

*Tabled by Minister of Finance
2008. 03. 31.
J.M.K.*



**PROVINCE OF NEWFOUNDLAND AND LABRADOR
POOLED PENSION FUND**

**ANNUAL REPORT
For the Year Ended December 31, 2006**

Department of Finance

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**PROVINCE OF NEWFOUNDLAND AND LABRADOR
POOLED PENSION FUND
TRUSTEE'S MESSAGE**



As trustee of the Province of Newfoundland and Labrador Pooled Pension Fund (the Fund), I am pleased to report on the financial and administrative activities of the Fund for the year ended December 31, 2006.

The Fund was established in 1980 to finance all pension benefits and related administrative expenses associated with the pension plans participating in the Fund, 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. This annual report outlines the financial and investment activity of the Fund and includes actuarial valuation summaries for each plan, as well as the audited financial statements for the year.

The results of the Fund for 2006 provided an annual return on investments of 16.4%. Net assets available for all five plans increased from \$3.2 billion at December 31, 2005 to \$5.8 billion at December 31, 2006, a growth of \$2.6 billion. While approximately \$2.0 billion of the change in assets was due to special payments by the Province of Newfoundland and Labrador, the balance was the result of a successful investment policy.

Improving the funded status of the pension plans through an aggressive but risk controlled investment policy is the key strategic objective for management of the pension fund.



It is with pleasure that I submit for your consideration the 2006 Province of Newfoundland and Labrador Pooled Pension Fund Annual Report.

Honourable Thomas W. Marshall, Q.C.
Minister of Finance and Trustee
Newfoundland and Labrador Pooled Pension Fund

Pension Investment Committee

Government Representatives:

Terry Paddon, Chairperson
Donna Brewer, Vice-Chair

Ron Williams
Rick Hayward

Maureen McCarthy
Earl Saunders
Gerald Dawe, Secretary

Deputy Minister of Finance
Assistant Deputy Minister, Financial Planning and Benefits
Administration, Department of Finance
Comptroller General
Assistant Deputy Minister, Corporate Services, Department
of Education
Director, Pension Administration
Director, Debt Management
Manager, Pension Investments

Employee/Pensioner Representatives:

Bert Blundon

Debbie Forward
Edward Hancock
Sharon King
Doug Laing
Eric Salter

Dave Reynolds

Newfoundland and Labrador Association of Public and
Private Employees
Newfoundland and Labrador Nurses' Union
Newfoundland and Labrador Teachers' Association
Association of Allied Health Professionals
Public Sector Managers' Association
Newfoundland and Labrador Public Service Pensioners'
Association
Canadian Union of Public Employees

Non-Government Representative:

Roger Crosbie

Private Sector Representative

External Advisors

Mercer Human Resource Consulting

Consulting Actuary

Russell Investments Canada

Pension Investment Consultant

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND

The Province of Newfoundland and Labrador Pooled Pension Fund (the Fund) was created on July 1, 1980 under the authority of the *Pensions Funding Act* to provide for the funding of pension plans sponsored by the Province. The affairs of the Fund are the responsibility of the Minister of Finance, as Trustee.

The following pension plans participated in the Fund at December 31, 2006:

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

In 1981 Government established a Pension Investment Committee (PIC) to advise the Minister on the operation of the investment program of the Fund. The responsibilities of the committee include the review of all financial activities of the Fund; the development, review and implementation of Fund objectives and investment strategies; and recommendations for the appointment of investment consultants, a

custodian, and investment managers as they are required.

The PIC has 15 members comprised of senior Government officials; representatives from the major public sector unions; a representative from the Newfoundland and Labrador Public Service Pensioners' Association; and one person from the private sector with experience in pensions. Each member is appointed by the Minister.

As of December 31, 2006, total Fund assets were \$5.8 billion. The total unfunded liability was \$2.2 billion. During the year, there was an increase in the number of both active and retired plan members, as detailed in the following table.

Fund Participation	2006	2005
Active Members	32,878	32,376
Deferred Members	238	307
Pensioners	20,533	19,757
Total	53,649	52,440

Legislative Framework

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 both the Provincial pension authorities under the *Pension Benefits Act, 1997 (PBA)* and 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.

Strategic Issues

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.

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 current asset mix strategy of 80% equities and 20% fixed income was adopted based on the plans' going concern funded ratio and the need to manage the growth of the unfunded liabilities. While returns in excess of the discount rate will not be achievable every year, since the inception of the Fund in 1980, the annual rates of return has averaged 10.7%. In 2006, the return was 16.4%, 8.9% greater than the rate assumed by the actuary.

The asset mix of the portfolio is reviewed regularly after each actuarial valuation of the plans or if there are any significant changes in the funding policy. As a result of the special funding initiatives and the elimination of the 30% Foreign Property restriction, the PIC undertook an asset mix study during 2006 to identify ways to further diversify portfolio holdings. This asset mix review resulted in confirmation of the 80%Equity/20% Fixed Income strategy. However, within the equity component, U.S. Equities exposure has been increased by 10% to 40% with an offsetting reduction in Canadian Equities to 35%.

Pension Investment Committee

The PIC acts as advisor to the Minister of Finance and President of Treasury Board who is the Trustee of the Fund. The committee is comprised of both Government and employee representatives along with a private sector industry

representative.

The mandate of the PIC is to review, monitor, administer and supervise all administration and investment activities of the Fund.

Consulting Team

To assist with the implementation of investment policy, the PIC has retained the services of Russell Investments Canada, an internationally recognized firm of investment consultants. 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, asset allocation, investment strategy,

manager structure, manager selection, and ongoing performance measurement and manager evaluation.

In addition, the Fund retains the services of RBC Dexia Investor Services as the custodian, to provide trade settlement, income collection, asset valuation and other custodial services related to the securities held by the Fund.

Investment Policy

The Fund's long-term investment expectation is an annualized rate of return, net of all expenses, of 7.5%. This funding target is based on a pre-established asset mix policy and expected long-term trends in capital markets. Even though there will be certain years when this target is not achieved, the fund's asset mix strategy should achieve this result in the long term. In fact, the fund's annualized rate of return of 10.7% over the twenty-four year period ending December 31, 2006 exceeds the actuarial discount rate of 7.5%. This 3.2% annual excess has resulted in an improved funded status for the plans over that period.

The Fund's Investment Objectives, Policies and Return Expectations are outlined in its Statement of Investment Policies and Procedures (SIP&P). These investment policies are subject to ongoing review and evaluation by the PIC and officials of the Department of Finance. In addition, a formal review is undertaken annually in consultation with the pension fund investment consultant, Russell Investments Canada, in which all aspects of the Fund's investment program and

funding policies are reviewed in detail to reflect current capital market realities.

The Fund's asset mix policy was adopted after evaluating the potential impact of alternative policies on benefit security and employer contributions. Factors evaluated before adopting the asset mix policy included the Plans' going-concern and solvency funded ratios, membership demographics, cash-flow requirements, actuarial assumptions, prospective benefit improvements, and liquidity requirements. This asset mix policy is reviewed periodically with a formal review required every three years under the *Pension Benefits Act*.

The following long-term asset mix policy has been adopted - Equity 80% and Debt 20%. To further diversify the impact of investment volatility and enhance expected returns, equity and debt investments are allocated among broad asset classes. The Fund's actual asset mix and targeted policy allocations for the two years ending December 31, 2006 and 2005 were as follows:

	Actual (%)		Policy (%)	
	2006	2005	Target	Range
Canadian Equities*	46	52	45	40 - 50
U.S. Equities	16	13	15	10 - 20
Non North American Equities	17	14	15	10 - 20
Real Estate	2	2	5	-
Canadian Bonds	19	19	20	15 - 25

* Canadian Equities exceed the policy range due to underachieving the Real Estate allocation. Funds not invested in Real Estate are invested in Canadian Equities.

Implementation of Investment Policy

The PIC has delegated the investment of pension fund assets to a team of prominent investment management firms selected with the assistance of Russell Investments Canada. Each firm is selected through a disciplined process to ensure that the investment style of that firm is compatible with the investment structure and objectives of the Fund. Upon hiring, an investment manager contract and an investment

manager mandate is signed. This mandate sets out the performance standards, describes the roles, responsibilities and investment guidelines for the manager.

The external investment management team and the assets being managed by each firm is as follows:

Baillie Gifford Overseas Ltd.	Non North American Equity
Beutel, Goodman & Company Ltd.	Canadian Equity
Beutel, Goodman & Company Ltd.	Canadian Bonds
Connor, Clark & Lunn Investment Management Ltd.	Canadian Equity
Genus Capital Management	Canadian Equity
Independence Investment LLC	U.S. Equity
Mulvihill Capital Management Inc.	Canadian Equity
Bentall Investment Management	Real Estate
Phillips, Hager & North Investment Management Ltd.	Canadian Bonds
Sprucegrove Investment Management Ltd.	Non North American Equity
UBS Global Asset Management (Canada) Co.	Canadian Equity
UBS Global Asset Management (Canada) Co.	U.S. Equity
UBS Global Asset Management (Canada) Co.	Canadian Bonds

Fund Performance

The investment return of 16.4% for the year ending December 31, 2006 reflects continued strength from the equity markets in Canada, the U.S. and internationally. In Canada, the market was led by Materials and Information Technology stocks while Energy, which had been the star performer for the previous two years, was a laggard in 2006. Bond returns were a moderating influence on the Fund return, as interest rates remained steady in 2006 and the bond portfolio earned a low single digit return.

The Fund's return of 16.4% in 2006 was 0.6% ahead of the policy benchmark of 15.8%. This added return was primarily driven by the Canadian equity managers outperforming their benchmark. Returns in the bond category and non-North American equity also contributed to the added return. The Fund's investment results for the years ending December 31, 2002 to 2006 are presented below:

Investment Performance	Annual Returns (%)				
	2006	2005	2004	2003	2002
Total Fund	16.4	15.4	11.6	16.3	-7.5
Policy Benchmark Return*	15.8	15.0	10.9	16.5	-9.6
Canadian Equities	19.2	23.2	15.8	28.1	-10.9
S&P/TSX Index	17.3	24.1	14.5	26.7	-12.4
U.S. Equity	14.3	6.5	5.0	3.8	-22.3
S&P 500 Index	15.4	2.3	2.8	5.3	-22.9
Non North American Equity	27.1	12.7	13.1	10.1	-10.7
MSCI EAFE Index	26.4	11.2	11.9	13.8	-16.5
Real Estate	16.8	13.0	7.4	1.8	4.7
ICREIM/IPD	19.4	18.3	13.0	8.2	8.7
Canadian Bonds	4.3	6.6	7.3	7.4	9.2
SC Universe Index	4.1	6.5	7.1	6.7	8.7

* 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.

Asset Class Discussion

Canadian Equity Investments

The Fund's investments are broadly diversified with respect to capitalization. Implementation of this overall strategy is further diversified by selecting firms with distinct investment styles (growth, value and market oriented styles; see *Glossary*) to ensure full diversification throughout equity markets. Performance results of each portfolio are measured against the return of the S&P/TSX Index, which is a weighted average of investment returns for companies traded on the Toronto Stock Exchange.

As well, there are also investments in mid and small capitalization companies. Performance for this portfolio is measured against the Nesbitt Burns Small Cap Index.

The Fund's Canadian equity return of 19.2% exceeded the S&P/TSX index return by 1.9%. This strong result is attributed to the two largest managers, who performed well above the index.

U.S. Equity Investments

Investment strategy for U.S. equities is implemented through two managers with differing investment styles. One manager seeks to identify shares of companies that are undervalued and whose future earnings are anticipated to increase the share price in relation to their present market price; the second manager invests in companies with strong growth prospects.

The combined U.S. equity return of 14.3% trailed the S&P 500 index return by 1.1% as both managers modestly underperformed in 2006. The impact of currency was a moderate positive influence in 2006, as the Canadian dollar weakened against the U. S. dollar.

Non North American Equity Investments

Non North American equity strategy is implemented through two separate portfolios. One with a growth style, the other a value style.

The combined non-North American equity return of 27.1% was ahead of the MSCI EAFE Index by 0.7%. Investment style was an influence

in 2006, as the growth manager underperformed the index, but the value manager more than offset this with strong performance. Currency played a strong positive role in 2006 as EAFE currencies strengthened versus the Canadian dollar, which contributed an additional 7.8% to the return of the asset class.

Real Estate Investments

The Fund's real estate holdings provide further asset mix diversification relative to equity and fixed income investments. In 2001, the PIC approved a real estate allocation of 5% of the total portfolio. At December 31, 2006, real estate assets of \$171.8 million had been acquired, with the Fund's equity totaling \$91.5 million.

program, Newvest Realty Corporation was incorporated under the Canada Business Corporations Act in 2001. The establishment of this special purpose company, wholly owned by the Fund, is normal practice as it protects other investments of the Fund from successful legal suits that may arise as a result of real estate investment activity.

To facilitate implementation of the real estate

Canadian Bond Investments

The Fund has three individual portfolios through which the fixed income investment strategy is implemented. As outlined in the adjacent table, the highest percentage allocation is in the Federal bonds.

The total fixed income return for the year of 4.3% is ahead of the SC Universe Bond Index by 0.2%. All three managers outperformed the index in 2006.

Sector Allocations as at December 31, 2006:	
Sector	%
Federal	39.6
Provincial	26.3
Municipal	0.7
Corporate	33.4

Change in Net Assets

Net assets available to pay benefits at the end of the year amounted to \$5.8 billion, an increase of \$2.6 billion since December 31, 2005. This net increase was mainly the result of the \$1.953 billion special payment to the Teachers' Pension Plan along with increased market values of investments

at year end. However, it was necessary to sell marketable securities because total benefit payments and related expenses exceeded the combined regular employee and employer contributions by \$194.0 million.

Public Service Pension Plan

The Public Service Pension Plan (PSPP) was established on April 1, 1967 to provide a contributory defined benefit pension plan for full-time employees of the Government of Newfoundland and Labrador and its various boards, agencies, commissions, crown corporations

and health care institutions. The PSPP operates under the authority of the *Public Service Pensions Act, 1991* and all contributions deducted from employees, together with matching amounts from their employers, are paid into the Fund for investment.

Administration Report

Actuarial Valuation

In accordance with the requirements of the *Pension Benefits Act, 1997*, an actuarial valuation as at December 31, 2003 was completed during 2004. The purpose of the valuation is to determine and examine the PSPP funded status as of the

valuation date, the funding requirements from 2004, and the long-term cash flow projections. The next actuarial valuation of the PSPP as at December 31, 2006 will be completed during 2007.

PSPP Actuarial Valuation - Summary of Results		
	December 31, 2003	December 31, 2000
Actuarial value of assets	\$1,671,110,000	\$1,454,250,000
Actuarial liability	\$3,636,500,000	\$2,884,190,000
Unfunded liability	(\$1,965,390,000)	(\$1,429,940,000)
Funded ratio	46.0%	50.4%

Special Payments

In accordance with the collective agreements and the legislation governing the PSPP, Government continued to make special cash payments to the PSPP totaling \$60 million during 2006. However, in early 2007 Government

committed to contribute a total of \$982.0 million to the PSPP before June 30, 2007 to address the unfunded liability in this plan. As part of this agreement, the \$60.0 million in annual payments will cease.

Statistics

Pension Contributions

Contributions made to the PSPP in 2006 totaled \$220.4 million. This included \$81.0 million from active members, \$79.4 million in

regular employer contributions, and \$60.0 million in special payments by Government. This compares to 2005 contributions of \$215.1 million.

Pension Payments

Payments from the PSPP totaled \$198.2 million, including \$176.3 million in pension benefits, \$14.7 million in refunds to members, and

\$7.2 million in administrative expenses. In 2005, total payments from the plan were \$183.0 million.

Expenses

The PSPP's expenses increased from \$7.0 million in 2005 to \$7.2 million in 2006. This included general administration costs, investment costs and actuarial fees. In allocating these

amounts to the total membership, expenses were up from \$184 per member in 2005 to \$185 per member in 2006.

Statistical Information

The contribution rate for both members and employers is the same.

There was an increase in both the number of active members and pensioners during the year.

PSPP Contribution Rates	2006 %
Up to YBE *	8.6
From YBE up to YMPE **	6.8
Above YMPE	8.6

* Canada Pension Plan's Year's Basic Exemption

** Canada Pension Plan's Year's Maximum Pensionable Earnings

PSPP Participation	2006	2005
Active Members	26,429	25,879
Deferred Members	216	283
Pensioners	12,530	11,982
Total	39,175	38,144

Teachers' Pension Plan

The Teachers' Pension Plan (TPP) was established on May 31, 1991, with an effective date retroactive to January 1, 1991, by the *Teachers' (Pensions) Act*. This replaced the Teachers' Pension Plan established under the *Education (Teachers') Pensions Act*.

The overall administration of the TPP is the

responsibility of the Pensions Administration Division, Department of Finance, in cooperation with the Department of Education, the School Boards, and the Newfoundland and Labrador Teachers' Association (NLTA). All contributions deducted from employees, together with matching amounts from their employers, are paid into the Fund for investment.

Administration Report

Actuarial Valuation

In accordance with the requirements of the *Pension Benefits Act*, 1997, an actuarial valuation of the TPP as at August 31, 2003 was completed during 2004. The purpose of the valuation is to determine and examine the funded status of the

TPP as of the valuation date, the funding requirements from 2003, and the long-term cash flow projections. The next actuarial valuation of the TPP as at August 31, 2006 will be completed during 2007.

TPP Actuarial Valuation - Summary of Results		
	August 31, 2003	August 31, 2000
Actuarial value of assets	\$779,390,000	\$755,413,000
Actuarial liability	\$2,952,440,000	\$2,454,031,000
Unfunded liability	(\$2,173,050,000)	(\$1,698,618,000)
Funded ratio	26.4%	30.8%

Special Payments

In accordance with the collective agreement between Government and the NLTA, the Province made special contributions during March and April

2006 totaling \$1.953 billion to the Fund to help address the unfunded liability of the Plan.

Statistics

Pension Contributions

Contributions made to the TPP in 2006 totaled \$2,021.1 million. This included \$35.6 million from active members, \$32.5 million in regular

employer contributions, and \$1,953.0 million in special payments by Government. Total contributions in 2005 were \$145.8 million.

Pension Payments

Payments from the TPP totaled \$214.8 million. This included \$204.5 million in pension benefits, \$4.3 million in refunds to members, and \$6.0

million in administrative expenses. In 2005, total payments from the plan were \$198.4 million.

Expenses

In 2006, the TPP's expenses totaled \$6.0 million. This included general administration costs, investment costs and actuarial fees. In

allocating this to the total plan membership, expenses were \$459 per member, compared to \$209 per member in 2005.

Statistical Information

The contribution rate for the TPP is 9.35% for both employers and members.

While the number of active members in the TPP decreased from 2005 to 2006, the number of pensioners increased, yielding a slight increase in total TPP membership.

TPP Participation	2006	2005
Active Members	5,786	5,839
Deferred Members	17	19
Pensioners	7,339	7,061
Total	13,142	12,919

Uniformed Services Pension Plan

The Uniformed Services Pension Plan (USPP) was established on December 3, 1982 by the *Uniformed Services Pensions Act*. The overall administration of the USPP is the responsibility of the Pensions Administration Division, Department of Finance, in cooperation with the Department of

Justice, the Royal Newfoundland Constabulary and the City of St. John's Fire Department. All contributions deducted from employees, together with matching amounts from their employers, are paid into the Fund for investment.

Administration Report

Actuarial Valuation

In accordance with the requirements of the *Pension Benefits Act*, 1997, an actuarial valuation of the USPP as at December 31, 2005 was completed during 2006. The purpose of the valuation is to determine and examine the funded

status as of the valuation date, the funding requirements for 2006, and the long-term cash flow projections. The next actuarial valuation of the USPP as at December 31, 2008 will be completed during 2009.

USPP Actuarial Valuation - Summary of Results		
	December 31, 2005	December 31, 2000
Actuarial value of assets	\$62,530,000	\$28,990,000
Actuarial liability	\$269,590,000	\$238,660,000
Unfunded liability	(\$207,060,000)	(\$209,670,000)
Funded ratio	23.2%	12.1%

Special Payments

On February 18, 2002, Government approved annual special \$20 million payments to the Fund in fiscal year 2001-2002, and in each of the next four fiscal years, to partly finance the unfunded pension liabilities under the USPP. Under this

arrangement, the funded ratio is projected to peak in 2006 (the year that special payments end), at 27.0% at which time the Fund will start to decline. The Fund is projected to be fully depleted by 2010, unless other financial arrangements are made.

Statistics

Pension Contributions

Contributions made to the USPP in 2006 totaled \$24.8 million. This included \$2.4 million from active members, \$2.4 million in regular

employer contributions, and \$20.0 million in special payments by Government. Total contributions in 2005 were \$24.5 million.

Pension Payments

Payments from the USPP totaled \$15.0 million, including \$14.5 million in pension benefits, \$168,000 in refunds to members, and

\$282,000 in administrative expenses. In 2005, total payments from the USPP were \$14.6 million.

Expenses

In 2006, the USPP's expenses totaled \$282,000. This included general administration costs, investment costs and actuarial fees. In

allocating this amount to the total plan membership, expenses were \$230 per member, compared to \$177 per member in 2005.

Statistical Information

There was no change in contribution rates for members of the USPP from 2005 to 2006. The following table details the USPP rate for both employers and employees.

USPP Contribution Rates	2006 %
Up to YBE *	8.5
From YBE up to YMPE **	6.7
Above YMPE	8.5

* Canada Pension Plan's Year's Basic Exemption

** Canada Pension Plan's Year's Maximum Pensionable Earnings

There was a slight increase in both the active membership and the pensioners in the USPP during 2005.

USPP Participation	2006	2005
Active Members	606	600
Deferred Members	1	1
Pensioners	621	603
Total	1,228	1,204

Members of the House of Assembly Pension Plan

The Pension Plan currently in effect for Members of the House of Assembly (MHAPP) was introduced in 1976. The MHAPP is constituted under the *Members of the House of Assembly Retiring Allowances Act*. The overall administration of the MHAPP is the responsibility

of the Pensions Administration Division, Department of Finance, in cooperation with the House of Assembly. All contributions deducted from plan members, together with matching amounts from their employers, are paid into the Fund for investment.

Administration Report

Actuarial Valuation

In accordance with the requirements of the *Pension Benefits Act, 1997*, an actuarial valuation as at December 31, 2003 was completed on the plan during 2004. The purpose of the valuation is to determine and examine the funded status of the MHAPP plan as of the valuation date, the funding requirements from 2004, and the long-term cash flow projections. The next actuarial valuation of the MHAPP as at December 31, 2006 will be

completed during 2007. In preparing the 2003 valuation, the Province's actuary allocated the MHAPP between a registered pension plan that meets the requirements of the *Income Tax Act* (Canada) and a supplementary plan that will provide benefits in excess of those permitted under the *Act*. Only the registered plan participates in the Fund.

MHAPP (Registered Pension Plan) Actuarial Valuation - Summary of Results		
	December 31, 2003	December 31, 2000
Actuarial value of assets	\$11,120,000	\$0
Actuarial liability	\$5,630,000	\$51,979,000
Excess	\$5,490,000	(\$51,979,000)
Funded ratio	197.5%	0%

Special Payments

In 2002, Government approved annual special payments of \$7.5 million to the Fund in year 2002 and in each of the next four years. As the

registered portion of the MHAPP is fully funded, the special payment was not made for 2005 and 2006.

Statistics

Pension Contributions

Contributions made to the MHAPP in 2006 totaled \$585,000. Contributions from active members were \$407,000 and employer

contributions were \$178,000. Total contributions in 2005 were \$372,000.

Pension Payments

Payments from the MHAPP totaled \$166,000. This included \$124,000 in pension payments and \$42,000 in administrative expenses. The total

payments during 2005 were \$9.8 million which included a one-time transfer of \$9.8 million to the Teachers' Pension Plan.

Expenses

Total expenses for the MHAPP decreased from \$52,000 in 2005 to \$42,000 in 2006. This included general administration costs, investment

costs and actuarial fees. On a per member basis, total expenses were \$447 per member, compared to \$319 per member in 2005.

Statistical Information

Required contributions are divided equally between employers and members and the contribution rate remained constant at 9.0% for members of the MHAPP from 2005 to 2006.

Active membership in the MHAPP was the same for both 2005 and 2006 as there were no vacant seats in the House of Assembly.

MHAPP Participation	2006	2005
Active Members	48	48
Deferred Members	4	4
Pensioners	42	111
Total	94	163

The number of Pensioners was reduced dramatically during 2006 as a result of those

former MHA's who were transferred to the Supplementary Plan.

Provincial Court Judges' Pension Plan

On December 31, 2001, the House of Assembly adopted a resolution to establish a separate pension plan for Provincial Court Judges effective April 1, 2002. All future Provincial Court Judges will be required to join the new Provincial Court Judges' Pension Plan (PCJPP). Up to March 31, 2002, sitting Judges had the option of electing to join the new PCJPP or remain in the Public Service Pension Plan.

In order to meet the plan registration requirements of Canada Revenue Agency, the PCJPP 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. This report contains information which pertains to the Registered Plan only.

Administration Report

Actuarial Valuation

In accordance with the requirements of the *Pension Benefits Act, 1997*, an actuarial valuation of the PCJPP as at December 31, 2004 was completed during 2005. The purpose of the valuation is to determine and examine the funded

status of the PCJPP as of the valuation date, the funding requirements from 2004, and the long-term cash flow projections. The next actuarial valuation of the PCJPP as at December 31, 2007 will be completed during 2008.

PCJPP Actuarial Valuation - Summary of Results		
	December 31, 2004	April 1, 2002
Actuarial value of assets	\$1,206,000	\$549,100
Actuarial liability	\$1,244,000	\$571,100
Unfunded liability	(\$38,000)	(\$22,000)
Funded ratio	96.9%	96.1%

Statistics

Pension Contributions

Contributions made to the PCJPP in 2006 totaled \$269,000. Active members contributed \$162,000 and employer contributions were \$107,000. Total contributions in 2005 were \$160,000.

Pension Payments

Payments from the PCJPP totaled \$45,000, including \$21,000 in pension benefits and \$24,000 in administrative expenses. Payments in 2005 were \$23,000.

Expenses

The PCJPP's administrative expenses of \$24,000 included general administration costs, investment costs and actuarial fees. In allocating these amounts to the total membership, expenses were \$2,400 per member in 2006, compared to \$2,200 per member in 2005.

Statistical Information

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). The PCJPP had 9 active members and 1 pensioner as of December 31, 2006.

*Province of Newfoundland and Labrador
Pooled Pension Fund*

Consolidated Financial Statements

December 31, 2006



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

I have audited the consolidated statement of net assets available for benefits of the Province of Newfoundland and Labrador Pooled Pension Fund as at 31 December 2006 and the consolidated statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Fund's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these consolidated financial statements present fairly, in all material respects, the net assets available for benefits of the Fund as at 31 December 2006 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
14 May 2007

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

31 December

2006

2005

(000's)

(000's)

ASSETS

Investments (Note 2)

Short-term notes and deposits	\$ 122,059	\$ 81,448
Bonds and debentures	1,065,366	573,108
Equities - Canadian	2,575,407	1,604,010
- Foreign	1,898,934	854,111
Real estate (Note 3)	171,764	152,826
	5,833,530	3,265,503

Receivables

Employee contributions	4,382	3,840
Employer contributions	4,294	3,753
Accrued investment income	14,792	9,275
Accounts receivable	896	405
	24,364	17,273

Cash 23,104 7,606

Prepaid expenses 318 333

Deferred charges 3,459 2,866

5,884,775 3,293,581


LIABILITIES

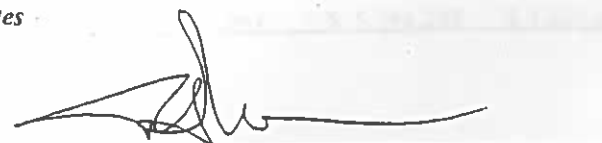
Accounts payable and accrued liabilities	8,650	5,514
Refunds payable	1,364	1,164
Due to Province of Newfoundland and Labrador	1,024	3,350
Mortgages payable (Note 4)	79,534	77,555
	90,572	87,583

NET ASSETS AVAILABLE FOR BENEFITS \$ 5,794,203 \$ 3,205,998

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

2006

2005

	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 in net assets							
Investments (Note 5)							
Investment income	\$ 91,588	\$ 97,320	\$ 3,001	\$ 385	\$ 76	\$ 192,370	\$ 127,238
Gain on sale of investments	60,536	64,325	1,984	254	51	127,150	125,223
Current period change in market value of investments	204,594	217,401	6,703	859	172	429,729	176,817
	356,718	379,046	11,688	1,498	299	749,249	429,278
Contributions							
Employee	80,997	35,612	2,426	407	162	119,604	117,169
Employer (Note 6)	79,378	32,514	2,406	178	107	114,583	112,758
Special payments (Note 6)	60,000	1,953,000	20,000	-	-	2,033,000	146,222
Transfers from other plans (Note 13)	-	-	-	-	-	-	9,778
	577,093	2,400,172	36,520	2,083	568	3,016,436	815,205
Decrease in net assets							
Pensions	176,281	204,511	14,558	124	21	395,495	369,424
Refund of contributions with interest	14,658	4,291	168	-	-	19,117	16,655
Administrative costs (Note 7)	7,237	6,034	282	42	24	13,619	9,988
Transfers to other plans (Note 13)	-	-	-	-	-	-	9,778
	198,176	214,836	15,008	166	45	428,231	405,845
Total increase in net assets	378,917	2,185,336	21,512	1,917	523	2,588,205	409,360
Net assets available for benefits, beginning of year	2,251,601	880,972	62,560	9,307	1,558	3,205,998	2,796,638
Net assets available for benefits, end of year	\$ 2,630,518	\$ 3,066,308	\$ 84,072	\$ 11,224	\$ 2,081	\$ 5,794,203	\$ 3,205,998

See accompanying notes

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2006

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 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 amount of the registered allowance shall not exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada).

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2006

Authority and description (cont.)

(a) **Public Service Pension Plan (cont.)**

(iii) **Accrued service pensions (cont.)**

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 employee can receive an allowance from the Supplementary Plan. The total allowance 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. 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.

(vi) **Death refunds**

The commuted value of the pension entitlement is payable when a survivor pension is not payable.

(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.

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 December 2006

Authority and description (cont.)

(a) **Public Service Pension Plan (cont.)**

(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 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 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. Amounts that pertain to the Supplementary Plan are included within the accounts of the Consolidated Revenue Fund.

(iii) Accrued service pensions

A service pension is available from the Registered Plan based on $1/45^{\text{th}}$ 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 amount of the registered allowance shall not exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada).

Authority and description (cont.)

(b) Teachers' Pension Plan (cont.)

(iii) Accrued service pensions (cont.)

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 employee can receive an allowance from the Supplementary Plan. The total allowance 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. 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.

(vi) Death refunds

The commuted value of the pension entitlement is payable when a survivor pension is not payable.

(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.

(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 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 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.

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2006

Authority and description (cont.)

(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 8.5% of the Canada Pension Plan (CPP) basic exemption, plus 6.7% of the employee's salary between the CPP basic exemption and the Year's Maximum Pensionable Earnings (YMPE) under the CPP, plus 8.5% of the employee's salary in excess of the YMPE. Grandfathered members contribute an additional 3.5% of salary, which is also matched by the Province.

(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. Grandfathered members have higher service pensions in recognition of higher contributions (as set out in Employee contributions above).

(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. 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.

Authority and description (cont.)

(c) Uniformed Services Pension Plan (cont.)

(vi) Death refunds

The commuted value of the pension entitlement is payable when a survivor pension is not payable.

(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. 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.

(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.

(iii) Calculation of allowances on retirement

A vested Member who is no longer a MHA or a minister may, on application and subject to eligibility criteria, receive an allowance from the Registered Plan that is the product of 2% of MHA 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).

Authority and description (cont.)

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

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

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 a MHA or a minister can receive an allowance from the Supplementary Plan. The total allowance received from both the Registered Plan and the Supplementary Plan equals the amount calculated based on 2% of MHA and minister's salary for the best three calendar years.

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, and 2.5% for each of the next two years. 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 the percentage is 5% for each of the first ten years, 2.5% for each of the next ten years, and 2.0% for each year of other service. 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 pension

A disability pension 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. 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. Additional supplementary survivor benefits are also available.

(vi) Death refunds

The commuted value of the entitlement of a Member is payable when a survivor benefit is not payable.

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2006

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.

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2006

Authority and description (cont.)

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

(iii) Calculation of allowances on retirement

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 annual amount of the allowance paid from the Supplementary Plan 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. A judge's supplementary allowance is reduced by the amount of the judge's registered allowance.

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. 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.

(v) Death refunds

The commuted value of the entitlement of a judge is payable when a survivor benefit is not payable.

(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. **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. 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.

(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 after giving effect to a time weighting of receipts and disbursements. 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.

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2006

1. Significant accounting policies (cont.)

(c) Investment income (cont.)

- (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, of each plan after giving effect to a time weighting of receipts and disbursements. 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 last bid price on the valuation date.
- (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 acquired by the Corporation during the current year are recorded at cost. These properties are presented 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 Investment Management Limited Partnership. Any increases or decreases in value resulting from the appraisal process are reflected in the Fund's financial statements on consolidation.

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 31 December 2006

3. Real estate investments

The Fund's investment in real estate as at 31 December 2006, which is comprised of real estate investments held by its wholly owned subsidiary, Newvest Realty Corporation, is as follows:

	2006 (000's)	2005 (000's)
Assets		
Income producing properties (Appraised Value)	\$ 171,764	\$ 152,826
Other assets	8,449	5,682
Total assets	\$ 180,213	\$ 158,508
Liabilities and Equity		
Mortgages payable (Appreciated Value)	\$ 79,534	\$ 77,555
Other liabilities	4,728	3,055
Shareholder's equity	95,951	77,898
Total liabilities and equity	\$ 180,213	\$ 158,508
Income and Expenses		
Income	\$ 18,132	\$ 15,962
Operating expenses	(6,788)	(6,112)
Operating income	11,344	9,850
Other expenses	(10,025)	(4,936)
Net income for the year	\$ 1,319	\$ 4,914

4. Mortgages payable

Mortgages payable represent financing obtained by Newvest Realty Corporation for the acquisition of income producing properties. For investment information purposes, principal values and appreciated values are shown. Details are as follows:

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 31 December 2006

4. Mortgages payable (cont.)

	2006		2005	
	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 Manufacturers Life Insurance Company, repayable in monthly installments of \$32,152, including interest calculated at a rate of 6.5% per annum, maturing 1 May 2007, secured by a freehold first mortgage registered against title to the property, a general security agreement, and a first general assignment of rents.	\$ 4,386	\$ 4,386	\$ 4,487	\$ 4,552
(b) 440 Eglinton Avenue East, Toronto, Ontario. Mortgage, held by TD Canada Trust, repayable in monthly installments of \$42,092, including interest calculated at a rate of 5.663% per annum, maturing 1 April 2013.	6,283	6,638	6,432	6,900
(c) 2 Silver Maple Court, Brampton, Ontario. Mortgage, held by The Great West Life Assurance Company, repayable in monthly installments of \$90,207, including interest calculated at a rate of 5.68% per annum, maturing 1 February 2013.	11,485	12,101	11,910	12,733
(d) Park and Tilford Shopping Centre, North Vancouver, British Columbia. Mortgage, held by The Great West Life Assurance Company, repayable in monthly installments of \$137,927, including interest calculated at a rate of 5.88% per annum, maturing 1 September 2010.	20,413	20,957	20,868	21,550
(e) 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 of the property, a general security agreement, a first general assignment of rents, and a first specific assignment of a tenant lease.	17,626	18,222	18,002	18,701

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
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4. Mortgages payable (cont.)

	2006		2005	
	Principal Value (000's)	Appreciated Value (000's)	Principal Value (000's)	Appreciated Value (000's)
(f) 2001 Bantree, Ottawa, Ontario. Mortgage (50% interest), held by Equitable Life, repayable in monthly installments of \$77,631, including interest calculated at a rate of 5.09% per annum, maturing 1 August 2015, secured by a first mortgage and charge of 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.	6,433	6,419	6,571	6,571
(g) Thunder Centre, Thunder Bay, Ontario. Mortgage (50% interest), held by CIBC, repayable in monthly installments of \$76,479, including interest calculated at a rate of 4.99% per annum, maturing 1 September 2010, secured by a first mortgage and charge of 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.	6,409	6,355	6,548	6,548
(h) 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 of the property, and a general security agreement.	4,456	4,456	-	-
	\$ 77,491	\$ 79,534	\$ 74,818	\$ 77,555

Annual principal repayments totalling \$28.8 million (2005 - \$14.1 million) to be made during the next five years are as follows:

(000's)
2007 - \$ 1,974
2008 - \$ 2,087
2009 - \$ 2,207
2010 - \$20,640
2011 - \$ 1,860
\$28,768

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
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5. Increase 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)	2006 Total (000's)	2005 Total (000's)
Canadian common stock	\$ 82,883	\$ 114,635	\$ 184,437	\$ 381,955	\$ 307,692
Foreign common stock	56,770	9,855	235,498	302,123	72,851
Bonds and debentures	45,077	2,660	(2,055)	45,682	36,290
Short-term notes and deposits	6,321	-	-	6,321	3,167
Real estate	1,319	-	11,849	13,168	9,278
	<u>\$ 192,370</u>	<u>\$ 127,150</u>	<u>\$ 429,729</u>	<u>\$ 749,249</u>	<u>\$ 429,278</u>

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 pays 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.

During the 1997-98 fiscal year, the Province started to make special payments to the Fund on behalf of the Public Service Pension Plan to address the unfunded liability of that Plan. The Province contributed \$30 million in each of 1997-98 and 1998-99. In 1999-2000, 2000-01 and 2001-02 the Province contributed \$40 million each year. The Province's contribution in 2002-03 was \$45 million and increased to \$60 million in 2003-04. In accordance with legislation, contributions will continue at \$60 million yearly for the period of time that the Plan remains unfunded as established by the Province's actuary on a plan termination basis. In 2007, the Province is making a special payment of \$982 million to address the unfunded liability of the Plan (see Note 14) and thus the \$60 million annual payment will no longer be required.

During the 1998-99 fiscal year, the Province started to make special payments to the Fund on behalf of the Teachers' Pension Plan to address the unfunded liability of that Plan. In accordance with legislation, the Province was to pay \$815 million to the Fund on behalf of the Plan. The Province paid \$166 million towards this in each of 1998-99 and 1999-00, and paid \$76 million each fiscal year from 2000-01 to 2004-05. The Province paid \$66.222 million into the plan during 2005 and transferred \$9.778 million from the Members of the House of Assembly Pension Plan (see Note 13). In March 2006, the Province made a special payment of \$1.953 billion to address the unfunded liability of the Plan.

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
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6. Funding policy (cont.)

On 18 February 2002, the Province approved a special \$20 million payment to the Fund for 2001-02, and for each of the next four fiscal years, to partially finance the unfunded pension liability under the Uniformed Services Pension Plan. The final \$20 million of these payments was received during 2006.

On 14 March 2002, the Province approved a special \$7.5 million payment to the Fund for 2001-02, and for each of the next four fiscal years, to partially finance the unfunded pension liability under the Members of the House of Assembly Pension Plan. However, it was determined that such payments were not allowable under the *Income Tax Act* (Canada) to fund the Registered Plan. During 2005, the Province approved the discontinuation of payments scheduled to be made during 2005 and 2006.

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 a combination of expenses directly attributable to a plan, the number of members participating in the various pension plans and a time weighing of receipts and disbursements. Administrative costs are comprised as follows:

	2006 (000's)	2005 (000's)
Investment management, consulting and custodial fees	\$ 10,848	\$ 7,204
Salaries and benefits	1,979	1,806
Computer charges	228	506
Actuarial consulting fees	159	138
Medical and professional fees	191	153
Other expenses	214	181
	\$ 13,619	\$ 9,988

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
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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 2006 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:

	2006 (000's)	2005 (000's)
Teachers' Indexing Fund:		
Increases in net assets		
Contributions	\$ 5,941	\$ 5,960
Investment income	4,468	2,976
	<u>10,409</u>	<u>8,936</u>
Decreases in net assets		
Pensions	7	4
Administrative costs	71	67
	<u>78</u>	<u>71</u>
Increase in net assets	10,331	8,865
Teachers' Indexing Fund balance, beginning of year	25,191	16,326
Teachers' Indexing Fund balance, end of year	35,522	25,191
Teachers' Regular Fund balance	3,030,786	855,781
Teachers' Pension Plan combined balance	<u>\$ 3,066,308</u>	<u>\$ 880,972</u>

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
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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 2006.

Plan	Valuation Date	Actuarial Present Value (000's)	At Valuation Date			
			Asset Value (000's)	Unfunded Liability (000's)	Extrapolated Unfunded Liability at 31 December 2006 (000's)	Extrapolated Unfunded Liability at 31 December 2005 (000's)
Public Service Pension Plan	12/31/2003	\$ 3,636,500	\$ 1,671,110	\$ 1,965,390	\$ 1,733,010	\$ 1,860,890
Teachers' Pension Plan	08/31/2006	3,344,950	2,750,940	594,010	311,990	2,279,910
Uniformed Services Pension Plan	12/31/2005	269,590	62,530	207,060	196,410	192,140
Members of the House of Assembly Pension Plan	12/31/2003	5,630	11,120	(5,490)	(2,350)	(1,500)
Provincial Court Judges' Pension Plan	12/31/2004	1,244	1,206	38	(140)	(100)
		\$ 7,257,914	\$ 4,496,906	\$ 2,761,008	\$ 2,238,920	\$ 4,331,340

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 2006, the total estimated value of payments to be received on these contracts is \$4.3 million (2005 - \$4.4 million).

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND
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10. Related party transactions

The following investments were held by the Fund as at 31 December 2006:

Description	Face Value (000's)	Market Value (000's)
Province of Newfoundland and Labrador Debentures - Maturing from 11/03/2009 to 10/17/2033	\$ 12,598	\$ 13,600
Newfoundland and Labrador Hydro Debentures - Maturing 7/14/2017	1,514	1,483
	\$ 14,112	\$ 15,083

11. Portfolio management

In accordance with an agreement dated 1 February 1997, between the Minister of Finance as Trustee of the Province of Newfoundland and Labrador Pooled Pension Fund and RBC Dexia Investor Services, custodial and administrative services for the Fund are performed by the Corporation, as agent for the Trustee.

As at 31 December 2006, the external investment fund counselling group was comprised of the following firms:

Baillie Gifford Overseas Limited
 Bentall Investment Management Limited Partnership
 Beutel, Goodman & Company Ltd.
 Connor, Clark & Lunn Investment Management Ltd.
 Genus Capital Management
 Independence Investment Associates Inc.
 Mulvihill Capital Management Inc.
 Phillips, Hager & North Investment Management Ltd.
 Sprucegrove Investment Management Ltd.
 UBS Global Asset Management (Canada) Co.

Subsequent to year end, the Fund released Independence Investment Associates Inc. and retained the following firms:

AllianceBernstein Canada Inc.
 Jacobs Levy Equity Management Inc.
 Systematic Financial Management Limited Liability Partnership

PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2006

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. Plan amendments

Members of the House of Assembly Pension Plan

During 2005 the House of Assembly approved amendments to the Members of the House of Assembly Pension Plan to retroactively bring the Plan into compliance with the requirements of the *Income Tax Act* (Canada). The Plan was restructured into two components, a registered pension plan which will continue to be administered within the Province of Newfoundland and Labrador Pooled Pension Fund, and a supplementary pension plan which will be administered within the accounts of the Consolidated Revenue Fund. Assets totalling \$9.778 million held in the registered component were transferred from the Members of the House of Assembly Pension Plan to the Teachers' Pension Plan as part of the Province's \$76 million payment due 1 September 2005.

14. Subsequent event

Public Service Pension Plan

Subsequent to year end, the Province entered into an agreement with the Newfoundland and Labrador Association of Public Employees, the Canadian Union of Public Employees, the Association of Allied Health Professionals, the Newfoundland and Labrador Nurses Union, the International Brotherhood of Electrical Workers, and the Canadian Merchant Marine Services Guild to address the unfunded liability of the Public Service Pension Plan. In accordance with the agreement, in March 2007 the Province made a contribution of \$400 million and another contribution of \$350 million in May 2007. The Province is required to make a further contribution of \$232 million before 30 June 2007 to help address the unfunded liability of the Plan.

15. 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.

Participating Employers

Public Service Pension Plan

Aramark Canada Limited
Association of Registered Nurses of
Newfoundland & Labrador
Bay St. George Residential Support Board
Bay St. George Youth Assessment Centre
Bill & Paul's Community Living Home
Board of Commissioners of Public Utilities
C. A. Pippy Park Commission
Canada Newfoundland Offshore Petroleum Board
Central Health Authority
Central School District
Churchill Falls (Labrador) Corporation
College of the North Atlantic
Conseil Scolaire Francophone
Council for Licensed Practical Nurses
Department of Business
Department of Education
Department of Education (School for the Deaf)
Department of Education (Student Assistants)
Department of Environment & Conservation
Department of Executive Council
Department of Finance
Department of Fisheries & Aquaculture
Department of Government Services
Department of Health & Community Services
Department of Human Resources, Labour & Employment
Department of Human Resources, Labour
& Employment (Central)
Department of Innovation, Trade & Rural Development
Department of Justice
Department of Labrador & Aboriginal Affairs
Department of Municipal & Provincial Affairs
Department of Natural Resources
Department of Tourism, Culture & Recreation
Department of Transportation & Works
Eastern Health Authority
Eastern School District

Eastern Residential Support Board
Grace Sparkes House
House of Assembly
Iris Kirby House
Labrador-Grenfell Health Authority
Labrador Hydro Project
Labrador School District
Municipal Assessment Agency
Newfoundland & Labrador School Boards Association
Newfoundland & Labrador Film Development Corporation
Newfoundland & Labrador Foster Families Association
Newfoundland & Labrador Health Board Association
Newfoundland & Labrador Hydro
Newfoundland & Labrador Arts Council
Newfoundland & Labrador Youth Centre
Newfoundland & Labrador Housing Corporation
Newfoundland & Labrador Nurses Union
Newfoundland and Labrador Association of Public
and Private Employees (NAPE)
Newfoundland Legal Aid Commission
Newfoundland Liquor Corporation
Office of the Auditor General
Pine Heights Group Home
Provincial Information & Library Resources Board
Provincial Advisory Council
Public Service Commission
Public Service Credit Union Limited
Royal Newfoundland Constabulary (Non-management)
Royal Newfoundland Constabulary (Management)
St. Francis Foundation
St. John's Regional Fire Department
T. J. McDonald Achievement Home
The Rooms Corporation
Western Health Authority
Western School District
Workplace Health, Safety & Compensation Commission
Xwave Solutions

Teachers' Pension Plan

Central School District
Conseil Scolaire Francophone
Eastern School District

Labrador School District
Western School District
Newfoundland & Labrador Teachers Association

Uniformed Services Pension Plan

Department of Justice (Correctional Officers)
Royal Newfoundland Constabulary (Non-management)

Royal Newfoundland Constabulary (Management)
St. John's Regional Fire Department

Members of the House of Assembly Pension Plan

House of Assembly

Provincial Court Judges' Pension Plan

Department of Justice

Reciprocal Transfer Agreements

Public Service Pension Plan

Province of British Columbia
Province of Manitoba
Province of New Brunswick
Province of Nova Scotia
Province of Ontario
Province of Prince Edward Island
Province of Quebec
Canadian Pacific Hotels Pension Plan
Canadian Union of Public Employees
City of St. John's
College of Applied Arts and Technology
Council of Atlantic Premiers
Gander, Town of
Government Money Purchase Pension Plan
Government of Canada

Halifax County Municipality Full-time
Retirement Pension Plan
Prince Edward Island Health & Community Services Agency
Lakehead University
Newfoundland and Labrador Municipal
Employee Benefits Inc.
Newfoundland Power
NewTel Pension Plan
Nova Scotia Association of Health Organizations
Ontario Municipal Employees Retirement Board
Ontario Public Service Employees Union
Province of British Columbia Municipal Pension Plan
Province of British Columbia College Pension Plan
University of Prince Edward Island Pension Plan

Teachers' Pension Plan

Province of Manitoba
Province of New Brunswick
Province of Nova Scotia
Province of Prince Edward Island

Province of Saskatchewan
Government Money Purchase Pension Plan
United Church of Canada

Uniformed Services Pension Plan

Government Money Purchase Pension Plan

Members of the House of Assembly Pension Plan

Government Money Purchase Pension Plan

Glossary

Act - Each pension plan is established by an Act. The Acts establishing the Government of Newfoundland and Labrador's pension plans are:

- Public Service Pensions Act, 1991
- Teachers' Pensions Act, 1991
- Uniformed Services Pensions Act, 1991
- Members of the House of Assembly Retiring Allowances Act
- Provincial Court Judges' Pension Plan Act

Actuarial Valuation - Assessment of the financial health of a pension plan by an independent actuarial consulting firm.

Actuary - A person who is a Fellow of the Canadian Institute of Actuaries. Actuaries are business professionals who apply their knowledge of mathematics, probability, statistics, and risk theory, to real-life financial problems involving future uncertainty. These uncertainties are usually associated with life insurance, property and casualty insurance, annuities, pension or other employee benefit plans, or providing evidence, in courts of law, on the value of lost future earnings.

Annual Benefit Statement - Once a year, plan members receive a benefit statement through their employer that describes their status in the plan. The statement gives many details including:

- normal retirement date
- early retirement date
- an estimate of the amount of a plan member's pension benefit at the statement date, assuming they are already eligible
- survivor pension entitlement
- credited pensionable service
- accumulated contributions in the plan (including interest), and
- balance owing on purchase of service contracts.

Benefit - A commuted value, pension, refund or any other entitlement payable to the plan member (or a survivor of the plan member) by the pension plan.

Canada Pension Plan (CPP) - The federal pension plan administered by Human Resources Development Canada. It applies in all provinces and territories of Canada except Quebec.

Consumer Price Index (CPI) - The consumer price index measures monthly and yearly changes in the cost of 300 goods and services commonly bought by Canadians. If the combined cost of this "basket" of items goes up, then there has been inflation. The greater the increase, the higher the inflation rate has become. Pensions paid under the Public Service Pension Plan and the Teachers' Pension Plan are indexed to the cost of living, and the consumer price index is one of the factors used to calculate annual cost of living increases for pension benefits.

Contribution - The amount of money the plan member and the employer are required to pay into the pension plan.

Contribution Rate - The percentage of the plan member's salary that the plan member and the employer contribute to the plan.

Deferred Pension - A pension payable at a later date, either because the plan member terminates employment before the earliest date at which the pension may begin, or because the plan member chooses to have the pension commence at a later date. For example, a plan member may choose to defer a pension in order to later receive an unreduced pension.

Disability Pension - A pension benefit payable to disabled plan members who meet the eligibility criteria established by the relevant pension plan.

Growth Investment Style - The focus is on buying stocks for their future growth potential in either cash flows or revenues. Growth stocks are always bought on future expectations.

Indexing - Increases to monthly pension amounts based on the annual increase in the cost of living. If the cost of living decreases, the pension amount remains the same - it does not decrease.

Joint Trusteeship - With respect to pension plans, means that the management of a pension plan is shared between the representatives of both plan members and plan employers.

Liabilities - The cost of a pension plan's current and future benefit commitments (the amount required to pay for benefits that are currently being paid by the plan plus the amount required to pay for benefits that are expected to be paid in the future).

Market Oriented Investment Style - The manager invests in those companies that comprise a significant component of the total companies being traded in the index. The objective with this approach is to gain broad exposure to the various industries operating within the total economy.

PBA - See Pension Benefits Act

Pension - A lifetime semi-monthly income paid by your pension plan.

Pension Benefits Act (PBA) - The provincial statute designed to protect the interests of pension plan members of Newfoundland and Labrador. The PBA sets minimum standards for pension plans in areas such as eligibility, vesting, portability and disclosure to members and sets out rules for the solvency and investment of pension plans.

Pension Fund - Trust fund in which your contributions and your employer's contributions accumulate and are invested to pay for current and future pension benefits.

Policy Benchmark - The rate of return which would have been earned had the fund passively invested in the various capital markets that percentage allocation of total fund assets as is adopted in its overall asset mix strategy.

Reciprocal Transfer Agreement - Means an agreement between two or more plans under which service with any party to the agreement will be recognized for purposes such as:

- satisfying minimum service requirements for plan participation;
- fulfilling minimum service requirements for benefit entitlement;
- preventing a break in continuous service; or
- accruing pension service credits

The agreement provides for the transfer of an appropriate sum of money from the pension fund of one employer directly to the pension fund of another, to fund benefits of an employee who leaves the first employer to enter employment with the second.

Refund of Contributions - Cash refund of your past contributions to the plan, plus a legislated amount of interest.

Survivor Benefit - A benefit payable to the principal beneficiary or child of an active plan member, inactive plan member or retired plan member.

Trustee - Person or persons who have been entrusted with managing a trust's assets in the best financial interest of the trust's beneficiaries. Where pensions are concerned, an individual plan member's "trust" is their pension plan benefits. A pension plan's "trust" is the pension plan and the pension fund. Trustees are fiduciaries. They must abide by all laws, rules and regulations governing trustees. They have a duty:

- to adhere to the terms of the trust and to the law
- to act personally and not to delegate
- to act as a prudent person would act, that is, with care
- to act with loyalty to the trust, that is, to avoid any conflict of interest
- of impartiality, that is, to act in an even-handed manner
- to safeguard and invest the assets
- to inform the beneficiaries, and
- to pay the proper amounts to the proper beneficiaries.

Unfunded Liability - Occurs when there are fewer assets in the fund than liabilities.

Valuation - An actuarial examination of a pension plan to determine whether contributions are being accumulated at a rate sufficient to provide the funds out of which the promised pensions can be paid when due. The valuation shows the actuarial liabilities of the plan and the applicable assets.

Value Investment Style - The focus is on buying stocks that a manager believes are trading at a discounted price to their real value.

Year's Basic Exemption (YBE) - A portion of earnings upon which no CPP contributions are required. The YBE is \$3,500 and is included in salary for the purpose of calculating CPP benefits.

Year's Maximum Pensionable Earnings (YMPE) - Maximum salary limit for contributions to the Canada Pension Plan. The YMPE for 2006 is \$42,100.

