

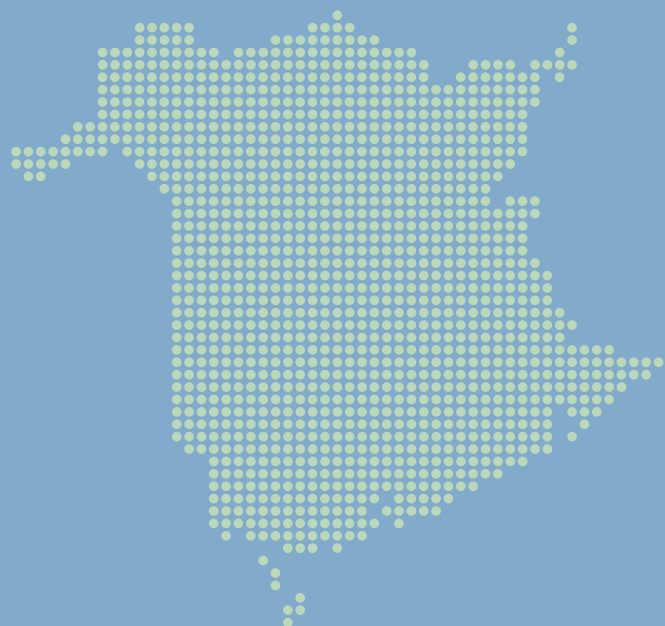
2019 ANNUAL REPORT



New Brunswick Public Service Pension Plan

Your NBPSPP in 2019

Membership



Your NBPSPP had

39,981

active, retired, & deferred members

**in New Brunswick &
around the world.**

See page 2 for more details.

2019 Investment Performance

11.65%

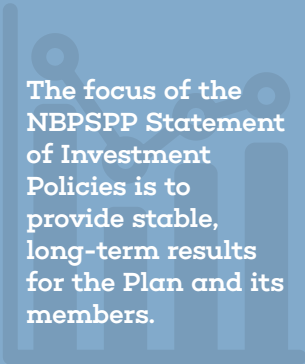
Gross Investment
Return at Dec. 31, 2019

**\$720
million**

Increase in Net Assets
Since Dec. 31, 2018

**\$8.334
billion**

in Investment Assets
as at Dec. 31, 2019



The focus of the
NBPSPP Statement
of Investment
Policies is to
provide stable,
long-term results
for the Plan and its
members.

**As
compared
to 2018...**

The gross
investment return
was **1.75%**, adding
\$132.3 million in
net investment
income.

Read more about
Investment Performance
on page 17.



Plan Valuation

What is it?

The Plan Valuation measures the NBPSP's assets against its liabilities. These liabilities include the **pensions you, and all the members of the NBPSP are entitled to**. This measurement is called a **Termination Value Funded Ratio**, and the ratios for the past three years can be found just below. The Plan is considered 100% funded when it has enough assets to cover all of its liabilities.

For a more thorough explanation and more information, see page 29.

2019
114.7%

2018
108.0%

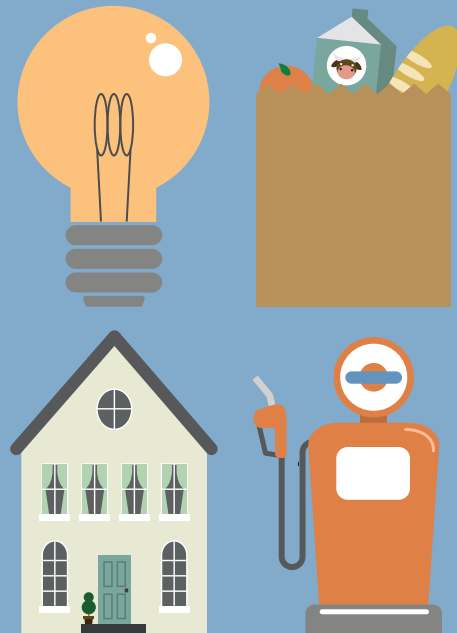
2017
112.0%

Cost of Living Adjustments (COLA)

Based on the financial health of the NBPSP in 2019, your Board of Trustees was able to grant the full Cost of Living Adjustment of

1.46%*

effective January 1, 2021.



Meet your Board and learn about their accomplishments in 2019 on pages 4 and 22.

*Based on Canada's Consumer Price Index (CPI).

NB Public Service Pension Plan
2019 Annual Report

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Chairperson Letter

I'm pleased to report, on behalf of my fellow Trustees and observers of the New Brunswick Public Service Pension Plan (NBPSPP), that an 11.65% gross investment return was added to the Pension Fund as at December 31, 2019. This contributed to an increase of \$720 million in net assets, which grew the total Fund to \$8.352 billion.

While the NBPSPP return in 2019 was positive, the subsequent financial market impact from the declaration of a pandemic due to the COVID-19 crisis resulted in an impact to NBPSPP asset valuations in the first quarter of 2020, followed by an almost equal retracement by time of writing. Our focus, as your Board of Trustees, remains the NBPSPP's long-term returns. The NBPSPP as a Shared Risk Pension Plan is designed to be lower risk, allowing it to better withstand market downturns than traditional pension plans during volatile periods such as we are experiencing with this COVID-19 crisis. As an example, during the financial market challenges that occurred in the second half of 2018, the NBPSPP returned 1.75% (\$132.3 million in net investment income) during the year, which was higher than most traditional pension plans. With that in mind, the longer-term returns remain strong since the NBPSPP was established (2014) and since Vestcor, and its predecessor, began managing the investments (1996), at 7.05% and 7.18% per annum respectfully. This continues to be reassuring, as many traditional pension plans continue to face difficult challenges in terms of their ability to sustainably pay benefits due to investment volatility and pensioner longevity challenges.

As noted in the Actuarial Valuation Report as of January 1, 2020, the NBPSPP was over-funded at 114.7%. In following the funding excess utilization plan, together with examination of the impact of the recent volatility, has allowed the Trustees to provide the full cost of living adjustment to members equivalent to the full-value of the Canada Consumer Price Index of 1.46% for the 12 month period ending June 30, 2020.

We trust that these results provide comfort in where your NBPSPP stands. As a Board, we continue to closely monitor the investment program, while focusing on opportunities to continuously improve our governance practices and better serve our members.

I would like to take a moment to provide an update on your Board of Trustees. I would like to thank Marilyn Quinn for her time as Chairperson of the NBPSPP Board of Trustees. Marilyn provided much leadership, knowledge and support to your Board, having chaired since the NBPSPP was established. As outlined in the NBPSPP Board of Trustees' terms of reference, the Chairperson and Vice-Chairperson of the Board are appointed for a three-year term, renewable once. Upon completion of her two terms on November 30, 2019, she agreed to remain on the Board, and I accepted to take on the position of Chairperson as of December 1, 2019. We are very pleased that Marilyn remains a Trustee. I am also pleased that Ross Galbraith has assumed the role of Vice-Chairperson.

In addition, your Board's composition changed in early 2020 with Denise Pinette's term as a Trustee ending on January 31, 2020, at which time she chose not to seek reappointment. Denise provided much value to our group, and we thank her for her knowledge and contributions. As of February 1, 2020, we had the pleasure of welcoming Paul Martin to your Board.

Should you have any questions about your NBPSPP, please do not hesitate to reach out to your Board of Trustees. We are proud to represent you, and work diligently in the interest of your retirement.



Leonard Lee-White, Chairperson
August 1, 2020

2019

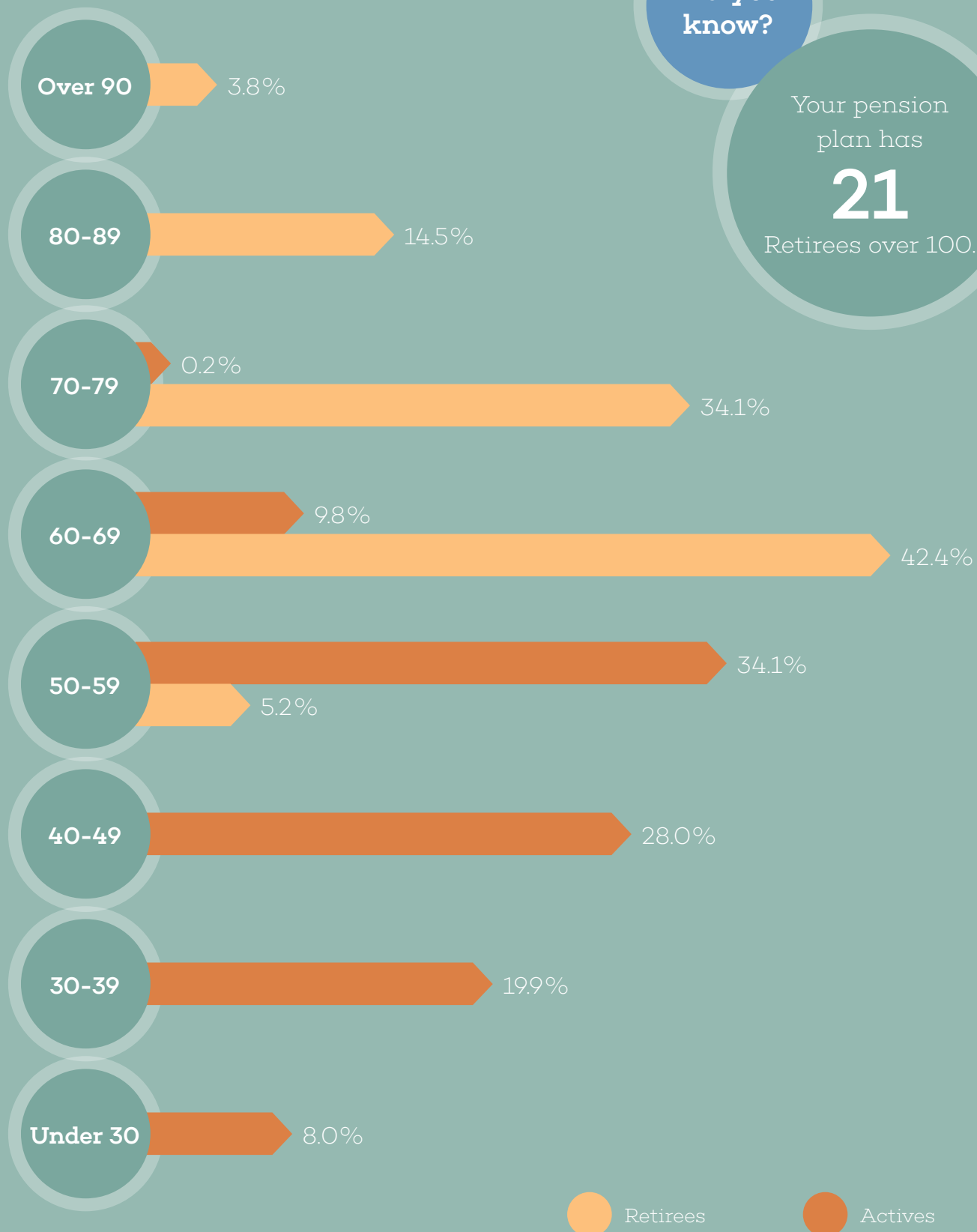
IN NUMBERS



Age Distribution

Did you
know?

Your pension
plan has
21
Retirees over 100.





PLAN GOVERNANCE

Board of Trustees

The Board of Trustees is responsible for the overall governance and administration of the New Brunswick Public Service Pension Plan (NBPSPP) in accordance with the *Pension Benefits Act* and the Plan's 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");
- approving investment policy decisions;
- providing oversight of pension administration and investment management;
- hiring an accredited actuary to provide an independent valuation of the pension obligations; and
- hiring an external auditor to independently examine the fair presentation of the financial statements.

The Board of Trustees is composed of nine Trustees and two observers. There is one Trustee vacancy. Four Trustees have been appointed by the unions who signed the NBPSPP's Memorandum of Understanding, and five were appointed by the provincial government (including one who is a retiree). Of the four appointed by unions, one is appointed by the New Brunswick Nurses Union, one by the New Brunswick Union of Public and Private Employees (NBU), one by the International Brotherhood of Electrical Workers local 37, and one by the Canadian Union of Public Employees (CUPE) locals*.

One of the observers was appointed by the CUPE locals, while the other was appointed by the NBU. The observers are able to attend the meetings, but do not have voting powers.

The only change to the Board of Trustees in 2019 was the end of Marilyn Quinn's second term as Chairperson. As outlined in the Board of Trustees Terms of Reference, the Chair and Vice-Chair of the Board are appointed for a three-year term, renewable once. As of December 1, 2019, the position of Chairperson was subsequently filled by Leonard Lee-White, while his position as Vice-Chair was filled by Ross Galbraith. Marilyn Quinn remains a Trustee, allowing the Board to continue benefiting from her vast experience and expertise.

Biographies of the Trustees and observers are available on the following pages.

*The CUPE locals who signed the NBPSPP's Memorandum of Understanding are CUPE local 1252, CUPE local 1840 and CUPE local 5017.

Leonard Lee-White, CFA - Chair*

Leonard is the former Assistant Deputy Minister of Finance and Treasury Board, 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 of 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. Leonard is also a trustee of the New Brunswick Teachers' Pension Plan.

Ross Galbraith - Vice-Chair*

Ross is the 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.

Sébastien Deschênes, DBA, CFA, CPA - Trustee

Sébastien is the 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 Chartered 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 public accounting firm in Montreal.

Mark Gaudet - Trustee

Mark is the retired 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 a 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.

Katherine Greenbank, BBA, CPA, CMA - Trustee

Katherine 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 Chartered Professional Accountant designation.

Paul Martin, FCPA, FCA - Trustee

Paul Martin is the Comptroller for the Province of New Brunswick with oversight of accounting, internal audit, enterprise risk management, financial systems and consulting. He has 38 years' experience in public practice as a former partner with a National accounting firm and currently with the Provincial Government. Paul is a Fellow Chartered Professional Accountant and a past president of the New Brunswick Institute of Chartered Accountants. He currently serves as a member of the Chartered Professional Accountants of Canada's Public Sector Accounting Discussion Group and the Employment Benefits Task Force. Paul is also a trustee of the New Brunswick Teachers' Pension Plan.

*As previously noted, Marilyn Quinn's second term as Chairperson ended as of December 1, 2019. The position of Chairperson was subsequently filled by Leonard Lee-White, while his position as Vice-Chair was filled by Ross Galbraith.

Susie Proulx-Daigle - Trustee

Susie is currently serving her 6th term as President of the New Brunswick Union. She also sits at the negotiating table for all NBU collective agreements and is serving her second term on the Board of Directors for the New Brunswick Pay Equity Coalition. She is also a trustee for the Certain Bargaining Employees of the New Brunswick Hospitals Shared Risk Pension Plan 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. She is a graduate of Harvard University's Harvard Trade Union Program.

Odette Robichaud - Trustee

Odette was a Court Stenographer with the Department of Justice of the Province of New Brunswick until her retirement in February 2019. She is the past President of the Canadian Union of Public Employees (CUPE) local 1840 and past CUPE Regional Vice-President for New Brunswick. She also served as an observer for the New Brunswick Coalition for Pay Equity and was Vice-President responsible for Women's Issues for both CUPE New Brunswick and the New Brunswick Federation of Labour. In her own community, she has worked on a regrouping project as the Chair of the Inkerman Centre Local Service District Advisory Committee.

Marilyn Quinn - Trustee*

Marilyn is a 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 served as Chairperson of the NBPSPP Board of Trustees, a role she held from 2014 to 2019, and 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.

Leigh Sprague - Observer

Leigh 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. He 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.

William (Bill) Murray - Observer

Bill is a Facilities Supervisor with the New Brunswick Community College in Moncton. He is currently the President of Canadian Union of Public Employees (CUPE) local 5017. He was appointed as an Observer to the NBPSPP on March 19, 2018, by the Presidents of CUPE Locals 5017, 1840 and 1252.

*As previously noted, Marilyn Quinn's second term as Chairperson ended as of December 1, 2019. The position of Chairperson was subsequently filled by Leonard Lee-White, while his position as Vice-Chair was filled by Ross Galbraith.

Fiduciary Duty of Trustees and Observers

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

Trustees are entrusted with the property of another person; in this case, it consists of the funds for 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 improve effectiveness in their trustee work and make the best decisions for the Plan and its members in the areas of pension governance, administration and investments.

The Board receives ongoing education through the timely review of news/articles of interest, presentations at board meetings, and attendance at appropriate conferences and seminars. In 2019, presentation topics included the Discount Rate Framework Selection, Portfolio Stress Testing, Fixed Income Markets, Sample Application of Funding Deficit Recovery Plan Under Various Funded Levels, Enterprise Risk Management Framework and Asset Liability Modelling/Asset Mix Update.

The Board continued to utilize its Board of Trustees Growth and Development Program, which sets out education guidelines to assist the Trustees in meeting their fiduciary duty. The program is comprised of mandatory orientation, and growth and development components recognizing the ongoing and evolving nature of the Board's responsibilities.

Board Expenses

Members of the Board who are not otherwise paid by their sponsoring party (employer or union who appointed them to the Board) to participate in meetings and educational activities receive a per diem of \$250. In addition, reasonable expenses incurred by Trustees and observers in order to attend meetings and participate in educational activities are reimbursed.

The Board continued to strictly adhere to the Compensation and Expenses Policy which has not been modified since the Board Compensation Review conducted in 2017 with the assistance of an independent human resources consulting firm. Consequently, in 2019, the Board Chair was eligible for a retainer for a period of 11 months, three Trustees were eligible to receive per diems all year, one Trustee for one month, and nine Trustees and one observer were reimbursed for travel and/or education expenses, as outlined below.

The cost of the Board functions for 2019 was \$62,012 compared to \$66,829 in 2018.

	2019	2018
Meeting Expenses	\$4,338	\$3,385
Education	18,924	21,725
Travel	7,775	8,536
Per Diem	19,247	21,183
Retainer	11,728	12,000
	\$62,012	\$66,829

Vestcor Corp.

Vestcor Corp. is a not-for-profit holding company and oversight body for Vestcor Inc. (Vestcor), the investment management and pension administration company that performs these services for the NBPSP. The NBPSP, together with the New Brunswick Teachers' Pension Plan (NBTPP), are currently the Members of Vestcor Corp. Vestcor Corp. publishes its own Annual Report, available at vestcor.org/vestcorcorp.

Under the Members' Agreement, the NBPSP has the right to appoint four of the eight directors of the Board of Directors for Vestcor Corp. Also, each Member (the NBPSP and the NBTPP) proportionately shares in the operating expenses of Vestcor Corp. The NBPSP's share of these expenses, in the amount of \$13,427 (2018 - \$15,081) are included in the administration expenses in Note 11 to the audited financial statements of the NBPSP on page 58.

VESTCOR CORP

Board Committees

As outlined within the Plan's governing documents (refer to the next page for a summary of these documents), the Board has the ability to establish and delegate certain functions to committees. Two committees have been established:

- the Governance Committee; and
- the Audit Committee.

Both present reports of their meetings and decisions to the full Board for consideration and approval.

Governance Committee

The Governance Committee assists the Board in fulfilling its responsibilities in ensuring that Board governance and stakeholder communications policies and processes follow best practices. This includes matters relating to Plan governing documents, ethics, trustee orientation and education, trustee compensation, risk management, etc. The Governance Committee meets quarterly.

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. The Audit Committee meets semi-annually.

Meeting Attendance

Trustees are expected to attend Board and Committee meetings for which they are a member. The following table indicates the number of meetings held in 2019 and the attendance of the Trustees and observers.

	Board Meetings	Special*	Audit Committee	Governance Committee
L. Lee-White	3/4	3/3	2/2	-
M. Quinn	4/4	3/3	-	-
R. Galbraith	4/4	3/3	-	4/4
M. Gaudet	4/4	3/3	2/2	-
S. Deschênes	4/4	3/3	2/2	-
S. Proulx-Daigle	4/4	2/3	-	3/4
O. Robichaud	4/4	3/3	-	4/4
K. Greenbank	4/4	3/3	-	4/4
D. Pinette	4/4	3/3	2/2	-
L. Sprague	4/4	2/3	-	-
W. Murray	4/4	3/3	-	-

*Special: Annual Information Meeting (September 25), Strategic Planning Session (October 10) and Enterprise Risk Management Framework (November 4).

For a summary of the Board of Trustees' activities in 2019, see Appendix A.

Governing Documents

The NBPSPP is governed by (i.e. conducts its affairs based on) a number of important documents that serve to guide the Board of Trustees in its oversight of the Plan. Current versions of these documents are available at vestcor.org/nbpspp.

Agreement and Declaration of Trust

The Agreement and Declaration of Trust came into effect on January 1, 2014, the date the Plan converted from a defined benefit plan to a shared risk plan. This document ensured that the *Public Service Superannuation Act* (PSSA) pension fund continued as a trust under the NBPSPP. The document also outlines the powers and duties of the Board of Trustees as Plan Administrator.

Plan Text

The NBPSPP Plan Text contains the detailed provisions of the Plan as they apply to eligibility, contribution and benefit calculations, and retirement, as well as to the Funding Policy, Investment Policy, and risk management framework required by the *Pension Benefits Act*.

Funding Policy

The Funding Policy is the tool used by the Board of Trustees to manage the risks inherent to 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 (as described on page 14).

The Funding Policy is reviewed by the Board annually, taking into account economic and demographic information that could impact the Plan, and confirmation of this review must be submitted to the Superintendent of Pensions.

Statement of Investment Policies

The Statement of Investment Policies outlines the investment policy for the NBPSPP Fund.

The Statement of Investment Policies details how the pension fund is to be invested, considering that it must be managed in a way that provides secure pension benefits in the vast majority of economic scenarios. The target asset mix of the NBPSPP Fund and the benchmarks against which the investment returns are measured are also included. It must be reviewed annually by the Board, and confirmation of this review must be submitted to the Superintendent of Pensions.

For a list of amendments made to the governing documents in 2019, please refer to Appendix B.

OPERATIONS OF THE PLAN

Service Providers

Administration Services

The Board has an administration agreement in place with Vestcor Inc. (Vestcor) to handle the day-to-day administration of the NBPSPP. Vestcor collects employee contributions and pays out benefits.

In addition, Vestcor prepares annual statements for each member, communicates with members and stakeholders through newsletters and other communication tools, provides member services and prepares regulatory submissions to the Superintendent of Pensions and the Canada Revenue Agency.

Investment Management Services

Vestcor is also the investment manager for the NBPSPP, as outlined in an investment management service agreement. Vestcor is responsible for the implementation of the NBPSPP Statement of Investment Policies.

Vestcor also provides investment advice to the Board. By using a variety of tools and expertise, Vestcor provides projections and develops recommendations for the Plan's asset mix which are presented to the Board of Trustees for review and approval.

Vestcor invests the employers' and employees' pension contributions into a diversified mix of asset classes according to the NBPSPP Statement of Investment Policies. Vestcor also transfers sufficient funds from the NBPSPP Fund to provide for the monthly pension benefit payment requirements to retirees, survivors and beneficiaries.

Further information on Vestcor is available at vestcor.org.



Auditing Services

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

KPMG was selected as the auditor for the NBPSPP for 2019.

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 by a professionally accredited actuary. The Board approves the actuarial assumptions used for the valuation. To prepare this report, the actuary obtains current membership data and asset mix information from Vestcor.

Morneau Shepell was reappointed as the actuary for the NBPSPP for 2019.

Cost of Administering the NBPSPP

Administration costs for the NBPSPP, as shown in the Statement of Changes in Net Assets in the audited financial statements for the year ended December 31, 2019, consist of the cost of the pension administration services and investment management services provided by Vestcor as well as the costs of the Board functions described on page 8. These costs are further itemized in Note 11 of the audited financial statements on page 58.

Total Administration Costs for the year ended December 31, 2019 were \$15,826,000 compared to \$13,382,000 for the same period in 2018, an increase of \$2,444,000. This increase consists of \$936,000 of investment management costs which include variable performance and custody fees and \$1,509,000 of administration costs. The administration costs include a cost of \$1,539,000 related to Vestcor's implementation of a new pension and benefit administration system in 2019 which is expected to deliver future cost savings. This system cost is partially offset by lower legal and consulting fees. As a percentage of average pension fund assets, total administration costs raised to 0.189% in 2019 compared to 0.175% in 2018.

The Plan continues to benefit from the cost competitiveness of its investment and administration service provider as this expense is significantly lower than would be charged by other private sector service providers.

PLAN VALUATION

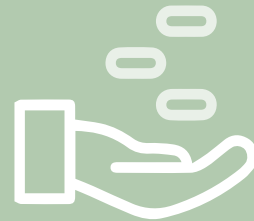
The purpose of the NBPSP is to:



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.

As mentioned on page 13, each year, the Board 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 at a moment in time the Plan's assets with the Plan's liabilities.

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, 2020 and reviewed and approved by the Board of Trustees on July 22, 2020.

Funding Status of the Plan, as per the Actuarial Valuation Report

Termination Value Funded Ratio

- This ratio compares the fair market value of the Plan's assets to the Plan's liabilities at January 1st of every year and is used in the calculation of a member's benefits on termination of employment, death, marriage breakdown or retirement.
- As at January 1, 2020, the Plan had \$8.352 billion in assets and \$7.280 billion in liabilities for a termination value funded ratio of 114.7%.

15-Year Open Group Funded Ratio

- This is an important ratio as it measures the Plan's ability to provide the benefits earned to date. It is also used to determine the actions to be taken by the Board under the Plan's Funding Policy, such as granting indexing. This 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 at January 1st of every year.
- As at January 1, 2020, the Plan's open group funded ratio was 131.7%.

A more complete summary of the report is provided in Appendix E (see page 29). For a copy of the full report, visit vestcor.org/nbpspp.

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, 2020.

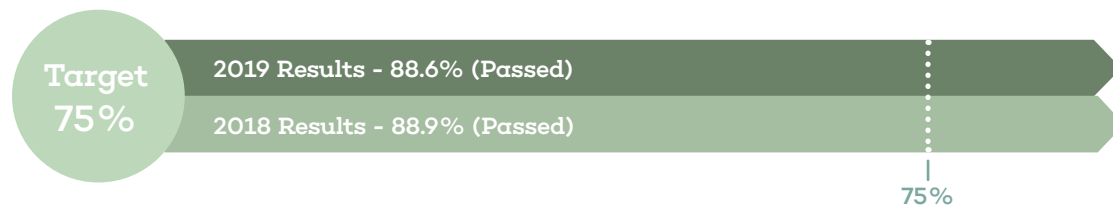
Primary Risk Management Goal

Achieve at least 97.5% probability that benefits earned would not be reduced over the next 20 years.



Secondary Risk Management Goal #1

Assumption that NBPSPP members and retirees will receive 75% of the Consumer Price Index (CPI) over the next 20 years.



Secondary Risk Management Goal #2

Assumption that 75% of ancillary benefits (e.g., early retirement subsidy) will be provided over the next 20 years.



Province of New Brunswick Guaranteed Benefits Clause for Pre-Conversion Benefits

The NBPSPP provides a high degree of certainty that accrued base benefits can be provided in the vast majority of potential future economic scenarios. While the NBPSPP does not provide an absolute guarantee that all base benefits will never be reduced, legislation was passed by the Province of New Brunswick providing a guarantee that base benefits earned by plan members prior to January 1, 2014* will never be reduced. Refer to An Act Respecting Pensions under the *Public Service Superannuation Act*** for more details.

*Plan conversion date

** View the Act in detail at www.gnb.ca/legis/bill/FILE/57/4/Bill-11-e.htm

A circular inset photograph showing three business professionals in a meeting. On the left, a woman with short blonde hair is looking towards the center. In the middle, a man with glasses and a beard is smiling and looking towards the right. On the right, a woman with dark curly hair is gesturing with her hands while speaking. They are seated around a table with white coffee cups and papers. The background is a bright, modern office with large windows.

INVESTMENT PERFORMANCE

The NBPSPP Fund is invested in accordance with the Statement of Investment Policies (SIP). A copy of the SIP is available at www.vestcor.org/nbpspp.

Investment Objectives



Asset Mix

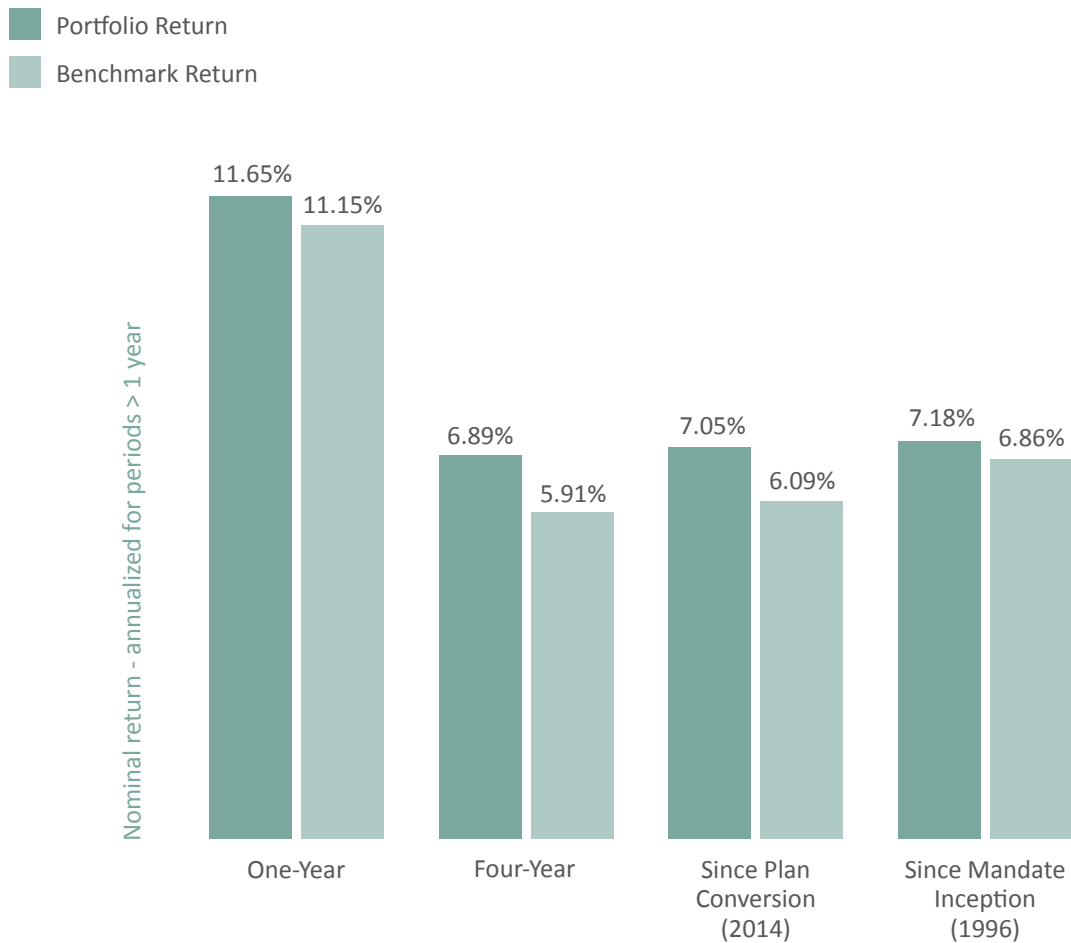
The Board last reviewed and confirmed their approval of the Statement of Investment Policies on December 16, 2019, including the target asset mix. In addition to the target asset mix, the actual asset mix as at December 31, 2019 is shown in the table below:

	Actual	Target
Fixed Income		
Short-Term Assets	0.7%	1.0%
Government Bonds	17.7%	17.8%
Corporate Bonds	17.6%	17.7%
Inflation-Linked		
Real Return Bonds	4.9%	5.0%
Real Estate	5.1%	5.0%
Infrastructure	5.1%	5.0%
Absolute Return Strategy	8.0%	8.0%
Public Equity		
Canadian	5.5%	6.5%
Canadian Small-Cap	1.0%	1.0%
U.S.	2.8%	5.0%
International	3.6%	5.0%
Minimum Volatility Equity		
Canadian	6.0%	5.0%
U.S.	6.0%	5.0%
International	6.0%	5.0%
Emerging Markets	4.0%	4.0%
Private Equity	5.2%	4.0%
Active Asset Mix Position	0.8%	0.0%
Total	100.00%	100.00%

The slight deviations of the asset class weights between the actual and target asset mixes are due to Market Price Movements. In other words, as asset prices change, weights naturally change as well. Vestcor 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.

2019 Returns

The nominal return (the rate of return without adjusting for inflation) for the NBPSPP was 11.65% for the year ended December 31, 2019. This resulted in approximately \$881.1 million in net investment income added to the Plan for the year. The chart below illustrates the nominal return compared to the benchmark return for the one-year, four-year, and five-year (since the NBPSPP's conversion to a shared risk plan), as well as the twenty-three year period that Vestcor has managed the pension fund.



The overall nominal return, before investment management fees, in excess of the portfolio benchmark, resulted in 0.50% of gross investment value added. After deducting investment management costs of 0.13%, the net value added to the pension fund was 0.37%, slightly below the target value add of 0.42%.

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

2019 Rates of Return, calculated in Canadian Dollars

	Return	Benchmark	Value Added
Fixed Income			
Short-Term Assets	2.12%	1.65%	0.47%
Government Bonds	6.87%	6.42%	0.45%
Corporate Bonds	8.03%	8.05%	-0.02%
Inflation-Linked			
Real Return Bonds	8.31%	8.02%	0.29%
Real Estate	13.22%	9.22%	4.00%
Infrastructure	12.86%	6.11%	6.75%
Absolute Return Strategy	5.85%	1.65%	4.20%
Public Equity			
Canadian	23.03%	22.88%	0.15%
Canadian Small-Cap	18.59%	15.84%	2.76%
U.S.	24.80%	24.84%	-0.04%
International	16.27%	15.85%	0.42%
Minimum Volatility Equity			
Canadian	24.96%	24.10%	0.85%
U.S.	19.86%	20.67%	-0.80%
International	11.43%	10.84%	0.59%
Emerging Markets	6.11%	3.00%	3.11%
Private Equity	5.28%	20.10%	-14.82%
Active Asset Mix Position			-0.08%
Total	11.65%	11.15%	0.49%

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 31 and provide detailed information on the Plan's performance for the year ended December 31, 2019.

The Schedule of Composite Performance prepared by Vestcor for the NBPSPP is included on page 24. This additional report follows the Global Investment Performance Standards (GIPS®) of the Chartered Financial Analysts' Institute. Vestcor's policies and procedures used in preparing that report are independently verified.

Appendix A

Summary of Board Decisions and Accomplishments for 2019

The following provides a summary of the activities of the Board of Trustees from January to December 2019 as per their 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, 2019 prepared by Morneau Shepell;
 - Granted full contingent indexation at 2.12% effective January 1, 2020;
- The Funding Policy (annual review);
- The Statement of Investment Policies (annual review);
- The KPMG Audit Findings Report Update for the audit of the NBPSPP for the year ended December 31, 2018; and
- The Financial Statements of the NBPSPP for the year ended December 31, 2018, as audited by KPMG.

The Board held an externally facilitated Strategic Planning session in October 2019.

The Board approved a Funding Policy Philosophy with fundamental principles for the application of the NBPSPP Funding Policy.

The Board updated and posted a revised version of the NBPSPP Plan Member booklet.

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

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;
- Compensation and Expenses Policy;
- Guidelines for the Nomination of Trustees;
- Trustee and Observer Orientation and Education Policy; and
- Communications Policy.

It should be noted that the Audit Committee approved an External Auditor Partner Rotation Policy.

Member Services and Communications

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

- 2019 Spring and Fall Newsletters;
- 2018 NBPSPP Annual Report;
- Communication Strategy Year 2 Work Plan;
- Revised NBPSPP Plan Member Booklet;
- Plan-specific Satisfaction Survey for active and retired members; and
- Annual Information Meeting, held in Fredericton, NB in September 2019.

Service Provider Engagement

The Board engaged the following service providers:

- Vestcor Inc. for pension benefits administration services and investment management services;
- Morneau Shepell as the actuary for the 2019 actuarial valuation;
- KPMG as the external auditor for the NBPSPP financial statements for the year ended December 31, 2019;
- Pink Larkin for legal services; and
- HCS Training and Consulting for the facilitation of their Strategic Planning Session.

Appendix B

Amendments Made to the Governing Documents in 2019

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

Plan Text

Section

Appendix A – COLA Granted Under Article VI

Change to Document

Included COLA of 2.12% as of January 1, 2020.

Statement of Investment Policies

Section

C. Investment Policy - Section C.1 Policy Portfolio and C.2 Tactical Asset Allocation

Change to Document

Amended in order to revise certain asset weights in the Policy Portfolio.

Appendix C



New Brunswick Public Service Pension Plan Composite

Ten years ended December 31, 2019

Year Ended December 31	Full Gross Return ¹ %	Net Return %	Benchmark Return %	Composite 3-Yr SD ² %	Benchmark 3-Yr SD ² %	Composite AUM ³ (in millions of \$CAD)	Firm AUM ³ (in millions of \$CAD)
2019	11.65	11.51	11.15	3.54	3.72	8,333.9	18,536.7
2018	1.75	1.63	0.64	3.72	3.78	7,618.7	16,901.6
2017	7.81	7.67	6.72	4.79	5.02	7,638.1	16,645.4
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

¹ Supplemental information

² SD means standard deviation

³ AUM means assets under management

Composite Description

The New Brunswick Public Service Pension Plan (NBPSPP) includes all portfolios managed by Vestcor Inc. (Vestcor) 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 fund for the NBPSPP was included in the Pension Funds composite. The NBPSPP composite was created for reporting to the NBPSPP Board of Trustees.

Vestcor 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.



New Brunswick Public Service Pension Plan Composite

Ten years ended December 31, 2019

Firm Description

Vestcor was established pursuant to the *New Brunswick Investment Management Corporation Act* proclaimed on March 11, 1996 and was continued on October 1, 2016 and amalgamated on January 1, 2018 pursuant to the *Vestcor Act*. Vestcor provides investment management and advisory services for pension, trust, and endowment entities and funds.

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

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

Compliance Statement

Vestcor claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Vestcor has been independently verified for the periods December 1, 1996 through December 31, 2019. 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, Vestcor charges for its investment management services on a cost recovery basis, allocated *pro rata* to its clients according to their share of Vestcor'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.



New Brunswick Public Service Pension Plan Composite

Ten years ended December 31, 2019

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, Vestcor 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 Vestcor operates.

Additional information regarding Vestcor's policies and procedures for valuing portfolios, calculating and reporting composite results, and preparing compliant presentations, 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 three-year annualized ex-post standard deviation measures the variability of the composite and the benchmark daily returns, aggregated to a monthly basis, over the preceding 36 month period.

Sub-advisors

Vestcor 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 Vestcor's composite presentations because Vestcor 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 Vestcor's investment management activities.

These derivative instruments are used for various purposes, including:

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



New Brunswick Public Service Pension Plan Composite

Ten years ended December 31, 2019

In using derivative instruments, as described above, Vestcor 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, 2019:

Index	Weight (%)
S&P/TSX Composite Total Return Index	7.01
S&P/TSX Small Cap Total Return Index	1.03
MSCI Canada Minimum Volatility Total Return Index, Gross	5.01
S&P 500 Total Return Index in \$C	6.33
MSCI USA Minimum Volatility (USD) Total Return Index in \$C, Net	5.02
MSCI EAFE Total Return Index in \$C, Net	6.86
MSCI EAFE Minimum Volatility (USD) Total Return Index in \$C, Net	5.02
MSCI Emerging Markets Minimum Volatility (USD) Total Return Index in \$C, Net	4.00
FTSE NAREIT All Equity REITS Total Return Index in \$C	0.69
S&P/TSX Capped REIT Total Return Index	0.36
4% Real Return*	9.24
FTSE Canada All Government Bond Index	17.75
FTSE Canada All Corporate Bond Index	17.66
FTSE Canada Real Return Bond Index	4.97
FTSE Canada 91-Day T-Bill Index	8.38
One-day Canadian Call Loan Rate	0.63
Not applicable	0.04

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

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

In July of 2018, FTSE Russell announced the rebranding of the FTSE TMX Canada Indices to the FTSE Canada Indices.

Appendix D

New Brunswick Public Service Pension Plan 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 four 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.

Appendix E

Summary of Plan Valuation

Excess Contributions	\$ in millions
Funding Policy Valuation Normal Cost	158.2
Contributions	
Members	106.6
Employers' Initial Contributions	145.3
Employers' Temporary Contribution (for 10 years from January 1/14)	9.7
Total Contributions	261.6
Excess Contributions	103.4

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, 2020, assuming the Plan continues indefinitely.

Funding Policy Valuation	January 1, 2020 \$ in millions	January 1, 2019 \$ in millions
Market Value of Assets	\$8,352.4	\$7,632.7
Funding Policy Actuarial Liabilities		
Active Members	2,356.0	2,312.1
Retirees and Survivors	4,679.8	4,513.9
Deferred Vested Members	243.7	241.0
Outstanding Refunds	1.2	2.4
Total Funding Policy Actuarial Liabilities	7,280.7	7,069.4
Funding Policy Valuation Excess	\$1,071.7	\$563.3
Termination Value Funded Ratio	114.7%	108.0%

On January 1, 2020 the funding policy valuation excess increased to \$1,071.7 million from \$563.3 million on January 1, 2019 as a result of the following:

Change in Funding Policy Valuation Excess	\$ in millions
Investment returns were higher than valuation discount rate	506.2
Total contributions exceeded normal cost	105.8
Various other increases and decreases	44.9
Cost of indexing provided on January 1, 2020	(148.5)
Change in Funding Policy Valuation Excess	508.4

Summary of Plan Valuation

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, 2020, 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 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 Board 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 Board is able to use 1/6th of the surplus that may exist between 105% and 140% funded in addition to 100% of any surplus that exists above 140% funded.

With the open group funded ratio at 131.7% as at January 1, 2020, the NBPSPP was in a position to provide a full cost of living adjustment (COLA) to Plan members. The 2021 adjustment is 1.46%, 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, 2021.

	January 1, 2020 \$ in millions	January 1, 2019 \$ in millions
Market Value of Assets	8,352.4	7,632.7
Present Value of Excess Contributions Over Next 15 Years	1,233.5	1,263.4
Total Assets with Excess Contributions	9,585.9	8,896.1
Funding Policy Actuarial Liabilities	7,280.7	7,069.4
15-Year Open Group Funded Ratio	131.7%	125.8%

New Brunswick Public Service Pension Plan

Financial Statements

December 31, 2019



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the New Brunswick Public Service Pension Plan

Opinion

We have audited the financial statements of New Brunswick Public Service Pension Plan (the Entity), which comprise:

- the statement of financial position as at December 31, 2019
- the statement of changes in net assets available for benefits for the year then ended
- the statement of changes in pension obligations for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2019 and its changes in net assets available for benefits and its changes in pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the Annual Report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Annual Report as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



Page 3

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants

Fredericton, Canada

August 18, 2020

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

	2019	2018
ASSETS		
Investments <i>(notes 3 and 4)</i>	\$ 8,333,872	\$ 7,618,726
Contributions receivable from employers <i>(note 12)</i>	14,693	11,675
Contributions receivable from employees <i>(note 12)</i>	7,521	4,850
Other receivable	—	13
Total assets	8,356,086	7,635,264
LIABILITIES		
Accounts payable and accrued liabilities <i>(note 12)</i>	3,706	2,580
Net assets available for benefits	8,352,380	7,632,684
Pension obligations <i>(note 6)</i>	7,280,700	7,069,400
SURPLUS	\$ 1,071,680	\$ 563,284

See accompanying notes to the financial statements.

Commitments *(note 13)*

Indemnification *(note 14)*

Subsequent Event *(note 15)*

Approved on behalf of the Board of Trustees:



Leonard Lee-White
Chair



Ross Galbraith
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

	2019	2018
Increase in net assets		
Net investment income (note 9)	\$ 881,074	\$ 132,279
Employer pension contributions (note 12)	154,735	152,845
Employee pension contributions (note 12)	106,905	100,795
	1,142,714	385,919
Decrease in net assets		
Pension benefits (note 10)	393,973	379,083
Refunds and transfers (note 10)	13,218	12,793
Administration expenses (note 11)	15,827	13,382
	423,018	405,258
Increase (decrease) in net assets available for benefits	719,696	(19,339)
Net assets available for benefits, beginning of year	7,632,684	7,652,023
Net assets available for benefits, end of year	\$ 8,352,380	\$ 7,632,684

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

	2019	2018
Pension obligations, beginning of year	\$ 7,069,400	\$ 6,831,000
Change in pension obligations:		
Changes in actuarial assumptions	(1,600)	27,000
Interest accrued on benefits	329,700	318,800
Experience (gain) losses	(9,900)	5,600
Normal actuarial cost	151,800	151,600
Benefits paid	(407,200)	(391,900)
Cost of living adjustment	148,500	127,300
	211,300	238,400
Pension obligations, end of year	\$ 7,280,700	\$ 7,069,400

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, 2019****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 or pension obligations, 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 July 22, 2020.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for investments, which are measured at fair value in the Statement of Financial Position.

2. Significant Accounting Policies (*continued*)

(c) *Financial instruments*

(i) Classification, 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.

Financial assets that are held for trading or managed as part of a portfolio 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.

The Plan has entered into an investment management agreement with Vestcor Inc. ("Vestcor") to manage its pension fund assets on a fully discretionary basis. Certain of the Plan's investments consist of units of pooled funds and limited partnerships offered by Vestcor (the "Vestcor Investment Entities"). 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 Vestcor Investment Entities 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 Vestcor Investment Entities 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 Vestcor Investment Entities have access at that date.

The fair value of the underlying securities in the Vestcor Investment Entities 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 Vestcor Investment Entities use valuation techniques that maximize the use of the relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates 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.

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

(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 Vestcor Investment Entities and the measurement of the pension obligations, 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 ongoing 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

Net investment income represents the changes in fair value, realized and unrealized, in the value of the units held in each of the Vestcor Investment Entities. Investment transactions are recognized as of their trade date.

2. Significant Accounting Policies (*continued*)

(j) *Foreign currency translation*

Monetary assets and liabilities denominated in foreign currencies held within the Vestcor Investment Entities 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 units of the Vestcor Investment Entities, consisting of unit trust funds and limited partnership structures. Each Vestcor Investment Entity has a specific investment mandate. Investing in the Vestcor Investment Entities 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 Vestcor Investment Entity (“entity”) in which the Plan invested during the year ended December 31, 2019:

NBIMC Nominal Bond Fund

This entity 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. Its benchmark is the FTSE Canada All Government Bond Index.

NBIMC Corporate Bond Fund

This entity invests primarily in investment grade corporate bonds (a minimum of triple-B rated by a major rating agency) paying a nominal rate of interest. Its benchmark is the FTSE Canada All Corporate Bond Index.

NBIMC New Brunswick and Atlantic Canada Fixed Income Opportunity Fund

This entity invests primarily in fixed income issued to finance economic activity in New Brunswick. Its benchmark is the FTSE Canada All Government Bond Index.

NBIMC Money Market Fund

This entity invests primarily in fixed income securities having a maturity of less than one year. Its benchmark is calculated as 93% of the FTSE Canada 91 Day T-Bill Index plus 7% of the One-day Canadian Call Loan Rate.

NBIMC Student Investment Fund

This entity is managed by students at the University of New Brunswick who are registered in the Student Investment Fund Program. The overall benchmark for this entity is composed of 50% S&P/TSX Composite Total Return Index, 45% FTSE Canada All Government Bond Index, 4.65% FTSE Canada 91 Day T-Bill Index and 0.35% One-day Canadian Call Loan Rate. The activities of this entity are closely monitored by Vestcor staff who execute and process all transactions on behalf of the students

NBIMC Canadian Equity Index Fund

This entity invests in physical securities and derivative strategies to gain exposure to various segments of the S&P/TSX Composite Total Return Index. Leverage on derivative products is avoided by ensuring each derivative product is supported by an appropriate value of short-term investments. Its benchmark is the S&P/TSX Composite Total Return Index.

NBIMC Canadian Small Cap Equity Fund

This entity invests primarily in listed Canadian equities but may also use other investments such as exchange traded funds, listed or over-the-counter derivatives, or other securities to allow the fund to achieve its return target or otherwise manage risk.

3. Investments (continued)*NBIMC Low Volatility Canadian Equity Fund*

This entity actively invests in securities to gain exposure to the MSCI Canada Minimum Volatility Total Return Index, Gross. Its benchmark is the MSCI Canada Minimum Volatility Total Return Index, Gross.

NBIMC External Canadian Equity Fund

This entity is managed by external managers and invests in publicly traded Canadian equities. Its benchmark is the S&P/TSX Composite Total Return Index.

NBIMC External International Equity Fund

This entity is managed by external managers and invests in publicly traded equities in markets in Europe, Australasia and the Far East. Its benchmark is the MSCI EAFE Total Return Index in \$C, Net.

NBIMC EAFE Equity Index Fund

This entity invests in securities in the MSCI EAFE Total Return Index in \$C, Net. Its benchmark is the MSCI EAFE Total Return Index in \$C, Net.

NBIMC Low Volatility International Equity Fund

This entity actively invests in securities in the MSCI EAFE Minimum Volatility (USD) Total Return Index in \$C, Net. Its benchmark is the MSCI EAFE Minimum Volatility (USD) Total Return Index in \$C, Net.

NBIMC Low Volatility Emerging Markets Equity Fund – Class N

This entity actively invests in securities in the MSCI Emerging Markets Minimum Volatility Total Return Index in \$C, Net. Its benchmark is the MSCI Emerging Markets Minimum Volatility Total Return Index in \$C, Net.

NBIMC U.S. Equity Index (2017) Fund

This entity 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. Its benchmark is the S&P 500 Total Return Index in \$C.

NBIMC Low Volatility U.S. Equity (2017) Fund

This entity actively invests in securities to gain exposure to the MSCI USA Minimum Volatility (USD) Total Return Index in \$C, Net. Its benchmark is the MSCI USA Minimum Volatility (USD) Total Return Index in \$C, Net.

NBIMC Inflation-Linked Securities Fund

This entity invests primarily in fixed income instruments that are adjusted for inflation of G-7 countries. Its benchmark is the FTSE Canada Real Return Bond Index.

NBIMC Canadian Real Estate Fund

This entity 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. Its benchmark is a 4% real rate of return.

NBIMC Canadian Real Estate Investment Trust Fund

This entity invests in publicly traded Canadian real estate investment trust (REIT) securities. Its benchmark is the S&P/TSX Capped REIT Total Return Index.

3. Investments (continued)

NBIMC Non-Canadian Private Real Estate Fund

This entity invests in private non-Canadian real estate investments directly or indirectly through limited partnerships or similar investment vehicles. Its benchmark is a 4% real rate of return.

Vestcor Investments Private Real Estate, L. P.

This entity invests in private domestic and international real estate investments through co-investments, limited partnerships or similar investment vehicles. Its benchmark is a 4% real rate of return.

Vestcor Investments Private Real Estate 2, L. P.

This entity invests in private domestic and international real estate investments through co-investments, limited partnerships or similar investment vehicles. Its benchmark is a 4% real rate of return.

Vestcor Real Estate Fund Feeder Inc.

This entity is a real estate investment corporation that has invested in the Vestcor Real Estate Fund Limited Partnership (VREFLP). VREFLP invests directly in private domestic real estate investments. Its benchmark is a 4% real rate of return.

NBIMC International Real Estate (2017) Fund

This entity invests primarily in publicly traded securities of international REITs. Its benchmark is the countries' blended REIT Equity Indices in \$C (currently FTSE NAREIT All Equity REIT Total Return Index in \$C), net of fees.

NBIMC Public Infrastructure (2017) Fund

This entity provides additional investment diversification by providing infrastructure-like exposure with enhanced liquidity. Its benchmark is a 4% real rate of return.

NBIMC Infrastructure Fund

This entity provides additional investment diversification through direct investment in infrastructure through co-investment structures. Its benchmark is a 4% real rate of return.

Vestcor Investments Infrastructure, L. P.

This entity provides additional investment diversification through direct investment in infrastructure through co-investment structures. Its benchmark is a 4% real rate of return.

NBIMC Quantitative Strategies (2017) Fund

This entity adds 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 benchmark is calculated as 93% of the FTSE Canada 91 Day T-Bill Index and 7% of the One-day Canadian Call Loan Rate.

NBIMC Quantitative Equity Strategic Beta (2017) Fund

This entity adds 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 benchmark is calculated as 93% of the FTSE 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 entity invests in public and private equities or instruments convertible into equities of New Brunswick and Atlantic Canada companies. Its benchmark is a 4% real rate of return.

NBIMC Private Equity Fund

This entity is managed by external managers that invest primarily in non-publicly traded securities of U.S. and European companies. Its benchmark is a weighted average of S&P/TSX, S&P 500 and MSCI EAFE total return indices in \$C.

Vestcor Investments Private Equity, L. P.

This entity is managed by external managers that invest primarily in non-publicly traded securities of U.S. and European companies. Its benchmark is a weighted average of the S&P/TSX, S&P 500 and MSCI EAFE total return indices in \$C.

NBIMC Asset Mix Strategy Fund

This entity adds value through active tactical asset mix decisions by Vestcor's internal Asset Mix Strategy Committee.

Following are details of the Plan's investment holdings as at December 31:

<i>(\$ thousands)</i>	Number of Units (rounded)	Unit Value (in dollars)	Fair Value 2019	Fair Value 2018
Fixed Income				
NBIMC Nominal Bond Fund	501,516	2,927	\$ 1,467,828	\$ 1,340,589
NBIMC Corporate Bond Fund	1,051,713	1,396	1,468,353	1,339,908
NBIMC New Brunswick and Atlantic Canada Fixed Income Opportunity Fund	1,549	3,531	5,472	6,121
NBIMC Money Market Fund	33,012	1,691	55,815	73,863
NBIMC Student Investment Fund	485	4,052	1,966	1,723
			2,999,434	2,762,204
Equities				
NBIMC Canadian Equity Index Fund	87,490	4,205	367,911	299,972
NBIMC Canadian Small Cap Equity Fund	86,603	986	85,427	77,116
NBIMC Low Volatility Canadian Equity Fund	250,392	1,996	499,664	381,572
NBIMC External Canadian Equity Fund	17,698	4,986	88,248	122,450
NBIMC Canadian Equity Active Long Strategy Fund	—	—	—	69,502
NBIMC External International Equity Fund	61,117	2,703	165,188	141,835
NBIMC EAFE Equity Index Fund	75,256	1,831	137,770	201,605
NBIMC Low Volatility International Equity Fund	199,400	2,499	498,380	382,204
NBIMC Low Volatility Emerging Markets Equity Fund – Class N	282,115	1,174	331,087	305,135
NBIMC U.S. Equity Index (2017) Fund	59,042	3,932	232,156	338,060
NBIMC Low Volatility U.S. Equity (2017) Fund	136,766	3,654	499,678	397,226
			2,905,509	2,716,677

3. Investments (continued)

<i>(\$ thousands)</i>	Number of Units (rounded)	Unit Value (in dollars)	Fair Value 2019	Fair Value 2018
Inflation-Linked Assets				
NBIMC Inflation-Linked Securities Fund	104,292	3,950	411,928	377,546
NBIMC Canadian Real Estate Fund	31,857	6,317	201,237	234,041
NBIMC Canadian Real Estate Investment Trust Fund	16,821	1,800	30,277	23,248
NBIMC Non-Canadian Private Real Estate Fund	5,989	1,371	8,209	10,763
Vestcor Investments Private Real Estate, L. P. - Series I	35,133	1,236	43,430	38,058
Vestcor Investments Private Real Estate, L. P. - Series III	54,371	1,083	58,859	27,217
Vestcor Investments Private Real Estate 2, L.P. - Series I	22,651	1,070	24,230	12,258
Vestcor Investments Private Real Estate 2, L.P. - Series II	465	736	342	—
Vestcor Real Estate Fund Feeder Inc.	4,793	991	4,752	—
NBIMC International Real Estate (2017) Fund	5,868	9,816	57,602	43,765
NBIMC Public Infrastructure (2017) Fund	136,165	1,222	166,404	192,092
NBIMC Infrastructure Fund	68,209	2,246	153,198	122,134
Vestcor Investments Infrastructure, L. P. - Series I	27,478	1,489	40,920	36,566
Vestcor Investments Infrastructure, L. P. - Series II	15,864	1,177	18,665	17,875
Vestcor Investments Infrastructure, L. P. - Series III	40,779	1,038	42,326	17,742
			1,262,379	1,153,305
Alternative Investments				
NBIMC North American Market Neutral (2017) Fund	—	—	—	162,279
NBIMC Quantitative Strategies (2017) Fund	249,467	1,604	400,026	248,370
NBIMC Quantitative Equity Strategic Beta (2017) Fund	218,792	1,219	266,683	198,848
NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund	3,533	7,023	24,815	22,751
NBIMC Private Equity Fund	63,380	4,756	301,457	314,066
Vestcor Investments Private Equity, L. P. - Series I	86,333	926	79,937	32,864
Vestcor Investments Private Equity, L. P. - Series II	25,357	933	23,665	—
			1,096,583	979,178
Tactical Asset Allocation				
NBIMC Asset Mix Strategy Fund	55,076	1,270	69,967	7,362
			\$ 8,333,872	\$ 7,618,726

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.

4. Fair Value of Financial Instruments (*continued*)

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.

Vestcor Investment Entities are classified as level 2, with the exception of the Vestcor Investments Private Real Estate, L. P., the Vestcor Investments Private Real Estate 2, L. P., Vestcor Real Estate Feeder Inc., the Vestcor Investments Infrastructure, L. P. and the Vestcor Investments Private Equity, L. P., 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. As at December 31, 2019 the fair value of investments classified as Level 2 was \$7,996,746 (2018 - \$7,436,146).

Units in each of the Vestcor Investments Private Real Estate, L. P., Vestcor Investments Private Real Estate 2, L. P., Vestcor Investments Infrastructure, L. P. and the Vestcor Investments Private Equity, L. P. are classified as Level 3. There were no significant transfers between Level 2 and Level 3 during the year (2018 - nil). As at December 31, 2019 the fair value of investments classified as Level 3 was \$337,126 (2018 - \$182,580).

The Vestcor Investments Private Real Estate, L. P. holds investments in international real properties, indirectly through wholly-owned holding companies invested in limited partnership structures. At December 31, 2019, an increase or decrease of 25 bps in the capitalization rate used by the independent property appraisers would have led to a decrease or increase on the valuation of this entity's investments in the amount of \$6,871 or \$7,545 respectively (2018 - \$5,618 or \$5,824 respectively). The maximum exposure to loss in this entity is the fair value of its investments plus uncalled commitments (*note 13*).

The Vestcor Investments Private Real Estate 2, L. P. holds investments in international real properties, indirectly through wholly-owned holding companies invested in limited partnership structures. At December 31, 2019, an increase or decrease of 25 bps in the capitalization rate used by the independent property appraisers would have led to a decrease or increase on the valuation of this entity's investments in the amount of \$1,347 or \$1,525 respectively (2018 - \$465 or \$623 respectively). The maximum exposure to loss in this entity is the fair value of its investments plus uncalled commitments (*note 13*).

The Vestcor Real Estate Fund Feeder Inc. holds an interest in the Vestcor Real Estate Fund Limited Partnership (VREFLP). VREFLP invests directly in private domestic real estate investments. At December 31, 2019, this entity had recently made one investment and accordingly, under the Plan's valuation policies, this investment is carried at cost which approximates fair value. Further information is not available to provide sensitivity information. The maximum exposure to loss in this entity is the fair value of its investments plus uncalled commitments (*note 13*).

The Vestcor Investments Infrastructure, L. P. invests indirectly through co-investments in certain underlying infrastructure assets. The independent valuations received for each of the entity's investments suggest an aggregate range of values of \$95,783 to \$107,889 as at December 31, 2019 (2018 - \$70,936 to \$78,931). It is reasonably possible that the valuations used by this entity may require material adjustment to the carrying amount of its investments. The maximum exposure to loss in this entity is the carrying value of its investments plus uncalled commitments (*note 13*).

4. Fair Value of Financial Instruments (continued)

The Vestcor Investments Private Equity, L. P. invests in units of limited partnerships managed by well-known, experienced general partners. Excluding the publicly-traded holdings, a 1% increase or decrease in the per unit net asset values reported by the limited partnerships would result in an increase or decrease the carrying value of investments in this entity at December 31, 2019 by \$1,036 (2018 - \$329). It is reasonably possible that the valuations used by the entity may require material adjustment to the carrying value of its investments. The maximum exposure to loss in this entity is the fair value of its investments plus uncalled commitments (*note 13*).

The following table shows the changes in fair value measurement in Level 3 of the fair value hierarchy:

Year ended December 31, 2019	Fair Value, beginning of year \$	Gains in profit or (loss) \$	Purchases \$	Sales \$	Fair Value, end of year \$
Vestcor Investments Private Real Estate, L. P.	65,275	10,363	32,624	(5,973)	102,289
Vestcor Investments Private Real Estate 2, L. P.	12,258	110	12,204	—	24,572
Vestcor Real Estate Feeder Inc.	—	(41)	4,793	—	4,752
Vestcor Investments Infrastructure, L. P.	72,183	4,882	28,051	(3,205)	101,911
Vestcor Investments Private Equity, L. P.	32,864	2,399	69,767	(1,428)	103,602

Year ended December 31, 2018	Fair Value, beginning of year \$	Gains in profit \$	Purchases \$	Sales \$	Fair Value, end of year \$
Vestcor Investments Private Real Estate, L. P.	14,572	1,652	50,269	(1,218)	65,275
Vestcor Investments Private Real Estate 2, L. P.	—	756	11,502	—	12,258
Vestcor Investments Infrastructure, L. P.	35,127	9,675	34,074	(6,693)	72,183
Vestcor Investments Private Equity, L. P.	15,666	3,551	14,111	(464)	32,864

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 pooled funds that invest in active and passive investment strategies and are diversified among domestic and international markets.

Investment strategies used by the Vestcor Investment Entities 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 Vestcor Investment Entity 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*)

Vestcor conducts certain of its investment activities in the Vestcor Investment Entities 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, 2019, 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 \$350,117 (2018 - \$391,354) (*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 Vestcor Investment Entities, however, certain of the Vestcor Investment Entities 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 29.9% (2018 - 30.4%) 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 17.2% (2018 - 18.0%) and the Euro of 3.0% (2018 - 3.3%).

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, 2019 of \$24,939 (2018 - \$23,179).

Interest rate risk refers to the effect on the market value of investments due to fluctuation of interest rates. The Plan invests in certain Vestcor Investment Entities that invest in fixed income securities whose fair values are sensitive to interest rates. The SIP requires Vestcor 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, 2019 would be approximately \$285,832 (2018 - \$255,382).

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 Vestcor Investment Entities. If equity market price indices declined by 1%, and all other variables are held constant, the potential loss at December 31, 2019 would be approximately \$32,125 (2018 - \$29,426).

(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. Vestcor 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. Vestcor 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 aggregate credit exposure in the underlying Vestcor Investment Entities at December 31 is as follows:

(\$ thousands)		2019		2018
AAA	\$	1,146,772	\$	922,427
AA		1,101,132		493,321
A		837,732		1,359,816
BBB		374,665		456,367
R-1		107,504		83,120
Other		72,492		58,844
	\$	3,640,297	\$	3,373,895

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 Vestcor Investment Entities. Uses of liquidity include payments to the plan beneficiaries, plan service providers and purchases of units of Vestcor Investment Entities.

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. Net liquid assets is a non-GAAP measure.

The following table shows the determination of net liquid assets as at December 31:

(\$ thousands)		2019		2018
Net assets available for benefits	\$	8,352,380	\$	7,632,684
Less investment in:				
NBIMC New Brunswick and Atlantic Canada Fixed Income Opportunity Fund (note 3)		(5,472)		(6,121)
NBIMC Canadian Real Estate Fund (note 3)		(201,237)		(234,041)
NBIMC Non-Canadian Private Real Estate Fund (note 3)		(8,209)		(10,763)
Vestcor Investments Private Real Estate, L. P. (note 3)		(102,289)		(65,275)
Vestcor Investments Private Real Estate 2, L. P. (note 3)		(24,572)		(12,258)
Vestcor Real Estate Feeder Inc. (note 3)		(4,752)		—
NBIMC Infrastructure Fund (note 3)		(153,198)		(122,134)
Vestcor Investments Infrastructure, L. P. (note 3)		(101,911)		(72,183)
NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund (note 3)		(24,815)		(22,751)
NBIMC Private Equity Fund (note 3)		(301,457)		(314,066)
Vestcor Investments Private Equity, L. P. (note 3)		(103,602)		(32,864)
Collateral pledged (note 5(a))		(350,117)		(391,354)
Investment commitments (note 13)		(344,993)		(321,658)
Net liquid assets	\$	6,625,756	\$	6,027,216

5. Financial Instrument Risk Management (continued)

(d) Securities Lending: The Plan's SIP permits Vestcor to enter into a securities lending arrangement externally with their securities custodian or internally among the Vestcor Investment Entities 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 Vestcor Investment Entities 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. Vestcor has restricted the approved borrowers under the external securities lending program to manage exposure to counterparty credit risk. As at December 31, 2019, underlying securities in the amount of \$1,821,664 (2018 - \$1,708,702) were loaned on behalf of the Plan.

Under the internal securities lending program, certain Vestcor Investment Entities may loan securities to a borrowing Vestcor Investment Entity subject to an intra-fund collateral management agreement and a borrowing fee. As at December 31, 2019, underlying securities in the amount of \$124,526 (2018 - \$94,186) were loaned on behalf of the Plan and \$122,170 (2018 - \$92,568) 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, 2021. 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, 2020 by the independent actuary. The next funding policy valuation is expected to be prepared no later than January 1, 2021.

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, 2020		January 1, 2019	
Discount rate	4.75% per annum		4.75% per annum	
Inflation	2.10% per annum		2.25% per annum	
Salary increase rate for the year following valuation	2.60% per annum plus merit and promotion		2.75% per annum plus merit and promotion	
YMPE increase for the year following valuation	2.60% per annum		2.75% per annum	
Future indexation of accrued pensions and pensions in payment	0% per annum		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		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%	2.5%	0%	0%	0%
59	20%	12.5%	5%	5%	5%	5%	5%	0%	0%
60	20%	20%	20%	12.5%	5%	5%	5%	5%	2.5%
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			

Changes in actuarial assumptions during 2019 resulted in a net decrease in the pension obligations of \$1,600 (2018 - increase of \$27,000).

(c) Experience gains (losses): Experience gains (losses) represent the change in the pension obligations due to the difference between expected experience and actual results. During 2019, the experience gains were \$9,900 (2018 - (\$5,600)).

(d) Sensitivity analysis: The discount rate used to estimate the present value of pension obligations has a significant effect on the pension obligations at the end of the year. As of December 31, 2019, a decrease of 100 basis points in the discount rate would have increased the pension obligations by \$976,600 (2018 - \$956,500).

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 \$1,233,500 (2018 - \$1,263,400) 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:

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

7. Funding Policy (*continued*)

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 March 18, 2020.

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

The Board-approved SIP 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 represents the changes in fair value, realized and unrealized, in the units held in each of the Vestcor Investment Entities. Net investment income (loss) for the year ended December 31 is as follows:

(\$ thousands)	Realized Gain (Loss)	Unrealized Gain (Loss)	Net Investment Income 2019
Fixed Income			
NBIMC Nominal Bond Fund	\$ 14,968	\$ 79,048	\$ 94,016
NBIMC Corporate Bond Fund	6,157	102,785	108,942
NBIMC New Brunswick and Atlantic Canada Fixed Income Opportunity Fund	601	(336)	265
NBIMC Money Market Fund	1,036	(68)	968
NBIMC Student Investment Fund	—	243	243
	22,762	181,672	204,434
Equities			
NBIMC Canadian Equity Index Fund	44,312	25,810	70,122
NBIMC Canadian Small Cap Equity Fund	(219)	14,187	13,968
NBIMC Low Volatility Canadian Equity Fund	15,116	78,511	93,627
NBIMC External Canadian Equity Fund	33,977	(7,925)	26,052
NBIMC Canadian Equity Active Long Strategy Fund	29,009	(19,989)	9,020
NBIMC External International Equity Fund	—	23,348	23,348
NBIMC EAFE Equity Index Fund	38,601	(8,444)	30,157
NBIMC Low Volatility International Equity Fund	6,676	39,535	46,211
NBIMC Low Volatility Emerging Markets Equity Fund – Class N	1,251	17,871	19,122
NBIMC U.S. Equity Index (2017) Fund	113,794	(40,082)	73,712
NBIMC Low Volatility U.S. Equity (2017) Fund	18,158	59,492	77,650
	300,675	182,314	482,989
Inflation-Linked Assets			
NBIMC Inflation-Linked Securities Fund	2,927	29,199	32,126
NBIMC Canadian Real Estate Fund	33,234	(8,693)	24,541
NBIMC Canadian Real Estate Investment Trust Fund	5,032	(46)	4,986
NBIMC Non-Canadian Private Real Estate Fund	852	(242)	610
Vestcor Investments Private Real Estate, L. P.	505	9,858	10,363
Vestcor Investments Private Real Estate 2, L.P.	—	110	110
Vestcor Real Estate Feeder Inc.	—	(41)	(41)
NBIMC International Real Estate (2017) Fund	8,636	2,014	10,650
NBIMC Public Infrastructure (2017) Fund	7,048	16,814	23,862
NBIMC Infrastructure Fund	3,304	16,747	20,051
Vestcor Investments Infrastructure, L. P.	897	3,985	4,882
	62,435	69,705	132,140

9. Net Investment Income (continued)

<i>(\$ thousands)</i>	Realized Gain (Loss)	Unrealized Gain (Loss)	Net Investment Income 2019
Alternative Investments			
NBIMC North American Market Neutral (2017) Fund	20,675	(16,234)	4,441
NBIMC Quantitative Strategies (2017) Fund	698	14,670	15,368
NBIMC Quantitative Equity Strategic Beta (2017) Fund	924	15,857	16,781
NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund	77	2,104	2,181
NBIMC Private Equity Fund	27,963	(11,226)	16,737
Vestcor Investments Private Equity, L. P.	1	2,398	2,399
	50,338	7,569	57,907
Tactical Asset Allocation			
NBIMC Asset Mix Strategy Fund	(1,197)	4,801	3,604
Net investment income	\$ 435,013	\$ 446,061	\$ 881,074

<i>(\$ thousands)</i>	Realized Gain (Loss)	Unrealized Gain (Loss)	Net Investment Income 2018
Fixed Income			
NBIMC Nominal Bond Fund	\$ 10,946	\$ 12,878	\$ 23,824
NBIMC Corporate Bond Fund	3,892	9,731	13,623
NBIMC New Brunswick and Atlantic Canada Fixed Income Opportunity Fund	574	(411)	163
NBIMC Money Market Fund	882	108	990
NBIMC Student Investment Fund	—	(51)	(51)
	16,294	22,255	38,549
Equities			
NBIMC Canadian Equity Index Fund	81,840	(111,893)	(30,053)
NBIMC Canadian Small Cap Equity Fund	(15)	(11,773)	(11,788)
NBIMC Low Volatility Canadian Equity Fund	1,307	(30,056)	(28,749)
NBIMC External Canadian Equity Fund	45,871	(52,077)	(6,206)
NBIMC Canadian Equity Active Long Strategy Fund	7,965	(14,357)	(6,392)
NBIMC External International Equity Fund	13,097	(24,656)	(11,559)
NBIMC EAFE Equity Index Fund	898	(12,340)	(11,442)
NBIMC Low Volatility International Equity Fund	2,483	(782)	1,701
NBIMC Low Volatility Emerging Markets Equity Fund – Class N	1,775	(657)	1,118
NBIMC U.S. Equity Index (2017) Fund	20,872	(4,240)	16,632
NBIMC Low Volatility U.S. Equity (2017) Fund	14,414	14,335	28,749
	190,507	(248,496)	(57,989)

9. Net Investment Income (continued)

<i>(\$ thousands)</i>	Realized Gain (Loss)	Unrealized Gain (Loss)	Net Investment Income 2018
Inflation-Linked Assets			
NBIMC Inflation-Linked Securities Fund	254	199	453
NBIMC Canadian Real Estate Fund	6,851	24,381	31,232
NBIMC Canadian Real Estate Investment Trust Fund	4,952	(3,995)	957
NBIMC Non-Canadian Private Real Estate Fund	744	807	1,551
Vestcor Investments Private Real Estate, L. P.	49	1,603	1,652
Vestcor Investments Private Real Estate 2, L. P.	—	756	756
NBIMC International Real Estate (2017) Fund	10,139	(8,760)	1,379
NBIMC Public Infrastructure (2017) Fund	2,538	(2,554)	(16)
NBIMC Infrastructure Fund	1,751	9,736	11,487
Vestcor Investments Infrastructure, L. P.	1,020	8,655	9,675
	28,298	30,828	59,126
Alternative Investments			
NBIMC North American Market Neutral (2017) Fund	1,280	1,201	2,481
NBIMC Quantitative Strategies (2017) Fund	4,145	(1,659)	2,486
NBIMC Quantitative Equity Strategic Beta (2017) Fund	1,756	8,013	9,769
NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund	76	(26)	50
NBIMC Private Equity Fund	46,067	28,842	74,909
Vestcor Investments Private Equity, L. P.	(11)	3,562	3,551
	53,313	39,933	93,246
Tactical Asset Allocation			
NBIMC Asset Mix Strategy Fund	3,531	(4,184)	(653)
Net investment income	\$ 291,943	\$ (159,664)	\$ 132,279

10. Pension benefits

A breakdown of pension benefits by type is as follows:

<i>(\$ thousands)</i>	2019	2018
Retirements	\$ 363,916	\$ 350,315
Terminations	5,053	5,483
Disability	1,259	1,474
Survivor	32,257	30,749
Other	4,706	3,855
	\$ 407,191	\$ 391,876

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

<i>(\$ thousands)</i>	2019	2018
Pension benefits	\$ 393,973	\$ 379,083
Refunds and transfers	13,218	12,793
	\$ 407,191	\$ 391,876

11. Administration Expenses

The Plan is charged by its service providers, including Vestcor, a related party, for professional and administrative services. The following is a summary of these administrative expenses:

<i>(\$ thousands)</i>	2019	2018
Plan administration:		
Office and administration services (<i>note 12</i>)	\$ 4,544	\$ 3,125
Consulting	52	68
Legal and regulatory fees	76	58
Actuarial services	91	93
Audit fees	39	35
Board of Trustees	62	67
	4,864	3,446
Investment management costs:		
Investment management fees (<i>note 12</i>)	8,591	8,103
Securities custody	558	596
	9,149	8,699
HST	1,814	1,237
	\$ 15,827	\$ 13,382

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. On October 1, 2016 Vestcor Corp. acquired a 100% interest in two operating companies: Vestcor Investment Management Corporation and Vestcor Pension Services Corporation then were amalgamated to become Vestcor Inc. (Vestcor) on January 1, 2018. Vestcor is the sole shareholder of Vestcor Investments General Partner, Inc. As at December 31, 2019, Vestcor Investments General Partner, Inc. is the general partner in four limited partnerships in which the Plan holds a limited partnership interest: Vestcor Investments Private Real Estate, L. P., Vestcor Investments Private Real Estate 2, L. P., Vestcor Investments Infrastructure, L. P. and Vestcor Investments Private Equity, L. P. (*note 3*).

All of the Plan's investments included in the Statement of Financial Position are in Vestcor Investment Entities which entitle the Plan to an undivided interest in the underlying assets (*note 3*). In addition, the NBIMC Canadian Real Estate Fund and NBIMC Private Equity Fund have made certain of their direct and indirect real estate investments using wholly-owned subsidiary company structures.

Included in the investments in the Vestcor Investment Entities are underlying investments in New Brunswick provincial and municipal bonds that are recorded at their fair values as at December 31, 2019 of \$42,915 (2018 - \$42,806).

Pension administration expenses and investment management fees paid to Vestcor for the year are described in note 11. At December 31, 2019 amounts owing to Vestcor for investment management fees of \$2,680 (2018 - \$3,112), and for pension administration expenses of \$1,207 (2018 - \$539) are included in accounts payable and accrued liabilities. The Plan has also provided an advance in the amount of \$1,092 (2018 - \$1,093) to Vestcor to fund an administration system conversion project.

13. Commitments

The following entities 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:

<i>(\$ thousands)</i>	2019	2018
NBIMC Canadian Real Estate Fund	\$ 4,079	\$ 2,848
NBIMC Non-Canadian Private Real Estate Fund	3,908	4,932
Vestcor Investments Private Real Estate, L. P.	31,075	35,401
Vestcor Investments Private Real Estate 2, L. P.	14,130	12,023
Vestcor Real Estate Feeder Inc.	10,032	—
NBIMC Public Infrastructure (2017) Fund	728	—
NBIMC Infrastructure Fund	—	16,102
Vestcor Investments Infrastructure, L.P.	39,075	39,005
NBIMC Private Equity Fund	91,274	117,403
Vestcor Investments Private Equity, L. P.	150,692	93,944
	\$ 344,993	\$ 321,658

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 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.

A legal action in which the Board of Trustees is involved is as follows:

Guy Levesque v. New Brunswick et al., FC-212-15: The members of the Board of Trustees are individually named as Defendants. In this case, the Plaintiff also seeks, in advance, his solicitor-client costs paid from the pension fund and /or the Trustees, as well as damages from the pension fund for any lost cost of living adjustments. Counsel has advised that the potential success of this action is not determinable at this time.

15. Subsequent Event

Subsequent to December 31, 2019, financial markets have been negatively impacted by the novel coronavirus or COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020. This has resulted in significant economic uncertainty and consequently, it is difficult to reliably measure the potential impact of this uncertainty on the Plan's investments and funded status.