



**Department of Finance**  
**Pension Investment Committee**  
**2007 Activity Report**

Revised August 2008

## Table of Contents

MESSAGE FROM THE CHAIR .....	i
1.0 Overview	
1.1 Pension Investment Committee.....	1
1.2 Mandate .....	2
1.3 Legislation .....	2
1.4 Lines of Business – Investment of Pension Plan Contributions.....	2
1.5 Values .....	2
1.6 Primary Clients and Stakeholders .....	2
1.7 Vision.....	3
1.8 Mission .....	3
1.9 Key Statistics.....	3
1.10 Contributions and Payments .....	4
2.0 Activities.....	5
2.1 Issue.....	5
2.2 2007 Objective.....	6
2.3 2007 Results .....	7
3.0 Financial Statements.....	8
4.0 Contact Information.....	33

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

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

Dear Minister Marshall:

As the Chair of the Pension Investment Committee (PIC), I hereby submit the 2007 Annual Report for the Committee. This Report was prepared under my direction and I am accountable for the results contained herein.

The PIC of the Province of Newfoundland and Labrador Pension Fund has been overseeing the management of the Pooled Pension Fund (the Fund) since its inception in 1981. Throughout that period, the performance of the Fund has contributed to the reduction in the unfunded liabilities of the five participating pension plans sponsored by government. Ensuring that the assets are invested in a prudent manner within acceptable risk tolerances has been the guiding principle for the PIC and its success is evident in the 10.8 percent average annual rate of return earned by the Fund. The exceptional performance of the Fund coupled with the recent payments of \$1.953 billion to the Teachers' Pension Plan and \$982 million to the Public Service Pension Plan will ensure the security of pension benefits well into the future.

2007 proved to be a challenging year for pension fund investments. While returns were substantially lower than in recent years, the Fund achieved returns in excess of most of the key market indices.

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

Sincerely,  


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

## 1.0 Overview

### 1.1 Pension Investment Committee

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

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

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

#### Pension Investment Committee

##### *Government Representatives:*

Terry Paddon, Chairperson	Deputy Minister of Finance
Donna Brewer, Vice-Chair	Assistant Deputy Minister, Financial Planning and Benefits Administration, Department of Finance
Ron Williams	Comptroller General
Rick Hayward	Assistant Deputy Minister, Corporate Services, Department of Education
Maureen McCarthy	Director, Pension Administration
Earl Saunders	Director, Debt Management
Gerald Dawe, Secretary	Manager, Pension Investments

##### *Employee/Pensioner Representatives:*

Bert Blundon	Newfoundland and Labrador Association of Public and Private Employees
Debbie Forward	Newfoundland and Labrador Nurses' Union
Edward Hancock	Newfoundland and Labrador Teachers' Association
Sharon King	Association of Allied Health Professionals
Doug Laing	Public Sector Managers' Association
Eric Salter	Newfoundland and Labrador Public Service Pensioners' Association
Dave Reynolds	Canadian Union of Public Employees

##### *Non-Government Representative:*

Roger Crosbie	Private Sector Representative
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## 1.2 Mandate

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

## 1.3 Legislation

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

## 1.4 Lines of Business – Investment of Pension Plan Contributions

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

## 1.5 Values

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

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

## 1.6 Primary Clients and Stakeholders

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

## 1.7 Vision

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

## 1.8 Mission

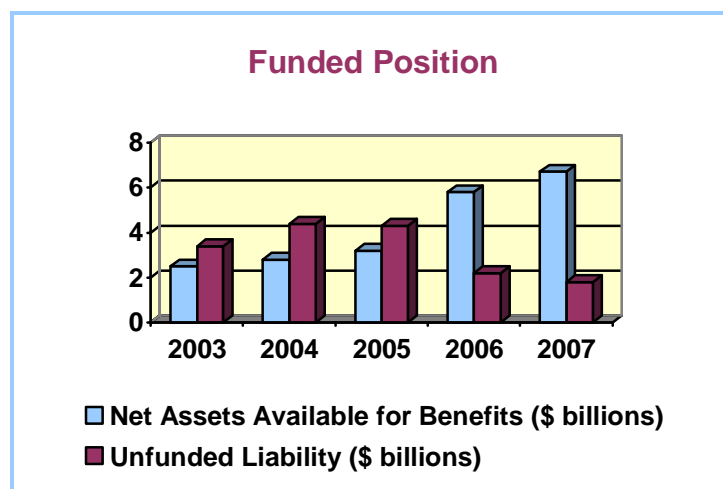
The mission statement identifies the priority focus areas of the PIC over the next two planning cycles. Consistent with Government's mission to improve the financial position of the Province, the PIC's mission is to maintain a long term investment strategy that will produce long term average investment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

**Measure: Average Annual performance of the pension fund in excess of 7.5%.**

**Indicator: Funded ratios of plans increase.**

## 1.9 Key Statistics

As of December 31, 2007, total Fund assets were \$6.7 billion. The total unfunded liability was \$1.8 billion. This compares to assets of \$5.8 billion and an unfunded liability of \$2.2 billion in 2006.



As detailed in the following table, Fund participation exceeded 57,000 members as of December 31, 2007.

<b>Fund Participation as of December 31, 2007</b>	
Active Members	34,344
Deferred Members	1,712
Pensioners	21,359
<b>Total</b>	<b>57,415</b>

### 1.10 Contributions and Payments

In accordance with an agreement entered into with the public sector unions, the Province made special contributions totaling \$982 million to the Public Service Pension Plan during 2007. The purpose of these payments was to help address the unfunded liability of the plan.

<b>2007 Contributions and Payments</b>	
<b>Contributions:</b>	
Contributions from Active Members	\$129,307,000
Regular Employer Contributions	\$124,897,000
Special Payments by Government	\$982,000,000
Total Contributions:	\$1,236,204,000
<b>Payments:</b>	
Pension Benefit Payments	\$420,638,000
Refunds to Members	\$23,120,000
Administrative Expenses	\$18,108,000
Total Payments:	\$461,866,000

## 2.0 Activities

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

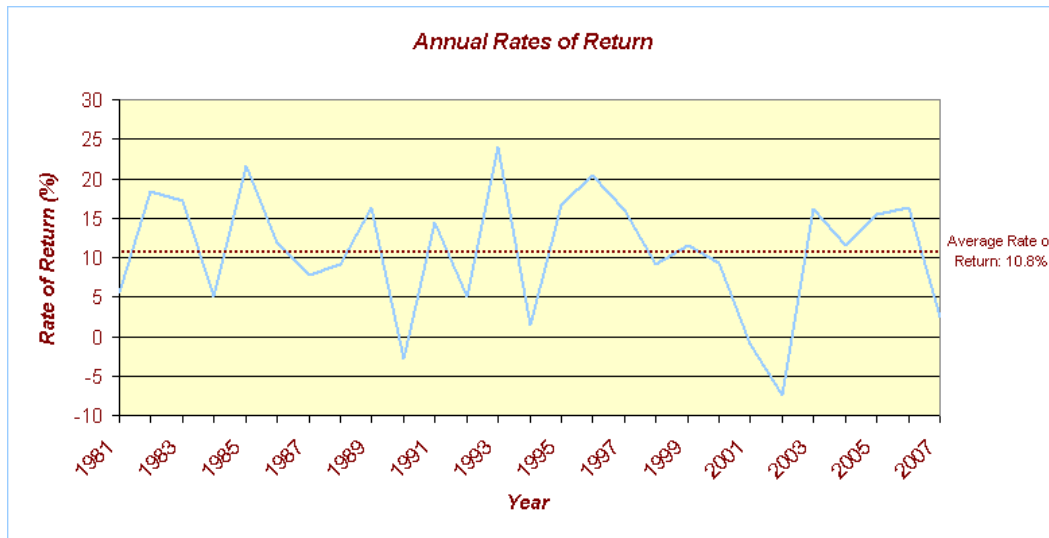
### 2.1 Issue

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

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

<i>Asset Mix</i>	<i>Actual (%)</i>		<i>Policy (%)</i>	
	<b>2007</b>	<b>2006</b>	<b>Target</b>	<b>Range</b>
<i>Canadian Equities</i>	39	46	45	40 – 50
<i>U.S. Equities</i>	19	16	15	10 – 20
<i>Non North American Equities</i>	19	17	15	10 – 20
<i>Real Estate</i>	1	2	5	-
<i>Canadian Bonds</i>	22	19	20	15 - 25

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. To further diversify the impact of investment volatility and enhance expected returns, equity and debt investments are allocated among broad asset classes. While returns in excess of the discount rate will not be achievable every year, since the inception of the Fund in 1981, the annual rate of return has averaged 10.8%.



## 2.2 2007 Objective

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

- Measure:** Rate of return on the portfolio for the year ended December 31, 2007.
- Indicator:** Rate of return exceeds returns of the relevant capital market indices.

### 2.3 2007 Results

The Fund's return of 2.5% in 2007 was 0.6% ahead of the policy benchmark of 1.9%. This added return was primarily driven by the Canadian equity managers, who outperformed their benchmarks. The bond managers and U.S. equity managers added return above their benchmarks, while the non-North American category was the only detractor. The real estate portfolio (Newvest) also outperformed its benchmark. The Fund's investment results for the five years ending December 31, 2003 to 2007 are presented below.

<i>Investment Performance</i>	<i>Annual Returns (%)</i>				
	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<i>Total Fund</i>	2.5	16.4	15.4	11.6	16.3
<i>Policy Benchmark Return*</i>	1.9	15.8	15.0	10.9	16.5
<i>Canadian Equities</i>	11.2	19.2	23.2	15.8	28.1
<i>S&amp;P/TSX Index</i>	9.8	17.3	24.1	14.5	26.7
<i>U.S. Equity</i>	-10.1	14.3	6.5	5.0	3.8
<i>S&amp;P 500 Index</i>	-10.5	15.4	2.3	2.8	5.3
<i>Non-North American Equity</i>	-6.4	27.1	12.7	13.1	10.1
<i>MSCI EAFE Index</i>	-5.3	26.4	11.2	11.9	13.8
<i>Real Estate (Newvest)</i>	21.8	16.8	13.0	7.4	1.8
<i>ICREIM/IPD</i>	18.6	19.4	18.3	13.0	8.2
<i>Canadian Bonds</i>	3.8	4.3	6.6	7.3	7.4
<i>SC Universe Index</i>	3.7	4.1	6.5	7.1	6.7

\*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.

In summary, the rate of return on the portfolio for the year ended December 31, 2007 of 2.5% exceeded the composite rate of return of 1.9% for the relevant capital market indices.

**3.0 Province of Newfoundland and Labrador  
Pooled Pension Fund**

**Consolidated Financial Statements**

**December 31, 2007**

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**31 DECEMBER 2007**



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

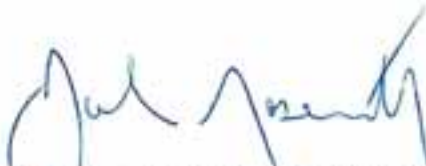
## AUDITOR'S REPORT

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 2007 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 2007 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  
5 May 2008

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

31 December	2007	2006
	(000's)	(000's)
<b>ASSETS</b>		
Investments (Note 2)		
Short-term notes and deposits	\$ 136,065	\$ 122,059
Bonds and debentures	1,420,273	1,065,366
Equities - Canadian	2,478,344	2,575,407
- Foreign	2,525,365	1,898,934
Real estate (Note 3)	178,460	171,764
	<u>6,738,507</u>	<u>5,833,530</u>
Receivables		
Employee contributions	3,975	4,382
Employer contributions	3,942	4,294
Accrued investment income	16,371	14,792
Accounts receivable	633	896
	<u>24,921</u>	<u>24,364</u>
Cash	28,583	23,104
Prepaid expenses	202	318
Deferred charges	4,521	3,459
	<u>6,796,734</u>	<u>5,884,775</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	11,932	8,650
Refunds payable	1,687	1,364
Due to Province of Newfoundland and Labrador	1,499	1,024
Mortgages payable (Note 4)	71,951	79,534
	<u>87,069</u>	<u>90,572</u>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<b>\$ 6,709,665</b>	<b>\$ 5,794,203</b>

*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

2007

2006

	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)
<b>Increase in net assets</b>							
Investments (Note 5)							
Investment income	\$ 147,314	\$ 135,001	\$ 3,386	\$ 559	\$ 103	\$ 286,363	\$ 192,370
Gain on sale of investments	153,247	140,437	3,522	581	107	297,894	127,150
Current period change in market value of investments	(227,962)	(208,907)	(5,240)	(865)	(159)	(443,133)	429,729
	72,599	66,531	1,668	275	51	141,124	749,249
Contributions							
Employee	88,534	37,187	2,948	446	192	129,307	119,604
Employer (Note 6)	86,938	34,420	2,920	550	69	124,897	114,583
Special payments (Note 6)	982,000	-	-	-	-	982,000	2,033,000
	1,230,071	138,138	7,536	1,271	312	1,377,328	3,016,436
<b>Decrease in net assets</b>							
Pensions	190,723	214,030	15,629	205	51	420,638	395,495
Refund of contributions with interest	18,405	3,462	1,248	5	-	23,120	19,117
Administrative costs (Note 7)	9,947	7,716	311	96	38	18,108	13,619
	219,075	225,208	17,188	306	89	461,866	428,231
<b>Total increase (decrease) in net assets</b>	1,010,996	(87,070)	(9,652)	965	223	915,462	2,588,205
<b>Net assets available for benefits, beginning of year</b>	2,630,518	3,066,308	84,072	11,224	2,081	5,794,203	3,205,998
<b>Net assets available for benefits, end of year</b>	\$ 3,641,514	\$ 2,979,238	\$ 74,420	\$ 12,189	\$ 2,304	\$ 6,709,665	\$ 5,794,203

*See accompanying notes*

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
31 December 2007

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

**Authority and description (cont.)**

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

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

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

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

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

**(iv) Disability pensions**

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

**(v) Survivor pensions**

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

**(vi) Pre-retirement death benefits**

Where an employee with at least five years pensionable service dies before receiving a pension and a survivor benefit is payable, the surviving principal beneficiary may elect to receive either the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the employee's pension entitlement. Where a survivor pension is not payable, the commuted value of the pension entitlement is paid to the deceased plan member's estate.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
31 December 2007

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**Authority and description (cont.)**

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

(vii) Termination benefits

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

(viii) Indexing

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

**(b) Teachers' Pension Plan**

(i) General

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

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

(ii) Employee contributions

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

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

(iv) Disability pensions

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

(v) Survivor pensions

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

(vi) Pre-retirement death benefits

Where an employee with at least five years pensionable service dies before receiving a pension and a survivor benefit is payable, the surviving principal beneficiary may elect to receive either the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the employee's pension entitlement. Where a survivor pension is not payable, the commuted value of the pension entitlement is paid to the deceased plan member's estate.

(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.

**Authority and description (cont.)**

**(b) Teachers' Pension Plan (cont.)**

(viii) Indexing

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

**(c) Uniformed Services Pension Plan**

(i) General

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

(ii) Employee contributions

Employee contributions are equal to 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, who are now all retired, contributed an additional 3.5% of salary, which was 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.

**Authority and description (cont.)**

**(c) Uniformed Services Pension Plan (cont.)**

(v) Survivor pensions

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

(vi) Pre-retirement death benefits

Where an employee with at least five years pensionable service dies before receiving a pension and a survivor benefit is payable, the surviving principal beneficiary may elect to receive either the survivor benefit, or the greater of the commuted value of the survivor benefit and the commuted value of the employee's pension entitlement. Where a survivor pension is not payable, the commuted value of the pension entitlement is paid to the deceased plan member's estate.

(vii) Termination benefits

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

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

(i) General

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

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

**Authority and description (cont.)**

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

**(ii) Member contributions**

Members are required to pay 9% of their pensionable salary to the Registered Plan, up to the maximum allowed under the *Income Tax Act* (Canada). Amounts in excess of the maximum allowed are paid to the Supplementary Plan. Member contributions cease after seventeen years of service if elected before or during the 43<sup>rd</sup> 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 an 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's and minister's salary for the best three calendar years. When a Member reaches age 65, the amount of the registered allowance is reduced by 0.6% of the member's average YMPE times years of service between 1 January 1998 and 31 December 2004. The amount of the registered allowance shall not exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada).

Where the calculated allowance does exceed the maximum allowable benefit as determined under the *Income Tax Act* (Canada), a vested Member who is no longer an MHA or a minister can receive an allowance from the Supplementary Plan. The Member's supplementary allowance is reduced by the amount of his or her registered allowance. The annual allowance is based on a percentage of the average of the Member's salary for the best three calendar years.

For Members elected for the first time before or during the 43<sup>rd</sup> 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 43<sup>rd</sup> 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 allowance**

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

**Authority and description (cont.)**

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

(v) Survivor benefits

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

(vi) Pre-retirement death benefits

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

(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.

**Authority and description (cont.)**

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

**(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.

**(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 65<sup>th</sup> birthday.

**(iv) Survivor benefits**

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

**(v) Pre-retirement death benefits**

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

**Authority and description (cont.)**

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

**(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.

**(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.

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

31 December 2007

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**1. Significant accounting policies (cont.)**

(c) Investment income

Investment income is allocated to the pension plans under the Fund based on the respective equity position, calculated on a market basis, of each plan 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.
  - (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.

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

31 December 2007

**2. Investments (cont.)**

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

**3. Real estate investments**

The Fund's investment in real estate as at 31 December 2007, is comprised of real estate investments held by its wholly owned subsidiary, Newvest Realty Corporation, as follows:

	2007 (000's)	2006 (000's)
<b>Assets</b>		
Income producing properties (Appraised Value)	\$ 178,460	\$ 171,764
Other assets	13,080	8,449
<b>Total assets</b>	<b>\$ 191,540</b>	<b>\$ 180,213</b>
<b>Liabilities and Equity</b>		
Mortgages payable (Appreciated Value)	\$ 71,951	\$ 79,534
Other liabilities	7,818	4,728
Shareholder's equity	111,771	95,951
<b>Total liabilities and equity</b>	<b>\$ 191,540</b>	<b>\$ 180,213</b>
<b>Income, Expenses and Shareholder's Equity</b>		
Income	\$ 21,855	\$ 18,132
Operating expenses	(7,132)	(6,788)
Operating income (at cost)	14,723	11,344
Other expenses	(7,689)	(10,025)
<b>Net income for the year (at cost)</b>	<b>7,034</b>	<b>1,319</b>

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

31 December 2007

**3. Real estate investments (cont.)**

	2007 (000's)	2006 (000's)
Current period change in market value of income producing properties	13,259	11,155
Current period change in market value of mortgages	1,476	694
	<u>14,735</u>	<u>11,849</u>
Net income for the year (at appraised and appreciated values)	21,769	13,168
Shareholder's equity, beginning of year	95,951	77,898
Shares issued (cancelled) for cash	(4,349)	4,885
Dividends declared	(1,600)	-
<b>Shareholder's equity</b>	<b>\$ 111,771</b>	<b>\$ 95,951</b>

**4. Mortgages payable**

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

	2007		2006	
	Principal Value (000's)	Appreciated Value (000's)	Principal Value (000's)	Appreciated Value (000's)
(a) Bayview Chateau and White Rock Gardens, White Rock, British Columbia. Mortgage, held by The Great-West Life Assurance Company, repayable in monthly installments of \$26,705, including interest calculated at a rate of 5.58% per annum, maturing 1 July 2012, secured by a conventional first mortgage, a general security agreement, and a general assignment of rents.	\$ 4,308	\$ 4,308	\$ 4,386	\$ 4,386
(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

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2007**

**4. Mortgages payable (cont.)**

	2007		2006	
	Principal Value (000's)	Appreciated Value (000's)	Principal Value (000's)	Appreciated Value (000's)
(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.	11,036	11,392	11,485	12,101
(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.	19,931	20,165	20,413	20,957
(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 on the property, a general security agreement, a first general assignment of rents, and a first specific assignment of a tenant lease.	17,228	17,421	17,626	18,222
(f) 2001 Bantree, Ottawa, Ontario. Mortgage (50% interest), held by Equitable Life, repayable in monthly installments of \$38,175, including interest calculated at a rate of 5.09% per annum, maturing 1 August 2015, secured by a first mortgage and charge on the property, a first general assignment of leases and rents, a first specific assignment of leases, a first general security agreement of assets of the property, and assignment of insurance proceeds and endorsements to all policies.	6,288	6,142	6,433	6,419

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2007**

**4. Mortgages payable (cont.)**

	2007		2006	
	Principal Value (000's)	Appreciated Value (000's)	Principal Value (000's)	Appreciated Value (000's)
(g) Thunder Centre, Thunder Bay, Ontario. Mortgage (50% interest), held by CIBC, repayable in monthly installments of \$53,718, including interest calculated at a rate of 5.743% per annum, maturing 1 September 2015, secured by a first mortgage and charge on the property, a first general assignment of leases and rents, a specific assignment of leases, assignment of the head lease with the vendor, and assignment of the letter of credit relative to the head lease.	8,226	8,226	6,409	6,355
(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 on the property, and a general security agreement.	4,367	4,297	4,456	4,456
	<b>\$ 71,384</b>	<b>\$ 71,951</b>	<b>\$ 77,491</b>	<b>\$ 79,534</b>

Annual principal repayments totalling \$31.7 million (2006 - \$28.8 million) to be made during the next five years are as follows:

	(000's)
2008	\$ 1,926
2009	2,031
2010	20,454
2011	1,664
2012	5,591
	<b>\$ 31,666</b>

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2007**

**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)	2007 Total (000's)	2006 Total (000's)
Canadian common equities	\$ 68,882	\$ 292,676	\$ (77,542)	\$ 284,016	\$ 381,955
Foreign common equities	147,479	5,638	(371,894)	(218,777)	302,123
Bonds and debentures	58,669	(420)	(8,432)	49,817	45,682
Short-term notes and deposits	4,299	-	-	4,299	6,321
Real estate	7,034	-	14,735	21,769	13,168
	<b>\$ 286,363</b>	<b>\$ 297,894</b>	<b>\$ (443,133)</b>	<b>\$ 141,124</b>	<b>\$ 749,249</b>

**6. Funding policy**

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

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

In 2006, the Province paid \$1.953 billion to the Teachers' Pension Plan, \$60 million to the Public Service Pension Plan and \$20 million to the Uniformed Services Pension Plan to help address the unfunded liabilities of these plans.

In 2007, the Province entered into an agreement with the Newfoundland and Labrador Association of Public and Private 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, the Province paid \$982 million to the Public Service Pension Plan during 2007 as follows: \$400 million in March 2007, \$350 million in May 2007 and \$232 million in June 2007 to help address the unfunded liability of the Plan.

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2007**

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**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 were comprised as follows:

	<u>2007</u>	<u>2006</u>
	(000's)	(000's)
Investment management, consulting and custodial fees	\$ 15,178	\$ 10,848
Salaries and benefits	1,820	1,979
Computer charges	359	228
Actuarial consulting fees	332	159
Medical and professional fees	213	191
Other expenses	206	214
	<u>\$ 18,108</u>	<u>\$ 13,619</u>

**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 2007 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:

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2007**

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**8. Teachers' Indexing Fund (cont.)**

	2007	2006
	(000's)	(000's)
Teachers' Indexing Fund:		
Increases in net assets		
Contributions	\$ 6,136	\$ 5,941
Investment income	841	4,468
	<u>6,977</u>	<u>10,409</u>
Decreases in net assets		
Pensions	10	7
Administrative costs	99	71
	<u>109</u>	<u>78</u>
Increase in net assets	6,868	10,331
Teachers' Indexing Fund balance, beginning of year	35,522	25,191
Teachers' Indexing Fund balance, end of year	42,390	35,522
Teachers' Regular Fund balance	2,936,848	3,030,786
Teachers' Pension Plan combined balance	\$ 2,979,238	\$ 3,066,308

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2007**

**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 2007.

Plan	Valuation Date	Actuarial Present Value (000's)	At Valuation Date		Extrapolated Unfunded Liability at 31 December 2007 (000's)	Extrapolated Unfunded Liability at 31 December 2006 (000's)
			Asset Value (000's)	Unfunded Liability (000's)		
Public Service Pension Plan	12/31/2006	\$ 4,464,970	\$ 2,630,150	\$ 1,834,820	\$ 1,109,320	\$ 1,733,010
Teachers' Pension Plan	08/31/2006	3,344,950	2,750,940	594,010	490,000	311,990
Uniformed Services Pension Plan	12/31/2005	269,590	62,530	207,060	216,600	196,410
Members of the House of Assembly Pension Plan	12/31/2006	9,820	11,220	(1,400)	(840)	(2,350)
Provincial Court Judges' Pension Plan	12/31/2004	1,244	1,206	38	(20)	(140)
		<u>\$ 8,090,574</u>	<u>\$ 5,456,046</u>	<u>\$ 2,634,528</u>	<u>\$ 1,815,060</u>	<u>\$ 2,238,920</u>

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 2007, the total estimated value of payments to be received on these contracts is \$3.6 million (2006 - \$4.3 million).

**PROVINCE OF NEWFOUNDLAND AND LABRADOR POOLED PENSION FUND**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**31 December 2007**

**10. Related party transactions**

The following related party investments were held by the Fund as at 31 December 2007:

<u>Description</u>	<u>Face Value</u> (000's)	<u>Market Value</u> (000's)
Province of Newfoundland and Labrador Debentures - Maturing from 11/03/2009 to 10/17/2033	\$ 9,600	\$ 10,417
Newfoundland and Labrador Hydro Debentures - Maturing 7/14/2017	4,191	4,093
	<u>\$ 13,791</u>	<u>\$ 14,510</u>

**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 2007, 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 Inc.  
 Jacobs Levy Equity Management Inc.  
 Mulvihill Capital Management Inc.  
 Phillips, Hager & North Investment Management Ltd.  
 Sanford C. Bernstein and Company, LLC  
 Sprucegrove Investment Management Ltd.  
 Systematic Financial Management Limited Partnership  
 UBS Global Asset Management (Canada) Co.

Subsequent to year end, the Fund released Mulvihill Capital Management Inc.

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

31 December 2007

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**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. Subsequent event**

On 4 June 2008, the Province amended the *Public Service Pensions Act, 1991*, the *Teachers' Pensions Act* and the *Uniformed Services Pensions Act, 1991*. The amendments were to address situations where plan members die before receiving a pension and without a principal beneficiary. The amendment directs that the commuted value of the plan member's entitlement be paid to the estate. In addition, the amendments provide for transitional arrangements to deal with current circumstances where a plan member dies before receiving a pension and without a principal beneficiary and a survivor benefit is being paid to eligible children. The amendment allows a child who was receiving a survivor benefit when the amendment came into force to continue to receive the survivor benefit or to elect to be paid the commuted value of the entitlement at the date of death of the deceased employee less any payments already received by the child at the date of election. The amendments are retroactive to the dates the *Acts* were amended to permit the taking of commuted value on termination or death. Fund officials estimate the additional cost to the plans relating from the amendments to be \$731,658.

**14. Income taxes**

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

## 4.0 Contact Information

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