New Brunswick Public Service Pension Plan

Financial Statements

December 31, 2023

KPMG LLP
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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

- the statement of financial position as at December 31, 2023
- the statement of changes in net assets available for benefits for the year then ended
- the statement of changes in pension obligation for the year then ended
- and notes to the financial statements, including a summary of material accounting policy information

(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, 2023, 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 auditor's 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 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 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.

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 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.
- 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 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 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.

KPMG LLP

Chartered Professional Accountants

Fredericton, Canada

July 24, 2024

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

		2023		2022
ASSETS				
Investments *(notes 3 and 4)*	$	9,235,100	$	8,819,720
Contributions receivable from employers		16,841		17,249
Contributions receivable from employees		7,915		7,273
Other receivable		1,319		1,315
Total assets		9,261,175		8,845,557
LIABILITIES				
Accounts payable and accrued liabilities *(note 12)*		7,633		7,220
Net assets available for benefits		9,253,542		8,838,337
Pension obligations *(note 6)*		8,334,300		7,861,300
SURPLUS	$	919,242	$	977,037

See accompanying notes to the financial statements.

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

Approved on behalf of the Board of Trustees:

Katherine Greenbank
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

	2023	2022
Increase in net assets		
Net investment income *(note 9)*	$ 622,245	$ —
Employer pension contributions	180,612	182,287
Employee pension contributions	122,884	126,372
	925,741	308,659
Decrease in net assets		
Net investment loss *(note 9)*	—	363,651
Pension benefits *(note 10)*	472,786	439,565
Refunds and transfers *(note 10)*	19,598	19,331
Administration expenses *(note 11)*	18,152	17,908
	510,536	840,455
(Decrease) increase in net assets available for benefits	415,205	(531,796)
Net assets available for benefits, beginning of year	8,838,337	9,370,133
Net assets available for benefits, end of year	$ 9,253,542	$ 8,838,337

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

	2023	2022
Pension obligations, beginning of year	$ 7,861,300	$ 7,838,900
Change in pension obligations:		
Changes in actuarial assumptions	(22,200)	(438,500)
Interest accrued on benefits	385,200	346,800
Experience loss (gain)	12,300	(27,000)
Normal actuarial cost	176,100	194,300
Benefits paid	(492,400)	(458,900)
Cost of living adjustment	414,000	405,700
	473,000	22,400
Pension obligations, end of year	$ 8,334,300	$ 7,861,300

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, 2023

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. All terms not defined herein have the same meaning as defined in 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. Material 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 IFRS Accounting 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 24, 2024.

(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. Material 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. Material 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. Material 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.

(k) Change in accounting policy

The Plan adopted Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statements 2) from January 1, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impact the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material' rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

The accounting policies disclosed have been reviewed and it was determined that no changes in the financial statement disclosures were required as all disclosed policies were determined to be material.

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, 2023:

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.

Vestcor Alternative Fixed Income, L.P.

This entity invests primarily in a global diversified portfolio of fixed income securities including bank loans, sovereign debt and private debt. Investment can be made directly or through co-ownership, limited partnerships or similar pooled structures. Its benchmark is the FTSE Canada Short Term Overall 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.

3. Investments *(continued)*

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.

Vestcor Long Term Money Market Fund

This entity invests primarily in fixed income securities having a maturity of less than three years. Its benchmark is the FTSE Canada 365 Day T-Bill Index.

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. Its benchmark is the S&P/TSX Small Cap Total Return Index.

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.

3. Investments *(continued)*

Vestcor International Active Equity Fund

This entity invests primarily in equities listed on exchanges or otherwise domiciled in countries considered to be Developed Markets (excluding Canada) according to the benchmark 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) Total Return Index in $C, Net.

Vestcor International Small Cap Equity Fund

This entity invests primarily in small cap 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 Small cap 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. 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 MSCI USA Total Return Index in $C, Gross.

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 the MSCI/REALPAC Canada Quarterly Property Fund Index (Levered), Net Total 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 the MSCI/REALPAC Canada Quarterly Property Fund Index (Levered), Net Total 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 the MSCI/REALPAC Canada Quarterly Property Fund Index (Levered), Net Total 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 the MSCI/REALPAC Canada Quarterly Property Fund Index (Levered), Net Total 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 the MSCI/REALPAC Canada Quarterly Property Fund Index (Levered), Net Total 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 the MSCI World Infrastructure Index (USD) in $C, Net.

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)*

Vestcor Global Alternative Risk Premia Fund

This fund invests in equities, exchange traded funds, listed or OTC derivatives, and other securities to allow the fund to achieve its return target or manage risk. Favored securities are held long with offsetting positions held short to achieve positive exposure to a diversified portfolio of alternative risk premia strategies. The benchmark is calculated as 93% of the FTSE Canada 91 Day T-Bill Index plus 7% One-day Canadian Call Loan Rate.

Vestcor Absolute Return Overlay Fund

This entity was created to add value by providing clients with the ability to deploy an absolute return overlay. The entity invests primarily in units of the NBIMC Quantitative Strategies (2017) Fund and the NBIMC Quantitative Equity Strategic Beta (2017) Fund and shorting units of the NBIMC Money Market Fund.

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.

3. Investments *(continued)*

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

($ thousands)	Number of Units *(rounded)*	Unit Value *(in dollars)*	Fair Value 2023	Fair Value 2022
Fixed Income				
NBIMC Nominal Bond Fund	457,541	2,923	$ 1,337,409	$ 1,277,913
NBIMC Corporate Bond Fund	1,150,676	1,466	1,687,029	1,569,133
Vestcor Alternative Fixed Income, L.P. – Series I	7,699	1,057	8,136	—
NBIMC New Brunswick and Atlantic Canada Fixed Income Opportunity Fund	518	3,866	2,003	2,887
NBIMC Money Market Fund	13,370	1,840	24,606	20,088
Vestcor Long Term Money Market Fund	65,779	1,024	67,354	—
NBIMC Student Investment Fund	485	5,044	2,448	2,229
			3,128,985	2,872,250
Equities				
NBIMC Canadian Equity Index Fund	33,749	5,866	197,963	315,050
NBIMC Canadian Small Cap Equity Fund	90,109	1,547	139,360	135,293
NBIMC Low Volatility Canadian Equity Fund	111,100	2,611	290,126	342,307
NBIMC External Canadian Equity Fund	12,390	7,040	87,217	88,645
NBIMC External International Equity Fund	22,895	3,452	79,053	91,245
NBIMC EAFE Equity Index Fund	77,261	2,276	175,817	213,038
Vestcor International Active Equity Fund	22,268	1,044	23,249	—
Vestcor International Small Cap Equity Fund	179,608	989	177,666	62,794
Vestcor Low Volatility International Equity Fund	764,918	1,208	924,113	886,535
NBIMC Low Volatility Emerging Markets Equity Fund – Class N	292,866	1,315	385,120	346,051
NBIMC U.S. Equity Index (2017) Fund	96,372	6,211	598,551	529,608
			3,078,235	3,010,566
Inflation-Linked Assets				
NBIMC Inflation-Linked Securities Fund	108,352	3,973	430,428	411,230
NBIMC Canadian Real Estate Fund	10,636	6,430	68,392	86,177
NBIMC Canadian Real Estate Investment Trust Fund	9,712	1,804	17,523	17,599
NBIMC Non-Canadian Private Real Estate Fund	6,868	439	3,018	3,657
Vestcor Investments Private Real Estate, L. P. - Series I	15,499	1,261	19,544	21,469
Vestcor Investments Private Real Estate, L. P. - Series III	81,172	1,275	103,489	83,168
Vestcor Investments Private Real Estate, L. P. - Series IV	3,041	974	2,962	—
Vestcor Investments Private Real Estate 2, L.P. – Series I	16,686	1,376	22,965	25,702
Vestcor Investments Private Real Estate 2, L.P. – Series II	11,845	748	8,856	5,385
Vestcor Investments Private Real Estate 2, L.P. – Series III	59,453	998	59,328	66,293
Vestcor Real Estate Fund Feeder Inc.	345,049	1,191	410,784	364,426
NBIMC International Real Estate (2017) Fund	5,279	10,271	54,219	51,678
NBIMC Public Infrastructure (2017) Fund	42,935	1,397	59,969	59,259
NBIMC Infrastructure Fund	68,855	2,502	172,304	177,231
Vestcor Investments Infrastructure, L. P. – Series I	33,413	2,238	74,762	61,084
Vestcor Investments Infrastructure, L. P. – Series II	11,737	2,270	26,640	24,615
Vestcor Investments Infrastructure, L. P. – Series III	61,280	1,363	83,503	73,188
Vestcor Investments Infrastructure, L. P. – Series IV	87,409	1,267	110,715	95,843
Vestcor Investments Infrastructure, L. P. – Series V	70,844	1,060	75,110	41,067
			1,804,511	1,669,071

3. Investments *(continued)*

($ thousands)	Number of Units *(rounded)*	Unit Value *(in dollars)*	Fair Value 2023	Fair Value 2022
Alternative Investments				
NBIMC Quantitative Strategies (2017) Fund	122,146	2,248	274,582	319,100
NBIMC Quantitative Equity Strategic Beta (2017) Fund	151,183	1,425	215,404	266,805
Vestcor Global Alternative Risk Premia Fund	13,827	1,023	14,143	—
Vestcor Absolute Return Overlay Fund	105,949	49	5,169	13,650
NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund	136	8,872	1,204	1,474
NBIMC Private Equity Fund	26,259	6,779	178,001	222,948
Vestcor Investments Private Equity, L. P. – Series I	123,155	2,073	255,263	241,785
Vestcor Investments Private Equity, L. P. – Series II	57,143	2,537	144,985	106,339
Vestcor Investments Private Equity, L. P. – Series III	67,787	1,429	96,839	74,594
Vestcor Investments Private Equity, L. P. – Series V	22,361	1,244	27,819	12,728
Vestcor Investments Private Equity, L. P. – Series VI	2,277	615	1,401	—
Vestcor Investments Private Equity, L. P. – Series VII	2,312	1,320	3,052	—
			1,217,862	1,259,423
Tactical Asset Allocation				
NBIMC Asset Mix Strategy Fund	10,872	507	5,507	8,410
			$ 9,235,100	$ 8,819,720

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.

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

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 Fund 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's net asset value, which is observable, but the units are not traded in an active market. As at December 31, 2023 the fair value of investments classified as Level 2 was $7,707,083 (2022 - $7,522,034).

Units in each of the Vestcor Investments Private Real Estate, L. P., Vestcor Investments Private Real Estate 2, L. P., Vestcor Real Estate Fund Feeder Inc., Vestcor Investments Infrastructure, L. P. and the Vestcor Investments Private Equity, L. P. are classified as Level 3. There were no significant transfers between any levels during the year (2022 – no significant transfer between any levels). As at December 31, 2023 the fair value of investments classified as Level 3 was $1,528,017 (2022 - $1,297,686).

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, 2023, 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 $10,228 or $11,863 respectively (2022 - $7,573 or $8,843 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, 2023, 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 $9,930 or $11,178 respectively (2022 - $7,792 or $8,497 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 holds investments in Canadian real properties indirectly through co-investments. At December 31, 2023, an increase or decrease of 25 bps change 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 $27,498 or $34,426 respectively (2022 - $24,754 or $24,926). 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 $352,824 to $410,702 as at December 31, 2023 (2022 - $275,374 to $315,214). 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)*.

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, 2023 by $5,294 (2022 - $4,354). 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).*

4. Fair Value of Financial Instruments (continued)

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

Year ended December 31, 2023	Fair Value, beginning of year $	Gains in profit $	Purchases $	Sales $	Fair Value, end of year $
Vestcor Investments Private Real Estate, L. P.	104,637	(3,660)	36,353	(11,335)	125,995
Vestcor Investments Private Real Estate 2, L. P.	97,380	(6,352)	7,411	(7,290)	91,149
Vestcor Real Estate Fund Feeder Inc.	364,426	(15,177)	90,557	(29,022)	410,784
Vestcor Investments Infrastructure, L. P.	295,797	18,387	70,798	(14,252)	370,730
Vestcor Investments Private Equity, L. P.	435,446	68,553	48,645	(23,285)	529,359

Year ended December 31, 2022	Fair Value, beginning of year $	Gains in profit $	Purchases $	Sales $	Fair Value, end of year $
Vestcor Investments Private Real Estate, L. P.	69,465	5,594	50,954	(21,376)	104,637
Vestcor Investments Private Real Estate 2, L. P.	24,912	1,555	77,803	(6,890)	97,380
Vestcor Real Estate Fund Feeder Inc.	230,530	31,425	119,377	(16,906)	364,426
Vestcor Investments Infrastructure, L. P.	208,199	39,737	64,911	(17,050)	295,797
Vestcor Investments Private Equity, L. P.	343,680	57,410	66,078	(31,722)	435,446

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. A factor impacting all securities traded in a market is geopolitical risk. 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, 2023, 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 $331,859 (2022 - $474,992) *(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 33.9% (2022 – 32.6%) 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 22.2% (2022 – 20.9%) and the Euro of 2.4% (2022 - 2.4%).

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, 2023 of $31,277 (2022 - $28,792).

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, 2023 would be approximately $261,602 (2022 - $254,582).

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, 2023 would be approximately $38,660 (2022 - $36,538).

(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)	2023	2022
AAA	$ 973,450	$ 971,074
AA	907,143	827,016
A	763,125	806,383
BBB	821,953	603,193
R-1	125,320	93,293
Other	50,631	50,378
	$ 3,641,622	$ 3,351,337

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)	2023	2022
Net assets available for benefits	$ 9,253,542	$ 8,838,337
Less investment in:		
NBIMC New Brunswick and Atlantic Canada Fixed Income Opportunity Fund *(note 3)*	(2,003)	(2,887)
NBIMC Canadian Real Estate Fund *(note 3)*	(68,392)	(86,177)
NBIMC Non-Canadian Private Real Estate Fund (*note 3)*	(3,018)	(3,657)
Vestcor Investments Private Real Estate, L. P. *(note 3)*	(125,995)	(104,637)
Vestcor Investments Private Real Estate 2, L. P. *(note 3)*	(91,149)	(97,380)
Vestcor Real Estate Fund Feeder Inc. *(note 3)*	(410,784)	(364,426)
NBIMC Infrastructure Fund *(note 3)*	(172,304)	(177,231)
Vestcor Investments Infrastructure, L. P. *(note 3)*	(370,730)	(295,797)
NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund *(note 3)*	(1,204)	(1,474)
NBIMC Private Equity Fund *(note 3)*	(178,001)	(222,948)
Vestcor Investments Private Equity, L. P. *(note 3)*	(529,359)	(435,446)
Collateral pledged *(note 5(a))*	(331,859)	(474,992)
Investment commitments *(note 13)*	(497,691)	(486,640)
Net liquid assets	$ 6,471,053	$ 6,084,645

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, 2023, underlying securities in the amount of $1,341,535 (2022 - $1,496,429) were loaned on behalf of the Plan.

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 TELUS Health, 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, 2025. 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, 2024 by the independent actuary. The next funding policy valuation is expected to be prepared no later than January 1, 2025.

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, 2024	**January 1, 2023**
Discount rate	5.00% per annum	5.00% per annum
Inflation	2.10% per annum	2.10% per annum
Salary increase rate for the year following valuation	2.60% per annum plus merit and promotion	2.60% per annum plus merit and promotion
YMPE increase for the year following valuation	2.60% per annum	2.60% 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 110% 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 110% 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

*- *Ability to grant future indexation is contingent on plan performance and is therefore not included in the liability*

Changes in actuarial assumptions during 2023 resulted in a net decrease in the pension obligations of $22,200 (2022 – net decrease of $438,500).

(c) Experience gains (losses): Experience gains (losses) gains represent the change in the pension obligations due to the difference between expected experience and actual results. During 2023, the experience losses were $12,300 (2022 – experience gains of $27,000).

(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, 2023, a decrease of 100 basis points in the discount rate would have increased the pension obligations by $1,048,200 (2022 - $996,500).

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 $1,528,100 (2022 - $1,387,500) 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 September 20, 2023.

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 0.50%, 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 (Loss) 2023**
Fixed Income			
NBIMC Nominal Bond Fund	$ 9,954	$ 68,662	$ 78,616
NBIMC Corporate Bond Fund	3,006	131,073	134,079
Vestcor Alternative Fixed Income, L. P.	—	100	100
NBIMC New Brunswick and Atlantic Canada Fixed Income Opportunity Fund	686	(571)	115
NBIMC Money Market Fund	1,471	9	1,480
Vestcor Long Term Money Market Fund	—	641	641
NBIMC Student Investment Fund	—	219	219
	15,117	200,133	215,250
Equities			
NBIMC Canadian Equity Index Fund	60,576	(30,141)	30,435
NBIMC Canadian Small Cap Equity Fund	1,475	5,234	6,709
NBIMC Low Volatility Canadian Equity Fund	33,118	(7,635)	25,483
NBIMC External Canadian Equity Fund	7,026	1,102	8,128
NBIMC External International Equity Fund	16,680	(4,091)	12,589
NBIMC EAFE Equity Index Fund	27,172	3,370	30,542
Vestcor International Active Equity Fund	—	989	989
Vestcor International Small Cap Equity Fund	—	11,920	11,920
Vestcor Low Volatility International Equity Fund	5,901	67,659	73,560
NBIMC Low Volatility Emerging Markets Equity Fund – Class N	2,064	43,389	45,453
NBIMC U.S. Equity Index (2017) Fund	18,413	104,334	122,747
	172,425	196,130	368,555
Inflation-Linked Assets			
NBIMC Inflation-Linked Securities Fund	—	9,399	9,399
NBIMC Canadian Real Estate Fund	2,598	(16,690)	(14,092)
NBIMC Canadian Real Estate Investment Trust Fund	78	396	474
NBIMC Non-Canadian Private Real Estate Fund	(176)	(473)	(649)
Vestcor Investments Private Real Estate, L. P.	1,065	(4,725)	(3,660)
Vestcor Investments Private Real Estate 2, L.P.	195	(6,547)	(6,352)
Vestcor Real Estate Fund Feeder Inc.	3,109	(18,286)	(15,177)
NBIMC International Real Estate (2017) Fund	—	2,509	2,509
NBIMC Public Infrastructure (2017) Fund	205	1,426	1,631
NBIMC Infrastructure Fund	2,421	(4,071)	(1,650)
Vestcor Investments Infrastructure, L. P.	2,945	15,442	18,387
	12,440	(21,620)	(9,180)

9. Net Investment Income *(continued)*

($ thousands)		Realized Gain (Loss)		Unrealized Gain (Loss)		Net Investment Income (Loss) 2023
Alternative Investments						
NBIMC Quantitative Strategies (2017) Fund		18,629		(14,142)		4,487
NBIMC Quantitative Equity Strategic Beta (2017) Fund		12,220		(787)		11,433
Vestcor Global Alternative Risk Premia Fund		—		316		316
Vestcor Absolute Return Overlay Fund		3,887		(10,899)		(7,012)
NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund		202		(202)		—
NBIMC Private Equity Fund		23,769		(35,855)		(12,086)
Vestcor Investments Private Equity, L. P.		10,423		58,130		68,553
		69,130		(3,439)		65,691
Tactical Asset Allocation						
NBIMC Asset Mix Strategy Fund		(6,383)		(11,688)		(18,071)
Total	**$**	**262,729**	**$**	**359,516**	**$**	**622,245**

($ thousands)		Realized Gain		Unrealized Gain (Loss)		Net Investment Income (Loss) 2022
Fixed Income						
NBIMC Nominal Bond Fund	$	41,778	$	(237,341)	$	(195,563)
NBIMC Corporate Bond Fund		—		(158,238)		(158,238)
NBIMC New Brunswick and Atlantic Canada Fixed Income Opportunity Fund		661		(678)		(17)
NBIMC Money Market Fund		543		73		616
NBIMC Student Investment Fund		—		(180)		(180)
		42,982		(396,364)		(353,382)
Equities						
NBIMC Canadian Equity Index Fund		69,530		(90,165)		(20,635)
NBIMC Canadian Small Cap Equity Fund		161		(4,387)		(4,226)
NBIMC Low Volatility Canadian Equity Fund		56,270		(54,883)		1,387
NBIMC External Canadian Equity Fund		—		(3,307)		(3,307)
NBIMC External International Equity Fund		7,466		(16,161)		(8,695)
NBIMC EAFE Equity Index Fund		4,654		(25,491)		(20,837)
Vestcor International Small Cap Equity Fund		—		(6,023)		(6,023)
Vestcor Low Volatility International Equity Fund		4,359		(13,937)		(9,578)
NBIMC Low Volatility Emerging Markets Equity Fund – Class N		—		(24,887)		(24,887)
NBIMC U.S. Equity Index (2017) Fund		8,000		(54,283)		(46,283)
		150,440		(293,524)		(143,084)

9. Net Investment Income *(continued)*

($ thousands)	Realized Gain	Unrealized Gain (Loss)	Net Investment Income (Loss) 2022
Inflation-Linked Assets			
NBIMC Inflation-Linked Securities Fund	—	(68,586)	(68,586)
NBIMC Canadian Real Estate Fund	4,744	(1,192)	3,552
NBIMC Canadian Real Estate Investment Trust Fund	815	(4,470)	(3,655)
NBIMC Non-Canadian Private Real Estate Fund	14	(3,721)	(3,707)
Vestcor Investments Private Real Estate, L. P.	2,967	2,627	5,594
Vestcor Investments Private Real Estate 2, L.P.	569	986	1,555
Vestcor Real Estate Fund Feeder Inc.	1,883	29,542	31,425
NBIMC International Real Estate (2017) Fund	—	(6,183)	(6,183)
NBIMC Public Infrastructure (2017) Fund	5,756	(4,880)	876
NBIMC Infrastructure Fund	2,854	6,611	9,465
Vestcor Investments Infrastructure, L. P.	4,223	35,514	39,737
	23,825	(13,752)	10,073
Alternative Investments			
NBIMC Quantitative Strategies (2017) Fund	38,314	6,387	44,701
NBIMC Quantitative Equity Strategic Beta (2017) Fund	18,336	(7,116)	11,220
Vestcor Absolute Return Overlay Fund	—	8,923	8,923
NBIMC Private Equity Fund	44,665	(56,560)	(11,895)
Vestcor Investments Private Equity, L. P.	12,507	44,903	57,410
	113,822	(3,463)	110,359
Tactical Asset Allocation			
NBIMC Asset Mix Strategy Fund	11,460	923	12,383
Total	**$ 342,529**	**$ (706,180)**	**$ (363,651)**

10. Pension benefits

A breakdown of pension benefits by type is as follows:

($ thousands)		**2023**		**2022**
Retirements	$	435,265	$	404,891
Terminations		8,089		8,701
Disability		871		907
Survivor		41,347		38,267
Other		6,812		6,130
	$	492,384	$	458,896

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

($ thousands)		**2023**		**2022**
Pension benefits	$	472,786	$	439,565
Refunds and transfers		19,598		19,331
	$	492,384	$	458,896

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:

($ thousands)		**2023**		**2022**
Plan administration:				
Office and administration services *(note 12)*	$	3,614	$	3,459
Consulting		95		85
Legal and regulatory fees		11		(7)
Actuarial services		106		100
Audit fees		43		40
Board of Trustees		72		59
		3,941		3,736
Investment management costs:				
Investment management fees *(note 12)*		11,943		11,878
Securities custody		531		542
		12,474		12,420
HST		1,737		1,752
	$	18,152	$	17,908

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, 2021, Vestcor Investments General Partner, Inc. is the general partner in five limited partnerships in which the Plan holds a limited partnership interest: Vestcor Investment Alternative Fixed Income, L. P., 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, 2023 of $25,630 (2022 - $17,925).

Pension administration expenses and investment management fees paid to Vestcor for the year are described in note 11. At December 31, 2023 amounts owing to Vestcor for investment management fees of $6,984 (2022 - $6,265), and for pension administration expenses of $356 (2022 - $436) are included in accounts payable and accrued liabilities. The Plan has a receivable in the amount of $102 (2022 - $270) due from Vestcor for funds advanced as part of 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:

($ thousands)	2023	2022
Vestcor Alternative Fixed Income, L. P.	$ 23,744	$ —
NBIMC Canadian Real Estate Fund	2,503	3,030
NBIMC Non-Canadian Private Real Estate Fund	2,796	2,776
Vestcor Investments Private Real Estate, L. P.	116,274	118,176
Vestcor Investments Private Real Estate 2, L. P.	5,984	10,156
Vestcor Real Estate Fund Feeder Inc.	1,161	5,775
Vestcor Investments Infrastructure, L.P.	48,542	73,765
NBIMC Private Equity Fund	51,808	58,104
Vestcor Investments Private Equity, L. P.	244,879	214,858
	$ 497,691	$ 486,640

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.