



Financial Statements

Pension Plan for the Non-Teaching Employees of the
School Boards of Nova Scotia

December 31, 2015

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Independent auditor's report

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To the Trustees of
**Pension Plan for the Non-Teaching Employees of the
School Boards of Nova Scotia**

We have audited the accompanying financial statements of the Pension Plan for the Non-Teaching Employees of the School Boards of Nova Scotia, which comprise the statement of financial position as at December 31, 2015, and the statement of changes in net assets available for benefits and the statement of changes in pension obligations for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Pension Plan for the Non-Teaching Employees of the School Boards of Nova Scotia as at December 31, 2015, and the changes in net assets available for benefits and changes in pension obligations for the year then ended in accordance with Canadian accounting standards for pension plans.

Grant Thornton LLP

Halifax, Canada
September 12, 2016

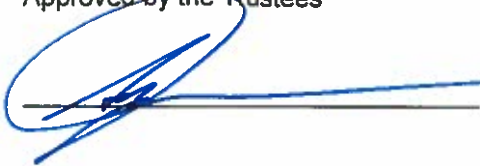
Chartered professional accountants

Pension Plan for the Non-Teaching Employees of the School Boards of Nova Scotia

Statement of financial position

December 31	2015	2014
Assets		
Investment assets (Note 3)	\$ 127,822,665	\$ 117,388,963
Contributions receivable		
Participants	370,352	369,333
Sponsors	<u>370,352</u>	<u>369,333</u>
Net assets available for benefit	<u>128,563,369</u>	<u>118,127,629</u>
Pension obligations (Note 4)	<u>128,054,615</u>	<u>117,052,615</u>
Surplus	<u>\$ 508,754</u>	<u>\$ 1,075,014</u>

Approved by the Trustees



Trustee



Trustee

See accompanying notes to the financial statements.

Pension Plan for the Non-Teaching Employees of the School Boards of Nova Scotia

Statement of changes in net assets available for benefits

Year ended December 31

2015

2014

Revenue		
Changes in the fair value of investment assets and liabilities	<u>\$ 6,245,368</u>	<u>\$ 11,625,297</u>
Contributions (Note 5)		
Participants	4,318,896	4,342,263
Sponsors	<u>4,325,303</u>	<u>4,384,193</u>
	<u>8,644,199</u>	<u>8,726,456</u>
Expenses		
Benefit payments (Note 6)	3,884,188	2,622,796
Administrative (Note 7)	<u>569,639</u>	<u>553,607</u>
	<u>4,453,827</u>	<u>3,176,403</u>
Increase in net assets available for benefits	<u>\$ 10,435,740</u>	<u>\$ 17,175,350</u>
<hr/>		
Net assets available for benefits, beginning of year	\$ 118,127,629	\$ 100,952,279
Increase in net assets available for benefits	<u>10,435,740</u>	<u>17,175,350</u>
Net assets available for benefits, end of year	<u>\$ 128,563,369</u>	<u>\$ 118,127,629</u>

See accompanying notes to the financial statements.

Pension Plan for the Non-Teaching Employees of the School Boards of Nova Scotia

Statement of changes in pension obligations

Year ended December 31	2015	2014
Pension obligations, beginning of year	<u>\$ 117,052,615</u>	<u>\$ 104,683,615</u>
Changes in pension obligations		
Changes in actuarial assumptions	1,826,000	1,480,000
Interest accrued on benefits	6,659,000	6,155,000
Experience gains and losses	(1,214,000)	-
Benefits accrued	7,615,000	7,357,000
Benefits paid	<u>(3,884,000)</u>	<u>(2,623,000)</u>
	<u>11,002,000</u>	<u>12,369,000</u>
Pension obligations, end of year	<u>\$ 128,054,615</u>	<u>\$ 117,052,615</u>

See accompanying notes to the financial statements.

Pension Plan for the Non-Teaching Employees of the School Boards of Nova Scotia

Notes to the financial statements

December 31, 2015

1. Description of the Plan

The following description of the Pension Plan for the Non-Teaching Employees of the School Boards of Nova Scotia (the "Plan") is a summary only. For more complete information, reference should be made to the Plan document.

a) General

In 1992, the Nova Scotia School Boards Association ("NSSBA") established the Pension Plan for the Non-Teaching Employees of the School Boards of Nova Scotia (the "Plan"). The Plan is governed by the Nova Scotia Pension Benefits Act and provides pension benefits for the non-teaching employees of participating Boards of the NSSBA. The Plan administration is the responsibility of the Board of Directors of the NSSBA (the "Board"). In turn, the Board established a Board of Trustees by an Agreement and Declaration of Trust (April 1992) to provide the general administration of the Plan. The Plan was initially established as a defined benefit plan, and a defined contribution provision was added in 2002.

With the exception of the Cape Breton-Victoria Regional School and the Halifax Regional School Board, each school board in the province participates in the Plan in whole or in part. The Plan's membership is diverse with representation from several union and non-union employee groups. There are approximately 2,271 (2014 – 2,126) members in the Plan.

The Board of Trustees are appointed by the Board with equal representation by employers and members. The administrator of the Plan is the Board and the general administration of the Plan is vested in the Trustees.

b) Funding policy

(i) *Defined benefit plan*

Effective July 29, 2012, the defined benefit plan is funded by employee and matching employer contributions of 8.5% of salary up to the YMPE per CPP and 11% of salary above the YMPE.

(ii) *Defined contribution plan*

Members of the defined contribution plan contribute at a rate of 5% of earnings and the employer matches the employee contribution.

c) Service pensions

(i) *Defined benefit plan*

The basic pension formula for a member who retires on or after his normal or optional retirement date shall be entitled to an annual pension commencing on such retirement date in an amount equal to:

- i. 1.5% of his best average earnings multiplied by his credited service prior to January 1, 2002; plus
- ii. 1.5% of his best average earnings up to the average YMPE plus 2.0% of his best average earnings in excess of his average YMPE multiplied by his credited service after December 31, 2001.

Pension Plan for the Non-Teaching Employees of the School Boards of Nova Scotia

Notes to the financial statements

December 31, 2015

1. Description of the Plan (continued)

c) Service pensions (continued)

(i) Defined benefit plan (continued)

Normal retirement date

The normal retirement date of a member retiring on or after January 1, 2002 shall be the first day of the month coincident with or next following the date the member attains age 60.

Optional retirement date

The optional retirement date for a member retiring on or after January 1, 2002 shall be the first day of the month coincident with or following the date the member attains at least age 55 and age plus eligibility service is equal to or greater than 80.

A member who retires according to the early retirement pension will be entitled to a pension benefit calculated according to the calculation above, reduced by the lesser of:

- i. $\frac{1}{2}$ of 1% for each month that his actual date of retirement precedes his normal retirement date; and
- ii. $\frac{1}{2}$ of 1% for each month that his age at retirement precedes the age on which he would have reached his optional retirement date, based on his eligibility service to his actual retirement date.

Early retirement date

A member who retires prior to his normal retirement date or his optional retirement date will be entitled to a pension benefit upon termination of employment and who has attained age 50 may retire at any time prior to his 60th birthday, and shall be entitled to receive a pension from the first day of the month coincident with or next following the date of such early retirement.

Postponed retirement date

If a member continues in employment beyond age 60, contributions in accordance with Section 18 shall continue until his date of actual retirement, or, if earlier, to December 1 of the year that he attains 71 years of age, at which date his pension benefit shall commence.

(ii) Defined contribution plan

Benefit payments to retired members, commuted value payments and transfers to other pension plans are recorded in the period in which they are paid. Accrued benefits are recorded as part of accrued actuarial liabilities.

Normal retirement date

The normal retirement date of a member shall be the first day of the month coincident with or next following the date the member attains age 60.

Early retirement date

A member who would otherwise be entitled to a pension benefit upon termination of employment and who has attained age 50 may retire at any time prior to his 60th birthday, and shall be entitled to receive a pension from the first day of the month coincident with or next following the date of such early retirement.

Pension Plan for the Non-Teaching Employees of the School Boards of Nova Scotia

Notes to the financial statements

December 31, 2015

1. Description of the Plan (continued)

c) Service pensions (continued)

(ii) *Defined contribution plan (continued)*

Postponed retirement date

If a member continues in employment beyond age 60, contributions in accordance with section 18 shall continue until his date of actual retirement, or, if earlier, to December 1 of the year that he attains 71 years of age, at which date his pension benefit shall commence.

d) Pre-retirement death

(i) *Defined benefit plan*

In the event that a member dies before pension commencement, a death benefit is payable in an amount equal to 100% of the commuted value of the member's pension.

(ii) *Defined contribution plan*

In the event that a member dies, the member's beneficiary is entitled to his required account, if any, and employer account payable.

e) Normal form of pension

The normal form of pension is an annuity payable in monthly instalments as follows:

- (i) If a member does not have a spouse or common-law partner on the date that the first instalment is due to be paid, then the pension will be payable for the life of the member and in any event for a period of not less than 60 months. If a member dies before receiving 60 monthly payments, his beneficiary is entitled to receive the value of the remaining balance of the 60 payments.
- (ii) If a member has a spouse or common-law partner on the date that the first instalment is due to be paid, then the pension will be payable for the life of the member. Upon the member's death, the member's spouse or common-law partner, if then living, shall be entitled to receive for her life, monthly instalments equal to 60% of the member's monthly pension.

Pension Plan for the Non-Teaching Employees of the School Boards of Nova Scotia

Notes to the financial statements

December 31, 2015

1. Description of the Plan (continued)

f) Withdrawal refunds

(i) *Defined benefit plan*

A member who terminates membership, for any reason other than death or retirement, is entitled to receive a deferred pension, commencing at his normal or optional retirement date.

(ii) *Defined contribution plan*

A member who terminates membership, for any reason other than death or retirement, is entitled to his required account, if any, and his employer account payable.

g) Income taxes

The Plan is a Registered Pension Plan as defined in the Income Tax Act (Canada) and is not subject to income tax.

2. Statement of compliance with Canadian accounting standards for pension plans and summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for pension plans.

Accounting standards for pension plans require entities to select accounting policies for accounts that do not relate to its investment portfolio or pension obligations in accordance with either Part I (International Financial Reporting Standards ("IFRS")) or Part II (Canadian accounting standards for private enterprises ("ASPE")) of the CPA Canada Handbook - *Accounting*. The Plan selected to apply Part II for such accounts on a consistent basis and to the extent that these standards do not conflict with the requirements of the accounting standards for pension plans.

Pension Plan for the Non-Teaching Employees of the School Boards of Nova Scotia

Notes to the financial statements

December 31, 2015

2. Statement of compliance with Canadian accounting standards for pension plans and summary of significant accounting policies (continued)

a) Financial instruments

Financial assets and financial liabilities are recognized when the Plan becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial assets expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

All financial assets and financial liabilities are initially measured at fair value. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Financial assets and financial liabilities are subsequently measured as described below.

Investment assets

All investment assets are measured at fair value at the date of the statement of financial position in accordance with IFRS 13, *Fair Value Measurement* in Part I of the CPA Canada Handbook - Accounting. Fair values of investment assets and liabilities are determined as follows:

1. Pooled funds are valued at the unit value supplied by the pooled fund administrator and which represent the Plan's proportionate share of underlying net assets at fair value determined using closing bid prices.

Transaction costs are not included in the fair value of investment assets and investment liabilities either on initial recognition or on subsequent re-measurement. Transaction costs are included in the statement of changes in net assets available for benefits as part of expenses incurred in the period.

Investment income, excluding changes in the fair value of investment assets and investment liabilities, and changes in the fair value of investment assets and investment liabilities are presented in the statement of changes in net assets available for benefits.

Contributions and other receivables

Contributions and other receivables are measured at amortized cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. A provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Plan will not be able to collect all of the amounts due. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Financial liabilities

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

Pension Plan for the Non-Teaching Employees of the School Boards of Nova Scotia

Notes to the financial statements

December 31, 2015

2. Statement of compliance with Canadian accounting standards for pension plans and summary of significant accounting policies (continued)

b) Pension obligations

The Plan is a defined benefit plan established for members. The pension obligations recognized in the statement of financial position are the actuarial present value of accrued pension benefits determined by applying best estimate assumptions and the projected benefit method prorated on services.

c) Changes in fair value of investment assets and liabilities

This includes both realized gains or losses on sale of investments and unrealized gains or losses on investments.

Realized gains or losses on sale of investments are the difference between the proceeds received and the cost of investments sold.

Unrealized gains or losses on investments represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognized unrealized gains and losses in respect of disposals during the year.

d) Contributions

Contributions from the members and employers are recorded on an accrual basis. Cash received from members for credited service and from other pension plans for transfers are recorded when received.

e) Benefit payments

Benefit payments to retired members, commuted value payments and refunds to former members are recorded in the period paid. Accrued benefits are recorded as part of the accrued pension benefit obligation.

f) Translation of foreign currencies

Transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the transaction date. Investments and other monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the year end date with any resulting foreign exchange gain or loss included in revenue.

Pension Plan for the Non-Teaching Employees of the School Boards of Nova Scotia

Notes to the financial statements

December 31, 2015

2. Statement of compliance with Canadian accounting standards for pension plans and summary of significant accounting policies (continued)

g) Estimation uncertainty

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, revenue and expenses. The actual results are likely to differ from the judgments, estimates and assumptions made by management and will seldom equal the estimated results. Information about the significant judgments, estimates and assumptions that have the most significant effect on the recognition and measurement of assets, liabilities, revenue and expenses are discussed below:

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments, where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques, management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

Pension obligations

Management estimates the pension obligations annually with the assistance of an independent actuary; however, the actual outcome may vary due to estimation uncertainties. The estimate of its pension obligation of \$128,054,615 (2014 - \$117,052,615) is based on assumed rates of retirement, mortality, and contributory hours. Discount factors are determined at or near year end by reference to high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension obligation.

3. Investment assets

Details of investment assets by type are as follows:

	<u>December 31</u> <u>2015</u>		<u>December 31</u> <u>2014</u>	
Canadian equities				
Manulife Asset Management				
Canadian Equity Index Fund	<u>\$ 31,397,398</u>	<u>24.6%</u>	<u>\$ 35,555,275</u>	<u>30.3%</u>
Foreign equities				
Manulife BlackRock US Equity				
Index Fund	20,562,955	16.1%	17,441,477	14.9%
Manulife BlackRock International				
Equity Index Fund	<u>19,837,423</u>	<u>15.5%</u>	<u>17,463,905</u>	<u>14.8%</u>
	<u>40,400,378</u>	<u>31.6%</u>	<u>34,905,382</u>	<u>29.7%</u>
Total equities	<u>71,797,776</u>	<u>56.2%</u>	<u>70,460,657</u>	<u>60.0%</u>

Pension Plan for the Non-Teaching Employees of the School Boards of Nova Scotia

Notes to the financial statements

December 31, 2015

3. Investment assets (continued)

	<u>December 31</u> 2015		<u>December 31</u> 2014	
Fixed income				
Manulife Asset Management Canadian Bond Index Fund	\$ 26,470,474	20.7%	\$ 28,151,251	24.0%
Manulife BlackRock Long Bond Index Fund	11,402,823	8.9%	7,042,102	6.0%
Manulife Asset Management Strategic Fixed Income	<u>12,539,094</u>	<u>9.8%</u>	<u>11,734,953</u>	<u>10.0%</u>
	<u>50,412,391</u>	<u>39.4%</u>	<u>46,928,306</u>	<u>40.0%</u>
Real Estate				
Manulife Asset Management Canadian Pooled Real Estate	<u>5,612,498</u>	<u>4.4%</u>	-	-
Total investments	<u>\$ 127,822,665</u>	<u>100%</u>	<u>\$ 117,388,963</u>	<u>100%</u>

The following overall target asset mix has been approved by the Trustees:

Equities	
Canadian	25%
Foreign	30%
Total equities	55%
Total fixed income	40%
Total real estate	5%

4. Pension obligations

Actuarial valuations of the Plan are required every three years by the "Agreement and Declaration of Trust" and provide an estimate of the accrued pension benefits (plan liabilities) calculated using various economic and demographic assumptions based on membership data as at the valuation date. The Plan's consulting actuaries, Morneau Shepell, performed a valuation for funding purposes as at December 31, 2015.

Pension Plan for the Non-Teaching Employees of the School Boards of Nova Scotia

Notes to the financial statements

December 31, 2015

4. Pension obligations (continued)

The actuarial valuation projects liabilities for each member on the basis of service earned to date and the employee's projected five year average salary at the expected date of retirement. The public sector generational method was adopted for the actuarial valuation to determine the current cost and actuarial liability for the current year. The major economic and demographic assumptions used in the valuation are as follows:

	<u>2015</u>	<u>2014</u>
Inflation	2.25% per annum	2.25% per annum
Average salary increase	3.25% per annum	3.25% per annum
Discount rate	5.50% per annum	5.60% per annum
Average retirement age	62 years	62 years
Mortality	CPM – RPP 2014 public sector generational using improvement scale CPM – B	CPM – RPP 2014 public sector generational using improvement scale CPM – B

5. Contributions

	<u>2015</u>	<u>2014</u>
Participants' contributions		
Current service	\$ 4,315,542	\$ 4,342,263
Past service	<u>3,354</u>	<u>-</u>
	<u>\$ 4,318,896</u>	<u>\$ 4,342,263</u>
Sponsors' contributions		
Current service	\$ 4,315,542	\$ 4,342,263
Interest	<u>9,761</u>	<u>41,930</u>
	<u>\$ 4,325,303</u>	<u>\$ 4,384,193</u>

6. Benefit payments

	<u>2015</u>	<u>2014</u>
Retirement benefit payments	\$ 2,675,845	\$ 2,225,148
Termination benefit payments	780,167	394,074
Death benefit payments	<u>428,176</u>	<u>3,574</u>
	<u>\$ 3,884,188</u>	<u>\$ 2,622,796</u>

Pension Plan for the Non-Teaching Employees of the School Boards of Nova Scotia

Notes to the financial statements

December 31, 2015

7. Administrative expenses	<u>2015</u>	<u>2014</u>
Administration fee - NSSBA	\$ 25,900	\$ 42,188
Professional accounting fees	28,135	15,637
Fiduciary liability insurance	6,250	6,250
Committee expenses	4,647	10,802
Actuarial, administration and consulting - Morneau	195,408	227,947
Investment management fees - Manulife	300,804	242,288
Annual filing fee	8,495	8,495
	<u>\$ 569,639</u>	<u>\$ 553,607</u>

8. Financial instruments

The Plan is exposed to a variety of financial risks which include market price risk, interest risk, currency risk, credit risk and liquidity risk. These risks are moderated through careful selection of securities and other financial instruments within the Plan's investment guidelines managed by the investment custodian, Manulife Financial.

For all the risks noted below, there has been no change in the Plan's investment guidelines to manage risks from the previous year.

a) Market price risk

Market price risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment, or factors affecting all securities traded in the market. The Plan's policy is to invest in a diversified portfolio of investments.

Using various correlations between the Plan's return as compared to its benchmark, the best estimate of the effect on net assets due to a reasonably possible change in equity indices, with all other variables held constant is set out below.

(+/-) 5% index movement
impact on net assets

2015

Manulife Asset Management Canadian Equity Index Fund	\$ 1,570,000
Manulife BlackRock International Equity Index Fund	1,028,000
Manulife BlackRock US Equity Index Fund	992,000

2014

Manulife Asset Management Canadian Equity Index Fund	\$ 1,778,000
Manulife BlackRock International Equity Index Fund	873,000
Manulife BlackRock US Equity Index Fund	872,000

Pension Plan for the Non-Teaching Employees of the School Boards of Nova Scotia

Notes to the financial statements

December 31, 2015

8. Financial instruments (continued)

b) Interest risk

Interest rate risk refers to the fact that the Plan's financial position will change with market interest rate changes, as fixed income securities are sensitive to changes in nominal interest rates. Interest rate risk is inherent in the management of a pension fund due to prolonged timing differences between cash flows related to the Plan's assets and cash flows related to the Plan's liabilities.

The value of the Plan is affected by short term changes in nominal interest rates.

As at December 31, 2015, if prevailing interest rates were to decrease or increase by 25 bps, net assets in relation to all interest bearing instruments held in the Plan would have increased or decreased respectively by approximately \$666,000 (2014 - \$638,000).

c) Currency risk

Foreign currency exposure arises from the holding of investments denominated in foreign currencies. Management believes that for every 1% change in value of the Canadian dollar versus all other currencies, the Fund is impacted by 0.32% (2014 - 0.30%). This would result in a \$404,000 change in the investments as at December 31, 2015 (2014 - \$349,000).

d) Credit risk

Credit risk is the risk of loss in the event the counterparty to a transaction fails to discharge an obligation and causes the other party to incur a loss. The maximum credit risk exposure associated with the Plan's financial assets is the carrying value.

The investment fund includes debt securities that are subject to credit risk.

The market value of debt instruments includes consideration of the credit worthiness of the issuer, and accordingly represents the main concentration of credit risk. The risk is generally lower if the issuer has a high credit rating or no credit rating. As at December 31, 2015, the Plan invested in debt securities with the following credit ratings:

Portfolio by Rating Category	Percentage 2015	Percentage 2014
AAA/Aaa/AAA/Bonds A++	33.8%	35.7%
AA/Aa/AA/Bonds A+	11.9%	21.2%
A/A/A/Bonds A	34.3%	21.2%
BBB/Baa/BBB/Bonds B++	13.7%	11.7%
BBB/Ba/BB/Bonds B+	3.9%	6.8%
B/B/B and lower	2.5%	3.5%

Pension Plan for the Non-Teaching Employees of the School Boards of Nova Scotia

Notes to the financial statements

December 31, 2015

8. Financial instruments (continued)

e) Liquidity risk

Liquidity risk is the risk of not meeting the cash obligations of the Plan in an efficient manner. Cash obligations are fulfilled from contributions to the Plan, cash income of the Plan and planned dispositions of Plan assets as required. Cash requirements of the Plan are reviewed on an on-going basis to provide for the orderly availability of resources to meet the financial obligations of the Plan.

f) Fair value of investments

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The Plan's assets recorded at fair value have been categorized based upon a fair value hierarchy. The following fair value hierarchy table presents information about the Plan's assets measured at fair value on a recurring basis at December 31, 2015.

The fair value of investments:

	Level 2	
	<u>2015</u>	<u>2014</u>
Canadian equities		
Manulife Asset Management		
Canadian Equity Index Fund	<u>\$ 31,397,398</u>	<u>\$ 35,555,275</u>
Foreign equities		
Manulife BlackRock US Equity		
Index Fund	20,562,955	17,441,477
Manulife BlackRock International		
Equity Index Fund	<u>19,837,423</u>	<u>17,463,905</u>
	<u>40,400,378</u>	<u>34,905,382</u>
Total equities	<u>71,797,776</u>	<u>70,460,657</u>

Pension Plan for the Non-Teaching Employees of the School Boards of Nova Scotia

Notes to the financial statements

December 31, 2015

8. Financial instruments (continued)

f) Fair value of investments (continued)

	Level 2	
	2015	2014
Fixed income		
Manulife Asset Management		
Canadian Bond Index Fund	26,470,474	28,151,251
Manulife BlackRock Long Bond		
Index Fund	11,402,823	7,042,102
Manulife Asset Management		
Strategic Fixed Income	12,539,094	11,734,953
	50,412,391	46,928,306
Real Estate		
Manulife Asset Management		
Canadian Pooled Real Estate	5,612,498	-
Total investments	\$ 127,822,665	\$ 117,388,963

All of the investments have been classified as Level 2.

9. Capital management

The Plan defines its capital as the funded deficiency of the Plan, as determined annually based on the fair value of net assets and actuarial liabilities, provided by the actuarial valuation prepared by the Plan's independent actuary (note 4). The Plan's objective is to ensure the Pension Plan is fully funded over the long term through the management of investments, contribution rates and benefits. Investments are based on an asset mix that is projected to enable the Plan to meet or exceed its long term funding requirement within an acceptable level of risk, consistent with the written established investment policies and procedures approved by the Board of Trustees. The funded status of the Plan and related cash flows are also impacted by the level of contributions received and benefits paid.

The NSSBA manages the contributions and plan benefits as requested by its regulations. The NSSBA approves expenses to administer the commerce of the Plan.

Pension Plan for the Non-Teaching Employees of the School Boards of Nova Scotia

Notes to the financial statements

December 31, 2015

9. Capital management (continued)

Actuarial valuations of the Plan are required at least every three years by the "Agreement and Declaration of Trust" and provide an estimate of the accrued pension benefits (Plan liabilities) calculated using various economic and demographic assumptions, based on membership data as at the valuation date. The Plan's consulting actuary, Morneau Shepell, performed a valuation for funding purposes as at December 31, 2015 and issued their reporting in August 2016.

Order in Council 2012-397 ("OIC 397") was issued on December 21, 2012 as an amendment to the Pension Benefits Regulations (the "Regulations"), and changes the solvency funding requirements applicable to the NSSBA Plan. The Plan is now exempted from on-going solvency deficit funding, though the solvency position must still be monitored and if the solvency ratio is below 85%, annual actuarial valuations of the Plan are required. The December 31, 2015 actuarial valuation prepared by Morneau Shepell determined that the Plan's solvency deficiency was \$50,044,000 and the solvency ratio was 71.9%.