



# Public Accounts

for the fiscal year ended 31 March 2007

## VOLUME 4 TRUST FUNDS

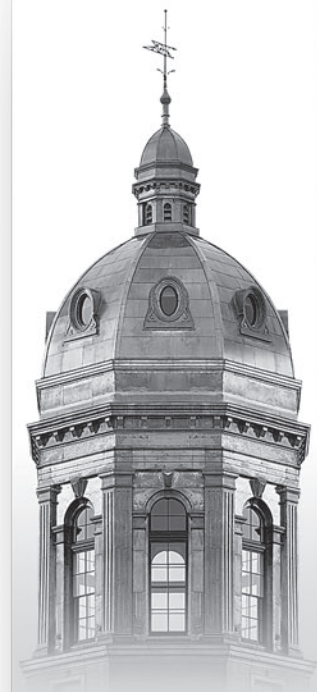
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Fredericton, N.B.*



# Public Accounts

for the fiscal year ended 31 March 2007

## VOLUME 4 TRUST FUNDS



New  Nouveau  
Brunswick

ISSN 0382-1277



**TABLE OF CONTENTS**

Trust Fund No. 4 - Public Service Superannuation Plan	1
Trust Fund No. 7 - Teachers' Pension Plan	17
Trust Fund No. 9 - Mental Health Trust Fund	31
Trust Fund No. 10 - Provincial Court Judges' Pension Plans	35
Trust Fund No. 16 - Margaret R. Lynds Bequest	51
Trust Fund No. 19 - The New Brunswick Electric Finance Corporation Sinking Fund	55
Trust Fund No. 20 - Viscount Bennett Bequest	59
Trust Fund No. 23 - Arts Development Trust Fund	63
Trust Fund No. 24 - Sport Development Trust Fund	67
Trust Fund No. 29 - Environmental Trust Fund	71
Trust Fund No. 30 - Pension Plan for Management Employees of New Brunswick School Districts	75
Trust Fund No. 31 - Pension Plan for General Labour, Trades and Services Employees of New Brunswick School Districts	83
Trust Fund No. 32 - Pension Plan for Full-Time CUPE 2745 Employees of New Brunswick School Districts	93

## INTRODUCTION VOLUME IV

The Public Accounts of the Province of New Brunswick are presented in five volumes.

Volume I contains the audited financial statements of the Provincial Reporting Entity as described in note 1 to the financial statements. They include a Statement of Financial Position, a Statement of Operations, a Statement of Cash Flow and a Statement of Change in Net Debt. This volume also contains the Auditor's Report, Statement of Responsibility, management's comments on the results of the year and a variance analysis.

Volume II contains unaudited supplementary information to the Financial Statements presented in Volume I. It presents summary statements for revenue and expenditure as well as five-year comparative statements. This volume also contains detailed information on Supplementary Appropriations, Funded Debt, statements of the General Sinking Fund, Securities Held, and revenue and expenditure by government department (this includes salary, travel, supplier, grant and contribution, and loan disbursement listings).

Volume III contains the financial statements of those corporations, boards and commissions which are accountable for the administration of their financial affairs and resources to the Government or the Legislature of the Province. The Government or Legislature also has the power to control these organizations either through ownership or through legislative provisions.

**This volume contains the financial statements of various trust funds which the Province administers as Trustee.**

Volume V contains salary listings of certain government organizations, including Regional Health Authorities, New Brunswick Power Group of Companies and New Brunswick Liquor Corporation. The salary listings are for employees who received earnings during the year ended 31 December 2006 in excess of \$40,000.

# Public Service Superannuation Plan

## Financial Statements

March 31, 2007

Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Honourable Victor Boudreau  
Minister of Finance  
Province of New Brunswick

I have audited the statement of accrued pension benefits and net assets available for benefits of the Public Service Superannuation Plan as at 31 March 2007 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's trustee. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Plan's trustee, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at 31 March 2007 and the results of its activities for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "Michael Ferguson".

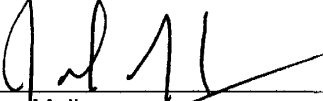
Michael Ferguson, CA  
Auditor General

Fredericton, N. B.  
11 January 2008



**Public Service Superannuation Plan  
Statement of Accrued Pension Benefits and  
Net Assets Available for Benefits**

March 31, 2007	2007 (000's)	2006 (000's)
<b>Accrued Pension Benefits</b>		
Actuarial value of accrued pension benefits (Note 7)	<u>\$ 4,472,950</u>	<u>\$ 4,187,910</u>
<b>Assets</b>		
Investments (Note 3)	<u>\$ 4,701,559</u>	<u>\$ 4,333,416</u>
Receivables		
Employee contributions	5,900	5,893
Employer contributions	5,776	5,585
Other	<u>133</u>	<u>105</u>
	<u>11,809</u>	<u>11,583</u>
Total assets	<u>4,713,368</u>	<u>4,344,999</u>
<b>Liabilities</b>		
Accounts payable	<u>2,077</u>	<u>1,647</u>
Total liabilities	<u>2,077</u>	<u>1,647</u>
Net assets available for benefits	<u>4,711,291</u>	<u>4,343,352</u>
Excess of net assets available for benefits over actuarial value of accrued pension benefits	<u>\$ 238,341</u>	<u>\$ 155,442</u>

  
 John Mallory  
 Deputy Minister of Finance

See accompanying notes to the financial statements.

## Public Service Superannuation Plan

### Statement of Changes in Net Assets Available for Benefits

Year Ended March 31, 2007	2007 (000's)	2006 (000's)
<b>Increase in assets</b>		
Investment income (Note 4)	\$ 379,124	\$ 599,390
Securities lending	(446)	(212)
Pension contributions		
Employee	59,954	58,291
Employer - normal (Note 5)	75,144	67,143
- special payment re unfunded liability (Note 6)	53,941	51,816
Transfers under reciprocal agreements	<u>1,002</u>	<u>831</u>
Total increase in assets	<u>568,719</u>	<u>777,259</u>
<b>Decrease in assets</b>		
Pensions	182,979	174,950
Refunds	6,023	5,148
Transfers under reciprocal agreements	2,701	1,365
Administrative expense	2,390	2,407
Investment management fees	<u>6,687</u>	<u>5,234</u>
Decrease in assets	<u>200,780</u>	<u>189,104</u>
Increase in net assets	367,939	588,155
Net assets available for benefits at beginning of year	<u>4,343,352</u>	<u>3,755,197</u>
Net assets available for benefits at end of year	<u>\$ 4,711,291</u>	<u>\$ 4,343,352</u>

See accompanying notes to the financial statements.

# Public Service Superannuation Plan

## Notes to the Financial Statements

March 31, 2007

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### 1. Description of plan

The following description of the Public Service Superannuation Plan is a summary only. For more information, reference should be made to the Public Service Superannuation Act.

#### (a) General

The Plan is a contributory defined benefit pension plan covering certain government employees and employees of certain boards, commissions, corporations and educational institutions as defined by the Act and its regulations. The Office of Human Resources administers the Plan.

#### (b) Funding Policy

Under the Plan, the Plan members and the Plan sponsor make contributions. The determination of the value of benefits owed by the Plan is made on the basis of a triennial actuarial valuation (see note 6).

#### (c) Service Pensions

For pensionable service after 31 August 1966, the basic pension benefit is 1.3% of the average annual salary during the highest paid continuous 5 year period up to the year's maximum pensionable earnings (YMPE) and 2% of the average annual salary above the YMPE multiplied by the number of years of pensionable service. Pension benefits are integrated in accordance with the average YMPE when the member attains age 65 regardless of when pension benefits commenced being paid. For pensionable service before 1 September 1966, the pension benefit is 2% of the average annual salary multiplied by the number of years of pensionable service. Pension benefits are indexed annually to a maximum of 5%.

Normal retirement age is 65. Unreduced pension benefits are available upon reaching age 60 with 5 years of pensionable service. Reduced benefits are available at age 55 with 5 years of pensionable service. The early reduction factor of 3% per year pro-rated is applied if retirement occurs at age 55 and before age 60.

#### (d) Death Benefits

On the death of a member prior to completing 5 years of pensionable service, the benefit payable is a refund of the member's contributions with interest. An immediate pension equal to 50% of the member's pension, had they attained age 65, is payable to the surviving spouse/common law partner or dependent children in the event of death of a member who has completed at least 5 years of pensionable service.

#### (e) Benefits on Termination

In the event of termination of employment for reasons other than retirement, death or disability a member may receive either a refund of his/her own contributions to the Plan with interest or a deferred annuity commencing when the member attains retirement age. To be eligible for a deferred annuity the member must have 5 or more years of pensionable service to his/her credit at his/her date of termination of employment.

#### (f) Income Taxes

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

# Public Service Superannuation Plan

## Notes to the Financial Statements

March 31, 2007

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### 2. Summary of Significant Accounting Policies

#### (a) Basis of Presentation

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a financial reporting entity independent of the plan sponsors and plan members. These statements are prepared to assist plan members and others in reviewing the activities of the Plan for the fiscal period, but they do not portray the funding requirements of the Plan or the benefit security of individual plan members.

#### (b) Investments

On 1 April 1998, the assets of the Public Service Superannuation Fund were transferred to unit trust funds established by the New Brunswick Investment Management Corporation (NBIMC).

All investments of the Plan are represented by holdings of units of the unit trust funds. The total value is based on the calculated net asset value multiplied by the number of units held.

Investments are valued at their fair value as of the date of the financial statements. For securities listed on an exchange, fair value is the closing price listed on the exchange. If no closing price is available, the average of the latest bid and ask prices is used. Securities not listed on an exchange are valued based on a quotation service from a recognized dealer. Investments in money market instruments are reported at cost, which approximates market value. Fair value for private equity and Canadian Real Estate investments are estimated using a combination of methodologies including discounted cash flows, multiples of earnings, third party and comparable transactions. Investments denominated in a foreign currency are translated into their Canadian dollar equivalents at the year-end exchange rate.

#### (c) Revenue Recognition

All investment transactions are recognized as of their trade date. Interest income and dividend income have been accrued at year-end. Transactions denominated in a foreign currency are translated at the exchange rate prevailing at the time of the transaction.

Derivative products such as foreign exchange contracts, futures and swaps are recorded at the value the unit trust funds would have paid or received had the contract been terminated at the year-end date. The resulting gain or loss is included in investment income.

Both realized and unrealized gains and losses are included in investment income.

Pension contributions from members and employers are recorded in the period payroll deductions are made.

#### (d) Use of Estimates

In preparing the Plan's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

# Public Service Superannuation Plan

## Notes to the Financial Statements

March 31, 2007

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### 3. Investments

#### (a) Trustee

The assets of the Public Service Superannuation Plan are held in trust by NBIMC. NBIMC was appointed as trustee on 11 March 1996 by an Act of the New Brunswick Legislature which bears its name (NBIMC Act) and assumed responsibility for the management of the Plan's assets effective 1 April 1996.

#### (b) Investments

There are currently 17 unit trust funds, each with a specific investment mandate. The unit trust funds are established pursuant to a Unit Trust Declaration made by the NBIMC on 1 April 1998. Each fund is an open-end, unincorporated trust, governed by the laws of the Province of New Brunswick.

Following is a description of each unit trust fund in existence during the year ended March 31, 2007:

##### Nominal Bond:

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.

##### New Brunswick Fixed Income Opportunity:

Invests primarily in fixed income issues to finance economic activity in New Brunswick.

##### Inflation Linked Securities:

Invests primarily in fixed income instruments that are adjusted for inflation of G-7 countries.

##### Money Market:

Invests primarily in fixed income securities having a maturity of less than one year.

##### Canadian Equity:

This fund uses derivative products such as swaps and futures to gain exposure to various segments of the S&P/TSX Equity Index. Leverage on derivative products is avoided by ensuring each derivative product is supported by an appropriate value of short-term investments.

##### External Canadian Equity:

This fund is managed by external managers and invests in publicly traded Canadian equities.

##### TSE Small-Cap:

Managed by an external manager, this fund invests primarily in the companies of the S&P/TSX Completion Index.

# Public Service Superannuation Plan

## Notes to the Financial Statements

March 31, 2007

---

### 3. Investments (Cont'd)

#### Allocation Equity International:

This fund is used to implement asset allocation decisions and diversify equity investments by participating in the equity markets of the U.S., Japan and developed European countries. It gains exposure to these markets by investing in equities, derivative products such as futures, options and swaps, as well as investing in pooled funds of index products managed by an external manager. Leverage on derivative products is avoided by ensuring each derivative product is supported by an appropriate value of short-term investments. This fund is also used to implement quantitative strategies on the U.S. equity markets.

#### European Equity Index:

This fund invests in publicly traded securities that are included in the MSCI Europe (Developed Markets) Index. Initial investment activity for this fund occurred on February 9, 2007.

#### Public Equity:

This fund is managed by external managers and invests in publicly traded equities in markets in Europe and the United States.

#### North American Market Neutral:

This fund focuses on adding value through security selection within its universe of the S&P/TSX Composite Index as well as certain publicly traded US-listed stocks. Favored securities are purchased and offset by a corresponding short position in another security within the same sector. The portfolio is supported by a cash underlay.

#### New Brunswick and Atlantic Canada Equity Opportunity:

This fund invests in public and private equities or instruments convertible into equities of New Brunswick and Atlantic Canada companies.

#### Private Equity:

This fund is managed by external managers that invest primarily in non-publicly traded securities of U.S. and European companies.

#### Canadian Real Estate:

This fund is managed by an external manager and invests in Canadian real estate investments through limited partnerships or similar investment vehicles.

#### Quantitative Market Neutral:

This fund implements equal dollar amount of long and short U.S. equity positions while maintaining market and sector neutrality. The stock selection is based on a quantitative multivariate factor model. The portfolio is supported by a cash underlay. All units of this trust fund were redeemed during the year ended March 31, 2006.

# Public Service Superannuation Plan

## Notes to the Financial Statements

March 31, 2007

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### 3. Investments (Cont'd)

#### U.S. Real Estate:

This fund is managed by an external manager that invests primarily in publicly traded securities of U.S. Real Estate Investment Trusts.

#### Commodity:

This fund is used to implement asset allocation decisions and diversify client investment portfolios by participating in the commodity markets. It gains exposure to the commodity markets by using derivative products such as futures and swaps. Leverage on derivative products is avoided by ensuring each derivative product is supported by an appropriate value of short-term investments.

#### Student Investment:

This fund is managed by students at the University of New Brunswick who are registered in the Student Investment Fund Program. Its initial base was \$1 million and is to be invested using the same philosophy as that used by NBIMC. The activities of this fund are closely monitored by NBIMC staff who execute and process all transactions on behalf of the students.

## Public Service Superannuation Plan Notes to the Financial Statements

March 31, 2007

### 3. Investments (Cont'd)

The following table reflects the holdings of the Public Service Superannuation Plan in the unit trust funds for which NBIMC is trustee.

	Units	Unit Value	Thousands	
			2007 Amount	2006 Amount
Fixed income				
Nominal Bond	829,998	\$ 1,643	\$ 1,363,543	\$1,255,628
New Brunswick Fixed Income Opportunity	<u>10,041</u>	<u>1,900</u>	<u>19,078</u>	<u>19,588</u>
			<b>1,382,621</b>	1,275,216
Inflation Linked Securities	246,524	2,199	<b>542,154</b>	497,621
Money Market	<u>97,710</u>	<u>1,359</u>	<u>132,823</u>	<u>183,710</u>
			<b>2,057,598</b>	1,956,547
Equities				
Canadian Equity	304,774	2,121	<b>646,462</b>	620,923
External Canadian Equity	103,591	2,350	<b>243,432</b>	214,470
TSE Small-Cap	37,301	2,224	<b>82,971</b>	56,767
Allocation Equity International	463,805	1,569	<b>727,846</b>	887,508
European Equity Index	268,382	995	<b>267,014</b>	-
Public Equity	<u>86,398</u>	<u>1,537</u>	<u>132,802</u>	<u>133,940</u>
			<b>2,100,527</b>	1,913,608
Alternative investments				
North American Market Neutral New Brunswick and Atlantic Canada Equity Opportunity	154,416	1,215	<b>187,571</b>	171,685
Private equity	7,485	853	<b>6,388</b>	10,606
Canadian Real Estate	54,561	1,042	<b>56,861</b>	40,991
U.S. Real Estate	12,405	2,013	<b>24,967</b>	28,490
Commodity	48,043	3,578	<b>171,912</b>	143,960
	<u>85,769</u>	<u>1,104</u>	<u>94,719</u>	<u>66,599</u>
			<b>542,418</b>	462,331
Balanced				
Student investment	<u>485</u>	<u>2,094</u>	<u>1,016</u>	<u>930</u>
			<b>\$ 4,701,559</b>	<b>\$4,333,416</b>



## **Public Service Superannuation Plan**

### **Notes to the Financial Statements**

March 31, 2007

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#### **3. Investments (Cont'd)**

##### **(c) Risk Management**

Rates of return vary based on the degree of uncertainty. The fundamental sources of uncertainty to which investments are exposed are credit risk and price risk. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk is the risk that the value of an investment will fluctuate due to future changes in foreign exchange rates. Interest rate risk is the risk that the value of an investment will fluctuate due to future changes in market interest rates. Market risk is the risk that the value of a financial instrument will fluctuate as a result of future changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

Risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments and restrictions by limiting most investments to G-7 countries. Borrowing or leveraging is not allowed. Controls are in place respecting the use of derivatives. Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in foreign currency.

## Public Service Superannuation Plan

### Notes to the Financial Statements

March 31, 2007

#### 4. Investment income

The following table reflects the investment income of the Public Service Superannuation Plan in each of the unit trust funds for which NBIMC is trustee for the year ended 31 March 2007.

	<b>Thousands</b>			<b>Total</b>
	Interest	Dividends	Current Period Increase/ (Decrease) in Market Value	
<b>Fixed income</b>				
Nominal Bond	\$ 60,353	\$ -	\$ 11,605	\$ 71,958
New Brunswick Fixed Income Opportunity	<u>1,256</u>	<u>-</u>	<u>(106)</u>	<u>1,150</u>
	61,609	-	11,499	73,108
Inflation Linked Securities	13,933	-	(12,439)	1,494
Money Market	<u>6,026</u>	<u>-</u>	<u>(48)</u>	<u>5,978</u>
	81,568	-	(988)	80,580
<b>Equities</b>				
Canadian Equity	5,635	288	84,052	89,975
External Canadian Equity	26	2,918	24,227	27,171
TSE Small-Cap	21	1,314	8,169	9,504
Allocation Equity International	19,464	4,904	68,931	93,299
European Equity Index	-	932	1,234	2,166
Public Equity	<u>-</u>	<u>-</u>	<u>20,425</u>	<u>20,425</u>
	25,146	10,356	207,038	242,540
<b>Alternative investments</b>				
North American market Neutral New Brunswick and Atlantic Canada Equity Opportunity	7,068	563	6,438	14,069
Private equity	-	(14)	(426)	(85)
Canadian Real Estate	-	2,110	5,579	7,689
U.S. Real Estate	-	1,140	9,806	10,946
Commodity	43	5,791	24,840	30,674
	<u>729</u>	<u>-</u>	<u>(8,104)</u>	<u>(7,375)</u>
	8,195	9,590	38,133	55,918
<b>Balanced</b>				
Student investment	<u>27</u>	<u>10</u>	<u>49</u>	<u>86</u>
<b>Total – 2007</b>	<u>\$ 114,936</u>	<u>\$19,956</u>	<u>\$ 244,232</u>	<u>\$ 379,124</u>
<b>Total – 2006</b>	<u>\$ 92,755</u>	<u>\$12,243</u>	<u>\$ 494,392</u>	<u>\$ 599,390</u>

## Public Service Superannuation Plan Notes to the Financial Statements

March 31, 2007

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### 5. Pension Contributions from Employers

	2007 <u>(000's)</u>	2006 <u>(000's)</u>
Province of New Brunswick	\$ 39,951	\$ 37,663
New Brunswick Power Corporation	13,580	12,488
Regional Health Authorities	11,335	7,868
University of New Brunswick	3,630	3,338
Service New Brunswick	2,009	1,786
Workplace Health, Safety and Compensation Commission	1,851	1,677
New Brunswick Liquor Corporation	1,239	1,170
Other	<u>1,549</u>	<u>1,153</u>
	<u>\$ 75,144</u>	<u>\$ 67,143</u>

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### 6. Funding Policy

Employees are required to contribute 5.8% of their earnings, up to the year's maximum pensionable earnings (YMPE) under the Canada Pension Plan Act, plus 7.5% on earnings above the YMPE. The employer is required to contribute an amount necessary in the opinion of an actuary, which when combined with employee contributions will fund current service costs.

The most recent actuarial valuation for funding purposes was prepared by Morneau Sobeco, a firm of consulting actuaries, as of 1 April 2005. This valuation disclosed an unfunded liability of \$324,200,000.

Pursuant to the Public Service Superannuation Act, the Consolidated Fund and certain government agencies will, in each fiscal year until the benefits under the Act are fully funded as determined by an actuarial valuation, pay an amount into the Public Service Superannuation Fund that is in addition to the employer contribution for current service cost. The additional amount paid during the fiscal year ended 31 March 2007 was \$53.9 million. In each subsequent fiscal year, the additional amount to be paid will be the amount paid in the previous fiscal year increased (or decreased) by the aggregate of 2% plus the average percentage change in the Consumer Price Index.

## Public Service Superannuation Plan Notes to the Financial Statements

March 31, 2007

### 7. Obligation for Pension Benefits

The present value of accrued benefits was determined using the projected unit credit method pro-rated on service and actuarial assumptions which reflect management's best estimate for the future. An actuarial valuation was made as of 1 April 2007 by Morneau Sobeco.

Significant long-term assumptions and the range of short-term assumptions used in the valuation are:

	Long-term Assumptions	Short-term Assumptions
Rate of return on assets	7.12%	7.12%
Annual wage and salary increase	3.25% plus promotional increase between 0.20% - 1.0%	3.25%
Inflation	2.75%	2.75%
Rate of pension escalation after retirement (Actives and pensioners who retired on or after May 1, 1995)	2.55%	2.55%
(Pensioners who retired prior to May 1, 1995)	2.65%	2.65%

The actuarial present value of benefits as at March 31 and the principal components of changes in actuarial present values during the year were as follows:

	(In millions)	
	<u>2007</u>	<u>2006</u>
Actuarial present value of accrued pension benefits at beginning of year	<b>\$4,187.91</b>	\$3,954.41
Interest accrued on benefits	<b>296.25</b>	279.80
Benefits accrued	<b>137.61</b>	132.32
Benefits paid	<b>(191.70)</b>	(181.46)
Experience gains and losses and assumption changes	<b>42.88</b>	2.84
Actuarial present value of accrued pension benefits at end of year	<b><u>\$4,472.95</u></b>	<u>\$4,187.91</u>

### 8. Investments in Plan Sponsor

As at 31 March 2007, the Public Service Superannuation Plan held 53.1% of the nominal bond unit trust fund of \$2,565,601,967. Of this total, \$63,329,110 consisted of Province of New Brunswick guaranteed securities. The Public Service Superannuation Plan held 55.8% of the Canadian equity unit trust fund of \$1,157,720,419. Of this total, \$65,450,482 consisted of Province of New Brunswick guaranteed securities.

As at 31 March 2006, the Public Service Superannuation Plan held 53% of the nominal bond unit trust fund of \$2,381,239,000. Of this total, \$46,648,000 consisted of Province of New Brunswick guaranteed securities. The Public Service Superannuation Plan held 55.3% of the Canadian equity unit trust fund of \$1,121,857,000. Of this total, \$65,382,017 consisted of Province of New Brunswick guaranteed securities.

# **Public Service Superannuation Plan**

## **Notes to the Financial Statements**

**March 31, 2007**

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### **9. Comparative figures**

Certain of the comparative figures have been reclassified to conform with the presentation adopted for the year ended March 31, 2007.



# Teachers' Pension Plan

## Financial Statements

March 31, 2007

Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Honourable Victor Boudreau  
Minister of Finance  
Province of New Brunswick

I have audited the statement of accrued pension benefits and net assets available for benefits of the Teachers' Pension Plan as at 31 March 2007 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's trustee. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Plan's trustee, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at 31 March 2007 and the results of its activities for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "Michael Ferguson".

Michael Ferguson, CA  
Auditor General

Fredericton, N. B.  
11 January 2008



## Teachers' Pension Plan Statement of Accrued Pension Benefits and Net Assets Available for Benefits

March 31, 2007	2007 (000's)	2006 (000's)
<b>Accrued Pension Benefits</b>		
Actuarial value of accrued pension benefits (Note 6)	<u>\$ 3,928,460</u>	<u>\$ 3,784,490</u>
<b>Assets</b>		
Investments (Note 3)	<u>3,978,534</u>	<u>3,728,569</u>
Receivables		
Employee contributions	1,534	2,944
Employer contributions	3,866	3,775
Other	<u>113</u>	<u>90</u>
	<u>5,513</u>	<u>6,809</u>
Total assets	<u>3,984,047</u>	<u>3,735,378</u>
<b>Liabilities</b>		
Accounts payable	<u>1,619</u>	<u>1,346</u>
Total liabilities	<u>1,619</u>	<u>1,346</u>
Net assets available for benefits	<u>3,982,428</u>	<u>3,734,032</u>
Excess (deficiency) of net assets available for benefits over actuarial value of accrued pension benefits	<u>\$ 53,968</u>	<u>\$ (50,458)</u>

  
 \_\_\_\_\_  
 John Mallory  
 Deputy Minister of Finance

See accompanying notes to the financial statements.

**Teachers' Pension Plan**  
**Statement of Changes in Net Assets**  
**Available for Benefits**

For the year ended March 31, 2007	2007 (000's)	2006 (000's)
<b>Increase in assets</b>		
Investment income (Note 4)	\$ 317,229	\$ 509,712
Securities lending	(374)	(164)
Pension contributions		
Employee	38,081	38,163
Employer - normal	34,393	34,761
- special payment re unfunded liability (Note 5)	78,406	75,317
Transfers under reciprocal agreements	<u>1,251</u>	<u>1,288</u>
Total increase in assets	<u>468,986</u>	<u>659,077</u>
<b>Decrease in assets</b>		
Pensions	210,720	199,379
Refunds	1,361	1,258
Transfers under reciprocal agreements	1,405	407
Administrative expense	1,354	1,326
Investment management fees	<u>5,750</u>	<u>4,553</u>
Total decrease in assets	<u>220,590</u>	<u>206,923</u>
Increase in net assets	248,396	452,154
Net assets available for benefits at beginning of year	<u>3,734,032</u>	<u>3,281,878</u>
Net assets available for benefits at end of year	<u>\$ 3,982,428</u>	<u>\$ 3,734,032</u>

See accompanying notes to the financial statements.

# Teachers' Pension Plan

## Notes to the Financial Statements

March 31, 2007

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### 1. Description of plan

The following description of the Teachers' Pension Plan is a summary only. For more information, reference should be made to the Teachers' Pension Act.

#### (a) General

The Plan is a contributory defined benefit pension plan covering teachers as defined by the Act and its regulations. The Office of Human Resources administers the Plan.

#### (b) Funding Policy

Under the Plan, the Plan members and the Plan sponsor make contributions. The determination of the value of benefits owed by the Plan is made on the basis of a triennial actuarial valuation (see note 5).

#### (c) Service Pensions

For pensionable service after 31 August 1966, the basic pension benefit is 1.3% of the average annual salary during the highest paid continuous 5 year period up to the year's maximum pensionable earnings (YMPE) and 2% of the average annual salary above the YMPE multiplied by the number of years of pensionable service. Pension benefits are integrated in accordance with the average YMPE when the member attains age 65 regardless of when pension benefits commenced being paid. Pension benefits are indexed annually to a maximum of 4.75%.

For pensionable service before 1 September 1966, the pension benefit is 2.14% of the average annual salary during the highest paid continuous 5 year period multiplied by the number of years of pensionable service.

Employees are eligible for unreduced pension benefits when the sum of their age and completed years of pensionable service is 87 or more, or they have a minimum of 35 years of pensionable service, or at age 65 with 5 years of pensionable service, or at age 60 with 20 years of pensionable service. Reduced benefits are available when the age and service total is 80, or at age 60 with 5 years of service.

#### (d) Disability Pensions

A member who has at least 5 years of pensionable service at the date of becoming disabled is entitled to an immediate pension on retirement because of disability.

#### (e) Death Benefits

On the death of an active member prior to completing 5 years of pensionable service, the benefit payable is a refund of the member's contributions with interest. In the event of death of an active member who has completed at least 5 years of pensionable service, the normal form of pension, equal to 50% of what the member would have received had they attained age 65, is payable to the surviving spouse ("spouse" refers also to common law partner). If there is no spouse but there is a child who is under 19 years of age and will not attain the age of 19 in the calendar year, a pension is paid in respect of the child until age 19. If the child is in full-time attendance at an educational institution, a pension is paid in respect of the child until age 25 or when the child ceases to be in full-time attendance at the educational institution, whichever occurs first.

# Teachers' Pension Plan

## Notes to the Financial Statements

March 31, 2007

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### 1. Description of plan (Cont'd)

If a member dies after retirement, and the member had a surviving spouse at the time of retirement and elected a higher spousal benefit, the amount payable is in accordance with the option chosen at retirement (e.g. 60%, 66 2/3%, 75% or 100%). These options are only available to the spouse who is a spouse at the date the annual pension commences to be paid at the time of the members' retirement. If the normal form was elected and there is no spouse to whom the benefit is payable, but there is a child who is under 19 years of age and will not attain the age of 19 in the calendar year, the normal form of survivor pension (50% of benefit payable at members age 65) is paid in respect of the child until age 19. If the child is in full-time attendance at an educational institution, a pension is paid in respect of the child until age 25 or when the child ceases to be in full-time attendance at the educational institution, whichever occurs first.

#### (f) Benefits on Termination

In the event of termination of employment for reasons other than retirement, death or disability, a member may receive either a refund of his/her own contributions to the Plan with interest or a deferred pension if vested.

#### (g) Income Taxes

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

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### 2. Summary of Significant Accounting Policies

#### (a) Basis of Presentation

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a financial reporting entity independent of the plan sponsors and plan members. These statements are prepared to assist plan members and others in reviewing the activities of the Plan for the fiscal period, but they do not portray the funding requirements of the Plan or the benefit security of individual plan members.

#### (b) Investments

On 1 April 1998, the assets of the Teachers' Pension Fund were transferred to unit trust funds established by the New Brunswick Investment Management Corporation (NBIMC).

All investments of the Plan are represented by holdings of units of the unit trust funds. The total value is based on the calculated net asset value multiplied by the number of units held.

Investments are valued at their fair value as of the date of the financial statements. For securities listed on an exchange, fair value is the closing price listed on the exchange. If no closing price is available, the average of the latest bid and ask prices is used. Securities not listed on an exchange are valued based on a quotation service from a recognized dealer. Investments in money market instruments are reported at cost, which approximates market value. Fair value for private equity and Canadian Real Estate investments are estimated using a combination of methodologies including discounted cash flows, multiples of earnings, third party and comparable transactions. Investments denominated in a foreign currency are translated into their Canadian dollar equivalents at the year-end exchange rate.

## Teachers' Pension Plan Notes to the Financial Statements

March 31, 2007

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### 2. Summary of Significant Accounting Policies (Cont'd)

#### (c) Revenue Recognition

All investment transactions are recognized as of their trade date. Interest income and dividend income have been accrued at year-end. Transactions denominated in a foreign currency are translated at the exchange rate prevailing at the time of the transaction.

Derivative products such as foreign exchange contracts, futures and swaps are recorded at the value the unit trust funds would have paid or received had the contract been terminated at the year-end date. The resulting gain or loss is included in investment income.

Both realized and unrealized gains and losses are included in investment income.

Pension contributions from members and employers are recorded in the period payroll deductions are made.

#### (d) Use of Estimates

In preparing the Plan's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

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### 3. Investments

#### (a) Trustee

The assets of the Teachers' Pension Plan are held in trust by NBIMC. NBIMC was appointed as trustee on 11 March 1996 by an Act of the New Brunswick Legislature which bears its name (NBIMC Act) and assumed responsibility for the management of the Plan's assets effective 1 April 1996.

#### (b) Investments

There are currently 17 unit trust funds, each with a specific investment mandate. The unit trust funds are established pursuant to a Unit Trust Declaration made by the NBIMC on 1 April 1998. Each fund is an open-end, unincorporated trust, governed by the laws of the Province of New Brunswick.

Following is a description of each unit trust fund in existence during the year ended March 31, 2007:

Nominal Bond:

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.

New Brunswick Fixed Income Opportunity:

Invests primarily in fixed income issues to finance economic activity in New Brunswick.

## Teachers' Pension Plan Notes to the Financial Statements

March 31, 2007

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### 3. Investments (Cont'd)

#### Inflation Linked Securities:

Invests primarily in fixed income instruments that are adjusted for inflation of G-7 countries.

#### Money Market:

Invests primarily in fixed income securities having a maturity of less than one year.

#### Canadian Equity:

This fund uses derivative products such as swaps and futures to gain exposure to various segments of the S&P/TSX Equity Index. Leverage on derivative products is avoided by ensuring each derivative product is supported by an appropriate value of short-term investments.

#### External Canadian Equity

This fund is managed by external managers and invests in publicly traded Canadian equities.

#### TSE Small-Cap:

Managed by an external manager, this fund invests primarily in the companies of the S&P/TSX Completion Index.

#### Allocation Equity International:

This fund is used to implement asset allocation decisions and diversify equity investments by participating in the equity markets of the U.S., Japan and developed European countries. It gains exposure to these markets by investing in equities, derivative products such as futures, options and swaps, as well as investing in pooled funds of index products managed by an external manager. Leverage on derivative products is avoided by ensuring each derivative product is supported by an appropriate value of short-term investments. This fund is also used to implement quantitative strategies on the U.S. equity markets.

#### European Equity Index:

This fund invests in publicly traded securities that are included in the MSCI Europe (Developed Markets) Index. Initial investment activity for this fund occurred on February 9, 2007.

#### Public Equity:

This fund is managed by external managers and invests in publicly traded equities in markets in Europe and the United States.

#### North American Market Neutral:

This fund focuses on adding value through security selection within its universe of the S&P/TSX Composite Index as well as certain publicly traded US-listed stocks. Favored securities are purchased and offset by a corresponding short position in another security within the same sector. The portfolio is supported by a cash underlay.

## Teachers' Pension Plan Notes to the Financial Statements

March 31, 2007

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### 3. Investments (Cont'd)

New Brunswick and Atlantic Canada Equity Opportunity:

This fund invests in public and private equities or instruments convertible into equities of New Brunswick and Atlantic Canada companies.

Private Equity:

This fund is managed by external managers that invest primarily in non-publicly traded securities of U.S. and European companies.

Canadian Real Estate:

This fund is managed by an external manager and invests in Canadian real estate investments through limited partnerships or similar investment vehicles.

Quantitative Market Neutral:

This fund implements equal dollar amount of long and short U.S. equity positions while maintaining market and sector neutrality. The stock selection is based on a quantitative multivariate factor model. The portfolio is supported by a cash underlay. All units of this trust fund were redeemed during the year ended March 31, 2006.

U.S. Real Estate:

This fund is managed by an external manager that invests primarily in publicly traded securities of U.S. Real Estate Investment Trusts.

Commodity:

This fund is used to implement asset allocation decisions and diversify client investment portfolios by participating in the commodity markets. It gains exposure to the commodity markets by using derivative products such as futures and swaps. Leverage on derivative products is avoided by ensuring each derivative product is supported by an appropriate value of short-term investments.

Student Investment:

This fund is managed by students at the University of New Brunswick who are registered in the Student Investment Fund Program. Its initial base was \$1 million and is to be invested using the same philosophy as that used by NBIMC. The activities of this fund are closely monitored by NBIMC staff who execute and process all transactions on behalf of the students.

The following table reflects the holdings of the Teachers' Pension Plan in the unit trust funds for which NBIMC is trustee.

## Teachers' Pension Plan Notes to the Financial Statements

March 31, 2007

### 3. Investments (Cont'd)

	Units	Unit Value	Thousands	
			2007 Amount	2006 Amount
<b>Fixed income:</b>				
Nominal Bond	726,574	\$ 1,643	\$ 1,193,637	\$ 1,117,636
New Brunswick Fixed Income Opportunity	<u>8,497</u>	<u>1,900</u>	<u>16,145</u>	<u>16,854</u>
			<b>1,209,782</b>	<b>1,134,490</b>
Inflation Linked Securities	226,704	2,199	498,563	465,431
Money Market	<u>82,502</u>	<u>1,359</u>	<u>112,155</u>	<u>157,856</u>
			<b>1,820,500</b>	<b>1,757,777</b>
<b>Equities:</b>				
Canadian Equity	239,148	2,121	507,265	496,990
External Canadian Equity	87,660	2,350	205,995	184,535
TSE Small-Cap	31,564	2,224	70,210	48,844
Allocation Equity International	367,127	1,569	576,129	726,366
European Equity Index	227,109	995	225,950	-
Public Equity	<u>73,112</u>	<u>1,537</u>	<u>112,377</u>	<u>115,245</u>
			<b>1,697,926</b>	<b>1,571,980</b>
<b>Alternative Investments:</b>				
North American Market Neutral	130,669	1,215	158,725	147,722
New Brunswick and Atlantic Canada Equity Opportunity	6,334	853	5,405	9,126
Private equity	46,171	1,042	48,116	35,270
Canadian Real Estate	10,497	2,013	21,128	24,513
U.S. Real Estate	40,654	3,578	145,476	123,866
Commodity	<u>72,578</u>	<u>1,104</u>	<u>80,152</u>	<u>57,303</u>
			<b>459,002</b>	<b>397,800</b>
<b>Balanced:</b>				
Student investment	<u>528</u>	<u>2,094</u>	<u>1,106</u>	<u>1,012</u>
			<b>\$ 3,978,534</b>	<b>\$ 3,728,569</b>

### (c) Risk Management

Rates of return vary based on the degree of uncertainty. The fundamental sources of uncertainty to which investments are exposed are credit risk and price risk. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk is the risk that the value of an investment will fluctuate due to future changes in foreign exchange rates. Interest rate risk is the risk that the value of an investment will fluctuate due to future changes in market interest rates. Market risk is the risk that the value of a financial instrument will fluctuate as a result of future changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. Risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments and restrictions by limiting most investments to G-7 countries.

Borrowing or leveraging is not allowed. Controls are in place respecting the use of derivatives. Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in foreign currency.



## Teachers' Pension Plan Notes to the Financial Statements

March 31, 2007

### 4. Investment income

The following table reflects the investment income of the Teachers' Pension Plan in each of the unit trust funds for which NBIMC is trustee for the year ended 31 March 2007.

	Thousands			
	Interest	Dividends	Current Period Increase/ (Decrease) in Market Value	Total
Fixed income:				
Nominal Bond	\$ 53,410	\$ -	\$ 10,270	\$ 63,680
New Brunswick Fixed Income Opportunity	<u>1,074</u>	<u>-</u>	<u>(91)</u>	<u>983</u>
	54,484	-	10,179	64,663
Inflation Linked Securities	12,460	-	(11,124)	1,336
Money Market	<u>5,276</u>	<u>-</u>	<u>(42)</u>	<u>5,234</u>
	<u>72,220</u>	<u>-</u>	<u>(987)</u>	<u>71,233</u>
Equities:				
Canadian Equity	4,484	229	66,880	71,593
External Canadian Equity	22	2,491	20,681	23,194
TSE Small-Cap	17	1,119	6,956	8,092
Allocation Equity International	15,841	3,991	56,097	75,929
European Equity Index	-	793	1,049	1,842
Public Equity	<u>-</u>	<u>-</u>	<u>17,467</u>	<u>17,467</u>
	<u>20,364</u>	<u>8,623</u>	<u>169,130</u>	<u>198,117</u>
Alternative Investments:				
North American Market Neutral New Brunswick and Atlantic Canada Equity Opportunity	6,037	481	5,499	12,017
Private equity	-	1,797	4,750	6,547
Canadian Real Estate	-	974	8,379	9,353
U.S. Real Estate	37	4,961	21,276	26,274
Commodity	<u>626</u>	<u>-</u>	<u>(6,958)</u>	<u>(6,332)</u>
	<u>7,004</u>	<u>8,201</u>	<u>32,581</u>	<u>47,786</u>
Balanced:				
Student investment	<u>29</u>	<u>11</u>	<u>53</u>	<u>93</u>
Total – 2007	<u>\$ 99,617</u>	<u>\$ 16,835</u>	<u>\$200,777</u>	<u>\$ 317,229</u>
Total – 2006	<u>\$ 82,555</u>	<u>\$ 10,441</u>	<u>\$416,716</u>	<u>\$ 509,712</u>

## Teachers' Pension Plan Notes to the Financial Statements

March 31, 2007

### 5. Funding Policy

Employees are required to contribute 7.3% of their earnings to YMPE plus 9% of earnings above the YMPE. The employer makes contributions equal to the employee contributions.

The most recent actuarial valuation for funding purposes was prepared by Morneau Sobeco, a firm of consulting actuaries, as of 1 April 2006. This valuation disclosed an unfunded liability of \$170,229,000.

Pursuant to the Teachers' Pension Act, the Province will, in each fiscal year until the benefits under the Act are fully funded as determined by an actuarial valuation, pay an amount into the Teachers' Pension Fund that is in addition to the employer contribution for current service costs. The additional amount paid during the fiscal year ended 31 March 2007 was \$78.4 million. In each subsequent fiscal year the additional amount to be paid will be the amount paid in the previous fiscal year increased (or decreased) by the aggregate of 2% plus the average percentage change in the Consumer Price Index.

### 6. Obligation for Pension Benefits

The present value of accrued benefits was determined using the projected unit credit method pro-rated on service and actuarial assumptions which reflect management's best estimate for the future. An actuarial valuation was made as of 1 April 2007 by Morneau Sobeco.

Significant long-term assumptions and the range of short-term assumptions used in the valuation are:

	Long-term Assumptions	Short-term Assumptions
Rate of return on assets	7.12%	7.12%
Annual wage and salary increase	3.25% plus promotional increase between 0.25% - 1.5%	3.25%
Inflation	2.75%	2.75%
Rate of pension escalation after retirement (Actives and pensioners who retired on or after May 1, 1995)	2.45%	2.45%
(Pensioners who retired prior to May 1, 1995)	2.65%	2.65%

The actuarial present value of benefits as at March 31 and the principal components of changes in actuarial present values during the year were as follows:

	(In millions)	
	<u>2007</u>	<u>2006</u>
Actuarial present value of accrued pension benefits at beginning of year	\$3,784.49	\$3,481.82
Interest accrued on benefits	264.69	243.53
Benefits accrued	79.66	78.05
Benefits paid	(213.50)	(201.00)
Experience gains and losses and assumption changes	<u>13.12</u>	<u>182.09</u>
Actuarial present value of accrued pension benefits at end of year	<u>\$ 3,928.46</u>	<u>\$3,784.49</u>

## **Teachers' Pension Plan Notes to the Financial Statements**

**March 31, 2007**

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### **7. Investments in Plan Sponsor**

As at 31 March 2007, the Teachers' Pension Plan held 46.5% of the nominal bond unit trust fund of \$2,565,601,966. Of this total, \$63,329,110 consisted of Province of New Brunswick guaranteed securities. The Teachers' Pension Plan held 43.8% of the Canadian equity unit trust fund of \$1,157,720,418. Of this total, \$65,450,482 consisted of Province of New Brunswick guaranteed securities.

As at 31 March 2006, the Teachers' Pension Plan held 47% of the nominal bond unit trust fund of \$2,381,239,000. Of this total, \$46,648,000 consisted of Province of New Brunswick guaranteed securities. The Teachers' Pension Plan held 44.3% of the Canadian equity unit trust fund of \$1,121,857,000. Of this total, \$65,382,017 consisted of Province of New Brunswick guaranteed securities.

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### **8. Comparative Figures**

Certain of the comparative figures have been reclassified to conform with the presentation adopted for the year ended March 31, 2007.



**TRUST FUND NO. 9**  
**MENTAL HEALTH TRUST FUND**  
**FINANCIAL STATEMENTS**  
**(unaudited)**  
**31 MARCH 2007**

**TRUST FUND NO. 9  
MENTAL HEALTH TRUST FUND  
STATEMENT OF FINANCIAL POSITION  
(unaudited)  
as at 31 March 2007**

<b>ASSETS</b>	<b>2007</b>	<b>2006</b>
Current:		
Cash .....	\$ 5,876	\$ 30,574
Accrued interest receivable .....	15,645	14,306
	21,521	44,880
Investments (market value \$969,925) (Note 3) .....	890,000	818,000
Unamortized premiums less discounts .....	62,483	64,559
	\$ 974,004	\$ 927,439

**LIABILITIES AND FUND EQUITY**

Fund equity .....	\$ 974,004	\$ 927,439
	\$ 974,004	\$ 927,439

The accompanying notes are an integral part of these Financial Statements.

**STATEMENT OF ACTIVITY  
(unaudited)  
for the year ended 31 March 2007**

	<b>2007</b>	<b>2006</b>
Fund equity at beginning of year .....	\$ 927,439	\$ 884,161
Add:		
Bank interest .....	1,089	3,319
Interest earned on investments .....	55,038	46,862
	56,127	50,181
Deduct:		
Amortization of premiums less discounts .....	9,562	6,903
Fund equity at end of year .....	\$ 974,004	\$ 927,439

The accompanying notes are an integral part of these Financial Statements.

**TRUST FUND NO. 9  
MENTAL HEALTH TRUST FUND  
NOTES TO FINANCIAL STATEMENTS  
(unaudited)  
31 MARCH 2007**

**1. General**

Treasury Board Minute 77-140 directed that the bequest to the Province from the Estate of Caroline deLancy Torrie be held in a Trust Fund to be administered by the Department of Finance. As stipulated in the will, the funds are to be used for the treatment, by psychoanalysis, of deserving New Brunswickers.

**2. Summary of Significant Accounting Policies**

a) Basis of Accounting

Bank interest and interest earned on investments are reported on the statement of activity on the accrual basis.

b) Investments

Investments in bonds and debentures are reported on the statement of financial position at par value. Unamortized premiums less discounts are reported separately on the statement as deferred charges. Short term deposits are recorded on the statement of financial position at cost.

c) Discounts and Premiums

Discounts and premiums are deferred and amortized to income on a constant yield basis over the remaining life of the related security.

**3. Investments**

Value of the investments at 31 March 2007 is as follows:

	<b>Par Value</b>	<b>Net Book Value</b>	<b>Market Value</b>
Bonds and debentures issued or guaranteed by New Brunswick .....	\$373,000	\$418,280	\$427,166
Bonds and debentures issued or guaranteed by other Provinces .....	<u>517,000</u>	<u>534,203</u>	<u>542,759</u>
	<u>\$890,000</u>	<u>\$952,483</u>	<u>\$969,925</u>





# Provincial Court Judges' Pension Plans

## Financial Statements

March 31, 2007

Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Honourable Victor Boudreau  
Minister of Finance  
Province of New Brunswick

I have audited the statement of accrued pension benefits and net assets available for benefits of the Provincial Court Judges' Pension Plans as at 31 March 2007 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plans' trustee. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Plans' trustee, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plans as at 31 March 2007 and the results of their activities for the year then ended in accordance with Canadian generally accepted accounting principles.

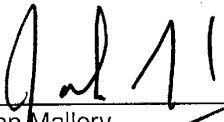
A handwritten signature in black ink, appearing to read 'Michael Ferguson'.

Michael Ferguson, CA  
Auditor General

Fredericton, N. B.  
11 January 2008

## Provincial Court Judges' Pension Plans Statement of Accrued Pension Benefits and Net Assets Available for Benefits

March 31, 2007	2007 (000's)	2006 (000's)
<b>Accrued Pension Benefits</b>		
Actuarial value of accrued pension benefits (Note 6)	\$ <u>24,904</u>	\$ <u>25,646</u>
<b>Assets</b>		
Investments (Note 3)	29,037	27,526
Employee contributions receivable	<u>5</u>	<u>9</u>
Total assets	<u>29,042</u>	<u>27,535</u>
<b>Liabilities</b>		
Accounts payable	23	11
Deferred employer contributions	<u>-</u>	<u>129</u>
Total liabilities	<u>23</u>	<u>140</u>
Net assets available for benefits	<u>29,019</u>	<u>27,395</u>
Surplus of net assets available for benefits over actuarial value of accrued pension benefits	<u>\$ 4,115</u>	<u>\$ 1,749</u>

  
 \_\_\_\_\_  
 John Mallory  
 Deputy Minister of Finance

See accompanying notes to the financial statements.

## Provincial Court Judges' Pension Plans Statement of Changes in Net Assets

Available for Benefits	2007	2006
For the year ended March 31, 2007	(000's)	(000's)
<b>Increase in assets</b>		
Investment income (Note 4)	\$ 2,350	\$ 4,017
Securities lending	(2)	(2)
Pension contributions		
Employee	300	252
Employer - normal	333	333
- special payment re unfunded liability (Note 5)	69	69
Total increase in assets	3,050	4,669
<b>Decrease in assets</b>		
Pensions	1,359	1,275
Administrative expenses	23	14
Investment management fees	44	36
Total decrease in assets	1,426	1,325
Increase in net assets	1,624	3,344
Net assets available for benefits at beginning of year	27,395	24,051
Net assets available for benefits at end of year	\$ 29,019	\$27,395

See accompanying notes to the financial statements.

# Provincial Court Judges' Pension Plans

## Notes to the Financial Statements

March 31, 2007

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### 1. Description of plan

Judges appointed prior to February 18, 2000 may choose a pension plan under either the Provincial Court Act (PCA) or the Provincial Court Judges' Pension Act (PCJPA). Judges appointed on or after that date fall under the Provincial Court Judges' Pension Act.

All transactions related to these plans are made through this Trust Fund except those related to the Supplementary benefits available under the PCJPA or benefits under the PCA that exceed the maximum benefits allowed under the Income Tax Act. The consolidated Fund of the Province pays these Supplementary benefits.

The following description of the Provincial Court Judges' Pension Plans is a summary only. For more information, reference should be made to the Provincial Court Act or the Provincial Court Judges' Pension Act.

#### (a) Judges' Pension Plan under the Provincial Court Act (PCA)

##### i. General

The Plan is a contributory defined benefit pension plan covering Provincial Court Judges appointed prior to February 18, 2000 who did not elect a pension under the PCJPA. The plan is established under the authority of the Provincial Court Act and its regulations.

##### ii. Funding Policy

Under the Plan, the Plan members and the Plan sponsor make contributions. The determination of the value of benefits owed by the Plan is made on the basis of an actuarial valuation (see note 5).

##### iii. Service Pensions

Under the Plan, eligible judges are to be paid an annuity equal to 60% of the final salary less 0.7% of the 3 year average of the year's maximum pensionable earnings (YMPE) for each year of pensionable service after September 1, 1966. The annuities are integrated with the Canada Pension Plan at age 65 and are indexed annually to a maximum of 6%.

Mandatory retirement is at age 75. Unreduced benefits are available at age 60 with 25 years of service or at age 65 with 10 years of service.

##### iv. Disability Benefits

An annuity is available in the amount of 60% of the final salary (less integration) being paid on the date of the Judges' removal or resignation with a minimum of 2 years of pensionable service. At age 65, the disabled judge may elect a reduced annuity in exchange for increasing a spousal annuity.

## Provincial Court Judges' Pension Plans Notes to the Financial Statements

March 31, 2007

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### 1. Description of plan (Cont'd)

#### v. Death Benefits

In the event of death in service and if less than 2 years of service, the member's contributions with interest to the date of death will be refunded to the spouse ("spouse" refers also to common law partner) or estate. However, if the judge was entitled to an annuity, the surviving spouse shall be paid an annuity equal to 50% of the annuity payable to the judge. If there is no spouse but there is a child, an annuity equal to that payable to a surviving spouse is paid in respect of the child until age 18.

If a judge dies after retirement, payments will be continued to the judges' spouse for the balance of his/her lifetime at 50% of the amount payable to the judge. Under the Plan, alternate options are available for increasing the surviving spousal annuity.

#### vi. Benefits on Termination

On termination of employment, with less than 10 years of pensionable service, a judge will receive a refund of his/her own contributions, accumulated with interest, to the date of termination. A judge who is not eligible for an unreduced annuity because he/she has not attained the age of 65 years or does not have 25 years of service may be eligible for a reduced annuity.

#### vii. Income Taxes

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

### (b) Judges' Pension Plan under the Provincial Court Judges' Pension Act (PCJPA)

#### i. General

The Plan is a contributory defined benefit pension plan covering all Provincial Court Judges appointed on or after February 18, 2000. Judges appointed prior to February 18, 2000 may choose a pension under the PCJPA, or an annuity under the PCA. The plan is established under the authority of the Provincial Court Judges' Pension Act and its regulations.

#### ii. Funding Policy

Under the Plan, the Plan members and the Plan sponsor make contributions. The determination of the value of benefits owed by the Plan is made on the basis of an actuarial valuation (see note 5).

#### iii. Service Pensions

Pension benefits are 2.75% per year of service up to a maximum years of service of 23.63 years calculated on average salary. Average salary is the highest average annual salary of an active judge for any period of 36 successive months.

# Provincial Court Judges' Pension Plans

## Notes to the Financial Statements

March 31, 2007

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### 1. Description of plan (Cont'd)

There is no integration with the Canada Pension Plan and pension benefits are indexed annually to a maximum of 5%. A judge with 2 years on the bench can retire without reduction at age 60. A judge with 2 years of pensionable service can retire early with a 3% reduction for each year before the age 60. There are options for judges to choose alternate survivor pensions and guarantee periods.

Mandatory retirement is at age 75, although contributions are to cease when the judge has to his/her credit 23.63 years of service or after the day following the last day of the year in which the member attains age 71, whichever occurs first. Payment of pension benefits must commence on the day following the last day of the year in which the member attains age 71.

#### iv. Disability Benefits

A judge with 2 years of pensionable service who becomes disabled and ceases to be an active judge is eligible for a disability benefit equal to 60% of the salary at the date of the disability and is payable to age 65. At age 65, the disability benefit ceases and the judge must retire and be paid a disability pension equal to 2.75% times the number of years of service projected to age 65 times the average salary at the date of disability.

#### v. Death Benefits

In the event of death in service where the judge had at least two years of pensionable service and was under age 65, a spousal pension is payable in the amount of 50% of the annual pension that would have been payable if the judge had continued in service as a judge to the age of 65 based on the average salary at the time of death. If there is no spouse ("spouse" refers also to common law partner) but there is a child, a pension is paid in respect of the child until age 19. If the child is in full-time attendance at an educational institution, a pension is paid in respect of the child until the age of 25 or when the child ceases to be in full-time attendance at the educational institution, whichever occurs first.

In the event of death in service where the judge had at least two years of pensionable service and was age 65 but not yet 71, a spousal pension is payable in the amount of 50% of the annual pension that would have been payable to the judge if the judge had retired on the date of his/her death. If there is no spouse but there is a child, a pension is paid in respect of the child until age 19. If the child is in full-time attendance at an educational institution, a pension is paid in respect of the child until the age of 25 or when the child ceases to be in full-time attendance at the educational institution, whichever occurs first.

The normal form of pension for a surviving spouse if the judge dies after retirement is payable in the amount of 50% of the annual pension being paid to the judge on the date of the judges' death. The surviving spouse must have been the spouse of the judge on the date when the annual pension began to be paid to the judge. If there is no spouse but there is a child, a pension is paid in respect of the child until age 19. If the child is in full-time attendance at an educational institution, a pension is paid in respect of the child until the age of 25 or when the child ceases to be in full-time attendance at the educational institution, whichever occurs first.

# Provincial Court Judges' Pension Plans

## Notes to the Financial Statements

March 31, 2007

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### 1. Description of plan (Cont'd)

Alternate provisions include:

If a judge dies after retirement, and the judge had a surviving spouse at the time of retirement and elected a higher spousal benefit in exchange for a reduced pension, the spousal benefit is payable in accordance with the option chosen at retirement (e.g. 60%, 66 2/3%, 75% or 100%). A judge may also elect at the same time to have guaranteed payments made to the surviving spouse and estate for a period of 5, 10, or 15 years after pension benefits have commenced being paid to the judge. These options are only available to the spouse who is a spouse at the date the annual pension commences to be paid at the time of the judges' retirement.

A judge with no spouse or dependent child may elect to be paid a reduced pension with guaranteed payment to the judge's estate for the period of 5, 10, or 15 years.

#### vi. Benefits on Termination

On termination of employment, with less than 2 years of pensionable service, prior to entitlement to a pension, a judge will receive a refund of his/her own contributions, accumulated with interest, to the date of termination. On termination of employment, with 2 years of pensionable service and who is less than 60 years of age, the judge is eligible for a deferred pension at age 60 or reduced benefits prior to age 60.

#### vii. Income Taxes

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

#### Transitional Provisions (Judges appointed prior to February 18, 2000)

A judge who ceases to make contributions when the maximum pension has been reached or when reaching 71 years, or has elected a reduced pension, guaranteed payments, early retirement, or deferred pension under the PCJPA, shall be deemed to have elected to be paid benefits only under the PCJPA and the election is irrevocable.

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### 2. Summary of Significant Accounting Policies

#### (a) Basis of Presentation

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plans as a financial reporting entity independent of the plan sponsors and plan members. These statements are prepared to assist plan members and others in reviewing the activities of the Plans for the fiscal period, but they do not portray the funding requirements of the Plans or the benefit security of individual plan members.



# Provincial Court Judges' Pension Plans

## Notes to the Financial Statements

March 31, 2007

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### 2. Summary of Significant Accounting Policies (Cont'd)

#### (b) Investments

On April 1, 1998, the assets of the Provincial Court Judges' Pension Plans were transferred to unit trust funds established by the New Brunswick Investment Management Corporation (NBIMC).

All investments of the Plans are represented by holdings of units of the unit trust funds. The total value is based on the calculated net asset value multiplied by the number of units held.

Investments are valued at their fair value as of the date of the financial statements. For securities listed on an exchange, fair value is the closing price listed on the exchange. If no closing price is available, the average of the latest bid and ask prices is used. Securities not listed on an exchange are valued based on a quotation service from a recognized dealer. Fair value for private equity and Canadian Real Estate investments are estimated using a combination of methodologies including discounted cash flows, multiples of earnings, third party and comparable transactions. Investments in money market instruments are reported at cost, which approximates market value. Investments denominated in a foreign currency are translated into their Canadian dollar equivalents at the year-end exchange rate.

#### (c) Revenue Recognition

All investment transactions are recognized as of their trade date. Interest income and dividend income have been accrued at year-end. Transactions denominated in a foreign currency are translated at the exchange rate prevailing at the time of the transaction.

Derivative products such as foreign exchange contracts, futures and swaps are recorded at the value the unit trust funds would have paid or received had the contract been terminated at the year-end date. The resulting gain or loss is included in investment income.

Both realized and unrealized gains and losses are included in investment income.

Pension contributions from members and employers are recorded in the period payroll deductions are made.

#### (d) Use of Estimates

In preparing the Plan's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

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### 3. Investments

#### (a) Trustee

The assets of the Provincial Court Judges' Pension Plans are held in trust by NBIMC. NBIMC was appointed as trustee on March 11, 1996 by an Act of the New Brunswick Legislature which bears its name (NBIMC Act) and assumed responsibility for the management of the Fund's assets effective April 1, 1996.

## Provincial Court Judges' Pension Plans Notes to the Financial Statements

March 31, 2007

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### 3. Investments (Cont'd)

#### (b) Investments

There are currently 17 unit trust funds, each with a specific investment mandate. The unit trust funds are established pursuant to a Unit Trust Declaration made by the NBIMC on April 1, 1998. Each fund is an open-end, unincorporated trust, governed by the laws of the Province of New Brunswick.

Following is a description of each unit trust fund in existence during the year ended March 31, 2007:

##### Nominal Bond:

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.

##### New Brunswick Fixed Income Opportunity:

Invests primarily in fixed income issues to finance economic activity in New Brunswick.

##### Inflation Linked Securities:

Invests primarily in fixed income instruments that are adjusted for inflation of G-7 countries.

##### Money Market:

Invests primarily in fixed income securities having a maturity of less than one year.

##### Canadian Equity:

This fund uses derivative products such as swaps and futures to gain exposure to various segments of the S&P/TSX Equity Index. Leverage on derivative products is avoided by ensuring each derivative product is supported by an appropriate value of short-term investments.

##### External Canadian Equity

This fund is managed by external managers and invests in publicly traded Canadian equities.

##### TSE Small-Cap:

Managed by an external manager, this fund invests primarily in the companies of the S&P/TSX Completion Index.

##### Allocation Equity International:

This fund is used to implement asset allocation decisions and diversify equity investments by participating in the equity markets of the U.S., Japan and developed European countries. It gains exposure to these markets by investing in equities, derivative products such as futures, options and swaps, as well as investing in pooled funds of index products managed by an external manager. Leverage on derivative products is avoided by ensuring each derivative product is supported by an appropriate value of short-term investments. This fund is also used to implement quantitative strategies on the U.S. equity markets.

## Provincial Court Judges' Pension Plans Notes to the Financial Statements

March 31, 2007

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### 3. Investments (Cont'd)

#### European Equity Index:

This fund invests in publicly traded securities that are included in the MSCI Europe (Developed Markets) Index. Initial investment activity for this fund occurred on February 9, 2007.

#### Public Equity:

This fund is managed by external managers and invests in publicly traded equities in markets in Europe and the United States.

#### North American Market Neutral:

This fund focuses on adding value through security selection within its universe of the S&P/TSX Composite Index as well as certain publicly traded US-listed stocks. Favored securities are purchased and offset by a corresponding short position in another security within the same sector. The portfolio is supported by a cash underlay.

#### New Brunswick and Atlantic Canada Equity Opportunity:

This fund invests in public and private equities or instruments convertible into equities of New Brunswick and Atlantic Canada companies.

#### Private Equity:

This fund is managed by external managers that invest primarily in non-publicly traded securities of U.S. and European companies.

#### Canadian Real Estate:

This fund is managed by an external manager and invests in Canadian real estate investments through limited partnerships or similar investment vehicles.

#### Quantitative Market Neutral:

This fund implements equal dollar amount of long and short U.S. equity positions while maintaining market and sector neutrality. The stock selection is based on a quantitative multivariate factor model. The portfolio is supported by a cash underlay. All units of this trust fund were redeemed during the year ended March 31, 2006.

#### U.S. Real Estate:

This fund is managed by an external manager that invests primarily in publicly traded securities of U.S. Real Estate Investment Trusts.

## Provincial Court Judges' Pension Plans Notes to the Financial Statements

March 31, 2007

### 3. Investments (Cont'd)

Commodity:

This fund is used to implement asset allocation decisions and diversify client investment portfolios by participating in the commodity markets. It gains exposure to the commodity markets by using derivative products such as futures and swaps. Leverage on derivative products is avoided by ensuring each derivative product is supported by an appropriate value of short-term investments.

Student Investment:

This fund is managed by students at the University of New Brunswick who are registered in the Student Investment Fund Program. Its initial base was \$1 million and is to be invested using the same philosophy as that used by NBIMC. The overall benchmark for this fund is composed of 50% S&P/TSX Equity, 45% Scotia Capital All Government Index and 5% Scotia Capital 91-Day Treasury Bill Index. The activities of this fund are closely monitored by NBIMC staff who execute and process all transactions on behalf of the students.

The following table reflects the holdings of the Provincial Court Judges' Pension Plans in the unit trust for which NBIMC is trustee.

	Units	Unit Value	Thousands	
			2007 Amount	2006 Amount
<b>Fixed Income:</b>				
Nominal Bond	5,126	\$ 1,643	\$ 8,422	\$ 7,975
New Brunswick Fixed Income Opportunity	62	1,900	118	124
			8,540	8,099
Inflation Linked Securities	1,523	2,199	3,348	3,161
Money Market	603	1,359	819	1,166
			12,707	12,426
<b>Equities:</b>				
Canadian Equity	1,882	2,121	3,993	3,944
External Canadian Equity	640	2,350	1,503	1,362
TSE Small-Cap	230	2,224	512	361
Allocation Equity International	2,865	1,569	4,496	5,639
European Equity Index	1,658	995	1,649	-
Public Equity	534	1,537	820	851
			12,973	12,157
<b>Alternative Investments:</b>				
North American Market Neutral New Brunswick and Atlantic Canada Equity Opportunity	954	1,215	1,158	1,091
Private Equity	46	853	39	67
Canadian Real Estate	337	1,042	351	260
U.S. Real Estate	77	2,013	154	181
Commodity	297	3,578	1,062	914
	530	1,104	585	423
			3,349	2,936
<b>Balanced:</b>				
Student Investment	4	2,094	8	7
			\$ 29,037	\$ 27,526

## Provincial Court Judges' Pension Plans Notes to the Financial Statements

March 31, 2007

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### 3. Investments (Cont'd)

#### (c) Risk Management

Rates of return vary based on the degree of uncertainty. The fundamental sources of uncertainty to which investments are exposed are credit risk and price risk. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk is the risk that the value of an investment will fluctuate due to future changes in foreign exchange rates. Interest rate risk is the risk that the value of an investment will fluctuate due to future changes in market interest rates. Market risk is the risk that the value of a financial instrument will fluctuate as a result of future changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

Risk is reduced through asset class diversification, diversification within each asset class, quality constraints on fixed income instruments and restrictions by limiting most investments to G-7 countries. Borrowing or leveraging is not allowed. Controls are in place respecting the use of derivatives. Forward foreign exchange contracts are used to manage currency exposure in connection with securities purchased in foreign currency.

## Provincial Court Judges' Pension Plans Notes to the Financial Statements

March 31, 2007

### 4. Investment income

The following table reflects the investment income of the Provincial Court Judges' Pension Plans in each of the unit trust plans for which NBIMC is trustee for the year ended March 31, 2007.

	Thousands			
	Interest	Dividends	Current Period Increase/ (Decrease) in Market Value	Total
Fixed Income:				
Nominal Bond	\$ 377	\$ -	\$ 72	\$ 449
New Brunswick Fixed Income Opportunity	8	-	(1)	7
	<u>385</u>	<u>-</u>	<u>71</u>	<u>456</u>
Inflation Linked Securities	82	-	(73)	9
Money Market	38	-	-	38
	<u>505</u>	<u>-</u>	<u>(2)</u>	<u>503</u>
Equities:				
Canadian Equity	35	2	519	556
External Canadian Equity	-	18	149	167
TSE Small-Cap	-	8	50	58
Allocation Equity International	120	30	427	577
European Equity Index	-	6	7	13
Public Equity	-	-	127	127
	<u>155</u>	<u>64</u>	<u>1,279</u>	<u>1,498</u>
Alternative Investments:				
North American Market Neutral	44	4	40	88
New Brunswick and Atlantic Canada Equity Opportunity	2	-	(2)	-
Private Equity	-	13	35	48
Canadian Real Estate	-	7	61	68
U.S. Real Estate	-	36	154	190
Commodity	5	-	(51)	(46)
	<u>51</u>	<u>60</u>	<u>237</u>	<u>348</u>
Balanced:				
Student Investment	-	-	1	1
<b>Total - 2007</b>	<u>\$ 711</u>	<u>\$ 124</u>	<u>\$ 1,515</u>	<u>\$ 2,350</u>
<b>Total - 2006</b>	<u>\$ 548</u>	<u>\$ 82</u>	<u>\$ 3,387</u>	<u>\$ 4,017</u>

## Provincial Court Judges' Pension Plans Notes to the Financial Statements

March 31, 2007

### 5. Funding policy

Effective February 18, 2000 judges are required to contribute 7% of salary. The employer contributes an amount determined by an actuarial valuation that together with judges' contributions is necessary to cover current service cost under the registered portion of the Plan. Contributions must cease when the judge has to his/her credit 23.63 years of service or age 71 whichever occurs earlier.

The most recent actuarial valuation for funding purposes was prepared by Morneau Sobeco, a firm of consulting actuaries, as of April 1, 2004. This valuation disclosed an unfunded liability of \$565,900 at April 1, 2004. Currently, a valuation is being prepared as at January 1, 2007.

Pursuant to the Provincial Court Judges' Pension Act, the Province will pay into the Fund additional amounts as are required to amortize the unfunded liability in relation to benefits payable under the registered portion of the Plan in equal annual instalments over a period of 15 years. The additional amount paid during the fiscal year ended March 31, 2007 was \$68,500.

### 6. Obligation for Pension Benefits -

The present value of accrued pension benefits was determined using the accrued benefit actuarial cost method, prorated on service and actuarial assumptions which reflect management's best estimate for the future. An actuarial valuation was made as of April 1, 2007 by Morneau Sobeco.

Significant long-term assumptions used in the valuation are:

Rate of return on assets	7.12%
Annual wage and salary increase	4.0%
Inflation	2.75%
Rate of pension escalation after retirement	Subject to 5% maximum- 2.55%
	Subject to 6% maximum- 2.65%

The actuarial present value of benefits as at March 31 and the principal components of changes in actuarial present values during the year were as follows:

	(In millions)	
	<u>2007</u>	<u>2006</u>
Actuarial present value of accrued pension benefits at beginning of year	\$ 31.37	\$ 29.14
Interest accrued on benefits	2.24	2.30
Benefits accrued	1.50	1.25
Benefits paid	(1.36)	(1.32)
Experience gains and losses and assumption changes	<u>(0.80)</u>	<u>-</u>
Actuarial present value of accrued pension benefits at end of year	<u>\$ 32.95</u>	<u>\$ 31.37</u>
Actuarial present value of accrued pension benefits attributed to the Provincial Court Judges' Pension Plans	<u>\$ 24.90</u>	<u>\$ 25.65</u>

## Provincial Court Judges' Pension Plans Notes to the Financial Statements

March 31, 2007

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### 6. Obligation for Pension Benefits – (Cont'd)

Any benefits exceeding those allowed under the Income Tax Act are paid by the Province of New Brunswick Consolidated Fund. For fiscal year ending 31 March 2007:

Actuarial present value of accrued pension benefits to be paid through the Province of New Brunswick Consolidated Fund is \$8,043,000. This liability is an obligation of the Province and is not accounted for in these Pension Plans.

Actuarial present value of accrued pension benefits to be paid by this Fund is \$24,904,000

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### 7. Investments in Plan Sponsor

As at March 31, 2007, the Provincial Court Judges' Pension Plans held 0.3% of the nominal bond unit trust fund of \$2,565,601,967. Of this total, \$63,329,110 consisted of Province of New Brunswick guaranteed securities. The Provincial Court Judges' Pension Plans held 0.3% of the Canadian equity unit trust fund of \$1,157,720,419. Of this total, \$65,450,482 consisted of Province of New Brunswick guaranteed securities.

As at March 31, 2006, the Provincial Court Judges' Pension Plans held 0.3% of the nominal bond unit trust fund of \$2,381,239,000. Of this total, \$46,648,000 consisted of Province of New Brunswick guaranteed securities. The Provincial Court Judges' Pension Plans held 0.4% of the Canadian equity unit trust fund of \$1,121,857,000. Of this total, \$65,382,017 consisted of Province of New Brunswick guaranteed securities.

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### 8. Comparative figures

Certain of the comparative figures have been reclassified to conform with the presentation adopted for the year ended March 31, 2007.



**TRUST FUND NO. 16**  
**MARGARET R. LYNDS BEQUEST**  
**FINANCIAL STATEMENTS**  
**(unaudited)**  
**31 MARCH 2007**

**TRUST FUND NO. 16**  
**MARGARET R. LYNDS BEQUEST**  
**STATEMENT OF FINANCIAL POSITION**  
**(unaudited)**  
**as at 31 March 2007**

<b>ASSETS</b>	<b>2007</b>	<b>2006</b>
Current:		
Cash .....	\$ 5,784	\$ 10,934
Accrued interest receivable .....	1,752	1,743
	<u>7,536</u>	<u>12,677</u>
Investments (market value \$112,730) (Note 3) .....	104,000	100,000
Deferred Charges:		
Unamortized premiums less discounts .....	8,754	9,252
	<u>\$ 120,290</u>	<u>\$ 121,929</u>

**LIABILITIES AND FUND EQUITY**

Current liabilities:		
Accounts payable .....	\$ ---	\$ 2,042
Fund equity .....	120,290	119,887
	<u>\$ 120,290</u>	<u>\$ 121,929</u>

The accompanying notes are an integral part of these Financial Statements.

**STATEMENT OF ACTIVITY**  
**(unaudited)**  
**for the year ended 31 March 2007**

	<b>2007</b>	<b>2006</b>
Fund equity at beginning of year .....	<u>\$ 119,887</u>	<u>\$ 121,209</u>
Add:		
Bank interest .....	634	851
Interest earned on investments .....	5,902	4,683
	<u>6,536</u>	<u>5,534</u>
Deduct:		
Payment of E. Belle Lynds Scholarships .....	4,803	6,126
Amortization of premiums less discounts .....	1,330	730
	<u>6,133</u>	<u>6,856</u>
Fund equity at end of year .....	<u>\$ 120,290</u>	<u>\$ 119,887</u>

The accompanying notes are an integral part of these Financial Statements.

**TRUST FUND NO. 16  
MARGARET R. LYNDS BEQUEST  
NOTES TO FINANCIAL STATEMENTS  
(unaudited)  
31 MARCH 2007**

**1. General**

The Margaret R. Lynds Bequest Fund is held in trust by the Minister of Finance under the authority of the Last Will and Testament of Margaret R. Lynds, and a Decree Varying Trust issued by the Court of Queen's Bench of New Brunswick. Investment income from the Fund is used to award a maximum of three annual scholarships, of equal value, to students pursuing the study of communications at specified Universities. For the year ending 31 March 2007, three scholarships were awarded.

**2. Summary of Significant Accounting Policies**

a) Basis of Accounting

Bank interest and interest earned on investments are reported on the statement of activity on the accrual basis.

b) Investments

Investments in bonds and debentures are reported on the statement of financial position at par value. Unamortized premiums less discounts are reported separately on the statement as deferred charges.

c) Discounts and Premiums

Discounts and premiums are deferred and amortized to income on a constant yield basis over the remaining life of the related security.

**3. Investments**

Value of the investments at 31 March 2007 is as follows:

	<b>Par Value</b>	<b>Net Book Value</b>	<b>Market Value</b>
Bonds and debentures issued or guaranteed by New Brunswick .....	\$ 54,000	\$ 61,433	\$ 61,346
Bonds and debentures issued or guaranteed by other Provinces .....	<u>50,000</u>	<u>51,321</u>	<u>51,384</u>
	<u>\$104,000</u>	<u>\$112,754</u>	<u>\$112,730</u>



**TRUST FUND NO. 19**

**THE NEW BRUNSWICK ELECTRIC FINANCE CORPORATION SINKING FUND**

**FINANCIAL STATEMENTS**

**(unaudited)**

**31 MARCH 2007**

**TRUST FUND NO. 19**  
**THE NEW BRUNSWICK ELECTRIC FINANCE CORPORATION SINKING FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**(unaudited)**  
**as at 31 March 2007**

<b>ASSETS</b>	<b>2007</b>	<b>2006</b>
Current:		
Cash .....	\$ 18,907	\$ 73,884
Accrued interest receivable .....	1,165,138	1,006,521
	1,184,045	1,080,405
Investments (market value \$51,802,378) (Note 2) .....	51,342,000	48,246,000
Deferred charges:		
Unamortized premiums less discounts.....	(898,313)	(1,932,390)
	\$ 51,627,732	\$ 47,394,015
<b>LIABILITIES AND FUND EQUITY</b>		
Fund equity .....	\$ 51,627,732	\$ 47,394,015
	\$ 51,627,732	\$ 47,394,015

The accompanying notes are an integral part of these Financial Statements.

**TRUST FUND NO. 19**  
**THE NEW BRUNSWICK ELECTRIC FINANCE CORPORATION SINKING FUND**  
**STATEMENT OF ACTIVITY**  
**(unaudited)**  
**for the year ended 31 March 2007**

	<b>2007</b>	<b>2006</b>
Fund equity at beginning of year .....	\$ 47,394,015	\$ 43,341,559
Add:		
Bank interest.....	1,225	913
Interest earned on investments .....	2,367,335	2,047,116
Sinking fund installments .....	1,250,000	1,250,000
Amortization of discounts less premiums.....	615,157	754,427
	<u>4,233,717</u>	<u>4,052,456</u>
Deduct:		
Funds provided for redemption of debentures.....	<u>-</u>	<u>-</u>
Fund equity at end of year	<u>\$ 51,627,732</u>	<u>\$ 47,394,015</u>

The accompanying notes are an integral part of these Financial Statements.

**TRUST FUND NO. 19**  
**THE NEW BRUNSWICK ELECTRIC FINANCE CORPORATION SINKING FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**(unaudited)**  
**31 MARCH 2007**

**1. Summary of Significant Accounting Policies**

a) The Accounting Entity

As a result of the restructuring of NB Power on October 1, 2004, the New Brunswick Power Corporation Sinking Fund was transferred to the New Brunswick Electric Finance Corporation ("NBEFC"). The Minister of Finance maintains the sinking fund for a debenture issued by the former NB Power and guaranteed by the Province of New Brunswick. NBEFC is required to contribute 1% of the debt outstanding on the anniversary date of the issue.

b) Accrual Accounting

Interest earned on investments is reported on the statement of activity on the accrual basis.

c) Foreign Currency Translation

Investments and accrued interest receivable on securities held in foreign currencies are translated at the rate of exchange prevailing at the statement of financial position date. Unrealized gains and losses arising on translation of long-term investments are deferred and amortized to income on a straight-line basis over the remaining life of the related security.

d) Valuation of Investments

Investments in bonds and debentures are reported on the statement of financial position at par value. Unamortized discounts less premiums and the unamortized balance of unrealized foreign exchange gains or losses are reported separately on the statement as deferred credits or charges. Short term deposits are reported on the statement of financial position at cost.

e) Discounts and Premiums

Discounts and premiums are deferred and amortized to income on a constant yield basis over the remaining life of the related security.

For investments in bonds and debentures in foreign currencies, the cost of investments is amortized to Canadian dollar par value, calculated as foreign currency par value at the exchange rate at the date the fund purchased the investment.

**2. Investments**

Value of the investments at 31 March 2007 is as follows:

	<b>Par Value</b>	<b>Carrying Value</b>	<b>Market Value</b>
Bonds and debentures issued or guaranteed by New Brunswick .....	<u>\$ 51,342,000</u>	<u>\$ 50,443,687</u>	<u>\$ 51,802,378</u>
	<u>\$ 51,342,000</u>	<u>\$ 50,443,687</u>	<u>\$ 51,802,378</u>



**TRUST FUND NO. 20**  
**VISCOUNT BENNETT BEQUEST**  
**FINANCIAL STATEMENTS**  
**(unaudited)**  
**31 MARCH 2007**

**TRUST FUND NO. 20**  
**VISCOUNT BENNETT BEQUEST**  
**STATEMENT OF FINANCIAL POSITION**  
**(unaudited)**  
**as at March 31, 2007**

<b>ASSETS</b>	<b>2007</b>	<b>2006</b>
Current:		
Cash .....	\$ 10,735	\$ 4,955
Accrued interest receivable .....	3,360	3,431
	<u>14,095</u>	<u>8,386</u>
Investments (market value \$217,625) (Note 3) .....	196,000	203,000
Deferred Charges:		
Unamortized premiums less discounts .....	15,909	17,601
	<u>\$ 226,004</u>	<u>\$ 228,987</u>
<b>LIABILITIES AND FUND EQUITY</b>		
Current liabilities:		
Unexpended trust income (Note 4) .....	\$ 7,974	\$ 2,457
Accounts payable .....	---	8,500
	<u>7,974</u>	<u>10,957</u>
Fund equity .....	218,030	218,030
	<u>\$ 226,004</u>	<u>\$ 228,987</u>

The accompanying notes are an integral part of these Financial Statements.

**STATEMENT OF ACTIVITY**  
**(unaudited)**  
**for the Year Ended 31 March 2007**

	<b>2007</b>	<b>2006</b>
Fund equity at beginning of year .....	\$ 218,030	\$ 218,030
Add:		
Bank interest .....	691	960
Interest earned on investments .....	13,234	12,580
Net gain (loss) on disposal of debentures .....	71	---
	<u>13,996</u>	<u>13,540</u>
Deduct:		
Amortization of premiums less discounts .....	1,983	1,523
Trust income available for expenditure (Note 4) .....	12,013	12,017
	<u>13,996</u>	<u>13,540</u>
Fund equity at end of year .....	<u>\$ 218,030</u>	<u>\$ 218,030</u>

The accompanying notes are an integral part of these Financial Statements.

**TRUST FUND NO. 20  
VISCOUNT BENNETT BEQUEST  
NOTES TO FINANCIAL STATEMENTS  
(unaudited)  
31 MARCH 2007**

**1. General**

The Viscount Bennett Bequest is held in trust by the Minister of Finance under the authority of Board of Management Minute 88-0051. The income from the fund is used for the development of the Province's historic resources.

**2. Summary of Significant Accounting Policies**

a) Basis of Accounting

Bank interest and interest earned on investments are reported on the statement of activity on the accrual basis.

b) Investments

Investments in bonds and debentures are reported on the statement of financial position at par value. Unamortized premiums less discounts are reported separately on the statement as deferred charges.

c) Discounts and Premiums

Discounts and premiums are deferred and amortized to income on a constant yield basis over the remaining life of the related security.

**3. Investments**

Value of the investments at 31 March 2007 is as follows:

	<b>Par Value</b>	<b>Net Book Value</b>	<b>Market Value</b>
Bonds and debentures issued or guaranteed by New Brunswick .....	\$ 141,000	\$ 153,653	\$ 157,664
Other bonds and debentures .....	<u>55,000</u>	<u>58,256</u>	<u>59,961</u>
	<u>\$196,000</u>	<u>\$211,909</u>	<u>\$217,625</u>

**4. Unexpended Trust Income**

Unexpended trust income from the date of inception of the fund is recorded on the balance sheet as a current liability. This represents the amount available for expenditure for the purposes of the trust.

Changes in the balance of unexpended trust income during the year were as follows:

Unexpended trust income at beginning of year .....	\$2,457
Add: Trust income for the year .....	<u>12,013</u> 14,470
Less: Grants paid .....	<u>6,496</u>
Unexpended trust income at end of year .....	<u>\$7,974</u>



**TRUST FUND NO. 23**  
**ARTS DEVELOPMENT TRUST FUND**  
**FINANCIAL STATEMENTS**  
**(unaudited)**  
**31 MARCH 2007**

**TRUST FUND NO. 23**  
**ARTS DEVELOPMENT TRUST FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**(unaudited)**  
**as at 31 March 2007**

<b>ASSETS</b>	<b>2007</b>	<b>2006</b>
Current:		
Cash .....	\$ 4,524	\$ 1,325
Accrued interest receivable .....	13	4
	<u>\$ 4,537</u>	<u>\$ 1,329</u>

**LIABILITIES AND FUND EQUITY**

Fund equity .....	\$ 4,537	\$ 1,329
	<u>\$ 4,537</u>	<u>\$ 1,329</u>

The accompanying notes are an integral part of these Financial Statements.

**STATEMENT OF ACTIVITY**  
**(unaudited)**  
**for the Year Ended 31 March 2007**

	<b>2007</b>	<b>2006</b>
Fund equity at beginning of year .....	\$ 1,329	\$ 1,295
Add:		
Lottery revenues .....	700,000	700,000
Bank interest .....	3,208	34
	<u>703,208</u>	<u>700,034</u>
Deduct:		
Arts development expenditures .....	700,000	700,000
Fund equity at end of year .....	<u>\$ 4,537</u>	<u>\$ 1,329</u>

The accompanying notes are an integral part of these Financial Statements.

**TRUST FUND NO. 23**  
**ARTS DEVELOPMENT TRUST FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**(unaudited)**  
**31 MARCH 2007**

**1. General**

The Arts Development Trust Fund is established under the authority of the Arts Development Trust Fund Act. The Act provides that the net profits of the Lotteries Commission of New Brunswick from the lottery scheme designated under paragraph 11.1(a) of the Lotteries Act shall be paid into the Fund. In the event that the amount paid pursuant to paragraph 11.1(a) does not total seven hundred thousand dollars, an amount sufficient to ensure that the total amount paid equals seven hundred thousand dollars shall be paid into the Fund. The Fund is held in trust by the Minister of Finance and assets of the Fund are used to provide grants to individuals and arts organizations so as to promote artistic creation and excellence in the Arts.

**2. Summary of Significant Accounting Policies**

a) Basis of Accounting

Revenues and expenditures are reported on the accrual basis.

b) Short Term Deposits

Short term deposits are reported on the statement of financial position at cost.





**TRUST FUND NO. 24**  
**SPORT DEVELOPMENT TRUST FUND**  
**FINANCIAL STATEMENTS**  
**(unaudited)**  
**31 MARCH 2007**

**TRUST FUND NO. 24**  
**SPORT DEVELOPMENT TRUST FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**(unaudited)**  
**as at 31 March 2007**

<b>ASSETS</b>	<b>2007</b>	<b>2006</b>
Current:		
Cash .....	\$ 538	\$ 736
Lottery revenue receivable .....	104,750	118,000
Accrued interest receivable .....	2	2
	<u>\$ 105,290</u>	<u>\$ 118,738</u>

**LIABILITIES AND FUND EQUITY**

Current liabilities:		
Accounts payable .....	\$ 71,193	\$ 75,459
Fund equity .....	34,097	43,279
	<u>\$ 105,290</u>	<u>\$ 118,738</u>

The accompanying notes are an integral part of these Financial Statements.

**STATEMENT OF ACTIVITY**  
**(unaudited)**  
**for the Year Ended 31 March 2007**

	<b>2007</b>	<b>2006</b>
Fund equity at beginning of year .....	<u>\$ 43,279</u>	<u>\$ 56,013</u>
Add:		
Lottery revenues .....	500,000	500,000
Bank interest .....	2,261	975
	<u>502,261</u>	<u>500,975</u>
Deduct:		
Sport development expenditures .....	511,443	513,709
Fund equity at end of year .....	<u>\$ 34,097</u>	<u>\$ 43,279</u>

The accompanying notes are an integral part of these Financial Statements.

**TRUST FUND NO. 24**  
**SPORT DEVELOPMENT TRUST FUND**  
**NOTES TO FINANCIAL STATEMENTS**  
**(unaudited)**  
**31 MARCH 2007**

**1. General**

The Sport Development Trust Fund is established under the authority of the Sport Development Trust Fund Act. The Act provides that the net profits of the Lotteries Commission of New Brunswick from the lottery scheme designated under paragraph 11.1(b) of the Lotteries Act shall be paid into the Fund. In the event that the amount paid pursuant to paragraph 11.1(b) does not total five hundred thousand dollars, an amount sufficient to ensure that the total amount paid equals five hundred thousand dollars shall be paid into the Fund. The Fund is held in trust by the Minister of Finance and assets of the Fund are used to provide grants to individual athletes and sport organizations to promote leadership and excellence in sport.

**2. Summary of Significant Accounting Policies**

a) Basis of Accounting

Revenues and expenditures are reported on the accrual basis.

b) Short Term Deposits

Short-term deposits are reported on the statement of financial position at cost.



**TRUST FUND NO. 29**  
**ENVIRONMENTAL TRUST FUND**  
**FINANCIAL STATEMENTS**  
**(unaudited)**  
**31 MARCH 2007**

**TRUST FUND NO. 29**  
**ENVIRONMENTAL TRUST FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**(unaudited)**  
**as at 31 March 2007**

	<b>ASSETS</b>	<b>2007</b>	<b>2006</b>
<b>Current:</b>			
Cash .....		\$ 40,950	\$ 84,392
Short term deposits (par value \$8,900,000 ) .....		8,900,000	9,500,000
Environmental fees receivable .....		3,244,372	1,101,737
Accrued interest receivable .....		3,201	209
		<u>\$ 12,188,523</u>	<u>\$ 10,686,338</u>

**LIABILITIES AND FUND EQUITY**

<b>Current liabilities:</b>			
Accounts payable .....		\$ 4,761,823	\$ 5,034,204
<b>Fund equity</b> .....		<u>7,426,700</u>	<u>5,652,134</u>
		<u>\$ 12,188,523</u>	<u>\$ 10,686,338</u>

The accompanying notes are an integral part of these Financial Statements.

**STATEMENT OF ACTIVITY**  
**(unaudited)**  
**for the year ended 31 March 2007**

	<b>2007</b>	<b>2006</b>
Fund equity at beginning of year .....	<u>\$ 5,652,134</u>	<u>\$ 4,417,068</u>
<b>Add:</b>		
Environmental fees .....	8,475,742	6,047,818
Interest earned on investments .....	319,524	207,805
Bank interest .....	3,134	2,148
	<u>8,798,400</u>	<u>6,257,771</u>
<b>Deduct:</b>		
Expenditures .....	7,023,834	5,022,705
Fund equity at end of year .....	<u>\$ 7,426,700</u>	<u>\$ 5,652,134</u>

The accompanying notes are an integral part of these Financial Statements.

**TRUST FUND NO. 29  
ENVIRONMENTAL TRUST FUND  
NOTES TO FINANCIAL STATEMENTS  
(unaudited)  
31 MARCH 2007**

**1. General**

The Environmental Trust Fund is established under the authority of the Environmental Trust Fund Act. The Beverage Containers Act provides that fifty per cent of the environmental fees shall be paid into the Fund.

Under the Environmental Trust Fund Act, the Minister of Finance is the custodian and trustee of the Fund. The assets of the Fund are to be used to pay for costs incurred to provide for environmental protection and restoration, and to promote the sustainable development of natural resources within the Province.

**2. Summary of Significant Accounting Policies**

a) **Basis of Accounting**

Revenues and expenditures are recorded on the accrual basis.

b) **Short Term Deposits**

Short term deposits are reported on the statement of financial position at cost.





**Pension Plan for Management Employees  
of New Brunswick School Districts  
Financial Statements  
December 31, 2006**

Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Honourable Victor Boudreau  
Minister of Finance  
Province of New Brunswick

I have audited the statement of accrued pension benefits and net assets available for benefits of the Pension Plan for Management Employees of New Brunswick School Districts as at 31 December 2006 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's trustee. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Plan's trustee, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at 31 December 2006 and the results of its activities for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "Michael Ferguson", with a stylized flourish at the end.

Michael Ferguson, CA  
Auditor General

Fredericton, N. B.  
9 November 2007

**Pension Plan for Management Employees  
of New Brunswick School Districts  
Statement of Accrued Pension Benefits and  
Net Assets Available for Benefits**

December 31,	2006	2005
<b>Accrued Pension Benefits</b>		
Actuarial value of accrued pension benefits (Note 4)	<u>\$ 15,520,000</u>	<u>\$ 14,530,000</u>
<b>Assets</b>		
Investments		
Money market instruments	463,217	279,205
Bonds and debentures	6,827,366	6,997,212
Canadian common stocks	3,761,375	4,089,924
Foreign pooled equities	<u>2,389,423</u>	<u>1,980,412</u>
	<u>13,441,381</u>	<u>13,346,753</u>
Receivables		
Accrued interest and dividends	<u>70,430</u>	<u>60,652</u>
Cash	<u>9,006</u>	<u>33,674</u>
Total assets	<u>13,520,817</u>	<u>13,441,079</u>
<b>Liabilities</b>		
Accounts payable	<u>19,560</u>	<u>13,372</u>
Total liabilities	<u>19,560</u>	<u>13,372</u>
Net assets available for benefits	<u>\$ 13,501,257</u>	<u>\$ 13,427,707</u>
Deficiency of net assets available for benefits over actuarial value of accrued pension benefits	<u>\$ (2,018,743)</u>	<u>\$ (1,102,293)</u>

  
 John Mallory  
 Deputy Minister of Finance

See accompanying notes to the financial statements.

**Pension Plan for Management Employees  
of New Brunswick School Districts  
Statement of Changes in Net Assets Available for Benefits**

Year Ended December 31,	2006	2005
<b>Increase in assets</b>		
Investment income		
Interest	\$ 343,657	\$ 348,703
Dividends	279,940	247,311
Current period increase in market value of investments	<u>475,603</u>	<u>676,702</u>
Total increase in assets	<u>1,099,200</u>	<u>1,272,716</u>
<b>Decrease in assets</b>		
Pensions	931,964	894,418
Refunds	13,880	-
Transfers under reciprocal agreements	6,358	-
Investment management fees	45,378	44,297
Custodial fees	7,761	8,824
Administrative expense	<u>20,309</u>	<u>12,692</u>
Total decrease in assets	<u>1,025,650</u>	<u>960,231</u>
Increase in net assets	73,550	312,485
Net assets available for benefits at beginning of year	<u>13,427,707</u>	<u>13,115,222</u>
Net assets available for benefits at end of year	<u>\$13,501,257</u>	<u>\$13,427,707</u>

See accompanying notes to the financial statements.

# **Pension Plan for Management Employees of New Brunswick School Districts**

## **Notes to the Financial Statements**

**December 31, 2006**

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### **1. Description of plan**

The following description of the Pension Plan for Management Employees of New Brunswick School Districts (the Plan) is a summary only. For more information, reference should be made to the Plan Document.

#### **(a) General**

The Plan is a contributory defined benefit pension plan which provides retirement benefits for Management Employees of New Brunswick School Districts and their dependents. The Plan is administered by the Office of Human Resources, with investment matters being advised on by the Department of Finance.

#### **(b) Funding Policy**

Prior to 1 September 1996, plan members contributed a percentage of their salaries and the employer was required to contribute the balance of the cost of providing accrued benefits under the Plan. The determination of the value of benefits is made on the basis of an actuarial valuation (see note 3).

Effective 1 September 1996, all active contributors to the plan ceased and those individuals still employed commenced membership in the Public Service Superannuation Plan.

#### **(c) Service Pensions**

Effective January 1996, normal retirement pension equals 2.0% (for service before 1990) and 1.5% (for service after 1989) of average annual salary during the highest paid consecutive 5 years up to the year's maximum pensionable earnings (YMPE) and 2% of the average salary above the YMPE multiplied by the number of years of pensionable service. Pension benefits are indexed annually according to the consumer price index increase to a maximum of 3%.

Normal retirement age is 65. Unreduced pension is available at age 60 with 5 years of pensionable service. Reduced benefits are available at age 55 with 5 years pensionable service.

A past service grant was provided for services rendered between 1 January 1967 and 1 March 1974 for individuals hired as management employees of NB School Boards prior to 1 March 1974 who have been continuously employed by a School Board and who were active contributors to the plan at 1 January 1996.

Individuals had until 31 December 1996 to decide on the following options with respect to accrued benefits under the said plan:

- a) take advantage of the intra-provincial reciprocal pension transfer agreement,
- b) transfer the value of their pension to the Public Service Superannuation Plan, or
- c) obtain a refund of contributions with interest, which was only permitted if the individual was not successful in obtaining employment covered by the Public Service Superannuation Plan.

# **Pension Plan for Management Employees of New Brunswick School Districts**

## **Notes to the Financial Statements**

December 31, 2006

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### **1. Description of plan (Cont'd)**

#### **(d) Death Benefits**

If a vested member dies after retirement and has a spouse or dependent children then an immediate 50% spouse's or dependent's pension is payable. If a member dies prior to retirement a refund of the member's required contributions with interest is payable to the deceased member's beneficiary.

#### **(e) Benefits on Termination**

Upon termination of employment, a member who has less than 5 years of pensionable service is entitled to a refund of contributions made to the Plan with accumulated interest. A member with more than 5 years pensionable service may elect to receive an annual pension payable commencing on his normal retirement date or earlier, or a refund of contributions made to the Plan with accumulated interest.

#### **(f) Income Taxes**

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

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### **2. Summary of Significant Accounting Policies**

#### **(a) Basis of Presentation**

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a financial reporting entity independent of the plan sponsors and plan members. These statements are prepared to assist plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan or the benefit security of individual plan members.

#### **(b) Investments**

All investments are recorded as of settlement date. Investments are carried at market value except for money market instruments, which are carried at cost.

#### **(c) Foreign Currency Translation**

Investments in equities denominated in foreign currencies are translated to Canadian dollars at the rate of exchange in effect at the date of the statement of net assets available for benefits.

# Pension Plan for Management Employees of New Brunswick School Districts

## Notes to the Financial Statements

December 31, 2006

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### 3. Funding Policy

This Plan is being curtailed. All former members have been given the option to transfer their benefits to the Public Service Superannuation Plan or to take a deferred pension from this Plan. There are no current contributors to the Plan.

The most recent actuarial valuation for funding purposes was prepared by Morneau Sobeco as of 1 January 2005. This valuation disclosed an unfunded liability of \$2,485,900 as of 1 January 2005.

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### 4. Obligation for Pension Benefits

The present value of accrued pension benefits was determined using the projected unit credit method pro-rated on service and actuarial assumptions which reflect management's best estimate for the future. An actuarial valuation was made as of 1 January 2005 by Morneau Sobeco, a firm of consulting actuaries, and was then extrapolated to 31 December 2006.

Significant long-term assumptions used in the valuation are:

	<b>Long-term Assumptions</b>
Rate of return on assets	7.12%
Annual wage and salary increase	3.25%
Inflation	2.75%
Rate of pension escalation after retirement	2.20%

The actuarial present value of benefits as at 31 December and the principal components of changes in actuarial present values during the year are presented below:

	(In millions)	
	2006	2005
Actuarial present value of accrued pension benefits at beginning of year	<b>\$14.53</b>	\$14.32
Interest accrued on benefits	<b>1.11</b>	1.10
Benefits paid	<b>(0.95)</b>	(0.89)
Change in assumptions and experience gains and losses	<b><u>0.83</u></b>	<u>-</u>
Actuarial present value of accrued pension benefits at end of year	<b><u>\$15.52</u></b>	<u>\$14.53</u>

# **Pension Plan for Management Employees of New Brunswick School Districts**

## **Notes to the Financial Statements**

**December 31, 2006**

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### **5. Investments in Plan Sponsor**

As at December 31, 2006, the Plan held \$136,075 in securities issued by the Province of New Brunswick.

As at December 31, 2005, the Plan held \$137,911 in securities issued by the Province of New Brunswick.

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### **6. Risk Management**

Rates of return vary based on the degree of uncertainty. The fundamental sources of uncertainty to which investments are exposed are credit risk and price risk. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk is the risk that the value of an investment will fluctuate due to future changes in foreign exchange rates. Interest rate risk is the risk that the value of an investment will fluctuate due to future changes in market interest rates. Market risk is the risk that the value of a financial instrument will fluctuate as a result of future changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

Risk is reduced through asset class diversification, diversification within each asset class, and quality constraints on fixed income instruments. Borrowing or leveraging is not allowed.

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### **7, Comparative figures**

Certain of the comparative figures have been reclassified to conform with the presentation adopted for the year ended December 31, 2006.



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**Pension Plan for General Labour,  
Trades and Services Employees of  
New Brunswick School Districts  
Financial Statements**

**December 31, 2006**

Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Honourable Victor Boudreau  
Minister of Finance  
Province of New Brunswick

I have audited the statement of accrued pension benefits and net assets available for benefits of the Pension Plan for General Labour, Trades and Services Employees of New Brunswick School Districts as at 31 December 2006 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's trustee. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Plan's trustee, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at 31 December 2006 and the results of its activities for the year then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read "Michael Ferguson".

Michael Ferguson, CA  
Auditor General

Fredericton, N. B.  
9 November 2007

**Pension Plan for General Labour, Trades and Services  
Employees of New Brunswick School Districts  
Statement of Accrued Pension Benefits and  
Net Assets Available for Benefits**

December 31,	2006	2005
<b>Accrued Pension Benefits</b>		
Actuarial value of accrued pension benefits (Note 4)	<u>\$218,680,000</u>	<u>\$189,900,000</u>
<b>Assets</b>		
Investments		
Money market instruments	11,778,460	10,674,125
Bonds and debentures	87,093,337	81,591,264
Canadian equities	78,680,655	78,940,362
Foreign equities	<u>69,496,683</u>	<u>54,940,690</u>
	<u>247,049,135</u>	<u>226,146,441</u>
Receivables		
Employee contributions	108,042	114,550
Employer contributions	391,640	271,782
Accrued interest and dividends	757,282	825,659
Accounts receivable	<u>390</u>	<u>390</u>
	<u>1,257,354</u>	<u>1,212,381</u>
Cash	<u>304,597</u>	<u>231,079</u>
Total assets	<u>248,611,086</u>	<u>227,589,901</u>
<b>Liabilities</b>		
Accounts payable	<u>404,708</u>	<u>300,076</u>
Total liabilities	<u>404,708</u>	<u>300,076</u>
Net assets available for benefits	<u>248,206,378</u>	<u>227,289,825</u>
Excess of net assets available for benefits over actuarial value of accrued pension benefits	<u>\$ 29,526,378</u>	<u>\$ 37,389,825</u>

  
 \_\_\_\_\_  
 John Mallory  
 Deputy Minister of Finance

See accompanying notes to the financial statements.

**Pension Plan for General Labour, Trades and Services  
Employees of New Brunswick School Districts  
Statement of Changes in Net Assets Available for Benefits**

Year Ended December 31,	2006	2005
<b>Increase in assets</b>		
Investment income		
Interest	\$ 4,366,887	\$ 4,064,654
Dividends	3,199,090	2,631,992
Current period increase in market value of investments	23,533,446	20,152,093
Pension contributions		
Employee	2,678,357	2,565,325
Employer	<u>2,762,455</u>	<u>2,403,292</u>
Total increase in assets	<u>36,540,235</u>	<u>31,817,356</u>
<b>Decrease in assets</b>		
Pensions	9,209,062	8,782,247
Refunds	5,285,018	3,814,863
Administrative expense	444,476	429,534
Investment management fees	622,843	568,918
Custodial fees	33,708	31,227
Performance measurement fees	<u>28,575</u>	<u>24,480</u>
Total decrease in assets	<u>15,623,682</u>	<u>13,651,269</u>
Increase in net assets	20,916,553	18,166,087
Net assets available for benefits at beginning of year	<u>227,289,825</u>	<u>209,123,738</u>
Net assets available for benefits at end of year	<u>\$ 248,206,378</u>	<u>\$ 227,289,825</u>

See accompanying notes to the financial statements.

# **Pension Plan for General Labour, Trades and Services Employees of New Brunswick School Districts**

## **Notes to the Financial Statements**

**December 31, 2006**

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### **1. Description of plan**

The following description of the Pension Plan for General Labour, Trades and Services Employees of New Brunswick School Districts (the Plan) is a summary only. For more information, reference should be made to the Collective Agreement and Plan Document.

#### **(a) General**

The Plan is a contributory defined benefit pension plan covering General Labour, Trades and Services Employees of New Brunswick School Districts. The Plan is administered by Morneau Sobeco, under the direction and with the assistance of the Office of Human Resources, with investment matters being advised on by the Department of Finance.

#### **(b) Funding Policy**

Contributions are made by the Plan members and the Plan sponsor to fund the benefits determined under the Plan. The determination of the value of benefits is made on the basis of an actuarial valuation (see note 3).

#### **(c) Service Pensions**

Effective 1 January 2001, normal retirement pension equals 1.9% (for service before 2000) of average annual salary during the highest paid consecutive 5 years up to the year's maximum pensionable earnings (YMPE) and 2% (for service before 2000) of the average salary above the YMPE multiplied by the number of years of pensionable service plus 1.4% (for service after 1999) of average annual salary during the highest paid consecutive 5 years multiplied by the number of years of pensionable service. Pension benefits are indexed annually according to the consumer price index increase to a maximum of 2%.

Effective January 1, 2007, for contributing members, or members who have terminated continuous employment on or after April 1, 2005, the benefit accrual shall be 1.625% of average annual salary during the highest paid consecutive 5 years up to the YMPE, and 2.0% of the average salary above the YMPE, per year of pensionable service from and including January 1, 2000 to and including December 31, 2005.

A member may elect from one of three optional forms of pensions being: 1) life pension with no guarantee period; 2) life pension with guarantee period of 10 years or 3) joint life and last survivor pension. There are also supplementary pension benefits available when the normal retirement pension is less than \$1,500 per year.

Normal retirement age is 65. Unreduced pension benefits are available at age 60 with 5 years continuous employment. Reduced benefits are available on retirement as early as age 55 with 5 years of continuous employment. Unreduced bridging benefits are available for retirement commencing between the ages of 55 to 65.

# **Pension Plan for General Labour, Trades and Services Employees of New Brunswick School Districts**

## **Notes to the Financial Statements**

**December 31, 2006**

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### **1. Description of plan (Cont'd)**

#### **(d) Death Benefits**

If a member dies prior to retirement and before completing 5 years continuous employment, the benefit payable to his beneficiary or estate is a refund of all contributions made by the member with accumulated interest.

If a member dies after 31 December 1997 and prior to retirement and has completed 5 or more years of continuous employment, the beneficiary or estate shall be paid the Commuted Value of the deferred pension as at the date of the member's death. The Commuted Value is the deferred pension to which the member would have been entitled had the member's continuous employment terminated just prior to their death. In addition, excess contributions (if applicable) to which the member would have been entitled would be refunded to the designated beneficiary or estate.

If the member dies after 31 December 1997 and after retirement and was in receipt of a pension benefit, the death benefit payable is determined in accordance with the provisions of the form of pension selected by the member.

#### **(e) Benefits on Termination**

A member who has less than 5 years of continuous employment and is terminated is entitled to a refund of their contributions made to the Plan with accumulated interest.

A member with more than 5 years continuous employment who has terminated may elect to receive a deferred pension commencing on his normal retirement date or earlier, or an amount equal to the Commuted Value. The Commuted Value is, as at the date of the member's termination, the deferred pension to which the member would have been entitled. The Commuted Value of the deferred pension 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. Effective January 1, 2007 members who terminate employment and are immediately eligible upon termination of employment for the payment of an early retirement pension or normal retirement pension will no longer have the option to elect a commuted value transfer.

#### **(f) Income Taxes**

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

# **Pension Plan for General Labour, Trades and Services Employees of New Brunswick School Districts**

## **Notes to the Financial Statements**

December 31, 2006

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### **2. Summary of significant accounting policies**

#### **(a) Basis of Presentation**

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a financial reporting entity independent of the plan sponsors and plan members. These statements are prepared to assist plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan or the benefit security of individual plan members.

#### **b) Investments**

All investments are recorded as of settlement date. Investments are carried at market value except for money market instruments, which are carried at cost.

#### **(c) Foreign Currency Translation**

Investments in equities denominated in foreign currencies are translated to Canadian dollars at the rate of exchange in effect at the date of the statement of net assets available for benefits.

#### **(d) Pension Contributions**

Contributions 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.

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### **3. Funding policy**

In accordance with the Plan Agreement, employees are required to contribute 4.5% of their earnings up to the year's maximum pensionable earnings (YMPE) plus 6% of earnings above the YMPE. The employer is required to contribute an amount necessary in the opinion of an actuary based on an actuarial valuation, which when combined with employee contributions will provide for the benefits stipulated under the Plan. In no event shall employer-required contributions be less than 95% of employee contributions.

Effective January 1, 2007 each member shall contribute to the Plan 5.5% of their earnings up to the YMPE and 7% of that portion of their earnings which is in excess of the YMPE.

The most recent actuarial valuation for funding purposes was prepared by Morneau Sobeco as of 1 January 2006. This valuation disclosed that accrued benefits are fully funded.

## Pension Plan for General Labour, Trades and Services Employees of New Brunswick School Districts Notes to the Financial Statements

December 31, 2006

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### 4. Obligation for Pension Benefits

The present value of accrued benefits was determined using the projected unit credit method pro-rated on service and actuarial assumptions which reflect management's best estimate for the future. An actuarial valuation was made as of 1 January 2006 by Morneau Sobeco, a firm of consulting actuaries, and was then extrapolated to 31 December 2006.

Significant long-term assumptions used in the valuation are:

	<b>Long-term Assumptions</b>
Rate of return on assets	7.12%
Annual wage and salary increase	2.75%
Inflation	2.75%
Rate of pension escalation after retirement	2.0%

The actuarial present value of benefits as at 31 December and the principal components of changes in actuarial present values during the year, were as follows:

	(In millions)	
	<u>2006</u>	<u>2005</u>
Actuarial present value of accrued pension benefits at beginning of year	\$ 189.90	\$ 182.22
Interest accrued on benefits	14.68	14.14
Benefits accrued	6.44	6.14
Benefits paid	(14.49)	(12.60)
Plan amendments	5.91	-
Experience gains and losses and assumption changes	<u>16.24</u>	<u>-</u>
Actuarial present value of accrued pension benefits at end of year	<u>\$ 218.68</u>	<u>\$ 189.90</u>

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### 5. Investment in plan sponsor

As at December 31, 2006, \$1,752,559 of the Plan's segregated assets consisted of Province of New Brunswick securities. The Plan also held 3.1% of a pooled bond fund of \$610,663,283. Of this total, \$5,130,678 consisted of Province of New Brunswick securities.

As at December 31, 2005, \$1,605,479 of the Plan's segregated assets consisted of Province of New Brunswick securities. The Plan also held 2.5% of a pooled bond fund of \$608,845,639. Of this total, \$5,204,631 consisted of Province of New Brunswick securities.



# **Pension Plan for General Labour, Trades and Services Employees of New Brunswick School Districts Notes to the Financial Statements**

**December 31, 2006**

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## **6. Risk management**

Rates of return vary based on the degree of uncertainty. The fundamental sources of uncertainty to which investments are exposed are credit risk and price risk. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk is the risk that the value of an investment will fluctuate due to future changes in foreign exchange rates. Interest rate risk is the risk that the value of an investment will fluctuate due to future changes in market interest rates. Market risk is the risk that the value of a financial instrument will fluctuate as a result of future changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

Risk is reduced through asset class diversification, diversification within each asset class, and quality constraints on fixed income instruments. Borrowing or leveraging is not allowed.

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## **7. Comparative figures**

Certain of the comparative figures have been reclassified to conform with the presentation adopted for the year ended December 31, 2006.



**Pension Plan for Full-Time  
CUPE 2745 Employees of  
New Brunswick School Districts  
Financial Statements  
December 31, 2006**

Office of the  
Auditor General

Bureau du  
vérificateur général



## AUDITOR'S REPORT

To the Honourable Victor Boudreau  
Minister of Finance  
Province of New Brunswick

I have audited the statement of accrued pension benefits and net assets available for benefits of the Pension Plan for Full-Time CUPE 2745 Employees of New Brunswick School Districts as at 31 December 2006 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's trustee. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Plan's trustee, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Plan as at 31 December 2006 and the results of its activities for the year then ended in accordance with Canadian generally accepted accounting principles.

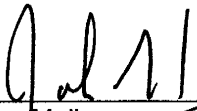
A handwritten signature in black ink, appearing to read 'Michael Ferguson'.

Michael Ferguson, CA  
Auditor General

Fredericton, N. B.  
9 November 2007

**Pension Plan for Full-Time CUPE 2745 Employees  
of New Brunswick School Districts  
Statement of Accrued Pension Benefits and  
Net Assets Available for Benefits**

December 31,	2006	2005
<b>Accrued Pension Benefits</b>		
Actuarial value of accrued pension benefits (Note 4)	<u>\$ 43,870,000</u>	<u>\$ 38,010,000</u>
<b>Assets</b>		
Investments		
Money market instruments	1,982,851	1,568,164
Bonds and debentures	18,156,743	17,567,916
Canadian equities	15,832,829	15,088,273
Foreign equities	<u>13,601,083</u>	<u>10,408,873</u>
	<u>49,573,506</u>	<u>44,633,226</u>
Receivables		
Employee contributions	42,751	58,330
Employer contributions	62,483	52,389
Accrued interest and dividends	<u>221,355</u>	<u>215,872</u>
	<u>326,589</u>	<u>326,591</u>
Cash	<u>203,062</u>	<u>51,842</u>
Total assets	<u>50,103,157</u>	<u>45,011,659</u>
<b>Liabilities</b>		
Accounts payable	<u>103,543</u>	<u>77,918</u>
Total liabilities	<u>103,543</u>	<u>77,918</u>
Net assets available for benefits	<u>49,999,614</u>	<u>44,933,741</u>
Excess of net assets available for benefits over actuarial value of accrued pension benefits	<u>\$ 6,129,614</u>	<u>\$ 6,923,471</u>

  
 \_\_\_\_\_  
 John Mallory  
 Deputy Minister of Finance

See accompanying notes to the financial statements.

**Pension Plan for Full-Time CUPE 2745 Employees  
of New Brunswick School Districts  
Statement of Changes in Net Assets Available for Benefits**

Year Ended December 31,	2006	2005
<b>Increase in assets</b>		
Investment income		
Interest	\$ 944,851	\$ 896,702
Dividends	628,728	458,542
Current period increase in market value of investments	4,770,075	3,168,876
Pension contributions		
Employee	610,276	610,159
Employer	567,230	536,413
Transfer under reciprocal agreements	<u>205,471</u>	<u>-</u>
Total increase in assets	<u>7,726,631</u>	<u>5,670,692</u>
<b>Decrease in assets</b>		
Pensions	1,000,446	893,511
Refunds	1,356,013	676,187
Administrative expense	166,272	153,521
Investment management fees	111,710	92,302
Custodial fees	11,896	18,645
Performance measurement fees	<u>14,421</u>	<u>9,750</u>
Total decrease in assets	<u>2,660,758</u>	<u>1,843,916</u>
Increase in net assets	5,065,873	3,826,776
Net assets available for benefits at beginning of year	<u>44,933,741</u>	<u>41,106,965</u>
Net assets available for benefits at end of year	<u>\$ 49,999,614</u>	<u>\$ 44,933,741</u>

See accompanying notes to the financial statements.

# **Pension Plan for Full-Time CUPE 2745 Employees of New Brunswick School Districts**

## **Notes to the Financial Statements**

**December 31, 2006**

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### **1. Description of plan**

The following description of the Pension Plan for Full-Time CUPE 2745 Employees of New Brunswick School Districts (the Plan) is a summary only. For more information, reference should be made to the Collective Agreement and Plan Document.

#### **(a) General**

The Plan is a contributory defined benefit pension plan covering Full-Time CUPE 2745 Employees of New Brunswick School Districts. The Plan is administered by Morneau Sobeco, under the direction and with the assistance of the Office of Human Resources, with investment matters being advised on by the Department of Finance.

#### **(b) Funding Policy**

Contributions are made by the Plan members and the Plan sponsor to fund the benefits determined under the Plan. The determination of the value of benefits is made on the basis of an actuarial valuation (see note 3).

#### **(c) Service Pensions**

Effective 8 October 1998, normal retirement pension equals 2% (for service before January 1997) of average annual salary during the highest paid consecutive 5 years multiplied by the number of years of pensionable service plus 1.45% (for service between 1 January 1997 and 31 August 1997) of average annual salary during the highest paid consecutive 5 years multiplied by the number of years of pensionable service plus 1.3% (for service after 31 August 1997) of average annual salary during the highest paid consecutive 5 years multiplied by the number of years of pensionable service. Pension benefits are indexed annually according to the consumer price index increase to a maximum of 2%.

A member may elect from one of three optional forms of pensions being: 1) life pension with no guarantee period; 2) life pension with guarantee period of 10 years or 3) joint life and last survivor pension. There are also supplementary pension benefits available when the normal retirement pension is less than \$1,500 per year.

Normal retirement age is 65. Unreduced pension benefits are available at age 60 with 5 years continuous employment. Reduced benefits are available on retirement at age 55 with 5 years continuous employment.

#### **(d) Death Benefits**

If a member dies prior to retirement and before completing 5 years continuous employment, the benefit payable to his beneficiary or estate is a refund of all contributions made by the member with accumulated interest.

If a member dies after 31 December 1997 and prior to retirement and has completed 5 or more years of continuous employment, the beneficiary or estate shall be paid an amount equal to the Commuted Value. The Commuted Value is, as at the date of the member's death, the deferred pension to which the member would have been entitled had the member's continuous employment terminated just prior to their death. In addition, excess contributions (if applicable) to which the member would have been entitled would be refunded to the designated beneficiary or estate.

# **Pension Plan for Full-Time CUPE 2745 Employees of New Brunswick School Districts**

## **Notes to the Financial Statements**

**December 31, 2006**

---

### **1. Description of plan (Cont'd)**

If the member dies after 31 December 1997 and after retirement and was in receipt of a pension benefit, the death benefit payable is determined in accordance with the provisions of the form of pension selected by the member.

#### **(e) Benefits on Termination**

A member who has less than 5 years of continuous employment and is terminated is entitled to a refund of their contributions made to the Plan with accumulated interest.

A member with more than 5 years continuous employment who has terminated may elect to receive a deferred pension commencing on his normal retirement date or earlier, or an amount equal to the Commuted Value. The Commuted Value is, as at the date of the member's termination, the deferred pension to which the member would have been entitled. The Commuted Value of the deferred pension 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.

#### **(f) Income Taxes**

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

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### **2. Summary of significant accounting policies**

#### **(a) Basis of Presentation**

These financial statements are prepared on the going concern basis and present the aggregate financial position of the Plan as a financial reporting entity independent of the plan sponsor and plan members. These statements are prepared to assist plan members and others in reviewing the activities of the Plan for the fiscal period but they do not portray the funding requirements of the Plan or the benefit security of individual plan members.

#### **(b) Investments**

All investments are recorded as of settlement date. Investments are carried at market value except for money market instruments which are carried at cost.

#### **(c) Foreign Currency Translation**

Investments in equities denominated in foreign currencies are translated to Canadian dollars at the rate of exchange in effect at the date of the statement of net assets available for benefits.

#### **(d) Pension Contributions**

Contributions are recorded in the period that the payroll deductions are made.



## Pension Plan for Full-Time CUPE 2745 Employees of New Brunswick School Districts

### Notes to the Financial Statements

December 31, 2006

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#### 3. Funding policy

In accordance with the Plan Agreement, employees are required to contribute 4.5% of their earnings up to the year's maximum pensionable earnings (YMPE), plus 6% of earnings above YMPE. The employer is required to contribute an amount necessary, in the opinion of an actuary based on an actuarial valuation, which when combined with employee contributions will provide for the benefits stipulated under the Plan. Employer contributions will not exceed 95% of employee contributions.

The most recent actuarial valuation for funding purposes was prepared by Morneau Sobeco as of 1 January 2006. This valuation disclosed an unfunded liability of \$4.4 million as of January 1, 2006.

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#### 4. Obligation for Pension Benefits

The present value of accrued benefits was determined using the projected unit credit method pro-rated on service and actuarial assumptions which reflect management's best estimate for the future. An actuarial valuation was made as of 1 January 2006 by Morneau Sobeco, a firm of consulting actuaries, and was then extrapolated to 31 December 2006.

Significant long-term assumptions used in the valuation are:

	<b>Long-term Assumptions</b>
Rate of return on assets	7.12%
Annual wage and salary increase	2.75%
Inflation	2.75%
Rate of pension escalation after retirement	2.0%

The actuarial present value of benefits as at 31 December and the principal components of changes in actuarial present values during the year, were as follows:

	(in millions)	
	<u>2006</u>	<u>2005</u>
Actuarial present value of accrued pension benefits at beginning of year	<b>\$ 38.01</b>	\$ 35.55
Interest accrued on benefits	2.97	2.80
Benefits accrued	1.46	1.23
Benefits paid	(2.36)	(1.57)
Change in assumptions and experience gains and losses	3.79	-
Actuarial present value of accrued pension benefits at end of year	<b>\$ 43.87</b>	\$ 38.01

# **Pension Plan for Full-Time CUPE 2745 Employees of New Brunswick School Districts**

## **Notes to the Financial Statements**

**December 31, 2006**

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### **5. Investment in plan sponsor**

As at December 31, 2006, the Plan held \$506,687 in securities issued by the Province of New Brunswick.

As at December 31, 2005, the Plan held \$509,215 in securities issued by the Province of New Brunswick.

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### **6. Risk management**

Rates of return vary based on the degree of uncertainty. The fundamental sources of uncertainty to which investments are exposed are credit risk and price risk. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Price risk is comprised of currency risk, interest rate risk and market risk. Currency risk is the risk that the value of an investment will fluctuate due to future changes in foreign exchange rates. Interest rate risk is the risk that the value of an investment will fluctuate due to future changes in market interest rates. Market risk is the risk that the value of a financial instrument will fluctuate as a result of future changes in market prices, whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

Risk is reduced through asset class diversification, diversification within each asset class, and quality constraints on fixed income instruments. Borrowing or leveraging is not allowed.

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### **7. Comparative figures**

Certain of the comparative figures have been reclassified to conform with the presentation adopted for the year ended December 31, 2006.