



ANNUAL 2016 REPORT

NB PUBLIC SERVICE PENSION PLAN

**NB Public Service Pension Plan
Annual Report 2016**

Published by:
Vestcor Pension Services Corporation
P.O. Box 6000
Fredericton, NB E3B 5H1
Canada

ISBN: 978-1-4605-1324-8



Table of Contents

Glossary.....	1
Chairperson Letter.....	2
Membership Highlights.....	3
NBPSPP Governance.....	4
Board of Trustees.....	5
Governing Documents.....	10
Operation of the NBPSPP.....	11
Cost of Administering the NBPSPP.....	14
Financial Highlights.....	15
2016 Plan Valuation.....	16
Risk Management Results.....	19
Investment Performance.....	20
Asset Mix.....	22
2016 Returns.....	23
Appendix A: Amendments Made to the Governing Documents in 2016.....	25
Appendix B: Summary of Board Decisions and Accomplishments for 2016.....	26
Appendix C: Global Investment Performance Standards (GIPS®) Compliance Report.....	29
Appendix D: NBPSPP Financial Statements.....	33

[illegible]

Glossary

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

NBPSPP – New Brunswick Public Service Pension Plan (formerly named the Public Service Shared Risk Plan (PSSRP)).

NBPSPP Trust – the pension fund for the NBPSPP.

NBTTP – New Brunswick Teachers’ Pension Plan, co-owner in equal parts with the NBPSPP of Vestcor Corp.

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

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

PSSRP – Public Service Shared Risk Plan. As of April 2016, the Plan was renamed the NBPSPP.

VIMC – Vestcor Investment Management Corporation (VIMC), formerly the New Brunswick Investment Management Corporation, is the investment manager for the NBPSPP.

VPSC – Vestcor Pension Services Corporation (VPSC), formerly the Pensions and Employee Benefits Division of the provincial Treasury Board, manages the day-to-day operations of the NBPSPP.

Chairperson Letter

On behalf of the Board of Trustees for the New Brunswick Public Service Pension Plan (NBPSPP), I am pleased to present our 2016 Annual Report, outlining the activities and accomplishments achieved throughout the year.

The NBPSPP had another successful year, with a positive gross rate of return on investments of 6.58% or 6.43% after deducting investment management fees, well above the 5.39% benchmark. As of December 31, 2016, the total net assets of the Plan reached \$7.241 billion.

This strong return will provide for the cost of living adjustment of 1.47% in January 2018. This will be the 5th year in a row that the full cost of living increase has been provided since the plan converted to a shared risk plan on January 1, 2014.

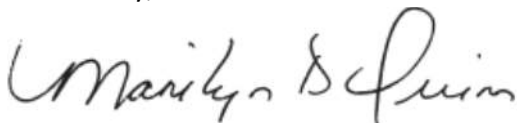
In addition, an actuarial valuation was completed by the plan's actuary at January 1, 2017. This valuation outlines the level of security and ability of the NBPSPP to provide long-term benefits to members. The results of this exercise confirmed that the plan was funded at 127.0% on an open group funded basis with 98.3% probability that current benefits will not be reduced over the next 20 years.

These positive financial results are a good news story that we are proud to share with our plan members and stakeholders. However, as a board we understand that the plan may face challenges in the future (e.g., an economic downturn, changes in demographics). This reinforces the importance for the Board to remain vigilant in ensuring the plan is well governed and positioned for long-term sustainability.

The past year has seen some change to our Board's composition. I would like to welcome the four new trustees who were appointed to the Board in early 2017: Katherine Greenbank, Denise Pinette, Sébastien Deschênes and Odette Robichaud. I would also like to thank Ernie MacKinnon, our outgoing trustee, for his years of service on our Board.

Finally, I want to acknowledge the commitment and dedication of all my fellow trustees as we work together to ensure the NBPSPP remains sustainable over the long-term. I would also like to recognize the ongoing contribution of our service providers in ensuring the continued success of the Plan.

Sincerely,



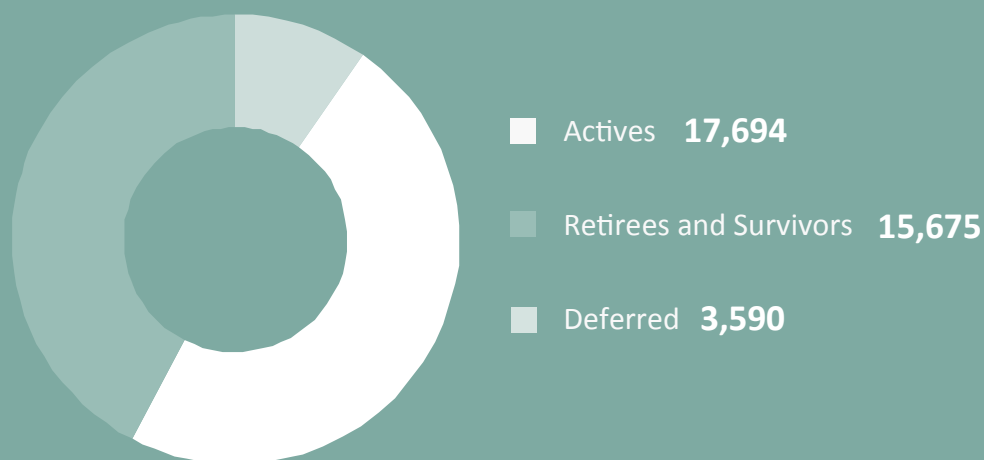
Marilyn Quinn
Chair

August 25, 2017
Fredericton, New Brunswick

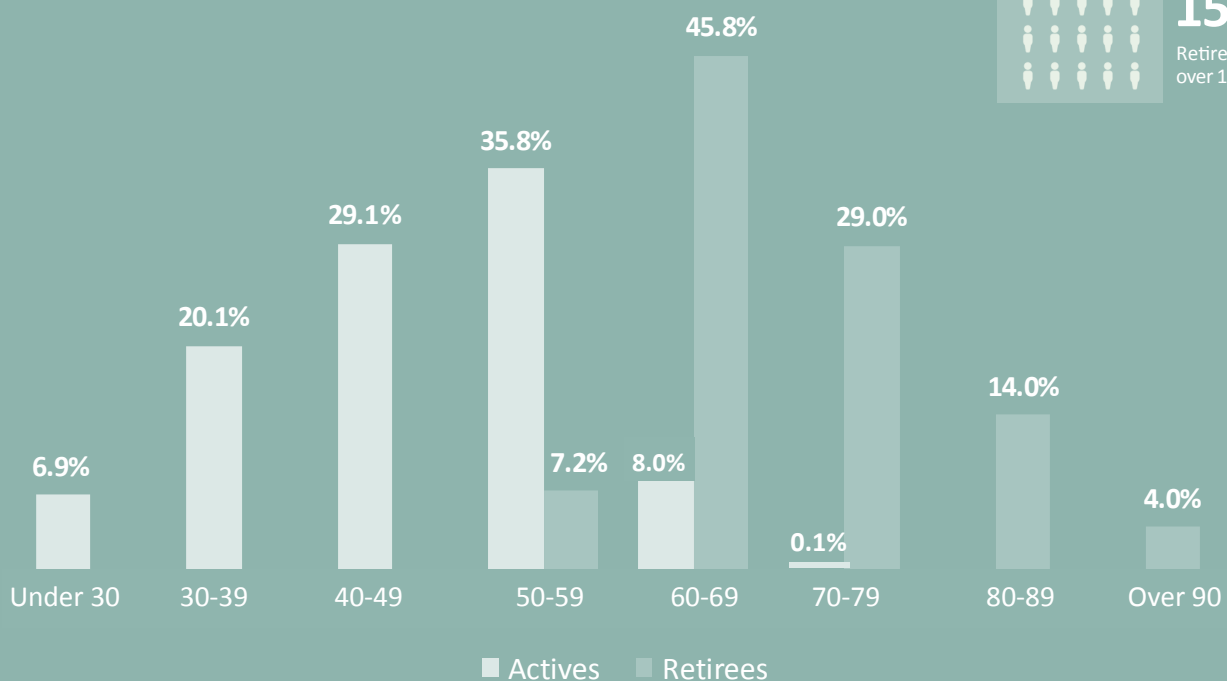
Membership Highlights

as at January 1, 2017

Number of Members



Age Distribution



Did you know your plan has...



A close-up, slightly blurred photograph of a man in a dark suit, white shirt, and blue striped tie. He is holding a silver pen in his right hand, poised over a document. The lighting is warm and focused on the hand and pen, with the background being out of focus.

NBPSPP Governance

Board of Trustees

The Board of Trustees is responsible for the overall governance and administration of the NBPSPP 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.

Established in January 2014, the initial Board was composed of an equal number of employee and employer appointees. Three trustees were appointed by the provincial government, one of whom must have been a pre-conversion retiree, and three were appointed by the unions who had signed the Memorandum of Understanding (MOU). Two observers were also appointed, one by the CUPE locals who had signed the MOU and one by the New Brunswick Union (NBU). These observers were able to attend board meetings, but didn’t have voting powers. As of December 31, 2016, the initial slate of trustees were still in place.

The Board of Trustees is now composed of nine Trustees with one vacancy: four have been appointed by Unions and five appointed by the provincial government (including one who is a retiree). Of the four appointed by the Unions, one is appointed by the New Brunswick Nurses Union, one by the New Brunswick Union of Public and Private Employees, one by Local 37 of the International Brotherhood of Electrical Workers and one by the Canadian Union of Public Employees.

Ernest MacKinnon’s term as trustee ended at the end of 2016 and four new Trustees were appointed to the Board early in 2017: Katherine Greenbank, Denise Pinette, Sébastien Deschênes and Odette Robichaud (formerly an observer). Mark Gaudet, Leonard Lee-White, Marilyn Quinn, Ross Galbraith and Susie Proulx-Daigle were reappointed.

Marilyn Quinn - Chair

Retired Registered Nurse and the past president of the New Brunswick Nurses Union (NBNU) where she served as President for 12 years advocating for registered nurses both at the negotiating table and in the workplace. She retired from NBNU in December 2016. Additionally, she sat on the National Executive Board of the Canadian Federation of Nurses Unions for 12 years. She also serves as a Trustee for the Shared Risk Plan for Certain Bargaining Employees of New Brunswick Hospitals.

Leonard Lee-White - Vice-Chair

Assistant Deputy Minister of Finance, Treasury Division, and has many years’ experience within the public service providing pension plan investing and risk management advice to government and boards of trustees. He is a former Vice-President with the New Brunswick Investment Management Corporation. He is a Chartered Financial Analyst and received a Master’s Degree in Business Administration from the Ivey School of Business and Engineering and Science Degrees from Dalhousie University.

Ross Galbraith - Trustee

Business Manager of Local 37 of the International Brotherhood of Electrical Workers (IBEW) and also represents Canada on the IBEW International Executive Council. In that capacity, he is a trustee of the IBEW Pension Benefit Fund, and a member of the board of directors of the National Electrical Benefit Fund and the National Electrical Annuity Plan. He is a Commissioner on the Board of Saint John Energy and Chair of the IBEW Atlantic Utility Council. He is a graduate of the Chemical Technology Program of the New Brunswick Community College.

Mark Gaudet - Trustee

Assistant Deputy Minister responsible for Strategic Services, Department of Transportation and Infrastructure. He has had extensive experience in administering pension plans and providing pension policy advice. He has been a trustee for another jointly-governed pension plan. He has a Master's and a Bachelor's Degree in Business Administration from the University of New Brunswick and is a former member of the Canadian Board of Directors of the International Foundation of Employee Benefit Plans.

Susie Proulx-Daigle - Trustee

President of the New Brunswick Union. She is also a Trustee for the Shared Risk Plan for Certain Bargaining Employees of New Brunswick Hospitals and a member of the Standing Committee on Insured Benefits. In addition, she is the National Vice-President for the National Union of Public and General Employees.

Ernest MacKinnon - Trustee

Retired public servant, former chief executive officer and director of the New Brunswick Investment Management Corporation, and a former deputy minister. He has had many years' experience on pension plan management and governance issues. He received a master's and a bachelor's degree (Economics) from the University of New Brunswick.

Odette Robichaud - Observer

Court Stenographer and current President of Canadian Union of Public Employees (CUPE) local 1840 and past CUPE Regional Vice-President for New Brunswick. She serves as an observer for the New Brunswick Coalition for Pay Equity and is Vice-President responsible for Women's Issues for CUPE New Brunswick. In her own community she has worked on a regrouping project as the Chair of the Inkerman Centre Local Service District Advisory Committee.

Leigh Sprague - Observer

He has a Law Degree from the University of New Brunswick and is a member of the Law Society of New Brunswick, the Canadian Bar Association and the Canadian Association of Labour Lawyers. He provides legal advice and representation to the New Brunswick Union. He is also involved in a consultative capacity on matters of strategic planning and on policy, legislative and political developments which may impact the union. Mr. Sprague serves as the Union's Chief Negotiator for its largest collective agreements and has oversight over all bargaining activity. He also represents the union on certain external committees and working groups.

Trustees appointed in 2017

Katherine Greenbank - Trustee

Retired from Service New Brunswick as Corporate Director of Financial Systems Integration. Previously she was with FacilicorpNB and also worked for a number of large firms in Atlantic Canada, including Cendant, JD Irving, NBTel and Labatt. She is a member (retired) of the New Brunswick Public Service Pension Plan. She has a Bachelor's Degree in Business Administration from the University of New Brunswick and a certified professional accountant designation.

Denise Pinette - Trustee

Financial Liaison Officer, Department of Education and Early Childhood Development. She was the Comptroller for the Canadian operations of Twin Rivers Paper and she held management positions with Fraser Papers. She was also an accounting lecturer at the Université de Moncton in Edmundston. She has a Master's Degree in Business Administration from the Université Laval and a certified professional accountant designation.

Sébastien Deschênes - Trustee

Dean of the Faculty of Administration at the Université de Moncton and a professor of accounting. He holds professional designations as a Certified Financial Analyst and a Certified Professional Accountant. He served on the Board of Directors of the New Brunswick Institute of Chartered Public Accountants and is currently a Director of UNI Coopération financière. He was also a member of the retirement committee of the professors of the Université de Moncton. Prior to his employment at the Université de Moncton, he worked in a large auditing firm in Montreal.

Odette Robichaud - Trustee

Formerly an observer, her biography is available on the previous page.

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 NBPSP 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 2016, the Board received presentations on an interim asset/liability modelling review study, absolute return investment strategies, the NBPSP's holding in private market assets (i.e., equity, real estate, and infrastructure), and foreign currency hedging research. The Board also attended an education day during which the Board participated in a workshop to examine its vision, mission and values, and received a presentation on Board and Trustee Effectiveness.

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, reasonable expenses incurred by the trustees and observers in order to attend meetings and participate in educational activities are reimbursed. In 2016, one trustee was eligible to receive per diems, and two trustees and one observer were reimbursed for travel expenses.

Also, pursuant to a Memorandum of Understanding between the NBPSP and the NBTPP, the NBPSP committed to fund 50% of the costs incurred, and the full cost of any Trustee's per diems incurred as a result of additional meetings of a transitional board charged with the creation of an integrated pension services organization, now known as Vestcor.

The cost of the Board function for 2016 was \$32,264 compared to \$21,368 in 2015.

Board Committees

As outlined within the Board's governing documents, the Board has the ability to establish committees of the Board and delegate certain functions to these committees. Two committees have been established: the Governance Committee and the Audit Committee. The Governance Committee meets quarterly and the Audit Committee meets semi-annually. They both present a report of their meetings with decisions to the full Board for consideration and approval.

Governance Committee

The Governance Committee assists the Board in fulfilling its responsibilities in ensuring that governance and communications policies and practices are in keeping with evolving best practices. This includes matters relating to governance documents, ethics, trustee orientation and education, trustee compensation, risk management, etc.

Audit Committee

The Audit Committee assists the Board in fulfilling its responsibilities in ensuring the integrity of the NBPSPP's financial reporting and disclosure processes, the appointment of the external auditors, the adequacy and effectiveness of internal controls, financial risk management and compliance with legal and regulatory requirements.

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 2016 and the attendance of the trustees and observers.

Trustee / Observer	Board	Audit Committee	Governance Committee
Marilyn Quinn	4/5	2/2	–
Leonard Lee-White	5/5	2/2	–
Ross Galbraith	5/5	–	4/4
Mark Gaudet	5/5	2/2	–
Ernie MacKinnon	5/5	–	4/4
Susie Proulx-Daigle	5/5	–	4/4
Odette Robichaud (observer)	3/5	–	–
Leigh Sprague (observer)	5/5	–	–

For a summary of the Board of Trustees' activities in 2016, see Appendix B on page 26.

Governing Documents

The NBPSPP 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 NBPSPP

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

NBPSPP Plan Text

The NBPSPP Plan 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 NBPSPP Plan 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 NBPSPP. 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 NBPSPP 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 NBPSPP 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 2016, please refer to Appendix A. Updated versions of these documents are also available online.

Operation of the NBPSPP



Operation of the NBPSP

Administration Services

The Board signed an administration agreement with Vestcor Pension Services Corporation (VPSC) to handle the day-to-day administration of the NBPSP. VPSC, formerly known as the Pensions and Employee Benefits Division (PEBD) of the provincial Treasury Board, collects employee contributions and pays out benefits in accordance with the plan provisions. VPSC is one of Vestcor Corp.'s subsidiaries, co-owned by NBPSP and NBTPP effective October 1, 2016 and provides pension services to help members understand their benefit entitlements.

VPSC prepares annual statements for each member, communicates with members and stakeholders through newsletters and other communication tools, and prepares regulatory submissions to the Superintendent of Pensions.

SOCIÉTÉ DES SERVICES DE RETRAITE
VESTCOR
PENSION SERVICES CORPORATION

Investment Management Services

Vestcor Investment Management Corporation (VIMC) is the investment manager for the NBPSP, as outlined in a five-year, renewable investment management agreement. VIMC, formerly known as the New Brunswick Investment Management Corporation (NBIMC), is responsible for the implementation of the NBPSP Statement of Investment Policies. Along with VPSC, VIMC is a subsidiary of Vestcor Corp.

VIMC 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, VIMC develops recommendations for an asset mix which is presented to the Board of Trustees for review and approval.

VIMC receives employers' and employees' pension contributions collected by VPSC and invests them in a diversified mix of asset classes according to the NBPSP Statement of Investment Policies. VIMC also transfers sufficient funds to VPSC to fund the monthly pension benefit payment requirements.

SOCIÉTÉ DE GESTION DES PLACEMENTS
VESTCOR
INVESTMENT MANAGEMENT CORPORATION

Further information on VIMC is available at vestcor.org.

Auditing Services

The auditor is responsible to express an opinion as to whether the financial statements of the NBPSP have been presented fairly by conducting an audit in accordance with Generally Accepted Auditing Standards.

KPMG was selected as the auditor for the NBPSP for 2016.

Actuarial Services

An actuary is an expert in the mathematics of finance, statistics and risk theory. The *Pension Benefits Act* requires that the NBPSPP 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 VPSC and asset mix information from VIMC.

Morneau Shepell was reappointed as the actuary for the NBPSPP for 2016.

Significant Changes To The Pension Plan's Service Providers

Over the course of 2016, the Board of Trustees of the NBPSPP worked closely with the Board of Trustees of the NBTPP and a Governing Working Group to introduce legislation that would allow for the creation of an integrated pension services organization, jointly owned by the NBPSPP and the NBTPP. On October 1st 2016, this organization was launched under the name of Vestcor Corp., a holding company comprised of two not-for-profit subsidiaries: Vestcor Pension Services Corporation (formerly the Pension and Employee Benefits Division of the Province of New Brunswick's Department of Human Resources) and Vestcor Investment Management Corporation (formerly known as the New Brunswick Investment Management Corporation).

This new and innovative integrated pension investment and administrative services model provides the flexibility to continue to deliver low cost, pension service excellence for public sector funds all while having the flexibility to add other clients and create further economies of scale for the organization. Today, Vestcor is comprised of a team of more than 130 New Brunswick-based service professionals who meet the needs of approximately 90,000 individual members and 134 employer groups.

Cost of Administering the NBPSPP

One of the major initiatives undertaken by the Board of Trustees, in conjunction with the Board of Trustees of the New Brunswick Teachers' Pension Plan (NBTPP) over 2015 and 2016 was the creation of an integrated pension services organization that saw the transfer of the Pension and Employee Benefits Division of the provincial Treasury Board and New Brunswick Investment Management Corporation into separate not-for-profit entities owned by Vestcor Corp., itself a not-for-profit company. Vestcor Corp. is owned in equal parts by its members—the NBPSPP and the NBTPP.

This new structure ensures that the plan continues to access the expertise and experience of these two long-standing service providers, benefitting significantly from their not-for-profit status and ensuring that the pension administration costs remain among the lowest in Canada.

Total administration costs for the year ended December 31, 2016 were \$13.8 million compared to \$13.6 million for the previous year. Although costs increased year over year, as a percentage of average pension fund assets, total administration costs were 0.194% in 2016 compared to 0.202% in 2015. This is significantly lower than would be charged by private sector service providers. In this way, the Plan continues to benefit from the cost competitiveness of its investment manager and administration service provider.

Cost per Member

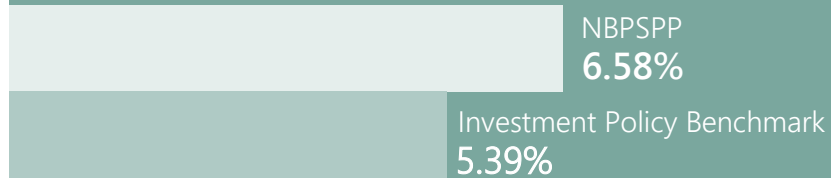
VPSC is a member of Quantitative Services Measurement (QSM), a national pension administrators benchmarking organization. QSM includes six other pension plan administrations from across Canada who benchmark service levels and costs.

In 2016, VPSC remained one of the lowest service providers amongst the QSM group at a cost of \$97 per member.

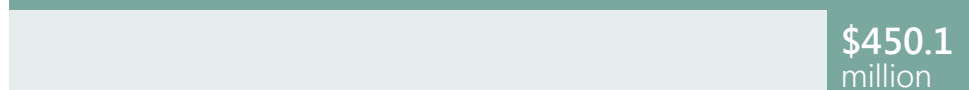


2016 Financial Highlights

Investment Performance



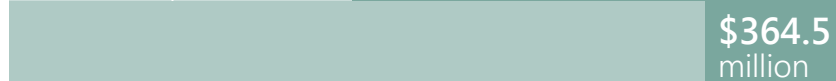
Net Investment Income



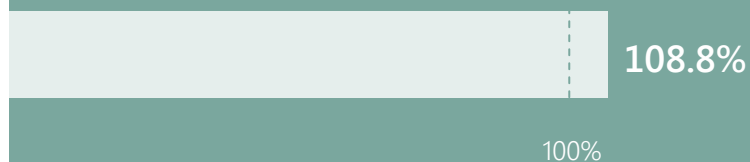
Contributions



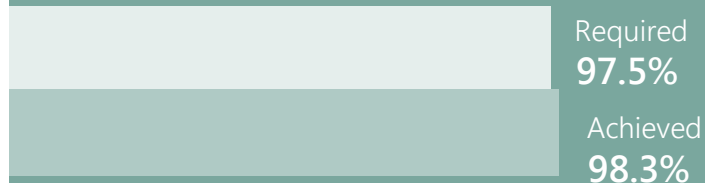
Benefits Paid Out



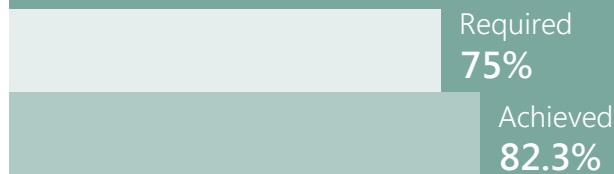
Termination Value Funded Ratio



Primary Risk Management Goal *

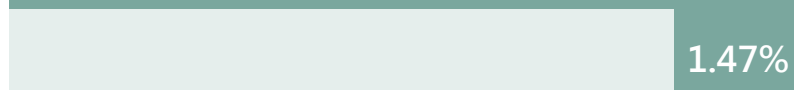


Secondary Risk Management Goal #1 *



* Refer to page 19 for a description of the Risk Management Goals

Cost of Living Adjustment



2016 Plan Valuation

The purpose of the NBPSP 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.

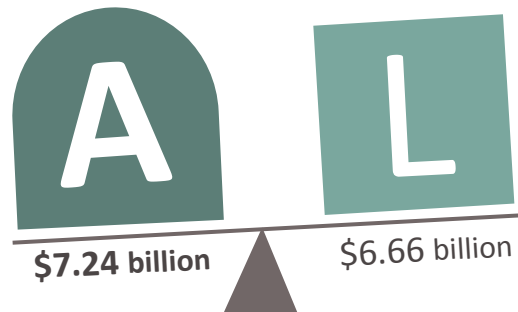
An estimate of the Plan's Liabilities is calculated by the actuary using a number of economic assumptions (e.g., interest rates) and demographic assumptions (e.g., life expectancy).

The most recent Actuarial Valuation Report was prepared as at January 1, 2017 and reviewed and approved by the Board of Trustees on June 28, 2017. 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 NBPSP 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.

ASSETS vs. LIABILITIES

as at January 1, 2017



Excess Contributions	
	% of total payroll
Funding Policy Valuation Normal Cost	12.31%
Contributions	
Members	8.25%
Employers' Initial Contributions	11.25%
Employers' Temporary Contribution (for 5 years from January 1/14)	0.50%
Employers' Temporary Contribution (for 10 years from January 1/14)	0.75%
Total	20.75%
Excess Contributions	8.44%

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 as at January 1, 2017, and it assumes the Plan continues indefinitely.

Funding Policy Valuation		
	January 1, 2017 \$ in millions	January 1, 2016 \$ in millions
Market Value of Assets	\$7,241.0	\$6,926.7
Funding Policy Actuarial Liabilities		
Active Members	\$2,304.6	\$2,287.3
Retirees and Survivors	4,130.7	3,962.4
Deferred Vested Members	219.1	225.9
Outstanding Refunds	1.7	1.5
Total funding Policy Actuarial Liabilities	\$6,656.1	\$6,477.1
Funding Policy Valuation Excess	\$584.9	\$449.6
Termination Value Funded Ratio	108.8%	106.9%

On January 1, 2017 the funding policy valuation excess increased to \$584.9 million from \$449.6 million on January 1, 2016 as a result of the following:

Change in Funding Policy Valuation Excess	
	\$ in millions
Investment returns were greater than valuation discount rate	\$110.2
Total contributions exceeded normal cost	101.9
Various other increases and decreases	13.2
Cost of indexing provided on January 1, 2017	(90.0)
Change in Funding Policy Valuation Excess	\$135.3

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 as at January 1, 2017, 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 NBPSPP has to be in a deficit position (less than 100% funded) for two consecutive years before any action is required under the NBPSPP Funding Policy. However, if this does occur the NBPSPP Board of Trustees must take action to address the deficit.

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

With the open group funded ratio at 127.0% as at January 1, 2017, the NBPSPP was in a position to provide a full cost of living adjustment (COLA) to Plan members. The 2017 adjustment is 1.47%, 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, 2018.

	January 1, 2017 \$ in millions
Market Value of Assets	\$7,241.0
Present Value of Excess Contributions Over Next 15 Years	\$1,210.1
Total Assets with Excess Contributions	\$8,451.1
Funding Policy Actuarial Liabilities	\$6,656.1
15-Year Open Group Funded Ratio	127.0%

Risk Management Results

As a shared risk plan, the NBPSPP 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 NBPSPP Funding Policy. The Plan's actuary has confirmed that the NBPSPP has successfully passed these tests as part of its annual actuarial report as at January 1, 2017.

Primary Risk Management Goal: Achieve at least 97.5% probability that benefits earned would not be reduced over the next 20 years.

2016 Result: 98.3% (2015 Result: 98.55%)



Secondary Risk Management Goal #1: Provide assumption that NBPSPP members and retirees will receive 75% of the Consumer Price Index (CPI) over the next 20 years.

2016 Result: 82.3% (2015 Result: 83.2%)



Secondary Risk Management Goal #2: Provide assumption that 75% of ancillary benefits (e.g., early retirement subsidy) will be provided over the next 20 years.

2016 Result: 97.5% (2015 Result: 97.7%)

A photograph of two financial analysts in a trading room. They are sitting at a desk with multiple computer monitors displaying various financial charts and data. One analyst is pointing at a screen while the other looks on. The scene is dimly lit, with the primary light source being the computer screens.

Investment Performance

The Pension Fund is invested in accordance with the Statement of Investment Policies (SIP), which outlines the requirement to manage the Pension Fund in a manner that recognizes the interdependency of the Plan's 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.

The investment objectives are as follows:

In the long term, to **preserve the capital value of the Pension Fund**, and to **provide the best possible long-term real return (after inflation) on investments while continuing to achieve the risk management goals as set out in the Funding Policy.**

The target asset mix (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.

Over shorter time periods, to **achieve competitive rates of return on each major asset class while avoiding undue investment risk and excessive market volatility.**

Over the medium term, to provide moving average rates of return in excess of those achieved by management of the portfolio. **A value-added contribution of 42 basis points, after deducting all investment management costs is targeted.**

Asset Mix

As indicated in the 2015 Annual Report, the asset mix was successfully transitioned during the 2015 Plan year to the target asset mix approved by the Board of Trustees on September 30, 2014. The Investment Policy was reviewed and the asset mix reconfirmed in November 2016.

The actual asset mix as at December 31, 2016 is shown in the table below:

	Actual Portfolio as at December 31, 2016	Target SIP November 12, 2016
Fixed Income		
Short-Terms Assets (Cash)	1.5%	1.0%
Government Bonds	17.0%	17.8%
Corporate Bonds	17.7%	17.7%
Total Fixed Income	36.2%	36.5%
Public Equity		
Standard Indices:		
Canada	10.4%	10.5%
U.S.	4.9%	5.0%
International (EAFE)	4.8%	5.0%
Low Volatility Equity:		
Canada	5.0%	5.0%
U.S.	5.0%	5.0%
International (EAFE)	5.0%	5.0%
Emerging Markets	3.0%	3.0%
Total Public Equity	38.1%	38.5%
Inflation-Linked		
Real Return Bonds	5.1%	5.0%
Real Estate	4.8%	4.0%
Infrastructure	3.3%	4.0%
Total Inflation-Linked	13.2%	13.0%
Alternative Investments		
Absolute Return Strategies	8.0%	8.0%
Private Equity	4.3%	4.0%
Total Alternatives	12.3%	12.0%
Asset Mix Strategy	0.3%	-
Total	100.0%	100.0%

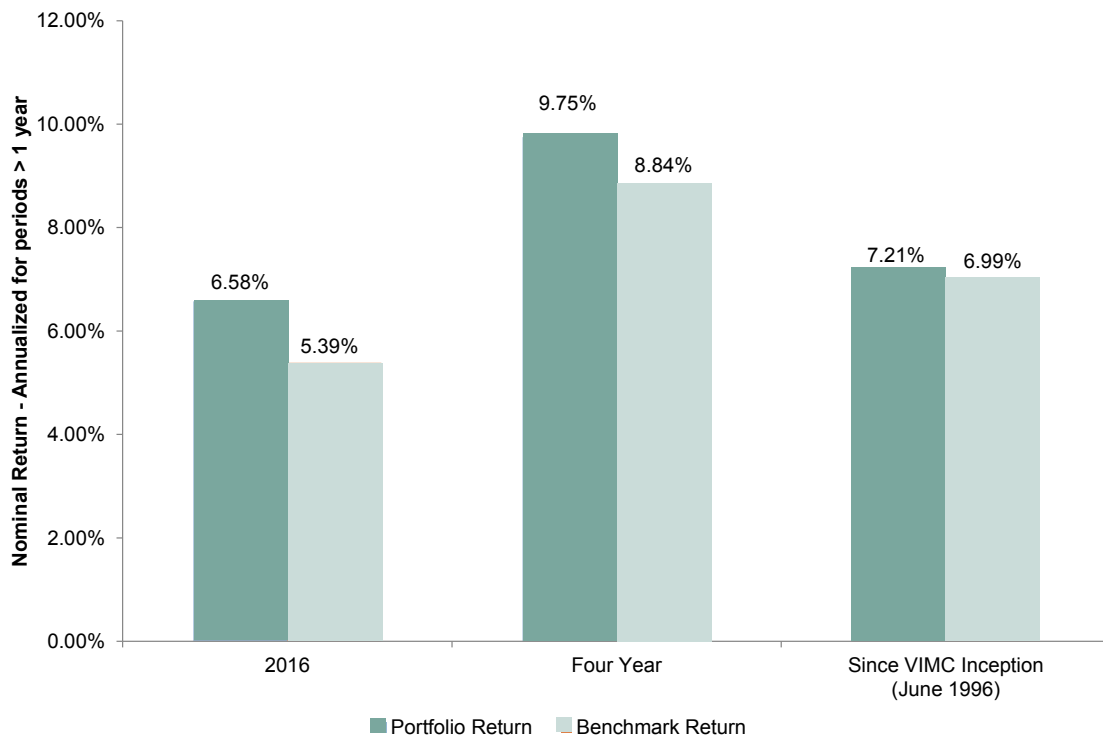
The slight deviations of the asset class weights between the actual and target asset mixes are due to:

- 1) Market Price Movements. In other words, as asset prices change, weights naturally change as well. VIMC is authorized to allow weights for asset classes to slightly deviate from policy weights to minimize transaction costs; however, weights are rebalanced to policy weights once deviations go beyond an allowable range.
- 2) Asset Mix Policy Choices. When market conditions warrant, VIMC will make slight modifications to allocations for clients that invest in VIMC's Asset Mix Strategy pooled fund to take advantage of opportunities that exist in the market.

2016 Returns

The nominal return for the NBPSPP Trust was 6.58% for the year ended December 31, 2016. The real (i.e. after inflation) return was 5.07% as both the normal and real returns were in excess of the actuarial assumed return of 4.75%, contributing to an increase in the open group funded ratio for the Plan. The chart below illustrates the nominal return compared to the benchmark return for the one-year and four-year periods, as well as the over twenty-year period that VIMC has managed the pension fund.

Investment Performance as at December 31, 2016



The overall nominal return in excess of the portfolio benchmark resulted in 1.19% of gross value added. After deducting investment management costs of 0.14%, the net value added to the pension fund was 1.05%, well in excess of the target value add of 0.42%. This resulted in approximately \$450.1 million in net investment income added to the Plan for the year.

The one-year nominal returns by asset class compared to their respective benchmark returns are shown in the table below:

2016 Rates of Return, calculated in Canadian Dollars

Asset Class		Return	Benchmark	Value Added
Fixed Income				
	Short-Terms Assets (Cash)	1.05%	0.51%	0.54%
	Government Bonds	1.45%	0.89%	0.56%
	Corporate Bonds	3.91%	3.73%	0.19%
Public Equity				
	Standard Indices:			
	Canada	20.52%	21.08%	(0.56%)
	U.S.	8.63%	8.62%	0.02%
	International (EAFE)	(2.55%)	(2.49%)	(0.06%)
	Low Volatility Equity:			
	Canada	16.74%	17.58%	(0.84%)
	U.S.	9.05%	6.56%	2.49%
	International (EAFE)	(1.92%)	(5.20%)	3.28%
	Emerging Markets	4.33%	0.31%	4.03%
Inflation-Linked				
	Real Return Bonds	2.91%	2.86%	0.06%
	Real Estate	10.99%	8.39%	2.60%
	Infrastructure	7.42%	5.31%	2.11%
Alternative Investments				
	Absolute Return Strategies	5.16%	0.51%	4.65%
	Private Equity	6.45%	3.93%	2.52%
Total		6.58%	5.39%	1.19%

For general commentary regarding market events and the behaviour of asset classes, please visit vestcor.org/marketupdate. Information is added on a quarterly basis.

The audited financial statements for the NBPSPP are available on page 33, and provide detailed information on the Plan's results for the year ended December 31, 2016.

The Schedule of Composite Performance prepared by VIMC for the NBPSPP Trust is included on page 29. This additional report follows the Global Investment Performance Standards (GIPS®) of the Chartered Financial Analysts' Institute. VIMC's policies and procedures used in preparing this report are independently verified.

Appendix A

Amendments Made to the Governing Documents in 2016

Governing documents are available online at www.vestcor.org/nbpspp.

Section	Change to Document
Plan Text	

Throughout the Document	Replaced “Public Service Shared Risk Plan” with “New Brunswick Public Service Pension Plan” - to reflect the change in the plan name.
-------------------------	---

Article XII – Forms of Pension Benefits

Subsection 12.3	Revised optional forms of pension titles in order to be clearer and consistent with wording in the <i>Pension Benefits Act</i> .
Subsection 12.3(i) and (ii)	<ul style="list-style-type: none">Removed a provision for payment of a survivor pension to a second spouse following the member’s selection of a 60% or 100% Joint and Survivor Pension option elected with an initial spouse; andAmended to provide for a residual payment under the Joint and Survivor Pension Options at 60% and 100%.

Article XXIII – Purchases of Service and Reciprocal Agreements

Subsection 23.2	Corrected an inconsistency in the benefit formula for Base Benefits related to pre-conversion service purchased after the NBPSPP Conversion.
Subsection 23.3	Amended to all for the purchase of periods of authorized leaves of absence without pay within one year of returning to work costed based on one times employee contributions.
Subsection 23.3(v)	Amended to allow for the purchase of additional Previously refunded service – commuted value/termination value.

Appendix A – COLA Granted Under Article VI

Appendix A	Included COLA of 1.40% as at January 1, 2017.
------------	---

Appendix E – Employers

Appendix E	Added “Vestcor Pension Services Corporation” and “Vestcor Investment Management Corporation”.
------------	---

Funding Policy

Throughout the Document	Replaced “Public Service Shared Risk Plan” with “New Brunswick Public Service Pension Plan”.
-------------------------	--

Statement of Investment Policy

Throughout the Document	<ul style="list-style-type: none">Replaced “Public Service Shared Risk Plan” with “New Brunswick Public Service Pension Plan”; andReplaced “New Brunswick Investment Management Corporation” with “Vestcor Investment Management Corporation”.
-------------------------	---

Appendix B

Summary of Board Decisions and Accomplishments for 2016

The following provides a summary of the activities of the Board of Trustees from January to December 2016 (other than regular business and standing items) cross-referenced to its Terms of Reference.

Plan Documents and Oversight

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

- The actuarial valuation as at January 1, 2016 prepared by Morneau Shepell;
 - Granted full contingent indexation of 1.40% effective January 1, 2017;
- The Funding Policy (annual review – no modifications required);
- A revised Statement of Investment Policies, amended with minor wording edits;
- The KPMG Audit Findings Report Update for the audit of the PSSRP for the year ended December 31, 2015;
- The Financial Statements of the PSSRP for the year ended December 31, 2015, as audited by KPMG; and
- Various amendments to the Plan Text.

The Board met all regulatory filing and disclosure requirements outlined under the *Pension Benefits Act* and the *Income Tax Act* (Canada).

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 Conduct and Ethics;
- Disclosure Policy;
- Per Diem and Travel Expense Policy;
- Trustee and Observer Orientation and Education Policy;
- Guidelines for the Nomination of Trustees; and
- Communications Policy.

The Board also proceeded with the approval of the following items, supporting Board Governance:

- The Plan's name change to the "New Brunswick Public Service Pension Plan" (NBPSPP);
- Directed VPSC to file the logo registration forms to register "New Brunswick Public Service Pension Plan" and "NBPSPP" with Trademark Canada, and that "NB Pension Plan" be added to the registration forms;
- Appointed L. Lee-White, R. Galbraith and M. Quinn to the ad hoc Committee on Nominations (Board Appointments) with L. Sprague as a legal resource as needed;
- A self-assessment skills matrix;
- A Board of Trustees' meeting effectiveness survey;
- The inaugural Triennial Board Effectiveness Survey; and
- Elected M. Quinn as Chair for a term of three years and L. Lee-White as Vice-Chair for a term of three years.

Member Services and Communications

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

- An application process and form for groups to join the NBPSPP;
- The requirement that new retirees enrol, at retirement, to receive benefit payments via direct deposit;
- The 2016 Annual General Meeting held in Moncton on September 29, 2016 and collateral materials;
- The 2015 PSSRP Annual Report;
- The 2016 Spring and Fall Newsletters;
- The revised Board Activities document for publication on the Plan's website; and
- Speaking notes for Board members subject to the addition of a category on transparency.

Service Provider Engagement

The Board engaged the following service providers:

- Vestcor Pension Services Corporation (VPSC) for pension benefits administration services;
- Vestcor Investment Management Corporation (VIMC) for investment services;
- Morneau Shepell as the actuary for the 2017 actuarial valuation;
- KPMG, as the external auditor for the NBPSPP financial statements for the year ended December 31, 2016; and
- Pink Larkin for legal services.

Pension Governance Effectiveness

The Board appointed four Vestcor Corp. Directors from the NBPSPP Board by a vote of the full Board. The following directors were appointed as of the date of Royal Assent: Marilyn Quinn, Susie Proulx-Daigle, Mark Gaudet and Leonard Lee-White.

In addition, the Board approved the Vestcor Corp. Members' Agreement.

Appendix C

Global Investment Performance Standards (GIPS®) Compliance Report

SOCIÉTÉ DE GESTION DES PLACEMENTS

VESTCOR

INVESTMENT MANAGEMENT CORPORATION

VESTCOR INVESTMENT MANAGEMENT CORPORATION

New Brunswick Public Service Pension Plan (NBPSPP)

Ten years ended December 31, 2016

Year Ended December 31	Full Gross Return ¹ %	Net Return %	Benchmark Return %	Composite 3-Yr SD ² %	Benchmark 3-Yr SD ² %	NBPSPP AUM ³ (in millions of \$CAD)	Firm AUM ³ (in millions of \$CAD)
2016	6.58	6.43	5.39	4.57	4.85	7,215.1	15,706.5
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

¹ Supplemental information

² SD means standard deviation

³ AUM means assets under management

Composite Description

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

Composite Creation Date

The NBPSPP composite was created January 1, 2014, following the conversion of the Public Service Superannuation Act to the NBPSPP. Prior to the conversion, the pension funds for the NBPSPP were included in the Pension Funds composite.

The NBPSPP composite was created for reporting to the NBPSPP Board of Trustees.

VIMC has been the investment manager for this pension plan since March 31, 1996. The historical results for the NBPSPP composite are presented on a calendar basis.

VESTCOR INVESTMENT MANAGEMENT CORPORATION

New Brunswick Public Service Pension Plan (NBPSPP)

Ten years ended December 31, 2016

Firm Description

Vestcor Investment Management Corporation was established pursuant to the New Brunswick Investment Management Corporation Act which was proclaimed on March 11, 1996 and was continued effective October 1, 2016 as a share corporation pursuant to the Vestcor Act. VIMC provides investment management and advisory services for pension, trust, endowment and similar funds within the public sector.

The composite funds are invested in unit trust funds, separate accounts, and limited partnerships, established by VIMC to facilitate the collective investment management and administration of these assets. The funds managed by VIMC are held in accordance with each composite's investment policy.

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

Compliance Statement

VIMC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. VIMC has been independently verified for the periods December 1, 1996 through December 31, 2016. 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 reporting period. Performance returns expressed on a full 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, VIMC charges for its investment management services on a cost recovery basis, allocated *prorata* to its clients according to their share of VIMC's total 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.

VESTCOR INVESTMENT MANAGEMENT CORPORATION

New Brunswick Public Service Pension Plan (NBPSPP)

Ten years ended December 31, 2016

The composite performance presented in this schedule 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, VIMC 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 VIMC operates.

Additional information regarding VIMC'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 NBPSPP 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

VIMC 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 VIMC's composite presentations because VIMC 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 VIMC'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.

VESTCOR INVESTMENT MANAGEMENT CORPORATION

New Brunswick Public Service Pension Plan (NBPSPP)

Ten years ended December 31, 2016

In using derivative instruments, as described above, VIMC 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 NBPSPP'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, 2016:

Index	Weight (%)
S&P/TSX Total Return Composite Index	11.16
MSCI Canada Minimum Volatility Total Return Index, Gross	5.09
S&P 500 Total Return Index in \$C	6.34
MSCI USA Minimum Volatility (USD) Total Return Index in \$C, Net	5.01
MSCI EAFE Total Return Index in \$C, Net	6.88
MSCI EAFE Minimum Volatility (USD) Total Return Index in \$C, Net	5.06
MSCI Emerging Markets Minimum Volatility (USD) Total Return Index in \$C, Net	2.96
FTSE NAREIT All Equity REITS Total Return Index in \$C	0.96
S&P/TSX Capped REIT Total Return Index	1.05
4% Real Return*	6.25
FTSE TMX Canada All Government Bond Index	17.81
FTSE TMX Canada All Corporate Bond Index	17.70
FTSE TMX Canada Real Return Bond Index	5.03
FTSE TMX Canada 91-Day T-Bill Index	8.08
One-day Canadian Call Loan Rate	0.61
Not applicable	0.01

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.

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

Appendix D

NBPSPP Financial Statements

The financial statements of the NBPSPP 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.

New Brunswick Public Service Pension Plan
(formerly operating as Public Service Shared Risk Plan)

Financial Statements

December 31, 2016



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 New Brunswick Public Service Pension Plan

We have audited the accompanying financial statements of the New Brunswick Public Service Pension Plan (formerly operating as Public Service Shared Risk Plan) (the Entity), which comprise the statement of financial position as at December 31, 2016, 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, 2016 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.

Chartered Professional Accountants
August 29, 2017
Fredericton, Canada

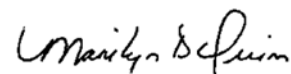
NEW BRUNSWICK PUBLIC SERVICE PENSION PLAN
Statement of Financial Position
(In thousands of Canadian dollars)
AS AT DECEMBER 31

	2016	2015
ASSETS		
Investments <i>(notes 3 and 4)</i>	\$ 7,215,370	\$ 6,910,862
Contributions receivable from employers <i>(note 12)</i>	15,552	14,542
Contributions receivable from employees <i>(note 12)</i>	13,196	6,408
Other receivable	322	14
Total assets	7,244,440	6,931,826
LIABILITIES		
Accounts payable and accrued liabilities <i>(note 12)</i>	3,458	5,090
Net assets available for benefits	7,240,982	6,926,736
Pension obligations <i>(note 6)</i>	6,656,100	6,477,100
SURPLUS	\$ 584,882	\$ 449,636

See accompanying notes to the financial statements.

Commitments *(note 13)*
Indemnification *(note 14)*

Approved on behalf of the Board of Trustees:



Marilyn Quinn
Chair



Leonard Lee-White
Vice Chair

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

	2016	2015
Increase in net assets		
Net investment income (note 9)	\$ 450,077	\$ 481,205
Employer pension contributions (note 12)	145,333	140,950
Employee pension contributions (note 12)	97,072	96,776
	692,482	718,931
Decrease in net assets		
Pension benefits (note 10)	351,983	336,509
Refunds and transfers (note 10)	12,496	9,470
Administration expenses (note 11)	13,757	13,561
	378,236	359,540
Increase in net assets available for benefits	314,246	359,391
Net assets available for benefits, beginning of year	6,926,736	6,567,345
Net assets available for benefits, end of year	\$ 7,240,982	\$ 6,926,736

See accompanying notes to the financial statements.

NEW BRUNSWICK PUBLIC SERVICE PENSION PLAN
Statement of Changes in Pension Obligations
(In thousands of Canadian dollars)
YEAR ENDED DECEMBER 31

	2016	2015
Pension obligations, beginning of year	\$ 6,477,100	\$ 6,277,300
Change in pension obligations:		
Interest accrued on benefits	302,400	293,200
Experience losses	9,400	22,200
Normal actuarial cost	141,700	137,500
Benefits paid	(364,500)	(346,000)
Cost of living adjustment	90,000	92,900
	179,000	199,800
Pension obligations, end of year	\$ 6,656,100	\$ 6,477,100

See accompanying notes to the financial statements.

NEW BRUNSWICK PUBLIC SERVICE PENSION PLAN

Notes to Financial Statements

(In thousands of Canadian dollars)

AS AT AND FOR THE YEAR ENDING DECEMBER 31, 2016

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 New Brunswick Public Service Pension Plan (the “NBPSPP” or “Plan”), a shared risk plan registered under the *Pension Benefits Act of New Brunswick* (the “Act”). The NBPSPP 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 NBPSPP 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 NBPSPP. All new full-time employees, term employees, and contract employees after February 1, 2014 are required to join the NBPSPP. All other employees will become members of the NBPSPP 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 NBPSPP (*note 7*).

Pension benefits vest on the earlier of: (i) five years of continuous employment; or (ii) two years of membership in the NBPSPP, 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 29, 2017.

(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 the NBIMC Pooled Funds offered by Vestcor Investment Management Corporation (“VIMC”). 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 Pooled 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 Pooled 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 NBIMC Pooled Funds have access at that date.

2. Significant Accounting Policies (*continued*)

The fair value of the underlying securities in the NBIMC Pooled 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 Pooled 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 Pooled 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 Pooled Funds are translated at the prevailing rates of exchange at the date of the Statement of Financial Position. 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.

3. Investments

The Plan invests in certain pooled unit trust funds established by VIMC, the investment manager for the Plan. Each NBIMC Pooled Fund has a specific investment mandate. Investing in the NBIMC Pooled 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 NBIMC Pooled Fund in which an interest is held by the Plan as at December 31, 2016:

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 VIMC. 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. VIMC 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. 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.

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 performance objective is to add 20 basis points net of fees to its benchmark, the MSCI EAFE Total Return Index in \$C, Net, over a four-year rolling average.

NBIMC Low Volatility International Equity Fund

This fund actively invests in securities in the MSCI EAFE Minimum Volatility (USD) Total Return 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. 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 Non-Canadian Private Real Estate Fund

This fund invests 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 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 Public Infrastructure Fund

This fund was created 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 Quantitative Equity Strategic Beta Fund

This fund was created on April 26, 2016 to add value by investing in either long or short positions, primarily in equities in the MSCI ACWI Index. 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 plus 7% One-day Canadian Call Loan Rate.

3. Investments (continued)

NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund

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

NBIMC Private Equity Fund

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

NBIMC Asset Mix Strategy Fund

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

3. Investments (continued)

Following are details of NBIMC Pooled Fund holdings as at December 31:

(\$ thousands)	Number of Units (rounded)	Unit Value (in dollars)	Fair Value 2016	Fair Value 2015
Fixed Income				
NBIMC Nominal Bond Fund	464,358	2,623	\$ 1,218,213	\$ 1,168,306
NBIMC Corporate Bond Fund	1,028,789	1,243	1,278,613	1,218,803
NBIMC New Brunswick Fixed Income Opportunity Fund	2,344	3,189	7,475	8,145
NBIMC Money Market Fund	64,157	1,609	103,217	127,336
NBIMC Student Investment Fund	485	3,428	1,664	1,507
			2,609,182	2,524,097
Equities				
NBIMC Canadian Equity Index Fund	153,111	3,423	524,052	509,888
NBIMC Low Volatility Canadian Equity Fund	229,870	1,567	360,135	341,946
NBIMC External Canadian Equity Fund	36,214	4,070	147,378	124,406
NBIMC Canadian Equity Active Long Strategy Fund	59,607	1,367	81,488	96,070
NBIMC External International Equity Fund	66,291	2,080	137,876	141,759
NBIMC EAFE Equity Index Fund	146,313	1,427	208,727	179,231
NBIMC Low Volatility International Equity Fund	184,230	1,954	359,937	347,124
NBIMC Low Volatility Emerging Markets Equity Fund	225,289	948	213,506	205,264
NBIMC U.S. Equity Index Fund	133,174	2,656	353,771	331,184
NBIMC Low Volatility U.S. Equity Fund	135,190	2,655	358,937	343,814
			2,745,807	2,620,686
Inflation-Linked Assets				
NBIMC Inflation-Linked Securities Fund	101,401	3,609	365,941	346,630
NBIMC Canadian Real Estate Fund	44,560	4,281	190,744	156,316
NBIMC Canadian Real Estate Investment Trust Fund	61,186	1,245	76,151	90,108
NBIMC Non-Canadian Private Real Estate Fund	10,469	937	9,814	8,939
NBIMC International Real Estate Fund	9,228	7,577	69,922	93,610
NBIMC Public Infrastructure Fund	131,969	1,039	137,070	138,093
NBIMC Infrastructure Fund	64,353	1,531	98,531	68,882
			948,173	902,578
Alternative Investments				
NBIMC North American Market Neutral Fund	117,602	1,338	157,324	154,803
NBIMC Quantitative Strategies Fund	161,450	1,431	231,096	396,774
NBIMC Quantitative Equity Strategic Beta Fund	182,037	1,035	188,400	—
NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund	3,592	5,026	18,056	17,660
NBIMC Private Equity Fund	99,089	2,959	293,252	287,069
			888,128	856,306
Tactical Asset Allocation				
NBIMC Asset Mix Strategy Fund	21,196	1,136	24,080	7,195
			\$ 7,215,370	\$ 6,910,862

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 Pooled Fund are classified as a Level 2 investment since the units are priced based on each pooled fund 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 Pooled Funds that invest in active and passive investment strategies and are diversified among domestic and international markets.

Investment strategies used by the NBIMC Pooled Funds may involve the use of financial derivatives such as forward foreign exchange contracts or total return swaps. Investment strategies also include “market neutral” strategies whereby an investment in a long position in one stock is matched with a short position in another stock, typically within the same industry sector. With the limited exception of prudent financing for investments in real property, the SIP (*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 Pooled 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)*

VIMC conducts certain of its investment activities in the NBIMC Pooled 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, 2016, 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 \$292,508 (2015 - \$285,654) (*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 NBIMC Pooled Funds; however, certain of the NBIMC Pooled 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 28.6% (2015 - 28.3%) 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 16.3% (2015 - 15.8%) and the Euro of 3.3% (2015 - 3.5%).

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, 2016 of \$20,799 (2015 - \$19,727).

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 Pooled Funds that invest in fixed income securities whose fair values are sensitive to interest rates. The SIP requires VIMC 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, 2016 would be approximately \$248,548 (2015 - \$232,284).

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 Pooled Funds. If equity market price indices declined by 1%, and all other variables are held constant, the potential loss at December 31, 2016 would be approximately \$30,789 (2015 - \$27,620).

(b) **Credit Risk:** The Plan is exposed to credit-related risk in the event that a pooled fund investment in a derivative or debt security counterparty defaults or becomes insolvent. VIMC 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. VIMC 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 NBIMC Pooled Funds at December 31 is as follows:

<i>(\$ thousands)</i>	2016	2015
AAA	\$ 868,287	\$ 819,925
AA	895,802	919,691
A	1,104,367	1,023,312
BBB	402,479	348,815
R-1	294,981	235,440
Other	59,028	38,245
	\$ 3,624,944	\$ 3,385,428

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 Pooled Funds. Uses of liquidity include payments to the plan beneficiaries, plan service providers and purchases of units of NBIMC Pooled 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>	2016	2015
Net assets available for benefits	\$ 7,240,982	\$ 6,926,736
Less: investment in NBIMC New Brunswick Fixed Income Opportunity Fund (<i>note 3</i>)	(7,475)	(8,145)
Less: investment in NBIMC Canadian Real Estate Fund (<i>note 3</i>)	(190,744)	(156,316)
Less: investment in NBIMC Non-Canadian Private Real Estate Fund (<i>note 3</i>)	(9,814)	(8,939)
Less: investment in NBIMC Infrastructure Fund (<i>note 3</i>)	(98,531)	(68,882)
Less: investment in NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund (<i>note 3</i>)	(18,056)	(17,660)
Less: investment in NBIMC Private Equity Fund (<i>note 3</i>)	(293,252)	(287,069)
Less: collateral pledged (<i>note 5(a)</i>)	(292,508)	(285,654)
Less: investment commitments (<i>note 13</i>)	(227,517)	(230,557)
Net liquid assets	\$ 6,103,085	\$ 5,863,514

5. Financial Instrument Risk Management (*continued*)

(d) Securities Lending: The Plan's SIP permits VIMC to enter into a securities lending arrangement externally with their securities custodian or internally among the NBIMC Pooled Funds 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 Pooled 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. VIMC has restricted the approved borrowers under the external securities lending program to manage exposure to counterparty credit risk. As at December 31, 2016, underlying securities in the amount of \$775,385 (2015 - \$775,436) were loaned on behalf of the Plan.

Under the internal securities lending program, certain NBIMC Pooled Funds may loan securities to a borrowing NBIMC Pooled Fund subject to an intra-fund collateral management agreement and a borrowing fee. As at December 31, 2016, underlying securities in the amount of \$57,366 (2015 - \$49,546) were loaned on behalf of the Plan and \$60,340 (2015 - \$54,325) 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)* ("Act");
- the Conversion Plan as required under as required under sub-paragraph 100.6(2)(a)(i) of the Act; and
- the results of the going-concern actuarial valuation required under paragraph 14(1) of the *Shared Risk Plan Regulation 2012-75* to the Act.

The next going-concern actuarial valuation will be conducted as of January 1, 2018. Such a valuation is prepared solely to comply with the requirements of the *Income Tax Act (Canada)*.

The Act 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, 2017 by the independent actuary. The next funding policy valuation is expected to be prepared no later than January 1, 2018.

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, 2017 and January 1, 2016

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	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.								
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 2016 or 2015.

(c) Experience losses: Experience losses represent the change in the pension obligation due to the difference between expected experience and actual results. During 2016, the experience losses were \$9,400 (2015 - \$22,200).

(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, 2016, a decrease of 100 basis points in the discount rate would have increased the pension obligation by \$916,200 (2015 - \$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 \$1,210,100 (2015 - \$1,197,600) 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 NBPSPP 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 NBPSPP 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 NBPSPP is represented by the net assets available for benefits. The NBPSPP 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 NBPSPP. 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 December 1, 2016.

Once approved, VIMC is responsible for the implementation of the asset mix decision including day-to-day investment activities and monitoring of investment risk controls. VIMC 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 NBIMC Pooled Fund for the year ended December 31, after allocating net gains (losses) on investments, is as follows:

<i>(\$ thousands)</i>	2016	2015
Fixed Income		
NBIMC Nominal Bond Fund	\$ 17,318	\$ 41,373
NBIMC Corporate Bond Fund	47,797	29,795
NBIMC New Brunswick Fixed Income Opportunity Fund	185	424
NBIMC Money Market Fund	890	1,027
NBIMC Student Investment Fund	156	(37)
	66,346	72,582
Equities		
NBIMC Canadian Equity Index Fund	108,635	(33,534)
NBIMC Low Volatility Canadian Equity Fund	57,211	(14,461)
NBIMC External Canadian Equity Fund	22,357	(3,995)
NBIMC Canadian Equity Active Long Strategy Fund	16,481	(10,833)
NBIMC External International Equity Fund	(3,866)	30,933
NBIMC EAFE Equity Index Fund	(1,252)	215,814
NBIMC EAFE Equity Index Fund – Class N	—	(138,360)
NBIMC Low Volatility International Equity Fund	(3,892)	141,945
NBIMC Low Volatility International Equity Fund – Class N	—	(61,324)
NBIMC Low Volatility Emerging Markets Equity Fund	8,824	(7,004)
NBIMC U.S. Equity Index Fund	33,450	71,536
NBIMC Low Volatility U.S. Equity Fund	31,798	81,516
	269,746	272,233
Inflation-Linked Assets		
NBIMC Inflation-Linked Securities Fund	10,794	10,953
NBIMC Canadian Real Estate Fund	17,686	14,616
NBIMC Canadian Real Estate Investment Trust Fund	14,978	(2,922)
NBIMC Non-Canadian Private Real Estate Fund	(80)	(436)
NBIMC International Real Estate Fund	3,010	22,542
NBIMC Public Infrastructure Fund	9,456	(874)
NBIMC Infrastructure Fund	6,992	4,923
	62,836	48,802
Alternative Investments		
NBIMC North American Market Neutral Fund	5,731	997
NBIMC Quantitative Strategies Fund	16,430	17,828
NBIMC Quantitative Equity Strategic Beta Fund	6,394	—
NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund	1,052	661
NBIMC Private Equity Fund	18,000	68,852
	47,607	88,338
Tactical Asset Allocation		
NBIMC Asset Mix Strategy Fund	3,542	(750)
Net investment income	\$ 450,077	\$ 481,205

10. Pension benefits

A breakdown of pension benefits by type is as follows:

<i>(\$ thousands)</i>	2016	2015
Retirements	\$ 325,227	\$ 310,675
Terminations	4,806	4,422
Disability	1,813	1,907
Death	29,896	26,852
Other	2,737	2,123
	\$ 364,479	\$ 345,979

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

<i>(\$ thousands)</i>	2016	2015
Pension benefits	\$ 351,983	\$ 336,509
Refunds and transfers	12,496	9,470
	\$ 364,479	\$ 345,979

11. Administration Expenses

The Plan is charged by its service providers, including Vestcor Pension Services Corporation (VPSC) (subsequent to October 1, 2016 and previously the Pension and Employee Benefits Division of the Office of Human Resources for the Province of New Brunswick) and VIMC, each a related party, for professional and administrative services. The following is a summary of these administrative expenses:

<i>(\$ thousands)</i>	2016	2015
Plan administration:		
Office and administration services (<i>note 12</i>)	\$ 2,908	\$ 2,758
Consulting	112	127
Legal fees	286	12
Actuarial services	77	86
Audit fees	61	65
Board of Trustees	32	21
	3,476	3,069
Investment management costs:		
Investment management fees (<i>note 12</i>)	8,624	8,944
Securities custody	533	686
	9,157	9,630
HST	1,124	862
	\$ 13,757	\$ 13,561

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 and other crown entities. The Board of Trustees determines the amounts of contributions to and payments from the Plan.

Pursuant to the *Vestcor Act*, on July 8, 2016 the Plan is a member of a not-for-profit, non-share company, Vestcor Corp. (Vestcor). On October 1, 2016 Vestcor acquired a 100% interest in two operating companies: VIMC and VPSC (formerly (PEBD)).

All of the Plan's investments included in the Statement of Financial Position are in NBIMC Pooled Funds which entitle the Plan to an undivided interest in the underlying assets of those pooled 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 Pooled Funds are underlying investments in New Brunswick provincial and municipal bonds that are recorded at their fair values as at December 31, 2016 of \$42,285 (2015 - \$44,700).

Pension administration expenses paid to VPSC (and formerly PEBD) and investment management fees paid to VIMC (and formerly NBIMC) for the year are described in note 11. At December 31, 2016 amounts owing to VIMC for investment management fees of \$1,643 (2015 - \$1,256), and to VPSC for pension administration expenses of \$561 (2015 - \$2,908) are included in accounts payable and accrued liabilities.

13. Commitments

The NBIMC Canadian Real Estate Fund, the NBIMC Non-Canadian Private Real Estate Fund, the NBIMC Infrastructure Fund, the NBIMC Private Equity Fund and Vestcor Investments Private Equity, L. P. (a newly created limited partnership whose general partner is Vestcor Investments General Partner, Inc., a wholly-owned subsidiary of VIMC) 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:

(\$ thousands)	2016		2015	
NBIMC Canadian Real Estate Fund	\$	14,149	\$	19,840
NBIMC Non-Canadian Private Real Estate Fund		2,710		12,545
NBIMC Infrastructure Fund		8,294		20,767
NBIMC Private Equity Fund		185,137		177,405
Vestcor Investments Private Equity, L. P.		17,227		—
	\$	227,517	\$	230,557

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.