

# Chapter 2

## Comments on the Province's Financial Position

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# Comments on the Province's Financial Position

## **Ninth Consecutive Annual Deficit**

**2017 deficit was  
smaller than recent  
years**

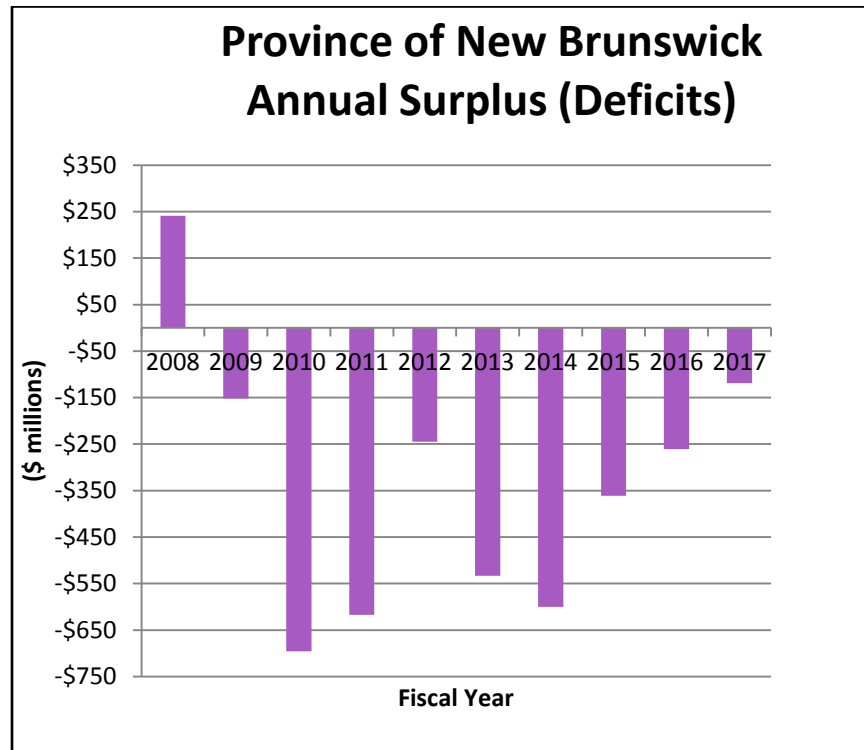
**Encouraging  
progress, however,  
action is still  
required**

**2.1** The Province's March 31, 2017 audited consolidated financial statements reported a deficit of \$118.9 million and an increase in Net Debt for the fiscal year of \$167.4 million. The Province now has a Net Debt of \$13.8 billion.

**2.2** We are pleased that the \$118.9 million annual deficit was lower than the budgeted deficit of \$246.1 million and was lower than the prior year deficit of \$260.5 million. We are encouraged by recent signs of fiscal progress and hope this progress continues.

**2.3** However, we remain concerned as this represents the ninth consecutive annual deficit. To assist in financing these deficits, the Province has incurred additional debt. Additional changes are required to improve the financial health of the Province.

Exhibit 2.1 - Annual Surplus (Deficits)



As restated – refer to Exhibit 2.2

Exhibit 2.2 - Annual Surplus (Deficits) Data

Annual Surplus (Deficits)										
(\$ millions)										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
As restated	241.1	(152.0)	(695.9)	(617.2)	(244.8)	(533.2)	(600.4)	(361.4)	n/a	n/a
As originally recorded	86.7	(192.3)	(737.9)	(633.0)	(260.6)	(507.7)	(498.7)	(388.6)	(260.5)	(118.9)

See paragraph 2.5 for further information on restatements of prior years.

**2.4** Exhibits 2.1 and 2.2 show the surplus or deficit for the past ten years. The preceding years' amounts have been restated to comply with the requirements of adopting new accounting standards or to improve financial statement presentation. There were no restatements for the 2016 fiscal year.

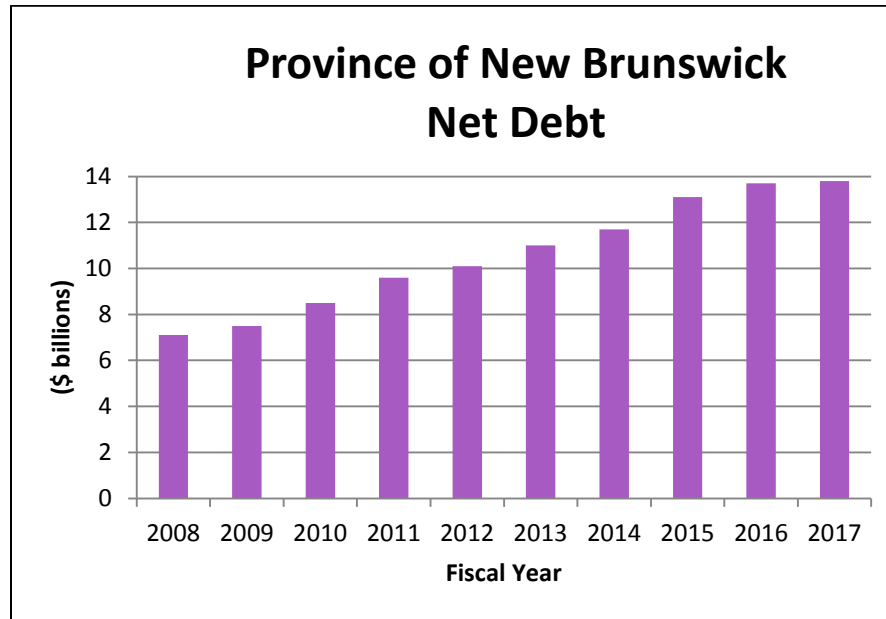
**2.5** It is important to note the impacts of the 2016 nursing home consolidation has not been included in the restated amounts for the years prior to 2015 in the exhibits as this information is not available. Significant variances to data presented in this chapter may have occurred for 2014 and

earlier years as a result of this accounting change.

### Continued growth in Net Debt

**2.6** Net Debt is one of the most important measures of the financial position of the Province. Exhibits 2.3 and 2.4 show Net Debt for the past ten years. Net Debt measures the difference between a government's liabilities and financial assets. This difference provides a measurement of the future revenues required to pay for past transactions and events.

*Exhibit 2.3 - Province of New Brunswick Net Debt*



*See paragraph 2.5 for further information on restatements of prior years.*

*Exhibit 2.4 - Net Debt Data*

Net Debt (\$ billions)										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
As restated	7.1	7.5	8.5	9.6	10.1	11.0	11.7	13.1	n/a	n/a
As originally recorded	6.9	7.4	8.4	9.5	10.0	11.1	11.6	12.4	13.7	13.8
Growth Rate in Net Debt	6.0%	5.6%	13.3%	12.9%	5.2%	8.9%	6.4%	12.0%	4.6%	0.7%

*See paragraph 2.5 for further information on restatements of prior years.*

**2.7** We would like to draw attention to the following facts:

- For the year ended March 31, 2017 Net Debt increased by \$167.4 million to \$13.8 billion.
- In the ten years reported in Exhibit 2.4, Net Debt has increased \$6.7 billion (or has almost doubled).
- The 2017-2018 Main Estimates budgets for a deficit of \$191.9 million and an increase in Net Debt of \$362.1 million for the year ended March 31, 2018.
- Based on 2017-2018 Main Estimates, Net Debt of the Province could be in excess of \$14.4 billion for the year ended March 31, 2018.
- The cost of servicing the public debt for the year ended March 31, 2017 was \$673.3 million.

**Net Debt growth through budgeted deficits**

**2.8** Exhibit 2.5 shows the annual budgeted deficit for the Province for the last five years. Even though expenditure growth is slowing, deficits have been budgeted in the last five years which have contributed to Net Debt growth.

*Exhibit 2.5 - Annual Budgeted Deficit*

Annual Budgeted Deficit (\$ millions)					
	2013	2014	2015	2016	2017
Budgeted Deficit	(182.9)	(478.7)	(391.1)	(326.8)	(246.1)

**Budget improvements required**

**2.9** The combination of annual budgeted deficits and overruns in budgeted expenses is contributing to the increase in Net Debt. In order to reduce Net Debt, the budgeted deficit needs improvement (i.e. through either increases to revenues, reductions to expenses, or a combination of both). If no other plan of action is taken, the deficit and Net Debt increases will continue.

**Multi-Year budget plan forecasts future deficits until 2020-2021**

**2.10** In the prior year, the government announced in its 2016-2017 budget a multi-year plan to return to a balanced budget state in 2020-2021. Overall, we are pleased to note the plan appears on track with its targets. The release of the 2016-2017 Public Accounts showed a deficit of \$118.9 million compared to the budgeted deficit of \$246.1 million. We are encouraged by the progress made and hope this progress continues. We again note this plan includes annual revenue and expense targets, but lacks a Net Debt reduction target.

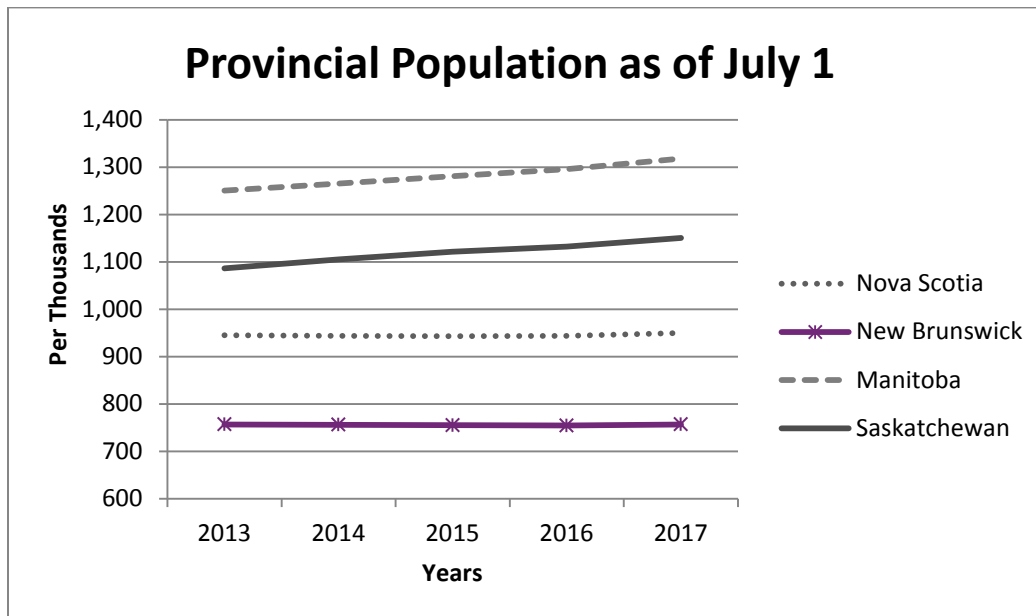
## Comparison to other provinces

**2.11** Another way to assess the significance of the size of the Province's Net Debt is to compare it to the Net Debt of other provinces in absolute amount, per capita and as a percentage of GDP. Provinces used in our comparison include, Nova Scotia, Manitoba and Saskatchewan. These provinces presented for comparison purposes were selected based on application of judgment where certain similarities in population or economic circumstances were considered. The provinces' application of accounting principles may differ upon comparing financial information, as circumstances may not be similar across provinces. Population data for provinces used in our comparison is found in Exhibits 2.6 and 2.7.

**2.12** In the next eight exhibits:

- information from the audited summary financial statements of the individual provinces is used;
- information about population is taken from the Statistics Canada website, and
- GDP figures are from the financial statement discussion and analysis attached to the individual provinces' audited summary financial statements.

*Exhibit 2.6 - Provincial Population as of July 1*

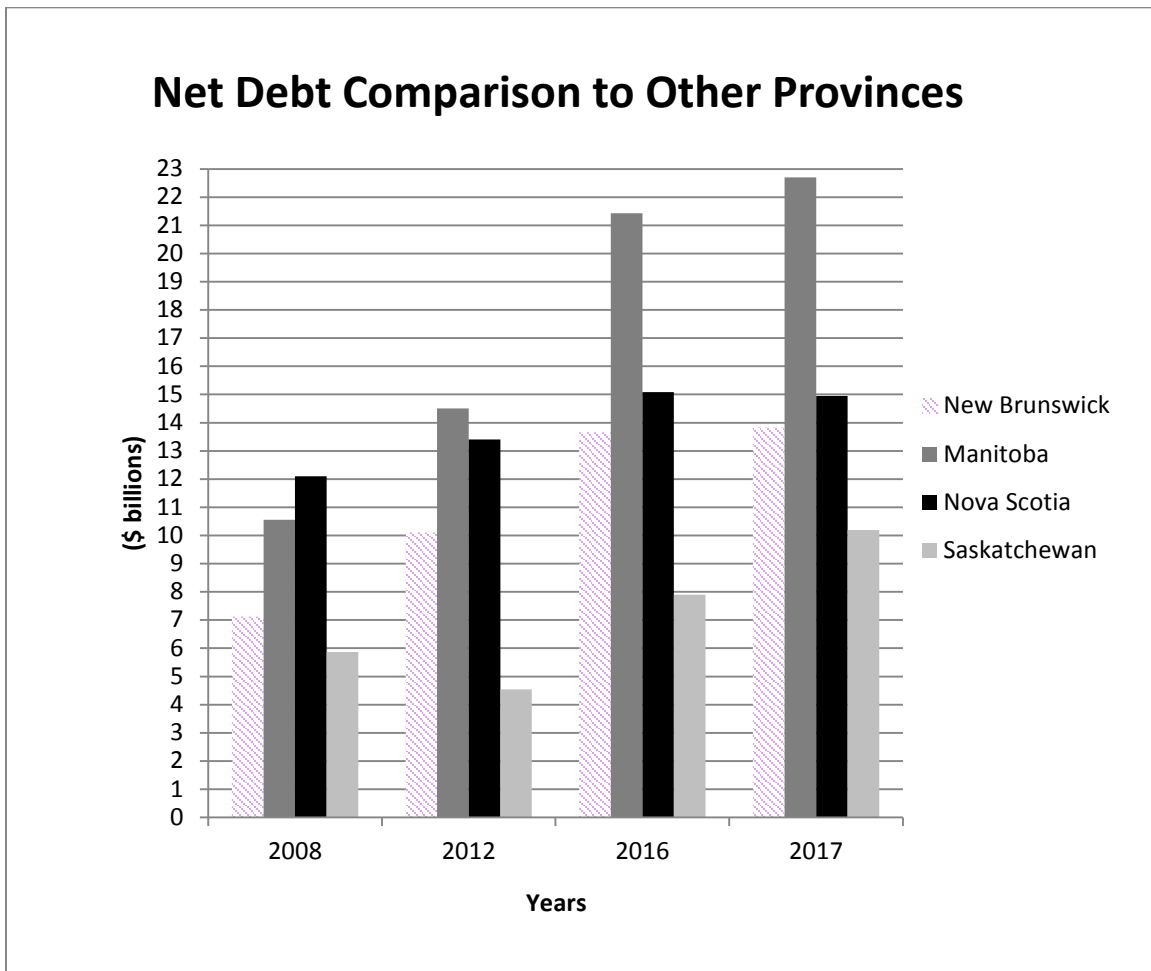


Source: Statistics Canada (filtered data) <http://www.statcan.gc.ca/tables-tableaux/sum-som/101/cst01/demo02a-eng.htm>

Exhibit 2.7 - Provincial Population as of July 1 Data

Provincial Population Data as of July 1					
Province	(thousands)				
	2013	2014	2015	2016	2017
New Brunswick	756.8	755.8	754.9	754.3	756.8
Nova Scotia	944.9	943.5	943.3	943.4	949.5
Saskatchewan	1,086.0	1,105.0	1,121.3	1,132.3	1,150.6
Manitoba	1,250.3	1,265.6	1,281.0	1,296.0	1,318.1

Exhibit 2.8 - Net Debt Comparison to Other Provinces



See paragraph 2.5 for further information on restatements of prior years.

Exhibit 2.9 - Net Debt Comparison to Other Provinces Data

Net Debt Comparison to Other Provinces (\$ billions)					
Province	Increase 2008 to 2017	2008	2012	2016	2017
Manitoba	114.2 %	10.6	14.5	21.4	22.7
Nova Scotia	24.0%	12.1	13.4	15.1	15.0
New Brunswick	94.4%	7.1	10.1	13.7	13.8
Saskatchewan	72.9%	5.9	4.5	7.9	10.2

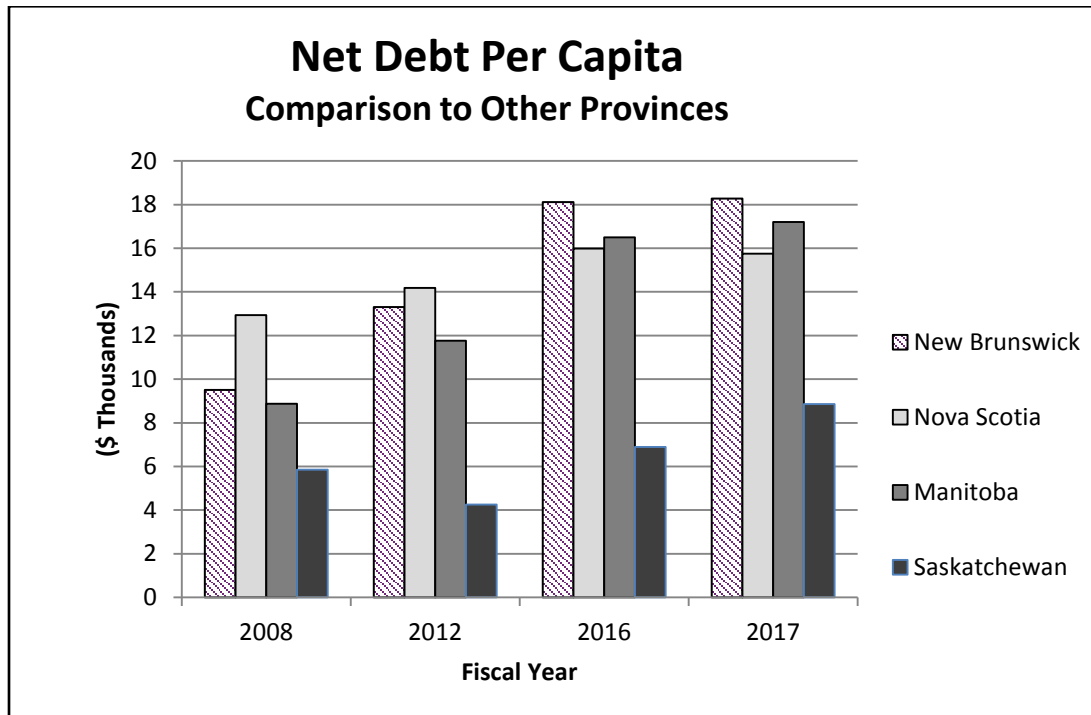
See paragraph 2.5 for further information on restatements of prior years.

**Net Debt increase  
from 2016 to 2017  
was less than 1%**

**2.13** Exhibits 2.8 and 2.9 show that over the last ten years within this group, New Brunswick has had one of the highest increases in Net Debt. New Brunswick's Net Debt has increased by 94% over the last ten years (or has almost doubled). The magnitude of this increase over 10 years is significant. The 2017-2018 Main Estimates budgets an increase in Net Debt of approximately \$362.1 million. The continued increase in Net Debt causes concern for the long-term sustainability of the Province. However, we were very encouraged to note the increase in Net Debt from 2016 to 2017 was less than 1%. There is evidence of a change in the growth of Net Debt and we hope these efforts continue.



Exhibit 2.10 - Net Debt per Capita Comparison to Other Provinces



See paragraph 2.5 for further information on restatements of prior years.

Exhibit 2.11 - Net Debt per Capita Comparison to Other Provinces' Data

Net Debt Per Capita Comparison to Other Provinces*				
(\$ thousands)				
Province	2008	2012	2016	2017
New Brunswick	9.5	13.3	18.1	18.3
Manitoba	8.9	11.6	16.5	17.2
Nova Scotia	12.9	14.2	16.0	15.8
Saskatchewan	5.8	4.2	6.9	8.8

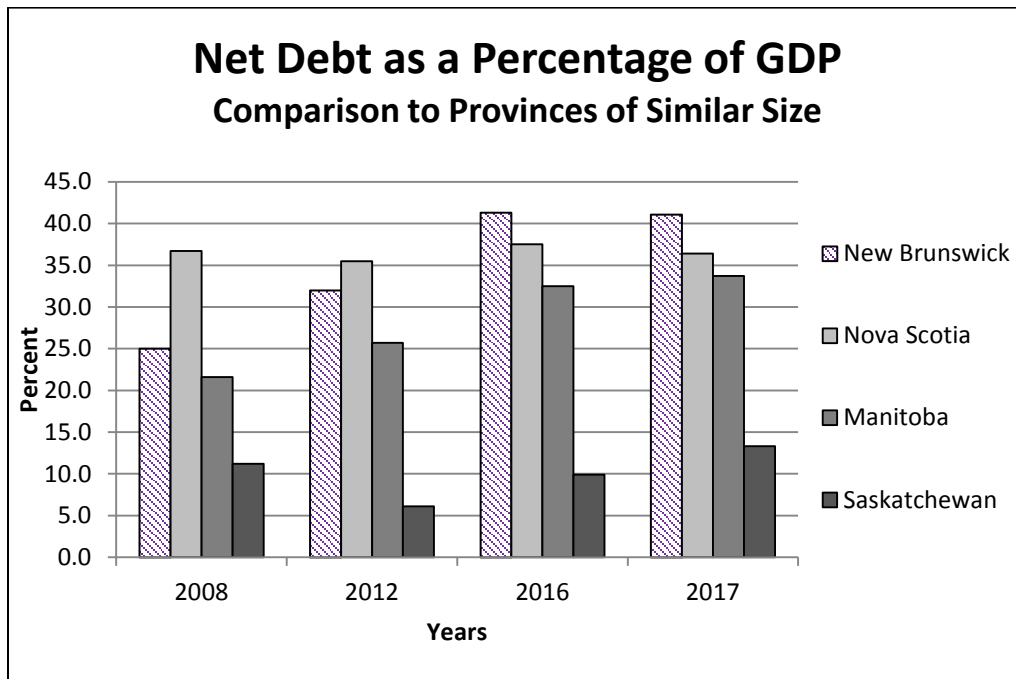
\*Amounts from provinces' 2017 financial statement discussion and analysis where available. For those provinces where this indicator was not published in the same format, information was obtained on population from Statistics Canada as of July 1 within the fiscal year (i.e. 2017 was July 1, 2016 population). Numbers have been rounded for presentation purposes. See paragraph 2.5 for further information on restatements of prior years.

**New Brunswick  
Net Debt per  
capita in 2017 is  
\$18,300**

**2.14** Information in Exhibits 2.10 and 2.11 show that New Brunswick has the highest Net Debt per capita in the comparable group. If the debt were to be eliminated by way of contributions from New Brunswickers, each would contribute approximately \$18,300. Again, this indicator

has increased significantly from 2008 at \$9,483 to 2017 at \$18,271 (a 92.7% increase in ten years or an average increase of 9.3% per year). We were pleased to note the increase in the Net Debt per capita for New Brunswick from 2016 to 2017 had slowed to 0.9%.

Exhibit 2.12 - Net Debt as a Percentage of GDP Compared to Other Provinces



See paragraph 2.5 for further information on restatements of prior years.

Exhibit 2.13 - Net Debt as a Percentage of GDP Compared to Other Provinces Data

Net Debt as a Percentage of GDP Compared to Other Provinces (percent)					
Province	2008	2012	2016	2017	% Increase (Decrease) from 2008 to 2017
New Brunswick	25.0	32.0	41.3	41.1	64.4%
Manitoba	21.6	25.7	32.5	33.7	56.0%
Saskatchewan	11.2	6.1	9.9	13.3	18.8%
Nova Scotia	36.7	35.5	37.5	36.4	(0.8%)

See paragraph 2.5 for further information on restatements of prior years.

**2.15** As shown in Exhibits 2.12 and 2.13, New Brunswick had the highest increase of Net Debt as a percentage of GDP from 2008 to 2017, and the highest Net Debt as a percentage of GDP at 41.1% among comparable provinces for 2017.

**The smaller deficit implies progress, however long-term Net Debt growth remains a significant sustainability concern**

### **Comments on the Province's Financial Health**

**2.16** New Brunswick's Net Debt performance over time compared to other provinces remains a significant concern. While progress has been made this year with respect to the deficit, the progress was largely due to an increase in taxes. New Brunswick's increase in Net Debt since 2008 of \$6.7 billion indicates the need for continued efforts to address the level of Net Debt. This 10 year increase in Net Debt represents a very disturbing trend. An even higher demand will exist on future revenues to pay past expenses.

**2.17** For the past number of years, we included in our annual report a historical trend analysis of the Province's financial condition by looking at measures of sustainability, flexibility and vulnerability.

**2.18** Starting in 2009, the Province began reporting some of these measures as part of Volume 1 of Public Accounts (Indicators of Financial Health section). As we commented in previous years, we are pleased to see the Province report this historical information.

**2.19** In this section, we report on twelve indicators of financial condition identified by the Public Sector Accounting Board (PSAB) in a Statement of Recommended Practice (SORP). This analysis is intended to give a broader view of the financial health of the Province as the analysis shows trends. The analysis expands on the information reported in the audited consolidated financial statements which only reflect the Province's fiscal status at a point in time.

### **Assumptions Used**

**2.20** We have not audited some of the numbers used in our indicator analysis; instead, we are using numbers the Province restated in the Province's consolidated financial statements. The Province used these restated figures in its management discussion and analysis in Volume 1 of Public Accounts. We have not audited the annualized numbers we obtained from the Province for the years 2008 to 2015. For the 2016 to 2017 numbers, we audited the numbers in conjunction with our annual audit work.

**2.21** In some of the Exhibits that follow, we show five years of comparative figures instead of ten. For these cases, restated numbers for prior years may not be available.

**Summary of the  
Province's  
Indicators of  
Financial  
Condition**

**2.22** In Exhibit 2.14, we summarize our analysis of the Province's financial indicators. We show the indicators for each measure, the purpose of the indicator, the short-term (two year) and long-term (five or ten year) trend, as well as a reference within this chapter of where we discuss the indicator in more detail.

Exhibit 2.14 - Summary of Indicators of Financial Condition

	Indicator	Purpose	Short-term Trend	Change in trend from prior year	Term	Long-term Trend <sup>1</sup>	Paragraph
<b>Sustainability</b>	Assets-to-liabilities	Measures extent that government finances its operations by issuing debt	Neutral <sup>2</sup>	✓	5 year	Unfavourable	2.27
	Financial assets-to-liabilities	Measures whether future revenues will be needed to pay for past transactions	<b>Favourable<sup>3</sup></b>	✓	5 year	Unfavourable	2.29
	Net Debt-to-total annual revenue	Shows whether more time is needed to pay for past transactions	<b>Favourable<sup>2</sup></b>	✓	10 year	Unfavourable	2.31
	Expense by function-to-total expenses	Shows the trend of government spending over time	Neutral	No change	5 year	Neutral	2.35
	Net Debt-to-GDP	Shows the relationship between Net Debt and the activity in the economy	Neutral <sup>2</sup>	✓	10 year	Unfavourable	2.37
	Accumulated deficit-to-GDP	Measures the sum of the current and all prior year operating results relative to the growth in the economy	Neutral <sup>2</sup>	✓	5 year	Unfavourable	2.39
	Total expenses-to-GDP	Shows the trend of government spending over time in relation to the growth in the economy	Neutral <sup>5</sup>	X	10 year	Unfavourable	2.41
<b>Flexibility</b>	Public debt charges-to-revenues	Measures extent that past borrowing decisions limits ability to meet current financial and service commitments	<b>Favourable<sup>3</sup></b>	✓	10 year	<b>Favourable</b>	2.48
	Net book value of capital assets-to-cost of capital assets	Measures the estimated useful lives of tangible capital assets available to provide products /services	Unfavourable <sup>3</sup>	X	5 year	Unfavourable	2.50
	Own source revenues-to-GDP	Measures extent income is taken out of the economy	Unfavourable <sup>5</sup>	X	10 year	Unfavourable <sup>3</sup>	2.52
<b>Vulnerability</b>	Government transfers-to-total revenues	Measures the dependence on another level of government	<b>Favourable</b>	No change	10 year	<b>Favourable<sup>4</sup></b>	2.59
	Foreign currency debt-to-Net Debt	Measures the government's potential vulnerability to currency fluctuations	<b>Favourable</b>	No change	10 year	<b>Favourable</b>	2.62

✓ shows a positive change from prior year; X indicates a negative change from prior year

<sup>1</sup>Long-term trend assessments unchanged in AGNB Annual Reports 2012-2017, except ratios in paragraph 2.50, 2.52, and 2.59.

<sup>2</sup>Last year was "Unfavourable"

<sup>3</sup>Last year was "Neutral"

<sup>4</sup>Last year was "Mixed"

<sup>5</sup>Last year was "Favourable"

**Conclusion**

**2.23** We noted a significant improvement in the short-term sustainability indicators which resulted primarily as a result of a relatively stable Net Debt figure in 2017 compared to 2016. The Province's long-term and short-term vulnerability indicators are favourable. However, we noted relatively unfavourable flexibility indicators as declining asset values and increases in its own source revenues have impacted the Province's flexibility for future decision making. Overall, nine of twelve of the Province's long-term indicators of financial condition have remained unchanged since 2012. However, nine of twelve of the Province's short-term indicators of financial condition have changed since the prior year (six of the nine are due to improved fiscal performance in the short term).

**2.24** We remain concerned about the long-term sustainability indicator trends. The level of Net Debt (now \$13.8 billion) has almost doubled since 2008. The long-term Net Debt growth is not sustainable, and continued action is required to address this problem. It may eventually impact the Province's ability to meet its existing financial obligations, both in respect of its service commitments to the public and financial commitments to creditors, employees and others. We again this year, in addition to addressing the annual deficit, encourage the Province to set and achieve targets for long-term Net Debt control and reduction.

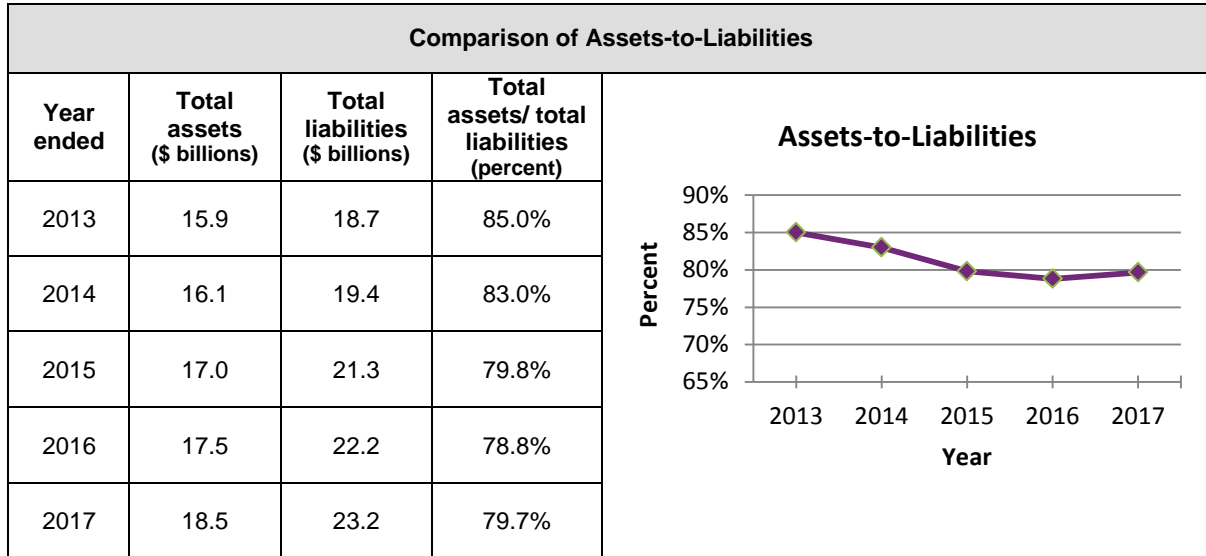
**Sustainability Indicators**

**2.25** Sustainability indicates whether the Province can maintain programs and meet existing creditor requirements without increasing the debt burden on the economy.

**Assets-to-Liabilities**

**2.26** The sustainability indicator assets-to-liabilities is presented in Exhibit 2.15.

Exhibit 2.15 - Comparison of Assets-to-Liabilities



See paragraph 2.5 for further information on restatements of prior years.

Note: 2014 numbers present audited financial statement figures with no restatements from subsequent years.

**2.27** An assets-to-liability indicator below 100% indicates a government has accumulated deficits and has been financing its operations by issuing debt. For the past five years, the Province's rate was less than 100%. Recent trends are negative due to the 2013-2016 decline in this ratio. We have assessed the long-term trend as unfavourable; however, due to improvements in 2016-2017, we are assessing the short-term trend as neutral.

**Financial Assets-to-Liabilities**

**2.28** Another sustainability indicator, financial assets-to-liabilities, is presented in Exhibit 2.16.

Exhibit 2.16 - Comparison of Financial Assets-to-Liabilities

Comparison of Financial Assets-to-Liabilities				
Year ended	Total financial assets (\$ billions)	Total liabilities (\$ billions)	Total financial assets/ total liabilities (percent)	<p style="text-align: center;"><b>Financial Assets-to-Liabilities</b></p>
2013	7.7	18.7	41.2%	
2014	7.8	19.4	40.2%	
2015	8.2	21.3	38.5%	
2016	8.6	22.2	38.7%	
2017	9.4	23.2	40.5%	

See paragraph 2.5 for further information on restatements of prior years.

Note: 2014 numbers present audited financial statement figures with no restatements from subsequent years.

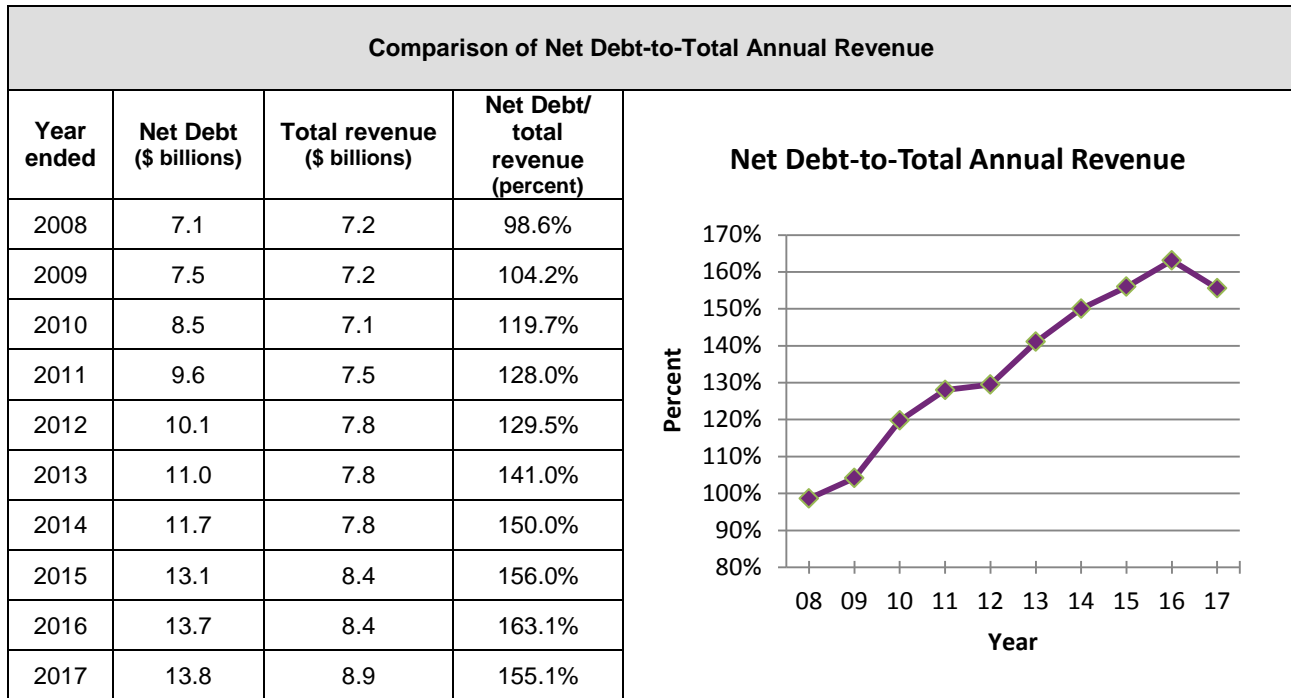
**2.29** When liabilities exceed financial assets the government is in a Net Debt position, and the implication is that future surpluses will be required to pay for past transactions and events. The Province's percentage overall decreased from 2013 to 2015 indicating liabilities are increasing more than assets. In 2017 the total financial assets to total liabilities as a percentage increased to 40.5%. We have assessed the short-term trend as favourable and the long-term trend as unfavourable.

### ***Net Debt-to-Total Annual Revenue***

**2.30** Net Debt-to-total annual revenue is another indicator of sustainability and is presented in Exhibit 2.17.



Exhibit 2.17 - Comparison of Net Debt-to-Total Annual Revenue



See paragraph 2.5 for further information on restatements of prior years.

**2.31** Net Debt provides a measure of the future revenue required to pay for past transactions and events. A Net Debt-to-total revenue percentage that is increasing indicates that the Province will need more time to eliminate the Net Debt. The Province's percentage has been increasing between 2008 and 2016. In 2017 the ratio declined to 155.1% as Net Debt remained relatively consistent with the prior year while total revenue increased. We have assessed the short-term trend as favourable, given the decline in the 2017 ratio. We have assessed the long-term trend as unfavourable.

**Expense by Function-to-Total Expenses**

**2.32** Exhibit 2.18 presents expense by function-to-total expenses.

Exhibit 2.18 - Comparison of Expense by Function-to-Total Expenses

Comparison of Expense by Function-to-Total Expenses										
	2013		2014		2015		2016		2017	
	(\$ billions)	(%)	(\$ billions)	(%)	(\$ billions)	(%)	(\$ billions)	(%)	(\$ billions)	(%)
Health	2.8	33.8	2.9	34.5	2.9	33.0	2.9	33.7	2.9	32.3
Education and Training	1.8	21.7	1.8	21.4	2.1	23.8	1.8	20.9	1.9	21.1
Social Development	1.1	13.3	1.1	13.2	1.2	13.6	1.2	14.0	1.3	14.4
Service of the Public Debt	0.7	8.4	0.7	8.3	0.7	8.0	0.7	8.1	0.7	7.8
Transportation and Infrastructure	0.5	6.0	0.6	7.1	0.6	6.8	0.6	7.0	0.6	6.7
Central Government	0.6	7.2	0.6	7.1	0.5	5.7	0.6	7.0	0.7	7.8
Protection Services	0.2	2.4	0.2	2.4	0.3	3.4	0.3	3.5	0.3	3.3
Economic Development	0.3	3.6	0.2	2.4	0.2	2.3	0.2	2.3	0.3	3.3
Resources	0.2	2.4	0.2	2.4	0.2	2.3	0.2	2.3	0.2	2.2
Labour and Employment	0.1	1.2	0.1	1.2	0.1	1.1	0.1	1.2	0.1	1.1
<b>Total</b>	<b>8.3</b>	<b>100</b>	<b>8.4</b>	<b>100</b>	<b>8.8</b>	<b>100</b>	<b>8.6</b>	<b>100</b>	<b>9.0</b>	<b>100</b>

See paragraph 2.5 for further information on restatements of prior years.

**2.33** The years ended March 31, 2013 to March 31, 2017 reported deficits. This means expenses have exceeded revenues generated in those years. Education and Training and Health's allocation of expenses consume 53.4% of the total expenses in 2017, trending downwards from prior years.

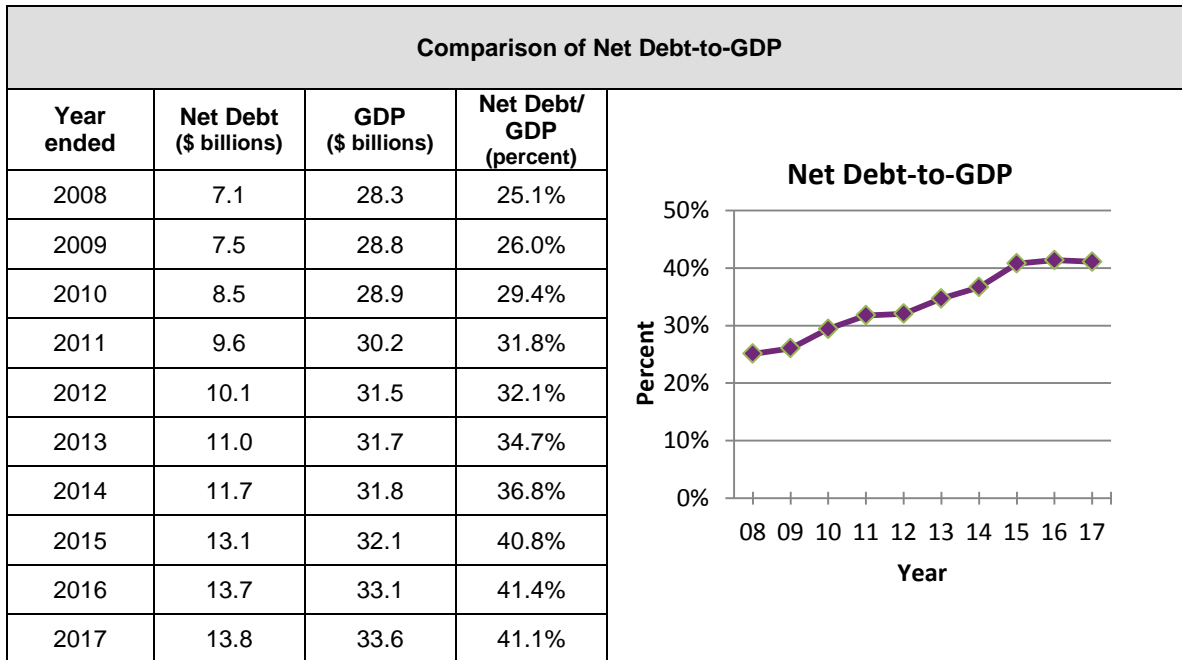
**2.34** Also of note is that service of the public debt expenses are larger than transportation and infrastructure and protection services expenses in Exhibit 2.18.

**2.35** The allocation of expenses to function when comparing 2017 to other years was relatively stable. The impact of continuing deficits and New Brunswick's growing Net Debt will need to be closely monitored in the future, however, as the related interest burden on the debt consumes resources that would otherwise be used to deliver services. We have assessed this trend as neutral.

### **Net Debt-to-GDP**

**2.36** The sustainability indicator, Net Debt-to-GDP is presented in the Exhibit 2.19.

Exhibit 2.19 - Comparison of Net Debt-to-GDP



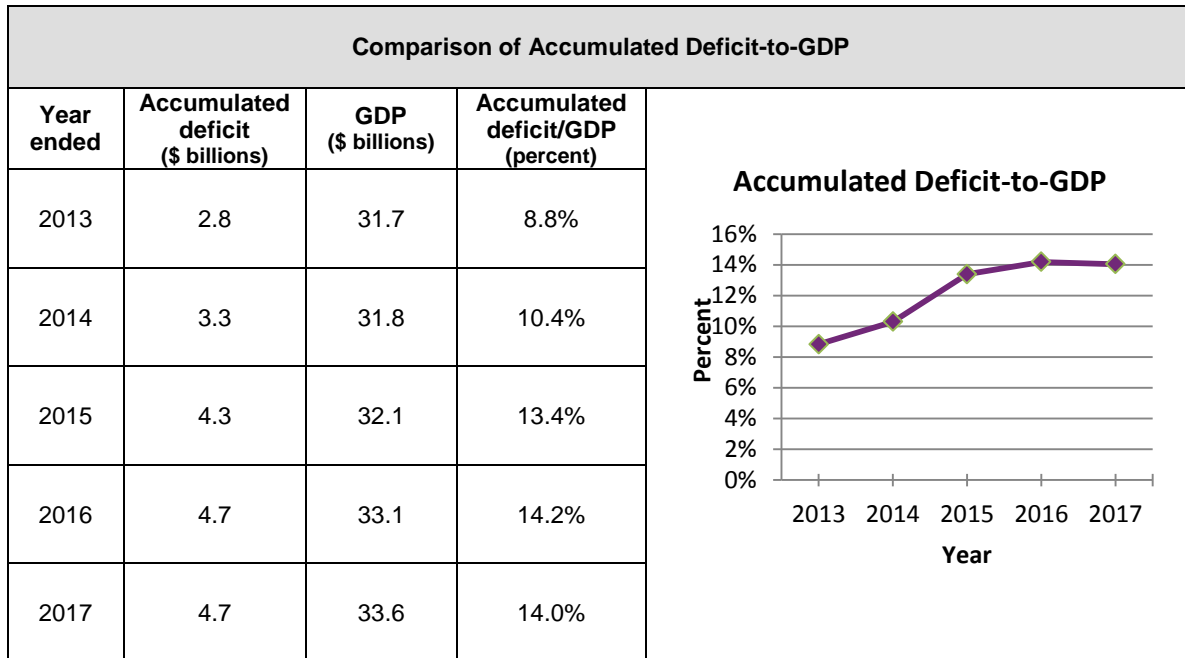
See paragraph 2.5 for further information on restatements of prior years.

**2.37** This indicator compares the Province's Net Debt, the difference between its liabilities and its financial assets, to its GDP. The ratio increased from 2008 to 2016 because the rate of growth of Net Debt exceeded the rate of growth in GDP over that time period. This means the Net Debt of the Province is increasing faster than the growth in the economy. In 2017, the ratio was starting to decline but was still at its second highest level in ten years. We have assessed the long-term trend as unfavourable and the short-term trend as neutral.

**Accumulated Deficit-to-GDP**

**2.38** In the Exhibit 2.20, we present the sustainability indicator accumulated deficit-to-GDP.

Exhibit 2.20 - Comparison of Accumulated Deficit-to-GDP



See paragraph 2.5 for further information on restatements of prior years.

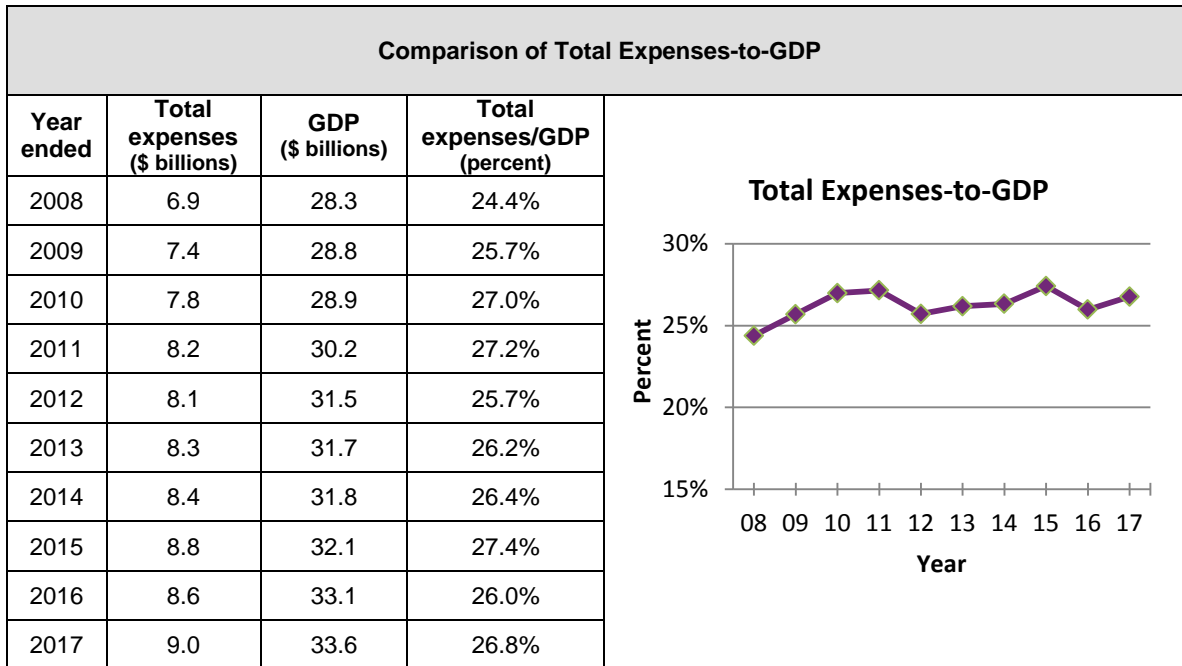
Note: 2014 numbers present audited financial statement figures with no restatements from subsequent years.

**2.39** The accumulated deficit is the extent to which annual revenues have been insufficient to cover the annual costs of providing services. The information above shows that from 2013 to 2016, the accumulated deficit has increased faster than the growth of the economy. In 2017 however the ratio started to decline. We have assessed the short-term trend as neutral and the long term trend as unfavourable.

### ***Total Expenses-to-GDP***

**2.40** Exhibit 2.21 presents the total expenses-to-GDP indicator.

Exhibit 2.21 - Comparison of Total Expenses-to-GDP



**2.41** Exhibit 2.21 indicates that government expenses as a percentage of GDP have increased over time. In 2008 government expenses were 24.4% of GDP in contrast to 26.8% in 2017. We have assessed the long-term trend as unfavourable as expenses are growing faster than the economy is expanding. However, in 2016-17 the ratio has overall remained relatively stable. We have assessed the short-term trend as neutral.

Exhibit 2.22 - Sustainability Indicator Trends

Sustainability Indicator Trends		
Sustainability indicator	Short-term trend	Long-term trend
Assets-to-liabilities	Neutral	Unfavourable
Financial assets-to-liabilities	Favourable	Unfavourable
Net Debt-to-total annual revenue	Favourable	Unfavourable
Expense by function-to-total expenses	Neutral	Neutral
Net Debt-to-GDP	Neutral	Unfavourable
Accumulated deficit-to-GDP	Neutral	Unfavourable
Total expenses-to-GDP	Neutral	Unfavourable

## Summary of Sustainability Indicators

### *Some progress on the deficit, however, revenue from taxes, total expenses and Funded Debt increased in 2016-2017*

**2.42** Exhibit 2.22 presents a summary of the Province's sustainability indicators. We noted a positive shift for the short-term sustainability indicators while the long-term trend remains largely unfavourable.

**2.43** We noted a significant improvement in short-term sustainability indicators with none being assessed as unfavourable. In the prior year, four were assessed as unfavourable. This improvement is mostly due to a relatively stable Net Debt figure in 2017 compared to 2016, as well as a reduced annual deficit compared to prior year and budget. However, caution is required in interpreting these numbers as the results were achieved in a period where revenue from taxes as well as total expenses increased and the Province's total Funded Debt rose by approximately \$0.9 billion. Overall, we are encouraged by early indications of changes in the Province's financial health and hope to see this trend continue.

## Flexibility Indicators

### *Public Debt Charges-to-Revenues*

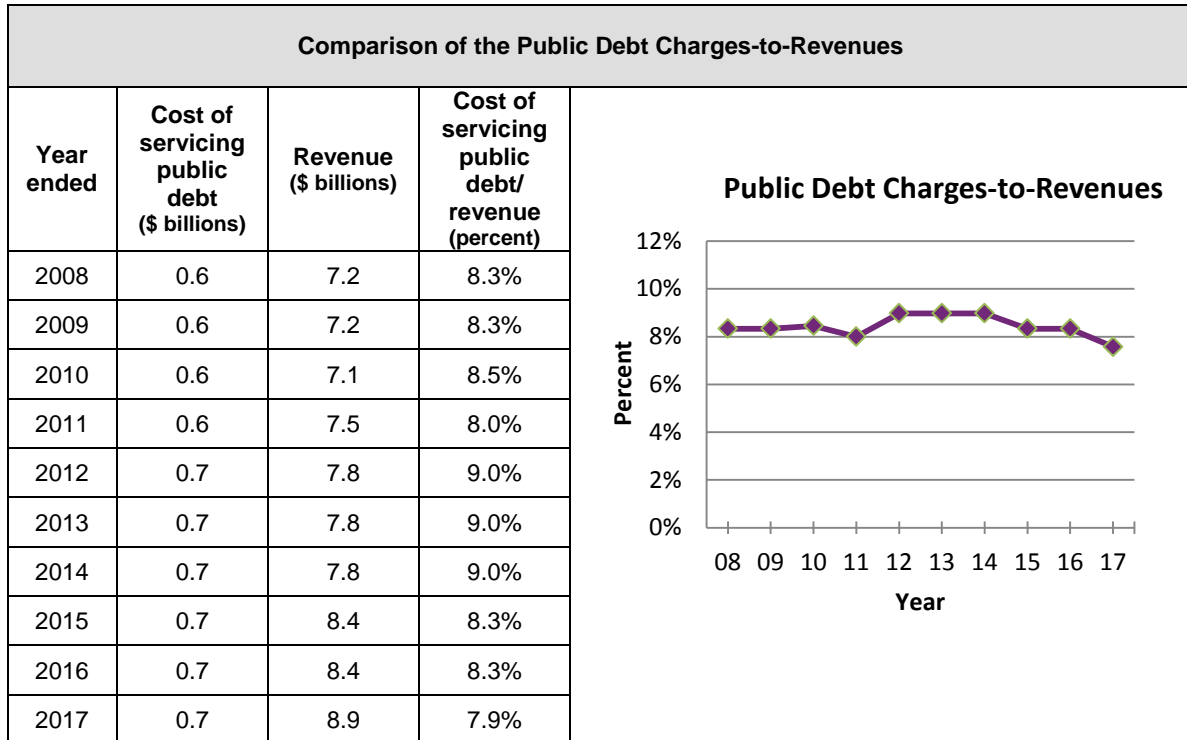
**2.44** Flexibility is the degree to which the government can change its debt or tax burden on the economy to maintain programs and meet existing creditor requirements.

**2.45** One of the most publicized factors which affect the flexibility of governments is the cost of servicing the public debt. This is considered to be an indicator of flexibility, since the government's first payment commitment is to service its debt, leaving no flexibility in the timing of these payments.

**2.46** The cost of servicing the public debt is comprised mainly of interest on the funded debt of the Province as well as interest cost on capital leases. It also includes the amortization of foreign exchange gains and losses, the amortization of discounts and premiums which were incurred on the issuance of provincial debt and foreign exchange earned on interest and maturities during the year. It does not include principal repayments on the funded debt of the Province.

**2.47** In Exhibit 2.23, we present the public debt charges-to-revenues.

Exhibit 2.23 - Comparison of the Public Debt Charges-to-Revenues



See paragraph 2.5 for further information on restatements of prior years.

**2.48** Exhibit 2.23 shows that the cost of servicing the public debt as a percentage of the Province's total revenues is lower in the year ended March 31, 2017 than it was for the previous ten fiscal years. The change in ratio in 2017 results from an increase in the Province's revenue (as cost to service public debt has remained stable). A decreasing ratio indicates a favourable trend, as proportionately less revenue is needed to service the public debt. We have assessed the short-term and long-term trend as favourable.

**Net Book Value of Capital Assets-to-Cost of Capital Assets**

**2.49** We present the net book value of capital assets-to-cost of capital assets in the Exhibit 2.24.

Exhibit 2.24 - Comparison of Net Book Value of Capital Assets-to-Cost of Capital Assets

Comparison of Net Book Value of Capital Assets-to-Cost of Capital Assets			
Year ended	Net book value (\$ billions)	Capital cost (\$ billions)	Net book value/ capital cost (percent)
2013	8.0	13.1	61.1%
2014	8.0	13.5	59.3%
2015	8.6	14.5	59.3%
2016	8.7	15.0	58.0%
2017	8.9	15.6	57.1%

See paragraph 2.5 for further information on restatements of prior years.

Note: 2014 numbers present audited financial statement figures with no restatements from subsequent years.

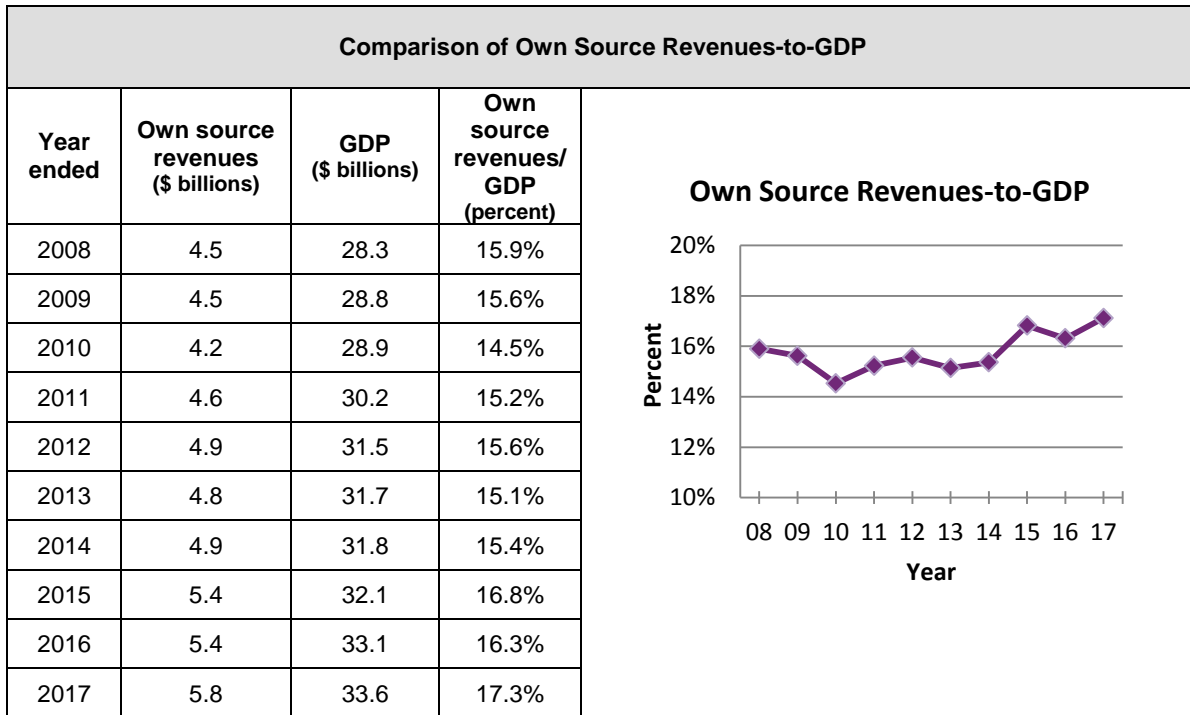
**2.50** This data indicates that the Province's inventory of capital assets as at March 31, 2017 has 57.1% of its average useful life remaining. This roughly means that on average any provincial assets that were originally expected to be useable for ten years still had just under six years of remaining useful life at March 31, 2017, and assets with original useful lives of twenty years were still considered useable for just under twelve years on average. As the ratios have declined, we are assessing the short-term trend and the long-term trend as unfavourable.

### ***Own Source Revenues-to-GDP***

**2.51** We present own source revenues-to-GDP in Exhibit 2.25.



Exhibit 2.25 - Comparison of Own Source Revenues-to-GDP



See paragraph 2.5 for further information on restatements of prior years.

**2.52** The own source revenues-to-GDP indicator measures the extent to which the Province is raising its revenue through extracting it from the provincial economy. If the ratio increases, more of the Province's revenue is generated from the provincial economy. For example, an increase in this ratio could result if the Province increased taxes. If the ratio decreases, less of the Province's revenue is generated from the provincial economy. A decreasing ratio increases the Province's ability to raise taxes, thus, making the Province more flexible in how it can generate revenue. Generally, this ratio is increasing and we have assessed the short-term and long-term trend as unfavourable.

**2.53** There was a decrease in the year 2010 mostly as a result of a large loss by the then New Brunswick Electric Finance Corporation (EFC) (now amalgamated with New Brunswick Power Corporation). In that year, the reduction in own source revenue was not as a result of lower fees or taxes.

Exhibit 2.26 - Flexibility Indicator Trends

Flexibility Indicator Trends		
Flexibility indicator	Short-term trend	Long-term trend
Public debt charges-to-revenues	Favourable	Favourable
Net book value of capital assets-to-cost of capital assets	Unfavourable	Unfavourable
Own source revenues-to-GDP	Unfavourable	Unfavourable

### Summary of Flexibility Indicators

**2.54** As summarized in Exhibit 2.26, our overall assessment on flexibility in the short term and long term are largely unfavourable.

**2.55** Although the Province has seen some positive improvements to its short-term sustainability indicator trends, the flexibility indicators have seen some unfavourable shifts. Declining asset lives and increases in own source revenues (e.g. increases to HST and Corporate Income Taxes) have impacted the Province's flexibility for future fiscal decision making.

### Vulnerability Indicators

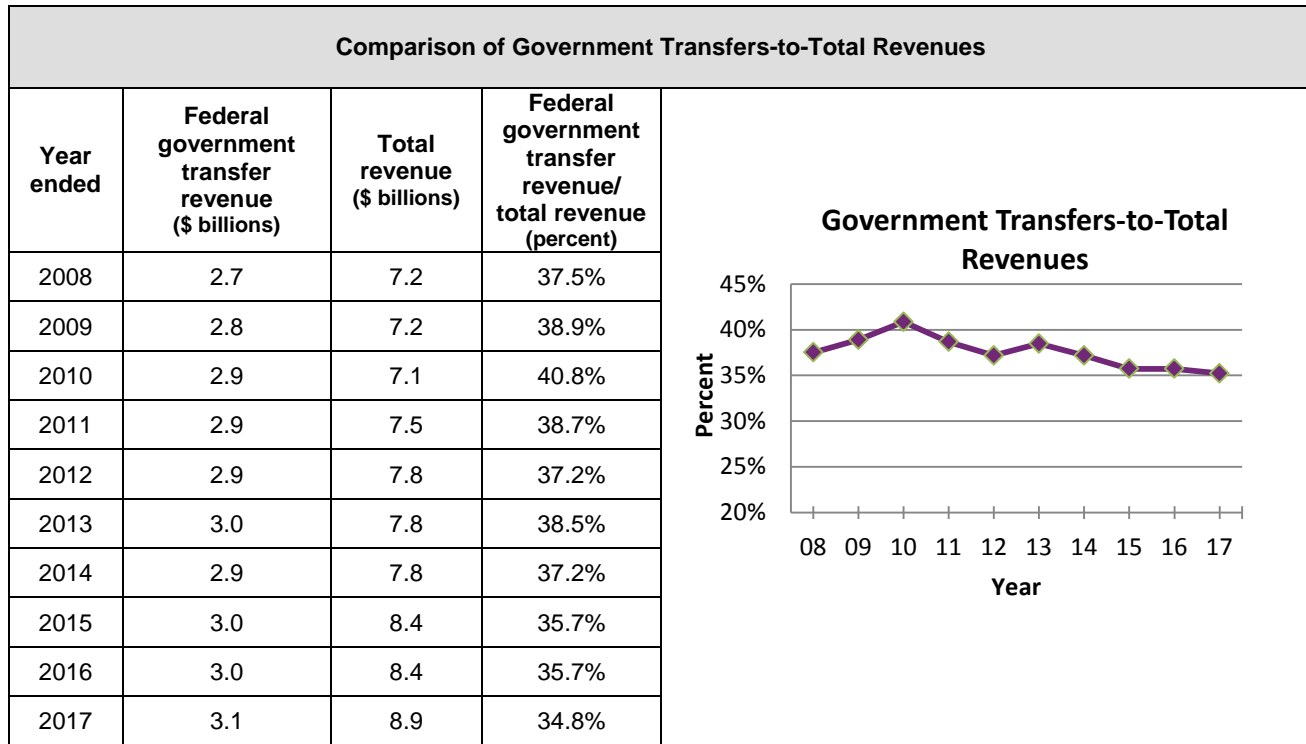
**2.56** Vulnerability is the degree to which a government is dependent on sources of funding outside its control or influence.

### Government Transfers-to-Total Revenues

**2.57** By comparing the proportion of total revenue that comes from the Federal government to the total revenue of the Province, we get a measure of the degree to which the Province is dependent on the Federal government. If that dependence increases, the Province is more vulnerable to funding decisions made by the Federal government.

**2.58** Exhibit 2.27 presents the comparison of government transfers-to-total revenues.

Exhibit 2.27 - Comparison of Government Transfers-to-Total Revenues



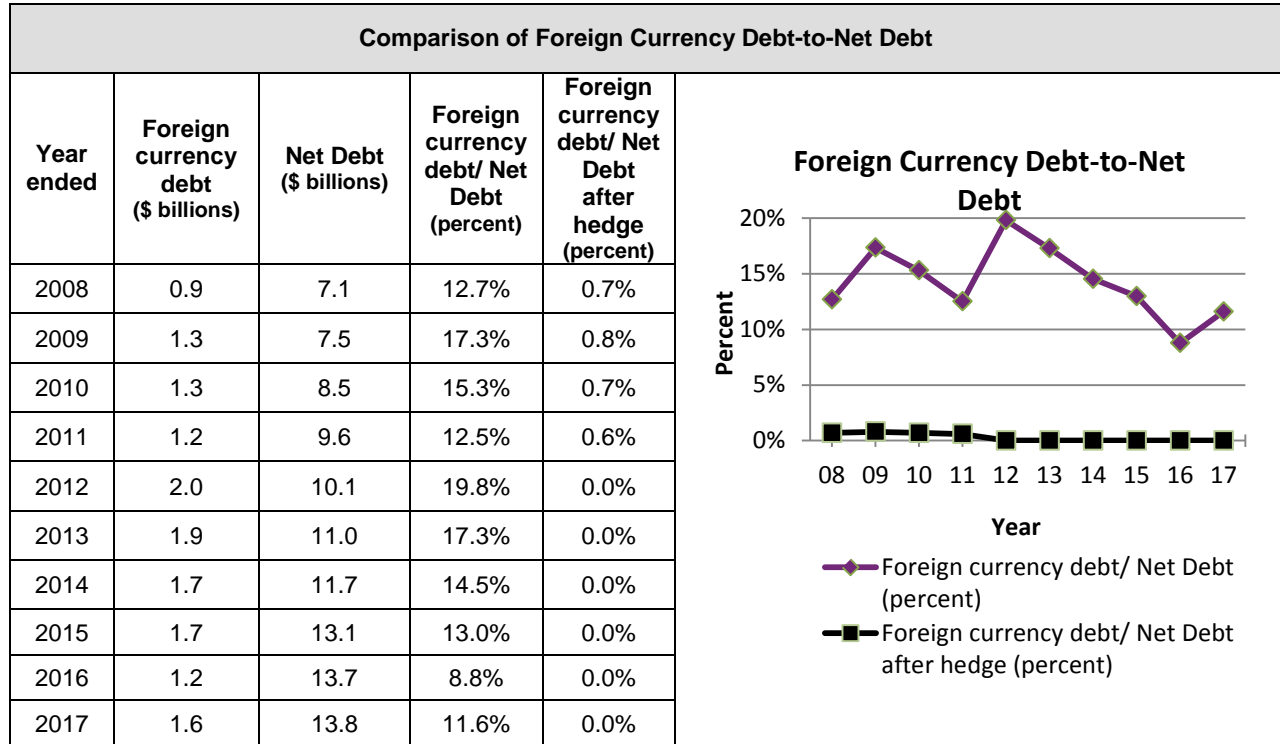
See paragraph 2.5 for further information on restatements of prior years.

**2.59** Exhibit 2.27 shows the Province's reliance on Federal government transfers has been decreasing from 2013. The reliance on federal transfers decreased slightly in 2017 and has remained relatively consistent with prior years. Thus we are assessing the short-term trend and long-term trend as favourable.

**Foreign Currency Debt-to-Net Debt**

**2.60** The foreign currency debt-to-net debt indicator measures the Province's potential vulnerability to currency fluctuations and is presented in Exhibit 2.28.

Exhibit 2.28 - Comparison of Foreign Currency Debt-to-Net Debt



See paragraph 2.5 for further information on restatements of prior years.

**2.61** Exhibit 2.28 shows that the Province's foreign currency debt increased from 2008 to 2012 and decreased between 2013 and 2016. In 2017 the Province's foreign current debt increased from 1.2 to 1.6 billion. The risk of exposure to foreign currency fluctuations is offset by the Province's hedging strategy. The Province uses several alternatives to reduce (hedge) risk associated with debt repayable in foreign currencies:

- entering into swap agreements which allows repayment of the debt and interest payments in Canadian dollars; and
- entering into forward contracts (which allows the Province to purchase foreign currency at a stipulated price on a specified future date).

**2.62** From Exhibit 2.28, we see the risk of exposure to foreign currency fluctuations has been mixed over time. Because of the effectiveness of the Province's hedging strategy, we assess this indicator as favourable.

Exhibit 2.29 - Vulnerability Indicator Trends

Vulnerability Indicator Trends		
Vulnerability indicator	Short-term trend	Long-term trend
Government transfers-to-total revenues	Favourable	Favourable
Foreign currency debt-to-net debt	Favourable	Favourable

### Summary of Vulnerability Indicators

**2.63** As summarized in Exhibit 2.29, the Province's vulnerability indicator trends are favourable. In years when New Brunswick Electric Finance Corporation (now amalgamated with NB Power) generated income through its investment in NB Power, the Province's reliance on Federal revenue lessened and this indicator improved. As well, there is reliance on the Federal government in certain years to assist in funding major infrastructure projects, however; this has lessened in recent years given increases in the Province's own source revenues. Also of note is that the Province is effectively managing and controlling its exposure to fluctuations in foreign currency.

### Comments on Significant Trends Observed in the Province's Consolidated Financial Statements

**2.64** In this section, we discuss significant trends we have observed in the Province's consolidated financial statements. We have highlighted these trends to raise public awareness and to provide legislators with an independent assessment of the areas we believe should be a focus for the government.

**2.65** For the year ended March 31, 2017, the Province reported a deficit of \$118.9 million. This is a decrease of \$141.6 million from the \$260.5 million deficit reported for the year ended March 31, 2016.

### Deficit

**2.66** Exhibit 2.30 shows, at a high level, the reasons for the change in the deficit from March 31, 2016 to March 31, 2017.

Exhibit 2.30 - Analysis of Deficit Decrease

Analysis of Deficit Decrease	
	(millions)
2016 Deficit	\$(260.5)
Increase in provincial source revenue	326.8
Increase in federal source revenue	177.2
Increase in expense	(362.4)
<b>2017 Deficit</b>	<b>\$ (118.9)</b>

**2.67** The increase in provincial source revenue of \$326.8 million over the previous fiscal year includes increases in provincial tax revenues of \$261.6 million and increases in other provincial revenue of \$59.5 million.

***Provincial tax revenue increased in 2016-2017***

**2.68** The increase in provincial tax of \$261.6 million was primarily as a result of increases in Harmonized Sales Tax of \$117.5 million reflecting the rate increase to 15% from 13% offset by the new HST credit introduced in July 2016 as well as an increase in Corporate Income Tax of \$102.5 million due to an increase in the general rate as well as prior year adjustments.

**2.69** Federal source revenues increased \$177.2 million over the prior year comprising of \$97.4 million increase in Conditional Grants, \$40.4 million higher Fiscal Equalization Payments, and \$39.4 million increase in Unconditional Grants.

**Expenses**

**2.70** Total expenses have increased by \$362.4 million. The most significant increases in expenses were in \$128.5 million in Economic Development followed by a \$112.7 million increase in Central Government. We note that had the magnitude of expense increases been less, the Province may have achieved a surplus this year with the revenue increases achieved.

**2.71** Exhibit 2.31 shows the one year and total annual growth rates in expenses between 2015 and 2017.

Exhibit 2.31 - Expense Trends by Function

Expense Trends by Function							
Function	(\$ millions)			(% percentages)			
	2015 Expenses	2016 Expenses	2017 Expenses	2015 Growth Rate	2016 Growth Rate	2017 Growth Rate	Growth Rate 2015-2017
Education and Training	2,083.7	1,846.3	1,886.9	13.5	(11.4)	2.2	(9.4)
Health	2,830.9	2,899.0	2,936.7	1.6	2.4	1.3	3.7
Service of the Public Debt	677.2	678.1	673.3	2.3	0.1	(0.7)	(0.6)
Social Development	1,182.3	1,196.4	1,249.6	9.8	1.2	4.4	5.7
Transportation and Infrastructure	649.7	636.0	632.5	12.4	(2.1)	(0.6)	(2.6)
Protection Services	268.7	281.3	271.5	14.2	4.7	(3.5)	1.0
Resources	197.3	185.3	189.5	(7.8)	(6.1)	2.3	(4.0)
Central Government	540.6	585.3	698.0	(15.1)	8.3	19.3	29.1
Labour and Employment	122.6	135.0	138.6	3.6	10.1	2.7	13.1
Economic Development	247.6	204.0	332.5	7.0	(17.6)	63.0	34.3
<b>Total</b>	<b>8,800.6</b>	<b>8,646.7</b>	<b>9,009.1</b>				
<b>Total Annual Growth Rate</b>				<b>5.1</b>	<b>(1.7)</b>	<b>4.2</b>	<b>2.4</b>

See paragraph 2.5 for further information on restatements of prior years.

**2.72** Exhibit 2.31 shows the Province's 2017 one-year expense growth rate is 4.2% compared to the 2016 growth rate (1.7) %. In fiscal 2017, seven out of ten functions showed an increase in the one-year growth rate which implies cost reductions were not realized. Three of ten function areas show a negative growth in 2017 which implies cost reductions were realized. The total expense growth rate between 2015 and 2017 was 2.4% indicating expenses overall are increasing over time.

**2.73** We noted the largest increase in 2017 expense growth rate occurred in Economic Development increasing by 63.0% or \$128.5 million. This was due to the timing of several multi-year Regional Development Corporation projects and for Opportunities New Brunswick an increase in provision for loss.

**2.74** Central Government experienced the second highest growth rate increase. Central Government expenses were \$112.7 million higher than the previous year mainly due to an increase in the liability for injured workers of \$82.9 million

due to a change in the actuarial valuation. This valuation increased due to increased claim payment trends and claims remaining open longer than in the past.

## Revenue

**2.75** Exhibit 2.32 shows the one-year growth rate and the total annual growth rate of revenue between 2015-2017.

**2.76** Total revenues have increased from 2015 by \$451.0 million. This is attributable to increased provincial source taxes of \$308.2 million and increased revenue from Federal sources of \$120.1 million.

*Exhibit 2.32 - Revenue Trends by Source*

Revenue Trends by Source							
Source	(\$ millions)			(% percentages)			
	2015 Revenue Amount	2016 Revenue Amount	2017 Revenue Amount	2015 Growth Rate	2016 Growth Rate	2017 Growth Rate	Growth Rate 2015-2017
<b>Provincial Source Revenue</b>							
Taxes	3,983.1	4,029.7	4,291.3	10.8	1.2	6.5	7.7
Licenses and Permits	149.4	153.8	158.7	0.5	2.9	3.2	6.2
Royalties	97.5	89.3	79.5	7.3	(8.4)	(11.0)	(18.5)
Other Provincial Revenue	1,003.5	966.6	1,038.0	16.6	(3.7)	7.4	3.4
Sinking Fund Earnings	195.9	194.1	192.8	(4.2)	(0.9)	(0.7)	(1.6)
<b>Federal Source Revenue</b>							
Fiscal Equalization Payments	1,666.0	1,668.0	1,708.4	6.7	0.1	2.4	2.5
Unconditional Grants	955.8	994.7	1,034.1	0.7	4.1	4.0	8.2
Conditional Grants	388.0	290.0	387.4	5.7	(25.3)	33.6	(0.2)
<b>Total</b>	<b>8,439.2</b>	<b>8,386.2</b>	<b>8,890.2</b>				
<b>Total Annual Growth Rate</b>				<b>8.6</b>	<b>(0.6)</b>	<b>6.0</b>	<b>5.3</b>

*As restated – refer to Exhibit 2.2*

**2.77** Exhibit 2.32 shows the Province's 2017 revenue growth rate was 6.0% compared to 2016 (0.6) %. From 2015-2017 the Province had a revenue growth rate of 5.3%, which implies overall growth during this time period.



**Other Provinces – Revenue and Expense Comparison**      **2.78** Exhibit 2.33 presents a revenue and expense comparison to certain other provinces.

*Exhibit 2.33 - Revenue and Expense (Comparison to Other Provinces)*

Revenue and Expense (Comparison to Other Provinces) (\$ millions)								
Gross Revenues					Gross Expenses			
	2015	2016	2017	Growth Rate 2015-2017	2015	2016	2017	Growth Rate 2015-2017
New Brunswick	8,439.2	8,386.2	8,890.2	5.3%	8,800.6	8,646.7	9,009.1	2.4%
Nova Scotia	10,661.9	10,937.6	11,228.3	5.3%	10,805.6	10,950.8	11,078.7	2.5%
Saskatchewan	14,058.7	13,633.7	13,626.1	(3.1%)	13,996.8	15,153.2	14,844.3	6.1%
Manitoba	14,963.0	15,054.0	15,723.0	5.1%	15,393.0	15,893.0	16,487.0	7.1%

**2.79** Exhibit 2.33 shows New Brunswick's 2015-2017 revenue growth rate was 5.3%. Exhibit 2.33 also shows New Brunswick's 2015-2017 expense growth rate was 2.4%.

*Exhibit 2.34 - Comparison to Other Provinces – Deficit*

Comparison to Other Provinces (Deficit) (\$ millions)			
	2015	2016	2017
New Brunswick	(361.4)	(260.5)	(118.9)
Nova Scotia	(143.7)	(13.2)	149.6
Saskatchewan	61.9	(1,519.5)	(1,218.1)
Manitoba	(430.0)	(839.0)	(764.0)

**2.80** As shown in Exhibit 2.34 New Brunswick's deficit has declined 67.1% from \$361.4 million in 2015 to \$118.9 million in 2017. Nova Scotia, which had previously had deficits in 2015 and 2016, had a surplus in 2017.

**2.81** While much has been done to address government expense growth, action is needed still to address New Brunswick's remaining deficit and Net Debt. Overall, New Brunswick's revenues continue to fall short of its expenses for the ninth consecutive year.

***Continued Growth in Funded Debt***

**2.82** One area of the Province's consolidated financial statements we continue to remain concerned about is the Province's overall level of debt (Funded Debt). Funded Debt is the total amount the Province is legally bound to repay and has borrowed to fund the Province's obligations. This differs from Net Debt, which is a mathematical accounting calculation presented as total liabilities less financial assets (often seen as a key performance indicator in the public sector). Liabilities include funded debt and interest is paid to creditors on the outstanding balance.

**2.83** As shown in Exhibit 2.35 and 2.36, New Brunswick's Funded Debt has increased over \$7.0 billion (74.1%) over the last ten years. Although the increase in the Province's Net Debt from 2016 to 2017 was \$167.4 million, the increase in the Province's funded debt during the same period was \$875.8 million. This increasing trend in Funded Debt is concerning as there is no action plan to address the level of funded debt (or Net Debt as discussed previously).

*Exhibit 2.35 - Province of New Brunswick Funded Debt for Provincial Purposes*

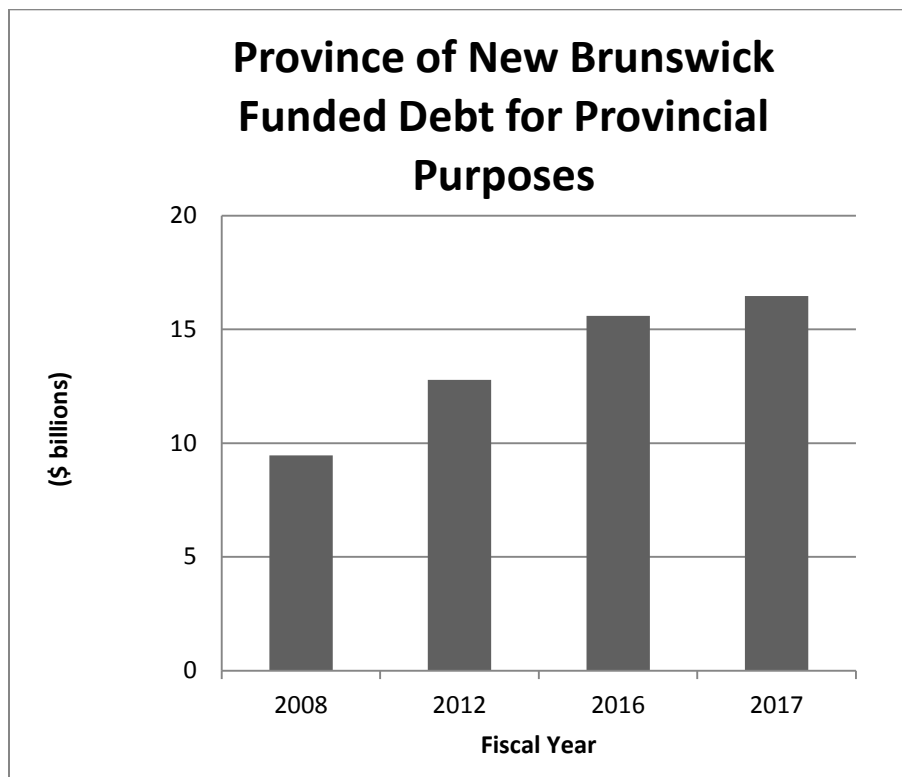


Exhibit 2.36 - Province of New Brunswick Funded Debt Data

Province of New Brunswick Funded Debt (\$ millions)					
	2008	2012	2016	2017	% Increase 2008-2017
Funded Debt	13,064.3	17,440.6	20,107.1	20,891.3	59.9%
NB Power (NB Electric Finance Corporation)	(3,602.6)	(4,654.6)	(4,514.3)	(4,422.7)	22.8%
Funded Debt for Provincial Purposes	9,461.7	12,786.0	15,592.8	16,468.6	74.1%
Year over year increase	n/a	3,324.3	2,806.8	875.8	n/a
Sinking Fund Equity	4,161.9	4,237.0	4,201.3	4,212.7	1.2%
Year over year increase	n/a	75.1	(35.7)	11.4	n/a

**2.84** The increase of \$875.8 million in Funded Debt is much less than prior years' increases. However, it is of note that in a year where progress has been achieved in reducing the deficit and limiting the increase in Net Debt, Funded Debt has still experienced a significant increase.

**2.85** We note the increase in Funded Debt and Net Debt are not expected to match annually. Funded Debt is the total amount the Province is legally bound to repay, whereas Net Debt is a calculated accounting number (financial assets less liabilities – which include Funded Debt). Funded Debt is the portion on which the Province pays interest. It is important to note the increase in Funded Debt, because if interest rates rise, debt service costs may increase.

## Provincial Pension Plans

### *Pension plan information*

**2.86** As the accounting for pension plans is material to the Province's consolidated financial statements and involves complex accounting issues, we have presented our observations below.

**2.87** Exhibit 2.37 provides a summary of pension plan assets, liabilities and expenses for the significant provincial pension plans. This information was not included in the Province's financial statements. It had been previously included in the notes to the Province's financial statements in 2014 and prior years. We believe the information in Exhibit 2.37 should be included each and every year to provide more detailed and transparent information to readers of the

Province's financial statements. For this year, we have decided to publish the information in our Report to ensure the information is publicly available. Refer to Appendix I for definitions of abbreviations used in Exhibit 2.37.

**2.88** We were pleased to note the Comptroller has committed to providing this information in the 2017-2018 audited financial statements.

Exhibit 2.37 - Summary of Significant Pension Plans

Summary of Pension Plan Assets, Liabilities and Expenses (2017)														
in \$ millions														
	NB PSPP	NBTPP	H CUPE	H CBE	NH-N&P	NH-G&S	NH-MGMT	Judges	Members	Sch-Mgmt	Sch-GLTS	Sch-2745	SERP	Total
Province's Share (per public accounts)	100%	50%	50%	50%	100%	50%	100%	100%	100%	100%	100%	100%	100%	
Plan Assets	7,385.9	2,804.8	396.0	961.2	141.6	236.0	92.2	46.6	-	5.7	367.5	89.3	16.9	12,543.7
Accrued Benefit Obligation	7,446.0	2,589.6	550.9	1,057.1	136.3	267.6	86.4	82.2	62.6	18.6	426.4	115.7	303.8	13,143.2
Unamortized Adjustments	(288.7)	(33.2)	(5.2)	(17.3)	0.5	(7.5)	(0.1)	2.4	0.4	-	(21.3)	(16.0)	(24.0)	(410.0)
Valuation Adjustment	228.6	248.4	-	-	4.8	-	5.8	-	-	-	-	-	-	487.6
<b>Net Benefit Liability</b>	<b>-</b>	<b>-</b>	<b>149.7</b>	<b>78.6</b>	<b>-</b>	<b>24.1</b>	<b>(0.1)</b>	<b>38.0</b>	<b>63.0</b>	<b>12.9</b>	<b>37.6</b>	<b>10.4</b>	<b>262.9</b>	<b>677.1</b>

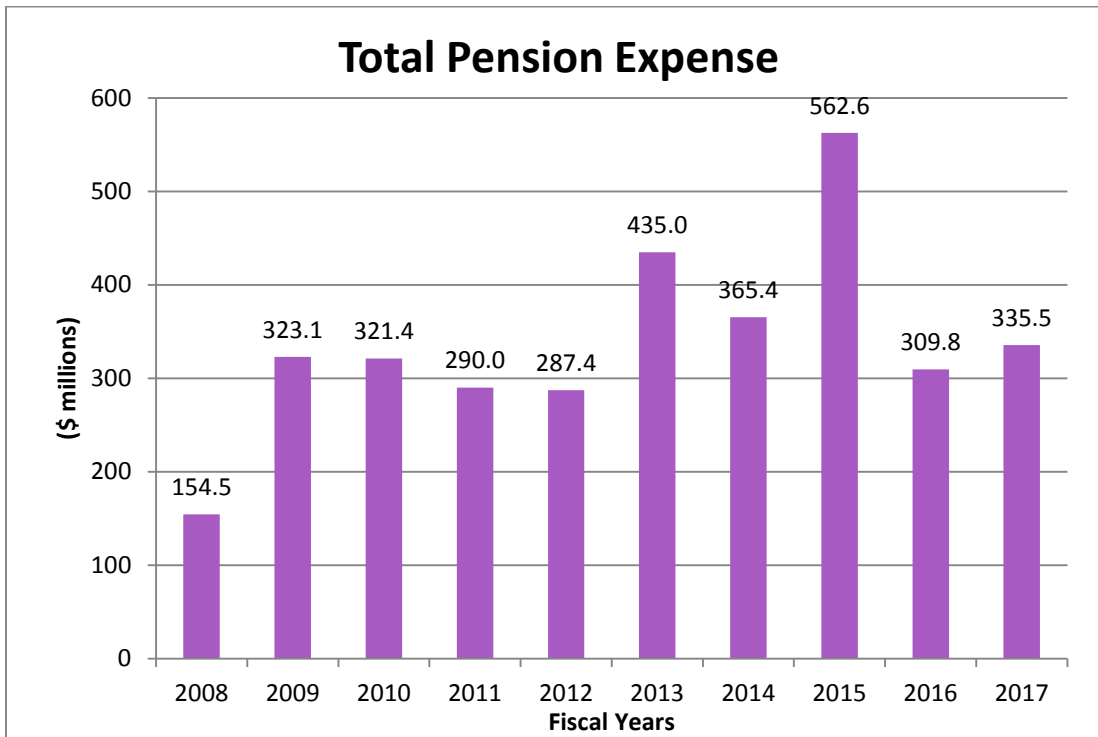
Summary of Pension Plan Expenses (2017)														
in \$ millions														
	NB PSPP	NBTPP	H CUPE	H CBE	NH-N&P	NH-G&S	NH-MGMT	Judges	Members	Sch-Mgmt	Sch-GLTS	Sch-2745	SERP	Total
Employers' Share of Benefits Earned	27.1	54.5	24.5	39.1	4.4	11.0	2.4	3.1	-	-	7.5	2.5	6.0	182.1
Net Interest	12.4	(9.2)	9.1	5.3	0.1	2.3	(0.1)	0.9	2.0	0.7	3.8	1.1	9.8	38.2
Amortization of Adjustments	31.8	2.1	1.3	1.3	0.7	1.2	0.5	0.8	(0.2)	0.5	7.5	3.0	2.3	52.8
Change in Valuation Adjustment	25.9	24.4	-	-	4.8	-	4.0	-	-	-	-	-	-	59.1
<b>Total Retirement Benefit Expense</b>	<b>97.2</b>	<b>71.8</b>	<b>34.9</b>	<b>45.7</b>	<b>10.0</b>	<b>14.5</b>	<b>6.8</b>	<b>4.8</b>	<b>1.8</b>	<b>1.2</b>	<b>18.8</b>	<b>6.6</b>	<b>18.1</b>	<b>332.2</b>

Exhibit 2.38 - Components of Pension Expense (Ten Year Period)

Components of Pension Expense										
(\$ millions)										
	2008	2009	2010	2011	2012	2013	2014	2015*	2016	2017
Employer's share of pension benefits earned	133.8	146.1	131.6	137.4	148.9	177.4	196.0	161.3	176.6	185.4
Net interest expense (revenue)	(9.1)	20.6	118.2	52.9	32.0	62.7	70.4	38.2	5.4	38.2
Plan amendments	-	-	-	-	-	-	(11.2)	(183.2)	-	-
Adjustments recognized due to plan amendment	-	-	-	-	-	-	-	130.9	-	-
Amortization of adjustments	30.3	159.7	87.1	99.7	106.5	194.9	132.1	53.4	60.3	52.8
Change in valuation adjustment	(0.5)	(3.3)	(15.5)	-	-	-	-	247.0	67.5	59.1
Plan settlements ( <i>recorded in year as a result of conversion to new pension plan structure</i> )	-	-	-	-	-	-	(21.9)	115.0	-	-
<b>Total pension expense</b>	<b>154.5</b>	<b>323.1</b>	<b>321.4</b>	<b>290.0</b>	<b>287.4</b>	<b>435.0</b>	<b>365.4</b>	<b>562.6</b>	<b>309.8</b>	<b>335.5</b>

\*As restated

Exhibit 2.39 - Total Pension Expense



***Pension Expense volatility***

**2.89** Exhibits 2.38 and 2.39 highlight the significant volatility in the annual pension expense over the ten-year period. Pension expense was lowest in 2008 at \$154.5 million and highest in 2015 at \$562.6 million for an increase of \$408.1 million over this period.

***Plan settlement pension expenses***

**2.90** The pension expense for the year ended March 31, 2015 was \$562.6 million, which included a one-time plan settlement expense of \$115 million because of the Province's decision to account for the NBTPP using joint defined benefit accounting.

*Exhibit 2.40 - Components of the Pension Balance for Accounting Purposes (Ten Year Period)*

<b>Components of the Pension Balance for Accounting Purposes</b>										
<b>(\$ billions)</b>										
	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015*</b>	<b>2016</b>	<b>2017</b>
Estimated accrued benefit obligations	8.3	8.6	8.6	8.9	9.3	10.1	12.3	12.1	12.6	13.1
Value of plan assets	8.0	6.5	7.7	8.4	8.7	9.3	11.5	11.7	11.7	12.5
Pension position before accounting adjustments	0.3	2.1	0.9	0.5	0.6	0.8	0.8	0.4	0.9	0.6
Accounting adjustments	(0.5)	(2.3)	(1.1)	(0.7)	(0.9)	(1.0)	(0.8)	0.2	(0.3)	0.1
Pension balance for accounting purposes	(0.2)	(0.2)	(0.2)	(0.2)	(0.3)	(0.2)	0.0	0.6	0.6	0.7

*Note: 2014 numbers present audited financial statement figures with no restatements from subsequent years*

*\*As restated*

***Details of the Province's pension balance***

**2.91** Exhibit 2.40 provides the history of the Province's pension balance for all pension plans reported in the consolidated financial statements for accounting purposes as well as the important components involved in the pension balance calculation over the past ten years. It is important to note that the pension balance is different than pension expense. In Exhibit 2.40, the pension balance for accounting purposes is the amount that appears on the statement of financial position (or balance sheet) of the Province.

***Pension contribution volatility***

**2.92** Exhibit 2.41 compares the annual pension expense to the amount of contributions made by the Province to the various pension plans.



Exhibit 2.41 - Pension Expense and Contributions

Pension Expense and Contributions										
(\$ millions)										
	2008	2009	2010	2011	2012	2013	2014	2015*	2016	2017
Pension expense	154.5	323.1	321.4	290.0	287.4	435.0	365.4	562.6	309.8	335.5
Employer contributions	272.8	288.6	307.8	313.3	327.0	350.8	216.5	260.9	257.2	259.7
Excess (deficiency) of employer contributions over pension expense	118.3	(34.5)	(13.6)	23.3	39.6	(84.2)	(148.9)	(301.7)	(52.6)	(75.8)

Note: 2014 numbers present audited financial statement figures with no restatements from subsequent years

\* Restated

**2.93** Exhibit 2.41 shows that for seven of the past ten years, the Province's contributions to its various pension plans have been less than the annual pension expense, whereas three of the past ten years the amount of employer contributions exceeded the amount of the pension expense. Over the past ten years, the Province has contributed \$530.1 million less than the pension expense.

**2.94** The significant increase in the deficiency of employer contributions compared to pension expense in 2015 (\$301.7 million) relates in part to a one time "plan settlement" expense for the NBTPP of \$115 million as a result of the Province's decision to apply joint defined benefit accounting.

***Pension contributions for the Province's two largest plans***

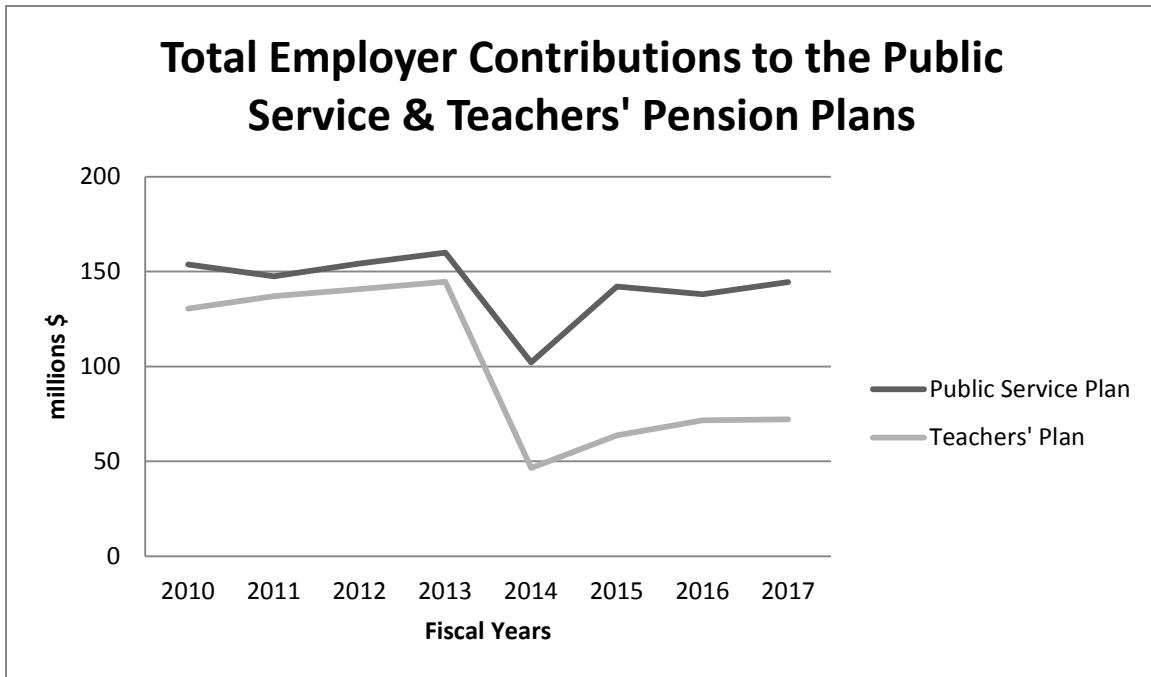
**2.95** Further details on pension contributions from 2010 to 2017 for the Province's two largest plans, the New Brunswick Public Service Pension Plan (formerly PSSRP/PSSA), now the NBPSPP and the New Brunswick Teachers' Pension Plan (formerly TPA), now the NBTPP are found in Exhibit 2.42 and 2.43.

Exhibit 2.42 - Pension Contributions for the NBPSPP/PSSRP/PSSA and NBTPP/TPA Plans

Pension Contributions for NBPSPP/PSSRP/PSSA and NBTPP/TPA Plans (\$ millions)							
Fiscal Year	Plan	Employee Contributions	Employer Contributions <sup>1</sup>			Total Employee and Employer Contributions	Ratio of Employer to Employee Contributions
			Normal	Special Payments	Total Employer Contributions		
2017	NBPSPP	95.8	144.5	-	144.5	240.3	1.51
	NBTPP	63.9	72.1	-	72.1	136.0	1.13
2016	PSSRP	93.4	138.0	-	138.0	231.4	1.53
	NBTPP	59.2	71.7	-	71.7	130.9	1.28
2015	PSSRP	101.2	142.1	-	142.1	243.3	1.40
	NBTPP	56.0	63.8	-	63.8	119.8	1.14
2014	PSSRP	73.1	102.1	-	102.1	175.2	1.40
	TPA	47.7	46.5	-	46.5	94.2	0.97
2013	PSSA	70.9	92.1	67.9	160.0	230.9	2.26
	TPA	47.9	46.1	98.6	144.7	192.6	3.02
2012	PSSA	71.5	89.4	64.9	154.3	225.8	2.16
	TPA	47.8	46.4	94.4	140.8	188.6	2.94
2011	PSSA	71.2	84.3	63.2	147.5	218.7	2.07
	TPA	47.3	45.1	91.9	137.0	184.3	2.90
2010	PSSA	69.6	92.8	61.0	153.8	223.4	2.21
	TPA	45.9	41.9	88.6	130.5	176.4	2.84
Total 2010-2017	NBPSPP	<b>646.7</b>	<b>885.3</b>	<b>257.0</b>	<b>1,142.3</b>	<b>1,789.0</b>	<b>1.77</b>
	NBTPP	<b>415.7</b>	<b>433.6</b>	<b>373.5</b>	<b>807.1</b>	<b>1,222.8</b>	<b>1.94</b>

<sup>1</sup> NBPSPP/PSSRP/PSSA Employer contributions include contributions from the Province, Crown Corporations and other participants.

Exhibit 2.43 - Total Employer Contributions to the Public Service & Teachers' Pension Plans



**2.96** We noted in Exhibit 2.42, the total employer contributions increased by \$6.5 million for the NBPSPP (PSSRP) and the NBTPP employer contributions increased by \$0.4 million in fiscal 2017 compared to fiscal 2016. It is important to note that no special payments were made for the NBPSPP or the NBTPP in fiscal 2017, 2016, 2015 or 2014.

## Appendix I – Pension Plan Information

<b>Pension Plan Name Abbreviation</b>	<b>Pension Plan Name</b>	<b>Pension obligations and assets noted in the chapter are measured as at</b>
<b>NBPSPP</b>	New Brunswick Public Service Pension Plan	March 31
<b>NBTPP</b>	New Brunswick Teachers' Pension Plan	March 31
<b>H-CUPE</b>	Shared Risk Plan for Canadian Union of Public Employees of NB Hospitals	December 31
<b>H-CBE</b>	Shared Risk Plan for Certain Bargaining Employees of NB Hospitals	December 31
<b>NH-N&amp;P</b>	Pension Plan for Nursing and Paramedical Employees of New Brunswick Nursing Homes	March 31
<b>NH-G&amp;S</b>	Pension Plan for General and Service Employees of New Brunswick Nursing Homes	March 31
<b>NH-Mgmt</b>	Pension Plan for Management Employees of New Brunswick Nursing Homes	March 31
<b>Judges</b>	Provincial Court Act and Provincial Court Judges' Pension Act	March 31
<b>Members</b>	Members' Superannuation Act and Members' Pension Act	March 31
<b>Sch-Mgmt</b>	Pension Plan for Management Employees of New Brunswick School Districts	December 31
<b>Sch-GLTS</b>	Pension Plan for General Labour, Trades and Services Employees of New Brunswick School Districts	December 31
<b>Sch-2745</b>	Pension Plan for Full-Time CUPE 2745 Employees of New Brunswick School Districts	December 31
<b>SERP</b>	Supplementary Retirement Plan	March 31