Grant Thornton

Financial Statements

Pension Plan for Certain Bargaining Employees of New Brunswick Hospitals

December 31, 2010

Contents

Independent auditor's report

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To the Pension Committee of the Pension Plan for Certain Bargaining Employees of New Brunswick Hospitals

We have audited the accompanying financial statements of the Pension Plan for Certain Bargaining Employees of New Brunswick Hospitals which comprise the statement of accrued pension benefits and net assets available for benefits as at December 31, 2010, and the statement of changes in net assets available for benefits for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's

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Independent auditors' report (Cont'd)

internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the accrued pension benefits and net assets available for benefits of the Pension Plan for Certain Bargaining Employees of New Brunswick Hospitals as at December 31, 2010, and the changes in net assets available for benefits for the year then ended in accordance with the Canadian generally accepted accounting principles.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the pension plan's accrued pension benefits exceed its net assets available for benefits by $265,486,578.

This situation, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the pension plans ability to continue as a going concern.

Grant Thornton LLP

Fredericton, NB
June 3, 2011

Chartered accountants

Pension Plan For Certain Bargaining Employees of New Brunswick Hospitals
Statement of Accrued Pension Benefits and Net Assets Available for Benefits

December 31,	2010	2009
Accrued Pension Benefits		
Actuarial value of accrued pension benefits (Note 7)	**$ 1,406,755,000**	$ 1,275,005,000
Assets		
Receivables - contributions	**7,404,748**	7,439,508
Prepaid expenses	**935**	880
Investments, held by custodian (Note 5)	**1,135,706,191**	1,005,501,185
	1,143,111,874	1,012,941,573
Liabilities		
Payables	**954,092**	973,585
Pension refunds payable	**585,285**	336,974
Commuted value refund payables (Note 12)	**304,075**	-
	1,843,452	1,310,559
Net assets available for benefits	**1,141,268,422**	1,011,631,014
Deficiency of net assets available for benefits over actuarial value of accrued pension benefits	**$ (265,486,578)**	$ (263,373,986)

ON BEHALF OF THE COMMITTEE

See accompanying notes to the financial statements.

Pension Plan For Certain Bargaining Employees of New Brunswick Hospitals
Statement of Changes in Net Assets Available for Benefits

Year Ended December 31,	**2010**	2009
Increase in net assets		
Contributions		
Employee	**$ 26,294,216**	$ 25,167,425
Employer	**25,600,790**	24,437,967
Reciprocal transfers	**1,670,042**	3,682,847
	53,565,048	53,288,239
Investment income (Note 8)	**32,048,116**	29,252,689
Realized gain (loss) on sale of investments	**7,250,475**	(18,734,049)
Unrealized current period change in market value of investments	**76,069,214**	156,462,640
	115,367,805	166,981,280
Total increase in net assets	**168,932,853**	220,269,519
Decrease in net assets		
Benefit payments		
Pension payroll	**30,565,429**	27,413,480
Pension refunds	**2,369,263**	5,481,008
Marriage breakdown	**278,617**	97,522
Reciprocal transfers	**38,411**	27,957
Phased retirement	**1,016,760**	757,717
	34,268,480	33,777,684
Fees and expenses		
Performance measurement service	**75,070**	75,281
Custodial fees	**135,228**	167,501
Investment management fees	**2,537,224**	2,091,079
Administration expenses (Note 10)	**1,419,862**	1,175,186
Transaction costs	**859,581**	1,109,294
	5,026,965	4,618,341
Total decrease in net assets	**39,295,445**	38,396,025
Net increase in assets	**129,637,408**	181,873,494
Net assets available for benefits, beginning of year	**1,011,631,014**	829,757,520
Net assets available for benefits, end of year	**$ 1,141,268,422**	$ 1,011,631,014

See accompanying notes to the financial statements.

Pension Plan For Certain Bargaining Employees of New Brunswick Hospitals
Notes to the Financial Statements
December 31, 2010

1. Going Concern

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

However, several adverse conditions and events cast substantial doubt upon the validity of this assumption. The Pension Plan has incurred significant deficiency in net assets available for benefits in the amount of $265,486,578.

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

The Pension Committee has made an application to the Court for advice and direction under the New Brunswick Rules of Court in an effort to clarify the Pension Committee’s position and authority regarding future actions to address the pension plan’s long-term sustainability. The Pension Committee is receiving advice on this matter from legal and actuarial counsel and discussions to address the present pension/funding shortfall are ongoing.

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

2. Description of Plan

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

(a) General

The plan is a defined benefit pension plan, covering full-time employees of New Brunswick Regional Health Authorities who are members of the New Brunswick Nurses Union or the New Brunswick Union of Public and Private Employees (Specialized Health Care Professional and Paramedical). It is recognized that while the pension plan is defined benefit in nature, employer and employee contributions are also defined in the Plan, and employer contributions cannot be changed except through future collective bargaining. The benefits as defined in the pension plan may be modified from time to time by the Pension Committee upon advice from the Plan’s actuary, and in some cases, with the approval of the Board of Management.

(b) Funding policy

Contributions are made by the Plan member and Plan sponsor to fund the benefits determined under the plan. The determination of the value of the benefits is made on the basis of an actuarial valuation.

2. Description of Plan (Continued)

(c) Pension benefits

Normal retirement pension is 2% of the annual average of the member's earnings during the period of five consecutive years in which earnings are highest, for service before January 1, 1990. For service after December 31, 1989, retirement pension is the difference between 2% of the annual average of the member's earnings during the period of five consecutive years in which earnings are highest and 0.7% of the average annual earnings during the period of five consecutive years in which earnings are highest and which are not in excess of the Annual Average YMPE. Pension benefits are indexed annually according to the consumer price index increase to a maximum of 4%.

A member who elects to take an early retirement will also receive a temporary bridging benefit payable to age 65 equal to $27 per month per year of pensionable service credit from April 1, 1971.

A member may elect from one of six optional forms of pensions being: 1) life pension with no guarantee period; 2) life pension with guaranteed period of 5 years; 3) life pension with guaranteed period of 10 years; 4) joint life and last survivor pension at 50%; 5) joint life and last survivor pension at 66 2/3% or 6) joint life and last survivor at 100%.

Normal retirement age is 65. Unreduced pension benefits are available at age 60 with 5 years of continuous employment. Reduced benefits are available at age 55 with 5 years of continuous employment.

(d) Disability pensions

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

(e) Death benefits

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

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

If a member dies after retirement, the death benefit payable is determined in accordance with the specific terms of the type of pension, which the member elected.

2. Description of Plan (Continued)

(f) Benefits on termination

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

A member who terminates with more than five years of continuous employment on or after April 1, 1981, and has not attained age 55, may elect to receive a deferred pension commencing on his normal retirement date or an amount equal to the Commuted Value of the deferred pension as at the date of the member's termination. The Commuted Value of the deferred pension is to be transferred on a locked-in basis to any registered retirement savings arrangement where the transfer is allowed under the Pension Benefits Act. A member who terminates after April 1, 1985, and has attained age 55, is entitled to a reduced pension commencing between the ages of 55 and 60 or an unreduced pension at age 60.

A member whose date of termination of employment precedes July 1, 1997 may elect to receive a refund of the member's own contributions with accumulated interest.

(g) Income taxes

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

(h) Reciprocal transfer agreements

The Board of Management may enter into a reciprocal agreement with any "approved employer" which operates a superannuation or pension fund. Effective March 31, 2001, the Board of Management entered into a reciprocal transfer agreement between this Plan and the Pension Plan for Part Time and Seasonal Employees of the Province of New Brunswick.

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3. Summary of significant accounting policies

(a) Basis of presentation

These financial statements are prepared on a going concern basis and present financial information for the Pension Fund of the Pension Plan For Certain Bargaining Employees of New Brunswick Hospitals. The Fund is established pursuant to a Trust Agreement dated January 1, 1975. The Agreement provides that the Fund shall be used exclusively for the purpose of establishing and maintaining the Pension Plan for Certain Bargaining Employees of New Brunswick Hospitals.

(b) Contributions

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

3. Summary of significant accounting policies (Continued)

(c) Investments

Investments are carried at fair value. The fair value of investments is based on closing market quotations as of December 31.

Effective January 1, 2009 the Plan adopted the recent amendments to the Canadian Institute of Chartered Accountants ("CICA") 3862, Financial Instruments - Disclosures. Disclosures about fair value of Financial Instruments, required the disclosure of the estimated fair value of financial instruments. The fair value of financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquation sale. The Fund's financial statements are recorded at fair value or at amounts that approximates fair value in the financial statements.

(d) Use of estimates

In preparing the Pension Plan's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of receipts and disbursements during the period. Significant areas requiring the use of estimates relate to the actuarial value of accrued pension benefits and fair value measurement of certain investments and related disclosures. Actual results could differ from these estimates.

4. Change in accounting policies

Future Accounting Standards

The Canadian Accounting Standards Board (AcSB) has confirmed that 1 January 2011 will be the date that international Financial Reporting Standards (IFRS) and accounting standards for private enterprises (ASPE) will replace current Canadian Standards and become Canadian generally accepted accounting principles (GAAP). To effect this change, the AcSB has approved a new structure for the CICA Handbook that will consist of separate sets of accounting standards including IFRS, ASPE and Pension Plans.

Section 4600 Pension Plans will replace existing accounting standards for pension plans for fiscal years beginning on or after January 1, 2011. The Pension Plan will be reviewing these new standards to determine what impact, if any, they have on future reporting periods.

5. Investments, held by custodian	**2010**	2009
Investments		
Short term	**$ 43,631,677**	$ 49,161,781
Fixed income	**344,466,181**	350,326,600
Equities	**743,692,338**	602,135,450
Accrued income	**2,598,693**	2,484,529
Cash	**3,777,822**	2,118,189
Commitments	**(2,460,520)**	(729,580)
Derivatives	**-**	4,216
	$1,135,706,191	$1,005,501,185

Fair value

The Plan has designated all of their investments to be held for trading. Accordingly, investments are valued at fair value with changes in fair values over time recognized in net income. The determination of fair value is dependent upon the use of measurement inputs with varying degrees of subjectivity. Quoted market prices are the most reliable input for fair value measurement and are referred to as a Level 1 input. Level 2 inputs include prices of comparable investments where a quoted market price for the specific security is not available. Level 3 inputs are subjective factors not observable in a public market. The levels of input for valuation of the Plan's investments are shown in the following tables.

The following fair value hierarchy table presents information about the Plan's assets measured at fair value on a recurring basis as of December 31, 2010.

	Level 1	Level 2	Level 3	**Total**
Equities	$ 691,602,825	$ -	$ -	**$ 691,602,825**
Fixed income	133,691,893	207,835,314	27,662	**341,554,869**
Cash and short term investments	6,513,240	40,796,330	99,930	**47,409,500**
Hedge fund	-	-	52,540,304	**52,540,304**
	831,807,958	248,631,644	52,667,896	**1,133,107,498**
Accrued Income				**2,598,693**
Total investments				**$1,135,706,191**

A reconciliation of the changes during the year for those investments that are measured at fair value using level 3 input are as follows:

	2010
Balance beginning of year	**$ 27,693**
Purchases	**99,930**
Sales	**-**
Net transfer into and/or out of level 3	**52,540,304**
Change in unrealized appreciation (depreciation)	**(31)**
Balance end of year	**$ 52,667,896**

5. Investments, held by custodian (Continued)

The following fair value hierarchy table presents information about the Plan's assets measured at fair value on a recurring basis as of December 31, 2009.

	Level 1	Level 2	Level 3	**Total**
Equities	$ 597,073,294	$ -	$ -	**$ 597,073,294**
Fixed income	147,717,075	202,580,509	27,693	**350,325,277**
Cash and short term investments	4,457,779	46,822,190	-	**51,279,969**
Derivatives - options, futures, and forwards	-	4,216	-	**4,216**
Hedge fund	4,333,900	-	-	**4,333,900**
	753,582,048	249,406,915	27,693	**1,003,016,656**
Accrued Income				**2,484,529**
Total investments				**$1,005,501,185**

6. Risk management

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

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

Credit risk

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

6. Risk management (Continued)

As at December 31, 2010, the Plan invested in debt instruments with the following credit ratings:

Debt instrument by credit rating	Percentage of value 2010	2009
AAA	42.62%	44.53%
AA	16.61%	15.43%
A	13.37%	14.86%
BBB	8.63%	9.07%
BB	1.12%	0.77%
B	0.72%	1.53%
CCC	0.01%	0.19%
Not Rated	3.88%	0.49%
Short Term Investments		
R-1 (High)	7.84%	7.95%
R-1 (Middle)	2.65%	3.49%
R-1 (Low)	0.00%	0.23%
Not Rated	2.31%	0.67%
Assets held within managers' fixed income pooled funds		
Cash	0.14%	0.68%
Canadian Equity	0.04%	0.05%
US Equity	0.06%	0.06%

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

Interest rate risk

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

6. Risk management (Continued)

As at December 31, 2010, the Plan's exposure to debt instruments by maturity and the impact on net assets had the yield curve shifted in parallel by 25 basis points with all other variables held constant ("sensitivity analysis"), is as follows:

Debt instruments by maturity date	Market Values 2010	Market Values 2009
Less than 1 year	**$ 92,509,402**	$ 84,452,583
1-3 years	**95,270,453**	98,099,763
3-5 years	**32,660,675**	43,199,456
Greater than 5 years	**168,507,855**	175,180,195
Other	**916,400**	-
	$389,864,785	$400,931,997
Sensitivity	**$ 3,908,601**	$ 4,381,260

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

Currency risk

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

The Plan is exposed to the following currencies:

	2010		2009	
	Currency Exposure ($)	**Percentage of Net Assets (%)**	Currency Exposure ($)	Percentage of Net Assets (%)
US Dollar	**$ 117,659,122**	**10.37**	109,157,288	10.86
Euro	**41,852,543**	**3.69**	49,878,991	4.96
Japanese Yen	**17,248,162**	**1.52**	18,351,521	1.83
Pounds Sterling	**6,411,257**	**0.57**	10,615,977	1.06
Swiss Franc	**6,336,849**	**0.56**	6,423,459	0.64
Hong Kong Dollar	**5,721,054**	**0.50**	5,985,637	0.60

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

6. Risk management (Continued)

As at December 31, 2010, if the Canadian dollar strengthened or weakened by 1% in relation to the respective exchange rates, with all other variables held constant, net assets would have an increase or decrease, respectively, of approximately $1,952,290 (2009 - $2,004,129).

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

Liquidity risk

Liquidity risk is the risk that the plan does not have adequate liquid resources to meet its present payment demands and to purchase investments in a timely and cost-efficient manner. Liquidity risk is a normal part of Plan operations but can be heightened by market events or investment specific circumstances.

The hedge fund is the only significant or unusual liquidity risk known at present to the Plan. The Plan's investment in the hedge fund represents 4.63% of the total investments (0.43% in 2009). The hedge fund may not have sufficient cash available to pay out redemption requests on a particular date. To reduce this liquidity risk exposure, the hedge fund has implemented a 40 day redemption notice period for investors. Shares of the hedge fund generally may be redeemed on the first day of the month with 40 calendar day's prior written notice.

Other price risk

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

Note 5 classifies securities by market segment.

The impact on net assets of the Plan due to a 1 percent change in the benchmark, using historical correlation between the Plan's return as compared to the Plan's benchmark return, with all other variables held constant, as at December 31, 2010 is estimated to be 0.90%, or $10,231,134 (2009 - 0.89%, or $8,992,136).

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

7. Obligation for Pension Benefit

The present value of accrued pension benefits was determined using the projected benefit method prorated on service as agreed upon between the actuary and the pension committee. An actuarial valuation was made as of 1 January 2010 by Morneau Shepell, a firm of consulting actuaries, and was then extrapolated to 31 December 2010.

7. Obligation for Pension Benefit (Continued)

The assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long term market conditions. The actuarial value of net assets available for benefits has been determined at amounts that reflect long term market trends (consistent with assumptions underlying the valuation of accrued pension benefits). Significant long-term assumptions used in the valuation are:

	Long-term Assumptions
Rate of return on assets	6.60%
Salary increases Pre 2010	3.00%
2011-2013	0.00%
Post 2013	3.25%
Inflation	2.50%
Rate of pension escalation after retirement	2.50%

The projection of liabilities as at 31 December and the principal components of changes in liabilities during the year, were as follows:

	2010	2009
Liabilities, as at beginning of the year	**$ 1,275,005,000**	$1,157,671,000
Experience loss due to change in assumptions and Membership demographics	**24,149,000**	17,754,000
Employee and employer regular contributions	**51,202,000**	48,876,000
Employee and employer contributions for past service	**693,000**	729,000
Employee and employer contributions transferred in from reciprocal transfer	**1,670,000**	3,683,000
Balance of current service cost	**1,862,000**	1,788,000
Benefit payments	**(34,268,000)**	(33,778,000)
Interest on liabilities	**85,744,000**	77,579,000
Interest on net increases for the year	**698,000**	703,000
Liabilities, as at end of year	**$ 1,406,755,000**	$1,275,005,000

8. Investment income

	2010	2009
Canadian equities	**$ 11,616,017**	$ 10,179,695
Foreign equities	**4,702,064**	3,112,641
Fixed income	**15,428,324**	15,141,524
Short term investment	**150,444**	631,610
Securities lending income	**151,267**	187,219
Total investment income	**$ 32,048,116**	$ 29,252,689

9. Investment in Plan Sponsor

As at December 31, 2010, the Plan held $4,993,816 in securities issued by the Province of New Brunswick.

As at December 31, 2009, the Plan held $4,286,497 in securities issued by the Province of New Brunswick.

10. Administration expenses

	2010	2009
Administration fees	$ 811,868	$ 754,691
Audit fees	15,550	22,950
Actuarial and related consulting	138,769	185,513
Legal fees	453,675	212,032
	$ 1,419,862	$ 1,175,186

11. Capital management

The Plan employs a capital management plan, a Statement of Investment Policy and Goals ("SIP&G"), that is reviewed annually by the Pension Committee. The SIP&G, which establishes policies for management of its investments, dictates the Plan's approach to growth, credit quality and profitability objectives. The overall objectives in investing the assets of the Plan are to preserve and enhance the value of capital through adequate diversification in high quality investments and achieve the highest investment return that can be obtained within the level of risk acceptable to the Pension Committee. The following description of the SIP&G is a summary only. For more information, reference should be made to the SIP&G document.

Subject to limitations, the SIP&G's investment guidelines outline that the Pension fund may invest in any or all of the following asset categories and subcategories of investments either directly or through pooled funds, which hold only these investments; Canadian Equity, Foreign Equity, Fixed Income and Cash or Cash Equivalents and various alternative investments including hedge funds, real estate commodities, infrastructure and private equity. The proportion of investment in each asset class is subject to restrictions including maintaining the following asset mix; 0% - 20% investment in short term securities, 21% - 51% investment in Canadian equities, 14% - 34% investment in international equities (including US equities), 25% - 48% investment in fixed income, and 2%-8% in hedge funds.

11. Capital management (Continued)

The Pension Fund or any portion allocated to any Fund Manager must be well diversified across industry sectors and capitalization ranges. No one equity holding shall represent more than 10% of the book value of the aggregate of the Canadian, US or International equity portfolio. Policy guidelines have been established to ensure the Pension Plan holds fixed term investments with a credit rating of BBB or higher. Investments with a credit rating of BB or lower, up to a maximum of 5% of bond portfolio, may be held but only with prior approval of the Pension Committee. Investments in BBB bonds is permitted up to 15% of the bond portfolio. Investments in any one corporate issue may not exceed 10% of the total bond component, except for securities of or fully guaranteed by the government of Canada or a province of Canada having at least an A rating on the Dominion Bond Rating Service (DBRS) or equivalent credit rating. Short-term securities will be limited to those of the highest quality to minimize risk, namely those with a minimum rating of R1.

The SIP&G outlines the acceptable target asset allocation range to be managed by each manager. The maximum target allocation to any one manger is 30%. The manager asset allocation percentages are monitored quarterly and managers are rebalanced back to the maximum allocation, if necessary.

Changes were made to the SIP&G effective September 1, 2010 and again effective January 1, 2011.

12. Commuted value refund payables

Due to the plan's current funding deficiencies, a motion was passed at the September 15, 2009 pension committee meeting to apply a transfer ratio to future commuted value payouts. As determined by the valuation, the percentage to be paid at termination is 47.1% and the remaining balance is to be paid 5 years from the initial payout.

13. Comparative figures

Certain of the comparative figures have been reclassified to conform with the presentation adopted for the year ending December 31, 2010.