

Annual Report

For the Year Ended December 31, 2005

Government Money Purchase Pension Plan



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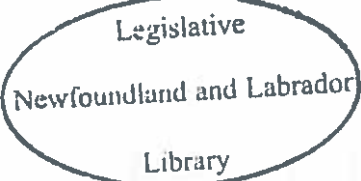


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GOVERNMENT MONEY PURCHASE PENSION PLAN

TRUSTEE'S MESSAGE



As the Minister responsible for the Government Money Purchase Pension Plan (GMPP), I am pleased to present the annual report of the Plan. The GMPP was established by the *Government Money Purchase Pension Plan Act* on April 1, 1989, to meet the pension needs for part time employees of Government and its agencies and full time employees of participating employers ineligible to participate in another government-sponsored plan.

Since its inception, the GMPP membership has grown to more than 24,340 members employed with 68 public sector employers. As of December 31, 2005, the accumulated GMPP fund amounted to \$192.1 million. There was one new employer, with two employees who joined the plan during 2005 and one employer who went through the wind-up process.

The GMPP is a capital accumulation plan, that is, retirement benefits are directly related to the amount of contributions and the income earned on those contributions throughout a plan member's career. As investment growth is critical to retirement security in this type of plan, members have been given the option to choose the fund or combination of funds that best suits their individual retirement objectives, within personally acceptable risk tolerances. The difficulty however, is engaging members in the fund selection process. This has become the main strategic issue for the GMPP Committee, as based on experience, plan members have become too complacent, typically not making any investment choice but allowing their funds to be directed to the low risk, low return default investment. Employees should be informed of the potential risk of not making an active decision and the possible impact on their retirement goals.

This annual report outlines the activity and the growth in assets and membership during 2005.

I am pleased to submit the 2005 Annual Report for your consideration.

Honourable Thomas W. Marshall, Q.C.
Minister of Finance

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**Government Money Purchase Pension Plan Committee Members
as of December 31, 2005**

Government and Employer Representatives:

Donna Brewer, Chairperson

Assistant Deputy Minister, Financial Planning and Benefits Administration, Department of Finance

Noreen Holden, Vice Chairperson

Director, Human Resource Development and Services, Public Service Secretariat

Maureen McCarthy

Director, Pension Administration, Department of Finance

Rick Hindy

Director of Finance, St. John's Nursing Home Board

Brian Shortall

Executive Director, Newfoundland and Labrador School Boards Association

Vacant Position to be Filled

Employee Representatives:

Bert Blundon

Board of Directors, Newfoundland and Labrador Association of Public and Private Employees

Perry Downey

Administrative Officer, Benefits & Economic Services, Newfoundland and Labrador Teachers' Association

Sharon King

Administrative Director, Association of Allied Health Professionals of Newfoundland and Labrador

Alice Mannion

Labour Relations Officer, Newfoundland and Labrador Nurses' Union

Dave Reynolds

National Representative, Canadian Union of Public Employees

Secretary:

Michael Rickert

Departmental Programme Co-ordinator, Department of Finance

Plan Advisors

Group Retirement Services - London Life

Insurance Company

Plan Administrator and Fund Custodian

Frank Russell Canada Limited

Pension Investment Consultant

Mercer Human Resource Consulting

Consulting Actuary

Phillips, Hager & North Investment Management Limited

Investment Manager

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2005 ANNUAL REPORT

GOVERNMENT MONEY PURCHASE PENSION PLAN

The Government Money Purchase Pension Plan (GMPP) was created under the *Government Money Purchase Pension Plan Act* on April 1, 1989. The GMPP was established to provide pension coverage for part time employees of Government and its agencies and full time employees of participating employers ineligible to participate in another government sponsored plan, such as the Public Service and Teachers' Pension Plans.

ORGANIZATIONAL STRUCTURE

GMPP Committee

Members of the GMPP Committee are appointed by the Lieutenant Governor in Council. The employer representatives are appointed by virtue of their positions in government, while employee representatives are appointed based on the recommendation of the various unions.

Plan Administrator and Custodian

The GMPP Committee has retained London Life Insurance Company (London Life) to fulfill two very distinct roles as both the custodian and administrator of the GMPP. As custodian, London Life is responsible for custody of all financial assets, the settlement of all investment transactions, ensuring that all investment income is collected and financial statements for all investment transactions are prepared.

As plan administrator, London Life is responsible for maintaining individual accounts for all members, ensuring contributions are properly allocated to each member's account and invested according to the member's instructions. London Life also provides tools to assist members to make informed investment decisions and also keeps members informed of the status of their accounts through quarterly benefit statements.

Investment Consultant

The GMPP Committee retains an investment consultant, Frank Russell Canada Limited, an international company specializing in pension fund consulting. Russell assists the committee in the design, implementation, and ongoing evaluation of all aspects of the pension investment program. More specifically, this firm assists the committee in matters concerning fund governance, objective setting, investment strategy, manager structure, manager selection, and ongoing performance measurement and manager evaluation. Worldwide, Frank Russell Company provides investment consulting advice to about 350 clients that have combined assets under management of nearly \$3 trillion.

Investment Manager

The various investment funds which are available to plan members are managed by Phillips, Hager & North Investment Management Limited (PH&N), a senior investment counselling firm retained by the Committee to manage all investment programs except Guaranteed Investment Accounts (GIA's). PH&N operates these member investment options under a mandate established by the Committee. It is the mandated long term investment performance objectives that the Committee uses to assess the performance of PH&N.

Actuarial Consultant

The GMPP Committee engages the services of Mercer Human Resource Consulting, an international actuarial and benefit consulting firm, on an "as needed" basis to provide advice on various pension issues relating to compliance with pension legislation and the *Income Tax Act*.

PLAN OVERVIEW

The GMPP is a defined contribution plan where members contribute 5% of their regular earnings to the plan which is matched by the employer. These funds are invested and accumulated during a plan member's working lifetime. At retirement, the funds are used to purchase the pension benefits.

Employees are vested in the GMPP after two years participation. "Vesting" means that the employer contributions made on the member's behalf belong to the employee, even on termination, to provide a pension upon retirement.

Normal retirement age under the Plan is 65 years. However, members may retire and purchase a pension benefit as early as age 55 provided they have completed two years participation in the GMPP. As directed by the *Income Tax Act*, members must purchase a pension benefit prior to the end of the calendar year in which they reach age 69 or transfer their investments to an approved retirement vehicle.

Upon termination of employment, the member has several options with respect to their accumulated investments in the GMPP. As directed by the *Pension Benefits Act*, the Act that regulates all pension plans in the Province, if a terminating plan member is vested, contributions, including the employer's share, are locked-in. "Locked-in" means that those contributions must be used to provide a pension benefit that may be paid either from the GMPP at retirement age or from private arrangement, if the funds are transferred from the GMPP. The transfer options are described below.

If they are vested, but ineligible for an immediate pension, they may either:

- leave their money in the Plan; or
- transfer their money to a Locked-in RRSP.

Once they are eligible to access these funds for pension purposes, members have the following options:

- transfer their money to a Locked-in Retirement Account (LIRA);
- transfer their money to a Locked-in Retirement Income Fund (LRIF);
- transfer their money to a Life Income Fund (LIF);
- purchase an annuity.

A terminating member, who is not vested, may take a cash refund of their own contributions and interest, net of income tax, or transfer the cash refund, on a tax exempt basis, to an RRSP.

Survivor benefits are paid in accordance with the *Pension Benefits Act, 1997*.

INVESTMENTS

Plan Member Investment Options

Plan member investment options are based on the Plan's statement of Investment Policies and Procedures (SIP&P) which is established by the GMPP Committee in consultation with the Plan's advisor, Frank Russell Canada Limited. Investment options available to members include Guaranteed Investment Accounts (GIAs) and market based funds, namely, an equity fund, a bond fund, a global equity fund and a balanced fund.

Guaranteed Investment Accounts

Plan members may select GIAs of London Life for terms ranging from one to five years. At the end of each day, GIAs are purchased from accumulated contributions received from members. There is no minimum purchase amount and while contributions are accumulating they will earn interest at the Plan's one-year floating GIA rate unless certificates are purchased for the term selected. GIAs are locked in until the end of the chosen term.

PH&N Canadian Equity Fund

The objective of this Fund is to provide significant long-term capital growth by investing in a well-diversified portfolio of Canadian common stocks. The principal risk associated with an investment in this Fund is market risk. Because of the volatility of stock markets, returns on equity investments can vary greatly from year to year.

Both PH&N and the Committee have agreed that the Fund is expected to outperform the Standard and Poors/Toronto Stock Exchange Composite Index (S&P/TSX) over a four-year market cycle. For the four year period ending December 31, 2005, the Canadian Equity Fund had an annualized rate of return, before fees, of 12.5% as compared to the TSX return of 12.1%. Over the period PH&N has exceeded its benchmark return by 0.4%.

PH&N Bond Fund

The objective of this Fund is to provide high yields and stability of capital by investing primarily in a well-diversified portfolio of fixed income securities comprised of debentures issued by Canadian governments and crown corporations, and bonds of various companies. The principal risk associated with an investment in this Fund is interest rate risk, as fixed income security values tend to fall as interest rates rise, and increase when interest rates decline.

The PH&N mandate states that the Fund should outperform the Scotia Capital Universe Bond Index over a four-year market cycle. For the four year period ending December 31, 2005, the Bond Fund had an annualized return, before fees, of 7.8% as compared to a benchmark return of 7.3%. Over the period, PH&N has exceeded its benchmark by 0.5%.

PH&N Global Equity Fund

Introduced in 2004, the objective of this Fund is to achieve long term capital growth by investing primarily in a diversified portfolio of common stocks of companies in the world's largest industrialized countries outside of Canada, including the U.S., and countries in Europe, Australia and the Far East, including Japan. For the period ending December 31, 2005, the Global Equity Pension Trust rate of return was -3.8%, as compared to the Morgan Stanley Capital International World Index (MSCI World ex Canada) of -0.8%.

PH&N Balanced Pension Trust Fund

The objective of this Fund is to provide long term capital growth and interest income by investing in a well-diversified balanced portfolio of Canadian and foreign common stocks, bonds and money market securities.

Over a four-year market cycle, the PH&N mandate calls for the Balanced Fund to outperform a Composite Index constructed as follows:

- 35% Standard and Poors/Toronto Stock Exchange Composite Index (S&P/TSX)
- 25% Morgan Stanley Capital International World Index (MSCI World ex Canada)
- 35% Scotia Capital Universe Bond Index (SCU)
- 5% Scotia Capital 30 day T-Bill Index (SC 30 day TB)

The asset mix of the Balanced Fund is established within the following ranges:

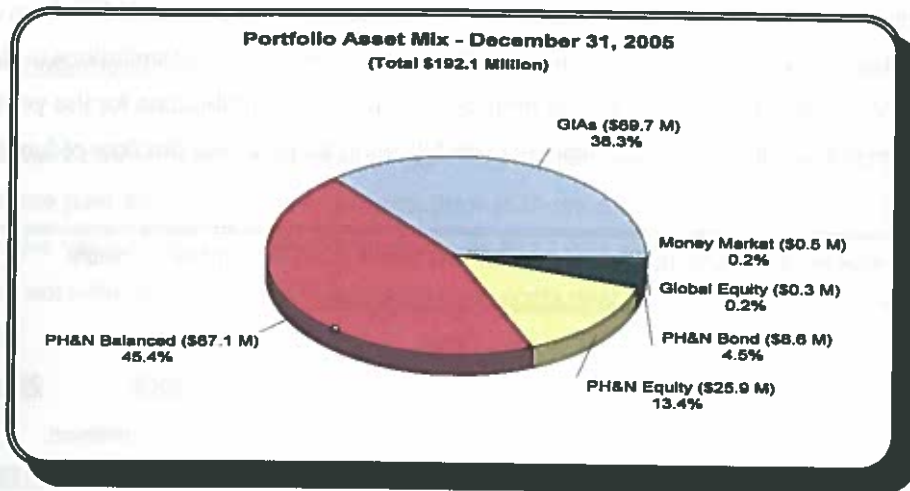
Asset Class	Percentage of Portfolio
Canadian Equities	30% - 40%
U.S. and Non North American Equities	20% - 30%
Bonds	30% - 40%
Cash	0% - 15%

For the four years ended December 31, 2005, the Balanced Fund had an annualized rate of return of 6.4% as compared to the return based on the Composite Index of 6.8%. Effectively, PH&N has underperformed the benchmark by 0.4% mainly as a result of the poor performance of the equity markets in 2001 and 2002.

Investment Selection

The financial security of plan members depends, in large measure, on a member's investment decision, which, in turn, depends on a member's investment profile. A member's investment profile is a function of many factors, including length of time to retirement and the level of risk a member is willing to accept. It is critical that members take an active interest in their portfolio and make asset allocation decisions suited to their risk tolerance and retirement expectations. London Life, as the Plan administrator, can provide members with the necessary tools to determine their investment profile including investing software, an investing workbook and an investor guide. As well, members can avail of a 1-800 number and speak directly with professionally trained staff. Members may also obtain information on the London Life website.

Based on the asset decisions of plan members, the asset mix of the portfolio as of December 31, 2005 is illustrated in the following chart:



Investment Performance as of December 31, 2005

The following table details the performance of the GMPP market based funds to December 31, 2005:

Government Money Purchase Pension Plan (GMPP)				
Summary of Investment Returns				
as at December 31, 2005				
with Benchmark comparisons				
Investment Options	Three Months	Twelve Months	Four Years Annualized	Ten Years Annualized
	%	%	% p.a.	% p.a.
Balanced Pension Trust	1.2	10.0	6.4	8.6
<i>Balanced Pension Trust Benchmark*</i>	2.3	12.3	6.8	8.2
Canadian Equity Fund	0.8	20.3	12.5	13.3
<i>S&P/TSX Composite Index</i>	2.9	24.1	12.1	11.0
Bond Fund	1.0	7.0	7.8	8.0
<i>SC Universe Bond Index</i>	0.7	6.5	7.3	7.7
Global Equity Pension Trust	2.1	1.6	-3.8	-
<i>MSCI World ex Canada Index</i>	3.8	6.2	-0.8	5.2

* Current benchmark composition: 35% S&P/TSX Composite Index, 25% MSCI World ex Canada Index (C\$), 35% SC Universe Bond Index, 5% SC 30-Day T-Bill Index.

Note: All performance data is shown on a gross or "pre-fee" basis.

FINANCIAL HIGHLIGHTS

Employee contributions for the year totalled \$9.3 million of which only \$134 thousand were Additional Voluntary Contributions (AVC's). An additional \$962,000 was transferred in to the GMPP from other pension plans. Plan members may deposit additional funds to the plan, subject to RRSP limitations under the *Income Tax Act*. These AVC's are not matched by the employer. Employer contributions for the year totalled \$9.2 million and investment income was \$13.5 million. The following table shows the flow of funds.

Statement of Changes in Assets for the Year Ended December 31, 2005		
<i>(With comparative numbers for 2004)</i>		
<i>(Market Value)</i>		
	<u>2005</u>	<u>2004</u>
	<i>(Millions)</i>	
Opening Balance, January 1	<u>\$168.9</u>	<u>\$150.1</u>
Contributions to the Plan	19.4	16.5
Investment Income	<u>13.5</u>	<u>13.6</u>
Total Additions	<u>32.9</u>	<u>30.1</u>
Refunds to Terminating Plan Members	9.7	15.2
Administration Costs	<u>0.1</u>	<u>0.1</u>
Total Deductions	<u>9.8</u>	<u>15.3</u>
Current Period Change in Market Value of Investments	<u>0.1</u>	<u>4.0</u>
Market Value, December 31	<u>\$192.1</u>	<u>\$168.9</u>

Notes:

Administration Costs

Administration costs include the following:

	<u>2005</u>	<u>2004</u>
London Life: Record keeping cost	\$ 0 *	\$ 45,721 *
Frank Russell Canada Limited	14,000	14,000
Annual Pension Plan Registration	7,500	7,500
Support Staff	<u>53,630</u>	<u>44,837</u>
Total Administration Costs	<u>\$ 75,130</u>	<u>\$112,058</u>

* Administration costs relating to record keeping are charged directly to plan members' accounts and are based on the value of the market based assets held in each member's account. The annual cost is 0.78% of that balance.

Since the inception of the GMPP in 1989, actuarial consulting and support staff costs have been paid

from employer contributions that are forfeited when members who are not vested terminate from the plan and take a refund of their contributions. The balance in the forfeitures account was \$464,418 as of December 31, 2005 as compared with \$331,000 as of December 31, 2004.

Investment Management Fees

Investment management fees charged by PH&N, which are based on the total plan assets under management, are paid from investment earnings prior to those earnings being credited to each member's account. For the year 2005, these fees amounted to \$217,024 as compared to \$195,233 paid in 2004. These fees are not reflected in the GMPP administration costs as they are paid from the investments of each plan member.

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PLAN ADMINISTRATION

Membership Status

Plan membership has increased from 23,640 accounts in 2004 to 24,340 accounts in 2005. The number of accounts includes both active participants and terminated employees who have left their funds on deposit with London Life. Commencing in 2004, efforts were made to contact many of these account holders to advise them of their transfer options. The following table details the change in membership from 2004 to 2005.

		<u>2005</u>	<u>2004</u>
Opening Balance, January 1		<u>23,640</u>	<u>22,423</u>
<u>Additions</u>			
Enrolments during the year		<u>2,535</u>	<u>3,305</u>
<u>Less</u>			
Exits:	Terminations	1,726	1,971
	Death Benefits	20	14
	Retirements	<u>89</u>	<u>103</u>
	Total	<u>1,835</u>	<u>2,088</u>
Membership, December 31		<u>24,340</u>	<u>23,640</u>

Portability Arrangements

There is provision for members to transfer benefits between the GMPP and the following plans:

- Public Service Pension Plan
- Teachers' Pension Plan
- Uniformed Services Pension Plan
- Members of the House of Assembly Pension Plan

Participating Employers

A detailed list of participating employers can be found in the Appendix.

2006 - THE YEAR AHEAD

Member Education

The primary focus for 2006 will continue to be plan member communication and education. As evidenced by the high percentage of investments in the Balanced Funds and GIAs, many plan members are reluctant to make active investment decisions with respect to their accumulated funds. If plan members do not direct their funds to specific investment options, their contributions are directed to GIAs and the matching employers' contributions to the Balanced Fund.

In order to encourage plan members to take a more active interest in the GMPP, officials of the Department of Finance and London Life will continue to offer seminars to all plan members that will focus on educating members on the importance of investment selection. These sessions will be scheduled for the Fall of 2006.

Capital Accumulation Plan (CAP) Guidelines

The Canadian Association of Pension Supervisory Authorities (CAPSA) has developed voluntary guidelines for Capital Accumulation Plans (Money Purchase Plans) called the CAP Guidelines which provide common standards for capital accumulation plans in Canada. The GMPP has adopted these guidelines and, during 2006, will undertake a detailed review of all processes to ensure compliance.

Participating Employers

Agnes Pratt Home
Aramark Canada Limited (Versa Services Limited)
Association of Registered Nurses of Newfoundland and Labrador
Avalon Health Care Institutions Board
Bay St. George Employment Corporation
Bay St. George Residential Support Board
Bay St. George Youth Assessment Centre
Bill & Paul's Community Living Limited
Board of Commissioners of Public Utilities Petroleum Pricing Office
Bridges Employment Corporation
Burin/Marystown Community Training & Employment Board
Burin Peninsula Health Care Board
C.A . Pippy Park Commission
Calypso Foundation
Canada Newfoundland Labrador Offshore Petroleum Board
Central East Health Care Institutions Board
Central West Health Care Institutions Board
College of the North Atlantic
Committee on Family Violence
Conseil Scolaire Francophone
Daybreak Parent/Child Centre
Department of Education/Student Assistants/Substitute Teachers
Eastern Newfoundland Regional Community Health Care Board
Eastern Residential Support Board
Eastern School District
Family Crisis Shelter
Farndale Home Inc.
Genesis Employment Corporation
Government Departments/Central Payroll
Grenfell Regional Health Services
Health Care Corporation of St. John's
Health Labrador Corporation
Health & Community Services - Central
Health & Community Services - St. John's
Hearth Homes Corporation
Hoyles Escasoni Complex
Iris Kirby House Inc.

Labrador School Board
Libra House
Marriott Corporation of Canada
Masonic Park Nursing Home
Municipal Assessment Agency Inc.
Newfoundland & Labrador Housing Corporation
Newfoundland Cancer Treatment and Research Foundation
Newfoundland & Labrador Health Board Association
Newfoundland Liquor Corporation
Newfoundland & Labrador Hydro
Newfoundland & Labrador Co-ordinating Council on Deafness
Nova Central School District
Nova Services Limited
Peninsulas Health Care Corporation
Pentecostal Senior Citizens Home
Port aux Basques Community Employment Corporation
Provincial Information & Library Resources Board
St. Francis Foundation
St. John's Nursing Home Board
St. Luke's Home
St. Patrick's Mercy Home
T. J. McDonald Achievement Home
The John Howard Society
The Salvation Army Glenbrook Lodge for Senior Citizens
The Salvation Army Wiseman Centre
The Corner Brook Residential Support Board
Thomas Development Corporation
Vera Perlin Society
Western Health Care Corporation
Western School District
Workplace, Health & Safety Compensation Commission