

# ANNUAL REPORT 2015

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PUBLIC SERVICE SHARED RISK PLAN

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**Public Service Shared Risk Plan  
Annual Report 2015**

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Pensions and Employee Benefits Division  
Department of Human Resources  
P.O. Box 6000  
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Canada

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# Glossary

**COLA** – Cost of Living Adjustment, also known as indexation.

**NBIMC** – New Brunswick Investment Management Corporation, the investment manager for the PSSRP.

**PEBD** – Pensions and Employee Benefits Division, a division located in the provincial Department of Human Resources that manages the day-to-day operation of the PSSRP.

***Pension Benefits Act*** – provincial legislation that governs the Public Service Shared Risk Plan, and other pension plans in New Brunswick.

***PSSA*** – *Public Service Superannuation Act*, the defined benefit pension plan that predated the PSSRP.

**PSSRP** – Public Service Shared Risk Plan, the shared risk plan created upon conversion of the *PSSA*.

**PSSRP Trust** – the pension fund for the PSSRP.

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# Chairperson Letter

On behalf of the Board of Trustees I am pleased to present the 2015 Annual Report for the Public Service Shared Risk Plan (PSSRP).

It has been another exciting year for the Plan, with significant planning and effort to prepare for changes in 2016, some of which have already taken place. Most significantly, the work accomplished in 2015 by the Board, the benefits administrator and the investment manager set the stage for the creation of Vestcor Corp. This integrated pension, employee benefit and investment management services organization will operate independently from government and is in keeping with the practices already being adopted in many other Canadian jurisdictions.

Your Board recognized that the previous governance structure could be improved, and together with the trustees for the New Brunswick Teachers' Pension Plan, created this new organization. Legislation making this possible was passed on July 8, 2016 and the target date for activating the new structure is October 1, 2016.

As you have been advised in newsletters and on the Plan's website, the transition will be absolutely seamless for Plan members and beneficiaries.

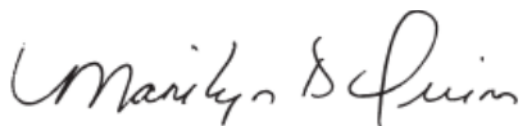
Another Board initiative in 2016 is a name change. Your plan is now officially the New Brunswick Public Service Pension Plan. Your Board embarked on a process of building its mission and vision for the future and an early decision was to simplify the name of the pension plan.

The previous name will be used in this annual report because that was the official name for business conducted in 2015.

In 2015, the Plan achieved a positive rate of return on investments of 7.37% (gross of investment management expenses), generating \$481.2 million in net additional investment income. The total net assets for the Plan reached \$6.93 billion and, as of December 31, 2015, the Plan was 106.9% funded.

Your Board will continue to operate in a transparent manner and will ensure you are informed of all developments which impact your plan. We thank the benefits administrator and investment manager for the high-quality of their ongoing work.

Sincerely,



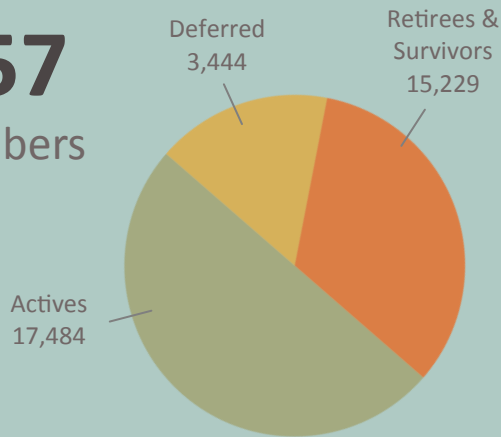
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Marilyn Quinn  
Chair

September 1, 2016  
Fredericton, New Brunswick

## A Look at the PSSRP *as of December 31, 2015*

**36,157**  
total members



BENEFITS PAID  
OUT IN 2015

**\$346.0**  
million



CONTRIBUTIONS  
Active Members

**\$96.8**  
million



ACTIVE MEMBERS



Average Age: 46.9 years

Average Salary: \$66,324

Average Service: 13.1 years

RETIREES & SURVIVORS



Average Age: 70.9 years

Average Pension: \$22,811

CONTRIBUTIONS  
Employers

**\$141.0**  
million



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# PSSRP Governance

## Board of Trustees

The Board of Trustees is responsible for the overall governance and administration of the PSSRP in accordance with the *Pension Benefits Act* and the governing documents. These duties include setting the levels of contributions and benefits in accordance with the Funding Policy, granting indexation on benefits (cost of living adjustments, or “COLA”), and oversight of the pension benefits administration and the investment management.

The Board is composed of an equal number of employee and employer appointees. Three trustees are appointed by the provincial government, one of whom must be a pre-conversion retiree, and three are appointed by the unions which have signed the Memorandum of Understanding (MOU). Two observers are also appointed, one by the CUPE locals which have signed the MOU and one by the New Brunswick Union (NBU). These observers are able to attend board meetings, but do not have voting powers.

The Board was established in January 2014, and as of December 31, 2015, this initial board was still in place:

### Trustees

- Marilyn Quinn, Chair – President, New Brunswick Nurses Union
- Leonard Lee-White, Vice-Chair – Assistant Deputy Minister, Department of Finance
- Ross Galbraith – Business Manager, International Brotherhood of Electrical Workers Local 37
- Mark Gaudet – Assistant Deputy Minister, Department of Transportation and Infrastructure
- Ernest MacKinnon – Retired CEO, NBIMC, and former provincial Deputy Minister
- Susie Proulx-Daigle – President, NBU

### Observers

- Odette Robichaud – President, CUPE Local 1840
- Leigh Sprague – Legal Counsel for NBU



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### ***Fiduciary Duty***

The trustees appointed to this board hold a fiduciary duty towards the Plan, meaning they do not represent the party who appointed them, rather, they must act in the best interest of the PSSRP and its members at all times when administering the affairs of the Plan.

Trustees are entrusted with the property of another person; in this case, it consists of the pensions and related benefits of the Plan's members. Trustees are required by law to place the interests of the Plan and its members above their own, and conduct themselves with the highest standards of integrity, honesty, independence, fairness, openness and competence.

Failure by any of the trustees to properly exercise their fiduciary duty, e.g., not disclosing or addressing conflicts of interest, can result in disciplinary actions, revocation of the trustee appointment, or even civil or criminal prosecution.

### ***Board Education***

Members of the Board are required to regularly participate in continuing education programs in order to be effective in their trustee work and make the best decisions for the Plan and its members. The continuing education is designed to enhance their knowledge and understanding of pension governance, administration and investments.

The Board receives ongoing education through the regular collection of news and articles of interest, structured presentations at board meetings as well as appropriate conferences and seminars. In 2015, the Board received presentations on information technology systems and controls used by PEBD and NBIMC, real estate and infrastructure investment strategy, and stress testing analysis for risk management scenarios. The Board also participated in an education day facilitated by Keith Ambachtsheer, a leading pension governance expert, on trustee and board effectiveness, and fiduciary duty.

### ***Board Expenses***

Members of the Board who are not otherwise paid by their sponsoring party to participate in meetings and educational activities receive a per diem of \$250. In addition, all reasonable expenses incurred by the trustees and observers in order to attend meetings and participate in educational activities are reimbursed. In 2015, one trustee was eligible to receive per diems, and one trustee and one observer were reimbursed for travel expenses. The PSSRP is also responsible for half of the meeting fees incurred by the Transitional Board of the Vestcor Corp., as per the Memorandum of Understanding signed by the PSSRP and the NBTPP Boards of Trustees; the NBTPP Board of Trustees is responsible for the other half of these costs. Total board expenses for 2015 were \$21,368 and were paid by the PSSRP Trust.

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### *Board Meeting Attendance*

Trustees are expected to attend board meetings and the meetings of the committees of which they are a member. The following table indicates the number of meetings held in 2015 and the attendance of the trustees and observers.

TRUSTEE / OBSERVER	BOARD	AUDIT COMMITTEE	GOVERNANCE COMMITTEE
MARILYN QUINN	6/6	2/3	–
LEONARD LEE-WHITE	6/6	3/3	–
ROSS GALBRAITH	5/6	–	4/4
MARK GAUDET	6/6	3/3	–
ERNIE MACKINNON	6/6	–	4/4
SUSIE PROULX-DAIGLE	4/6	–	3/4
ODETTE ROBICHAUD (OBSERVER)	4/6	–	–
LEIGH SPRAGUE (OBSERVER)	5/6	–	–

For a summary of the Board of Trustees' activities in 2015, see Appendix B on [page 22](#).

## PSSRP Board of Trustees

**Marilyn Quinn**  
Chair  
Audit Committee

**Mark Gaudet**  
Trustee  
Audit Committee

**Odette Robichaud**  
Observer

**Leonard Lee-White**  
Vice-Chair  
Chair of Audit Committee

**Ernest MacKinnon**  
Trustee  
Chair of Governance Committee

**Leigh Sprague**  
Observer

**Ross Galbraith**  
Trustee  
Governance Committee

**Susie Proulx-Daigle**  
Trustee  
Governance Committee



**Governance**  
Committee

**Audit**  
Committee



## Service Providers

**Investment  
Management Services**  
*New Brunswick  
Investment Management  
Corporation*



**Administration  
Services**  
*Pensions and Employee Benefits*



**Actuary in 2015**  
*Morneau Shepell*



**Auditor in 2015**  
*KPMG*



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## Governing Documents

The PSSRP is governed by a number of important documents that serve to guide the Board of Trustees in its oversight of the Plan.

**Agreement and Declaration of Trust of the Public Service Shared Risk Plan:** The Agreement and Declaration of Trust came into effect on January 1, 2014, the conversion date to the PSSRP. This document ensured that the PSSA pension fund continues as a trust under the PSSRP. The document also outlines the powers and duties of the Board of Trustees as Plan Administrator.

**Public Service Shared Risk Plan Text:** The PSSRP Text describes the detailed provisions of the Plan as it applies to eligibility, contribution and benefit calculations, retirement, as well as to the Funding Policy, Investment Policy, and risk management framework required by the *Pension Benefits Act*. Any amendment to the PSSRP Text must be voted by the Board of Trustees, registered with the Superintendent of Pensions, and communicated to members of the Plan.

**Funding Policy:** The Funding Policy is the tool used by the Board of Trustees to manage the risks inherent in the PSSRP. It provides guidance and rules regarding decisions that may have to be made by the Board of Trustees based on the results of the annual actuarial funding valuation and risk management tests.

The Board is required to regularly monitor the economic and demographic environment and update the Funding Policy or recommend its amendment. Confirmation of the annual review of the Funding Policy must be submitted to the Superintendent of Pensions.

**Statement of Investment Policies:** The Statement of Investment Policies outlines the investment policy for the PSSRP Trust, taking into account that it must be managed in a way that provides secure pension benefits in the vast majority of economic scenarios.

The Statement of Investment Policies details the asset mix of the PSSRP Trust (how the pension fund is to be invested) and the benchmarks against which the investment returns are measured. It must be reviewed annually by the Board, and the confirmation of this review must be submitted to the Superintendent of Pensions.

For a list of amendments made to the governing documents in 2015, please see Appendix A on page 21. Updated versions of these documents are available online at: [www.gnb.ca/pssrp](http://www.gnb.ca/pssrp).

## A New Name - New Brunswick Public Service Pension Plan

In 2016, the Board of Trustees embarked on a process of building its mission and vision for the future and, as part of this process, decided to simplify the name of the pension plan. In April of 2016, the Board voted to rename the Plan as the **New Brunswick Public Service Pension Plan (NBPSPP)**.

The previous name will be used in this annual report because that was the official name for business conducted in 2015. However, future reports and materials will use the new name.

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# Operation of the PSSRP

## *Administration Services*

The day-to-day administration of the PSSRP is handled by the Pensions and Employee Benefits Division (PEBD) of the provincial Department of Human Resources (now part of the Treasury Board) under a renewable two-year contract. The division collects employee contributions, pays out benefits in accordance with the plan provisions, and helps members understand their entitlements. The division also provides benefits counselling, prepares annual statements for each member, communicates with the members and stakeholders through newsletters and other products, and prepares regulatory submissions to the Superintendent of Pensions.

During 2015, the division worked with the Board of Trustees to:

- Improve the Key Performance Indicators committed to under the Service Level Agreement;
- Continue a major IT project started the previous year to update the pensions administration system that is used to maintain member accounts and perform calculations;
- Initiate work on a webinar version of the plan information sessions;
- Prepare and distribute two newsletters to plan members;
- Develop a four-minute video providing an overview of the Plan. The video was delivered in early 2016 and was cost-shared with two other pension plans; and
- Develop a set of Frequently Asked Questions (FAQ's) and responses which were posted online in early 2016.

## *Investment Management Services*

The New Brunswick Investment Management Corporation (NBIMC) is the investment manager for the PSSRP, as outlined in a five-year, renewable service agreement. NBIMC is responsible for the implementation of the PSSRP Statement of Investment Policies.

NBIMC also provides investment advice by using its asset/liability modelling and risk management capabilities to project the specific pension plan cash flow data and portfolio optimization tools to model the risks and returns of potential investment strategies. From this work, NBIMC develops recommendations for an asset mix which is presented to the Board of Trustees for review and approval.

NBIMC receives employers' and employees' pension contributions collected by PEBD and invests them in NBIMC Unit Trust Funds (also known as "pooled funds") according to the PSSRP Statement of Investment Policies. NBIMC also transfers sufficient funds to PEBD to fund the monthly pension benefit payment requirements.

Further information on NBIMC, its services, and NBIMC pooled funds is available at [www.nbimc.com](http://www.nbimc.com).

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### ***Actuarial Services***

An actuary is an expert in the mathematics of finance, statistics and risk theory. The *Pension Benefits Act* requires that the PSSRP undergo an annual actuarial valuation for funding purposes by a professionally accredited actuary. The Board of Trustees approves the actuarial assumptions used for the valuation.

The actuary is also engaged to periodically provide an actuarial valuation of the pension plan on a going concern basis (i.e., assumes the Plan continues to operate normally) and on a solvency basis (i.e., the Plan is assumed to be wound up on the valuation date) in accordance with standards set by the Canadian Institute of Actuaries. To prepare this report, the actuary obtains current membership data from PEBD and asset mix information from the investment manager.

Morneau Shepell was appointed as the actuary for the PSSRP for the 2015 plan year.

### ***Auditing Services***

The auditor is responsible to express an opinion as to whether the financial statements of the PSSRP have been presented fairly by conducting an audit in accordance with Canadian generally accepted auditing standards.

KPMG was selected as the auditor for the PSSRP for the 2015 plan year.

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## Cost of Administering the PSSRP

A key concern for the Board of Trustees is the cost of administering the PSSRP. Costs include pension administration costs incurred by PEBD for collecting the contributions and administering the pension benefits, costs incurred by NBIMC for investing the pension fund assets as well as costs incurred by the Board itself (see page 5). By entering into the service provider agreements with NBIMC and PEBD, the Board ensured that the pension plan would continue to benefit from their expertise and experience, at a reasonable cost.

The total costs to administer the PSSRP and manage the \$6.9 billion of PSSRP Trust assets for the year ended December 31, 2015 were approximately 0.202% or 20.2 basis points (bps) and consist of the following:



The audited plan statements for the PSSRP for the year ended December 31, 2015 are provided on [page 25](#).

### *Cost per Member*

PEBD is a member of Quantitative Services Measurement (QSM), a national pension administrators benchmarking organization. QSM includes six other pension plan administrations from across Canada who benchmark service levels and costs. In 2015, PEBD was the second lowest cost service provider among the group, at a cost of \$93 per member.

# 2015 PSSRP Highlights

## FUNDING POLICY VALUATION RATIO

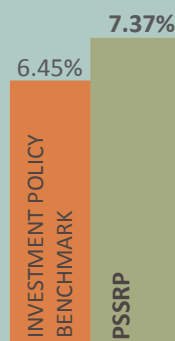
(page 14)

**106.9%**



## 2015 INVESTMENT

PERFORMANCE (page 19)



## 15-YEAR OPEN GROUP FUNDED RATIO

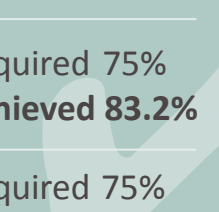
(page 15)

**125.4%**



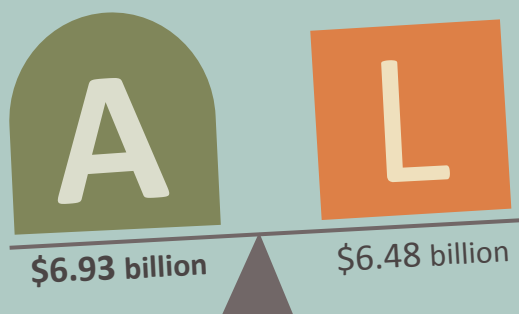
## RISK MANAGEMENT GOALS (page 16)

Primary Goal	Required 97.5% <b>Achieved 98.55%</b>
Secondary Goal 1	Required 75% <b>Achieved 83.2%</b>
Secondary Goal 2	Required 75% <b>Achieved 97.7%</b>



## ASSETS vs. LIABILITIES (page 13)

as of Dec. 31, 2015



## COST OF LIVING

ADJUSTMENT (COLA) (page 15)

Consumer Price Index 1.40%

**COLA TO BE PROVIDED**

**1.40%**





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# 2015 Plan Valuation

The purpose of the PSSRP is to:

Provide secure pension benefits to members after retirement, and to their beneficiaries.

Focus on managing risks so that there is a high degree of certainty that full base benefits will be provided.

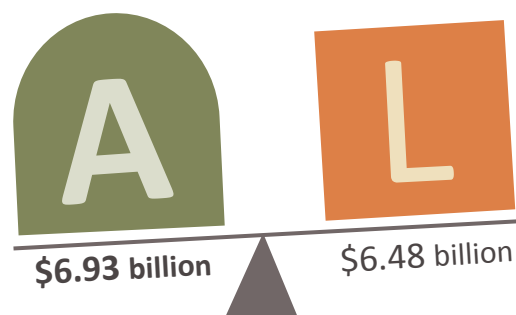
Provide future cost of living adjustments for current and future retirees to the extent that funds are available.

Each year, the Board of Trustees retains an independent actuarial firm to prepare a valuation of the Plan (also referred to as an actuarial valuation, or a funding policy valuation). The valuation compares the amount of money in the pension plan (i.e., Plan's Assets) with an estimate of the total value of benefits earned by active members and retirees (i.e., Plan's Liabilities) at a moment in time.

An estimate of the Plan's Liabilities is calculated by the actuary using a number of economic assumptions (e.g., interest rates) and demographic assumptions (e.g., life expectancy).

## ASSETS vs. LIABILITIES

*as of Dec. 31, 2015*



The most recent Actuarial Valuation Report was prepared as of January 1, 2016 and reviewed and approved by the Board of Trustees on June 29, 2016. The *Pension Benefits Act* requires that the funding status of the Plan be measured on two separate bases as part of the valuation.

It is important to note that annual employee and employer contributions that are being made to the PSSRP exceed the normal cost (i.e., cost of one year of service in the Plan). The additional contributions are used to enhance benefit security and to provide for future indexing.

<b>EXCESS CONTRIBUTIONS</b>	
	<b>% OF TOTAL PAYROLL</b>
FUNDING POLICY VALUATION NORMAL COST CONTRIBUTIONS	12.19%
MEMBERS	8.25%
EMPLOYER'S INITIAL CONTRIBUTIONS	11.25%
EMPLOYERS' TEMPORARY CONTRIBUTION (FOR 5 YEARS FROM JAN. 1/14)	0.50%
EMPLOYERS' TEMPORARY CONTRIBUTION (FOR 10 YEARS FROM JAN. 1/14)	0.75%
TOTAL	20.75%
<b>EXCESS CONTRIBUTIONS</b>	<b>8.56%</b>

The funding policy valuation compares the fair market value of the Plan's Assets to the Plan's Liabilities. The Plan's Liabilities are based on the benefits earned up to December 31, 2015, and it assumes the Plan continues indefinitely.

<b>FUNDING POLICY VALUATION</b>	
	<b>DECEMBER 31, 2015 \$ IN MILLIONS</b>
MARKET VALUE OF ASSETS	\$6,926.7
FUNDING POLICY ACTUARIAL LIABILITIES	
ACTIVE MEMBERS	\$2,287.3
RETIREES AND SURVIVORS	3,962.4
DEFERRED VESTED MEMBERS	225.9
OUTSTANDING REFUND	1.5
TOTAL FUNDING POLICY ACTUARIAL LIABILITIES	\$6,477.1
FUNDING POLICY VALUATION EXCESS	\$449.6
<b>FUNDED RATIO</b>	<b>106.9%</b>

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### **15-Year Open Group Funded Ratio**

This funding ratio compares the fair market value of the Plan's Assets, plus the present value of excess contributions over the next 15 years, to the Plan's Liabilities.

The Plan's Liabilities are based on the benefits earned up to December 31, 2015, and assumes the plan continues indefinitely. This is an important ratio as it is used to determine the actions, such as granting indexing, to be taken by the Board of Trustees under the Plan's Funding Policy.

The PSSRP has to be in a deficit position (less than 100% funded) for two consecutive years before any action is required under the PSSRP Funding Policy. However, if this does occur the PSSRP Board of Trustees must take action to address the deficit.

The PSSRP is deemed to be in a surplus position when the open group funded ratio exceeds 105%. When this occurs, the PSSRP Board of Trustees is able to use 1/6<sup>th</sup> of the surplus that exists between 105% and 140% funded and 100% on any surplus that exists above 140% funded.

With the open group funded ratio at 125.4% as of December 31, 2015, the PSSRP was found to be in a position to provide a full cost of living adjustment (COLA) to Plan members. The 2016 adjustment is 1.40%, and is based on the increase in the average of the Consumer Price Index (Canada) for the 12-month period ending the preceding June. The cost of living adjustment will be applied on January 1, 2017.

	DECEMBER 31, 2015 \$ IN MILLIONS
MARKET VALUE OF ASSETS	\$6,926.7
PRESENT VALUE OF EXCESS CONTRIBUTIONS OVER NEXT 15 YEARS	<u>\$1,197.6</u>
TOTAL ASSETS WITH EXCESS CONTRIBUTIONS	\$8,124.3
FUNDING POLICY ACTUARIAL LIABILITIES	\$6,477.1
<b>15-YEAR OPEN GROUP FUNDED RATIO</b>	<b>125.4%</b>

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## Risk Management Results

As a shared risk plan, the PSSRP is required to undergo a series of annual risk management tests to ensure its security and ability to provide long-term benefits to its members. The results of these tests may cause the need for short-term adjustments in any one year to help preserve the long-term financial health of the Plan.

The Risk Management Goals are outlined in the PSSRP Funding Policy. The Plan's actuary has confirmed that the PSSRP has successfully passed these tests as part of its annual actuarial report as of January 1, 2016.

**PRIMARY RISK MANAGEMENT GOAL:** Achieve at least 97.5% probability that benefits earned would not be reduced over the next 20 years.

**2015 RESULT:** 98.55%



**SECONDARY RISK MANAGEMENT GOAL #1:** Provide assumption that PSSRP members and retirees will receive 75% of the Consumer Price Index (CPI) over the next 20 years.

**2015 RESULT:** 83.2%



**SECONDARY RISK MANAGEMENT GOAL #2:** Provide assumption that 75% of ancillary benefits (ex. early retirement subsidy) will be provided over the next 20 years.

**2015 RESULT:** 97.7%

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# PSSRP Investment Performance

The objectives for the investment strategy are to:

Preserve the value of the Pension Fund, and provide the best possible long-term real return on investments while continuing to achieve the risk management goals as set out in the Funding Policy.

In other words, the target asset mix laid out in the SIP (policy portfolio) may experience uneven returns from year-to-year consistent with general economic and investment cycles, but a diversified portfolio of long-term assets will partially mitigate the variability of the returns.

Achieve competitive rates of return on each major asset class while avoiding undue investment risk and excessive market volatility.

Over a four-year period, provide moving average rates of return in excess of those achieved by passive management of the portfolio. A value added contribution of 0.42%, after deducting all investment management costs is targeted.

## PSSRP Asset Mix

The PSSRP Statement of Investment Policies (SIP) outlines the requirement to manage the pension fund in a manner that recognizes the interdependency of the plan liabilities and expected cash flows for the base benefits and ancillary benefits, the open group funded ratio, the funding policy, the risk management goals and the application of the risk management procedures.

As indicated in the 2014 Annual Report, the Board of Trustees approved the target asset mix for the PSSRP on September 30, 2014. NBIMC was asked to transition to that target asset mix over a two-year period.

The transition was successfully completed in 2015. The actual asset mix as at December 31, 2015 is shown in the table below:

PSSRP ASSET MIX		ACTUAL	TARGET
		PORTFOLIO AS OF DECEMBER 31, 2015	TARGET SIP SEPTEMBER 2014
FIXED INCOME	SHORT TERM ASSETS	1.0%	1.0%
	GOVERNMENT BONDS	17.8%	17.8%
	CORPORATE BONDS	17.7%	17.7%
	REAL RETURN BONDS	5.0%	5.0%
	TOTAL FIXED INCOME	41.5%	41.5%
PUBLIC EQUITY	STANDARD INDICES:		
	CANADA	10.5%	10.5%
	US	5.0%	5.0%
	EAFE	5.0%	5.0%
		20.5%	20.5%
	LOW VOLATILITY:		
	CANADA	5.0%	5.0%
	US	5.0%	5.0%
	EAFE	5.0%	5.0%
	EMERGING MARKETS	3.0%	3.0%
		18.0%	18.0%
	TOTAL PUBLIC EQUITY	38.5%	38.5%
PRIVATE EQUITY		4.0%	4.0%
ABSOLUTE RETURN STRATEGIES		8.0%	8.0%
REAL ESTATE AND INFRASTRUCTURE		8.0%	8.0%
TOTAL		100%	100%

## 2015 Returns

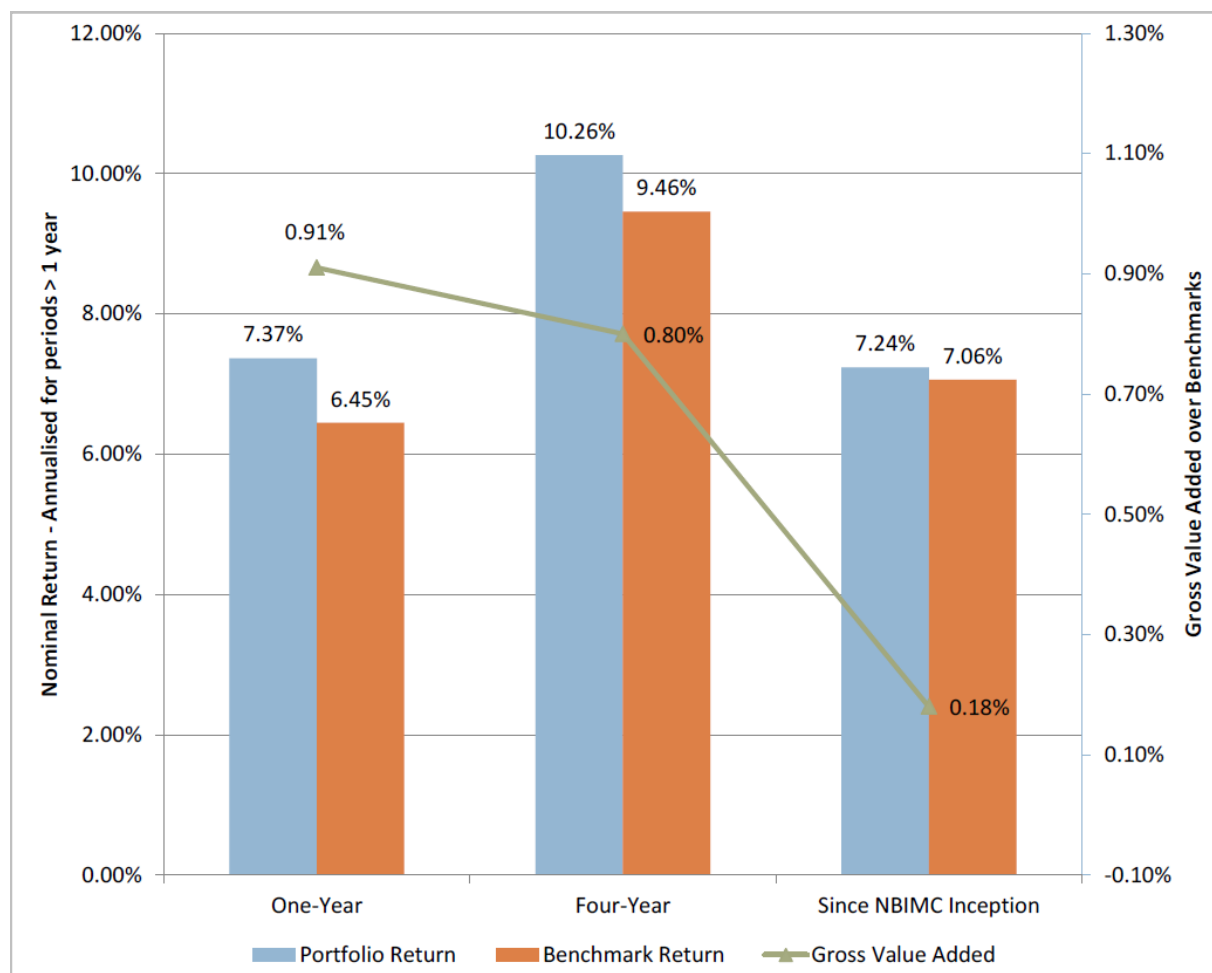
The nominal return for the PSSRP was 7.37% for the year ended December 31, 2015. This means that net investment income added approximately \$482.1 million to the pension fund for the year. A nominal return in excess of the actuarial assumed return of 4.75% contributes to an increase in the open group funding ratio for the plan. The four-year annualized nominal return to December 31, 2015 was 10.26%. A breakdown of the one-year nominal return by asset class, together with the benchmark return is shown in the table below:

**2015 Rates of Return, calculated in Canadian Dollars**

AGGREGATED ASSET CLASS	PORTFOLIO RETURN	BENCHMARK RETURN
<b>FIXED INCOME</b>		
SHORT-TERM ASSETS	0.97 %	0.64 %
GOVERNMENT BONDS	3.72	3.84
CORPORATE BONDS	2.82	2.71
REAL RETURN BONDS	3.05	2.79
<b>PUBLIC EQUITY</b>		
STANDARD INDEXES:		
CANADIAN	(7.63)	(8.32)
UNITED STATES	21.07	20.95
INTERNATIONAL	20.24	18.95
LOW VOLATILITY:		
CANADIAN	(3.87)	(3.57)
UNITED STATES	26.53	25.17
INTERNATIONAL	27.92	29.46
EMERGING MARKETS	(4.55)	(4.09)
<b>PRIVATE EQUITY</b>	29.63	16.78
<b>ABSOLUTE RETURN STRATEGY</b>	3.30	0.64
<b>REAL ESTATE &amp; INFRASTRUCTURE</b>	8.46	7.96
<b>TOTAL PSSRP INVESTMENT RETURN</b>	<b>7.37 %</b>	<b>6.45 %</b>

Investment returns were positive for most asset classes in 2015. Canadian public equity, Canadian low volatility equity and the low volatility emerging markets equity strategy returns were primarily impacted by the weakness in global commodity markets. International equity strategies, however, benefited from a combination of continued slow economic growth and stronger local currencies versus a weak Canadian dollar. The majority of the asset classes outperformed their benchmarks. The overall nominal return in excess of investment benchmarks resulted in 0.91% of gross value added. After deducting investment management costs of 0.156%, the net value added to the pension fund was 0.76%, well in excess of the target value add of 0.42%.

The chart below shows the nominal return compared to the benchmark return for the asset mix of the day for the one-year and four-year periods and the twenty-year period since NBIMC's inception.



The Schedule of Composite Performance prepared by NBIMC for the PSSRP Trust is included on page 51. This additional report follows the Global Investment Performance Standards (GIPS®) of the Chartered Financial Analysts' Institute. NBIMC's policies and procedures used in preparing this report are independently verified.



# Appendix A

## Amendments Made to the Governing Documents in 2015

Governing documents are available online at [www.gnb.ca/pssrp](http://www.gnb.ca/pssrp).

SECTION	CHANGE TO DOCUMENT
<b>PLAN TEXT</b>	
<b>ARTICLE 3 – ELIGIBILITY AND PARTICIPATION</b>	
<b>SUBSECTION 3.12</b>	Corrected a misspelling of CBE SRP in the English version of the Plan Text.
<b>ARTICLE 12 – FORMS OF PENSION BENEFITS</b>	
<b>SUBSECTION 12.1(IV)</b>	Clarified that any bridge benefit received by a member is also included in the calculation to determine whether a residual amount is payable.
<b>ARTICLE 23 – PURCHASES OF SERVICE AND RECIPROCAL AGREEMENTS</b>	
<b>SUBSECTION 23.3</b>	Corrected a misspelling of CBE SRP in English version of the Plan Text.
<b>APPENDIX A - COLA GRANTED UNDER ARTICLE VI</b>	
<b>APPENDIX A</b>	Included COLA of 1.49% as of January 1, 2016.
<b>APPENDIX E - EMPLOYERS</b>	
<b>APPENDIX E</b>	Included FacilicorpNB as an employer as of January 1, 2014 and included IBEW, Local 37, as an employer as of February 6, 2015.
<b>FUNDING POLICY</b>	
<b>FUNDING POLICY</b>	Included the methodology for calculating the annual increase in the Consumer Price Index.
<b>INVESTMENT POLICY</b>	
<b>SECTION C - INVESTMENT STRATEGY</b>	
<b>SECTION C.3 PERFORMANCE BENCHMARKS</b>	A number of housekeeping amendments to listed benchmarks.
<b>SECTION C.4 PERMISSIBLE INVESTMENTS</b>	Added a “General” section which speaks to the provisions regarding Pooled Funds.  Removed the following: “Additionally, the fund is permitted to invest in corporate debt under the provisions contained in subsection C.5 (Local and Regional Investments).”
<b>SECTION C.5</b>	Removed Section C.5 Local and Regional Investments (NB and Atlantic Opportunity) as such investments will now be covered under the Private Equity section of C.4 Permissible Investments.
<b>THROUGHOUT THE DOCUMENT</b>	Applied other housekeeping amendments.

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# Appendix B

## Summary of Board Activities in 2015

The following provides a summary of the activities of the Board of Trustees during the 2015 plan year:

### *Plan Documents and Oversight*

The Board reviewed and approved the following governing and other supporting items for the Plan:

- A mortality study specific to the PSSRP membership, prepared by Morneau Shepell to be used for the actuarial valuation as at January 1, 2015;
  - Approved the assumptions used and authorized Morneau Shepell to adjust the CPM2014Publ mortality table and use the CPM-B projection scale;
- The actuarial valuation as at January 1, 2015 prepared by Morneau Shepell;
  - Granted full contingent indexation at 1.49% effective January 1, 2016;
- A revised Funding Policy, amended to add the definition of “CPI”;
- A revised Statement of Investment Policies, amended to add housekeeping edits;
- The Schedule of Contributions and Benefits Payments for the nine months ended December 31, 2014, audited by Grant Thornton;
- The Financial Statements of the PSSRP Trust for the year ended December 31, 2014 audited by KPMG;
- Various amendments to the Plan Text (*see summary on page 21*).

The Board met all regulatory filing and disclosure requirements outlined under the *Pension Benefits Act* and the *Income Tax Act* (Canada). It also approved a request from the Auditor General for copies of the minutes of the Board and committee meetings to date as well as data from the Actuary.

### *Board Governance*

The Board reviewed and approved amendments to the following policies and practices as part of its annual review of its governance framework:

- Terms of Reference for the Board, the Audit Committee and the Governance Committee;
- Code of Ethics and Business Conduct;
- Disclosure Policy;
- Trustee and Observer Orientation and Education Policy;
- Per Diem and Expense Policy; and
- Guidelines for the Nomination of New Trustees.

The Board also formed an ad hoc Communications Committee to develop a communications framework for the Plan and the Board; the Board approved the presented Communications Policy.

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### *Member Services and Communications*

The Board reviewed and approved the following items to support pension benefits administrative services for Plan members:

- The production of an information video on shared risk pension plans by Morneau Shepell and PEBD, with costs shared by two other public sector shared risk plans;
- A dedicated budget for hiring an internal communications resource with possible external resource assistance;
- The continuation of absorbing the additional cost of the accrual of service while receiving long-term disability benefits to age 65, by the Plan;
- The inaugural 2014 PSSRP Annual Report; and
- The 2015 Winter and Fall newsletters.

The Board also hosted the inaugural Annual General Meeting in September 2015, with NBIMC and Morneau Shepell as guest presenters.

### *Service Provider Engagement*

The Board engaged the following service providers:

- New Brunswick Investment Management Corporation (NBIMC) for investment management services;
- Pensions and Employee Benefits Division (PEBD) of the provincial Department of Human Resources for pension administration services;
- Morneau Shepell for actuarial services;
- Stewart McKelvey for legal services;
- KPMG, as the independent auditor for the PSSRP Trust for the 2015 plan year; and
- Grant Thornton for independent audit services relating to contributions and benefits payments for the year ending December 31, 2015.

The Board received quarterly investment updates and results from NBIMC and quarterly reports from the Pensions and Employee Benefits Division.

### *Pension Governance Effectiveness (Integrated Pension Services)*

Together with the NBTPP Board of Trustees, the Board sponsored the establishment of an integrated New Brunswick Pension Services Corporation. The Board received regular progress updates on this project and signed a formal Memorandum of Understanding with the NBTPP Board of Trustees to advance the project and create the Transitional Board, which was charged with undertaking the work necessary for establishing this corporation.

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# Appendix C

## *Public Interest Disclosure Act*

As required under **Section 18 – Report about disclosures** of the *Public Interest Disclosure Act*, the Board of Trustees hereby report that for 2015:

- there were no disclosures received or acted upon;
- no investigations were therefore commenced due to disclosure receipt;
- no claims had been referred from the Ombudsman under section 23; and
- no investigations were therefore commenced due to a referral receipt.

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# Appendix D

## PSSRP Financial Statements

The financial statements of the PSSRP have been prepared and approved by the Board of Trustees. The Board is responsible for the integrity and fair presentation of the statements, including amounts based on best estimates and judgments.

The Board maintains systems of internal control and supporting procedures to provide reasonable assurance that accurate financial information is available, that assets are protected, and that resources are managed efficiently.

The Board is assisted in its responsibilities by its Audit Committee, consisting of three Board members. The Audit Committee reviews the financial statements and recommends them for approval by the Board. The Audit Committee also reviews matters related to accounting, auditing, internal control systems, financial risk management as well as the scope, planning and findings of audits performed by internal and external auditors.

Public Service Shared Risk Plan

Financial Statements

December 31, 2015



KPMG LLP  
Frederick Square  
700-77 Westmorland Street  
Fredericton NB E3B 6Z3  
Telephone (506) 452-8000  
Fax (506) 450-0072

One Factory Lane  
PO Box 827  
Moncton NB E1C 8N6  
Telephone (506) 856-4400  
Fax (506) 856-4499

133 Prince William Street  
PO Box 2388 Stn Main  
Saint John NB E2L 3V6  
Telephone (506) 634-1000  
Fax (506) 633-8828

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the Public Service Shared Risk Plan (the Entity), which comprise the statement of financial position as at December 31, 2015, the statement of changes in net assets available for benefits and statement of changes in pension obligations for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *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 financial position of the Entity as at December 31, 2015 and the changes in net assets available for benefits and changes in pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

### *Comparative Information*

The financial statements of the Entity as at and for the year ended December 31, 2014 are unaudited. As a result, we do not express an opinion on them.

Chartered Professional Accountants  
August 10, 2016  
Fredericton, Canada

KPMG LLP is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.

**PUBLIC SERVICE SHARED RISK PLAN**  
**Statement of Financial Position**  
*(In thousands of Canadian dollars)*  
**AS AT DECEMBER 31**

	<b>2015</b>	<b>2014</b>
		<i>(Unaudited)</i>
<b>ASSETS</b>		
Investments <i>(notes 3 and 4)</i>	\$ 6,910,862	\$ 6,555,369
Contributions receivable from employers <i>(note 12)</i>	14,542	15,776
Contributions receivable from employees <i>(note 12)</i>	6,408	6,172
Other receivable	14	26
Total assets	6,931,826	6,577,343
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities <i>(note 12)</i>	5,090	9,998
Net assets available for benefits	6,926,736	6,567,345
Pension obligations <i>(note 6)</i>	6,477,100	6,277,300
<b>SURPLUS</b>	\$ 449,636	\$ 290,045

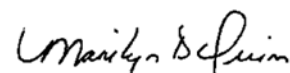
*See accompanying notes to the financial statements.*

Commitments *(note 13)*

Indemnification *(note 14)*

Subsequent events *(note 15)*

Approved on behalf of the Board of Trustees:



Marilyn Quinn  
Chair



Leonard Lee-White  
Vice Chair



**PUBLIC SERVICE SHARED RISK PLAN**  
**Statement of Changes in Net Assets Available for Benefits**  
(In thousands of Canadian dollars)  
**YEAR ENDED DECEMBER 31**

	<b>2015</b>	<b>2014</b>
		<i>(Unaudited)</i>
<b>Increase in net assets</b>		
Net investment income (note 9)	\$ 481,205	\$ 718,114
Employer pension contributions (note 12)	140,950	126,543
Employee pension contributions (note 12)	96,776	90,768
	718,931	935,425
<b>Decrease in net assets</b>		
Pension benefits (note 10)	336,509	321,265
Refunds and transfers (note 10)	9,470	10,000
Administration expenses (note 11)	13,561	13,350
	359,540	344,615
<b>Increase in net assets available for benefits</b>	359,391	590,810
<b>Net assets available for benefits, beginning of year</b>	6,567,345	5,976,535
<b>Net assets available for benefits, end of year</b>	\$ 6,926,736	\$ 6,567,345

*See accompanying notes to the financial statements.*

**PUBLIC SERVICE SHARED RISK PLAN**  
**Statement of Changes in Pension Obligations**  
(In thousands of Canadian dollars)  
**YEAR ENDED DECEMBER 31**

	<b>2015</b>	<b>2014</b>
		<i>(Unaudited)</i>
<b>Pension obligations, beginning of year</b>	\$ 6,277,300	\$ 5,941,800
<b>Change in pension obligations:</b>		
Changes in actuarial assumptions	—	124,800
Interest accrued on benefits	293,200	277,500
Experience losses	22,200	48,500
Normal actuarial cost	137,500	131,200
Benefits paid	(346,000)	(331,300)
Cost of living adjustment	92,900	84,800
	199,800	335,500
<b>Pension obligations, end of year</b>	\$ 6,477,100	\$ 6,277,300

*See accompanying notes to the financial statements.*

**PUBLIC SERVICE SHARED RISK PLAN****Notes to Financial Statements***(In thousands of Canadian dollars)***AS AT AND FOR YEAR ENDING DECEMBER 31, 2015****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” or “Plan”), a shared risk plan registered under the *Pension Benefits Act of New Brunswick* (the “Act”). The PSSRP is governed by a Board of Trustees consisting of an equal number of individuals appointed by the Province of New Brunswick, as the major employer, and by bargaining agents representing certain employees covered by the pension plan. At least one appointee must be a retired member of 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 and their survivors. 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 (*note 7*).

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 contract employees after February 1, 2014 are required to join the PSSRP. All other employees will become members 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 employer contribution rates of 8.932% up to the YMPE and 11.55% above YMPE were adjusted to 11.25% of eligible earnings on April 1, 2014. In addition, unless the funding level is 140% of the estimated pension obligations, the employer will make temporary contributions of 0.5% of eligible earnings for a five-year period from January 1, 2014, and 0.75% of eligible 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 (*note 7*).

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 discount 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 discount 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.

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.

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

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 employee 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) Basis of presentation*

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. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal year but they do not portray the funding requirements of the Plan (*note 7*) or the benefit security of individual plan members.

All investment assets and liabilities are measured at fair value in accordance with International Financial Reporting Standards ("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 require the Plan to comply on a consistent basis with either IFRS in Part I of the CPA Handbook or with Canadian accounting standards for private enterprises in Part II of the CPA Handbook. The Plan 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 August 10, 2016.

The comparative information presented in the notes to the financial statements for the year ended December 31, 2014 is unaudited.

*(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.

## 2. Significant Accounting Policies (*continued*)

### (c) *Financial instruments*

#### (i) Classifications, recognition and measurement

Financial assets and financial liabilities are initially recognized in the Statement of Financial Position on the trade date, which is the date on which the Plan 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 Plan 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;
- 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 Plan'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 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 Plan classifies all investments as FVTPL with changes in fair value being recognized in net investment income in 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 Plan'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.

**2. Significant Accounting Policies (continued)**

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 Plan'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 Plan assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Plan 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.

**(ii) Derecognition**

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

**(d) Pension obligations**

The pension obligations recognized in the Statement of Financial Position are the actuarial present value of accrued pension benefits determined by using the accrued benefit (or unit credit) actuarial cost method in accordance with the requirement of paragraph 14(7)(a) of Regulation 2012-75 under the Act and actuarial assumptions which reflect management's best estimate for the future.

**(e) Functional and presentation currency**

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

**2. Significant Accounting Policies (continued)***(f) Use of estimates and judgments*

The preparation of the Plan'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 Financial Position. 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 and the measurement of pension obligation, since these determinations may include estimates of expected future cash flows, rates of return, rates of retirement, mortality, rates in termination, discount rates, 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.

*(g) Taxes*

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

*(h) Contributions*

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

*(i) 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.

*(j) 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.

*(k) Changes in accounting policies*

The Plan 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 Plan invests in certain pooled unit trust funds established by NBIMC, the investment manager for the Plan. Each unit trust fund has a specific investment mandate. Investing in the unit trust funds enables the Plan 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 Plan as at 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.

**3. Investments (continued)***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.

*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.



**3. Investments (continued)***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. 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, \$C (pre-October 1, 2014 – the MSCI EAFE (Developed Markets) Net Dividends Index (\$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.

*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%.

### 3. Investments (continued)

#### *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 measure by the percentage change in the twelve-month average 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 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.

#### *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.

**3. Investments (continued)**

*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 as at December 31:

<i>(\$ thousands)</i>	<b>Number of Units (rounded)</b>	<b>Unit Value (in dollars)</b>	<b>Fair Value 2015</b>	<b>Fair Value 2014 (unaudited)</b>
<b>Fixed Income</b>				
NBIMC Nominal Bond Fund	451,810	2,586	\$ 1,168,306	\$ 1,084,291
NBIMC Corporate Bond Fund	1,019,134	1,196	1,218,803	1,035,933
NBIMC New Brunswick Fixed Income Opportunity Fund	2,610	3,121	8,145	8,586
NBIMC Money Market Fund	79,982	1,592	127,336	116,869
NBIMC Student Investment Fund	485	3,107	1,507	1,544
			2,524,097	2,247,223
<b>Equities</b>				
NBIMC Canadian Equity Index Fund	181,471	2,810	509,888	612,352
NBIMC Low Volatility Canadian Equity Fund	254,795	1,342	341,946	271,125
NBIMC External Canadian Equity Fund	36,048	3,451	124,406	163,855
NBIMC Canadian Equity Active Long Strategy Fund	82,452	1,165	96,070	119,976
NBIMC External International Equity Fund	66,300	2,138	141,759	148,367
NBIMC EAFE Equity Index Fund	122,584	1,462	179,231	—
NBIMC EAFE Equity Index Fund – Class N	—	—	—	492,369
NBIMC Low Volatility International Equity Fund	174,256	1,992	347,124	—
NBIMC Low Volatility International Equity Fund – Class N	—	—	—	292,631
NBIMC Low Volatility Emerging Markets Equity Fund	225,980	908	205,264	—
NBIMC U.S. Equity Index Fund	135,436	2,445	331,184	386,162
NBIMC Low Volatility U.S. Equity Fund	141,214	2,435	343,814	308,935
			2,620,686	2,795,772
<b>Inflation-Linked Assets</b>				
NBIMC Inflation-Linked Securities Fund	98,862	3,506	346,630	342,981
NBIMC Canadian Real Estate Fund	40,289	3,880	156,316	140,121
NBIMC Canadian Real Estate Investment Trust Fund	85,309	1,056	90,108	126,642
NBIMC International Real Estate Fund	12,996	7,203	93,610	136,757
NBIMC Non-Canadian Private Real Estate Fund	9,507	940	8,939	—
NBIMC Public Infrastructure Fund	142,135	971	138,093	—
NBIMC Infrastructure Fund	48,901	1,409	68,882	56,061
			902,578	802,562
<b>Alternative Investments</b>				
NBIMC North American Market Neutral Fund	120,060	1,289	154,803	151,260
NBIMC Quantitative Strategies Fund	292,248	1,358	396,774	307,844
NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund	3,725	4,742	17,660	15,701
NBIMC Private Equity Fund	103,260	2,780	287,069	235,007
			856,306	709,812
<b>Tactical Asset Allocation</b>				
NBIMC Asset Mix Strategy Fund	7,381	975	7,195	—
			\$ 6,910,862	\$ 6,555,369

#### 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.

(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 Plan holds investments in NBIMC unit trust funds that invest in active and passive investment strategies and are diversified among domestic and international markets.

Investment strategies used by the NBIMC 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 Statement of Investment Policies (SIP) (*note 8*) 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 NBIMC 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.

**5. Financial Instrument Risk Management (continued)**

NBIMC conducts certain of its investment activities in the NBIMC unit trust funds on behalf of the Plan 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 the Plan's underlying securities that have been deposited or pledged with various financial institutions as collateral or margin on account was \$285,654 (2014 - \$263,537) (*see note 5(c)*).

Foreign currency risk arises from holding investments denominated in currencies other than the Canadian dollar. All of the Plan's investments are in Canadian dollar denominated unit trust funds managed by NBIMC; however, certain of the NBIMC unit trust funds invest in assets denominated in foreign currencies or domiciled in foreign jurisdictions. The SIP permits hedging of foreign currency exposure at the portfolio manager's discretion. Approximately 28.3% (2014 - 30.3%) of the Plan'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 15.8% (2014 -16.5%) and the Euro of 3.5% (2014 - 4.6%).

A 1% absolute increase or decrease in the value of the Canadian dollar against all other 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 \$19,727 (2014 - \$19,853).

Interest rate risk refers to the effect on the market value of investments due to fluctuation of interest rates. The Plan invests in certain NBIMC 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 \$232,284 (2014 - \$209,266).

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 Plan is exposed to price risk associated with the underlying equity investments held in the NBIMC unit trust funds. 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 \$27,620 (2014 - \$31,080).

(b) **Credit Risk:** The Plan 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 quality of the credit exposure in the underlying unit trust funds at December 31 is as follows:

<i>(\$ thousands)</i>	<b>2015</b>	<b>2014</b> <i>(unaudited)</i>
AAA	\$ 819,925	\$ 718,872
AA	919,691	962,450
A	1,023,312	801,154
BBB	348,815	270,295
R-1	235,440	193,918
Other	38,245	49,092
	<b>\$ 3,385,428</b>	<b>\$ 2,995,781</b>

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 units in NBIMC unit trust funds. Uses of liquidity include payments to the plan beneficiaries, plan service providers and purchases of units in NBIMC unit trust funds.

The Plan'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 Plan's proportionate share of 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 as at December 31:

<i>(\$ thousands)</i>	<b>2015</b>	<b>2014</b> <i>(unaudited)</i>
Net assets available for benefits	\$ 6,926,736	\$ 6,567,345
Less: investment in NBIMC New Brunswick Fixed Income Opportunity Fund <i>(note 3)</i>	(8,145)	(8,586)
Less: investment in NBIMC Canadian Real Estate Fund <i>(note 3)</i>	(156,316)	(140,121)
Less: investment in NBIMC Non-Canadian Private Real Estate Fund <i>(note 3)</i>	(8,939)	—
Less: investment in NBIMC Infrastructure Fund <i>(note 3)</i>	(68,882)	(56,061)
Less: investment in NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund <i>(note 3)</i>	(17,660)	(15,701)
Less: investment in NBIMC Private Equity Fund <i>(note 3)</i>	(287,069)	(235,007)
Less: collateral pledged <i>(note 5(a))</i>	(285,654)	(263,537)
Less: investment commitments <i>(note 13)</i>	(230,557)	(200,333)
<b>Net liquid assets</b>	<b>\$ 5,863,514</b>	<b>\$ 5,647,999</b>

## 5. Financial Instrument Risk Management *(continued)*

(d) Securities Lending: The Plan'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 NBIMC 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 \$775,436 (2014 - \$629,223) were loaned on behalf of the Plan.

Under the internal securities lending program, certain NBIMC unit trust funds may loan securities to a borrowing NBIMC 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 \$49,546 (2014 - \$32,788) were loaned on behalf of the Plan and \$54,325 (2014 - \$45,638) were borrowed.

## 6. Pension Obligations

(a) Actuarial Methodology: On conversion of the PSSA from a defined benefit plan to a shared risk plan, an actuarial valuation report was prepared by Morneau Shepell, the independent actuary to document:

- the results of the initial funding policy valuation, as required under sub-paragraph 100.6(2)(a)(ii) of the *Pension Benefits Act (New Brunswick)*;
- the Conversion Plan as required under as required under sub-paragraph 100.6(2)(a)(i) of the *Pension Benefits Act (New Brunswick)*; and
- the results of the going-concern actuarial valuation required under paragraph 14(1) of the *Shared Risk Plan Regulation 2012-75* to the *Pension Benefits Act (New Brunswick)*.

The next going-concern actuarial valuation will be conducted as of January 1, 2017. Such a valuation is prepared solely to comply with the requirements of the *Income Tax Act (Canada)*.

The *Pension Benefits Act (New Brunswick)* requires that a funding policy valuation be prepared annually and submitted to the Superintendent of Pensions. The annual funding policy valuation was prepared as of January 1, 2016 by the independent actuary. The next funding policy valuation is expected to be prepared no later than January 1, 2017.

The funding policy valuation actuarial liabilities and normal cost were calculated using the accrued benefit actuarial cost method in accordance with the requirements of paragraph 14(7)(a) of Regulation 2012-75.

The funding policy valuation actuarial liabilities are equal to the actuarial present value of benefits earned by members for services prior to the valuation date, taking into account the actuarial assumptions. The funding policy valuation does not take into account the impact of any future salary increases and the impact of future increases in accrued pensions due to cost-of-living adjustments as may be granted from time to time by the Board of Trustees in accordance with the plan text and the funding policy.

The funding policy valuation normal cost is equal to the actuarial present value of benefits expected to be earned by members in the year following the valuation date. A salary increase estimate has been made to calculate the estimated normal cost and estimated members and employers contributions for the year following the valuation date.

For valuation purposes, to determine eligibility for benefits and for any other use, the age used is the age on the date of the nearest birthday.



**6. Pension Obligations (continued)**

(b) Actuarial Assumptions: The main assumptions used in determining the funding policy valuation actuarial liabilities and normal cost for the year following the valuation are as follows:

**January 1, 2016 and January 1, 2015**

Discount rate	4.75% per annum								
Inflation	2.25% per annum								
Salary increase rate for the year following valuation	2.75% per annum plus merit and promotion								
YMPE increase for the year following valuation	2.75% per annum								
Future indexation of accrued pensions and pensions in payment	0% per annum								
Mortality	January 1, 2016 and January 1, 2015: 2014 Public Sector Mortality Table (CPM 2014 Publ) projected using Improvement Scale B (CPM-B) with size adjustment factors of 105% for males and 110% for females. January 1, 2014: UP94 generational mortality table using an enhanced projection scale AA								
Retirement	Age at Conversion								
Retirement Age	60+	55 – 59	50-54	45-49	40-44	35-39	30-34	25-29	Under 25 or joined Plan after conversion
56	5%	2.5%	0%	0%	0%	0%	0%	0%	0%
57	5%	5%	5%	2.5%	0%	0%	0%	0%	0%
58	5%	5%	5%	5%	5%	0%	0%	0%	0%
59	20%	12.5%	5%	5%	5%	5%	5%	0%	0%
60	20%	20%	20%	12.5%	5%	5%	5%	5%	0%
61	20%	20%	20%	20%	20%	12.5%	5%	5%	5%
62	6.25%	13.1%	20%	20%	20%	20%	20%	5%	5%
63	6.25%	6.25%	6.25%	13.1%	20%	20%	20%	20%	12.5%
64	6.25%	6.25%	6.25%	6.25%	6.25%	13.1%	20%	20%	20%
65	6.25%	9.4%	12.5%	15.65%	18.75%	21.9%	25%	45%	55%
Termination of employment (other than by death or retirement)	None								

There were no changes in actuarial assumptions during 2015. Changes in actuarial assumptions during 2014 resulted in a net increase in the pension obligations of approximately \$124,800.

(c) Experience losses: Experience losses represent the change in the pension obligation due to the difference between expected experience and actual results. During 2015, the experience losses were \$22,200 (2014 - \$48,500).

(d) Sensitivity analysis: The discount rate used to estimate the present value of pension obligations has a significant effect on the pension obligation at the end of the year. As of December 31, 2015, a decrease of 100 basis points in the discount rate would have increased the pension obligation by \$900,700.

## 6. Pension Obligations (*continued*)

(e) Funding policy valuation assets: The financial position of the Plan on a funding policy basis is determined by deducting the funding policy valuation actuarial liabilities from the funding policy asset value. For funding policy purposes only, the asset value includes the present value of excess contributions of \$1,197,600 (2014 - \$1,198,000) defined as the excess of expected contributions less funding policy normal cost for each year in the 15 years after the actuarial valuation date on conversion. This amount is added to the asset value for policy testing in order to determine the Plan funded status for the purpose of the application of the funding policy. The present value of the excess contributions does not represent an asset as per the accounting standards and is therefore excluded when determining the net assets available for benefit for financial statement purposes.

## 7. Funding Policy

The funding policy is the tool required pursuant to the Act that the Board of Trustees uses to manage the risks inherent in a shared risk plan. The funding policy provides guidance and rules regarding decisions that must, or may, as applicable, be made by the Board of Trustees concerning funding levels, contributions and benefits.

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 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. These decisions are based on the 15 year open group funded ratio calculated as the sum of the present value of excess contributions plus the market value of the going concern assets divided by the funding policy liabilities. Depending upon the result, these decisions may involve either a funding deficit recovery plan or a funding excess utilization plan that will ensure future changes to contribution rates and benefits are made within the constraints of the above risk management objectives.

The funding deficit recovery plan is triggered if the open group funded ratio of the Plan falls below 100% for two successive plan year ends. The summarized actions that must be taken, in order of priority are:

**7. Funding Policy (continued)**

1. Increase in contribution rates of up to a maximum of 1.5% for both employees and employers; then
2. Change the retirement rules for service on or after the conversion date for non-vested members equal to a full actuarial reduction for retirement before age 65; then
3. Change the retirement rules for service prior to the conversion date for non-vested members to the equivalent of a full actuarial reduction for retirement before age 60; then
4. Reduce base benefit accrual rates for future service by no more than 5%; then
5. Reduce base benefits on a proportionate basis for all members for both past and future service in equal proportions.

The funding excess utilization plan is triggered when the open group funded ratio exceeds 105% for two successive plan year ends. Should that be the case, a portion of the excess may be utilized for the following summarized actions in their order of priority:

1. Reverse previously reduced base benefits following the opposite order to which they were applied under the funding deficit recovery plan above; then
2. Provide indexing of base benefits for future payments up to full CPI for every year that has been missed or partially covered since conversion starting with the oldest period for which full CPI was not paid; then
3. Reduce contribution rates in such an amount as to maintain an open group funded ratio of 140%; then
4. Establish a reserve to cover the next ten years of potential contingent indexing ; then
5. Propose benefit improvements subject to certain criteria.

**8. Capital**

The capital of the PSSRP is represented by the net assets available for benefits. The PSSRP must be managed in a manner which recognizes the interdependency of the SIP, the risk management goals set out in the funding policy and applicable regulatory requirements.

The Board of Trustees is responsible for the establishment of a SIP, including approval of a recommended investment asset mix that seeks to deliver the long-term investment returns necessary for the sustainability of the PSSRP. Determining the asset mix requires information from independent actuarial valuations as well as expectations concerning financial markets and uses a portfolio optimization process. 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. The SIP was last reviewed and approved by the Board of Trustees on November 12, 2015.

Once approved, NBIMC is responsible for the implementation of the asset mix decision including day-to-day investment activities and monitoring of investment risk controls. NBIMC produces quarterly reporting of investment performance, policy compliance, and trends and changes in investment risks for the Board of Trustees.

The Board-approved SIP that outlines the following investment objectives:

- i. In the long term, to preserve the capital value of the Pension Fund but also provide the best possible long-term real return on investments while continuing to achieve the risk management goals;
- ii. Over shorter time periods, to achieve competitive rates of return on each major asset class while avoiding undue investment risk and excessive market volatility; and
- iii. Over the medium term, to provide rates of return in excess of those achieved by passive management of the policy portfolio. A value added contribution of 0.42%, after deducting all investment management costs, is the portfolio's target four-year moving average rate of return.

**9. 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:

<i>(\$ thousands)</i>	<b>2015</b>	<b>2014</b> <i>(unaudited)</i>
<b>Fixed Income</b>		
NBIMC Nominal Bond Fund	\$ 41,373	\$ 94,500
NBIMC Corporate Bond Fund	29,795	43,102
NBIMC New Brunswick Fixed Income Opportunity Fund	424	810
NBIMC Money Market Fund	1,027	1,258
NBIMC Student Investment Fund	(37)	145
	<b>72,582</b>	<b>139,815</b>
<b>Equities</b>		
NBIMC Canadian Equity Index Fund	(33,534)	76,808
NBIMC Low Volatility Canadian Equity Fund	(14,461)	29,837
NBIMC External Canadian Equity Fund	(3,995)	27,368
NBIMC S&P/TSX Completion Index Fund	—	6,537
NBIMC Canadian Equity Active Long Strategy Fund	(10,833)	15,855
NBIMC External International Equity Fund	30,933	10,006
NBIMC EAFE Equity Index Fund	215,814	—
NBIMC EAFE Equity Index Fund – Class N	(138,360)	25,315
NBIMC Low Volatility International Equity Fund	141,945	—
NBIMC Low Volatility International Equity Fund – Class N	(61,324)	21,828
NBIMC Low Volatility Emerging Markets Equity Fund	(7,004)	—
NBIMC U.S. Equity Index Fund	71,536	122,939
NBIMC Low Volatility U.S. Equity Fund	81,516	56,301
	<b>272,233</b>	<b>392,794</b>
<b>Inflation-Linked Assets</b>		
NBIMC Inflation-Linked Securities Fund	10,953	65,311
NBIMC Canadian Real Estate Fund	14,616	11,580
NBIMC Canadian Real Estate Investment Trust Fund	(2,922)	12,257
NBIMC International Real Estate Fund	22,542	46,681
NBIMC Non-Canadian Private Real Estate Fund	(436)	—
NBIMC Public Infrastructure Fund	(874)	—
NBIMC Infrastructure Fund	4,923	2,533
	<b>48,802</b>	<b>138,362</b>
<b>Alternative Investments</b>		
NBIMC North American Market Neutral Fund	997	(793)
NBIMC Quantitative Strategies Fund	17,828	11,072
NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund	661	(406)
NBIMC Private Equity Fund	68,852	37,270
	<b>88,338</b>	<b>47,143</b>
<b>Tactical Asset Allocation</b>		
NBIMC Asset Mix Strategy Fund	(750)	—
<b>Net investment income</b>	<b>\$ 481,205</b>	<b>\$ 718,114</b>

**10. Pension benefits**

A breakdown of pension benefits by type is as follows:

<i>(\$ thousands)</i>	<b>2015</b>	<b>2014</b> <i>(unaudited)</i>
Retirements	\$ 310,675	\$ 296,332
Terminations	4,422	2,855
Disability	1,907	1,966
Death	26,852	26,258
Other	2,123	3,854
	<b>\$ 345,979</b>	<b>\$ 331,265</b>

These benefits are presented in the Statement of Changes in Net Assets Available for Benefits as:

<i>(\$ thousands)</i>	<b>2015</b>	<b>2014</b> <i>(unaudited)</i>
Pension benefits	\$ 336,509	\$ 321,265
Refunds and transfers	9,470	10,000
	<b>\$ 345,979</b>	<b>\$ 331,265</b>

**11. Administrative Expenses**

The Plan is charged by its service providers, including the Pensions and Employee Benefits Division of the Province of New Brunswick and NBIMC, each a related party, for professional and administrative services. The following is a summary of these administrative expenses:

<i>(\$ thousands)</i>	<b>2015</b>	<b>2014</b> <i>(unaudited)</i>
Plan administration:		
Office and administration services	\$ 2,766	\$ 2,886
Consulting	119	136
Legal fees	12	37
Actuarial services	86	17
Audit fees	65	43
Board of Trustees	21	16
	<b>3,069</b>	<b>3,135</b>
Investment management costs:		
Investment management fees ( <i>note 12</i> )	8,944	8,785
Securities custody	686	402
	<b>9,630</b>	<b>9,187</b>
HST	862	1,028
	<b>\$ 13,561</b>	<b>\$ 13,350</b>

## 12. Related Party Transactions

The Plan 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, determines the amounts of contributions to and payments from the Plan.

All of the Plan's investments included in the Statement of Financial Position are in unit trust funds that are managed by NBIMC. The Plan has an undivided interest in the underlying assets of the unit trust funds (*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 \$44,700 (2014 - \$50,559).

At December 31, 2015 amounts owing to NBIMC for fees payable in the amount of \$1,256 (2014 - \$1,033), pension administration expenses payable to the Province of New Brunswick in the amount of \$2,908 (2014 - \$1,874) and an amount payable to the Province of New Brunswick for over-contributions in the amount of nil (2014 - \$6,247) are included in accounts payable and accrued liabilities.

Investment management fees paid to NBIMC in the amount of \$7,013 (2014 - \$6,853) are included in the investment management fees in the Statement of Changes in Net Assets Available for Benefits.

## 13. Commitments

The NBIMC Canadian Real Estate Fund, the NBIMC Non-Canadian Private Real Estate Fund, the NBIMC Infrastructure 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 Plan's share of unfunded commitments as at December 31 is:

	2015		2014	
(\$ thousands)			(unaudited)	
NBIMC Canadian Real Estate Fund	\$	19,840	\$	25,567
NBIMC Non-Canadian Private Real Estate Fund		12,545		—
NBIMC Infrastructure Fund		20,767		—
NBIMC Private Equity Fund		177,405		174,766
	\$	230,557	\$	200,333

## 14. Indemnification

Pursuant to the Agreement and Declaration of Trust, the Board of Trustees are entitled to be indemnified out of the assets of the pension fund 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 Plan in respect of two legal actions commenced in the Province of New Brunswick in which the Board of Trustees is involved, although to date no such claim has been received and no indemnification payments have been made. The contingent nature of these indemnification obligations prevents the Plan from making a reasonable estimate of the maximum potential payments that may be required.

**14. Indemnification (continued)**

The two legal actions in which the Board of Trustees is involved are as follows:

- a) *Clifford Kennedy et al. v. New Brunswick et al.*, FC-351-15: In this action, the Board of Trustees is not named as a party. However, they have been advised by counsel for the Plaintiffs that the Plaintiffs will be seeking, in advance, their solicitor-client costs from the Province of New Brunswick, or, failing that, from the pension fund. Counsel has advised the Board of Trustees that the likelihood of success on any motion for costs against the Board of Trustees and the pension fund is not determinable at this time.
- b) *Guy Levesque v. New Brunswick et al.*, FC-212-15: The members of the Board of Trustees have been individually named as Defendants. In this case, the Plaintiff also seeks, in advance, his solicitor-client costs paid from the pension fund and /or the Trustees, as well as damages from the pension fund for any lost cost of living adjustments. Counsel has advised that the potential success of this action is not determinable at this time.

**15. Subsequent Events**

On July 28, 2015, the PSSRP, together with the Board of Trustees for the New Brunswick Teachers' Pension Plan (NBTPP), 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 an 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 holding company, Vestcor Corp., which will be initially governed equally by the PSSRP and the NBTPP. This legislation will also transfer the employees of the Pension and Employee Benefits Division of the Department of Human Resources into a newly created 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.

On April 11, 2016, the Board of Trustees unanimously approved a change of name for the PSSRP to New Brunswick Public Service Pension Plan.

# Appendix E

## Global Investment Performance Standards (GIPS®) Compliance Report



### NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

#### Public Service Shared Risk Plan Trust

Ten years ended December 31, 2015

Year Ended December 31	Full Gross Return* %	Net Return %	Benchmark Return %	Composite 3 -Yr SD** %	Benchmark 3-Yr SD** %	PSSRP AUM*** (in millions of \$CAD)	Firm AUM*** (in millions of \$CAD)
2015	7.37	7.21	6.45	4.79	5.14	6,910.9	13,164.0
2014	12.15	11.98	11.13	3.74	3.95	6,555.4	12,219.7
2013	13.06	12.90	12.55	4.21	4.45	5,962.2	10,652.2
2012	8.58	8.44	7.84	4.47	4.68	5,390.3	9,707.6
2011	3.24	3.09	2.49	6.74	7.14	5,028.6	9,081.3
2010	9.23	9.08	9.05	10.35	10.61	4,920.4	8,900.9
2009	14.04	13.89	13.98			4,535.6	8,248.8
2008	(17.18)	(17.35)	(17.13)			3,989.3	7,315.2
2007	5.18	5.04	4.54			4,829.5	8,898.4
2006	10.42	10.28	9.93			4,603.5	8,550.0

\* Supplemental Information

\*\* SD means the standard deviation

\*\*\*AUM means Assets Under Management

#### Composite Description

The Public Service Shared Risk Plan Trust (PSSRP Trust) includes all portfolios managed by New Brunswick Investment Management Corporation (NBIMC) on behalf of the PSSRP Trust, based on that pension plan's objectives and risk management goals. The PSSRP Trust composite includes public equity, fixed income, inflation linked, absolute return, real estate, infrastructure and private equity asset classes.

#### Composite Creation Date

The PSSRP Trust composite was created January 1, 2014, following the conversion of the *Public Service Superannuation Act* (PSSA) to the Public Service Shared Risk Plan (PSSRP). Prior to the conversion, the pension funds for the PSSA were included in the Pension Funds composite. The PSSRP is administered by a joint Board of Trustees. NBIMC has created this composite for reporting to the PSSRP Board of Trustees.

NBIMC has been the investment manager for this pension fund since March 31, 1996. The historical results for the PSSRP Trust composite are presented on a calendar basis.





## **NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION**

### **Public Service Shared Risk Plan Trust**

Ten years ended December 31, 2015

### **Firm Description**

NBIMC is a Crown corporation established under the *New Brunswick Investment Management Corporation Act* of 1994. NBIMC is primarily responsible for acting as investment manager for pension and other public sector trust funds (collectively, the “Funds; and individually, the “Fund”).

The Funds are invested in unit trust funds and separate accounts established by NBIMC to facilitate the collective investment management and administration of these assets. At December 31, 2015, there were 30 active unit trust funds, each with a specific investment mandate. The Funds managed by NBIMC hold units in the unit trust funds in accordance with their investment policy.

A complete list and description of firm composites are available upon request.

### **Compliance Statement**

NBIMC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. NBIMC has been independently verified for the periods December 1, 1996 through December 31, 2015. The verification reports are available upon request.

Verification assesses whether the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and the firm’s policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. Verification does not ensure the accuracy of any specific composite presentation.

### **Calculation Methodology**

Composite returns were calculated in Canadian dollars using the aggregate return method on a daily basis. Daily returns were linked geometrically to calculate periodic returns. Returns include dividends net of withholding taxes, interest, as well as realized and unrealized gains and losses as of the last business day of the calendar year.

Performance returns expressed on a gross basis are after the deduction of all trading expenses, but before the deduction of investment management costs and custodial fees.

Under the terms of its investment management agreements, NBIMC charges for its investment management services on a cost recovery basis, allocated prorata to the Funds according to assets under management. Performance returns expressed on a net basis are after the deduction of all expenses charged for the composite assets under management, including trading expenses, custodial fees, and investment management costs.



## **NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION**

### **Public Service Shared Risk Plan Trust**

Ten years ended December 31, 2015

The composite performance presented in these schedules may not be indicative of future performance. Readers should also be aware that other performance calculation methods may produce different results, and that the results for specific accounts and for different periods may vary from composite returns presented. Comparisons of investment results should consider qualitative circumstances and should be made only to portfolios with generally similar objectives.

In the calculation and presentation of performance returns, NBIMC is not aware of any instances in which this presentation does not conform with the laws and regulations of any province or territory of Canada in which NBIMC operates.

Additional information regarding NBIMC's policies and procedures for calculating and reporting composite results is available upon request.

### **Number of Portfolios and Internal Dispersion**

The internal dispersion measure and number of portfolios are not presented because the PSSRP Trust is the only portfolio in the composite.

### **Three Year Annualized Ex-Post Standard Deviation**

The 3 year annualized ex-post standard deviation measures the variability of the composite and the benchmark returns over the preceding 36 month period.

### **Sub-advisors**

NBIMC enters into sub-advisory agreements whereby certain assets are managed by sub-advisors. Rates of return earned on assets managed by the sub-advisors are included in NBIMC's composite presentations because NBIMC maintains full discretion over the use and choice of sub-advisors.

### **Derivative Instruments and Short Positions**

Futures contracts, forward foreign exchange contracts, exchange traded and over-the-counter options and swaps, and short positions are used in NBIMC's investment management activities.

These derivative instruments are used for various purposes, including:

- to simulate exposure to a particular market index, but with lower transaction costs;
- to enhance performance returns;
- to modify the cash flow characteristics of an investment; or
- to hedge against potential losses due to changes in foreign exchange rates or stock prices.



## NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

### Public Service Shared Risk Plan Trust

Ten years ended December 31, 2015

In using derivative instruments, as described above, NBIMC has established investment criteria, policies and procedures over the extent and use of derivative instruments to manage performance returns and mitigate market risks such as foreign currency, interest rate and pricing risk.

### Benchmark Description

The PSSRP Trust's composite blended benchmark is calculated daily using a blend of the asset class benchmarks, based on the beginning daily weights for the respective asset classes. Benchmark returns were calculated using the following indices and weights on December 31, 2015:

Index	Weight (%)
S&P/TSX Total Return Composite Index	11.02
MSCI Canada Minimum Volatility Total Return Index, Gross	4.97
S&P 500 Total Return Index in \$C	6.45
MSCI USA Minimum Volatility (USD) Total Return Index in \$C, Net	5.07
MSCI EAFE Total Return Index in \$C, Net	6.88
MSCI EAFE Minimum Volatility (USD) Total Return Index in \$C, Net	4.96
MSCI Emerging Markets Minimum Volatility (USD) Total Return Index in \$C, Net	2.89
FTSE-NAREIT Total Return Index in \$C	1.37
S&P/TSX Capped REIT Index	1.32
4% Real Return*	5.63
FTSE TMX Canada All Government Bond Index	17.81
FTSE TMX Canada All Corporate Bond Index	17.58
FTSE TMX Canada Real Return Bond Index	4.99
FTSE TMX Canada 91-Day T-Bill Index	8.41
One-day Canadian Call Loan	0.63
Not applicable	0.02

*\*Inflation is defined as the percentage change in the twelve-month average CPI-Canada All Items Index*

Effective December 2005, the S&P/TSX Composite was replaced as a benchmark by the S&P/TSX Equity Index due to the planned introduction of income trust securities into the composite. Effective January 2007, the S&P/TSX Equity Index was replaced as a benchmark by the S&P/TSX Composite Index following completion of extensive research regarding income trusts as a component of this index and due to the decline in the composition of the companies making up the S&P/TSX Equity Index.

Effective April 2008, Canadian dollar benchmarks were implemented for international exposure, in conjunction with a foreign exposure hedging overlay strategy. The benchmark for the passive foreign currency exposure hedging overlay is equal to actual returns because the strategy does not attempt to profit from tactical foreign exchange decisions. The MSCI EAFE index replaced MSCI Europe and the NIKKEI 225; and the S&P500 replaced the Russell 2000.

Effective October 1, 2014, minimum volatility benchmarks replaced the market cap indices for Canadian, US, and EAFE Low Volatility public equity funds.