Grant Thornton

Financial Statements

Pension Plan for Certain Bargaining Employees of New Brunswick Hospitals

December 31, 2011

Contents

Independent auditor's 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 accompanying financial statements of the Pension Plan for Certain Bargaining Employees of New Brunswick Hospitals which comprise the statement of financial position as at December 31, 2011 and December 31, 2010, and the statements of changes in net assets available for benefits and statement of changes in pension obligations for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's

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Independent auditors' report (Cont'd)

internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Pension Plan for Certain Bargaining Employees of New Brunswick Hospitals as at December 31, 2011 and December 31, 2010, and the changes in net assets available for benefits and changes in pension obligations for the year then ended in accordance with the Canadian accounting standards for pension plans.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the pension plan's accrued pension benefits exceed its net assets available for benefits by $384,005,575.

This situation, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Pension Plan's ability to continue as a going concern.

Grant Thornton LLP

Fredericton, NB
June 8, 2012

Chartered accountants

Pension Plan For Certain Bargaining Employees of New Brunswick Hospitals
Statement of Financial Position

December 31,	2011	2010
Assets		
Investments, held by custodian (Note 5)	**$ 1,109,757,598**	$ 1,135,706,191
Prepaid expenses	**2,230**	935
	1,109,759,828	1,135,707,126
Contributions receivable (Note 6)		
Employee contributions	**3,691,055**	3,788,023
Employer contributions	**3,463,167**	3,556,143
Reciprocal transfers	**66,528**	60,582
	1,116,980,578	1,143,111,874
Liabilities		
Payables	**961,843**	954,092
Pension refunds payable	**208,992**	585,285
Commuted value payable (Note 7)	**2,787,646**	304,075
Reciprocal transfer	**38,672**	-
	3,997,153	1,843,452
Net assets available for benefits	**1,112,983,425**	1,141,268,422
Pension obligations (Note 8)	**1,496,989,000**	1,406,755,000
Deficiency	**$ (384,005,575)**	$ (265,486,578)

Going concern (Note 1)

ON BEHALF OF THE COMMITTEE

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,		2011		2010
Contributions				
Employee current	$	**26,295,057**	$	25,430,484
Employee past		**1,130,274**		863,732
Employer current		**26,295,875**		25,430,692
Employer past		**192,287**		170,098
Reciprocal transfers		**1,213,852**		1,670,042
		55,127,345		53,565,048
Revenue				
Investment income (Note 9)		**30,089,433**		32,048,116
Realized gain on sale of investments		**32,136,964**		7,250,475
Unrealized current period change in market value of investments		**(99,695,500)**		76,069,214
		(37,469,103)		115,367,805
		17,658,242		168,932,853
Expenses				
Benefit payments				
Retirement benefit payments		**33,518,492**		30,256,000
Termination benefit payments		**3,026,075**		2,290,168
Death benefit payments		**2,119,630**		388,524
Marriage breakdown		**397,189**		278,617
Reciprocal transfers		**106,302**		38,411
Phased retirement		**1,200,552**		1,016,760
		40,368,240		34,268,480
Fees and expenses				
Performance measurement service		**80,670**		75,070
Custodial fees		**127,310**		135,228
Investment management fees		**3,120,425**		2,537,224
Administration expenses (Note 10)		**1,613,124**		1,419,862
Transaction costs		**633,470**		859,581
		5,574,999		5,026,965
		45,943,239		39,295,445
(Decrease) increase in net assets available for benefits		**(28,284,997)**		129,637,408
Net assets available for benefits, beginning of year		**1,141,268,422**		1,011,631,014
Net assets available for benefits, end of year	**$**	**1,112,983,425**	$	1,141,268,422

See accompanying notes to the financial statements.

Pension Plan For Certain Bargaining Employees of New Brunswick Hospitals
Statement of Changes in Pension Obligations

Year Ended December 31,	2011	2010
Pension obligations, beginning of year	**$ 1,406,755,000**	$ 1,275,005,000
Experience loss due to change in assumptions and membership demographics	**(18,796,000)**	24,149,000
Employee and employer regular contributions	**52,976,000**	51,202,000
Employee and employer contributions for past service	**937,000**	693,000
Employee and employer contributions transferred in from reciprocal transfer	**1,214,000**	1,670,000
Balance of current service cost	**2,109,000**	1,862,000
Benefit payments	**(40,368,000)**	(34,268,000)
Interest on liabilities	**91,605,000**	85,744,000
Interest on net increases for the year	**557,000**	698,000
	90,234,000	131,750,000
Pension obligations, end of year	**$ 1,496,989,000**	$ 1,406,755,000

See accompanying notes to the financial statements.

1. Going concern

These financial statements have been prepared on the basis of accounting principles applicable to a "going concern", which assume that the Pension Plan will continue in operation for the foreseeable future and will be able to realize its assets and discharge its obligations in the normal course of operations.

However, several adverse conditions and events may cast substantial doubt upon the validity of this assumption. The Pension Plan has incurred a significant deficiency in net assets available for benefits in the amount of $384,005,575.

The Pension Plan's continued existence is dependent upon its ability to restore and maintain sustainable contributions, investment returns and benefits to members.

The Pension Committee made an application to the Court for advice and direction under the New Brunswick Rules of Court in an effort to clarify the Pension Committee's position and authority regarding actions to address the pension plan's long-term sustainability. A decision regarding this application was received in July 2011. Since the decision, the two union parties, New Brunswick Nurses Union and New Brunswick Union of Public and Private Employees, have been meeting with a government appointed Public Sector Pension Review Task Force and the provincial government to consider alternatives for redesign of the CBE plan in order to make it sustainable for the long term.

If the "going concern" assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported increases and decreases in net assets, and the classifications used in the statement of financial position, changes in net assets available for benefits and changes in pension obligations.

2. Description of plan

The following description of the Pension Plan for Certain Bargaining Employees of the Province of New Brunswick Hospitals 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.

2. Description of plan (continued)

(c) Pension benefits

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.

(e) Death benefits

If a member dies prior to retirement and before completing 5 years of continuous employment, the benefit payable to the 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.

2. Description of plan (continued)

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. Effective August 16, 2011, both parties of the reciprocal transfer agreement agreed to suspend the agreement until further notice.

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3. Statement of compliance with Canadian accounting standards for pension plans and summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for pension plans.

Accounting standards for pension plans require entities to select accounting policies for accounts that do not relate to its investment portfolio or pension obligations in accordance with either Part I (International Financial Reporting Standards ("IFRS")) or Part II (Canadian accounting standards for private enterprises ("ASPE")) of the CICA Handbook. The Plan selected to apply Part II for such accounts on a consistent basis and to the extent that these standards do not conflict with the requirements of the accounting standards for pension plans.

(a) Basis of presentation

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

3. Statement of compliance with Canadian accounting standards for pension plans and summary of significant accounting policies (continued)

purpose of establishing and maintaining the Pension Plan for Certain Bargaining Employees of New Brunswick Hospitals.

(b) Financial instruments

Financial assets and financial liabilities are recognized when the Plan becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

All financial assets and financial liabilities are initially measured at fair value. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act.

Financial assets and financial liabilities are subsequently measured as described below.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash within three months of deposit.

Investment assets and investment liabilities

All investment assets and investment liabilities are measured at fair value at the date of the statement of financial position in accordance with IFRS 13 Fair Value Measurement in Part I of the CICA Handbook. Fair values of investment assets and liabilities are determined as follows:

1. Short-term notes and deposits are valued at cost plus accrued interest which approximates fair value.
2. Currency forwards are financial contracts the value of which is derived from the value of underlying assets, indices, interest rates or exchange rates.
3. Bonds and other fixed income securities are valued at closing bid prices. Where the bid price is not available, fair value is calculated using discounted cash flows based on current market yields of instruments with similar characteristics.
4. Pooled funds are valued at the unit value supplied by the pooled fund administrator and which represent the Plan's proportionate share of underlying net assets at fair value determined using closing bid prices
5. Equities are valued at quoted year end closing prices. Where the bid price is not available or reliable, fair value is determined using accepted industry valuation methods.

3. Statement of compliance with Canadian accounting standards for pension plans and summary of significant accounting policies (continued)

Transaction costs are not included in the fair value of investment assets and investment liabilities either on initial recognition or on subsequent re-measurement. Transaction costs are included in the statement of changes in net assets available for benefits as part of expenses incurred in the period.

Investment income, excluding changes in the fair value of investment assets and investment liabilities are presented in the statement of changes in net assets available for benefits.

Financial liabilities

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

(c) Pension obligations

The Plan is a defined benefit plan established for members. The pension obligations recognized in the statement of financial position are the actuarial present value of accrued pension benefits determined by applying best estimate assumptions and the projected accrued benefit actuarial cost method.

(d) Net investment income

Income from investments is recognized on an accrual basis and includes dividend income, interest income, and net of investment manager fees.

(e) Realized and unrealized gain or loss on investments

Realized gains or losses on sale of investments are the difference between the proceeds received and the average cost of investments sold.

Unrealized gains or losses on investments represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognized unrealized gains and losses in respect of disposals during the year.

(f) Pension 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.

3. Statement of compliance with Canadian accounting standards for pension plans and summary of significant accounting policies (continued)

(g) Translation of foreign currencies

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the transaction date. Investments and other monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the year-end date with any resulting foreign exchange gain or loss included in net investment income.

(h) Estimation uncertainty

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, revenue and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management, and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, revenue and expenses are discussed below.

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Pension obligations

Management estimates the pension obligations annually with the assistance of an independent actuary; however, the actual outcome may vary due to estimation uncertainties.

4. First-time adoption of accounting standards for pension plans

These are the Plan’s first financial statements prepared in accordance with Canadian accounting standards for pension plans (“new standards”). The date of transition to these new standards is January 1, 2010.

These financial statements of the Plan have been prepared using policies specified by those standards that are in effect at the end of the reporting period ended December 31, 2011. The significant accounting policies that have been applied in the preparation of these financial statements are summarized in Note 3. These accounting policies have been applied retrospectively to all prior periods presented.

4. First-time adoption of accounting standards for pension plans (continued)

The plan has elected to early adopt IFRS 13 for the year ended December 31, 2011. This standard provides guidance on measurement and disclosure of fair value of financial instruments. IFRS 13 is applied on a prospective basis with no restatement of prior periods.

The transition to the new standards have no effect on net assets available for benefits, financial position and changes in pension obligations.

5. Investments, held by custodian

	2011	2010
Investments		
Short term	**$ 38,916,314**	$ 43,631,677
Fixed income	**360,169,625**	344,466,181
Equities	**703,018,638**	743,692,338
Accrued income	**2,517,265**	2,598,693
Cash	**5,927,353**	3,777,822
Commitments derivatives	**(791,597)**	(2,460,520)
	$1,109,757,598	$1,135,706,191

6. Contributions receivable

All of the Plan's contributions receivable have been reviewed for indicators of impairment. No contributions receivable were found to be impaired at year end.

	2011	2010
Employee - current	**$ 3,456,810**	$ 3,551,679
Employee – past	**234,245**	236,344
	3,691,055	3,788,023
Employer – current	**3,463,167**	3,551,613
Employer – past	**-**	4,530
	3,463,167	3,556,143
Reciprocal transfers	**66,528**	60,582
	$ 7,220,750	$ 7,404,748

7. Commuted value payable

Due to the Plan's current funding deficiencies, a motion was passed at the September 15, 2009 pension committee meeting to apply a transfer ratio to future commuted value payouts. As determined by the valuation, the percentage to be paid at date of initial payout is 47.1% and the remaining balance is to be paid no later than 5 years from the initial payout.

The pension commuted value payables (including accumulated interest) are payable as follows:

2015	$ 309,853
2016	$ 2,414,512
2017	$ 63,281

8. Pension obligations

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. The latest valuation is as December 31, 2010, extrapolated to December 31, 2011 and prepared by Morneau Shepell. For more complete information, reference should be made to the actuarial valuation. The following is a summary only of the significant actuarial assumptions used in the valuation.

		Long-term Assumptions
Interest		6.60%
Salary increases	2011	3.00%
	2012-2013	0.00%
	Post 2013	3.25%
Inflation		2.50%
Pensioner cost-of-living increases		2.50%

The next required actuarial valuation is as at December 31, 2013, however it is anticipated that an actuarial valuation will be performed as at December 31, 2011.

9. Investment income

	2011	2010
Canadian equities	**$ 13,626,810**	$ 11,616,017
Foreign equities	**2,376,587**	4,702,064
Fixed income	**13,654,907**	15,428,324
Short term investments	**359,686**	150,444
Securities lending income	**71,443**	151,267
	$ 30,089,433	$ 32,048,116

10. Administration expenses

	2011	2010
Administration fees	**$ 933,328**	$ 811,868
Audit fees	**18,960**	15,550
Actuarial and related consulting	**496,521**	138,769
Legal fees	**164,315**	453,675
	$ 1,613,124	$ 1,419,862

11. Related party transactions

The plan is provided with certain services from departments of the Province of New Brunswick. These related party transactions are in the ordinary course of business and measured at amounts agreed to by the parties.

During the year, the plan was charged $455,764 (2010 – $428,117) for employee salaries and benefits.

During the year, the plan was charged $51,866 (2010 – $46,904) for information technology services.

Other services provided without consideration during the year include human resource functions.

12. Investment in Plan Sponsor

As at December 31, 2011, the Plan held $3,855,136 in securities issued by the Province of New Brunswick.

As at December 31, 2010, the Plan held $4,993,816 in securities issued by the Province of New Brunswick.

13. 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, liquidity 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.

13. Risk management (continued)

As at December 31, 2011, the Plan invested in debt instruments with the following credit ratings:

Debt instrument by credit rating	Percentage of value	
	2011	2010
AAA	47.74%	42.62%
AA	12.44%	16.61%
A	12.95%	13.37%
BBB	8.91%	8.63%
BB	0.58%	1.12%
B	1.12%	0.72%
CCC	0.01%	0.01%
Not Rated	2.96%	3.88%
Short Term Investments		
R-1 (High)	5.71%	7.84%
R-1 (Middle)	2.58%	2.65%
R-1 (Low)	0.07%	0.00%
Not Rated	3.61%	2.31%
Assets held within managers' fixed income pooled funds		
Canadian Equity	0.00%	0.04%
US Equity	0.02%	0.06%
Cash	1.30%	0.14%

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.

13. Risk management (continued)

As at December 31, 2011, 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	
	2011	2010
Less than 1 year	**$ 93,488,764**	$ 92,509,402
1-3 years	**106,501,012**	95,270,453
3-5 years	**46,277,167**	32,660,675
Greater than 5 years	**153,594,214**	168,507,855
Other	**5,351,984**	916,400
	$ 405,213,141	$ 389,864,785
Sensitivity	**$ 4,100,659**	$ 3,908,601

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 the following currencies:

	2011		2010	
	Currency Exposure ($)	**Percentage of Net Assets (%)**	Currency Exposure ($)	Percentage of Net Assets (%)
US Dollar	**$ 148,447,536**	**13.36**	$ 117,659,122	10.37
Euro	**40,447,143**	**3.64**	41,852,543	3.69
Japanese Yen	**16,867,665**	**1.52**	17,248,162	1.52
Swiss Franc	**6,578,161**	**0.59**	6,336,849	0.56
Pounds Sterling	**5,473,183**	**0.49**	6,411,257	0.57
Hong Kong Dollar	**4,412,051**	**0.40**	5,721,054	0.50
Others	**11,496,495**	**1.05**	9,995,425	0.87

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.

13. Risk management (continued)

As at December 31, 2011, if the Canadian dollar strengthened or weakened by 1% in relation to the respective exchange rates, with all other variables held constant, net assets would have an increase or decrease, respectively, of approximately $2,337,222 (2010 - $2,052,244).

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

Liquidity risk

Liquidity risk is the risk that the plan does not have adequate liquid resources to meet its present payment demands and to purchase investments in a timely and cost-efficient manner. Liquidity risk is a normal part of Plan operations but can be heightened by market events or investment specific circumstances.

The hedge fund is the only significant or unusual liquidity risk known at present to the Plan. The Plan's investment in the hedge fund represents 4.32% of the total investments (4.63% in 2010). The hedge fund may not have sufficient cash available to pay out redemption requests on a particular date. To reduce this liquidity risk exposure, the hedge fund has implemented a 40 day redemption notice period for investors. Shares of the hedge fund generally may be redeemed on the first day of the month with 40 calendar day's prior written notice.

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 managers moderate this risk through a careful selection and diversification of securities and other financial instruments within the limits of the Plan's investment objectives and strategy. The maximum risk resulting from financial instruments is determined by the market value of the financial instruments. The Plan's overall market positions are monitored on a daily basis by the portfolio managers. Financial instruments held by the Plan are susceptible to market price risk arising from uncertainties about future prices of the instruments.

Note 5 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, 2011 is estimated to be 0.83%, or $9,214,764 (2010 - 0.90%, or $10,231,134).

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

13. Risk management (continued)

Fair value disclosures

The Plan has designated all of its investments to be held for trading. Accordingly, investments are valued at fair value with changes in fair values over time recognized in net income. The determination of fair value is dependent upon the use of measurement inputs with varying degrees of subjectivity. Quoted market prices are the most reliable input for fair value measurement and are referred to as a Level 1 input. Level 2 inputs include prices of comparable investments where a quoted market price for the specific security is not available. Level 3 inputs are subjective factors not observable in a public market. The levels of input for valuation of the Plan's investments are shown in the following tables.

The following fair value hierarchy table presents information about the Plan's assets measured at fair value on a recurring basis as of December 31, 2011.

	Level 1	Level 2	Level 3	**Total**
Equities	$ 592,954,798	$ 62,656,786	$ -	**$ 655,611,584**
Fixed income	269,749	359,872,230	27,644	**360,169,623**
Cash and short term	10,964,469	33,781,179	99,730	**44,845,378**
Hedge fund	-	-	46,613,748	**46,613,748**
	$ 604,189,016	$ 456,310,195	$46,741,122	**1,107,240,333**
Accrued income				**2,517,265**
Total investments				**$1,109,757,598**

The following fair value hierarchy table presents information about the Plan's assets measured at fair value on a recurring basis as of December 31, 2010.

	Level 1	Level 2	Level 3	**Total**
Equities	$ 632,079,543	$ 59,523,282	$ -	**$ 691,602,825**
Fixed income	-	341,527,207	27,662	**341,554,869**
Cash and short term	6,513,240	40,796,330	99,930	**47,409,500**
Hedge fund	-	-	52,540,304	**52,540,304**
	$ 638,592,783	$ 441,846,819	$52,667,896	**1,133,107,498**
Accrued income				**2,598,693**
Total investments				**$1,135,706,191**

13. Risk management (continued)

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

	2011	2010
Balance beginning of year	**$ 52,667,896**	$ 27,693
Purchases	**99,734**	99,930
Sales	**(99,934)**	-
Gain/(loss)	**4**	-
Net transfer into and/or out of level 3	**-**	52,540,304
Change in unrealized appreciation (depreciation)	**(5,926,578)**	(31)
Balance end of year	**$ 46,741,122**	$ 52,667,896

14. 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 investment guidelines outline that the Pension Fund may invest in any or all of the following asset categories and subcategories of investments either directly or through pooled funds, which hold only these investments; Canadian Equity, Foreign Equity, Fixed Income and Cash or Cash Equivalents and various alternative investments including hedge funds, real estate commodities, infrastructure and private equity. 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, 21% - 51% investment in Canadian equities, 14% - 34% investment in international equities (including US equities), 25% - 48% investment in fixed income, and 2%-8% 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 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

14. Capital management (continued)

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.

15. Comparative figures

Certain of the comparative figures have been reclassified to conform with the presentation adopted for the year ending December 31, 2011.

16. Subsequent Event

On May 31, 2012, the provincial government introduced a new pension model through proposed changes to the *NB Pension Benefits Act*. This new pension model is being adopted by the Pension Plan for Certain Bargaining Employees of New Brunswick Hospitals, effective July 1, 2012. The new model provides additional funding through increased member and employer contributions. It also introduces risk management procedures, funding goals and sharing of benefit risks to prudently manage the variability of funding results over time.