Grant Thornton

Financial Statements

Pension Plan for Certain Bargaining Employees of New Brunswick Hospitals

December 31, 2008

Contents

Grant Thornton

Auditors' report

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To the Pension Committee of the Pension Plan For
Certain Bargaining Employees of New Brunswick Hospitals

We have audited the statement of accrued pension benefits and net assets available for benefits of the Pension Plan For Certain Bargaining Employees of New Brunswick Hospitals as at December 31, 2008 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 Administrator. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 Administrator, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits as at December 31, 2008 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Fredericton, New Brunswick
April 27, 2009

Chartered Accountants

Pension Plan For Certain Bargaining Employees of New Brunswick Hospitals
Statement of Accrued Pension Benefits and Net Assets Available for Benefits

December 31,	2008	2007
Accrued Pension Benefits		
Actuarial value of accrued pension benefits (Note 6)	$ 1,157,671,000	$ 1,017,233,000
Assets		
Receivables - contributions	5,880,526	4,729,028
Prepaid expenses	1,565	-
Investments, held by custodian (Note 5)	826,181,496	989,898,453
	832,063,587	994,627,481
Liabilities		
Payables	801,809	792,643
Pension refunds payable (Note 9)	1,504,258	-
	2,306,067	792,643
Net assets available for benefits	829,757,520	993,834,838
Deficiency of net assets available for benefits over actuarial value of accrued pension benefits	$ (327,913,480)	$ (23,398,162)

ON BEHALF OF THE COMMITTEE

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See accompanying notes to the financial statements.

Pension Plan For Certain Bargaining Employees of New Brunswick Hospitals

Statement of Changes in Net Assets Available for Benefits

Year Ended December 31,	2008	2007
Increase in net assets		
Contributions		
Employee	$ 20,222,018	$ 18,745,428
Employer	19,469,657	18,162,667
Reciprocal transfers	1,359,189	302,023
	41,050,864	37,210,118
Investment income (Note 7)	38,649,689	39,282,228
Realized (loss) gain on sale of investments	(11,083,996)	48,724,381
Unrealized current period change in market value of investments	(196,719,437)	(58,976,094)
	(169,153,744)	29,030,515
Total (decrease) increase in net assets	(128,102,880)	66,240,633
Decrease in net assets		
Benefit payments		
Pension payroll	24,274,841	21,388,227
Pension refunds	5,377,720	4,081,052
Marriage breakdown	172,449	171,480
Reciprocal transfers	98,651	226,504
Phased retirement	548,658	277,470
	30,472,319	26,144,733
Fees and expenses		
Performance measurement service	71,404	68,359
Custodial fees	317,301	256,829
Investment management fees	3,377,979	2,358,923
Administration expenses (Note 10)	917,793	792,918
Transaction costs	817,642	369,317
	5,502,119	3,846,346
Total decrease in net assets	35,974,438	29,991,079
Net (decrease) increase in assets	(164,077,318)	36,249,554
Net assets available for benefits, beginning of year	993,834,838	957,585,284
Net assets available for benefits, end of year	$ 829,757,520	$993,834,838

See accompanying notes to the financial statements.

1. Description of Plan

The following description of the Pension Plan for Certain Bargaining Employees of the Province of New Brunswick is a summary only. For more information, reference should be made to the Plan Document.

(a) General

The plan is a defined benefit pension plan, covering full-time employees of New Brunswick Regional Health Authorities who are members of the New Brunswick Nurses Union or the New Brunswick Union of Public and Private Employees (Specialized Health Care Professional and Paramedical). It is recognized that while the pension plan is defined benefit in nature, employer and employee contributions are also defined in the Plan, and employer contributions cannot be changed except through future collective bargaining. The benefits as defined in the pension plan may be modified from time to time by the Pension Committee upon advice from the Plan's actuary, and in some cases, with the approval of the Board of Management.

(b) Funding policy

Contributions are made by the Plan member and Plan sponsor to fund the benefits determined under the plan. The determination of the value of the benefits is made on the basis of an actuarial valuation.

(c) Service pensions

Normal retirement pension is 2% of the annual average of the member's earnings during the period of five consecutive years in which earnings are highest, for service before January 1, 1990. For service after December 31, 1989, retirement pension is the difference between 2% of the annual average of the member's earnings during the period of five consecutive years in which earnings are highest and 0.7% of the average annual earnings during the period of five consecutive years in which earnings are highest and which are not in excess of the Annual Average YMPE. Pension benefits are indexed annually according to the consumer price index increase to a maximum of 4%.

A member who elects to take an early retirement will also receive a temporary bridging benefit payable to age 65 equal to $27 per month per year of pensionable service credit from April 1, 1971.

A member may elect from one of six optional forms of pensions being: 1) life pension with no guarantee period; 2) life pension with guaranteed period of 5 years; 3) life pension with guaranteed period of 10 years; 4) joint life and last survivor pension at 50%; 5) joint life and last survivor pension at 66 2/3% or 6) joint life and last survivor at 100%.

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

(d) Disability pensions

A disability pension is not provided for under the terms of the Plan Document.

1. Description of Plan (Cont'd)

(e) Death benefits

If a member dies prior to retirement and before completing 5 years of 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 prior to retirement and has completed 5 or more years of continuous employment, the beneficiary or estate shall be paid the Commuted Value. The Commuted Value is the value, as at the date of the member's death, of 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 a member dies after retirement, the death benefit payable is determined in accordance with the specific terms of the type of pension, which the member elected.

(f) Benefits on termination

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

A member who terminates with more than five years of continuous employment on or after April 1, 1981, and has not attained age 55, may elect to receive a deferred pension commencing on his normal retirement date or an amount equal to the Commuted Value of the deferred pension as at the date of the member's termination. 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. A member who terminates after April 1, 1985, and has attained age 55, is entitled to a reduced pension commencing between the ages of 55 and 60 or an unreduced pension at age 60.

A member whose date of termination of employment precedes July 1, 1997 may elect to receive a refund of the member's own contributions with accumulated interest.

(g) Income taxes

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

(h) Reciprocal transfer agreements

The Board of Management may enter into a reciprocal agreement with any "approved employer" which operates a superannuation or pension fund. Effective March 31, 2001, the Board of Management entered into a reciprocal transfer agreement between this Plan and the Pension Plan for Part Time and Seasonal Employees of the Province of New Brunswick.

2. Significant accounting policies

(a) The accounting entity

These financial statements are prepared on a going concern basis and present financial information for the Pension Fund of the Pension Plan For Certain Bargaining Employees of New Brunswick Hospitals. The Fund is established pursuant to a Trust Agreement dated January 1, 1975. The Agreement provides that the Fund shall be used exclusively for the purpose of establishing and maintaining the Pension Plan for Certain Bargaining Employees of New Brunswick Hospitals.

(b) Contributions

Contributions from Members and the Hospitals 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.

(c) Investments

Investments are carried at fair value. The fair value of investments is based on closing market quotations as of December 31.

(d) Use of estimates

In preparing the Pension 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 receipts and disbursements during the period. Actual results could differ from these estimates.

3. Change in accounting policies

Current year changes

Financial instruments - presentation and disclosure

On January 1, 2008, the Plan adopted the provisions of CICA Handbook Section 3862, *Financial Instruments – Disclosures.* This section places additional emphasis on disclosures regarding the risks associated with both recognized and unrecognized financial instruments and how these risks are managed. These disclosures are included in Note 4 to the financial statements.

Capital disclosures

On January 1, 2008, the Plan adopted the provisions of CICA Handbook Section 1535, *Capital Disclosures.* This section requires enhanced quantitative disclosures about what is regarded as capital and disclosure of information with respect to the objectives, policies and processes used to manage capital. See Note 11 for further information about the Plan's objectives, policies and processes related to ongoing capital management

4. Risk management

In the normal course of business, the Plan is exposed to a variety of financial risks: credit risk, interest rate risk, currency risk and other price risk. The value of investments within the Plan's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions and market news related to specific securities within the Plan. The level of risk depends on the Plan's investment objectives and the type of securities it invests in.

For all of the risks noted below, there has been no change in how the Plan manages those risks from the previous year.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with a Plan. Where the Plan invests in debt instruments, this represents the main concentration of credit risk. The market value of debt instruments includes consideration of the credit worthiness of the issuer, and accordingly, represents the maximum credit risk exposure of the Plan. All transactions executed by a Plan in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

As at December 31, 2008, the Plan invested in debt instruments with the following credit ratings:

Debt instrument by credit rating	Percentage of value
AAA	48.79%
AA	13.16%
A	13.81%
BBB	7.30%
BB	1.28%
B	0.45%
CCC	0.14%
CC	0.01%
D	0.08%
Not Rated	0.45%

4. Risk management (Continued)

Credit ratings are obtained from Standard & Poor's, Moody's, Fitch or Dominion Bond Rating Service. Where one or more rating is obtained for a security, the lowest rating has been used.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises when the Plan invests in interest-bearing financial instruments. The Plan is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates.

As at December 31, 2008, the Plan's exposure to debt instruments by maturity and the impact on net assets had the yield curve shifted in parallel by 25 basis points with all other variables held constant ("sensitivity analysis"), is as follows:

Debt instruments by maturity date	Market Values
Less than 1 year	$ 62,622,894
1-3 years	123,127,407
3-5 years	60,097,068
Greater than 5 years	151,681,003
	$ 397,528,372
Sensitivity	$ 3,362,938

In practice actual trading results may differ from the above sensitivity analysis and the difference could be material.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Plan.

The Plan is exposed to currency risk from the United States dollar that totals $101,377,158 (12.27% of the Plan's market value).

This amount is based on the market value of the Plan's financial instruments. Other financial assets and financial liabilities that are denominated in foreign currencies do not expose the Plan to significant currency risk.

As at December 31, 2008, if the Canadian dollar strengthened or weakened by 1% in relation to the United States dollar, with all other variables held constant, net assets would have an increase or decrease, respectively, of approximately $1,013,772.

4. Risk management (Continued)

In practice actual trading results may differ from the above sensitivity analysis and the difference could be material.

Other price risk

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

The statement of accrued pension benefits and net asset available for benefits classifies securities by market segment.

The impact on net assets of the Plan due to a 1 percent change in the benchmark, using historical correlation between the Plan's return as compared to the Plan's benchmark return, with all other variables held constant, as at December 31, 2008 is estimated to be 0.86%, or $7,103,514 (2007 - 0.92%, or $7,602,440).

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

5. Investments, held by custodian

	2008	2007
Investments		
Short term	$ 54,684,350	$ 69,376,531
Bonds and debentures	341,371,515	328,641,579
Equities	425,857,325	588,494,791
Accrued income	2,554,757	2,691,897
Cash	3,061,201	697,081
Commitments	(1,347,652)	(3,426)
	$ 826,181,496	$ 989,898,453

6. Obligation for Pension Benefit

The present value of accrued pension benefits was determined using the projected benefit method prorated on service as agreed upon between the actuary and the pension committee. An actuarial valuation was made as of 1 January 2008 by Morneau Sobeco, a firm of consulting actuaries, and was then extrapolated to 31 December 2008.

The assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long term market conditions. The actuarial value of net assets available for benefits has been determined at amounts that reflect long term market trends (consistent with assumptions underlying the valuation of accrued pension benefits). Significant long-term assumptions used in the valuation are:

	Long-term Assumptions
Rate of return on assets	6.6%
Annual wage and salary increase	3.0%
Inflation	2.5%
Rate of pension escalation after retirement	2.5%

The projection of liabilities as at 31 December and the principal components of changes in liabilities during the year, were as follows:

	2008	2007
Liabilities, as at beginning of the year	**$ 1,017,233,000**	$ 936,371,000
Experience loss due to change in assumptions and Membership demographics	**55,033,000**	-
Employee and employer regular contributions	**38,939,000**	36,627,000
Employee and employer contributions for past service	**2,111,000**	583,000
Balance of current service cost	**5,094,000**	5,011,000
Benefit payments	**(31,977,000)**	(26,145,000)
Interest on liabilities	**70,770,000**	64,235,000
Interest on net increases for the year	**468,000**	551,000
Liabilities, as at end of year	**$ 1,157,671,000**	$1,017,233,000

7. Investment income

	2008	2007
Canadian equities	**$ 16,218,570**	$ 15,295,986
Foreign equities	**8,160,095**	7,263,854
Bonds and debentures	**13,211,813**	14,390,661
Short term investment	**1,055,285**	2,075,946
Securities lending income	**3,926**	175,779
Miscellaneous income	**-**	80,002
Total investment income	**$ 38,649,689**	$ 39,282,228

8. Investment in Plan Sponsor

As at December 31, 2008, the Plan held $4,336,280 in securities issued by the Province of New Brunswick.

9. Comparative figures

Commencing in 2008 new financial statement presentation was adopted on a prospective basis respecting the refunds payable figure. Previously this amount had been included in the actuarial value of accrued pension benefits. In 2008 the refunds payable figure is presented separately to provide enhanced detail. The 2007 comparative figures have not been restated respecting this presentation change.

10. Administration expenses

	2008	2007
Administration fees	$ 715,404	$ 708,284
Audit fees	16,800	20,790
Actuarial and related consulting	86,987	63,585
Legal fees	98,602	259
	$ 917,793	$ 792,918

11. Capital management

The Plan employs a capital management plan, a Statement of Investment Policy and Goals ("SIP&G"), that is reviewed annually by the Pension Committee. The SIP&G, which establishes policies for management of its investments, dictates the Plan's approach to growth, credit quality and profitability objectives. The overall objectives in investing the assets of the Plan are to preserve and enhance the value of capital through adequate diversification in high quality investments and achieve the highest investment return that can be obtained within the level of risk acceptable to the Pension Committee. The following description of the SIP&G is a summary only. For more information, reference should be made to the SIP&G document.

Subject to limitations, the SIP&G's investment guidelines outline that the Pension fund may invest in any or all of the following asset categories; Canadian Equity, Foreign Equity, Real Estate, Fixed Income and Cash and Cash Equivalents. The proportion of investment in each asset class is subject to restrictions including maintaining the following asset mix; 0% - 20% investment in short term securities, 24% - 54% investment in Canadian equities, 15% - 35% investment in international equities (including US equities), 25% - 48% investment in fixed income, and 0%-3% in hedge funds.

The Pension Fund or any portion allocated to any Fund Manager must be well diversified across industry sectors and capitalization ranges. No one equity holding shall represent more than 10% of the book value of the aggregate of the Canadian, US or International equity portfolio. Policy guidelines have been established to ensure the Pension Plan holds fixed term investments with a credit rating of BBB or higher. Investments with a credit rating of BB

11. Capital management (Continued)

or lower, up to a maximum of 5% of bond portfolio, may be held but only with prior approval of the Pension Committee. Investments in BBB bonds is permitted up to 15% of the bond portfolio. Investments in any one corporate issue may not exceed 10% of the total bond component, except for securities of or fully guaranteed by the government of Canada or a province of Canada having at least an A rating on the Dominion Bond Rating Service (DBRS) or equivalent credit rating. Short-term securities will be limited to those of the highest quality to minimize risk, namely those with a minimum rating of R1.

The SIP&G outlines the acceptable target asset allocation range to be managed by each manager. The maximum target allocation to any one manger is 30%. The manager asset allocation percentages are monitored quarterly and managers are rebalanced back to the maximum allocation, if necessary.

There has been no change in the overall strategy employed during the year ended December 31, 2008.

12. Subsequent event

Subsequent to year end the Plan was advised by one of its investment managers of a decision to write down an investment in the portfolio to reflect a security liquidation in the approximate amount of $124,500. The 2008 financial statements have not been adjusted to reflect this event.