Department of Finance

Pension Investment Committee

2010 Activity Report

June 2011

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PENSION INVESTMENT COMMITTEE
OF THE
PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
P.O. Box 8700
St. John's, NL
A1B 4J6

Honourable Thomas W. Marshall, QC
Minister of Finance
Government of Newfoundland and Labrador
Confederation Building
St. John's, NL A1B 4J6

Dear Minister Marshall:

As the Chair of the Pension Investment Committee (PIC), I am pleased to submit the 2010 Annual Report for the Committee. This Report was prepared under the direction of the PIC and the PIC is accountable for the results contained herein.

The PIC of the Province of Newfoundland and Labrador Pooled Pension Fund (the Fund) has been overseeing the management of the Fund since its inception in 1981. Throughout that period, the performance of the Fund has contributed to the reduction in the unfunded liabilities of the five participating pension plans sponsored by government. Ensuring that the assets are invested in a prudent manner within acceptable risk tolerances has been the guiding principle for the PIC and its success is evident in the 10.0 percent average annual rate of return earned by the Fund.

With continued recovery of Canadian and international investment markets, 2010 proved to be a favourable year for the Fund. With the 11.6% overall rate of return earned by the Fund slightly above the composite rate of return for the key market indices, it is anticipated that this will have a positive impact on the long-term investment goals established by the PIC.

Prudent management of the Fund by the PIC with a view to earning excess returns is consistent with the strategic direction of Government to help improve the funded status of the pension plans sponsored by the Province.

Sincerely,

Terry Paddon
Chair of the Pension Investment Committee
Of the Province of Newfoundland and Labrador Pooled Pension Fund

1.0 Overview

1.1 Pension Investment Committee

The Pension Investment Committee (PIC) advises the Minister of Finance, as Trustee, on the operation and the investment of the Province of Newfoundland and Labrador Pooled Pension Fund (the Fund). The Fund was established to finance benefits under the various Government sponsored pension plans, including the Public Service Pension Plan, the Teachers' Pension Plan, the Uniformed Services Pension Plan, the Members of the House of Assembly Pension Plan and the Provincial Court Judges' Pension Plan.

The PIC has 15 members comprised of representatives from Government and the plans' stakeholders, including employee groups and pensioners, with the Deputy Minister of Finance as the Chair. Responsibilities of the PIC include the review of all the financial activities of the Fund; the development, review and implementation of Fund objectives and investment strategies; and the recommendations for the appointment of investment consultants, a custodian and investment managers as required.

The PIC also oversees the operations of Newvest Realty Corporation (Newvest). Newvest was established solely to facilitate the Fund's investment in real estate. The activities of Newvest are included as part of the activities of the PIC.

Pension Investment Committee
(as of December 31, 2009)

Government Representatives:	
Terry Paddon, Chairperson	Deputy Minister of Finance
Laurie Skinner, Vice-Chair	Assistant Deputy Minister, Financial Planning and Benefits Administration, Department of Finance
Ron Williams	Comptroller General
Ramona Cole	Assistant Deputy Minister, Corporate Services, Department of Education
Maureen McCarthy	Director, Pension Administration
Paul Myrden	Director, Debt Management
Vacant, Secretary	Manager, Pension Investments
Employee/Pensioner Representatives:	
Bert Blundon	Newfoundland and Labrador Association of Public and Private Employees
Debbie Forward	Newfoundland and Labrador Nurses' Union
Edward Hancock	Newfoundland and Labrador Teachers' Association
Sharon King	Association of Allied Health Professionals
Keith Rees	Public Sector Managers' Association
Eric Salter	Newfoundland and Labrador Public Service Pensioners' Association
Dawn Learning	Canadian Union of Public Employees
Non-Government Representative:	
Roger Crosbie	Private Sector Representative

1.2 Mandate

The mandate of the PIC, pursuant to the *Pensions Funding Act,* is to review, monitor, administer and supervise all investment activities of the Province of Newfoundland and Labrador Pooled Pension Fund.

1.3 Legislation

While the plan provisions are governed by the specific enabling legislation for each plan and the *Pensions Funding Act*, pension plans, in general, are closely regulated and monitored by the Provincial pension authority under the *Pension Benefits Act, 1997* (PBA) and by the Canada Revenue Agency under the *Income Tax Act* (ITA). These regulatory bodies, jointly, provide for equitable treatment of all employees who participate in pension plans. Pension Benefit Standards legislation, which is established in the PBA, ensures that all employees under a plan receive similar or equal treatment, while the ITA establishes the level of tax assistance pension plans can provide to their members.

1.4 Lines of Business – Investment of Pension Plan Contributions

Ensure that the pension fund contributions are invested in a prudent manner to maximize investment returns on those contributions within reasonable risk tolerances.

1.5 Values

Inclusion: Each member of the PIC acknowledges each others' views and perspectives and has the right/opportunity to express their own.

Independence: Each member, while representing the interests of diverse stakeholders, recognizes that the decisions of the PIC are in the best interests of all stakeholders.

1.6 Primary Clients and Stakeholders

The primary clients and stakeholders for the PIC are both the active and retired members of the various pension plans.

1.7 Vision

The vision of the PIC is the reduction/elimination of the unfunded liability of the Government sponsored pension plans.

1.8 Mission

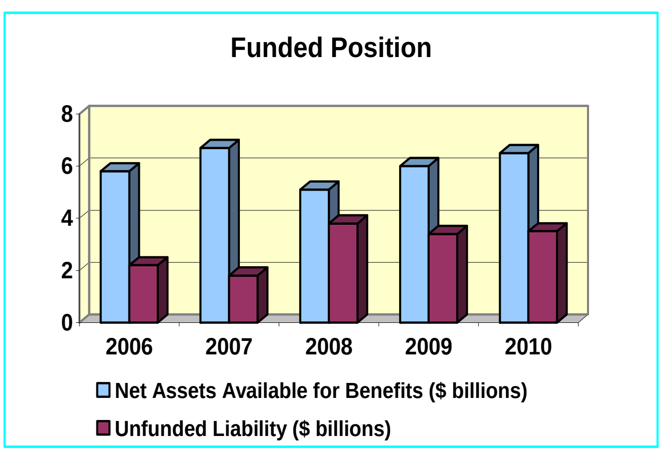
The mission statement identifies the priority focus areas of the PIC over the next planning cycle. Consistent with Government's strategic direction to improve the financial position of the Province, the PIC's mission is to maintain a long term investment strategy that will produce long term average investment returns in excess of those assumed by the Province's actuary in valuing the plans' liabilities, but with an acceptable level of risk. Excess returns will lead to a positive improvement in the funded ratio of the pension plans which will have a positive impact on the total debt of the Province. Over the next year, the PIC will continue to monitor the performance of the pension fund and make adjustments where necessary.

By 2011 the PIC will have continued to prudently managed the Pooled Pension Fund.

Measure: **Average annual performance of the pension fund in excess of the interest rate assumed by the actuary in measuring plan liabilities.**
Indicator: **Funded ratios of plans increase.**

1.9 Key Statistics

As of December 31, 2010, total Fund assets were $6.5 billion. The total unfunded liability was $3.5 billion. This compares to assets of $6.0 billion and an unfunded liability of $3.4 billion in 2009.



As detailed in the following table, Fund participation exceeded 67,000 members as of December 31, 2010.

Fund Participation as of December 31, 2010	
Active Members	38,461
Deferred Members	4,834
Pensioners	23,937
Total	**67,232**

1.10 Contributions and Payments

2010 Contributions and Payments	
Contributions:	
Contributions from Active Members	$174,462,000
Regular Employer Contributions	$154,643,000
Total Contributions:	$329,105,000
Payments:	
Pension Benefit Payments	$494,165,000
Refunds to Members	$21,259,000
Administrative Expenses	$16,890,000
Total Payments:	$532,314,000

2.0 Activities

The Fund was established as a vehicle to invest employee and employer pension plan contributions in the capital markets with a long term goal to achieve investment returns on those contributions sufficient to meet the cost of the pension obligations as they become due. As the obligations of the participating pension plans are not fully funded, any excess returns achieved in the portfolio will slow the growth in the unfunded portion.

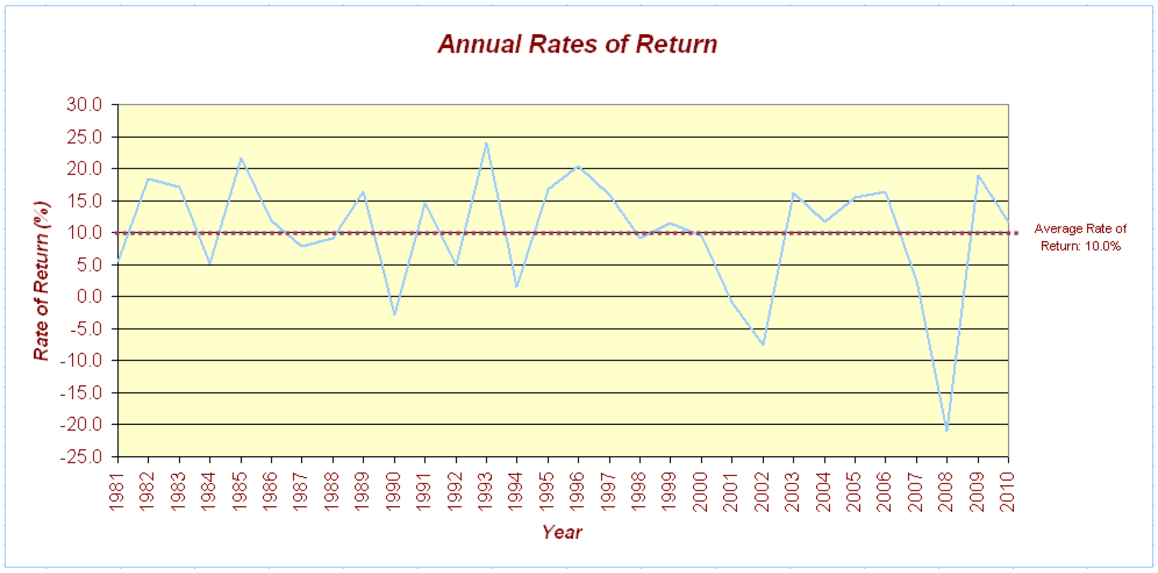
2.1 Issue

In evaluating the long term pension obligations of the Province, the Province's actuary currently uses a long term annual interest rate of 7.5% to discount the obligations. Similarly, in determining the cash flow requirements of the plans over the valuation period, the actuary assumes that the assets will achieve a similar rate of return. The PIC is mandated to develop and implement an investment strategy with the primary objective of securing the promised pension benefits at a manageable cost to both government and employees. The long term average targeted rate of return is currently 7.5%.

The PIC has implemented an asset mix policy and selected investment managers with a view to achieving annual investment returns that exceed the annual returns earned by the relevant capital market indices. It is hoped that this investment strategy will result in a long term return that exceeds the actuarial discount rate.

Asset Mix	***Actual (%)***		***Policy (%)***	
	2010	**2009**	**Target**	**Range**
Canadian Equities	39	37	35	40 – 50
U.S. Equities	21	20	20	10 – 20
Non North American Equities	20	20	20	10 – 20
Real Estate	2	3	5	-
Canadian Bonds	18	20	20	15 - 25

The current asset mix strategy of 75% equities, 20% fixed income and 5% real estate was adopted based on the plans' going concern funded ratio and the need to manage the growth of the unfunded liabilities. To further diversify the impact of investment volatility and enhance expected returns, equity and debt investments are allocated among broad asset classes. While returns in excess of the discount rate will not be achievable every year, since the inception of the Fund in 1981, the annual rate of return has averaged 10.0%.



2.2 2010 Objective

The PIC is mandated to develop a long term investment strategy with its primary goal to secure the promised pension benefits. On an annual basis, the PIC strives to achieve returns on assets that exceed the market returns of the various asset classes in which the Fund is invested.

Objective:	**By December 31, 2010, the Pooled Pension Fund will earn annual returns in excess of the market index for the relevant category of investments.**
Measure:	**Capital market returns i.e., the S&P TSX Composite Index; S&P 500 Index; MSCI/EAFE Index; the DEX Bond Index and the ICREIM/IPD Canadian Property Index.**
Indicator:	**Returns on investments in each category exceed the return of the relevant index.**

2.3 2010 Results

The economic recover underway since the end of 2009 was reflected int the continued growth of the Fund, with a return of 11.6% in 2010, 1.2% above the policy benchmark of 10.4%. This added return was primarily driven by the U.S. Equity, Non-North American Equity, Canadian Bond and Real Estate managers who outperformed their benchmarks. The Canadian Equity category was the only detractor. While the 16.0% return on Canadian Equities was favorable, it was 1.6% below the benchmark largely due to variances in the performance levels between sectors. The Fund's investment results for the five years ending December 31, 2006 to 2010 are presented below.

Investment Performance	***Annual Returns (%)***				
	2010	**2009**	**2008**	**2007**	**2006**
Total Fund	11.6	18.9	-21.0	2.5	16.4
*Policy Benchmark Return**	10.4	17.2	-20.6	1.9	15.8
Canadian Equities	16.0	30.4	-28.2	11.2	19.2
S&P/TSX Index	17.6	35.1	-33.0	9.8	17.3
U.S. Equity	11.5	11.7	-27.2	-10.1	14.3
S&P 500 Index	9.1	7.4	-21.2	-10.5	15.4
Non-North American Equity	7.4	17.4	-32.0	-6.4	27.1
MSCI EAFE Index	2.6	12.5	-28.8	-5.3	26.4
Real Estate (Newvest)	10.2	-10.3	1.6	21.8	16.8
ICREIM/IPD	7.5	-0.2	9.3	18.6	19.4
Canadian Bonds	7.4	9.7	5.9	3.8	4.3
DEX Bond Universe Index	6.7	5.4	6.4	3.7	4.1

*Policy Benchmark Return is defined as the rate of return which would have been earned had the fund been invested in securities identical to the various indices.

In summary, the rate of return on the portfolio for the year ended December 31, 2010 of 11.6% was 1.2% above the composite rate of return of 10.4% for the relevant capital market indices.

2.4 2011 Objective

By December 31, 2011, the Pooled Pension Fund will earn annual returns in excess of the market index for the relevant category of investments.

Measure: **Capital market returns i.e., the S&P TSX Composite Index; S&P 500 Index; MSCI/EAFE Index; the DEX Bond Index and the ICREIM/IPD Canadian Property Index.**

Indicator: **Returns on investments in each category exceed the return of the relevant index.**

2.5 2011 – The Year Ahead

Actuarial valuations will be completed for the Public Service Pension Plan, the Teachers' Pension Plan, the Members of the House of Assembly Pension Plan and the Provincial Court Judges' Pension Plan during 2011. Upon receiving these valuation reports, the PIC will conduct a review of the current asset mix policy to ensure that the Fund's investment strategy is positioned to maximize returns with an acceptable level of risk in order to meet the cash flow requirements of the plans over the next valuation period.

3.0 Province of Newfoundland and Labrador Pooled Pension Fund

Consolidated Financial Statements

December 31, 2010

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland and Labrador

AUDITOR'S REPORT

To the Trustee
Province of Newfoundland and Labrador
Pooled Pension Fund
St. John's, Newfoundland and Labrador

Report on the Financial Statements

I have audited the the accompanying consolidated financial statements of the Province of Newfoundland and Labrador Pooled Pension Fund which comprise the consolidated statement of net assets available for benefits as at 31 December 2010 and the consolidated statement of changes in net assets available for benefits 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 Canadian generally accepted accounting principles, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 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.

Auditor's Report (cont.)

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, these consolidated financial statements present fairly, in all material respects, the net assets available for benefits of the Newfoundland and Labrador Pooled Pension Fund as at 31 December 2010 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

JOHN L. NOSEWORTHY, CA
Auditor General

St. John's, Newfoundland and Labrador
24 June 2011

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
CONSOLIDATED STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

31 December	2010	2009
	(000's)	(000's)
ASSETS		
Investments (Note 2)		
Short-term notes and deposits	**$ 74,020**	$ 86,889
Bonds and debentures	**1,146,909**	1,139,604
Equities - Canadian	**2,446,976**	2,224,657
- Foreign	**2,622,333**	2,391,252
Real estate (Note 3)	**233,142**	185,350
	6,523,380	6,027,752
Receivables		
Employee contributions	**6,112**	5,319
Employer contributions	**5,440**	5,013
Accrued investment income	**12,485**	12,535
Accounts receivable	**1,011**	568
	25,048	23,435
Cash	**18,109**	17,955
Prepaid expenses	**189**	187
Deferred charges	**3,441**	3,138
	6,570,167	6,072,467
LIABILITIES		
Accounts payable and accrued liabilities	**7,953**	8,194
Refunds payable	**698**	1,152
Due to Province of Newfoundland and Labrador	**916**	589
Mortgages payable (Note 4)	**84,383**	67,673
	93,950	77,608
NET ASSETS AVAILABLE FOR BENEFITS	**$ 6,476,217**	$ 5,994,859

See accompanying notes

Signed on behalf of the Fund:

Minister of Finance and President of Treasury Board Trustee

Chairperson Pension Investment Committee

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For the Year Ended 31 December

	2010						2009
	Public Service Pension Plan (000's)	Teachers' Pension Plan (000's)	Uniformed Services Pension Plan (000's)	Members of the House of Assembly Pension Plan (000's)	Provincial Court Judges' Pension Plan (000's)	Total (000's)	Total (000's)
Increase (decrease) in net assets from:							
Investments (Note 5)							
Investment income	$ 95,909	$ 67,604	$ 4,352	$ 347	$ 91	$ 168,303	$ 182,045
Gain (loss) on sale of investments	123,223	86,742	5,587	446	119	216,117	(132,167)
Current period change in market value of investments	172,494	119,218	7,654	601	180	300,147	907,278
	391,626	273,564	17,593	1,394	390	684,567	957,156
Contributions							
Employee	123,890	45,640	4,195	487	250	174,462	162,338
Employer (Note 6)	109,753	40,349	4,085	302	154	154,643	159,212
Special payments	-	-	-	-	-	-	100,181
	625,269	359,553	25,873	2,183	794	1,013,672	1,378,887
Other changes in net assets							
Pensions	(238,390)	(236,508)	(18,690)	(545)	(32)	(494,165)	(468,695)
Refund of contributions with interest	(15,196)	(4,967)	(774)	(322)	-	(21,259)	(19,639)
Administrative costs (Note 7)	(9,503)	(6,880)	(461)	(37)	(9)	(16,890)	(15,724)
	(263,089)	(248,355)	(19,925)	(904)	(41)	(532,314)	(504,058)
Total increase in net assets	362,180	111,198	5,948	1,279	753	481,358	874,829
Net assets available for benefits, beginning of year	3,366,694	2,455,972	157,523	11,705	2,965	5,994,859	5,120,030
Net assets available for benefits, end of year	$ 3,728,874	$ 2,567,170	$ 163,471	$ 12,984	$ 3,718	$ 6,476,217	$ 5,994,859

See accompanying notes

Authority and description

The Province of Newfoundland and Labrador Pooled Pension Fund (the Fund) was created 1 July 1980 under the authority of the *Pensions Funding Act* for the purpose of providing for the funding of pension plans sponsored by the Province. The affairs of the Fund are managed by the Minister of Finance, as Trustee of the Fund. Section 9 of the *Act* states that where there are insufficient assets to meet the obligations of the Fund, or the equity apportioned to a plan is insufficient to meet the obligations of the plan, the Minister shall pay out of the Consolidated Revenue Fund sufficient monies as may be necessary to cover the deficiency.

The following pension plans participate in the Fund: Public Service Pension Plan, Teachers' Pension Plan, Uniformed Services Pension Plan, Members of the House of Assembly Pension Plan and the Provincial Court Judges' Pension Plan.

(a) Public Service Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan covering full-time employees of the Government of the Province of Newfoundland and Labrador, the Legislature and various Crown corporations, agencies and commissions created by or under a statute of the Province.

The Plan is comprised of two components, a Registered Plan, which provides registered pension benefits allowable under the *Income Tax Act* (Canada), and a Supplementary Plan, which provides benefits in excess of the *Income Tax Act* (Canada) maximum benefit limits. These financial statements include only amounts that pertain to the Registered Plan. Amounts that pertain to the Supplementary Plan are included within the accounts of the Consolidated Revenue Fund.

(ii) Employee contributions

Employee contributions are equal to 8.6% of the Canada Pension Plan (CPP) basic exemption, plus 6.8% of the employee's salary between the CPP basic exemption and the Year's Maximum Pensionable Earnings (YMPE) under the CPP, plus 8.6% of the employee's salary in excess of the YMPE, up to a maximum allowed under the *Income Tax Act* (Canada). Amounts in excess of the maximum allowed are paid to the Supplementary Plan.

(iii) Accrued service pensions

A service pension is available from the Registered Plan based on the number of years of pensionable service times 2% of the member's best five years average salary. When a retired member reaches age 65, this pension is reduced by 0.6% of the member's best five years average salary up to average YMPE times years of pensionable service after 1 April 1967. The calculated amount shall not exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada).

Authority and description (cont.)

(a) Public Service Pension Plan (cont.)

(iii) Accrued service pensions (cont.)

Where the calculated amount does exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada), a vested member who is no longer an employee can receive a pension from the Supplementary Plan. The total pension received from both the Registered Plan and the Supplementary Plan equals the amount calculated based on the number of years of pensionable service times 2% of the member's best five years average salary.

Employees who have reached age 50 and have at least 30 years of service are permitted to retire with a 0.5% reduction in pension benefit for each month under age 55.

Employees who have reached age 55 and have 30 years of service may retire with an unreduced pension. Employees age 55 or greater with less than 30 years service and with age and service equal to 85 may retire with a pension reduced by 0.5% for each month under age 60.

(iv) Disability pensions

A disability pension equal to the accrued service pension is available on permanent incapacity at any age with a minimum of five years pensionable service.

(v) Survivor pensions

A survivor pension of 60% of the member's accrued service pension is paid to the surviving principal beneficiary (and on the surviving principal beneficiary's death, to dependent children) following the death of a pensioner, a deferred pensioner or an employee with at least five years pensionable service.

(vi) Pre-retirement death benefits

Where an employee with at least five years pensionable service dies before receiving a pension and a survivor benefit is payable, the surviving principal beneficiary may elect to receive either the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the employee's pension entitlement.

Where an employee with at least five years pensionable service dies before receiving a pension and there is no surviving principal beneficiary the commuted value of the employee's pension entitlement is paid to the employee's estate.

Authority and description (cont.)

(a) Public Service Pension Plan (cont.)

(vii) Termination benefits

On termination of employment, an employee may elect to receive a refund of the employee's own contributions with interest or, if the employee has at least five years pensionable service, may elect to receive a deferred pension or commuted value.

(viii) Indexing

Effective 1 October 2002 and each 1 October thereafter the amount of a pension or survivor benefit paid to an individual who has reached the age of 65 will be adjusted by 60% of the Consumer Price Index for Canada for the previous calendar year as published by Statistics Canada, to a maximum of 1.2% of the annual pension or survivor benefit.

(b) Teachers' Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan covering teachers employed by school boards or the Province of Newfoundland and Labrador and full-time employees of the Newfoundland and Labrador Teachers' Association.

The Plan is comprised of two components, a Registered Plan, which provides registered pension benefits allowable under the *Income Tax Act* (Canada), and a Supplementary Plan, which provides benefits in excess of the *Income Tax Act* (Canada) maximum benefit limits. These financial statements include only amounts that pertain to the Registered Plan. Amounts that pertain to the Supplementary Plan are included within the accounts of the Consolidated Revenue Fund.

(ii) Employee contributions

Employee contributions are equal to 9.35% of salary, up to the maximum allowed under the *Income Tax Act* (Canada). Amounts in excess of the maximum allowed are paid to the Supplementary Plan.

Authority and description (cont.)

(b) Teachers' Pension Plan (cont.)

(iii) Accrued service pensions

A service pension is available from the Registered Plan based on 1/45th of the member's best five years average salary times years of pensionable service prior to 1 January 1991, plus 2% of the member's best five years average salary times years of pensionable service after 1 January 1991. When a member who retired after 31 August 1998 reaches age 65, this pension is reduced by 0.6% of the member's best five years average salary up to average YMPE times years of pensionable service after 1 April 1967. The calculated amount shall not exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada).

Where the calculated amount does exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada), a vested member who is no longer an employee can receive a pension from the Supplementary Plan. The total pension received from both the Registered Plan and the Supplementary Plan equals the amount calculated based on 1/45th of the member's best five years average salary times years of pensionable service prior to 1 January 1991, plus 2% of the member's best five years average salary times years of pensionable service after 1 January 1991.

(iv) Disability pensions

A disability pension equal to the accrued service pension is available on permanent incapacity at any age with a minimum of five years pensionable service.

(v) Survivor pensions

A survivor pension of 60% of the member's accrued service pension is paid to the surviving principal beneficiary (and on the surviving principal beneficiary's death, to dependent children) following the death of a pensioner, a deferred pensioner or an employee with at least five years pensionable service.

(vi) Pre-retirement death benefits

Where an employee with at least five years pensionable service dies before receiving a pension and a survivor benefit is payable, the surviving principal beneficiary may elect to receive either the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the employee's pension entitlement.

Where an employee with at least five years pensionable service dies before receiving a pension and there is no surviving principal beneficiary the commuted value of the employee's pension entitlement is paid to the employee's estate.

Authority and description (cont.)

(b) Teachers' Pension Plan (cont.)

(vii) Termination benefits

On termination of employment, a teacher may elect to receive a refund of the teacher's own contributions with interest or, if the teacher has at least five years pensionable service, may elect to receive a deferred pension or commuted value.

(viii) Indexing

Effective 1 September 2002 and each 1 September thereafter the amount of a pension or survivor benefit paid to an individual who has reached the age of 65 will be adjusted by 60% of the Consumer Price Index for Canada for the previous calendar year as published by Statistics Canada, to a maximum of 1.2% of the annual pension or survivor benefit. This provision only applies to a pension or survivor benefit where the teacher to whom that pension or benefit relates retires after 31 August 1998.

(c) Uniformed Services Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan covering members of the Royal Newfoundland Constabulary, warders at various Provincial correctional institutions, and some members of the St. John's Regional Fire Department.

(ii) Employee contributions

Employee contributions are equal to 9.95% of the CPP basic exemption, plus 8.15% of the employee's salary between the CPP basic exemption and the YMPE under the CPP, plus 9.95% of the employee's salary in excess of the YMPE.

(iii) Accrued service pensions

A service pension is available based on the number of years of pensionable service times 2% of the member's best three years average salary. When a retired member reaches age 65, this pension is reduced by 0.6% of the member's best three years average salary up to average YMPE times years of pensionable service after 1 April 1967.

Authority and description (cont.)

(c) Uniformed Services Pension Plan (cont.)

(iv) Disability pensions

A disability pension equal to the accrued service pension is available on permanent incapacity at any age with a minimum of five years pensionable service.

(v) Survivor pensions

A survivor pension of 60% of the member's accrued service pension is paid to the surviving principal beneficiary (and on the surviving principal beneficiary's death, to dependent children) following the death of a pensioner, a deferred pensioner or an employee with at least five years pensionable service. For grandfathered members, the survivor pension is 55% of the member's accrued service pension.

(vi) Pre-retirement death benefits

Where an employee with at least five years pensionable service dies before receiving a pension and a survivor benefit is payable, the surviving principal beneficiary may elect to receive either the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the employee's pension entitlement.

Where an employee with at least five years pensionable service dies before receiving a pension and there is no surviving principal beneficiary the commuted value of the employee's pension entitlement is paid to the employee's estate.

(vii) Termination benefits

On termination of employment, an employee may elect to receive a refund of the employee's own contributions with interest or, if the employee has at least five years pensionable service, may elect to receive a deferred pension or the commuted value.

(d) Members of the House of Assembly Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan for Members of the House of Assembly (MHAs). Members may elect not to participate in the Plan for their first term.

The Plan is comprised of two components, a Registered Plan, which provides registered pension benefits allowable under the *Income Tax Act* (Canada), and a Supplementary Plan, which provides benefits in excess of the *Income Tax Act* (Canada) maximum benefit limits. These financial statements include only amounts that pertain to the Registered Plan. Amounts that pertain to the Supplementary Plan are included within the accounts of the Consolidated Revenue Fund.

Authority and description (cont.)

(d) Members of the House of Assembly Pension Plan (cont.)

(ii) Member contributions

Members are required to pay 9% of their pensionable salary to the Registered Plan, up to the maximum allowed under the *Income Tax Act* (Canada). Amounts in excess of the maximum allowed are paid to the Supplementary Plan. Member contributions cease after seventeen years of service if elected before or during the 43rd General Assembly and after twenty years of service if elected since that time.

On 22 December 2009, the Province amended the *Members of the House of Assembly Retiring Allowances Act*. This amendment provided that for Members elected prior to 1 January 2010, their pensionable salary effective 1 July 2007 would be equal to 81.2% of the salary authorized to be paid to an MHA under section 11(1) of the *House of Assembly Accountability, Integrity and Administration Act*. The pensionable salary for Members elected after 31 December 2009 would be the salary authorized under subsection 11(1) of the *House of Assembly Accountability, Integrity and Administration Act*.

(iii) Calculation of allowances on retirement

A vested Member who is no longer an MHA or a minister may, on application and subject to eligibility criteria, receive an allowance as follows:

For Members elected for the first time before or during the 43rd General Assembly, the percentage is calculated at 5% for each of the first ten years, 4% for each of the next five years, 2.5% for each of the next two years and 2% for each year of other service. Ministers receive an additional allowance calculated similarly and based on service and salary as a Minister (excluding Member's salary).

For Members elected for the first time after the 43rd General Assembly and prior to 1 January 2010, the percentage is 5% for each of the first ten years, 2.5% for each of the next ten years, and 2% for each year of other service.

On 22 December 2009, the Province amended the *Members of the House of Assembly Retiring Allowances Act*. These amendments provided for a new benefit accrual rate and new eligibility criteria for Members first elected to the House of Assembly after 31 December 2009. The annual accrual benefit rate for the new Member would be 3.5% to a maximum of 20 years service. The new Member would have to reach age 55 before being eligible for an unreduced pension. A new Member who retires between the ages of 50 and 54 would be eligible for a pension that would be reduced by 6% for each year that the Member is under the age of 55.

Authority and description (cont.)

(d) Members of the House of Assembly Pension Plan (cont.)

(iii) Calculation of allowances on retirement (cont.)

These allowances are paid as follows:

Under the Registered Plan the allowance is the product of 2% of MHA's and minister's salary for the best three calendar years. When a Member reaches age 65, the amount of the registered allowance is reduced by 0.6% of the Member's average YMPE times years of service between 1 January 1998 and 31 December 2004. The amount of the registered allowance shall not exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada).

Where the calculated allowance does exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada), a vested Member who is no longer an MHA or a minister can receive an allowance from the Supplementary Plan. The Member's supplementary allowance is reduced by the amount of his or her registered allowance. The annual allowance is based on a percentage of the average of the Member's pensionable salary for the best three calendar years. When a Member reaches age 65, the amount of the supplementary allowance is reduced by 0.6% of the Member's average YMPE times years of service after 1 April 1967 (service between 1 January 1998 and 31 December 2004 excluded).

(iv) Disability allowance

A disability allowance equal to the amount of the registered allowance the Member would have been eligible to receive at 65 years of age is available if a Member becomes permanently disabled. Additional supplementary benefits are also available on disability.

(v) Survivor benefits

A survivor benefit equal to 60% of the Member's registered allowance that he or she would have received had he or she reached age 65 on the date of death is paid to the surviving principal beneficiary.

(vi) Pre-retirement death benefits

If a Member dies before receiving an allowance and a survivor benefit is payable, the surviving principal beneficiary may elect to receive the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the Member's entitlement. Where a survivor pension is not payable, the commuted value of the pension entitlement is paid to the deceased plan Member's estate.

Authority and description (cont.)

(d) Members of the House of Assembly Pension Plan (cont.)

(vii) Termination benefits

A Member who is no longer an MHA or a minister and who has been elected to only one general assembly or who has less than five years of service may elect to receive a refund of his or her contributions with interest.

A vested Member who is no longer an MHA or a minister may, subject to eligibility criteria, elect to transfer the commuted value of his or her entitlement under the Registered Plan to another approved retirement arrangement, or receive a deferred registered allowance. Also, the Member may receive a lump sum payment of his or her entitlement under the Supplementary Plan, or receive a deferred supplementary allowance.

(e) Provincial Court Judges' Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan covering all Provincial Court judges appointed on or after 1 April 2002, and to a judge who elected on or before 1 April 2002 to join the Plan.

The Plan is comprised of two components, a Registered Plan, which provides registered pension benefits allowable under the *Income Tax Act* (Canada), and a Supplementary Plan, which provides benefits in excess of the *Income Tax Act* (Canada) maximum benefit limits. These financial statements include only amounts that pertain to the Registered Plan. Amounts that pertain to the Supplementary Plan are included within the accounts of the Consolidated Revenue Fund.

(ii) Judges' contributions

Judges are required to pay 9% of their pensionable salary to the Registered Plan, up to the maximum allowed under the *Income Tax Act* (Canada). Amounts in excess of the maximum allowed are paid to the Supplementary Plan. Judges' contributions cease when they have accrued and paid contributions for twenty years of pensionable service.

Authority and description (cont.)

(e) Provincial Court Judges' Pension Plan (cont.)

(iii) Calculation of allowances on retirement

The annual amount of the allowance paid to a vested judge on normal retirement is the product of 3.33% of his or her annual salary on ceasing to be a judge, multiplied by the number of years of service as a judge, to a maximum of 20 years.

The annual amount of the allowance paid from the Registered Plan to a vested judge on normal retirement is the product of 2% of his or her annual salary on ceasing to be a judge, multiplied by the number of years of service as a judge, to a maximum of 20 years. The amount shall not exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada). The remaining allowance is paid from the Supplementary Plan.

Normal retirement date is the first day of the month following the judge's 65th birthday.

(iv) Survivor benefits

A survivor benefit equal to 60% of the pensioner's or judge's registered allowance that he or she would have received had he or she reached age 65 on the date of death is paid to the surviving principal beneficiary.

(v) Pre-retirement death benefits

If a judge dies before receiving an allowance and a survivor benefit is payable, the surviving principal beneficiary may elect to receive the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the judge's entitlement. Where a survivor pension is not payable, the commuted value of the entitlement is paid to the deceased judge's estate.

(vi) Termination benefits

A judge who has stopped serving as a judge and who has less than two years of judge's service may elect to receive a refund of his or her contributions with interest.

A judge who has at least two years of judge's service may, subject to eligibility criteria, elect to transfer the commuted value of his or her entitlement under the Registered Plan to another approved retirement arrangement, receive a lump sum payment of his or her entitlement under the Supplementary Plan, or receive a deferred allowance.

Authority and description (cont.)

(e) Provincial Court Judges' Pension Plan (cont.)

(vii) Indexing

Effective 1 October 2002 and each 1 October thereafter, the amount of the allowance or survivor benefit paid to an individual who has reached the age of 65 shall be adjusted by 60% of the Consumer Price Index for Canada for the previous calendar year as published by Statistics Canada, to a maximum of 1.2% of the annual allowance or survivor benefit.

1. Summary of significant accounting policies

These consolidated financial statements have been prepared by the Fund's management in accordance with Canadian generally accepted accounting principles. The consolidated financial statements present the aggregate financial position of the Fund as a separate financial reporting entity including the operations of its subsidiary Newvest Realty Corporation. They are prepared to assist plan members and others in reviewing the activities of the Fund for the fiscal period. Outlined below are the significant accounting policies followed.

(a) Principles of consolidation

These consolidated financial statements include the assets, liabilities and the changes in net assets of the Fund and Newvest Realty Corporation, a wholly-owned subsidiary incorporated on 9 August 2001 under the *Canada Business Corporations Act* to invest monies received from the Fund in Canadian real estate property. It is also registered under the *Corporations Act* of the Province of Newfoundland and Labrador. Inter-entity transactions and balances have been eliminated in these consolidated financial statements.

(b) Gains and losses on investments

The cost of sales for all investment dispositions is calculated as the weighted average of their costs.

1. **Summary of significant accounting policies (cont.)**

(c) Investment income

Investment income is allocated to the pension plans under the Fund based on the respective equity position, calculated on a market basis, of each plan based on the previous month's balance related to the total fund. The proportionate share of investment income is then attributed to each plan.

Investment income consists of the following:

(i) Dividend income which is recognized as of the date of record for North American equities and as of the date of receipt for non-North American equities.

(ii) Bank interest and interest on bonds and debentures, and short-term notes and deposits, which is recognized as it is earned.

(iii) Real estate income which is recognized on consolidation of Newvest Realty Corporation.

(iv) Foreign exchange gains or losses.

(d) Current period change in the market value of investments

The current period change in the market value of investments is allocated to the pension plans under the Fund based on the respective equity position, calculated on a market basis. The proportionate share of current period change in the market value of investments is then attributed to each plan.

(e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets available for benefits during the year. Management believes that the estimates utilized in preparing these consolidated financial statements are reasonable and prudent; however, actual results could differ from these estimates.

2. **Investments**

All investments are valued as follows:

(a) Short-term notes and deposits are valued at book value which approximates market value.

(b) Bonds and debentures are valued at the mean or the average price at the valuation date.

2. Investments (cont.)

(c) Publicly traded equities are valued at the last board lot trade for a given stock. In instances where the quoted stock has not been traded on valuation date, the price of the last board lot bid price is quoted.

(d) The Fund holds its real estate investments through its sole ownership interest in Newvest Realty Corporation. Income producing properties are presented in these financial statements at their appraised values in accordance with the Corporation's appraisal policy which requires that properties be appraised at least once every two years by professionally qualified independent appraisers. The external appraisals are completed in six month cycles on approximately one quarter of the Corporation's portfolio. The properties that are not externally appraised during each six month cycle are appraised by Bentall Kennedy. Any properties acquired by the Corporation in the current year have not been appraised and are therefore recorded at cost. Any increases or decreases in value resulting from the appraisal process are reflected in the Fund's financial statements on consolidation.

3. Real estate investments

The Fund's investment in real estate as at 31 December 2010, is comprised of real estate investments held by its wholly owned subsidiary, Newvest Realty Corporation, as follows:

	2010 (000's)	2009 (000's)
Assets		
Income producing properties (Appraised Value)	**$ 233,142**	$ 185,350
Other assets	**10,174**	11,980
Total assets	**$ 243,316**	$ 197,330
Liabilities and Equity		
Mortgages payable (Appreciated Value)	**$ 84,383**	$ 67,673
Other liabilities	**5,350**	7,142
Shareholder's equity	**153,583**	122,515
Total liabilities and equity	**$ 243,316**	$ 197,330
Income, Expenses and Shareholder's Equity		
Income	**$ 20,920**	$ 20,740
Operating expenses	**(7,395)**	(7,622)
Operating income (at cost)	**13,525**	13,118
Other expenses	**(5,058)**	(5,168)
Net income for the year (at cost)	**8,467**	7,950

3. Real estate investments (cont.)

	2010 (000's)	2009 (000's)
Current period change in market value of income producing properties	**13,379**	(19,556)
Current period change in market value of mortgages	**(2,428)**	440
	10,951	(19,116)
Net income (loss) for the year (at appraised and appreciated values)	**19,418**	(11,166)
Shareholder's equity, beginning of year	**122,515**	138,481
Shares issued for cash	**18,200**	-
Dividends declared	**(6,550)**	(4,800)
Shareholder's equity	**$ 153,583**	$ 122,515

4. Mortgages payable

Mortgages payable represent financing obtained by the Corporation for the acquisition of income producing properties. For investment information purposes, principal values and appreciated values are shown. Appreciated value is the mortgage's market value based on the discounted future cash payments using current or similar market interest rates. Details are as follows:

	2010		2009	
	Principal Value (000's)	**Appreciated Value (000's)**	Principal Value (000's)	Appreciated Value (000's)
(a) Bayview Chateau and White Rock Gardens, White Rock, British Columbia. Mortgage, held by The Great-West Life Assurance Company, repayable in monthly installments of $26,705, including interest calculated at a rate of 5.58% per annum, maturing 1 July 2012, secured by a conventional first mortgage, a general security agreement, and a general assignment of rents.	**$ 4,038**	**$ 4,177**	$ 4,133	$ 4,268

4. Mortgages payable (cont.)

	2010		2009	
	Principal Value (000's)	**Appreciated Value (000's)**	Principal Value (000's)	Appreciated Value (000's)
(b) Park and Tilford Shopping Centre, North Vancouver, British Columbia. Mortgage, held by The Great-West Life Assurance Company, repayable in monthly installments of $131,658, including interest calculated at a rate of 5.215% per annum, maturing 1 September 2020, secured by a first mortgage on freehold land and improvements, a first-ranking general assignment of leases and/or rents, first-ranking specific assignments, and a security agreement.	**18,343**	**18,343**	18,880	18,879
(c) TD Creekside Corporate Centre, Mississauga Ontario. Mortgage (50% interest), held by Metropolitan Life Insurance Company, repayable in monthly installments of $115,194, including interest calculated at a rate of 5.71% per annum, maturing 1 July 2014, secured by a freehold first mortgage and charge on the property, a general security agreement, a first general assignment of rents, and a first specific assignment of a tenant lease.	**15,891**	**16,874**	16,362	16,688
(d) 2001 Bantree, Ottawa, Ontario. Mortgage (50% interest), held by Equitable Life, repayable in monthly installments of $38,816, including interest calculated at a rate of 5.09% per annum, maturing 1 August 2015, secured by a first mortgage and charge on the property, a first general assignment of leases and rents, a first specific assignment of leases, a first general security agreement of assets of the property, and assignment of insurance proceeds and endorsements to all policies.	**5,806**	**6,036**	5,975	5,884

4. Mortgages payable (cont.)

	2010		2009	
	Principal Value (000's)	**Appreciated Value (000's)**	Principal Value (000's)	Appreciated Value (000's)
(e) Thunder Centre, Thunder Bay, Ontario. Mortgage (50% interest), held by CIBC, repayable in monthly installments of $53,718, including interest calculated at a rate of 5.743% per annum, maturing 1 September 2015, secured by a first mortgage and charge on the property, a first general assignment of leases and rents, a specific assignment of leases, assignment of the head lease with the vendor, and assignment of the letter of credit relative to the head lease.	**7,639**	**8,144**	7,844	7,950
(f) Centre 5735, Calgary, Alberta. Mortgage, held by Equitable Life, repayable in monthly installments of $26,630, including interest calculated at a rate of 5.28% per annum, maturing 1 December 2016, secured by a first mortgage and charge on the property, and a general security agreement.	**4,071**	**4,268**	4,174	4,105
(g) Faubourg Bois Franc, St. Laurent, Quebec. Mortgage, held by CIBC Mortgages Inc., repayable in monthly installments of $57,238, including interest calculated at a rate of 5.00% per annum, maturing 1 September 2017, secured by a first hypothec for registration against title to the properties in the amount of $10,725,000, a general immovable hypothec of rents being a first priority interest in rents payable and the insurance indemnities on such rents, a movable hypothec of the lease(s), and a movable hypothec in the amount of $10,725,000 being a first priority interest in all present and future personal or movable property corporeal or incorporeal of the Borrower.	**10,176**	**10,501**	10,354	9,899

4. Mortgages payable (cont.)

	2010		2009	
	Principal Value (000's)	**Appreciated Value (000's)**	Principal Value (000's)	Appreciated Value (000's)
(h) 10201 Jasper Avenue, Edmonton, Alberta. Mortgage (20% interest), held by the Standard Life Assurance Company of Canada, repayable in monthly installments of $33,491, including interest calculated at a rate of 6.50% per annum, maturing 1 July 2019, secured by a first mortgage, the general assignment of rents and leases, a specific assignment of leases and a general security agreement.	**4,880**	**4,880**	-	-
(i) 10303 Jasper Avenue, Edmonton, Alberta. Mortgage (20% interest), held by The Great-West Life Assurance Company, two mortgages: the first repayable in monthly installments of $29,835, including interest calculated at a rate of 4.159% per annum, maturing 1 December 2017; the second, an interest payment only mortgage, with monthly interest payments of $25,919 calculated at a rate of 5.47% per annum, maturing 1 December 2017. The first mortgage is secured by a pari-passu first mortgage on freehold land and improvements, first ranking general assignment of leases and/or rents of the lands, assignments of leases including specific assignment of major tenant leases.	**11,160**	**11,160**	-	-
	$ 82,004	**$ 84,383**	$ 67,722	$ 67,673

Annual principal repayments totalling $39.9 million (2009 - $43.0 million) to be made during the next five years are as follows:

	(000's)
2011	$ 2,160
2012	6,110
2013	2,290
2014	16,132
2015	13,166
	$ 39,858

5. Increase (decrease) in net assets, investments

	Investment income (000's)	Gain on sale of investments (000's)	Current period change in market value of investments (000's)	2010 Total (000's)	2009 Total (000's)
Canadian common equities	$ 53,316	$ 156,746	$ 141,725	$ 351,787	$ 536,595
Foreign common equities	53,542	47,211	131,888	232,641	317,042
Bonds and debentures	51,380	11,819	15,614	78,813	113,933
Short-term notes and deposits	1,598	341	(31)	1,908	752
Real estate	8,467	-	10,951	19,418	(11,166)
	$ 168,303	$ 216,117	$ 300,147	$ 684,567	$ 957,156

6. Funding policy

In accordance with legislation, the Province's funding requirement is to match employee contributions for current service. Matching of contributions may also occur for certain other types of prior service, which may be purchased under contract (see Note 9).

Also, the Province is required to pay into the Fund amounts required to cover any actual plan deficiencies which may occur. A plan deficiency occurs when pension payments, refunds of contributions and administrative costs exceed a plan's fund balance.

7. Administrative costs

Administrative costs are direct costs of the Department of Finance, Pensions Division, and are allocated to the various pension plans based on the previous month's equity balance related to the total Fund. Any direct costs related to a specific plan are charged accordingly. Administrative costs were comprised as follows:

	2010 (000's)	2009 (000's)
Investment management, consulting and custodial fees	$ 14,123	$ 12,890
Salaries and benefits	2,095	2,169
Computer charges	230	209
Other expenses	203	249
Medical and professional fees	197	119
Actuarial consulting fees	42	88
	$ 16,890	$ 15,724

8. Teachers' Indexing Fund

The total fund balance relating to the Teachers' Pension Plan is comprised of the regular fund balance and the fund balance of the Teachers' Indexing Fund. In accordance with the most recent Teachers' Collective Agreement, contributions required to fund the indexing benefit introduced as of 1 September 2002 shall be deposited to a separate account. As at 31 December 2010 the increase and decrease in the net assets of the Fund related to the Teachers' Indexing Fund and the closing balance, along with the closing balance of the Fund related to the Teachers' Regular Fund, are comprised as follows:

	2010 (000's)	2009 (000's)
Teachers' Indexing Fund:		
Increases in net assets		
Contributions	**$ 7,283**	$ 7,163
Investment income	**6,650**	8,049
	13,933	15,212
Decreases in net assets		
Pensions	**25**	22
Administrative costs	**166**	121
	191	143
Increase in net assets	**13,742**	15,069
Teachers' Indexing Fund balance, beginning of year	**54,205**	39,136
Teachers' Indexing Fund balance, end of year	**67,947**	54,205
Teachers' Regular Fund balance	**2,499,223**	2,401,767
Teachers' Pension Plan combined balance	**$ 2,567,170**	$ 2,455,972

9. Obligations for pension benefits

The present value of accrued pension benefits was determined using the projected benefit method prorated on service and the best estimate assumptions of the Trustee of the Province of Newfoundland and Labrador Pooled Pension Fund. Actuarial valuations were performed for each plan as of the valuation dates noted below, by a firm of consulting actuaries. The unfunded liabilities at the most recent valuation date are shown in the following table. In addition, the table shows the unfunded liabilities for each plan as extrapolated by the actuaries to 31 December 2010.

		At Valuation Date				
Plan	Valuation Date	Actuarial Present Value (000's)	Asset Value (000's)	Unfunded Liability (000's)	Extrapolated Unfunded Liability at 31 December 2010 (000's)	Extrapolated Unfunded Liability at 31 December 2009 (000's)
Public Service Pension Plan	12/31/2006	$ 4,464,970	$ 2,630,150	$ 1,834,820	$ 2,041,760	$ 2,042,350
Teachers' Pension Plan	08/31/2009	3,702,190	2,380,380	1,321,810	1,261,540	1,193,380
Uniformed Services Pension Plan	12/31/2008	318,449	49,576	268,873	180,140	159,700
Members of the House of Assembly Pension Plan	12/31/2006	9,820	11,220	(1,400)	1,380	1,700
Provincial Court Judges' Pension Plan	12/31/2007	2,331	2,165	166	140	270
		$ 8,497,760	$ 5,073,491	$ 3,424,269	$ 3,484,960	$ 3,397,400

The actuarial present values for the Public Service Pension Plan, the Teachers' Pension Plan and the Uniformed Services Pension Plan include the effects of future pension benefits accruing to members for periods of prior service that are being purchased under contract. These contracts provide for deferred payment terms, subject to interest, and have not been recognized in the Fund's assets. As at 31 December 2010, the total estimated value of payments to be received on these contracts is $8.8 million (2009 -$7.5 million).

10. Related party transactions

The following related party investments were held by the Fund as at 31 December 2010:

Description	Face Value (000's)	Market Value (000's)
Province of Newfoundland and Labrador Debentures - Series maturing 17 October 2033	$ 6,859	$ 7,707
Newfoundland and Labrador Hydro Debentures - Maturing 14 July 2017	1,377	1,283
	$ 8,236	$ 8,990

11. Portfolio management

In accordance with an agreement dated 28 September 2008, between the Minister of Finance as Trustee of the Province of Newfoundland and Labrador Pooled Pension Fund and CIBC Mellon Global Securities Services, custodial and administrative services for the Fund were performed by CIBC Mellon Global Securities Services, as agent for the Trustee.

As at 31 December 2010, the external investment fund counselling group was comprised of the following firms:

Aurion Capital Management Inc.
Baillie Gifford Overseas Limited
Bentall Kennedy
Beutel, Goodman & Company Ltd.
Connor, Clark & Lunn Investment Management Ltd.
Genus Capital Management Inc.
Jacobs Levy Equity Management Inc.
Phillips, Hager & North Investment Management Ltd.
Sanford C. Bernstein and Company, LLC
Sprucegrove Investment Management Ltd.
Systematic Financial Management Limited Partnership
UBS Global Asset Management (Canada) Co.

12. Financial instruments

The Fund's financial instruments recognized in the Consolidated Statement of Net Assets Available for Benefits consist of investments, which are carried at market value, and receivables, cash, accounts payable and accrued liabilities, refunds payable, due to Province of Newfoundland and Labrador, and mortgages payable, the carrying values of which approximate current fair value due to their nature and the terms and conditions of those instruments.

13. Income taxes

The Fund is a Crown entity of the Province of Newfoundland and Labrador and as such is not subject to Provincial or Federal income taxes.

4.0 Contact Information

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