

Financial Statements of

**SHARED RISK PLAN FOR ACADEMIC
EMPLOYEES OF THE UNIVERSITY OF NEW
BRUNSWICK**

And Independent Auditors' Report thereon

Year ended June 30, 2021



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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of the Shared Risk Plan for Academic Employees of the University of New Brunswick (AESRP)

Opinion

We have audited the financial statements of the AESRP, which comprise:

- the statement of financial position as at June 30, 2021
- the statement of changes in net assets available for benefits for the year then ended
- the statement of changes in pension obligations for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the AESRP as at June 30, 2021 and its changes in net assets available for benefits and its changes in pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the AESRP in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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



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

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

In preparing the financial statements, management is responsible for assessing the AESRP's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the AESRP or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the AESRP's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the AESRP's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the AESRP's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the AESRP to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Fredericton, Canada

March 21, 2022

SHARED RISK PLAN FOR ACADEMIC EMPLOYEES OF THE UNIVERSITY OF NEW BRUNSWICK

Financial Statements

Year ended June 30, 2021

Financial Statements

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SHARED RISK PLAN FOR ACADEMIC EMPLOYEES OF THE UNIVERSITY OF NEW BRUNSWICK

Statement of Financial Position
(in thousands of dollars)

June 30, 2021, with comparative information for 2020

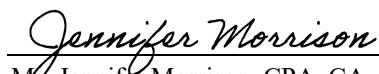
	2021	2020
Assets		
Investments <i>(note 3)</i>	\$ 423,609	\$ 389,221
Contributions receivable from employer	112	186
Contributions receivable from employee	112	186
Taxes recoverable	126	136
	423,959	389,729
Liabilities		
Accounts payable and accrued liabilities	224	252
Net assets available for benefits	423,735	389,477
Pension obligations <i>(note 4)</i>	434,121	418,607
Commitments <i>(note 10)</i>		
Deficit	\$ (10,386)	\$ (29,130)

See accompanying notes to financial statements.

Approved on behalf of the Board of Trustees for the Shared
Risk Plan for Academic Employees of the University of New
Brunswick:



Dr. Norman Betts



Ms. Jennifer Morrison, CPA, CA

SHARED RISK PLAN FOR ACADEMIC EMPLOYEES OF THE UNIVERSITY OF NEW BRUNSWICK

Statement of Changes in Net Assets Available for Benefits

(in thousands of dollars)

Year ended June 30, 2021, with comparative information for 2020

	2021	2020
Increase in net assets:		
Net investment income <i>(note 6)</i>	\$ 34,708	\$ 9,124
Contributions:		
Members	9,404	9,255
University of New Brunswick	9,404	9,255
	53,516	27,634
Decrease in net assets:		
Pension benefits	16,749	15,640
Investment management	752	752
Lump sum settlements	1,036	247
Administrative expenses <i>(note 7)</i>	721	565
	19,258	17,204
Increase in net assets	34,258	10,430
Net assets available for benefits, beginning of year	389,477	379,047
Net assets available for benefits, end of year	\$ 423,735	\$ 389,477

See accompanying notes to financial statements.

SHARED RISK PLAN FOR ACADEMIC EMPLOYEES OF THE UNIVERSITY OF NEW BRUNSWICK

Statement of Changes in Pension Obligations
(in thousands of dollars)

Year ended June 30, 2021, with comparative information for 2020

		2021		2020
Actuarial present value of pension obligations, beginning of year	\$	418,607	\$	406,174
Interest accrued on benefits		16,630		16,173
Normal actuarial cost		12,712		12,178
Benefits paid		(18,442)		(15,887)
Experience gains		(557)		(31)
Application of funding policy		9,361		—
Change in actuarial basis		(4,190)		—
Actuarial present value of pension obligations, end of year	\$	434,121	\$	418,607

See accompanying notes to financial statements.

SHARED RISK PLAN FOR ACADEMIC EMPLOYEES OF THE UNIVERSITY OF NEW BRUNSWICK

Notes to Financial Statements
(in thousands of dollars)

Year ended June 30, 2021

1. Description of Plan

The following description of the Shared Risk Plan for Academic Employees of the University of New Brunswick (the AESRP, or the Plan) is a summary of the main features of the plan only. For more complete information, reference should be made to the Plan Text.

By Agreement dated March 31, 2014 (the Shared Risk Agreement) the University of New Brunswick (the University) and the Association of University of New Brunswick Teachers (the AUNBT) agreed to convert the Pension Plan for Academic Employees of the University of New Brunswick (AEPP) into a Shared Risk Pension Plan (SRPP) in accordance with the Shared Risk Agreement and applicable legislation. The effective date of the conversion was July 1, 2013 (the Conversion Date).

SRPPs are legislated under the *New Brunswick Pension Benefits Act* which contains a number of requirements that must be met in order to qualify for registration by the New Brunswick Superintendent of Pensions. SRPPs are also subject to the *Federal Income Tax Act*. SRPPs are governed by a Board of Trustees. The objectives of SRPPs are to provide secure, but not guaranteed pension benefits to members of the plans as well as predictability and stability in contributions rates to both employers and employees.

The University shares the significant risk of the Plan on an equitable basis with the Plan members. Funding contributions, including any contribution adjustments, are shared equally (50/50 basis) between the University and the Plan members. There is a joint governance structure in place whereby the University and the AUNBT appointed Trustees share control over decisions relating to the administration of the Plan and the level of benefits and contributions. Each party appoints an equal number of Trustees.

The University has no financial obligation or responsibility except to make contributions at the prevailing employer contribution rate as dictated by the Funding Policy.

The characteristics of the AESRP as described in the agreement between the University and the AUNBT to convert the former AEPP to the AESRP are as follows:

- i. Purpose of AESRP is to provide secure (but not guaranteed) pension benefits
- ii. Risk focused management approach to provide high degree of certainty that base benefits can be paid in the majority of future scenarios
- iii. Future cost of living adjustments (COLAs) and best average salary formula based benefits are replaced by contingent indexing
- iv. Plan is to provide a reasonable expectation, but no guarantee that some COLA can be granted
- v. Plan designed to result in low probability of base benefits ever being reduced
- vi. Funding Policy will include specific steps to recover from unacceptable funding levels that take priority over reduction of base benefits

SHARED RISK PLAN FOR ACADEMIC EMPLOYEES OF THE UNIVERSITY OF NEW BRUNSWICK

Notes to Financial Statements

(in thousands of dollars)

Year ended June 30, 2021

1. Description of Plan *(continued)*

(a) General

The AEPP

The AEPP was established under a trust agreement between the University and the AUNBT. The AEPP provided pension and ancillary benefits to eligible academic employees of the University for service from January 1, 1993. The AEPP provided pensions based on length of service and final average earnings. The AEPP was registered under the *Pension Benefits Act* of the Province of New Brunswick.

The AESRP

The University and the AUNBT signed an amendment to the AEPP trust agreement to establish the AESRP. The Plan provides benefits to eligible academic employees of the University for service from July 1, 2013 while a member of the Plan and for service from January 1, 1993 while a member of the AEPP. The Plan is registered under the *Pension Benefits Act* of the Province of New Brunswick.

(b) Funding Policy *(note 5)*

The Plan is financed by contributions from both Plan members and the University. Members are required to contribute at the initial contribution rates specified in the Plan expressed as a percentage of pensionable salary up to the maximum pensionable salary under the *Income Tax Act*. The initial contribution rates specified in the Plan may be adjusted by the Board of Trustees from time to time, subject to the triggering mechanism and limitations imposed by the Plan's Funding Policy. Initial member contribution rates have been set at a blended (above and below YMPE) rate of 11.5% of pensionable earnings to be matched by the University. Rates can fluctuate in accordance with the Funding Policy to a maximum of 2.25% above or below the initial contribution rates.

(c) Service pensions

Members who retired prior to the Conversion Date, surviving spouses or beneficiaries in receipt of a pension prior to the Conversion Date, and members with a deferred pension entitlement prior to the Conversion Date receive an annual pension under the Plan equal to the amount of pension paid or payable at the Conversion Date, plus all base COLAs granted by the Board of Trustees.

Members who retire, terminate employment or die on or after the Conversion Date receive an annual pension equal to the sum of:

For each year of pensionable service before July 1, 2007 while a member of the AEPP the sum of:

- i. 1.3% of the member's indexed best 60 consecutive months' average salary at conversion up to the Indexed Average Yearly Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan at conversion; plus
- ii. 2.0% of the member's indexed best 60 consecutive months' average salary at conversion in excess of the Indexed Average Yearly Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan at conversion; plus

SHARED RISK PLAN FOR ACADEMIC EMPLOYEES OF THE UNIVERSITY OF NEW BRUNSWICK

Notes to Financial Statements

(in thousands of dollars)

Year ended June 30, 2021

1. Description of Plan *(continued)*

(c) Service pensions *(continued)*

For each year of pensionable service between July 1, 2007 and June 30, 2013 while a member of the AEPP, the sum of:

- i. 1.0% of the member's indexed best 60 consecutive months' average salary at conversion up to the Indexed Average Yearly Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan at conversion; plus
- ii. 1.7% of the member's indexed best 60 consecutive months' average salary at conversion in excess of the Indexed Average Yearly Maximum Pensionable Earnings (YMPE) under the Canada Pension Plan at conversion; plus

For each year of pensionable service while a member of the Plan, on or after the Conversion Date:

A. For members who retire or terminate employment after the Conversion Date, the sum of:

- i. 1.1% of the member's indexed pensionable salary up to the indexed YMPE; plus
- ii. 1.8% of the member's indexed pensionable salary up to the Maximum Pensionable salary at the date of determination in excess of the indexed YMPE; and

B. For members who die on or after the Conversion Date, a lump sum payment equal to the greater of:

- i. the Termination Value of the pension that the member had accrued to the date of the members death and
- ii. member's contribution with credited interest

All Base Pension COLAs granted by the Board of Trustees following the member's date of retirement, termination of employment or death prior to termination of employment, as applicable.

Normal retirement age is 65 with reduced benefits available starting at age 55.

(d) Survivors' pensions

If the member is in receipt of a pension at date of death, the pension payable to the surviving spouse is equal to 60% of the member's accrued pension, payable for the lifetime of the spouse. A children's pension is payable where a member dies without leaving an eligible spouse or where a surviving spouse dies. The total children's pension is equal to the surviving spouse's pension and is payable until each child reaches the age of 18.

SHARED RISK PLAN FOR ACADEMIC EMPLOYEES OF THE UNIVERSITY OF NEW BRUNSWICK

Notes to Financial Statements

(in thousands of dollars)

Year ended June 30, 2021

1. Description of Plan *(continued)*

(d) Survivor Pensions *(continued)*

In the event of the death of a Member before commencing receipt of a retirement pension and after completing 2 years of Plan Membership:

- A. With respect to benefits for periods of Pensionable Service accrued prior to the Conversion Date, the pension payable to the surviving spouse is 60% of the pension that the Member had accrued to the date of death. A children's pension is payable where a member dies without leaving an eligible spouse or where a surviving spouse dies. The total children's pension is equal to the surviving spouse's pension and is payable until each child reaches the age of 18.

Plus

- B. With respect to benefits for periods of Pensionable Service accrued on or after the Conversion Date, the pension payable to the surviving spouse or, if there is no Spouse, the Member's beneficiary, a lump sum payment equal to the greater of the Termination Value of the pension that the Member had accrued to the date of the Member's death, and the Member's contributions with Credited Interest.

(e) Minimum death benefit

The benefits payable on or after the death of a non-retired member are guaranteed to be at least equal to the member's contributions to the Plan and to the AEPP with credited interest. In addition, where a survivor spouse's pension or a children's pension ceases to be payable and no person remains to whom a pension is subsequently payable, a lump sum benefit will be payable to the member's beneficiary or estate equal to the amount, if any, by which the member's own contributions to the Plan and the AEPP plus credited interest thereon exceeds the total of all pension payments made in respect of the member.

(f) Termination benefits

A member whose employment terminates after completing two years of Plan membership is eligible to receive a deferred pension commencing at age 65 (as calculated under (c)) equal to the pension accrued at the date of termination adjusted for Base Pension COLAs granted by the Board of Trustees since termination. Such a member may elect to start receiving pension payments on the first day of any month within 10 years preceding normal retirement date. In that case, the amount of early retirement pension will be equal to the normal retirement pension reduced by 5/12 of 1% for each month preceding normal retirement date for periods of service prior to the Conversion Date and to the actuarial equivalent pension for periods of service after the Conversion Date. The amount of deferred pension is also subject to the minimum requirements of New Brunswick pension legislation.

Such a member may elect to leave his or her entitlements in the Plan or, if not entitled to an immediate early retirement pension, transfer the termination value to a subsequent employer's pension plan, to an individual Registered Retirement Saving arrangement or to purchase a lifetime pension.

Any other terminating member is entitled to a refund of his or her contributions with interest.

SHARED RISK PLAN FOR ACADEMIC EMPLOYEES OF THE UNIVERSITY OF NEW BRUNSWICK

Notes to Financial Statements
(in thousands of dollars)

Year ended June 30, 2021

1. Description of Plan *(continued)*

(g) Pension escalation

The Plan provides that Base COLA may be provided by the Board of Trustees in accordance with the Funding Policy. Base COLA is comprised of Base Pension COLA and Base Consumer Price Index (CPI) COLA.

Base Pension COLA may be granted by the Board of Trustees in accordance with the Funding Policy for members who are receiving a pension or have terminated employment at the relevant date. The amount of eligible Base Pension COLA for a given year is determined based on the target indexing formula, which varies by period of pensionable service.

Base CPI COLA may be granted by the Board of Trustees in accordance with the Funding Policy for members who are accruing benefits at the relevant date. The amount of eligible Base CPI COLA for a given year is determined as 100% of the increase in the average CPI for the 12-months ending June 30 of the current year over the average CPI for the 12-months ending June 30 of the previous year.

Eligible Base Pension COLA and eligible Base CPI COLA for a given year may only be partially granted or waived depending on the funding excess available and the funding excess utilization priorities specified in the Funding Policy.

2. 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 separate financial reporting entity independent of the University and the AUNBT. They 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 (*see note 5 for Funding Policy*).

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

In selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, Canadian accounting standards for pension plans require the Plan to comply on a consistent basis with either International Financial Reporting Standards (IFRS) in Part I of the CPA Canada Handbook – Accounting or Canadian accounting standards for private enterprises (ASPE) in Part II of the CPA Canada Handbook – Accounting. The Plan has chosen to comply on a consistent basis with ASPE.

(b) Financial assets and financial liabilities

(i) Non-derivative financial assets

Financial assets are recognized initially on the trade date, which is the date that the Plan becomes a party to the contractual provisions of the instrument. Upon initial recognition, attributable transaction costs are recognized in the statements of changes in net assets available for benefits as incurred.

The Plan measures all of its investments at fair value through the statements of changes in net assets available for benefits.

SHARED RISK PLAN FOR ACADEMIC EMPLOYEES OF THE UNIVERSITY OF NEW BRUNSWICK

Notes to Financial Statements

(in thousands of dollars)

Year ended June 30, 2021

2. Significant accounting policies *(continued)*

(b) Financial assets and financial liabilities *(continued)*

(i) Non-derivative financial assets *(continued)*

All other non-derivative financial assets are measured at amortized cost.

The Plan derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

On derecognition of a financial asset, the difference between the carrying amount of the asset and consideration received is recognized in investment income in the statement of changes in net assets available for benefits.

(ii) Non-derivative financial liabilities

All financial liabilities are recognized initially on the trade date at which the Plan becomes a party to the contractual provisions of the instrument.

The Plan derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

The Plan considers its accounts payable and accrued liabilities to be a non-derivative financial liability.

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Plan has a legal right to offset the amounts and it intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

(c) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

As allowed under IFRS 13, if an asset or liability measured at fair value has a bid and an ask price, the price within the bid-ask spread that is the most representative of fair value in the circumstances shall be used to measure fair value. The Plan uses closing market price as a practical expedient for fair value measurement.

When available, the Plan measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of the investments is based on the calculated daily net asset value per unit multiplied by the number of units held and represents the Plan's proportionate share of the underlying net assets at fair value determined using closing market prices.

(d) Foreign currency

Transactions in foreign currencies are translated into Canadian dollars at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into Canadian dollars at the exchange rate at that date.

SHARED RISK PLAN FOR ACADEMIC EMPLOYEES OF THE UNIVERSITY OF NEW BRUNSWICK

Notes to Financial Statements

(in thousands of dollars)

Year ended June 30, 2021

2. Significant accounting policies (*continued*)

(e) Net investment income

Net investment income includes realized and unrealized gains and losses in the value of the units held.

(f) Contributions

Contributions from members and the University are recorded on an accrual basis. Required University and member contribution rates are determined by the Board of Trustees in accordance with the Funding Policy. The rates consist of the Funding Policy normal cost plus an additional amount required to meet the primary and secondary risk management goals for the Plan. Contributions are not identified as current service and past service contributions.

(g) Use of estimates and judgments

The preparation of the financial statements requires judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities at the date of the statement of financial position and the reported amounts of changes in net assets available for benefits during the year. Significant estimates and judgments are required in determining the reported estimated fair value of Level 3 investments and the measurement of pension obligations, since these determinations may include estimates of expected future cash flows, rates of return, rate of retirement, mortality, rates in termination, discount rates and the impact of future events. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

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

(h) Income taxes

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

3. Investments

The Plan has entered into an Investment Management Agreement with Vestcor Inc. (Vestcor). Under the terms of this agreement, Vestcor assumed custody of the assets of the pension fund. Each pooled fund and limited partnerships has a specific mandate. Investing in the pooled funds and limited partnerships enables the Plan to achieve its required asset class weights in accordance with its Statement of Investment Policies and Procedures (SIPP). Following is a description of each pooled fund and limited partnerships which an interest is held by the Plan as at June 30, 2021:

NBIMC Nominal Bond Fund

This fund invests primarily in investment grade bonds (a minimum of triple-B rated by a major rating agency) of G-7 countries and Canadian provinces paying a nominal rate of interest. Its benchmark is the FTSE Canada All Government Bond Index.

SHARED RISK PLAN FOR ACADEMIC EMPLOYEES OF THE UNIVERSITY OF NEW BRUNSWICK

Notes to Financial Statements
(in thousands of dollars)

Year ended June 30, 2021

3. Investments (continued)

NBIMC Corporate Bond Fund

This fund invests primarily in investment grade corporate bonds (a minimum of triple-B rated by a major rating agency) paying a nominal rate of interest. Its benchmark is the FTSE Canada All Corporate Bond Index.

NBIMC International High Yield Fixed Income Fund

This fund is managed by external managers and actively invests in securities in the Bloomberg Barclays Global High Yield Total Return Index \$C Hedged.

NBIMC Money Market Fund

This fund invests primarily in fixed income securities having a maturity of less than one year. Its benchmark is calculated as 93% of the FTSE Canada 91 Day T-Bill Index plus 7% One-day Canadian Call Loan Rate.

NBIMC Low Volatility Canadian Equity Fund

This fund actively invests in securities to gain exposure to the MSCI Canada Minimum Volatility Total Return Index, Gross. Its benchmark is the MSCI Canada Minimum Volatility Total Return Index, Gross.

NBIMC External International Equity Fund

This fund invests in publicly traded equities in markets in Europe, Australasia and the Far East. Its benchmark is the MSCI EAFE Total Return Index in \$C, Net.

NBIMC EAFE Equity Index Fund

This fund invests in securities in the MSCI EAFE Total Return Index in \$C, Net. Its benchmark is the MSCI EAFE Total Return Index in \$C, Net.

Vestcor Low Volatility International Equity Fund

This fund actively invests in securities in the MSCI World (ex. Canada) Minimum Volatility Total Return Index (USD), in \$C, Net. Its benchmark is the MSCI World (ex. Canada) Minimum Volatility Total Return Index (USD), in \$C, Net.

NBIMC Low Volatility Emerging Markets Equity Fund – Class N

This fund actively invests in securities in the MSCI Emerging Markets Minimum Volatility Total Return Index in \$C, Net. Its benchmark is the MSCI Emerging Markets Minimum Volatility Total Return Index in \$C, Net.

NBIMC U.S. Equity Index (2017) Fund

This fund passively invests in physical securities and derivatives to gain exposure to the S&P 500 Index. Leverage on derivative products is avoided by ensuring each derivative product is supported by an appropriate value of short-term investments. Its benchmark is the S&P 500 Total Return Index in \$C.

NBIMC Low Volatility U.S. Equity (2017) Fund

This fund actively invests in securities to gain exposure to the MSCI USA Minimum Volatility (USD) Total Return Index in \$C, Net. Its benchmark is the MSCI USA Minimum Volatility (USD) Total Return Index in \$C, Net.

SHARED RISK PLAN FOR ACADEMIC EMPLOYEES OF THE UNIVERSITY OF NEW BRUNSWICK

Notes to Financial Statements

(in thousands of dollars)

Year ended June 30, 2021

3. Investments (continued)

NBIMC Canadian Real Estate Investment Trust Fund

This fund invests in publicly traded Canadian real estate investment trust (REIT) securities. Its benchmark is the S&P/TSX Capped REIT Total Return Index.

Vestcor Investments Private Real Estate, L.P.

This fund invests in private domestic and international real estate investments through co-investments, limited partnerships or similar investment vehicles. Its benchmark is a 4% real rate of return.

Vestcor Investments Private Real Estate 2, L.P.

This fund invests in private domestic and international real estate investments through co-investments, limited partnerships or similar investment vehicles. Its benchmark is a 4% real rate of return.

Vestcor Real Estate Fund Feeder Inc.

This entity is a real estate investment corporation that has invested in the Vestcor Real Estate Fund Limited Partnership (VREFLP). VREFLP invests directly in private domestic real estate investments. Its benchmark is a 4% real rate of return.

NBIMC International Real Estate (2017) Fund

This fund invests primarily in publicly traded securities of international REITs. Its benchmark is the countries' blended REIT Equity Indices in \$C (currently FTSE NAREIT All Equity REIT Total Return Index in \$C), net of fees.

NBIMC Public Infrastructure (2017) Fund

This fund provides additional investment diversification by providing infrastructure-like exposure with enhanced liquidity. Its benchmark is a 4% real rate of return.

Vestcor Investments Infrastructure, L.P.

This fund provides additional investment diversification through direct investment in infrastructure through co-investment structures. Its benchmark is a 4% real rate of return.

The Plan has also directly invested in two investments: Fiera Real Estate Core Fund and Global Diversified Infrastructure Fund that are managed by managers external to Vestcor.

Fiera Real Estate Core Fund (Managed by Fiera Real Estate Investments Limited)

This fund invests directly and indirectly in a diversified portfolio of real estate properties in well-populated, urban centres across Canada. The fund's objective is to provide investors with capital appreciation and low return volatility along with regular operating cash flows. Its benchmark is a 4% real rate of return.

Global Diversified Infrastructure Fund (Managed by Colonial First State Infrastructure Managers (Australia) Pty Ltd.

This fund invests in a diversified portfolio of mature, global unlisted infrastructure assets. The fund aims to generate an average internal rate of return of 9% per annum including a net cash yield of 4% to 6% per annum over the long-term.

SHARED RISK PLAN FOR ACADEMIC EMPLOYEES OF THE UNIVERSITY OF NEW BRUNSWICK

Notes to Financial Statements

(in thousands of dollars)

Year ended June 30, 2021

3. Investments (continued)

Vestcor Investments Private Equity, L.P.

This fund invests primarily in non-publicly traded securities of U.S. and European companies. Its benchmark is a weighted average of the S&P/TSX, S&P 500 and MSCI EAFE total return indices in \$C.

Following are details of the investments as at June 30, 2021:

<i>(thousands, except for number of units and unit value)</i>	Number of Units (rounded)	Unit Value (in dollars)	Fair Value 2021	Fair Value 2020
Fixed Income				
NBIMC Nominal Bond Fund	23,885	3,090	73,796	\$ 63,470
NBIMC Corporate Bond Fund	47,946	1,479	70,900	69,762
NBIMC International High Yield Fixed Income Fund	51,375	1,231	63,226	54,552
NBIMC Money Market Fund	1,471	1,711	2,516	1,699
			210,438	189,483
Equities				
NBIMC Low Volatility Canadian Equity Fund	3,839	2,224	8,537	8,461
NBIMC External International Equity Fund	2,008	3,029	6,083	7,344
NBIMC EAFE Equity Index Fund	7,356	2,057	15,133	14,074
NBIMC Low Volatility International Equity Fund	—	—	—	22,887
Vestcor Low Volatility International Equity Fund	58,296	1,036	60,389	—
NBIMC Low Volatility Emerging Markets Equity Fund - Class N	13,423	1,226	16,462	16,058
NBIMC U.S. Equity Index (2017) Fund	3,091	5,151	15,919	16,692
NBIMC Low Volatility U.S. Equity (2017) Fund	—	—	—	34,775
			122,523	120,291
Real Assets				
NBIMC Canadian Real Estate Investment Trust Fund	3,179	1,903	6,049	8,020
Vestcor Investments Private Real Estate, L.P. Series I	2,501	1,278	3,196	5,843
Vestcor Investments Private Real Estate, L.P. Series III	994	1,115	1,108	2,039
Vestcor Investments Private Real Estate 2, L.P. Series I	2,209	1,152	2,546	3,434
Vestcor Investments Private Real Estate 2, L.P. Series II	56	618	35	30
Vestcor Real Estate Fund Feeder Inc.	8,813	1,021	8,999	381
NBIMC International Real Estate (2017) Fund	2,906	10,514	30,550	24,414
NBIMC Public Infrastructure (2017) Fund	5,550	1,257	6,975	15,613
Vestcor Investments Infrastructure, L.P. Series I	2,364	1,662	3,929	3,591
Vestcor Investments Infrastructure, L.P. Series II	1,158	1,292	1,496	1,495
Vestcor Investments Infrastructure, L.P. Series III	3,231	1,044	3,374	2,671
Vestcor Investments Infrastructure, L.P. Series IV	7,839	967	7,583	—
Fiera Real Estate Core Fund	1,797	1,242	2,232	2,144
Global Diversified Infrastructure Fund	15,826,562	0.4679	7,406	7,288
			85,478	76,963
Alternative Investments				
Vestcor Investments Private Equity, L.P. Series II	2,983	1,150	3,430	2,486
Vestcor Investments Private Equity, L.P. Series III	1,547	1,126	1,742	—
			5,172	2,486
Cash			(2)	(2)
			\$ 423,609	\$ 389,221

SHARED RISK PLAN FOR ACADEMIC EMPLOYEES OF THE UNIVERSITY OF NEW BRUNSWICK

Notes to Financial Statements

(in thousands of dollars)

Year ended June 30, 2021

4. Pension obligations

On conversion to a SRPP, the present value of accrued pension benefits was calculated using the actuarial cost method for Funding Policy valuations prepared to meet the requirements of the *Pension Benefits Act* (New Brunswick) and the Shared Risk Plan Regulation under the Act. The Funding Policy liability has been calculated using the projected unit credit cost method. An actuarial valuation was prepared as of July 1, 2021 by Willis Towers Watson, a firm of consulting actuaries. The next Funding Policy valuation is expected to be performed no later than July 1, 2022.

The Funding Policy liability was calculated as the actuarial present value of each active and disabled member's prospective base benefits and ancillary benefits accrued for credited service to date (the benefit accrual method), excluding any escalated adjustments that do not form part of the base benefits at the actuarial valuation date. However, the Funding Policy liability does include the value of any escalated adjustments attributable to future progress-through-the-ranks (PTR) adjustments in respect of credited service prior to the actuarial valuation date, based on the Indexed PTR adjustment in effect at the actuarial valuation date. The calculation of the actuarial present value of the members' prospective benefits is at least equal to the members' contributions with interest. The Funding Policy liability for retired members and beneficiaries and terminated vested members was calculated as the actuarial present value of their respective benefits.

The financial position of the Plan on a funding-policy basis is determined by deducting the Funding Policy liability from the Funding Policy asset value. For Funding Policy purposes only, the asset value includes the present value of excess contributions of \$84,749 (2020 - \$79,548) defined as the excess of expected contributions less Funding Policy normal cost for each year in the 15 years after the actuarial valuation date. This amount is added to the asset value for policy testing in order to determine the Plan funded status for the purpose of the application of the Funding Policy. The ratio of the Funding Policy liability over the asset value including the present value of excess contributions is referred to as the open group funded ratio. The present value of the excess contributions does not represent an asset as per the accounting standards and is therefore excluded when determining the net assets available for benefit for financial statement purposes.

The main assumptions used in determining the actuarial present value of accrued pension benefits are as follows:

	2021	2020
Discount rate	4.00%	4.00%
Inflation	2.00%	2.00%
Salary escalation rate	1.80% for 1 year, 3.2% thereafter*	1.80% for 1 year, 3% thereafter*
Mortality	2014 Public Sector Canadian Pensioners' Mortality Table, projected generationally using CPM-B, adjusted for industry classification (85.0% Male and 94.0% Female)	2014 Public Sector Canadian Pensioners' Mortality Table, projected generationally using CPM-B, adjusted for industry classification (86.6% Male and 94.2% Female)

*Plus annual PTR adjustments

SHARED RISK PLAN FOR ACADEMIC EMPLOYEES OF THE UNIVERSITY OF NEW BRUNSWICK

Notes to Financial Statements
(in thousands of dollars)

Year ended June 30, 2021

5. Funding Policy

As required by applicable pension legislation, the University and the AUNBT have approved a Funding Policy for the Plan. The Funding Policy provides the rules under which the Board of Trustees is required to manage the contributions and benefits under the Plan.

The primary risk management goal for the Plan is that there is at least a 97.5% probability that past Base Benefits will not be reduced in any year over a 20-year projection period.

The secondary risk management goal for the Plan is that the total COLA expected to be provided, on average over a 20-year projection period, as a percentage of total eligible Base COLA will not be less than:

- i. For pensions in payment for members who have retired or surviving spouses and beneficiaries, and pensions payable for members with a deferred pension entitlement, 75% of the cumulative annual indexing that would have been provided if the AEPP had not been converted; plus
- ii. For members who have not retired, terminated or died, 75% of the cumulative percentage increase in CPI for each year on or after the Conversion Date in respect of the accrued benefits.

The Funding Deficit Recovery Plan is triggered when the open group funded ratio drops below 100% in two successive actuarial valuation reports. The following actions must be applied in succession until the risk management objectives are met:

- i. Increase member and employer contributions equally, subject to Funding Policy limits; and
- ii. Reduce Base Benefits in equal proportion for all members (required only if the primary risk management goal is not met following the maximum permitted contribution increase).

The Funding Excess Utilization Plan is triggered when the open group funded ratio exceeds 105%. The Policy provides that 17% of the funding excess between funding levels 105% and 140%, and 100% of any funding excess above a 140% funding level, is available for benefit improvements. The following actions, in order of priority, must be taken:

- i. Reverse any previous reductions to base benefits;
- ii. Remove any contribution increases in effect;
- iii. Provide Base COLA; and
- iv. After the above priorities have been met, 50% of any available funding excess will be used to provide PTR recapture, and 50% of any available funding excess above a 140% funding level shall be used to reduce contributions in accordance with the Funding Policy limits.

SHARED RISK PLAN FOR ACADEMIC EMPLOYEES OF THE UNIVERSITY OF NEW BRUNSWICK

Notes to Financial Statements

(in thousands of dollars)

Year ended June 30, 2021

6. Net investment income

Net investment income by fund for the year ended June 30, is as follows:

<i>(\$ thousands)</i>	2021		
	Realized Gain (Loss)	Unrealized Gain (Loss)	Net Investment income
Fixed Income			
NBIMC Nominal Bond Fund	\$ —	\$ (1,975)	\$ (1,975)
NBIMC Corporate Bond Fund	—	221	221
NBIMC International High Yield Fixed Income Fund	—	8,624	8,624
NBIMC Money Market Fund	(224)	7	(217)
	(224)	6,877	6,653
Equities			
NBIMC Low Volatility Canadian Equity Fund	296	1,721	2,017
NBIMC External International Equity Fund	893	550	1,443
NBIMC EAFE Equity Index Fund	969	1,595	2,564
NBIMC Low Volatility International Equity Fund	3,012	(1,983)	1,029
Vestcor Low Volatility International Equity Fund	10	2,092	2,102
NBIMC Low Volatility Emerging Markets Equity Fund – Class N	189	2,006	2,195
NBIMC U.S. Equity Index (2017) Fund	1,890	2,261	4,151
NBIMC Low Volatility U.S. Equity (2017) Fund	10,712	(7,769)	2,943
	17,971	473	18,444
Real Assets			
NBIMC Canadian Real Estate Investment Trust Fund	771	1,126	1,897
Vestcor Investments Private Real Estate, L.P.	601	(267)	334
Vestcor Investments Private Real Estate 2, L.P.	67	(104)	(37)
Vestcor Real Estate Fund Feeder Inc.	1	286	287
NBIMC International Real Estate (2017) Fund	570	4,806	5,376
NBIMC Public Infrastructure (2017) Fund	1,403	(1,081)	322
Vestcor Investments Infrastructure, L.P.	70	105	175
Fiera Real Estate Core Fund	23	171	194
Global Diversified Infrastructure Fund	103	430	533
	3,609	5,472	9,081
Alternative Investments			
Vestcor Investments Private Equity, L.P.	16	514	530
	\$ 21,372	\$ 13,336	\$ 34,708

SHARED RISK PLAN FOR ACADEMIC EMPLOYEES OF THE UNIVERSITY OF NEW BRUNSWICK

Notes to Financial Statements

(in thousands of dollars)

Year ended June 30, 2021

6. Net investment income (continued)

<i>(\$ thousands)</i>	2020		
	Realized Gain (Loss)	Unrealized Gain (Loss)	Net Investment Income
Fixed Income			
NBIMC Nominal Bond Fund	\$ 1,582	\$ 3,816	\$ 5,398
NBIMC Corporate Bond Fund	289	4,179	4,468
NBIMC International High Yield Fixed Income Fund	—	(1,806)	(1,806)
NBIMC Money Market Fund	272	(4)	268
	2,143	6,185	8,328
Equities			
NBIMC Low Volatility Canadian Equity Fund	96	(197)	(101)
NBIMC External International Equity Fund	—	(221)	(221)
NBIMC EAFE Equity Index Fund	474	645	1,119
NBIMC Low Volatility International Equity Fund	3	(811)	(808)
NBIMC Low Volatility Emerging Markets Equity Fund - Class N	(1)	(750)	(751)
NBIMC U.S. Equity Index (2017) Fund	2,575	(866)	1,709
NBIMC Low Volatility U.S. Equity (2017) Fund	357	(421)	(64)
	3,504	(2,621)	883
Real Assets			
NBIMC Canadian Real Estate Investment Trust Fund	223	(1,596)	(1,373)
Vestcor Investments Private Real Estate, L.P.	73	578	651
Vestcor Investments Private Real Estate 2, L.P.	18	321	339
Vestcor Real Estate Fund Feeder Inc.	—	(12)	(12)
NBIMC International Real Estate (2017) Fund	191	(1,552)	(1,361)
NBIMC Public Infrastructure (2017) Fund	219	(99)	120
Vestcor Investments Infrastructure, L.P.	114	640	754
Fiera Real Estate Core Fund	19	60	79
Global Diversified Infrastructure Fund	158	596	754
	1,015	(1,064)	(49)
Alternative Investments			
Vestcor Investments Private Equity, L.P.	(18)	(20)	(38)
	\$ 6,644	\$ 2,480	\$ 9,124

SHARED RISK PLAN FOR ACADEMIC EMPLOYEES OF THE UNIVERSITY OF NEW BRUNSWICK

Notes to Financial Statements

(in thousands of dollars)

Year ended June 30, 2021

7. Administrative expenses

	2021	2020
Benefits administration	\$ 319	\$ 292
Actuarial services	214	199
Insurance	43	36
Legal, audit and consulting services	39	21
Other	7	7
HST	99	10
	\$ 721	\$ 565

8. Financial instruments

(a) Fair values

Determination of fair values of investments are as described in note 2(c).

The fair values of other financial assets and liabilities, being contributions receivable and accounts payable and accrued liabilities approximates their carrying amounts due to the short term nature of these financial instruments.

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

- Level 1 – Quoted market prices in active markets for identical assets of liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly.
- Level 3 – Inputs that are unobservable that are used to measure fair value when observable inputs are not available.

The units held in each of the Vestcor managed pooled funds are classified as Level 2 investments since the units are priced based on each pooled fund net asset value, which is observable, but the units are not traded in an active market. As at June 30, 2021, the fair value of Level 2 was \$376,534 (2020 - \$357,819).

The units in each of the Vestcor Investment Private Real Estate, L.P., Vestcor Investment Private Real Estate 2, L.P., Vestcor Real Estate Fund Feeder Inc., Vestcor Investment Infrastructure, L.P., Vestcor Investments Private Equity, L.P., Fiera Real Estate Core Fund and the Global Diversified Infrastructure Fund are Level 3. As at June 30, 2021, the fair value of Level 3 was \$47,076 (2020 - \$31,402). There were no significant transfers between Level 2 and Level 3 during the year.

The Vestcor Investment Private Real Estate, L.P. holds investments domestic and international real properties, indirectly through wholly-owned holdings companies investments in limited partnership structures. At June 30, 2021, an increase or decrease of 25 bps in the capitalization rate used by the independent property appraisers would result in a decrease or increase on the valuation of this limited partnership's investments in the amount of \$344 or \$373 respectively (2020 - \$456 or \$490 respectively). The maximum exposure to loss in this limited partnership is the fair value of its investments plus uncalled commitments (*note 10*).

SHARED RISK PLAN FOR ACADEMIC EMPLOYEES OF THE UNIVERSITY OF NEW BRUNSWICK

Notes to Financial Statements
(in thousands of dollars)

Year ended June 30, 2021

8. Financial instruments *(continued)*

(a) Fair values *(continued)*

The Vestcor Investment Private Real Estate 2, L.P. holds investments in international real properties, indirectly through wholly-owned holdings companies investments in limited partnership structures. At June 30, 2021, an increase or decrease of 25 bps in the capitalization rate used by the independent property appraisers would result in a decrease or increase on the valuation of this limited partnership's investments in the amount of \$170 or \$187 respectively (2020 \$196 or \$216 respectively). The maximum exposure to loss in this limited partnership is the fair value of its investments plus uncalled commitments (*note 10*).

The Vestcor Real Estate Fund Feeder Inc. holds an interest in the Vestcor Real Estate Fund Limited Partnership (VREFLP). VREFLP holds investments in Canadian real properties indirectly through co-investments. At June 30, 2021, an increase or decrease of 25 bps change in the capitalization rate used by the independent property appraisers would have led to a decrease or increase on the valuation of this entity's investments in the amount of \$758 or \$909 respectively (2020 - nil). The maximum exposure to loss in this entity is the fair value of its investments plus uncalled commitments (*note 10*).

The Vestcor Investments Infrastructure, L.P. invests indirectly through co-investments in certain underlying infrastructure assets. The independent valuations received for each of the limited partnership's investments suggest an aggregate range of values of \$12,115 to \$19,232 as at June 30, 2021 (2020 - \$7,446 to \$8,401). It is reasonably possible that the valuations used by these limited partnerships may require material adjustment to the carrying amount of its investments. The maximum exposure to loss in this limited partnership is the fair value of its investments plus uncalled commitments (*note 10*).

The Vestcor Investments Private Equity, L.P. invests primarily in non-publicly traded securities of U.S. and European companies. Excluding the publicly-traded holdings, a 1% increase or decrease in the per unit net asset values reported by the limited partnerships would result in an increase or decrease the carrying value of investments in this entity at June 30, 2021 by \$52 (2020 - \$25). It is reasonably possible that the valuations used by the entity may require material adjustment to the carrying value of its investments. The maximum exposure to loss in this entity is the fair value of its investments plus uncalled commitments (*note 10*).

Fiera Real Estate Core Fund invests directly and indirectly in a diversified portfolio of real estate properties in well populated, urban centres across Canada. At June 30, 2021, an increase or decrease of 25 bps in the capitalization rate used by the independent property appraisers would have a decrease or increase on the valuation of the fund's investments in the amount of \$130 or \$148, respectively (2020 - \$125 or \$140 respectively). The maximum exposure to loss in this fund is the fair value of its investments.

Global Diversified Infrastructure Fund invests in a diversified portfolio of mature, global unlisted infrastructure assets. The independent valuations received for this fund suggest an aggregate range of values of \$7,143 to \$7,751 as at June 30, 2021 (2020 - \$6,735 to \$7,526). It is reasonably possible that the valuations used by this fund may require material adjustment to the carrying amount of its investments. The maximum exposure to loss in this fund is the fair value of its investments.

SHARED RISK PLAN FOR ACADEMIC EMPLOYEES OF THE UNIVERSITY OF NEW BRUNSWICK

Notes to Financial Statements

(in thousands of dollars)

Year ended June 30, 2021

8. Financial instruments (continued)

(a) Fair values (continued)

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

<i>(thousands)</i>	Fair Value, June 30, 2020 \$	Gains (losses) in net investment income \$	Purchases \$	Sales \$	Fair Value June 30, 2021 \$
Vestcor Investments Private Real Estate, L.P.	7,882	334	619	(4,531)	4,304
Vestcor Investments Private Real Estate 2, L.P.	3,464	(37)	32	(878)	2,581
Vestcor Real Estate Fund Feeder Inc.	381	287	8,450	(119)	8,999
Vestcor Investments Infrastructure, L.P.	7,757	175	9,041	(591)	16,382
Vestcor Investments Private Equity, L.P.	2,486	530	2,554	(398)	5,172
Fiera Real Estate Core Fund	2,144	194	16	(122)	2,232
Global Diversified Infrastructure Fund	7,288	533	28	(443)	7,406
	31,402	2,016	20,740	(7,082)	47,076

<i>(thousands)</i>	Fair Value, June 30, 2019 \$	Gains (losses) in net investment income \$	Purchases \$	Sales \$	Fair Value June 30, 2020 \$
Vestcor Investments Private Real Estate, L.P.	6,475	651	1,438	(682)	7,882
Vestcor Investments Private Real Estate 2, L.P.	3,199	339	107	(181)	3,464
Vestcor Real Estate Fund Feeder Inc.	—	(12)	393	—	381
Vestcor Investments Infrastructure, L.P.	5,415	754	2,065	(477)	7,757
Vestcor Investments Private Equity, L.P.	—	(38)	2,879	(355)	2,486
Fiera Real Estate Core Fund	2,135	79	46	(116)	2,144
Global Diversified Infrastructure Fund	7,125	754	284	(875)	7,288
	24,349	2,527	7,212	(2,686)	31,402

SHARED RISK PLAN FOR ACADEMIC EMPLOYEES OF THE UNIVERSITY OF NEW BRUNSWICK

Notes to Financial Statements

(in thousands of dollars)

Year ended June 30, 2021

8. Financial instruments *(continued)*

(b) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Plan. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty for non-exchange traded financial instruments is not backed by an exchange clearing house.

The Plan invests only in high quality funds and as such does not expect any counterparty to fail to meet its obligations.

(c) Liquidity risk

Liquidity risk is the risk that the Plan will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Sources of liquidity include pension contributions collected from the employer and employees as well as redemption of pooled fund units. Uses of liquidity include payments to the Plan beneficiaries, Plan service providers and purchases of pooled fund units.

The Plan's asset mix is specifically designed to ensure that sufficient liquid assets are available to meet pension benefit obligations as they are required. Other than investment in the NBIMC Money Market Fund, the most liquid asset class is the NBIMC Nominal Bond Fund whereas privately-held debt, equity, real estate and infrastructure investments are considered highly illiquid due to the lack of a readily available market and the longer term to maturity for these investments.

The majority of the Plan's investments are currently held in pooled funds that are readily available on short notice. Although market events could lead to some investments becoming illiquid, the diversity of the Plan's investments should ensure that liquidity is available for benefit payments.

Net liquid assets are defined to include the fair value of all assets excluding private real estate, private infrastructure and the Plan's proportionate share of the fair value of collateral pledged with brokers and counterparties, and any unfunded investment commitments. Net liquid assets is a non-GAAP measure.

SHARED RISK PLAN FOR ACADEMIC EMPLOYEES OF THE UNIVERSITY OF NEW BRUNSWICK

Notes to Financial Statements

(in thousands of dollars)

Year ended June 30, 2021

8. Financial instruments (continued)

(c) Liquidity risk (continued)

The following table shows the determination of net liquid assets as at June 30:

	2021	2020
Net assets available for benefits	\$ 423,735	\$ 389,477
Less investments in:		
Vestcor Investments Private Real Estate, L.P.	(4,304)	(7,882)
Vestcor Investments Private Real Estate 2, L.P.	(2,581)	(3,464)
Vestcor Real Estate Fund Feeder Inc.	(8,999)	(381)
Vestcor Investments Infrastructure, L.P.	(16,382)	(7,757)
Vestcor Investments Private Equity, L.P.	(5,172)	(2,486)
Fiera Real Estate Core Fund	(2,232)	(2,144)
Global Diversified Infrastructure Fund	(7,406)	(7,288)
Collateral pledges (note 8d)	(512)	(566)
Investment commitments (note 10)	(15,350)	(10,774)
Net liquid assets	\$ 360,797	\$ 346,735

(d) Market price risk

The Plan holds investments in pooled funds and limited partnerships that invest in active and passive investment strategies and are diversified among domestic and international markets. Market price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market. As all of the financial instruments are carried at fair value with fair value changes recognized in the statement of net assets available for benefits, all changes in market conditions will directly result in an increase (decrease) in net assets. Market price risk is managed by the construction of a diversified portfolio of instruments traded on various markets and across various industries through its investments.

Investment strategies used by the managers may involve the use of financial derivatives such as forward foreign exchange contracts or total return swaps. Investment strategies also include “market neutral” strategies whereby an investment in a long position in one stock is matched with a short position in another stock, typically within the same industry sector. With the limited exception of prudent financing for investments in real property, the SIPP for the Plan precludes the use of leverage in the investment portfolio. Accordingly, to the extent that there is market exposure from derivative investments and short positions, each fund will hold cash underlay equal to the amount of market exposure. Market neutral strategies help to mitigate market risk through adherence to maximum investment limits and stop-loss constraints, and have a lower correlation to broad market indices.

Vestcor conducts certain of its investment activities in the pooled funds on behalf of the Plan by trading through broker channels on regulated exchanges and in the over-the-counter market. Brokers typically require that collateral be pledged against potential market fluctuations when trading in derivative financial instruments or when shorting security positions. As at June 30, 2021 the fair value of securities that have been deposited or pledged with various financial institutions as collateral was \$512 (2020 - \$566).

SHARED RISK PLAN FOR ACADEMIC EMPLOYEES OF THE UNIVERSITY OF NEW BRUNSWICK

Notes to Financial Statements
(in thousands of dollars)

Year ended June 30, 2021

8. Financial instruments (continued)

(e) Foreign currency risk

Foreign currency risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Plan's investments are primarily in Canadian dollar denominated funds however, certain of the funds are denominated in foreign currencies. Approximately 1.75% (2020 – 1.87%) of the Plan's investments are denominated in the U.S. dollar currency.

A 1% absolute increase or decrease in the value of the Canadian dollar against the U.S. dollar with all other variables held constant would result in an approximate decrease or increase in the value of the net investment assets at June 30, 2021 of \$74 (2020 - \$73).

(f) Securities Lending

The Plan's SIPP permits Vestcor to enter into a securities lending arrangement externally with their securities custodian or internally among its pooled funds with the objective of enhancing portfolio returns.

Under the external program, the securities custodian, who is an independent third party, may loan securities owned by the pooled funds to other approved borrowers in exchange for collateral in the form of readily marketable government-backed securities equal to at least 105% of the value of securities on loan and a borrowing fee. Vestcor has restricted the approved borrowers under the external securities lending program to manage exposure to counterparty credit risk. As at June 30, 2021, underlying securities in the amount of \$72,093 (2020 - \$68,743) were loaned on behalf of the Plan.

Under an internal securities lending program, certain Vestcor managed pooled funds may loan securities to a borrowing Vestcor managed pooled fund subject to an intra-fund collateral management agreement and a borrowing fee. As at June 30, 2021, underlying securities in the amount of nil (2020 - \$5,909) were loaned on behalf of the Plan.

9. Capital management

The capital of the Plan is represented by the net assets available for benefits. The purpose of the Plan is to provide secure, but not guaranteed, pension benefits to Members of the Plan with a risk focused management approach, as set out in the Funding Policy (note 5). In order to meet the requirements, the investment strategy employed should be consistent with the Funding Policy. The Plan adheres to specific investment policies outlined in its SIPP, which is reviewed annually. The SIPP was approved by the Board of Trustees on November 29, 2019.

The Plan's investment positions expose it to a variety of financial risks which are discussed in note 8. The Plan manages net assets by engaging a knowledgeable institutional investment manager who is charged with the responsibility of investing existing funds and new funds (current year's employee and employer contributions) in accordance with the approved SIPP.

Increases in net assets available for benefits are a direct result of investment income generated by investments held by the Plan and contributions into the Plan by eligible employees and by the University. The employer is required under the *Pension Benefits Act* to pay contributions, based on actuarial valuations, necessary to ensure the benefits are funded in accordance with the Funding Policy. More details on employee and employer contributions that were paid during the year is disclosed in the statement of changes in net assets available for benefits.

SHARED RISK PLAN FOR ACADEMIC EMPLOYEES OF THE UNIVERSITY OF NEW BRUNSWICK

Notes to Financial Statements

(in thousands of dollars)

Year ended June 30, 2021

10. Commitments

The following funds have committed to enter into investments that may be funded over the next several years in accordance with the terms and conditions agreed to in partnership agreements. The Plan's share of unfunded commitments for these investments as at June 30 is:

<i>(\$ thousands)</i>	2021	2020
Vestcor Investments Private Real Estate, L.P.	\$ 2,357	\$ 2,159
Vestcor Investments Private Real Estate 2, L.P.	427	485
Vestcor Investments Infrastructure, L.P.	4,313	2,070
Vestcor Investments Private Equity, L.P.	8,108	5,774
Vestcor Real Estate Fund Feeder Inc.	145	286
	\$ 15,350	\$ 10,774