

NEBS Pension Plan Annual Report

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BACKGROUND

BACKGROUND

This Report is the Annual Financial Report (the “**Report**”) for the Northern Employee Benefits Services Pension Plan (the “**Plan**”) prepared in respect of the year 2015 as required by section 27 of the *Northern Employee Benefits Services Pension Plan Act*, both as S.N.W.T. 2015, c. 6 and S. N. 2015, c. 10 (the “**NEBS Acts**”).

Overall responsibility for preparation and assembly of the Report is with the Northern Employee Benefits Services Pension Plan Pension Committee (the “**Pension Committee**”) which serves as the administrator of the Plan pursuant to section 13 of the NEBS Acts. However, Part III of this Report consists of the audited financial statements for the Plan, prepared by Avery Cooper & Co., Part IV of the Report is a certificate of compliance prepared with the assistance of the Pension Committee’s legal counsel, Lawson Lundell LLP, and Part VI is a report on the long term goals and objections for the Plan, prepared by the Board of Directors of NEBS.

I. REPORT OF THE CHAIR OF THE PENSION COMMITTEE

I. REPORT OF THE CHAIR OF THE PENSION COMMITTEE

NORTHERN EMPLOYEE BENEFIT SERVICES

REPORT OF THE CHAIR OF THE PENSION COMMITTEE

2015

The Pension Committee administers the Pension Plan and Committee Members have a fiduciary duty to Plan Members to ensure they receive the retirement benefits established in the Plan. Committee Members are trustees with responsibility for the Plan's funds. In discharging these duties the Committee meets at least three times a year on a face-to-face basis and holds other meetings as necessary by teleconference.

Since last May's report to Members the Committee met in September, December and April in Yellowknife. In addition, numerous teleconference meetings were held as well.

This past year has seen some significant developments with the NEBS Pension Plan; the first being the achievement of legislation in both the Northwest Territories and Nunavut. This milestone was reached in March and is the culmination of a decade long campaign by NEBS in lobbying both governments for the support of legislation and the protection of the plan. The legislation came into enactment October 1, 2015 and it enshrines in law the future certainty of the NEBS Pension Plan. The legislation also required a complete re-write of the associated plan documents. This process was also very labour intensive and is now finalized.

The investment fund added an additional 22 million dollars in investment returns and contributions bringing its total to 160 million as of the end of December 2015. Although Market returns are definitely down over previous years due to the global slowing of economic growth, overall the Investment fund continues to do well under the stewardship of our investment firm of Connor, Clark & Lunn, achieving an annual return rate in 2015 of 5.3% ahead of the established Bench Mark of 3.8%. We hope for continued positive growth throughout 2016.

The NEBS ACT required a change in the Pension Committee governance structure from the traditional manner of oversight. Historically the elected NEBS Directors sat as both the NEBS Board Members and the Pension Committee Members. The meetings were separate and distinct from each other but the Members were the same individuals for both the Pension Committee and Board. Under the NEBS ACT the legislation requires a newly formed Pension Committee comprised of 3 standing NEBS Board Members and an additional 4 members appointed by the Board through a public call of interest. In November and advertisement was sent out across the NWT and Nunavut in northern newspapers. 31 applications were received and the Board selected and appointed 4 Pension Committee members through this process. These 4 members along with the 3 NEBS Board members comprise the current NEBS Pension Committee.

Our investment manager, Connor, Clark & Lunn presented on our investments at each of the Committee meetings and Members discussed investment strategies and market trends. The Committee also reviewed reports prepared by our pension consultants, AON Hewitt on the performance of our investment managers compared to other managers and the

performance objectives as set out in our Investment policy. In December the Pension Committee made the decision to expand the investment portfolio to also include Real Estate as an investment strategy. The Statement of Investment Policy was also changed accordingly. The Pension Committee will be searching for a Real Estate Investment manager in the up coming year.

At each meeting the Committee also reviewed reports on the Plan's operations and dealt with a number of Employer Member and individual Plan Member matters.

Employer participation and the number of enrolled employees increased in 2015 and the NEBS legislation in Nunavut makes membership to our plan mandatory for all Nunavut Hamlets and Housing Associations. From the October 1, 2015 enactment date these Nunavut organizations have one year to come onto the plan. Our business plans this year include the facilitation of this process. The mandatory participation clause in the Nunavut legislation will have a good positive increase in our membership numbers over all.

How well, or poorly NEBS does with its investments is a key determinant of the financial position of the Pension Plan. The contributions of employees and their employers, plus the investment returns achieved on these contributions, must fund the benefit entitlements of Plan Members.

It is required that a professional actuary determine if the Plan can fund its pension promise to Plan Members. The actuary for the NEBS Plan is AON Hewitt Associates.

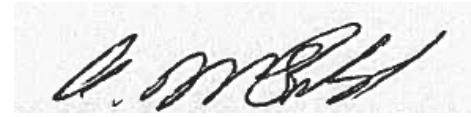
AON Hewitt Associates completes a valuation of the Plan on two bases. The first basis, called a going concern valuation, projects the costs of future pension entitlements for all members and estimates the future assets of the Plan. These projections are calculated using a number of assumptions about the future demographics of Plan Members and economic factors such as future inflation rates. Our actuary then determines how much will be required in current contributions to pay the future benefit entitlements.

The Committee has received preliminary valuation figures for 2015 which show, the Plan remains solidly funded on a going concern basis. This year the valuation demonstrates a 12.1 million dollar surplus in the going Concern analysis. Contributions to service the current and future costs of the Plan remain less than current employer and employee contribution rates and no increase will be necessary.

The second valuation of the Plan that AON Hewitt Associates completes for the Pension Committee is on a solvency basis. This valuation is completed on the assumption the Plan is terminated on the date of the valuation and all Plan Members are paid for future value of their pension entitlements on a commuted value basis. This requirement to finance a pension plan on a solvency basis commonly

applies for private plans, not public sector plans such as the NEBS Plan, where the windup of the plan would not occur. With the new legislation, the NEBS Pension Plan is exempt from funding on solvency but will continue to monitor solvency through the valuation process.

The 2015-16 year is best described as a milestone year for the NEBS Plan. We are confident in the Plan's future and proud of the accomplishments of this past decade.

A handwritten signature in black ink, appearing to read "A. McDonald", is centered on a light gray rectangular background. Below the signature is a thin horizontal line.

Al McDonald,

Pension Committee Chairman

II. CHIEF EXECUTIVE OFFICER'S REPORT

II. CHIEF EXECUTIVE OFFICER'S REPORT

NORTHERN EMPLOYEE BENEFITS SERVICES

CHIEF EXECUTIVE OFFICER'S REPORT

2015

The long journey to establishing legislation for NEBS is finally complete. Legislation was achieved in both the NWT and Nunavut in March 2015 and enacted October 1, 2015. With Legislation came a change in Governance to the Pension Committee. Historically the NEBS Board would perform dual roles as both NEBS Board Members and NEBS Pension Committee Members. With the inception of Legislation, a requirement for a whole new Pension Committee was instituted. The new governance model requires 3 appointed NEBS Board Members and 4 members from the public with 1 being from the Eastern Arctic, 1 from the Western Arctic, 1 at large and 1 considered independent. In November NEBS advertised across the North for interested individuals and received 31 applications. From these applications the Board selected 4 individuals. To join the newly formed NEBS Pension Committee.

The NEBS Investment approach is structured as follows:

- NEBS retains Investment Consulting advice from AON Hewitt through a multiyear contract. AON Hewitt specializes in giving investment advice and reviewing Investment Managers performance globally.
- In association with AON, the NEBS Pension Committee develops a Statement of Investment Policy (SIP) which the Pension Committee adopts. The SIP reflects a cautious, conservative approach to investing with a goal of reducing any unwarranted risk but still retain consistent positive returns.
- Through a multi- year contract NEBS retains the Investing Management Services of an Investment firm and dedicated Investment Manager. NEBS utilizes Connor Clark and Lunn to oversee the investments and implement the SIP.
- The investment manager reports back monthly and quarterly to the Pension Committee on the investment returns. Additionally the CEO monitors the fund daily and receives regular feedback from the Investment Manager.
- In consultation with AON and CC&L, performance bench marks are set for the CC&L Investment Manager. Both CC&L and AON report on investment performance against the established bench mark.
- Based on market trends and changes AON will advise on proposed changes to the SIP to consistently strive for positive, yet conservative returns.
- All of the funds received from our member's pension payments, less expenses, go into the Investment Fund.

2015 investment returns for the Pension Fund were not as strong as previous years due to slowing global economic growth, the strength of the US dollar and the downturn in the energy sector. However, the

portfolio return for 2015 was still a positive 5.3%. The benchmark was 3.8%, therefore the returns were a full 1.5% ahead of that. The Market value of the fund on December 31 2014 was \$141,146,054.90 dollars and at December 31, 2015 the Fund was at \$163,231,625.78. Gaining 22,085,570.88 dollars this year. This gain was from net contributions of \$14,605,000.00 and an increase from returns of \$7,480,570.00.

NEBS retains the services of AON Hewitt to provide Pension Advice and Actuary Services. The Pension Plan undergoes a Valuation each year by the Plan Actuary. An Actuarial Valuation is a key process and document for a Defined benefit Pension Plan such as the one NEBS offers. The Valuation determines the required contribution rates for the plan sponsors to be contributed each year to adequately fund benefits. The Valuation determines both the Going Concern analysis and the Solvency analysis. With the NEBS Act coming into force last in 2015 the NEBS Plan is exempt from Solvency but calculates it for review purposes anyway.

The January 1, 2015 Valuation demonstrates an improvement on the Going Concern analysis from a 2.5 million dollar surplus last year to a surplus of 12.1 million dollars as of January 1, 2016.

NEBS retains the services of Avery Cooper to conduct an annual audit and produce audited financial statements. For the 2015 fiscal year, the statements show once again an unqualified audit and that the Pension Plan has improved its surplus position from 15 million to 24 million in the Pension Plan Trust. The statements are included in this Annual Report

In response to our growing Plan and associated work load, NEBS recently added an additional staff position to our organization chart bringing the total positions to 6.

In closing 2015 proved a good year for NEBS. We look forward to 2016 being as successful.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Shawn Maley', with a stylized flourish at the end.

Shawn Maley

Chief Executive Officer

Northern Employee Benefits Services

**III. Financial Statements for the Year 2015 and Auditor's
Opinion**

FINANCIAL STATEMENTS
PENSION PLAN TRUST FUND

For the Year Ended December 31,2015

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Northern Employee Benefits Services Pension Plan Trust Fund's management is responsible for the preparation, integrity and objectivity of the financial statements. The financial statements have been prepared in accordance with Canadian accounting standards for pension plans relevant to preparing such financial statements and have been approved by the Northern Employee Benefits Services' Board of Directors. Where appropriate, the preparation of financial information contained in this report includes estimates and judgments' based on careful consideration of information available to management. Actual results may differ from those estimates.

Northern Employee Benefits Services Pension Plan Trust Fund's management have developed and maintained books of account, records, financial and management internal control and management practices. These are designed to provide reasonable assurance as to the reliability of financial information in accordance with the Canada Business Corporations Act. Northern Employee Benefits Services Pension Plan Trust Fund's management fulfills their responsibilities for financial reporting, internal control and safeguarding assets.

Avery Cooper & Co. Ltd. Certified General Accountants annually provide an independent, objective audit for the purpose of expressing their opinion on the financial statements.

Aon Hewitt Associates, an independent firm of consulting actuaries, has been engaged to provide an extrapolation of actuarial pension benefits and liabilities of the Northern Employee Benefits Services Pension Plan. This extrapolation was performed as of December 31, 2015 in which they provided their estimated valuation of accrued pension benefits and liabilities of the Plan.

On behalf of Northern Employee Benefits Services Pension Plan Trust Fund,



Chair of the NEBS Pension Committee



Chief Executive Officer

April 14, 2016



VERY COOPER & CO. LTD.

Certified General Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Members of
Northern Employee Benefits Services

We have audited the accompanying statement of financial position of Northern Employee Benefits Services Pension Plan Trust Fund as at December 31, 2015, and the Statements of Changes in Fund Balance and Pension Obligations, Net Assets Available for Benefits, and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information (together "the financial statements").

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITOR'S REPORT continued

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Northern Employee Benefits Services Pension Plan Trust Fund as at December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for pension plans relevant to preparing such financial statements.

Other matter

Northern Employee Benefits Services has prepared a separate set of financial statements of the Health & Welfare Fund for the year ended December 31, 2015 in accordance with Canadian accounting standards for pension plans relevant to preparing such financial statements on which we issued a separate auditor's report to the members of Northern Employee Benefits Services dated April 15, 2016. A separate set of combined financial statements of Northern Employee Benefits Services as at December 31, 2015 and for the year then ended have not been prepared.

Avery Cooper & Co. Ltd.

Avery Cooper & Co. Ltd.
Certified General Accountants
Yellowknife, NT

April 14, 2016

**NORTHERN EMPLOYEE BENEFITS SERVICES
PENSION PLAN TRUST FUND**

**STATEMENT OF FINANCIAL POSITION
December 31, 2015**

ASSETS

CURRENT

Contributions Receivable (Note 7)	\$ 713,610	\$ 694,279
GST Receivable	18,238	18,219
	731,848	712,498

INVESTMENTS (Note 3)	163,750,614	141,736,499
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CAPITAL ASSETS (Notes 2(e) and 4)	15,155	15,481
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INTANGIBLE ASSETS (Notes 2(e) and 4)	293,522	268,487
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	\$164,791,139	\$ 142,732,965
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LIABILITIES

CURRENT

Wages & Benefits Payable	\$ 53,520	\$ 46,542
Accounts Payable & Accrued Liabilities	191,632	269,383
Deferred Revenue		20,997
Current Portion of Capital Lease Obligation (Note 5)	3,322	3,232
Due to Health & Welfare Fund (Note 12)	93,398	70,689
	341,872	410,843

CAPITAL LEASE OBLIGATION (Note 5)	2,057	5,193
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	343,929	416,036
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NET ASSETS AVAILABLE FOR BENEFITS per page 3	164,447,210	142,316,929
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PENSION OBLIGATIONS per page 4 (Note 6)	139,574,600	126,842,900
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NET ASSETS

PENSION PLAN TRUST FUND per page 2 (Note 9)	\$ 24,872,610	\$ 15,474,029
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Approved and authorized for issue on behalf of the Pension Committee on April 14, 2016:

 Member

 Member

See the accompanying notes.

**NORTHERN EMPLOYEE BENEFITS SERVICES
PENSION PLAN TRUST FUND**

STATEMENT OF CHANGES IN FUND BALANCE
For the Year Ended December 31,2015

	2015	2014
FUND BALANCE, BEGINNING OF YEAR	<u>15,474,029</u>	<u>8,556,977</u>
INCREASE IN PENSION OBLIGATIONS per page 4	(12,731,700)	(13,645,100)
INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS per page 3	<u>22,130,281</u>	<u>20,562,152</u>
Net change	<u>9,398,581</u>	<u>6,917,052</u>
FUND BALANCE, END OF YEAR	<u>\$ 24,872,610</u>	<u>\$ 15,474,029</u>

See the accompanying notes.

**NORTHERN EMPLOYEE BENEFITS SERVICES
PENSION PLAN TRUST FUND**

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
For the Year Ended December 31,2015**

	2015	2014
INCREASE IN ASSETS		
Contributions (Note 7)	\$ 24,433,537	\$ 15,696,798
Investment Income (Note 8)	7,480,700	12,621,001
Other Income	7,254	17,698
	<u>31,921,491</u>	<u>28,335,497</u>
DECREASE IN ASSETS		
Benefits		
Pension Payments	3,409,874	2,629,410
Termination Payments	4,859,383	3,705,322
	<u>8,269,257</u>	<u>6,334,732</u>
Administrative		
Administration	7,179	18,921
Amortization	22,304	4,973
Building & Works	65,727	61,487
Committee	56,739	62,921
Communications	12,965	11,367
Computer Software Development	182	
Consulting	196,008	212,546
Investment Counselling	466,021	409,311
Legal	238,045	270,874
Marketing	15,180	3,770
Professional Fees	10,691	9,287
Staff Travel & Staff Training	49,791	9,452
Supplies & Materials	2,403	2,742
Translation Services	500	200
Trustees & Custodial Fees	31,525	25,348
Wages & Benefits	346,693	335,414
	<u>1,521,953</u>	<u>1,438,613</u>
	<u>9,791,210</u>	<u>7,773,345</u>
INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS	22,130,281	20,562,152
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	<u>142,316,929</u>	<u>121,754,777</u>
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR per page 1	<u>\$164,447,210</u>	<u>\$ 142,316,929</u>

See the accompanying notes.

**NORTHERN EMPLOYEE BENEFITS SERVICES
PENSION PLAN TRUST FUND**

**STATEMENT OF CHANGES IN PENSION OBLIGATIONS
For the Year Ended December 31,2015**

	2015	2014
INCREASE IN PENSION OBLIGATIONS		
Interest Accrued on Benefits	\$ 7,457,100	\$ 6,425,900
Experience Gains	1,212,000	1,144,400
Benefits Accrued	14,205,500	13,477,700
	<u>22,874,600</u>	<u>21,048,000</u>
DECREASE IN PENSION OBLIGATIONS		
Other Miscellaneous Losses	303,300	1,031,000
Changes in Actuarial Assumptions	1,570,300	37,200
Benefits Paid	8,269,300	6,334,700
	<u>10,142,900</u>	<u>7,402,900</u>
INCREASE IN PENSION OBLIGATIONS	12,731,700	13,645,100
PENSION OBLIGATIONS, BEGINNING OF YEAR	<u>126,842,900</u>	<u>113,197,800</u>
PENSION OBLIGATIONS, END OF YEAR per page 1	<u>\$ 139,574,600</u>	<u>\$ 126,842,900</u>
AS REPRESENTED BY:		
Active/Disabled Members	\$ 87,125,200	\$ 82,143,900
Deferred Pensioners	22,534,200	20,019,000
Pensioners	29,915,200	24,680,000
	<u>\$ 139,574,600</u>	<u>\$ 126,842,900</u>

See the accompanying notes.

**NORTHERN EMPLOYEE BENEFITS SERVICES
PENSION PLAN TRUST FUND**

**STATEMENT OF CASH FLOWS For
the Year Ended December 31, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Receipts from Contributions	\$24,393,209	\$15,415,520
Cash Receipts from Self-Insured Account & Other	7,254	16,020
Cash Receipts from Investment Income	13,190,006	8,917,220
Cash Paid for Pension & Termination Benefits	(8,269,257)	(6,334,732)
Cash Paid for Wages & Benefits	(339,715)	(346,234)
Cash Paid for Other Administrative Expenses	(1,159,762)	(1,108,755)
	<u>27,821,735</u>	<u>16,559,039</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Capital Assets	(6,431)	(6,516)
Purchase of Intangible Asset	(111,546)	(122,242)
Increase in Investments	(27,723,421)	(16,383,284)
	<u>(27,841,398)</u>	<u>(16,512,042)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in Due to Health & Welfare Fund	22,709	(44,421)
Repayment of Capital Lease Obligation	(3,046)	(2,576)
	<u>19,663</u>	<u>(46,997)</u>
INCREASE (DECREASE) IN CASH		
CASH, BEGINNING OF YEAR		
	<u> </u>	<u> </u>
CASH, END OF YEAR	<u>\$ </u>	<u>\$ </u>

See the accompanying notes.

NORTHERN EMPLOYEE BENEFITS SERVICES PENSION PLAN TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS December 31, 2015

1. DESCRIPTIONS OF PLANS

Northern Employee Benefits Services (the "organization") is registered under federal legislation and was incorporated as a not-for-profit organization under Part II of the Canada Business Corporations Act on March 16, 1999, and is continued under the Canada Not-For-Profit Corporations Act on March 26, 2013.

The organization is also registered as an extra-territorial corporation in the Northwest Territories. The registered address of the organization is located at 5201 50th Avenue, Suite 700, Yellowknife, Northwest Territories, Canada X1A 3S9.

(a) General

The Board of Directors is responsible for administering the Group Benefits Plan and the Pension Committee for administering the Pension Plan on behalf of the employer groups participating in these plans and their employees.

The Pension Plan is a contributory multi-employer defined benefit plan covering employees eligible to participate. Eligible employer groups are public sector employers, First Nations, community governments and their agencies, public housing organizations, cooperatives and other not-for-profit employers operating in northern locations (including the Northwest Territories, Nunavut, Yukon Territory and the northern portions of other Canadian provinces) who are members of the organization.

Under both the group benefits and pension plans, contributions are made by the participating employer members and their employees.

The NEBS Pension Plan was registered under the Canada Pension Benefits Standards Act (1985) (PBSA) until 2004 when the Office of the Superintendent of Financial Institutions (OSFI), the regulator of the Act, ruled the Plan exempt from registration. The Board and Pension Committee had jointly agreed to voluntarily comply with the PBSA until the Plan was registered under Territorial legislation.

Both the Government of the Northwest Territories and Government of Nunavut passed mirror legislation, the Northern Employee Benefits Services Pension Plan Protection Act that came into force March 12, 2009. This legislation sets rules to protect Plan Members funds.

During 2015, the Northern Employee Benefits Services Pension Plan Protection Act (NWT) was amended by the NWT Legislative Assembly. In October 2015, the Northern Employee Benefits Services Pension Plan Act (Nunavut) came into effect.

NORTHERN EMPLOYEE BENEFITS SERVICES PENSION PLAN TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS December 31, 2015

1. DESCRIPTIONS OF PLANS, continued

- (b) The following description of the Northern Employee Benefits Services Pension Plan Trust Fund ("Pension") is a summary only. For more complete information, reference should be made to the Registered Plan Text filed with the Canada Revenue Agency.

1) Funding Policy

The plan administrator, Northern Employee Benefits Services Pension Committee, must fund the benefits determined under the Plan. The determination of the value of these benefits is made on the basis of an actuarial valuation for the pension fund.

In accordance with the Pension Plan Text, Individual Plan Members are required to contribute 8% of their salary to the Plan. Employer contributions required are equal to the amount certified by the Actuary as being necessary to fully fund the benefits accruing under the Plan, less the amount of required employee contributions. Any deficit existing in the Plan must be specifically funded in accordance with the requirements set out in the Registered Plan Text.

2) Service Pensions

A service pension is payable to a member, for each year of pensionable service in accordance with the Pension Plan Text.

3) Survivors' Pensions

A survivor pension is paid to a vested member's spouse or eligible children.

4) Death Benefits

The Plan provides benefits, depending on the age at death, to a spouse, eligible dependents or a beneficiary.

5) Withdrawal Refunds

Refunds include an amount equal to the commuted value of a vested member's pension benefit if the employee's service exceeds two years. If the employee's service is less than two years, the refund is equal to the employee's contributions plus interest.

6) Income Taxes

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

NORTHERN EMPLOYEE BENEFITS SERVICES PENSION PLAN TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with Canadian accounting standards for pension plans relevant to preparing such financial statements. The significant policies are detailed as follows:

(a) Basis of presentation

A pension plan is a reporting entity separate from the sponsor and the plan participants using the going concern basis to present the aggregate financial position of the plans independent of the sponsor and plan members.

The financial statements are prepared to assist participating employers and others in reviewing the activities of the plan for the fiscal period but they do not portray the funding requirements of the plan or the benefit security of individual plan members. As such, participants may also need to review, amongst other things, actuarial reports, and to take into account the financial health of the sponsor.

In selecting or changing accounting policies that do not relate to its investment portfolio or pension obligations, Canadian accounting standards for pension plans (ASPP) require the organization to comply on a consistent basis with either International Financial Reporting Standards (IFRS), or Canadian accounting standards for private enterprises (ASPE), to the extent that those standards do not conflict with the requirements of ASPP. The organization has chosen to comply on a consistent basis with IFRS relevant to preparing these financial statements.

As required by the new legislation as referred to in Note 1(a), these separate set of financial statements present the financial position, results of operations and cash flows of the NEBS Pension Plan Trust Fund and exclude the accounts of the NEBS Health & Welfare Fund. The financial position, results of operations and cash flows of the NEBS Health & Welfare Fund are presented in a separate set of financial statements that do not include the financial position, results of operations and cash flows of the NEBS Pension Plan Trust Fund. A separate set of combined financial statements of NEBS as at December 31, 2015 and for the year then ended have not been prepared. Accordingly, the comparative figures as at December 31, 2014 and for the year then ended have been restated to conform to the presentation used in the current year.

The financial statements of Northern Employee Benefits Services Pension Plan Trust Fund as at December 31, 2015 and for the year then ended were approved and authorized for issue by the Pension Committee on April 14, 2016.

(b) Cash equivalents

Except for cash and cash equivalents held with the investment manager for the Pension Plan Trust Fund, the organization considers all highly-liquid investments with maturities of three months or less, convertible to known amounts of cash, and which are subject to insignificant risk of changes in value, to be cash equivalents.

NORTHERN EMPLOYEE BENEFITS SERVICES
PENSION PLAN TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(c) Fair value hierarchy

The organization classifies its financial assets and liabilities at fair value using a fair value hierarchy made up of three levels, according to the inputs used in making the measurements.

Level 1: This level includes assets and liabilities measured at fair value based on unadjusted quoted prices for identical assets and liabilities in an active market that the organization can access at the measurement date.

Level 2: This category includes measurements that use, either directly or indirectly, observable inputs other than quoted prices included in level 1. Derivative instruments in this category are measured using models or other standard valuation techniques using observable market data.

Level 3: The measurements in this category depend upon inputs that are less observable, not available or for which observable inputs do not justify most of the instruments' fair value.

(d) Investments

Investments for the Pension Fund Trust Fund are measured at fair value and categorized according to the fair value hierarchy using the market approach valuation technique. The organization determines fair value of investments based on information supplied by the investment manager. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. Purchases and sales of investments are accounted for at trade date. Transaction costs are expensed as incurred. Investment income is recognized on an accrual basis. The current year change in fair value of investments is the difference between the fair value and the cost of investments at the beginning and end of each year, adjusted for realized gains and losses during the year.

(e) Capital and intangible assets

Northern Employee Benefits Services records capital assets at cost allocated equally between the Group and Pension Funds. The organization provides for amortization allocated equally between the Group and Pension Funds using the straight-line method at the following rates:

Computer equipment	3 - 6 years
Intangible assets	10 years
Office equipment	5 years

Intangible assets, consisting of a software license for the use of the C-DAT Pension and Health Benefits Integrated System (PHBIS), is amortized and allocated between the Group and Pension Funds on a straight-line basis over its estimated useful life of ten years. The recording of annual amortization expense commenced during 2015 when the asset became available for use.

NORTHERN EMPLOYEE BENEFITS SERVICES PENSION PLAN TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS December 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(f) Pension obligations

Pension obligations of the multi-employer defined benefit pension plan are measured using the actuarial present value of accrued pension benefits determined by applying best estimate assumptions and the projected benefit method prorated on services. Net assets available for benefits is the difference between the Pension Plan's assets and its liabilities, excluding the accrued pension benefits.

(g) Revenue recognition

Revenue from contributions, investment income, and interest charged to members' accounts, are recognized on an accrual basis. The accrual basis of accounting recognizes the effect of transactions and events when the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent. Deferred revenue results from contributions for future periods paid in advance. Employer contributions for current service and special payment for funding deficiency must meet or exceed the minimum contributions required based on the most recent actuarial valuation report. Employee contributions for past service are recorded in the year received.

(h) Pension and termination benefits

Pension and termination benefits are shown as expenses in the year of payment.

(i) Allocated expenses

Expenses incurred that are common to the administration of the organization's two Funds are consistently allocated equally each year.

(j) Cash flows

To provide more relevant information about the flows of funds in and out of the organization's cash balances under Canadian accounting standards for pension plans, the organization has elected to include as an integral part of the financial statements, a Statement of Cash Flows for each period presented.

Information about the organization's timing of cash receipts and cash payments within each Fund enables the organization's management to assess the capacity of the organization to generate cash and cash equivalents and the needs of the organization for cash resources. The adequacy of expected cash flows, taking into consideration their timing and certainty of generation, is evaluated against cash resources required to repay financial obligations, and to conduct the necessary activities of the Fund as described in Note 1(b).

NORTHERN EMPLOYEE BENEFITS SERVICES PENSION PLAN TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

2. SIGNIFICANT ACCOUNTING POLICIES, continued

(k) Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for pension plans requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from these estimates.

Significant estimates are used in determining the useful lives of depreciable capital and intangible assets, provisions for delinquent accounts and severance pay, allocating administrative expenses between the organization's two Funds, and pension obligations. The Pension Plan's actual experience may differ significantly from assumptions used in the calculation of the Pension Plan's pension obligations. While best estimates have been used in the valuation of the Pension Plan's actuarial value of accrued benefits, management considers that it is possible, based on existing knowledge, that changes in future conditions in the short term could require a material change in the recognized amounts. Differences between actual results and expectations are disclosed in these financial statements as net experience gains or losses in the Statement of Changes in Pension Obligations in the year when actual results are known.

3. INVESTMENTS

The Pension Plan's investments are categorized according to the fair value hierarchy as follows:

	<u>Cost</u>	2015 <u>Market</u>	<u>Cost</u>	2014 <u>Market</u>
Level 1:				
Cash and cash equivalents	\$ 765,819	\$ 765,819	\$ 859,949	\$ 859,949
Canadian equities	44,836,939	43,010,595	33,353,603	37,862,476
Foreign equities	33,715,698	<u>49,935,691</u>	<u>26,384,943</u>	<u>39,224,653</u>
	79,318,456	93,712,105	60,598,495	77,947,078
Level 2:				
Fixed income securities	71,943,606	<u>70,038,509</u>	<u>62,940,146</u>	<u>63,789,421</u>
	<u>\$151,262,062</u>	<u>\$163,750,614</u>	<u>\$123,538,641</u>	<u>\$141,736,499</u>

The above listed investments are held by RBC Investor Services Trust and will not be redeemed in the subsequent period.

The fair value hierarchy as described in Note 2(c) requires the use of observable market inputs wherever such inputs exist. A financial instrument is classified at the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

**NORTHERN EMPLOYEE BENEFITS SERVICES
PENSION PLAN TRUST FUND**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

3. INVESTMENTS, continued

Investments are valued based on information provided by the investment manager. In particular:

- money market instruments consist of cash and treasury bills, which are valued using published market quotations;

- fixed-income securities consist of an investment in a bond fund. Directly owned bonds are valued using published market quotations. Valuations of the bond fund are received on a per unit basis from the investment manager. Valuations are derived from the sum of the fair value of bond fund assets determined using published market quotations less bond fund liabilities divided by the total number of units outstanding;

- equities consist of Canadian and foreign equity funds. Foreign equity funds also include the fair value of foreign exchange forward contracts. Investment valuations for the funds are received from the various issuers and are calculated in accordance with their published valuation methodologies. Valuations are derived from the sum of the fair value of equity fund assets determined using published market quotations less equity fund liabilities divided by the total number of units outstanding.

4. CAPITAL AND INTANGIBLE ASSETS

A reconciliation of the carrying amounts of capital assets at the beginning and end of the year is as follows:

	Office Equipment	Computer Equipment	Intangible Assets	<u>Total</u>
Cost:				
Balance, beginning of year	\$ 6,861	\$ 35,257	\$ 310,684	\$ 352,802
Additions	<u> </u>	<u>6,431</u>	<u>40,582</u>	<u>47,013</u>
Balance, end of year	<u>6,861</u>	<u>41,688</u>	351,266	<u>399,815</u>
Accumulated amortization:				
Balance, beginning of year	6,028	20,609	42,197	68,834
Amortization	<u>833</u>	<u>5,924</u>	<u>15,547</u>	<u>22,304</u>
Balance, end of year	<u>6,861</u>	<u>26,533</u>	<u>57,744</u>	<u>91,138</u>
Net	<u>\$ </u>	\$ 15,155	\$ 293,522	\$ 308,677

**NORTHERN EMPLOYEE BENEFITS SERVICES
PENSION PLAN TRUST FUND**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015**

4. **CAPITAL AND INTANGIBLE ASSETS, continued**

Included in capital assets is computer equipment under capital lease with a cost of \$15,779 (2014 - \$15,779), accumulated amortization of \$9,210 (2014 - \$6,575), and carrying value of \$6,569 (2014- \$9,204).

During 2013, Northern Employee Benefits Services entered into a software license agreement for the use of the C-DAT Pension and Health Benefits Integrated System (PHBIS). The software was implemented in phases and was complete during 2015. As such, amortization expense relating to this system commenced being recorded in 2015. NEBS includes in the software costs all implementation and license fees, plus administrative wages and benefits expenses directly attributed to the development and implementation of the system.

NEBS Pension Plan Trust Fund had the following non-cash financing and investing activities during the year which are excluded from the Statement of Cash Flows on page 5:

Total capital and intangible asset additions with a total cost of \$47,013 (2014 - \$136,117) consists of \$117,977 (2014 - \$74,148) paid, and \$nil (2014 - \$70,964) in accounts payable and accrued liabilities.

5. **CAPITAL LEASE OBLIGATION**

The capital lease with Xerox Canada Ltd. for printer and scanner equipment with a carrying value of \$6,569 (2014 - \$9,204), is recorded at an amount equal to the present value of the lease payments using the interest rate implicit in the lease. The implicit interest rate of the obligation is 11.4% and the lease expires August 8, 2017, repayable in quarterly installments of \$942 including interest. The following is a schedule of future minimum lease payments under the capital lease:

2016	\$ 3,768
2017	<u>1,884</u>
Total future minimum lease payments	5,652
Less amount representing interest	<u>273</u>
Present value of minimum net lease payments	5,379
Less current portion	<u>3,322</u>
	<u>\$ 2,057</u>

NORTHERN EMPLOYEE BENEFITS SERVICES
PENSION PLAN TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

6. PENSION OBLIGATIONS

The actuarial present value of accrued pension benefits was estimated by Aon Hewitt Associates, a firm of consulting actuaries. Their going concern valuation results are reflected in an extrapolation that was based on an extrapolation of the valuation conducted as at December 31, 2014. The data and assumptions used for the December 31, 2015 obligations are the same as that used in the actuarial valuation as at December 31, 2014. The data and assumptions used for the December 31, 2014 obligations are the same as that used in the actuarial valuation as at December 31, 2013. The going concern results were prepared using the projected benefit actuarial cost method (also known as the projected unit credit method).

The Plan's obligations have been estimated as at December 31, 2015 by increasing the liabilities at the last valuation date described above by the cost of accruing benefits and interest, and subtracting benefit payments accumulated with interest for the same period. The cost of benefits accrued is from the December 31, 2014 actuarial valuation report, adjusted for differences in the actual versus expected contributions. Other than the actual cost-of-living increase on January 1, 2015, the actuaries have assumed that there were no experience gains and losses in the interim periods.

Significant and long term actuarial assumptions used in the going concern valuation were:

Interest rate:	5.75%	5.50%
Rate of salary increase:	2.50%	3.00%
Inflation:	2.00%	2.00%

A going concern valuation is performed to determine the funded status of the pension plan and the funding requirements for the pension plan treating the plan as a going concern. The new legislation referred to in Note 1(a) do not require the Plan to be funded on a solvency basis.

The actuarial valuation report on the funded position of the Plan on a going concern basis as at January 1, 2015 was completed by the actuary in September 2015, and do not reflect any provision of the new legislation. The next funding valuation must be performed no later than January 1, 2016.

Based on the last report, the NEBS Pension Committee will review action necessary to ensure the deficiency is amortized according to the rules established by the Pension Benefits Standards Act, 1985. Accordingly, the organization has elected to perform a funding valuation annually, the next expected to be in September 2016.

The actuarial value of assets has been calculated using the actual market value of assets as at December 31, 2015 and adjusted for outstanding contributions, benefit payments and deferred revenue.

The actuarial value of net assets available for benefits is equal to the adjusted market value of assets over a four year period as of December 31, 2015.

**NORTHERN EMPLOYEE BENEFITS SERVICES
PENSION PLAN TRUST FUND**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

7. PENSION CONTRIBUTIONS

Contributions revenue during the year of the Pension Plan Trust Fund consists of the following:

	<u>2015</u>	<u>2014</u>
Voluntary additional contributions from employees	\$ 8,235,247	\$ 1,781,711
Employee and employer current service cost	16,198,290	13,419,643
Transfers by employees from other plans		495,444
	<u>\$ 24,433,537</u>	<u>\$ 15,696,798</u>

Contributions revenue during the year of the Pension Plan Trust Fund includes the following:

	<u>2015</u>	<u>2014</u>
Employee portion	\$ 16,334,392	\$ 8,986,977
Employer portion	8,099,45	6,709,821
	<u>\$ 24,433,537</u>	<u>\$ 15,696,798</u>

At December 31, 2015, contributions receivable of the Pension Plan Trust Fund includes the following:

	<u>2015</u>	<u>2014</u>
Employee portion	\$ 356,805	\$ 347,140
Employer portion	356,805	347,139
	<u>\$ 713,610</u>	<u>\$ 694,279</u>

**NORTHERN EMPLOYEE BENEFITS SERVICES
PENSION PLAN TRUST FUND**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

8. INVESTMENT INCOME

Total investment income during the year of the Pension Plan Trust Fund is as follows:

	2015	2014
Realized investment income:		
Gain on sale of investments	\$ 5,146,030	\$ 3,208,330
Interest and dividends	8,043,976	5,708,890
Total realized investment income	13,190,006	8,917,220
Unrealized investment income:		
Current period change in fair value of investments	(5,709,306)	3,703,781
Total investment income per page 3	\$ 7,480,700	\$ 12,621,001

Investment income during the year from gain on sale of investments of the Pension Plan Trust Fund consist of the following:

	2015	2014
Canadian equities	\$ 1,100,925	\$ 1,349,370
Foreign equities	3,473,784	1,865,896
Fixed income- Bonds	571,321	(6,936)
Total gain on sale of investments	\$ 5,146,030	\$ 3,208,330

Investment income during the year from interest and dividends of the Pension Plan Trust Fund consist of the following:

	2015	2014
Canadian equities	\$ 2,577,351	\$ 3,731,119
Foreign equities	1,021,277	
Fixed income- Bonds	4,442,237	1,967,040
Canadian pooled money market funds	3,197	10,731
Income on cash	(86)	
	\$ 8,043,976	\$ 5,708,890

**NORTHERN EMPLOYEE BENEFITS SERVICES
PENSION PLAN TRUST FUND**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

9. CAPITAL MANAGEMENT

The purpose of the organization is to provide benefits to members. As such, when managing capital, the objective is to preserve assets of the Pension Plan Trust Fund, and the Health & Welfare Fund, in a manner that provides the organization with the ability to continue as a going concern, to have sufficient assets to meet future obligations for benefits and to have sufficient liquidity to meet all benefit and expense payments.

The capital of the organization consists of its surplus (deficit) as represented by the Pension Plan Trust Fund balance or deficit. Excluding the impact of investment income, the organization is funded through a combination of employee and employer contributions. The surplus (deficit) of the Pension Plan Trust Fund represents the difference between the Net Assets Available For Benefits and the actuarially determined accrued pension benefits on a going-concern basis. Actuarial valuations, which aid in the determination of the extent of the Pension Plan Trust Fund's capital, are performed annually. Surplus or deficit, as they arise, as well as other relevant aspects of the organization, are managed in order to comply with the externally imposed requirements of the Income Tax Act and the new legislation referred to in Note 1(a).

As at December 31, 2015, the organization is not in violation of any externally imposed legal or regulatory requirements.

As at December 31, 2015, the Pension Plan Trust Fund balance of \$24,872,612 (2014 - \$15,474,030) consists of accumulated surplus of \$24,569,313 (2014 - \$15,198,486), and net assets invested in capital assets of \$303,299 (2014- \$275,544).

10. COMMITMENTS

As at December 31, 2015, future minimum lease payments for an operating lease for the premises are as follows:

2016	\$ 38,722
2017	38,722
2018	<u>16,134</u>
	\$ 93,578

NORTHERN EMPLOYEE BENEFITS SERVICES PENSION PLAN TRUST FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2015

11. FINANCIAL INSTRUMENTS AND RISK

The Pension Plan's investments are recorded at fair value based on information provided by the investment manager. Other financial instruments of the organization consist of cash, short-term investments, contributions receivable, other receivables, interfund balances, wages and benefits payable, and accounts payable. The fair value of these financial instruments approximates their carrying values.

The fair values of Pension Plan investments are exposed to credit, liquidity, and market risks. Asset diversification and investment eligibility requirements serve as basic risk-management tools for the investment portfolio as a whole. The Pension Plan's investment strategy requires that investments be held in a diversified mix of asset types and also sets out investment eligibility requirements. The diversification of assets serves to lower the variations in the expected return performance of the portfolio. Eligibility requirements serve to ensure that Pension Plan assets, to the extent possible, are not placed at undue levels of risk and can meet the obligations of the Pension Plan as necessary. While the above policies aid in risk management, the Pension Plan's investments and performance remain subject to risks, the extent of which is discussed below:

Credit risk

Credit risk is the risk that a counterparty to a financial contract will fail to discharge its obligations in accordance with agreed-upon terms. The Pension Plan is exposed to credit risk through its investments in money market instruments (excluding cash), and fixed-income securities. The Pension Plan's credit risk on money market instruments, fixed-income securities, and inflation-linked assets is managed by setting concentration limits on exposure to any single issuer, as well as by setting minimum credit-rating criteria for investment.

Concentrations of credit risk exist when a significant proportion of the portfolio is invested in securities subject to credit risk with similar characteristics or subject to similar economic, political, or other conditions. The investment portfolio as a whole is subject to maximum exposure limits and asset allocation targets that are designed to manage exposure to concentrated credit risk.

Liquidity risk

Liquidity risk is the risk that the Pension Plan will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Pension Plan's financial liabilities consist of Accounts Payable & Accrued Liabilities, and Due to Health & Welfare Fund. These amounts are short term in duration and are set to mature within one year. Liquidity risk is managed through ensuring that sufficient liquid assets are maintained to meet anticipated payments and investment commitments in general. With respect to the Pension Plan's financial liabilities and the actuarial value of accrued pension benefits, management believes that the Pension Plan is not subject to any significant liquidity risk. The actuarial value of accrued pension benefits is not considered a financial liability; however, it is the most significant liability of the Pension Plan in the Statement of Financial Position. The organization is required to contribute all funds necessary to meet any funding shortfalls of the Pension Plan as they may arise from time to time.

11. FINANCIAL INSTRUMENTS AND RISK, continued

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is composed of interest rate, currency, and other price risk. The extent of market risk exposure is dependent on the nature of the investment.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate owing to changes in market interest rates. The Pension Plan is exposed to interest rate risk through its investment holdings in interest-bearing, or fixed-income, assets. These principally include money market instruments and fixed-income securities. The Pension Plan manages its exposure to interest rate risk through holding a diversified mix of assets, both interest-bearing and non-interest bearing. This approach lowers the impact of variations in overall portfolio performance owing to factors arising from interest rate risk. The fair value of the Pension Plan's assets, specifically the fixed-income securities, is affected by changes in the nominal interest rate. Investments subject to interest rate risk bear fixed rates of interest.

Therefore, short-term fluctuations in prevailing interest rates would not normally subject the Pension Plan to fluctuating cash flows. In the event of a sale or redemption prior to maturity, proceeds would be affected by the impact of prevailing interest rates on the fair value of the investment. The actuarial value of accrued pension benefits is not considered a financial instrument; however, these benefits are sensitive to changes in long-term interest rates. The Pension Plan is exposed to interest rate risk because of mismatches between the impacts of interest rates on the actuarial value of accrued pension benefits and their corresponding impact on the investment portfolio as a whole. Giving the nature of pension benefits, such risks cannot be eliminated but are addressed through the funding of the Pension Plan and through regular review of the characteristics of the Pension Plan's investment portfolio related to the accrued pension benefit liability.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Pension Plan is exposed to currency risk arising from its holdings of investments denominated in foreign currencies, as well as investments that, although not denominated in foreign currencies, have underlying foreign currency exposure. This exposure lies principally within foreign equity funds. The Pension Plan manages these risks through its investment policy, which limits the proportion of foreign assets within the portfolio.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer or by factors affecting all similar financial instruments traded in the market. The Pension Plan is exposed to other price risk through its holdings in Canadian equities. The Pension Plan manages these risks through maximum proportions of equities in its investment portfolio and through concentration limits on investments in any one issuer, as outlined in the investment policy. Future cash flows relating to the sale of an investment exposed to other price risk will vary depending on market prices at the time of sale. Concentrations of other price risk exists when a significant portion of the portfolio is invested in equities with similar characteristics or subject to similar economic, market, political, or other conditions.

12. ALLOCATED EXPENSES

Included in administrative expenses of the Pension Plan Trust Fund for the year are expenses allocated totaling \$274,070 (2014- \$612,595) which includes equal allocations between the Health & Welfare Fund and the Pension Plan Trust Fund. Expenses allocated equally include certain expenses included in Intangible Assets, Wages & Benefits, Communications, Building & Works, Supplies & Materials, Professional Fees, Investment Counselling, certain Committee Expenses, and Marketing.

Included in the NEBS Pension Plan Trust Fund as at December 31, 2015 is an amount due to the NEBS Health & Welfare Fund of \$93,398 (2014- \$70,689). The interfund balance, which arises from the chargeback of expenses during the year allocated to, and paid on behalf of, the Pension Plan Trust Fund, is unsecured, non-interest bearing, and due on demand. Changes during the year in interfund balance are as follows:

	<u>2015</u>	<u>2014</u>
Interfund balance, beginning of year	\$ 70,689	\$ 115,110
Total chargebacks charged from Health & Welfare Fund	274,070	612,595
Repayments to Health & Welfare Fund	(251,361)	(657,016)
Interfund balance, end of year	<u>\$ 93,398</u>	<u>\$ 70,689</u>

During the year, excluded from the accompanying financial statements are self-insured pension premiums expenses incurred totaling \$27,966 (2014- \$34,962).

NORTHERN EMPLOYEE BENEFITS SERVICES

**HEALTH & WELFARE FUND & PENSION PLAN
TRUST FUND**

**COMBINED SCHEDULE OF BOARD HONORARIA For the
year ended December 31, 2015**

The NEBS Honorarium & Expenses Policy establishes honoraria and expenses to be paid to Directors and the Chairman, and the By-Laws for Northern Employee Benefits Services requires that Employer Members ratify any changes in remuneration. The Policy was last changed and ratified in 2012.

During the year, Northern Employee Benefits Services held three in-person Board and Pension Committee meetings in Yellowknife, NT; in addition to teleconferences and legislation review.

Directors were in attendance and received honorarium for these meetings as follows:

	2015 Meetings Attended	2015	2014
Aitoak, Vicki		\$	\$ 1,750
Amireault, Adrien	2	1,400	
Bird, Carl	1	1,750	700
Cohen, Michael	3	4,200	6,850
Couturier, Marie	4	175	
Fleming, Brian	3	5,288	7,650
Lyons, Blake	5	2,625	3,325
McDonald, Allan	3	2,300	1,050
McKee, John	8	3,750	4,213
Renaud, Jeff	3	2,100	4,025
Stewart, Art	3	2,975	2,100
		<hr/>	<hr/>
		\$ 26,563	\$ 31,663
		<hr/>	<hr/>
Allocation:			
Administrative Board Expenses- Health & Welfare		\$ 12,394	\$ 15,832
Administrative Committee Expenses - Pension Plan		14,169	15,831
		<hr/>	<hr/>
		\$ 26,563	\$ 31,663
		<hr/>	<hr/>

IV. Certificate of Compliance

**IV. CERTIFICATE OF COMPLIANCE
(Section 27(b) of the NEBS Acts)**

NORTHERN EMPLOYEE BENEFITS SERVICES PENSION PLAN (the "Plan")

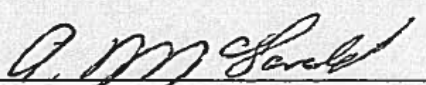
**PENSION COMMITTEE'S CERTIFICATE OF COMPLIANCE
IN RESPECT OF THE YEAR 2015**

The Pension Committee is required by section 27(2)(b) of the Northern Employee Benefits Services Pension Plan Act (the "Act") to file a certificate stating that, in the opinion of the Pension Committee, the Plan complies with the Act and the regulations under the Act.

I, Al McDonald, the Chair of the Pension Committee for the Northern Employee Benefits Services Pension Plan CERTIFY THAT

1. The Pension Committee has reviewed the compliance of the Plan with the Act and the regulations under the Act;
2. It is the opinion of the Pension Committee that the Plan complies with the Act and the regulations, except as set out in the attached Appendix; and
3. The Pension Committee acknowledges that the obligation to determine compliance of the Plan is the responsibility of the Pension Committee, and declares that the Pension Committee has fulfilled that responsibility and, in making this certificate, has complied with the Act and the regulations.

I declare that the above statements are true to the best of my knowledge and belief and I make these statements conscientiously believing them to be true.



CHAIR OF PENSION COMMITTEE

30/06/16

Date

APPENDIX

Non-Compliance

None

**V. PENSION COMMITTEE'S LONG TERM SUSTAINABILITY
REPORT FOR THE PLAN**

V. PENSION COMMITTEE'S LONG TERM SUSTAINABILITY REPORT FOR THE PLAN

Long Term Sustainability

In accordance with section 27(2)(c) of the NEBS Act and in compliance with Appendix B of the NEBS Funding Policy (not reproduced here), a statement of the long term sustainability has been prepared for the NEBS Plan.

Based on a 15 year projection of the going concern position, using the assumptions and methods disclosed in the January 1, 2016 actuarial valuation report as well as the guidelines recommended in Appendix B of the NEBS Funding Policy, current contribution rates of the NEBS Plan are adequate to sustain the NEBS Plan over the next 15 years.

In accordance with Appendix B of the NEBS Funding Policy, excess amounts existing in the Pension Fund over and above amounts required by the NEBS Acts to be held in the Pension Fund to secure the benefits payable from the Plan over a 15 year period may be used to as a contingency reserve (margin) against adverse deviation arising from negative plan experience, shifts in maturity of the NEBS Plan over time and higher than projected costs of future benefit accruals.

The actuarial valuation report for the NEBS Plan details the assumptions, methods, calculation and results of the 15 year projection (i.e. the Contribution Rate Adequacy Test) performed as at January 1, 2016 to assess the long term sustainability of the NEBS Plan.

VI. PLAN SPONSORS' GOALS AND OBJECTIVES REPORT FOR THE COMING YEAR

**VI. PLAN SPONSORS' GOALS AND OBJECTIVES REPORT FOR THE COMING YEAR
(Section 27(d) of the NEBS Acts)**

NORTHERN EMPLOYEE BENEFIT SERVICES

PLAN SPONSORS GOALS AND OBJECTIVES REPORT FOR THE COMING YEAR

2015

Background

The Northern Employees Benefits Services (NEBS) was established in 1978 by an Act of the Government of the Northwest Territories and then incorporated in 1999 with the creation of Nunavut and Northwest Territories. NEBS offers health and insurance benefits and a pension plan program to public sector employees who work at the community and regional levels. Our programs and services are organized to be comparable and competitive with those offered by the Nunavut and Northwest Territories governments so that our member employers can recruit and retain high quality staff to manage and operate their organizations. We are unique in that we operate and are headquartered in the north, provide programs and services specifically designed to meet the needs of northern public sector employers and their employees and are managed by a Board of Directors that is elected by Employer Member Organizations.

Our Market

We provide a multi-employer program across the vast expanse of Nunavut and the Northwest Territories. Our Employer Members range in size and capacity and we operate in a multi-cultural and multi-lingual environment. In many cases our staff and Directors know our Employer Members and their employees personally. We strive to provide excellent services that are responsive to the unique interests and needs of northerners.

Like any organization providing a pension plan, we are strongly influenced by the international investment market. The past five years have been challenging – but we have ended the period in a strong financial position. In Addition, a full regulatory framework for our pension plan has been established in both the Northwest Territories and Nunavut.

Members

Membership in NEBS is open to all northern Public Sector Employers, including: Community Governments, Band Councils and Aboriginal Governments, Public Housing Organizations, Boards and Agencies of Government, and Non-Profit Organizations.

Our Vision

The vision statement for NEBS describes what we want our organization to be in the future. Our vision is:

NEBS VISION STATEMENT

Our vision is to be the provider of choice for pension, health benefits and insurance services for the northern public sector

Our Values

We support our vision by operating NEBS according to some specific values. These values describe our core basic principles and expected behaviors of our Directors and staff. Our values include:

Integrity

The organization and its Board operate in a manner that demonstrates honesty and truthfulness in thought and action. Integrity is demonstrated through the development of trust between NEBS, Employer Members and their employees.

Independence

Our directors and staff act neutrally and free of conflicts of interest.

Respectful of Member Interests

We protect and advance Member interests in the development and operation of programs and services offered by the organization.

Transparency

Our programs and services are operated with open and direct communication regarding the directions and decisions of the organization.

Fiduciary Stewardship - Board

Our Directors have a fiduciary duty to protect the interests of the Employer Members, placing those interests above all others.

Fiduciary Stewardship – Pension Committee

Members of the Pension Committee act as Trustees of the Pension Plan and have a fiduciary duty to protect the interests of the Employer Members, placing those interests above all others.

Cooperation through Partnership

We treat our relationships with Employer Members, their employees, service providers and other interested parties as partnerships to be developed and maintained.

Professionalism in Thought and Action

We strive to maintain professional standards of skill and conduct in carrying out program activities and commitments.

Goals and Objectives

Governance

Goal 1: The Pension Committee and the Board of Directors will lead the organization using a participative, result based, governance model.

Objective 1: Update and monitor NEBS Governance objectives and policies.

Objective 2: Continue with Pension Committee member training.

Objective 3: Establish and implement a Pension Committee member evaluation process.

Objective 4: Review of all NEBS documents to ensure Legislative Compliance (NEBS ACT)

Funding

Goal: Obtain and maintain full funding by collecting contributions and earning returns on Investments necessary to pay expenses and all promised benefits.

Objective : Achieve optimal, investment returns by adding Real Estate in the Asset Mix.

Objective: Hire a Real Estate Manager to oversee the Real Estate Investment Asset.

Plan Administrative

Goal: Provide high quality, cost effective Administrative support.

Objective A: Investigate and possibly implement use of electronic technology in our operations

Objective B: Increase electronic communications with members.

Objective: Continue with CDAT implementation

Objective: Further define all staff roles and job duties.


Communication

Goal: To further enhance our relationships with our employee members and employers by expanding our communication process to them

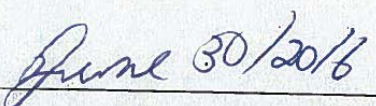
Objective: Develop a new website that allows members to access information

Objective: Provide employer and employee members regular communication, update all documentation on NEBS plan and process all procedures.

Objective: Update the Program Administration manual and make available to all employer members



Chair, Pension Committee



Date

VII. NEBS PLAN INFORMATION AND STATISTICS

VII.NEBS Plan Information and Statistics (Section 27(e) of the NEBS Acts)
Summary of Active Members by Employer As of January 1, 2016

Employer	Number of Active Employees
Arctic Bay Housing Association	6
Arviat, Hamlet of	32
Arviat, Housing Association	21
Baker Lake Housing	19
Baker Lake, Hamlet of	33
Behcho Ko, Tlicho Community Government of	14
Behchoko Ko Gha K Aodee	9
Cambridge Bay, Hamlet of	38
Cambridge Bay, Housing Association	6
Cape Dorset Housing Authority	11
Cape Dorset, Municipality of	29
Chesterfield Inlet, Hamlet of	17
Chesterfield Inlet, Housing Association	6
Clyde River, Housing Association	4
Clyde River, Municipality of	20
Coral Harbour Housing Authority	9
Coral Harbour, Hamlet of	20
Deline Housing Association	5
Deline, Charter Community of	2
Enterprise, Hamlet of	2
Fort Liard, Hamlet of	8
Fort Mcpherson Housing Association	6
Fort Mcpherson, Hamlet of	6
Fort Resolution, Hamlet of	6
Fort Resolution, Housing Association	5
Fort Simpson, Housing Authority	6
Fort Smith, Housing Authority	6
Fort Smith, Town of	26
Gameti, Community Government of	10
Gjoa Haven, Hamlet of	17
Grise Fiord, Hamlet	3
Grise Fiord, Housing Association	3
Hall Beach Housing Association	4
Hall Beach, Municipality of	14
Igloodik Housing Association	10
Inuvik, Housing Authority	6
Inuvik, Town of	37
Iqaluit Housing Authority	19
Jean Marie River Dene Band	5
Kikitak Housing Association	7
Kimmirut, Hamlet of	20
Kitikmeot Heritage Society	4
Kugaaruk, Hamlet of	19
Kugaaruk, Housing Authority	6

Employer	Number of Active Employees
Kugluktuk, Hamlet of	41
Kugluktuk, Housing Association	14
Legislative Assembly of The NWT - Statutory office	1
Local Government Administrators of The NWT	2
Lutselke Housing Association	3
Mackenzie Valley Eirb	11
Mackenzie Valley Land And Water Board	14
Nahanni Butte Dene Band	3
Naujaat, Hamlet of	3
Northern Employee Benefits Services	5
Northwest Territories Teachers Association	4
Nunavut Impact Review Board	18
Nunavut Literacy Council	5
Nunavut Municipal Training Organization	1
Nunavut Planning Commission	11
Nunavut Water Board	12
NWT Association of Communities	6
Pangnirtung, Housing	13
Qammaq Housing Association	5
Qikiqtarjuaq, Housing Association	3
Qikiqtarjuaq, Municipality of	9
Radilih Koe Housing Association	4
Rankin Inlet, Hamlet of	28
Rankin Inlet, Housing Association	9
Repulse Bay, Hamlet of	17
Repulse Bay, Housing Association	10
Resolute Bay Housing Association	1
Resolute Bay, Hamlet of	14
Sachs Harbour, Inc. Hamlet of	9
Sahtu Divisional Education Council	1
Sahtu Land And Water Board	7
Sanikiluaq, Municipality of	27
South Slave Divisional Education Council	2
Taloyoak Housing Authority	8
Taloyoak, Hamlet of	15
Tasiurqtit Housing Association	3
Tlicho Government	80
Tlicho Investment Corporation	17
Tuktoyaktuk, Hamlet of	12
Wek Eezhii Land And Water Board	8
Wek Eezhii Renewable Resources Board	3
Wekweeti, Tlicho Community Government of	8
Wha Ti, The Community Government of	11
Whale Cove, Hamlet of	12

Employees

Whati, The Community Government of	2
Yellowknife, Fire Fighting	24
Yellowknife, Housing Authority	11
Yellowknife, Management	42
Yellowknife, Municipal Enforcement	8
Yellowknife, Union	109
YK Education District #1	220
Total	1,462
