the business are compensated – e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

All investments of the Fund consist of units of New Brunswick Investment Management Corporation ("NBIMC") unit trust funds. The investments are managed and their performance is evaluated on a fair value basis. As such, the Fund classifies all investments as FVTPL with changes in the fair value being recognized in net investment income in through the Statement of Changes in Net Assets Available for Benefits.

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 Fund'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 underlying securities in the NBIMC unit trust funds that are traded in active markets (such as exchange-traded derivatives, 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 Fund's financial assets and financial liabilities such as contributions and other receivables and accounts payable and accrued liabilities are subsequently 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 Fund assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Fund 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.

2. Significant Accounting Policies *(continued)*

(c) Financial instruments (continued)

(ii) Derecognition

The Fund 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.

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 Fund 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 Fund.

(e) Use of estimates and judgments

The preparation of the Fund'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 ongoing 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 Fund 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 interest, dividends, and 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) Changes in accounting policies

The Fund has early adopted IFRS 9 – *Financial Instruments.* There were no impacts to previously reported financial results as a result of early adopting this accounting standard.

For an explanation of how the Fund classifies financial assets and liabilities under IFRS 9, see Note 2 (c)(i).

3. Investments

The Fund invests in certain pooled unit trust funds established by NBIMC, the investment manager for the Fund. Each unit trust fund has a specific investment mandate. Investing in the unit trust funds enables the Fund to achieve its required asset class weights in accordance with its Statement of Investment Policies ("SIP"). Following is a description of each unit trust fund in which an interest is held by the Fund during the year ended December 31, 2015:

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 rolling 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 rolling average.

NBIMC New Brunswick Fixed Income Opportunity Fund

This fund invests primarily in fixed income issued 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 rolling 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 T-Bill Index and 7% of the One-day Canadian 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/TSX60 Total Return Index, 45% FTSE TMX Canada All Government Bond Index, 4.65% FTSE TMX Canada 91 Day T-Bill Index and 0.35% One-day Canadian Call Loan Rate. NBIMC staff closely monitor the activities of this fund, including executing and processing all transactions on behalf of the students.

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.

3. Investments *(continued)*

NBIMC Low Volatility Canadian Equity Fund

This fund actively invests in securities to gain exposure to the MSCI Canada Minimum Volatility Total Return Index, Gross (pre-October 1, 2014 – the S&P/TSX Total Return 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 rolling 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 overweighting and underweighting 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 (EAFE). The performance objective is to add 150 basis points net of fees to its benchmark, the MSCI EAFE Total Return Index in $C, Net, over a four-year rolling average.

NBIMC EAFE Equity Index Fund

This fund invests in securities in the MSCI EAFE Total Return Index in $C, Net. The objective is to achieve a rate of return equivalent to this index, net of fees.

NBIMC Low Volatility International Equity Fund

This fund actively invests in securities in the MSCI EAFE Minimum Volatility (USD) Total Return Index, Net (pre-October 1, 2014 – the MSCI EAFE (Developed Markets) Net Dividends Index in $C). 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 Low Volatility Emerging Markets Equity Fund

This fund was created on February 18, 2015 to actively invest in securities in the MSCI Emerging Markets Minimum Volatility (USD) Total Return Index in $C, Net. 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 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 in $C.

3. Investments *(continued)*

NBIMC Low Volatility U.S. Equity Fund

This fund actively invests in securities to gain exposure to the MSCI USA Minimum Volatility (USD) Total Return Index in $C, Net (pre-October 1, 2014 – the S&P 500 Total Return Index in $C). 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 rolling average.

NBIMC Canadian Real Estate Fund

This fund invests in private 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 average 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 Total Return 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 in $C, net of fees, over the long-term.

NBIMC Non-Canadian Private Real Estate Fund

This fund was created on December 19, 2014 to invest in private non-Canadian real estate investments directly 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 Public Infrastructure Fund

This fund was created on April 27, 2015 to provide additional investment diversification by providing infrastructure-like exposure with enhanced liquidity. The benchmark is inflation, as measured by the percentage change in the twelve-month average CPI-Canada All Items Index, plus 4%.

NBIMC Infrastructure Fund

This fund was created to provide additional investment diversification through direct investment in infrastructure through co-investment structures. The performance objective is to achieve a 4% real rate of return over a long-term investment horizon.

NBIMC North American Market Neutral Fund

This fund focuses on adding value through security selection within its universe of the S&P/TSX Total Return 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 T-Bill Index and 7% of the One-day Canadian 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 T-Bill Index and 7% of the One-day Canadian 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 in $C.

NBIMC Asset Mix Strategy Fund

This fund was created on June 26, 2015 to add value through active asset mix decisions by the NBIMC's internal Asset Mix Strategy Committee. The objective is to add 10 basis points of absolute return.

3. Investments *(continued)*

Following are details of unit trust holdings by the Fund:

($ thousands)	**Number of Units** *(rounded)*	**Unit Value** *(in dollars)*	**Fair Value 2015**	**Fair Value 2014**
Fixed Income				
NBIMC Nominal Bond Fund	303,281	$ 2,586	$ 784,232	$ 821,187
NBIMC Corporate Bond Fund	694,704	1,196	830,810	353,101
NBIMC New Brunswick Fixed Income Opportunity Fund	2,040	3,121	6,368	6,671
NBIMC Money Market Fund	57,948	1,592	92,256	109,887
NBIMC Student Investment Fund	528	3,107	1,641	1,681
			1,715,307	1,292,527
Equities				
NBIMC Canadian Equity Index Fund	106,385	2,810	298,914	630,513
NBIMC Low Volatility Canadian Equity Fund	195,639	1,342	262,557	106,996
NBIMC External Canadian Equity Fund	18,266	3,451	63,039	201,433
NBIMC Canadian Equity Active Long Strategy Fund	58,238	1,165	67,857	92,324
NBIMC External International Equity Fund	47,966	2,138	102,558	115,914
NBIMC EAFE Equity Index Fund	152,136	1,462	222,439	—
NBIMC EAFE Equity Index Fund – Class N	—	—	—	575,995
NBIMC Low Volatility International Equity Fund	174,458	1,992	347,527	—
NBIMC Low Volatility International Equity Fund – Class N	—	—	—	143,812
NBIMC Low Volatility Emerging Markets Equity Fund	174,857	908	158,828	—
NBIMC U.S. Equity Index Fund	142,062	2,445	347,387	496,567
NBIMC Low Volatility U.S. Equity Fund	147,859	2,435	359,994	159,423
			2,231,100	2,522,977
Inflation-Linked Assets				
NBIMC Inflation-Linked Securities Fund	76,702	3,506	268,933	464,310
NBIMC Canadian Real Estate Fund	31,693	3,880	122,965	108,115
NBIMC Canadian Real Estate Investment Trust Fund	87,589	1,056	92,517	97,689
NBIMC International Real Estate Fund	19,470	7,203	140,243	153,976
NBIMC Non-Canadian Private Real Estate Fund	9,267	940	8,713	—
NBIMC Public Infrastructure Fund	12,349	971	11,989	—
NBIMC Infrastructure Fund	42,041	1,409	59,220	45,301
			704,580	869,391
Alternative Investments				
NBIMC North American Market Neutral Fund	109,341	1,289	140,982	73,697
NBIMC Quantitative Strategies Fund	209,091	1,358	283,874	103,463
NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund	2,992	4,742	14,185	12,510
NBIMC Private Equity Fund	80,756	2,780	224,505	182,141
			663,546	371,811
Tactical Asset Allocation				
NBIMC Asset Mix Strategy Fund	5,671	975	5,528	—
			$ 5,320,061	$ 5,056,706

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 NBTPP Board of Trustees has overall responsibility for understanding the principal risks facing the NBTPP. Accordingly, the NBTPP Board of Trustees is responsible for the establishment of a Statement of Investment Policies ("SIP") for the Fund. The most recent SIP was approved by the Board of Trustees on May 12, 2016. 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 return necessary for the sustainability of the NBTPP. 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.

(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 level for managing market risk is to invest in widely diversified countries, sectors and issuers. The Fund holds investments in unit trust funds that invest in active and passive investment strategies and are diversified among domestic and international markets.

5. Financial Instrument Risk Management *(continued)*

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 Fund 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 Fund 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, 2015, the fair value of securities that have been deposited or pledged with various financial institutions as collateral or margin on account was $222,665 (2014 - $111,129) *(see note 5(c))*.

Foreign currency risk arises from holding investments denominated in currencies other than the Canadian dollar. All of the Fund’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 Fund permits hedging of foreign currency exposure at the portfolio manager’s discretion. Approximately 35.6% (2014 – 35.9%) of the Fund’s underlying investments are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the U.S. dollar of 20.3% (2014 – 19.8%) and the Euro of 4.2% (2014 – 5.5%).

A 1% absolute increase or decrease in the value of the Canadian dollar against all currencies with all other variables held constant would result in an approximate decrease or increase in the value of the net investment assets at December 31, 2015 of $18,947 (2014 – $18,159).

Interest rate risk refers to the effect on the market value of investments due to fluctuation of interest rates. The Fund 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, 2015 would be approximately $161,592 (2014 – $167,990).

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 Fund is exposed to price risk associated with the underlying equity investments held in pools managed by NBIMC. If equity market price indices declined by 1%, and all other variables are held constant, the potential loss at December 31, 2015 would be approximately $23,628 (2014 – $27,852).

5. Financial Instrument Risk Management *(continued)*

(b) Credit Risk: The Fund 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.

The quality of the credit exposure at December 31 is as follows:

($ thousands)		**2015**		**2014**
AAA	$	557,817	$	694,691
AA		586,160		734,958
A		687,114		482,733
BBB		237,680		95,407
R-1		154,673		170,761
Other		24,306		22,972
	$	2,247,750	$	2,201,522

The highest concentration of credit risk at each year end is with Government of Canada bonds.

(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 as well as redemption of investments in unit trust funds. Uses of liquidity include payments to the plan beneficiaries, plan service providers and purchases of investments in unit trust funds.

The Fund'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, the most liquid asset class is government bonds 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, private infrastructure, New Brunswick regional investments, and the Fund's proportionate share of the fair value of collateral pledged with brokers and counterparties and any unfunded investment commitments.

5. Financial Instrument Risk Management *(continued)*

The following tables show the determination of net liquid assets as at December 31:

($ thousands)	2015	2014
Net assets available for benefits	$ 5,326,300	$ 5,061,482
Less: investment in NBIMC New Brunswick Fixed Income Opportunity Fund *(note 3)*	(6,368)	(6,671)
Less: investment in NBIMC Canadian Real Estate Fund *(note 3)*	(122,965)	(108,115)
Less: investment in NBIMC Non-Canadian Private Real Estate Fund *(note 3)*	(8,713)	—
Less: investment in NBIMC Infrastructure Fund *(note 3)*	(59,220)	(45,301)
Less: investment in NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund *(note 3)*	(14,185)	(12,510)
Less: investment in NBIMC Private Equity Fund *(note 3)*	(224,505)	(182,141)
Less: collateral pledged *(note 5(a))*	(222,665)	(111,129)
Less: investment commitments *(note 9)*	(184,431)	(155,179)
Net liquid assets	$ 4,483,248	$ 4,440,436

(d) Securities Lending: The Fund'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, 2015, underlying securities in the amount of $616,535 (2014 – $505,545) were loaned on behalf of the Fund.

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, 2015, underlying securities in the amount of $41,619 (2014 – $28,164) were loaned on behalf of the Fund and $41,397 (2014 – $18,210) 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)	2015	2014
Fixed Income		
NBIMC Nominal Bond Fund	$ 30,864	$ 74,523
NBIMC Corporate Bond Fund	10,104	26,727
NBIMC New Brunswick Fixed Income Opportunity Fund	330	633
NBIMC Money Market Fund	1,269	1,019
NBIMC Student Investment Fund	(40)	157
	42,527	103,059
Equities		
NBIMC Canadian Equity Index Fund	(37,243)	59,232
NBIMC Low Volatility Canadian Equity Fund	(7,274)	19,717
NBIMC External Canadian Equity Fund	(4,051)	20,523
NBIMC S&P/TSX Completion Index Fund	—	5,214
NBIMC Canadian Equity Active Long Strategy Fund	(8,000)	12,320
NBIMC External International Equity Fund	23,809	7,906
NBIMC EAFE Equity Index Fund	247,885	—
NBIMC EAFE Equity Index Fund – Class N	(148,661)	23,152
NBIMC Low Volatility International Equity Fund	93,332	—
NBIMC Low Volatility International Equity Fund – Class N	(44,596)	14,702
NBIMC Low Volatility Emerging Markets Equity Fund	6	—
NBIMC U.S. Equity Index Fund	85,524	105,655
NBIMC Low Volatility U.S. Equity Fund	54,944	39,296
	255,675	307,717
Inflation-Linked Assets		
NBIMC Inflation-Linked Securities Fund	19,354	55,712
NBIMC Canadian Real Estate Fund	11,432	8,961
NBIMC Canadian Real Estate Investment Trust Fund	(4,309)	9,534
NBIMC International Real Estate Fund	31,275	52,891
NBIMC Non-Canadian Private Real Estate Fund	(383)	—
NBIMC Public Infrastructure Fund	(10)	—
NBIMC Infrastructure Fund	4,114	2,061
	61,473	129,159
Alternative Investments		
NBIMC North American Market Neutral Fund	1,080	(1,037)
NBIMC Quantitative Strategies Fund	7,655	7,410
NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund	531	(324)
NBIMC Private Equity Fund	53,796	29,232
	63,062	35,281
Tactical Asset Allocation		
NBIMC Asset Mix Strategy Fund	(578)	—
Net investment income	$ 422,159	$ 575,216

7. Capital

The capital of the NBTPP is represented by the net assets available for benefits. The primary focus of the NBTPP is to provide pensions to eligible teachers after retirement and until death in respect of their service as teachers. A further purpose is to provide secure pension benefits to teachers without an absolute guarantee but with a risk-focused management approach delivering a high degree of certainty that full lifetime pensions will be payable in the vast majority of potential future economic scenarios. The pension obligations of the NBTPP are not presented or discussed in these special purpose fund financial statements.

The Funding Policy is the tool used by the Board of Trustees to manage risks inherent in this pension plan. The Funding Policy sets out a funding goal and a risk management goal as follows:

(a) The funding goal is to achieve a closed group funding ratio of 100% plus a contingency reserve of 10% for a total of 110% when measured against the funding liabilities at the valuation date.

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

The above funding goal and risk management goal are measured at least triennially 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 contributions rates and benefits are made within the constraints of the above funding goal and risk management goal.

The NBTPP is required to file an actuarial valuation of the pension obligations and audited pension plan financial statements with the New Brunswick Superintendent of Pensions triennially under the *Teachers' Pension Plan Act*.

8. Related Party Transactions

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

All of the Fund's investments included in the Statement of Net Assets Available for Benefits are in unit trust funds that are managed by NBIMC. The Fund 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, 2015 of $29,384 (2014 – $38,291).

Contributions from employers and employees are presented in the Statement of Changes in Net Assets Available for Benefits. Contributions receivable from employers and employees are presented in the Statement of Changes in Net Assets Available for Benefits.

Payments to the Province of New Brunswick for benefits, refunds and transfers are presented in the Statement of Changes in Net Assets Available for Benefits.

Expenses related to pension administration paid to the Province of New Brunswick are presented in the Statement of Changes in Net Assets Available for Benefits.

Investment management fees paid to NBIMC in the amount of $5,396 (2014 – $5,236) are included in the investment management costs in the Statement of Changes in Net Assets Available for Benefits.

8. Related Party Transactions *(continued)*

At December 31, 2015 amounts owing to NBIMC for fees payable of $1,026 (2014 – $870) and pension administration expenses payable to the Province of New Brunswick of $952 (2014 – $687) are included in accounts payable and accrued liabilities.

9. Commitments

The NBIMC Canadian Real Estate Fund, the NBIMC Non-Canadian Private Real Estate Fund, NBIMC Infrastructure Fund and the NBIMC Private Equity Fund have committed to enter into investments that may be funded over the next several years in accordance with the terms and conditions agreed to in various partnership agreements. The Fund's share of unfunded commitments as at December 31 is:

($ thousands)		**2015**		**2014**
NBIMC Canadian Real Estate Fund	$	15,607	$	19,727
NBIMC Non-Canadian Private Real Estate Fund		12,229		—
NBIMC Infrastructure Fund		17,854		—
NBIMC Private Equity Fund		138,741		135,452
	$	184,431	$	155,179

10. Indemnification

Pursuant to the Agreement and Declaration of Trust, a first lien and charge against the assets of the Fund is provided as indemnification to the Board of Trustees against any liability incurred, including defence costs. The Fund may be required to compensate these individuals in the event of a claim being made against them. The contingent nature of these indemnification obligations prevents the Fund from making a reasonable estimate of the maximum potential payments that may be required. The Fund has not received any claims or made any payments pursuant to such indemnifications.

11. Comparative information

Certain comparative information has been reclassified from those previously presented to conform to the presentation of the 2015 financial statements.

12. Subsequent Events

On July 28, 2015, the NBTPP, together with the Board of Trustees for the Public Service Shared Risk Plan (PSSRP), signed a Memorandum of Understanding to work together to create an Integrated Pension Services Organization to pursue a best practice governance model for the pension plans. On March 29, 2016, an *Act to Implement Strategic Program Review Initiatives* was tabled in the New Brunswick Legislature that will repeal the *New Brunswick Investment Management Corporation Act* and continue NBIMC as a not-for-profit entity under a new name, Vestcor Investment Management Corporation (Vestcor Investments), effective October 1, 2016. On March 31, 2016, a private bill, the *Vestcor Act,* was also tabled in the Legislature to create a not-for-profit holding company, Vestcor Corp., which will be initially governed equally by the NBTPP and the PSSRP. This legislation will also transfer the employees of the Pension and Employee Benefits Division of the Department of Human Resources into a newly created not-for-profit entity, Vestcor Pension Services Corporation (Vestcor Services) also effective October 1, 2016. Vestcor Corp. will fulfill the oversight responsibilities for Vestcor Investments and Vestcor Services. This new structure will ensure that these pension service providers will continue to provide efficient and cost effective services for all of their respective clients. This legislation is expected to receive Royal Assent in July 2016 with an effective date of October 1, 2016.