



**Shared Risk Pension Plan for Certain Bargaining
Employees of New Brunswick Hospitals**

Financial Statements

December 31, 2021

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

Opinion

We have audited the financial statements of Shared Risk Pension Plan for Certain Bargaining Employees of New Brunswick Hospitals which comprise the statement of financial position as at December 31, 2021, and the statements of changes in net assets available for benefits and changes in pension obligations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly in all material respects, the financial position of Shared Risk Pension Plan for Certain Bargaining Employees of New Brunswick Hospitals as at December 31, 2021, 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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Shared Risk Pension Plan for Certain Bargaining Employees of New Brunswick Hospitals in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical 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.

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

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

In preparing the financial statements, management is responsible for assessing the Shared Risk Pension Plan for Certain Bargaining Employees of New Brunswick Hospitals' 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 Shared Risk Pension Plan for Certain Bargaining Employees of New Brunswick Hospitals or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Shared Risk Pension Plan for Certain Bargaining Employees of New Brunswick Hospitals' financial reporting process.

Auditor's 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 auditor's 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 these 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 Shared Risk Pension Plan for Certain Bargaining Employees of New Brunswick Hospitals' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 Shared Risk Pension Plan for Certain Bargaining Employees of New Brunswick Hospitals' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Shared Risk Pension Plan for Certain Bargaining Employees of New Brunswick Hospitals 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.

We 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.

Fredericton, Canada
May 17, 2022

The logo for Grant Thornton LLP, featuring the company name in a stylized, cursive script.

Grant Thornton LLP
Chartered Professional Accountants

**SHARED RISK PENSION PLAN FOR CERTAIN BARGAINING EMPLOYEES OF
NEW BRUNSWICK HOSPITALS**

Statement of Financial Position

(In thousands of Canadian dollars)

AS AT DECEMBER 31

	2021		2020
ASSETS			
Investments <i>(notes 3 and 4)</i>	\$ 2,793,785	\$	2,561,428
Contributions receivable from employers	6,980		5,823
Contributions receivable from employees	6,274		4,170
Other receivables	8,221		8,192
Total assets	2,815,260		2,579,613
LIABILITIES			
Accounts payable and accrued liabilities	1,999		1,835
Net assets available for benefits	2,813,261		2,577,778
Pension obligations <i>(note 6)</i>	2,472,700		2,272,100
SURPLUS	\$ 340,561	\$	305,678

See accompanying notes to the financial statements.

Commitments *(note 13)*

Indemnification *(note 14)*

Approved on behalf of the Board of Trustees:



Susie Proulx-Daigle
Chair



Tom Maston
Vice Chair

**SHARED RISK PENSION PLAN FOR CERTAIN BARGAINING EMPLOYEES OF
NEW BRUNSWICK HOSPITALS**
Statement of Changes in Net Assets Available for Benefits
(In thousands of Canadian dollars)
YEAR ENDED DECEMBER 31

	2021	2020
Increase in net assets		
Net investment income <i>(note 9)</i>	\$ 238,328	\$ 162,833
Employer pension contributions	48,852	45,947
Employee pension contributions	49,411	46,757
Reciprocal transfers	2,084	989
	<u>338,675</u>	<u>256,526</u>
Decrease in net assets		
Pension benefits <i>(note 10)</i>	97,329	87,148
Administration expenses <i>(note 11)</i>	5,863	4,974
	<u>103,192</u>	<u>92,122</u>
Increase in net assets available for benefits	235,483	164,404
Net assets available for benefits, beginning of year	2,577,778	2,413,374
Net assets available for benefits, end of year	<u>\$ 2,813,261</u>	<u>\$ 2,577,778</u>

See accompanying notes to the financial statements.

**SHARED RISK PENSION PLAN FOR CERTAIN BARGAINING EMPLOYEES OF
NEW BRUNSWICK HOSPITALS**
Statement of Changes in Pension Obligations
(In thousands of Canadian dollars)
YEAR ENDED DECEMBER 31

	2021	2020
Pension obligations, beginning of year	\$ 2,272,100	\$ 2,180,100
Change in pension obligations:		
Change in actuarial assumptions	79,600	—
Interest accrued on benefits	105,400	101,700
Experience loss (gain)	3,100	(27,200)
Improvements to accrued pensions	3,000	8,200
Net transfers and other actions	2,700	1,800
Normal actuarial cost	69,500	63,000
Benefits paid	(97,300)	(87,200)
Cost of living adjustment	34,600	31,700
	<u>200,600</u>	<u>92,000</u>
Pension obligations, end of year	<u>\$ 2,472,700</u>	<u>\$ 2,272,100</u>

See accompanying notes to the financial statements.

**SHARED RISK PENSION PLAN FOR CERTAIN BARGAINING EMPLOYEES OF
NEW BRUNSWICK HOSPITALS**

Notes to Financial Statements

(In thousands of Canadian dollars)

AS AT AND FOR THE YEAR ENDING DECEMBER 31, 2021

1. Description of the Plan

The following description of the Shared Risk Plan for Certain Bargaining Employees of New Brunswick Hospitals (“the Plan”) is a summary only. For more information, reference should be made to the Plan Document.

On July 1, 2012, the Pension Plan for Certain Bargaining Employees of New Brunswick Hospitals was converted to the Shared Risk Plan for Certain Bargaining Employees of New Brunswick Hospitals. This model, governed by the Board of Trustees, introduced changes to address the funding deficiency in the Plan. The Plan is reported as a continuation of the pre-existing Pension Plan for Certain Bargaining Employees of New Brunswick Hospitals. The shared risk model provides additional funding through increased member and employer contributions. It also introduces risk management procedures, funding goals and sharing of benefit risks to prudently manage the variability of funding results over time.

The shared risk pension model is not defined in existing accounting standards. Under current standards, a pension plan must be accounted for as either a defined contribution plan or a defined benefit plan. Determining the appropriate accounting treatment for these plans requires a high degree of professional judgement. Based on research performed, enabling legislation and specific plan documents, management has concluded that the defined benefit method represents appropriate accounting treatment for the Plan at this time.

(a) General

The Plan is a shared risk pension plan covering employees who are members of the New Brunswick Nurses Union, the New Brunswick Union of Public and Private Employees (Specialized Health Care Professionals and Paramedical), union staff members of the New Brunswick Nurses Union (effective July 1, 2013), and union staff members of the New Brunswick Union of Public and Private Employees (effective October 1, 2015).

Full-time and part-time employees of these groups are required to join the Plan immediately. Effective July 1, 2014, all other employees of these groups (e.g. casuals, temporary employees, etc.) are required to join the Plan if certain eligibility criteria are met.

(b) Funding policy

Contributions are made by the Plan members and the Employers to fund the benefits as determined under the provisions of the Plan Document and Funding Policy.

(c) Pension benefits

The base benefits described in Article V of the Plan Document (summarized below) are the intended benefits under this Plan. Notwithstanding any other provision of the Plan, the Funding Policy will allow or require the Board of Trustees to make changes to the base benefits. Such changes may be positive or negative and will affect all classes of plan members.

**SHARED RISK PENSION PLAN FOR CERTAIN BARGAINING EMPLOYEES OF
NEW BRUNSWICK HOSPITALS**

Notes to Financial Statements

(In thousands of Canadian dollars)

AS AT AND FOR THE YEAR ENDING DECEMBER 31, 2021

1. Description of the Plan *(continued)*

(c) Pension benefits

- I. For each year (or part year) of pensionable service on and after July 1, 2012:
1.4% X annualized pensionable earnings accrued during the year up to the YMPE for the year
Plus
2.0% X annualized pensionable earnings accrued during the year in excess of the YMPE for the year multiplied by number of hours worked (and contributed) / 1950 hours.
- II. For all pensionable service between January 1, 1990 and June 30, 2012:
Pensionable service X 1.3% X best 5 year average earnings at June 30, 2012 up to the average YMPE at the same date
Plus
Pensionable service X 2.0% X best 5 year average earnings at June 30, 2012 in excess of the average YMPE at the same date.
- III. For all pensionable service prior to January 1, 1990:
Pensionable service X 2.0% X best 5 year average earnings at June 30, 2012

All benefits (paid or payable) may be adjusted annually by any cost of living increases granted in accordance with the Funding Policy.

A member may elect a basic pension, providing a life pension with a guarantee period of 5 years, or one of four optional forms of pensions being: 1) life pension with a guarantee period of 10 years; 2) joint life and survivor pension at 60%; 3) joint life and survivor pension at 75%; 4) joint life and survivor pension at 100%.

Normal retirement age is 65 at which time unreduced pension benefits are available with five or more years of continuous employment, two or more years of pensionable service, or two or more years of plan membership. Reduced benefits are available between age 55 and age 65 with five or more years of continuous employment, two or more years of pensionable service, or two or more years of plan membership. A member who elects to take an early retirement will also receive a temporary bridge benefit payable to age 65 equal to \$27 per month per year of pensionable service.

(d) Death benefits

If a member dies prior to retirement and before completing one of the following criteria; five years continuous employment; two years of pensionable service; or two years of membership in the Plan, the benefit payable to the member's surviving spouse (or the member's beneficiary if there is no spouse) is a refund of the member's own contributions with accumulated interest.

If a member dies prior to retirement and has completed five or more years of continuous employment, two or more years of pensionable service, or has two years or more of membership in the Plan, the member's surviving spouse (or the member's beneficiary if there is no spouse) will receive a lump sum equal to the termination value amount the member would have received if the member had terminated just before death.

**SHARED RISK PENSION PLAN FOR CERTAIN BARGAINING EMPLOYEES OF
NEW BRUNSWICK HOSPITALS**

Notes to Financial Statements

(In thousands of Canadian dollars)

AS AT AND FOR THE YEAR ENDING DECEMBER 31, 2021

1. Description of the Plan *(continued)*

(d) Death benefits *(continued)*

If a member dies after retirement, the death benefit payable is determined in accordance with the provisions of the form of pension selected by the member at the time of retirement.

(e) Benefits on termination

A member who is terminated and who has less than five years of continuous employment, less than two years of pensionable service, and less than two years of membership in the Plan will receive a refund of the member's own contributions with accumulated interest.

A member with five or more years continuous employment, two or more years of pensionable service, or two or more years of membership in the Plan who is terminated and who is not eligible to receive an immediate pension benefit may elect to receive a deferred pension commencing as early as age 55 or an amount equal to the termination value of the pension benefit as at the date of the member's termination. The termination value of the pension benefit is to be transferred on a locked-in basis to any registered retirement savings arrangement where the transfer is allowed under the *Pension Benefits Act* ("the Act"). Members who terminate their employment and are immediately eligible to receive a monthly pension benefit may elect an immediate or deferred pension only.

(f) Income Taxes

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

(g) Reciprocal transfer agreements

The Board of Trustees may, in its discretion, from time to time, enter into reciprocal agreements with the sponsors of other pension plans. Effective June 11, 2017, the Board of Trustees entered into a new reciprocal transfer agreement between the Plan and the Pension Plan for Employees of New Brunswick Union of Public and Private Employees. A reciprocal agreement is also in place between the Plan and the Pension Plan for Part-Time and Seasonal Employees of the Province of New Brunswick.

SHARED RISK PENSION PLAN FOR CERTAIN BARGAINING EMPLOYEES OF NEW BRUNSWICK HOSPITALS

Notes to Financial Statements

(In thousands of Canadian dollars)

AS AT AND FOR THE YEAR ENDING DECEMBER 31, 2021

2. Significant Accounting Policies

(a) Basis of presentation

These financial statements have been prepared in accordance with Canadian accounting standards for pension plans in Part IV of the Chartered Professional Accountants' (CPA) of Canada Handbook. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal year but they do not portray the funding requirements of the Plan (*note 7*) or the benefit security of individual plan members.

All investment assets and liabilities are measured at fair value in accordance with International Financial Reporting Standards ("IFRS") 13, *Fair Value Measurements*. In selecting or changing accounting policies that do not relate to its investment portfolio, Canadian accounting standards for pension plans require the Plan to comply on a consistent basis with either IFRS in Part I of the CPA Handbook or with Canadian accounting standards for private enterprises ("ASPE") in Part II of the CPA Handbook. The Plan has chosen to comply on a consistent basis with ASPE.

These financial statements have been prepared in accordance with the significant accounting policies set out below.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for investments, which are measured at fair value through the Statement of Changes in Net Assets Available for Benefits.

(c) Financial instruments

(i) Classification, recognition and measurement

Financial assets and financial liabilities are initially recognized in the Statement of 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 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 of financial assets 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.

**SHARED RISK PENSION PLAN FOR CERTAIN BARGAINING EMPLOYEES OF
NEW BRUNSWICK HOSPITALS**

Notes to Financial Statements

(In thousands of Canadian dollars)

AS AT AND FOR THE YEAR ENDING DECEMBER 31, 2021

2. Significant Accounting Policies (continued)

The fair value of each investment 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 Vestcor has 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 Vestcor uses 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.

(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.

**SHARED RISK PENSION PLAN FOR CERTAIN BARGAINING EMPLOYEES OF
NEW BRUNSWICK HOSPITALS**

Notes to Financial Statements

(In thousands of Canadian dollars)

AS AT AND FOR THE YEAR ENDING DECEMBER 31, 2021

2. Significant Accounting Policies *(continued)*

(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 pension obligation, since these determinations may include estimates of expected future cash flows, rates of return, rates of retirement, mortality, rates in termination, discount rates, and the impact of future events. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

The COVID-19 pandemic continues to evolve and the economic environment in which the Plan operate continues to be subject to sustained volatility, which could impact the financial results of the Plan, as the duration of the COVID-19 pandemic remains uncertain.

(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 and accrued up to year-end for payroll periods that extend to the subsequent fiscal year.

**SHARED RISK PENSION PLAN FOR CERTAIN BARGAINING EMPLOYEES OF
NEW BRUNSWICK HOSPITALS**

Notes to Financial Statements

(In thousands of Canadian dollars)

AS AT AND FOR THE YEAR ENDING DECEMBER 31, 2021

2. Significant Accounting Policies *(continued)*

(i) Net investment income

Investment transactions are recognized by the underlying Vestcor Investment Entities as of their trade date. Net investment income includes interest, dividends, and realized and unrealized gains and losses in the value of the units held in each of the Vestcor Investment Entities.

(j) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies held by 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 primarily 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 and Goals (“SIPG”). Following is a description of each Vestcor Investment Entity (“entity”) in which the Plan invested during the year ended December 31, 2021:

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 International High Yield Fixed Income Fund

This entity is managed by external managers and actively invests in securities in the Barclays U.S. Corporate High Yield Total Return Index \$C Hedged.

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% One-day Canadian Call Loan Rate.

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.

**SHARED RISK PENSION PLAN FOR CERTAIN BARGAINING EMPLOYEES OF
NEW BRUNSWICK HOSPITALS**

Notes to Financial Statements

(In thousands of Canadian dollars)

AS AT AND FOR THE YEAR ENDING DECEMBER 31, 2021

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.

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 publicly-traded securities in the MSCI EAFE Total Return Index in \$C, Net. Its benchmark is the MSCI EAFE Total Return Index in \$C, Net.

Vestcor Low Volatility International Equity Fund

This entity primarily in equities listed on exchanges or otherwise domiciled in countries considered to be Developed Markets (excluding Canada) according to the benchmark index provider but may also use other investments such as exchange traded funds, listed or OTC derivatives, or other securities to allow the fund to achieve its benchmark tracking target or otherwise manage risk. Its benchmark is the MSCI World Ex Canada Minimum Volatility Total Return Index (USD) 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.

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.

Vestcor Investments Private Real Estate, L. P.

This fund invests in private domestic and international real estate investments through co-investments, limited partnerships or similar investment vehicles. The benchmark is inflation, as measured by the percentage change in the twelve-month average CPI-Canada All Items Index, plus 4%.

**SHARED RISK PENSION PLAN FOR CERTAIN BARGAINING EMPLOYEES OF
NEW BRUNSWICK HOSPITALS**

Notes to Financial Statements

(In thousands of Canadian dollars)

AS AT AND FOR THE YEAR ENDING DECEMBER 31, 2021

3. Investments (continued)

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. The benchmark is inflation, as measured by the percentage change in the twelve-month average CPI-Canada All Items Index, plus 4%.

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 inflation, as measured by the percentage change in the twelve-month average CPI-Canada All Items Index, plus 4%.

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 REITS 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 inflation, as measured by the percentage change in the twelve-month CPI-Canada All Items Index, plus 4%.

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 seeks to add value by investing in either long or short positions where announced mergers or dual class share structures present arbitrage potential. Short positions are supported by cash underlay. The benchmark is calculated as 93% of the FTSE Canada 91 Day T-Bill Index plus 7% 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.

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.

**SHARED RISK PENSION PLAN FOR CERTAIN BARGAINING EMPLOYEES OF
NEW BRUNSWICK HOSPITALS**

Notes to Financial Statements

(In thousands of Canadian dollars)

AS AT AND FOR THE YEAR ENDING DECEMBER 31, 2021

3. Investments (continued)

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 2021	Fair Value 2020
Fixed Income				
NBIMC Nominal Bond Fund	161,383	2,804	504,448	\$ 446,644
NBIMC Corporate Bond Fund	365,847	1,300	545,900	510,183
NBIMC International High Yield Fixed Income Fund	87,524	1,033	108,115	122,688
NBIMC Money Market Fund	7,744	1,713	14,098	4,450
			1,172,561	1,083,965
Equities				
NBIMC Canadian Equity Index Fund	17,327	3,630	96,538	85,347
NBIMC Low Volatility Canadian Equity Fund	46,534	1,646	112,786	101,144
NBIMC External Canadian Equity Fund	2,368	4,088	15,787	15,903
NBIMC External International Equity Fund	7,440	2,163	23,662	26,962
NBIMC EAFE Equity Index Fund	27,641	1,520	59,346	49,586
NBIMC Low Volatility International Equity Fund	—	—	—	75,721
Vestcor Low Volatility International Equity Fund	197,110	1,000	222,151	—
NBIMC Low Volatility Emerging Markets Equity Fund – Class N	88,600	1,123	110,296	103,792
NBIMC U.S. Equity Index (2017) Fund	11,861	3,019	68,891	98,662
NBIMC Low Volatility U.S. Equity (2017) Fund	—	—	—	140,601
Gryphon Global Equity Fund	28	1,000	57	61
			709,514	697,779
Real Estate and Infrastructure				
Vestcor Investments Private Real Estate, L. P. – Series III	11,309	1,051	13,547	7,965
Vestcor Investments Private Real Estate 2, L. P. – Series II	1,105	641	840	164
Vestcor Real Estate Fund Feeder Inc.	58,151	1,036	64,498	27,164
NBIMC International Real Estate (2017) Fund	3,359	8,462	42,492	76,250
NBIMC Public Infrastructure (2017) Fund	43,553	1,192	57,754	85,622
Vestcor Investment Infrastructure, L. P. – Series III	14,183	1,031	16,386	12,564
Vestcor Investment Infrastructure, L. P. – Series IV	30,959	964	32,576	15,606
Fiera Properties Core Pension Trust	101,034	1,010	165,220	145,085
BlackRock Granite Property Fund, Inc.	6,260	1,022	9,573	11,327
BlackRock Asia Property Fund IV	7,249	1,191	12,500	13,962
BlackRock Europe Property Fund IV	642	2,309	3,711	6,214
Global Diversified Infrastructure Fund	181,194	203	42,923	40,724
Macquarie Infrastructure Partners III, L.P.	61,769	1,125	153,126	129,642
			615,146	572,289

**SHARED RISK PENSION PLAN FOR CERTAIN BARGAINING EMPLOYEES OF
NEW BRUNSWICK HOSPITALS**

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(In thousands of Canadian dollars)

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3. Investments (continued)

<i>(\$ thousands)</i>	Number of Units <i>(rounded)</i>	Unit Value <i>(in dollars)</i>	Fair Value 2021	Fair Value 2020
Alternative Investments				
NBIMC Quantitative Strategies (2017) Fund	57,892	1,555	113,398	103,074
NBIMC Quantitative Equity Strategic Beta (2017) Fund	84,423	1,148	110,148	88,264
Vestcor Investments Private Equity, L. P. – Series II	23,118	1,154	37,360	13,238
Vestcor Investments Private Equity, L. P. – Series III	28,405	1,137	35,658	2,819
			296,564	207,395
			2,793,785	\$ 2,561,428

4. Fair Value of Financial Instruments

Investments are valued at fair value with changes in fair values over time recognized in net investment income.

The determination of fair value is dependent upon the use of measurement inputs with varying degrees of subjectivity. The level of subjectivity can be classified and is referred to as the fair value hierarchy. The fair value hierarchy levels are:

Level 1 – Quoted market prices in active markets. This is considered to be the most reliable input for fair value measurement. A financial instrument is regarded as quoted in an active market if quoted prices are readily or regularly available from an exchange or prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 – Inputs (other than quoted prices included within Level 1) that are observable for the investment, either directly or indirectly. These inputs include quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, and inputs other than quoted prices that are observable for the investment. These are inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

Level 3 – Inputs that are unobservable that are used to measure fair value when observable inputs are not available. Unobservable inputs reflect subjective assumptions that market participants may use in pricing the investment.

There are eleven investments classified as level 3:

Fiera Properties Core Fund

This fund invests in a diversified portfolio of Canadian real estate properties with a market value of \$165,220 (2020 – \$145,085). This is an open fund with no active market for its units and no published net asset value as of December 31, 2021 and is therefore classified as a level 3 investment in the fair value hierarchy.

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(In thousands of Canadian dollars)

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

BlackRock Granite Property Fund, Inc.

This fund invests in US real property and real estate related investments with a market value of \$9,573 (2020 – \$11,327). This is an open fund with no active market for its units and no published net asset value as of December 31, 2021 and is therefore classified as a level 3 investment in the fair value hierarchy.

BlackRock Asia Property Fund IV

This limited partnership invests in real estate properties across the Asia Pacific region with a market value of \$12,500 (2020 – \$13,962). This closed-end fund has no active market for its units and no published net asset value as of December 31, 2021 and is therefore classified as a level 3 investment in the fair value hierarchy. This fund commenced on October 5, 2015 and will continue to operate until April 7, 2024.

BlackRock Europe Property Fund IV

This limited partnership invests in real estate related assets in Europe with a market value of \$3,711 (2020 – \$6,214). This closed-end fund has no active market for its units and no published net asset value as of December 31, 2021 and is therefore classified as a level 3 investment in the fair value hierarchy. This fund commenced on October 15, 2015 and will continue to operate until April 14, 2024.

Global Diversified Infrastructure Fund

This fund invests in a diversified portfolio of mature, global unlisted infrastructure assets with a market value of \$42,923 (2020 – \$40,724). This is an open fund with no active market for its units and no published net asset value as of December 31, 2021 and is therefore classified as a level 3 investment in the fair value hierarchy.

Macquarie Infrastructure Partners III, L.P.

This limited partnership invests global infrastructure assets with a market value of \$153,126 (2020 – \$129,642). This closed-end fund has no active market for its units and no published net asset value as of December 31, 2021 and is therefore classified as a level 3 investment in the fair value hierarchy. This fund commenced on August 30, 2013 and will continue to operate until September 30, 2024.

The Vestcor Investments Private Real Estate, L. P.

This limited partnership invests in private domestic and international real estate investments through co-investments, limited partnerships or similar investment vehicles with a market value of \$13,547 (2020 – \$7,965). There is no active market for the units of this limited partnership and no published net asset value as of December 31, 2021 and is therefore classified as a level 3 investment in the fair value hierarchy.

The Vestcor Investments Private Real Estate 2, L. P.

This limited partnership invests in private domestic and international real estate investments through co-investments, limited partnerships or similar investment vehicles with a market value of \$840 (2020 – \$164). There is no active market for the units of this limited partnership and no published net asset value as of December 31, 2021 and is therefore classified as a level 3 investment in the fair value hierarchy.

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

The 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 with a market value of \$64,498 (2020 – \$27,164). There is no active market for the units of this limited partnership and no published net asset value as of December 31, 2021 and is therefore classified as a level 3 investment in the fair value hierarchy.

The Vestcor Investments Infrastructure, L. P.

This limited partnership provides additional investment diversification through direct investment in infrastructure through co- investment structures with a market value of \$48,962 (2020 – \$28,170). There is no active market of the units of this limited partnership and no published net asset value as of December 31, 2021 and is therefore classified as a level 3 investment in the fair value hierarchy.

The Vestcor Investments Private Equity, L. P.

This limited partnership invests primarily in non-publicly traded securities of U.S. and European companies through co-investments, limited partnerships or similar investment vehicles with a market value of \$73,018 (2020 – 16,057). There is no active market of the units of this limited partnership and no published net asset value as of December 31, 2021 and is therefore classified as a level 3 investment in the fair value hierarchy.

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4. Fair Value of Financial Instruments (continued)

The levels of input for valuation of the Entities' financial instruments at FVTPL as at December 31, 2021 are as follows:

	December 31, 2021 \$	Level 1 \$	Level 2 \$	Level 3 \$
Fixed Income				
NBIMC Nominal Bond Fund	504,448	—	504,448	—
NBIMC Corporate Bond Fund	545,900	—	545,900	—
NBIMC International High Yield Fixed Income Fund	108,115	—	108,115	—
NBIMC Money Market Fund	14,098	—	14,098	—
Equities				
NBIMC Canadian Equity Index Fund	96,538	—	96,538	—
NBIMC Low Volatility Canadian Equity Fund	112,786	—	112,786	—
NBIMC External Canadian Equity Fund	15,787	—	15,787	—
NBIMC External International Equity Fund	23,662	—	23,662	—
NBIMC EAFE Equity Index Fund	59,346	—	59,346	—
Vestcor Low Volatility International Equity Fund	222,151	—	222,151	—
NBIMC Low Volatility Emerging Markets Equity Fund – Class N	110,296	—	110,296	—
NBIMC U.S. Equity Index (2017) Fund	68,891	—	68,891	—
Gryphon Global Equity Fund	57	57	—	—
Real Estate and Infrastructure				
Vestcor Investments Private Real Estate, L. P.	13,547	—	—	13,547
Vestcor Investments Private Real Estate 2, L. P.	840	—	—	840
Vestcor Real Estate Fund Feeder Inc.	64,498	—	—	64,498
NBIMC International Real Estate (2017) Fund	42,492	—	42,492	—
NBIMC Public Infrastructure (2017) Fund	57,754	—	57,754	—
Vestcor Investments Infrastructure, L. P.	48,962	—	—	48,962
Fiera Properties Core Pension Trust	165,220	—	—	165,220
BlackRock Granite Property Fund, Inc.	9,573	—	—	9,573
BlackRock Asia Property Fund IV	12,500	—	—	12,500
BlackRock Europe Property Fund IV	3,711	—	—	3,711
Global Diversified Infrastructure Fund	42,923	—	—	42,923
Macquarie Infrastructure Partners III, L.P.	153,126	—	—	153,126
Alternative Investments				
NBIMC Quantitative Strategies (2017) Fund	113,398	—	113,398	—
NBIMC Quantitative Equity Strategic Beta (2017) Fund	110,148	—	110,148	—
Vestcor Investments Private Real Estate, L. P.	73,018	—	—	73,018
	2,793,785	57	2,205,810	587,918

**SHARED RISK PENSION PLAN FOR CERTAIN BARGAINING EMPLOYEES OF
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4. Fair Value of Financial Instruments (continued)

The levels of input for valuation of the Entities' financial instruments at FVTPL as at December 31, 2020 are as follows:

	December 31, 2020 \$	Level 1 \$	Level 2 \$	Level 3 \$
Fixed Income				
NBIMC Nominal Bond Fund	446,644	—	446,644	—
NBIMC Corporate Bond Fund	510,183	—	510,183	—
NBIMC International High Yield Fixed Income Fund	122,688	—	122,688	—
NBIMC Money Market Fund	4,450	—	4,450	—
Equities				
NBIMC Canadian Equity Index Fund	85,347	—	85,347	—
NBIMC Low Volatility Canadian Equity Fund	101,144	—	101,144	—
NBIMC External Canadian Equity Fund	15,903	—	15,903	—
NBIMC External International Equity Fund	26,962	—	26,962	—
NBIMC EAFE Equity Index Fund	49,586	—	49,586	—
NBIMC Low Volatility International Equity Fund	75,721	—	75,721	—
NBIMC Low Volatility Emerging Markets Equity Fund – Class N	103,792	—	103,792	—
NBIMC U.S. Equity Index (2017) Fund	98,662	—	98,662	—
NBIMC Low Volatility U.S. Equity (2017) Fund	140,601	—	140,601	—
Gryphon Global Equity Fund	61	61	—	—
Real Estate and Infrastructure				
Vestcor Investments Private Real Estate, L. P.	7,965	—	—	7,965
Vestcor Investments Private Real Estate 2, L. P.	164	—	—	164
Vestcor Real Estate Fund Feeder Inc.	27,164	—	—	27,164
NBIMC International Real Estate (2017) Fund	76,250	—	76,250	—
NBIMC Public Infrastructure (2017) Fund	85,622	—	85,622	—
Vestcor Investments Infrastructure, L. P.	28,170	—	—	28,170
Fiera Properties Core Pension Trust	145,085	—	—	145,085
BlackRock Granite Property Fund, Inc.	11,327	—	—	11,327
BlackRock Asia Property Fund IV	13,962	—	—	13,962
BlackRock Europe Property Fund IV	6,214	—	—	6,214
Global Diversified Infrastructure Fund	40,724	—	—	40,724
Macquarie Infrastructure Partners III, L.P.	129,642	—	—	129,642
Alternative Investments				
NBIMC Quantitative Strategies (2017) Fund	103,074	—	103,074	—
NBIMC Quantitative Equity Strategic Beta (2017) Fund	88,264	—	88,264	—
Vestcor Investments Private Real Estate, L. P.	16,057	—	—	16,057
	2,561,428	61	2,134,893	426,474

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4. Fair Value of Financial Instruments (continued)

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

Year ended December 31, 2021	Fair Value, beginning of period \$	Gains (losses) in profit or loss \$	Purchases \$	Sales \$	Fair Value, end of period \$
Vestcor Investments Private Real Estate, L.P.	7,965	1,155	5,096	(669)	13,547
Vestcor Investments Private Real Estate 2, L.P.	164	141	535	—	840
Vestcor Real Estate Fund Feeder Inc.	27,164	3,814	34,749	(1,229)	64,498
Vestcor Investments Infrastructure, L.P.	28,170	4,238	20,142	(3,588)	48,962
Fiera Properties Core Pension Trust	145,085	25,673	1,121	(6,659)	165,220
BlackRock Granite Property Fund, Inc.	11,327	1,105	449	(3,308)	9,573
BlackRock Asia Property Fund IV	13,962	1,112	631	(3,205)	12,500
BlackRock Europe Property Fund IV	6,214	102	367	(2,972)	3,711
Global Diversified Infrastructure Fund	40,724	2,661	632	(1,094)	42,923
Macquarie Infrastructure Partners III, L.P.	129,642	38,064	6,876	(21,456)	153,126
Vestcor Investments Private Equity, L.P.	16,057	12,820	44,424	(283)	73,018
	426,474	90,885	115,022	(44,463)	587,918

Year ended December 31, 2020	Fair Value, beginning of period \$	Gains (losses) in profit or loss \$	Purchases \$	Sales \$	Fair Value, end of period \$
Vestcor Investments Private Real Estate, L.P.	17,795	16	3,010	(12,856)	7,965
Vestcor Investments Private Real Estate 2, L.P.	103	(50)	321	(210)	164
Vestcor Real Estate Fund Feeder Inc.	1,620	497	25,272	(225)	27,164
Vestcor Investments Infrastructure, L.P.	11,396	135	17,445	(806)	28,170
Fiera Properties Core Pension Trust	144,533	6,020	1,061	(6,529)	145,085
BlackRock Granite Property Fund, Inc.	11,756	824	—	(1,253)	11,327
BlackRock Asia Property Fund IV	14,322	593	—	(953)	13,962
BlackRock Europe Property Fund IV	5,421	2,717	316	(2,240)	6,214
Global Diversified Infrastructure Fund	41,465	2,203	558	(3,502)	40,724
Macquarie Infrastructure Partners III, L.P.	159,581	29,651	—	(59,590)	129,642
Vestcor Investments Private Equity, L.P.	9,709	1,926	8,695	(4,273)	16,057
	417,701	44,532	56,679	(92,438)	426,474

There were no transfers between Level 1, Level 2 and Level 3 in the current or prior period.

**SHARED RISK PENSION PLAN FOR CERTAIN BARGAINING EMPLOYEES OF
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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 SIPG (*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.

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, 2021, 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 \$182,831 (2020 – \$107,256) (*see note 5(c)*).

Foreign currency risk arises from holding investments denominated in currencies other than the Canadian dollar. The SIPG permits hedging of foreign currency exposure at the portfolio manager’s discretion. Approximately 23.2% (2020 – 25.1%) of the Plan’s underlying investments are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the U.S. dollar of 15.0% (2020 – 16.7%), Japanese Yen of 1.3% (2020 – 1.3%) and the Euro of 1.6% (2020 – 1.2%).

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, 2021 of \$6,493 (2020 – \$6,424).

Interest rate risk refers to the effect on the market value of investments due to fluctuation of interest rates. The Plan invests in pooled funds that invest in fixed income securities whose fair values are sensitive to interest rates. The SIPG requires Vestcor to adhere to guidelines on duration and yield curve, which are designed to mitigate the risk of interest rate volatility.

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5. Financial Instrument Risk Management *(continued)*

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, 2021 would be approximately \$83,597 (2020 – \$74,865).

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

The impact on net assets of the Plan due to a 1 percent change in the benchmark, using historical correlation between the Plan's return as compared to the Plan's benchmark return, with all other variables held constant, as at December 31, 2021 is estimated to be \$15,285 (2020 – \$14,251).

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

(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 that 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.

The quality of the aggregate credit exposure in the underlying investments of the Plan's investment in pooled funds at December 31 is as follows:

<i>(\$ thousands)</i>	2021	2020
AAA	\$ 255,486	\$ 168,956
AA	305,202	351,224
A	278,143	242,548
BBB	202,343	162,893
R-1	48,034	33,629
Other	10,294	12,913
	\$ 1,099,502	\$ 972,163

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

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5. Financial Instrument Risk Management *(continued)*

(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 pooled funds. Uses of liquidity include payments to the plan beneficiaries, plan service providers and purchases of units of pooled funds.

The Plan's asset mix is specifically designed to ensure that sufficient liquid assets are available to meet pension benefit obligations as they are required. Other than cash, treasury bills and bankers' acceptances, the most liquid asset class is government bonds whereas privately-held 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 real estate, private infrastructure, and the Plan's proportionate share of the fair value of collateral pledged with brokers and counterparties, and any unfunded investment commitments.

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

<i>(\$ thousands)</i>	2021	2020
Net assets available for benefits	\$ 2,813,261	\$ 2,577,778
Less investment in:		
Vestcor Investments Private Real Estate, L. P.	(13,547)	(7,965)
Vestcor Investments Private Real Estate 2, L. P.	(840)	(164)
Vestcor Real Estate Fund Feeder Inc.	(64,498)	(27,164)
Vestcor Investments Infrastructure, L. P.	(48,962)	(28,170)
Fiera Properties Core Pension Trust	(165,220)	(145,085)
BlackRock Granite Property Fund, Inc.	(9,573)	(11,327)
BlackRock Asia Property Fund IV	(12,500)	(13,962)
BlackRock Europe Property Fund IV	(3,711)	(6,214)
Global Diversified Infrastructure Fund	(42,923)	(40,724)
Macquarie Infrastructure Partners III, L.P.	(153,126)	(129,642)
Vestcor Investments Private Equity, L. P.	(73,018)	(16,057)
Collateral pledged <i>(note 5(a))</i>	(182,831)	(107,256)
Investment commitments <i>(note 13)</i>	(138,843)	(106,126)
Net liquid assets	\$ 1,903,669	\$ 1,937,922

(d) **Securities Lending:** The Plan's SIPG 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.

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5. Financial Instrument Risk Management (continued)

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, 2021, underlying securities in the amount of \$418,001 (2020 – \$384,698) 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. The internal securities lending program was closed in 2021.

6. Pension Obligations

The funding policy valuation actuarial liabilities and normal costs were calculated 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. The last actuarial valuation was performed as of December 31, 2020 by Morneau Shepell, a firm of consulting actuaries.

The funding policy valuation actuarial liabilities at December 31, 2021 is based on an extrapolation of the funding policy liability at December 31, 2020. The pension obligations do not take into account the impact of any future salary increases or the impact of any future cost-of-living adjustments that may be granted by the Board of Trustees in accordance with the Plan terms and the Funding Policy.

This approach provides a shared risk benefit to members with a high degree of certainty, but without an absolute guarantee.

Significant long-term assumptions used in the December 31, 2020 valuation as well as the December 31, 2021 extrapolation are:

Interest	4.50% (2020 – 4.75%)
Mortality	2014 Public Sector Mortality Table (CPM 2014 Publ) projected using Improvement Scale B (CPM-B) with size adjustments factors of 115% for both males and females (2020 - 106% for males and 116% for females).

The next actuarial valuation for funding purposes, which was not complete as at the date of this report, is to be performed as of December 31, 2021.

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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 Plan 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 that is in excess of 75% of the Consumer Price Index ("CPI") over the next 20-year period; and

(ii) achieve at least a 75% probability that ancillary benefits described in the Plan Text can be provided over the next 20 years.

The above risk management objectives were measured at conversion and the primary risk management objective is tested 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 over the normal cost for base and ancillary other than the potential future cost-of-living adjustments plus the market value of the 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 1.0% for both employees and employer; then
2. Change the early retirement rules for post-conversion service for members who are not yet eligible to retire and receive an immediate pension under the terms of the Plan to a full actuarial reduction for retirement before age 65;
3. Change the early retirement rules for pre-conversion service for members who are not yet eligible to retire and receive an immediate pension under the terms of the Plan to a full actuarial reduction for retirement before age 60;
4. Reduce base benefit accrual rates for future service after the date of implementation of the deficit recovery plan by not more than 5%; then
5. Reduce base benefits on a proportionate basis for all members for both past and future service in equal proportions.

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NEW BRUNSWICK HOSPITALS**

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(In thousands of Canadian dollars)

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7. Funding Policy (continued)

The funding excess utilization plan is triggered when the open group funded ratio exceeds 105%. The actions that can be taken depend on whether the base or ancillary benefits have ever been reduced and such reduction was not subsequently reversed on the priority below:

1. Reverse previously reduced base benefits with respect to future payments after the date of reversal until all previous reductions to base benefits have been eliminated; then
2. Reverse reductions in ancillary benefits other than contingent indexing with respect to future payments until all previous reductions have been reversed.

If base and/or ancillary benefits have never been reduced or after all previous reductions have been reversed for future payments then the Board may take the action with respect to the excess available for utilization in the following order of priority:

1. Provide indexing of base benefits up to full CPI since the last date full CPI was achieved;
2. Provide further increases in base benefits of members who were not in receipt of a pension at the actuarial valuation report date that triggered the action such that base benefits are upgraded to a final five year average as at the same date (or such shorter averaging period as applicable for those with less than 5 years of service at that date);
3. Provide a further increase to retired members such that a final average formula is reasonably replicated for each retired member at their retirement date and indexed to full CPI thereafter subject to any limitation imposed under the Income Tax Act;
4. Provide a lump sum payment representing a reasonable estimate of missed increased payments up to the levels of benefits arising out of Steps 2 and 3;
5. Establish a reserve to cover the next ten years of potential contingent indexing; then provided the secondary risk management goals are met,
6. Apply contribution adjustments of up to 2%;
7. Improve the normal form of pension for all members who are not in receipt of a pension;
8. Improve the bridge pension for all members eligible for a bridge pension whether or not in pay; then
9. Improve the early retirement rules for service after June 30, 2012 provided that the Board of Trustees considers life expectancy experience as it develops.

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8. Capital

The capital of the Plan is represented by the net assets available for benefits. The Plan must be managed in a manner which recognizes the interdependency of the SIPG, 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 SIPG, including approval of a recommended investment asset mix that seeks to deliver the long-term investment returns necessary for the sustainability of the Plan. 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 SIPG was last reviewed and approved by the Board of Trustees on September 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, investment policy compliance, and trends and changes in investment risks for the Board of Trustees.

The Board-approved SIPG outlines the following investment objectives:

- i. In the long term, preserve the capital value of the Pension Fund, and provide the best possible long-term real return on investments while continuing to achieve the risk management goals as set out in the Funding Policy and the regulations under the Pension Benefits Act. It is understood that the policy portfolio may experience uneven returns from year to year consistent with general economic and investment cycles, but a diversified portfolio of long-term assets will partially mitigate the variability of the returns; and
- ii. Over shorter time periods, achieve competitive rates of return on the total Pension Fund and each major asset class while avoiding undue investment risk and excessive market volatility.

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9. Net Investment Income

Net investment income (loss) by fund for the year ended December 31 is as follows:

<i>(\$-thousands)</i>	2021		
	Realized	Unrealized	Net Investment income
Fixed Income			
NBIMC Nominal Bond Fund	\$ 3,127	(13,453)	(10,326)
NBIMC Corporate Bond Fund	—	(7,275)	(7,275)
NBIMC International High Yield Fixed Income Fund	2,847	1,980	4,827
NBIMC Money Market Fund	26	1	27
	6,000	(18,747)	(12,747)
Equities			
NBIMC Canadian Equity Index Fund	4,872	15,922	20,794
NBIMC Low Volatility Canadian Equity Fund	2,776	20,142	22,918
NBIMC External Canadian Equity Fund	883	2,405	3,288
NBIMC External International Equity Fund	1,487	1,213	2,700
NBIMC EAFE Equity Index Fund	551	5,121	5,672
NBIMC Low Volatility International Equity Fund	10,654	(10,979)	(325)
Vestcor Low Volatility International Equity Fund	1,595	25,017	26,612
NBIMC Low Volatility Emerging Markets Equity Fund	900	5,334	6,234
NBIMC U.S. Equity Index (2017) Fund	24,453	(587)	23,866
NBIMC Low Volatility U.S. Equity (2017) Fund	36,233	(32,431)	3,802
Gryphon Global Equity Fund	—	(4)	(4)
	84,404	31,153	115,557
Inflation-Linked Assets			
Vestcor Investments Private Real Estate, L. P.	58	1,097	1,155
Vestcor Investments Private Real Estate 2, L. P.	—	141	141
Vestcor Real Estate Fund Feeder Inc.	63	3,751	3,814
NBIMC International Real Estate (2017) Fund	15,802	9,781	25,583
NBIMC Public Infrastructure (2017) Fund	1,935	3,602	5,537
Vestcor Investments Infrastructure, L. P.	98	4,140	4,238
Fiera Properties Core Trust Fund	2,078	23,595	25,673
BlackRock Granite Property Fund, Inc.	867	238	1,105
BlackRock Asia Property Fund IV	889	223	1,112
BlackRock Europe Property Fund IV	1,823	(1,721)	102
Global Diversified Infrastructure Fund	124	2,537	2,661
Macquarie Infrastructure Partners III, L. P.	11,031	27,033	38,064
	34,768	74,417	109,185

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(In thousands of Canadian dollars)

AS AT AND FOR THE YEAR ENDING DECEMBER 31, 2021

9. Net Investment Income (continued)

(\$ thousands)

			2021
	Realized	Unrealized	Net Investment income
Alternative Investments			
NBIMC Quantitative Strategies (2017) Fund	2,004	6,720	8,724
NBIMC Quantitative Equity Strategic Beta (2017) Fund	370	4,413	4,783
Vestcor Investments Private Equity, L. P.	22	12,798	12,820
	2,396	23,931	26,327
Other Income	6	—	6
	\$ 127,574	110,754	238,328

(\$ thousands)

			2020
	Realized	Unrealized	Net Investment income
Fixed Income			
NBIMC Nominal Bond Fund	\$ 6,282	32,793	39,075
NBIMC Corporate Bond Fund	2,195	37,305	39,500
NBIMC International High Yield Fixed Income Fund	—	3,551	3,551
NBIMC Money Market Fund	180	(47)	133
	8,657	73,602	82,259
Equities			
NBIMC Canadian Equity Index Fund	2,532	9,611	12,143
NBIMC Low Volatility Canadian Equity Fund	457	(6,250)	(5,793)
NBIMC External Canadian Equity Fund	—	1,009	1,009
NBIMC External International Equity Fund	1,694	(184)	1,510
NBIMC EAFE Equity Index Fund	2,037	8,043	10,080
NBIMC Low Volatility International Equity Fund	686	(5,595)	(4,909)
NBIMC Low Volatility Emerging Markets Equity Fund	(492)	2,096	1,604
NBIMC U.S. Equity Index (2017) Fund	5,886	9,626	15,512
NBIMC Low Volatility U.S. Equity (2017) Fund	1,780	(4,051)	(2,271)
Gryphon Global Equity Fund	9	(3)	6
	14,589	14,302	28,891

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(In thousands of Canadian dollars)

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9. Net Investment Income *(continued)*

<i>(\$ thousands)</i>	2020		
	Realized	Unrealized	Net Investment income
Inflation-Linked Assets			
Vestcor Investments Private Real Estate, L. P.	910	(894)	16
Vestcor Investments Private Real Estate 2, L. P.	(78)	28	(50)
Vestcor Real Estate Fund Feeder Inc.	(2)	499	497
NBIMC International Real Estate (2017) Fund	341	(5,044)	(4,703)
NBIMC Public Infrastructure (2017) Fund	3,188	(4,071)	(883)
Vestcor Investments Infrastructure, L. P.	55	80	135
Fiera Properties Core Trust Fund	1,608	4,412	6,020
BlackRock Granite Property Fund, Inc.	324	501	825
BlackRock Asia Property Fund IV	246	346	592
BlackRock Europe Property Fund IV	1,024	1,694	2,718
Global Diversified Infrastructure Fund	96	2,107	2,203
Macquarie Infrastructure Partners III, L. P.	24,989	4,662	29,651
	32,701	4,320	37,021
Alternative Investments			
NBIMC Quantitative Strategies (2017) Fund	(62)	10,745	10,683
NBIMC Quantitative Equity Strategic Beta (2017) Fund	855	1,176	2,031
Vestcor Investments Private Equity, L. P.	(7)	1,933	1,926
	786	13,854	14,640
Other Income	22	—	22
	\$ 56,755	106,078	162,833

10. Pension benefits

A breakdown of pension benefits by type is as follows:

<i>(\$ thousands)</i>	2021		2020	
Retirements	\$	87,429	\$	79,159
Terminations		5,441		3,076
Survivor		2,932		3,177
Marriage breakdown		105		84
Phased retirement		1,422		1,652
	\$	97,329	\$	87,148

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11. Administration Expenses

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

<i>(\$ thousands)</i>	2021	2020
Plan administration:		
Administration services	\$ 1,418	\$ 1,420
Actuarial services	212	129
Audit fees	32	30
Legal and regulatory fees	55	12
Board of Trustees	34	14
	<u>1,751</u>	<u>1,605</u>
Investment management costs:		
Investment management fees	3,413	2,802
Securities custody	140	124
	<u>3,553</u>	<u>2,926</u>
HST	559	443
	<u>\$ 5,863</u>	<u>\$ 4,974</u>

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.

Included in the Plan's investments are New Brunswick provincial and municipal bonds of \$6,926 (2020 - \$9,342).

13. Commitments

The Plan has made capital commitments of \$138,843 (2020 - \$106,126).

14. Indemnification

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