



Continuing to meet our clients' investment challenges
in the pension reform era

2013-2014
Annual Report

BOARD OF DIRECTORS

Michael W. Walton
Chair of the Board,
Director

Wiktor Askanas
Vice-chair of the Board
Director

Jane Garbutt
Director (ex officio, non-voting)

Patricia LeBlanc-Bird
Director

Ronald B. Maloney
Director

Darren Murphy
Director (ex officio)

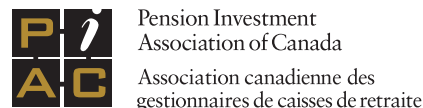
Cathy Rignanesi
Chair of Audit Committee
Director

John A. Sinclair
Director (ex officio)

Richard C. Speight, Q.C.
Chair of Governance Committee
Director

Reno Thériault
Chair of Human Resources &
Compensation Committee
Director

MEMBERS OF



CORPORATE LEADERSHIP TEAM

John A. Sinclair
President and Chief Executive Officer
Chief Investment Officer

Jan Imeson, CPA, CA
Chief Financial Officer
Vice-President, Finance and
Administration

Dan Goguen, CA, FRM
Vice-President Private Markets

James Scott, CFA
Vice-President Fixed Income

Mark Holleran, CFA
Vice-President Equities

Andrea MacDonald, CHRP
Human Resources Coordinator

CORPORATE OFFICER

Inge Després
Corporate Secretary

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Fiscal 2013-14 NBIMC Highlights

- Annual overall Pension Fund nominal return of 13.56% and real (after inflation) return of 12.37%.
- Excess overall pension fund returns of 0.45%, or approximately \$49 million, were realized versus investment policy benchmarks and net of investment expenses.
- Long-term overall pension fund nominal return since NBIMC inception of 7.15% per year and real (after inflation return) of 5.16% per year.
- Total assets under management as of March 31, 2014 of \$ 11.6 billion.
 - \$ 1,344 million of net gains realized from investment activities
 - \$ 335 million of pension payments made to retirees
 - \$ 507 million received from two new public sector clients
- The Public Service Pension Plan converted to the Public Service Shared Risk Plan on January 1, 2014. As part of the conversion, NBIMC is no longer Trustee for the Public Service Fund.
- The Province of New Brunswick and New Brunswick Teacher's Federation announced an agreement to changes in the *Teacher's Pension Act*. As of July 1, 2014, NBIMC will no longer be the Trustee for the Teacher's Pension Fund.
- NBIMC will continue to provide investment management and other services to the Public Service Shared Risk Plan and New Brunswick Teachers' Pension Fund.

Corporate Profile

The New Brunswick Investment Management Corporation (NBIMC) is the investment manager for the pension assets of over 51,000 members of the Public Service, Teachers', and Provincial Court Judges' pension plans. We were formed in 1996 under the *New Brunswick Investment Management Corporation Act* by the Province of New Brunswick.

Our primary mission is to increase the long-term value of our clients' funds under management.

To fulfill this mission NBIMC conducts the following activities:

- Provides prudent, risk-controlled and cost effective investment management services for all funds under management.
- Acts as fund trustee for the Teachers' and Provincial Court Judges' defined benefit pension plans.
- Advises on and implements investment policy.
- Adds value by generating higher returns through active investment strategies net of investment management costs.
- Manages investment risks.
- Provides administrative and support services such as accounting, performance measurement, and information technology.

Located in Fredericton, New Brunswick, NBIMC is the largest institutional investment manager in Atlantic Canada with assets under management of approximately \$11.6 billion at March 31, 2014.

Corporate Mission

To provide innovative, cost effective and prudent investment management services that address the investment challenges of New Brunswick based public sector funds.

Key Goals:

- To advance governance, management and organizational effectiveness.
- To exceed client long-term investment objectives through prudent asset allocation and risk management strategies.
- To maintain, develop and attract a highly skilled and experienced team of investment management professionals.
- To strengthen and expand stakeholder communications and relationships.
- To support effective and efficient information technology solutions.

Corporate Vision

New Brunswick Investment Management Corporation (NBIMC) is the provider of choice for investment management services to New Brunswick public sector investment funds.

NBIMC is recognized as a user of “best practices” by clients and peers. The company is:

- Acknowledged as being able to exceed clients’ long-term investment performance objectives.
- A provider of consistent value added for clients through a diverse range of multiple investment strategies.
- Recognized by stakeholders as having strong governance practices and a long-term strategic vision.
- Driven by a team of highly skilled investment management professionals working within a culture of innovation and risk management.
- Viewed as an employer of choice by both recent graduates and experienced investment management professionals.
- Seen as maintaining strong relationships and ongoing communication with key stakeholders.

Corporate Values

PRUDENCE – we guide investment activity within appropriate policy guidelines focused on asset allocation and risk management in accordance with client objectives.

ACCOUNTABILITY – we act in the best interests of our clients and use the highest standard of financial reporting, compliance, auditing and performance measurement.

TEAMWORK – we develop and sustain a learning culture of engaged employees who share expertise, clear roles, coordinated activity and working together to achieve our goals.

TRANSPARENCY – we produce clear and frequent communications to all stakeholders on operations, strategies and results.

INTEGRITY – we ensure honesty in all corporate undertakings guided by a Code of Ethics and Business Conduct.

INNOVATION – we encourage a diversity of innovative, well researched investment management strategies.

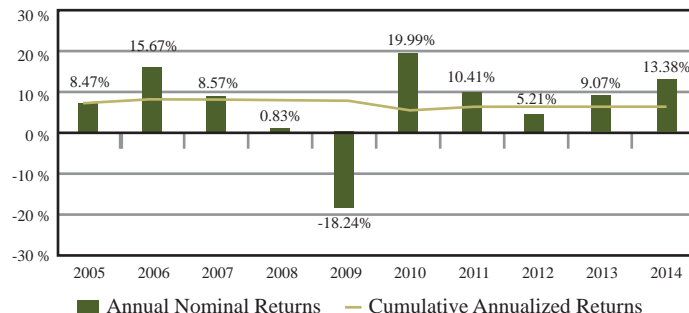
2013-2014 Financial Highlights – as of March 31, 2014

TEACHERS'

TOTAL ANNUALIZED RETURNS (unadjusted)

One Year **13.36%**
 Four Year **9.47%**
 Ten Year **6.83%**

ANNUAL TOTAL FUND RETURNS – 2005 - 2014



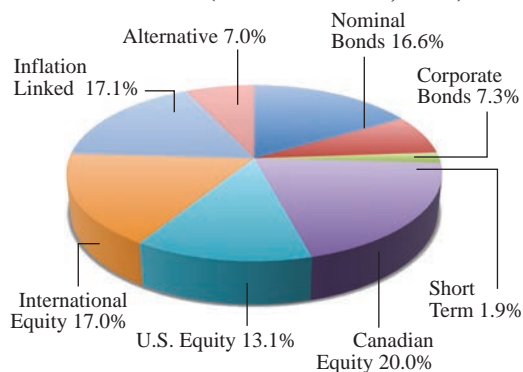
INVESTMENTS BY PORTFOLIO

As of March 31, 2014
 (\$ millions)

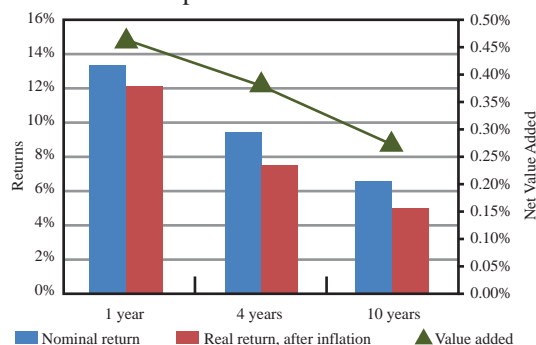
	2014	2013	2012
Fixed Income			
Nominal Bonds	\$ 804.4	\$ 793.0	\$ 985.0
Corporate Bonds	352.1	283.5	113.2
Short Term Assets	91.0	30.4	61.8
	1,247.5	1,106.9	1,160.0
Public Equities			
Canadian	967.3	881.1	806.9
U.S.	635.2	621.3	523.3
International	821.9	757.9	676.2
	2,424.4	2,260.3	2,006.4
Inflation Linked Assets			
Real Return Bonds	449.1	428.1	384.6
Real Estate and Infrastructure	379.0	356.2	337.4
	828.2	784.3	722.0
Alternative Investments			
Absolute Return	170.0	155.6	144.9
Private Equity	171.1	141.5	123.2
	341.1	297.1	268.1
Total Investments	\$ 4,841.2	\$ 4,448.5	\$ 4,156.4

Amounts may not add due to rounding

ASSET MIX (As of March 31, 2014)



INVESTMENT PERFORMANCE For the periods ended March 31



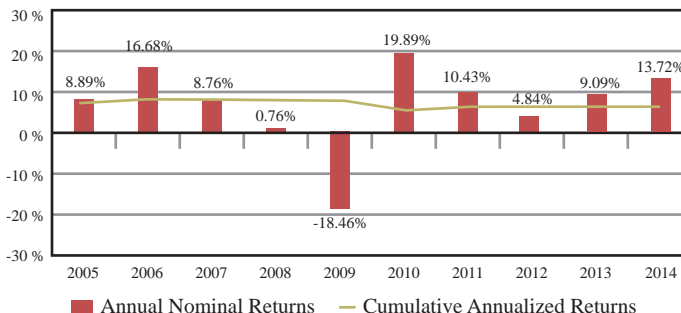
2013-2014 Financial Highlights – as of March 31, 2014

JUDGES'

TOTAL ANNUALIZED RETURNS (unadjusted)

One Year **13.72%**
 Four Year **9.47%**
 Ten Year **6.93%**

ANNUAL TOTAL FUND RETURNS – 2005 - 2014



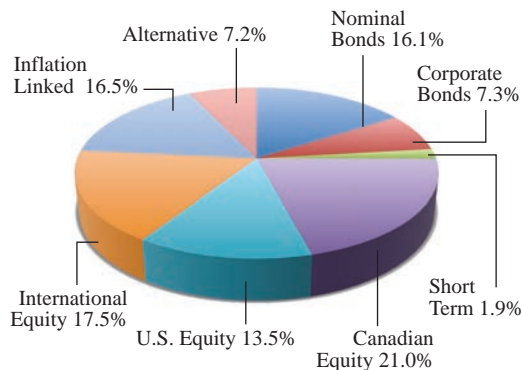
INVESTMENTS BY PORTFOLIO

As of March 31, 2014
 (\$ millions)

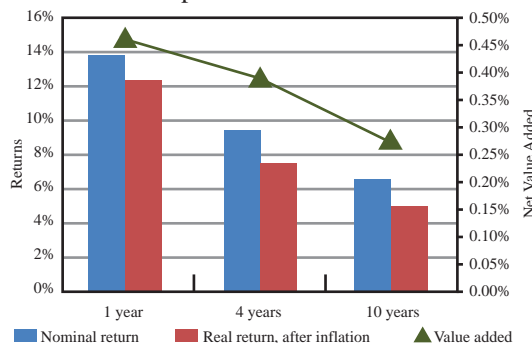
	2014	2013	2012
Fixed Income			
Nominal Bonds	\$ 6.0	\$ 5.6	\$ 7.2
Corporate Bonds	2.7	2.3	0.8
Short Term Assets	0.7	0.2	0.5
	9.4	8.2	8.5
Public Equities			
Canadian	7.8	7.0	6.3
U.S.	5.0	4.8	4.0
International	6.5	5.9	5.2
	19.3	17.6	15.6
Inflation Linked Assets			
Real Return Bonds	3.3	3.1	2.7
Real Estate and Infrastructure	2.5	2.3	2.2
	5.8	5.4	4.9
Alternative Investments			
Absolute Return	1.3	1.2	1.1
Private Equity	1.4	1.1	0.9
	2.7	2.3	2.0
Total Investments	\$ 37.2	\$ 33.4	\$ 31.1

Amounts may not add due to rounding

ASSET MIX (As of March 31, 2014)



INVESTMENT PERFORMANCE For the periods ended March 31



NBIMC's Investment Beliefs

NBIMC operates under a few basic investment beliefs, upon which we continually reflect when setting investment strategy. These beliefs are:

1. NBIMC is a relatively low risk asset manager when compared to its peers.
2. Real Return Bonds, because of their long-term inflation-linked characteristics, are considered to be an excellent match for pension and other long-term liabilities.
3. New asset classes and strategies are introduced incrementally in order to progressively gain experience and to minimize transition costs.
4. The establishment of the appropriate asset mix for each of the pension funds for which we are Trustee is heavily influenced by both the actuarial profile and funding status of each plan.
5. NBIMC believes that market inefficiencies present opportunities to add value through active management.

Chairperson Letter

On behalf of the Board of Directors and management of the New Brunswick Investment Management Corporation (“NBIMC”), I am pleased to introduce the Fiscal 2013-2014 Annual Report, which marks the close of our eighteenth year of successful operations.

The following report provides a detailed account of another year in which we have met the long-term investment requirements of the pension plans under our management and provides an update with respect to the significant changes we have experienced largely as a result of the Government of New Brunswick’s pension reform initiatives. We are also pleased to note that NBIMC has entered into new investment management relationships during the year with the New Brunswick Power Corporation and University of New Brunswick’s Endowment Fund. These are the first new investment management mandates that NBIMC has undertaken since its inception back in 1996, and we look forward to working with other provincial public sector pools of capital that may be interested in benefiting from NBIMC’s investment capabilities in the future.

As detailed later in this Annual Report, management was able to continue to increase the total fund long-term annualized return of each of the three pension funds under our management while also making good progress on the objectives outlined in our Strategic Plan.

The Board of Directors was very active on a number of initiatives during the year which are also outlined in more detail throughout this report. We are also pleased to provide our second annual report of specific corporate performance objectives as outlined on pages 17-18.

Pension Reform

As noted in last year’s Chairperson Letter, NBIMC Directors and management have been making every effort to ensure that the Corporation is prepared to respond to any proposed changes that may occur through the Government of New Brunswick’s activities in relation to their Task Force on Protecting Pensions.

On January 1, 2014 the Government repealed the *Public Service Superannuation Act* (“PSSA”) and the pension plan constituted under the PSSA was converted into the Public Service Shared Risk Plan (“PSSRP”). Through this process the *New Brunswick Investment Management Corporation Act* was subsequently amended so that the NBIMC Board will no longer serve as trustee for those funds and a separate Board of Trustees will act as the future Trustee for the PSSRP. The PSSRP Board of Trustees subsequently executed a five year Investment Management Agreement with NBIMC, whereby we will continue to provide investment advice and management services to the PSSRP.

As part of the Government’s process with respect to the conversion of this defined benefit pension plan into a shared risk plan, the Minister of Finance established a Governance Working Group. Its membership consists of a number of related Stakeholders, including a representative from NBIMC, who are tasked with developing the best practices in pension plan governance that will serve the PSSRP and possibly other shared risk plans well in achieving their goal of prudently managed and sustainable pensions. We are actively participating in and sharing our governance and investment related experience with this group.

On April 15th, 2014 the Government and the New Brunswick Teacher’s Federation announced that they had reached an agreement on changes to the governance and operation of the *Teacher’s Pension Act* (“TPA”). Our Board and management team look forward to sharing our experience and assisting with this conversion where warranted in the future.

In consideration of these changes, we expect that this will be the last year that we will be reporting on consolidated total fund performance of the pension plans under our management. We anticipate that each of the new governance bodies for the PSSRP and TPA will be reporting on their own total fund performance, while we will focus our reporting on the performance of our separate unit trust funds in which each of our clients will have the opportunity to access.

Appreciation of Dedicated Service

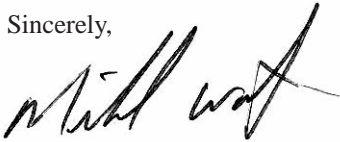
I would like to recognize our Board and senior management team for their commitment, contribution, and support to the Corporation during this very busy year. With the number of changes we have experienced in Fiscal 2013-14, it was a tremendous help to have such stable, long-serving resources looking after NBIMC's stakeholders' best interests.

In particular I would also like to express our appreciation of the service of our Board's Vice Chairperson, Mr. Joel Attis, whose term expired in August of 2013. Joel made a significant contribution to NBIMC during the challenging period in global financial markets that occurred during his six years as a Director.

On behalf of the Board we also wish to thank our team of New Brunswick based professionals at NBIMC for their continued diligence and hard work in continuing to meet the goals of our clients. As our two largest pension fund clients transition to a new joint trustee governance framework, we are very proud that the Corporation has been able to provide those funds with long-term returns in excess of the actuarial return requirements that they had required.

Finally I would like to note that our Board of Directors plan to revisit the Corporation's strategic plan during the upcoming fiscal year in order to ensure that we continue to provide an investment platform that exceeds our clients' long-term requirements, while best serving the needs of the new shared risk pension model and the interests of our other new client groups.

Sincerely,



Michael W. Walton
Chairperson

June 30, 2014
Fredericton, New Brunswick

CEO Letter to Stakeholders

The Corporation's investment program continued to perform well in Fiscal 2013-2014 and once again surpassed both our primary investment objective of exceeding the long-term actuarial returns required to fund the pension plans under our management, and our secondary investment objective of producing value added returns that exceed the investment policy benchmarks and investment management expenses.

As noted in our Chairperson's Letter, this past fiscal year was one of significant change. The Government's pension reform activities resulted in the former PSSA pension plan being converted into the PSSRP as of January 1, 2014, and the TPA looks to undergo changes later in 2014. Based on these changes, our detailed portfolio reporting activity in this Annual Report will include the Teachers' and Judges' pension funds for which we continued to have Trustee responsibilities as of March 31, 2014. It is our understanding that PSSRP portfolio performance will be reported in the future by their Board of Trustees on an independent basis.

We have however included one final consolidated total fund set of performance information in the discussion that follows in this letter and later in the Management's Discussion & Analysis section of the Annual Report, which relates to NBIMC's performance against our investment objectives to March 31, 2014. In future Annual Reports we expect our investment performance reporting to be focused on the investment results of the separate pooled funds under our management that are used to provide the diversified mix of assets that each of our clients' specifies in their investment policy statements.

We are also pleased to report that we have entered into two new investment management relationships with the New Brunswick Power Corporation ("NB Power") and the University of New Brunswick Endowment Fund. We look forward to providing NB Power with long-term portfolio returns that will help provide the funds necessary to decommission and manage the spent fuel related to the Point Lepreau power station, while the UNB mandate will provide their Endowment Fund with global public equity exposure through a low volatility investment approach.

Fiscal 2013-14

The blended return during the year for the three pension funds that were under our management was 13.56%. We are very pleased to point out that this performance also exceeded our investment policy benchmarks by 0.61% before investment management costs.

Our pension portfolios remained well positioned to take advantage of the relatively slow economic rebound that has occurred since the depths of the Fiscal 2008-09 financial markets crisis while at the same time providing protection against interim periods of increased volatility and market declines.

Global financial markets strengthened significantly early in the fiscal year with the European and U.S. public equity market leading the way thanks to the slowly improving economy and continued solid corporate earnings growth. Fixed income markets began the year mixed due to uncertainty around central bank interest rate policy. Longer term bonds, and other interest rate sensitive securities, ultimately experienced a decline in value in the late spring as the U.S. Federal Reserve Board begun to outline a path to begin removing their more stimulative policies of recent years.

Developed market equities continued to perform well throughout the year, and generally outperformed the Canadian equities market. The Canadian market's higher exposure to materials and energy held our equity market back due to a combination of the declining growth rate concern in China and the successful development of the domestic energy market in the United States. Returns from our foreign investment exposure also benefited from the decline in value of the Canadian dollar later in the year.

Market volatility levels were generally muted throughout the year, other than for brief periods of concern around the central bank interest rate intentions noted above and developments in the ongoing geo-political challenges in the Middle East and Eastern Europe.

As noted above, our overall gross nominal rate of return for the pension fund assets under management for the year ending March 31, 2014 was 13.56% while our long-term annualized return since NBIMC's inception in 1996 closed at 7.15%. Most importantly our annualized real return (after adjusting for inflation) for these pension fund assets since inception is now 5.16%. This real return is now well above the long-term 4% real return requirement that the pension funds' independent Actuary had believed to be necessary to fund the pension plans under our management.

Our relatively low risk investment approach continued to meet the long-term investment goals of the pension plan sponsor while also attempting to minimize the exposure to the potential of large swings from financial markets volatility in any one period. The following table further summarizes our investment performance as of the end of the fiscal year:

Pension Fund Assets Under Management
Overall Annualized Returns
(as of March 31, 2014)

	Real Return (vs. 4% Requirement)	Nominal Return (vs. 6.6% Requirement)
1-Year Performance (F 2013-14)	12.37%	13.56%
4-Year Performance	7.57%	9.47%
Since NBIMC Inception (18 years)	5.16%	7.15%

Net assets under management increased to an all time high of \$11.6 billion from \$10.1 billion in the prior year. This increase in assets resulted from \$1.344 billion in net investment earnings, net pension client payouts of \$335 million, and the addition of new client assets of \$507 million.

Management also successfully added approximately \$66.2 million of investment earnings through active portfolio management activities versus their benchmarks, which provided the funds with approximately \$49.2 million in additional net earnings after covering the \$17.0 million in NBIMC's operating costs and the costs of third party service providers.

While not a primary consideration, our long-term investment returns on a risk adjusted basis also continue to be very respectable versus peer pension portfolio managers.

Important Accomplishments

NBIMC achieved a number of important accomplishments during the year:

- We successfully fulfilled the Key Performance indicators outlined in our corporate continuous performance objectives:
 - As noted above, our long-term investment performance significantly exceeded the actuarial real return target requirement for the pension plans under our management.
 - Management continued to add relative value added returns, after covering all expenses, for the portfolios through active investment management activities.
- We assisted the Province of New Brunswick's Pension Task Force with their asset modeling analysis and related simulations with respect to the PSSRP.
- Successfully transitioned the governance responsibilities of the PSSA to the PSSRP, including the finalization of an applicable Investment Policy Statement and an initial five year investment management services agreement.
- Management developed and implemented a new Canadian Long-Term Bond portfolio, and conducted further research and development work with respect to a low volatility public equity portfolio in emerging markets.
- We continued to expand our direct private markets investment activity on both a local and global basis.
- Two new external clients were added to our investment platform, allowing for further investment diversification and cost efficiencies for our Stakeholders.

Further details on NBIMC's mandate, activities and results are contained throughout later sections of this Annual Report.

Our Changing Environment

As noted earlier in this letter, the governance of our two largest pension plan clients is undergoing a significant change that will result in the NBIMC Board of Directors no longer acting in the capacity of Trustee for the PSSA or the TPA pension funds. We do however expect that based on our successful long-term track record we will be working closely with each of the Funds' new trustee boards to provide not only investment management services but also assistance with respect to their investment policy development and monitoring processes.

While we expect that NBIMC will continue to bring a number of benefits to these pension funds that we have managed in the past, we have also been approached by a number of other public sector investment pools of capital who have an interest in our services. These entities recognize that NBIMC provides a well-structured, experienced, independent and transparent fiduciary based governance process that has a solid track record of designing and implementing investment programs that meet specific requirements. They also recognize that our corporate goals and objectives are directly aligned with their best interests as they receive cost effective access to professional fund management services gained through the economies of scale realized by pooling investment assets.

We look forward to continuing to be a provider of choice to a number of public sector funds who are looking for assistance in any or all of the following service offerings that we are capable of providing:

- Investment Management (Equity / Fixed Income / Inflation Linked / Alternatives)
- Investment Strategy Advice
- Compliance and Performance Measurement Services
- Financial Reporting
- Risk Management
- Communications
- Trustee Administration Services

Outlook

The global economy has continued to show moderate but below trend growth since the Fiscal 2008-2009 financial market crisis, while financial markets conditions are generally back to pre-crisis levels. Economic activity is generally expected to advance in 2014 as suggested by a number of recent economic indicators and production data improvements. Employment data continues to recover and consumer spending and confidence data has also been encouraging.

Global Central Banks have continued to provide very accommodative monetary policies and the U.S. Federal Reserve Board has been able to prudently begin to taper their quantitative easing program. The tapering activity has been generally successful in not negatively impacting the economy to date and has been supported by the continued low levels of inflation in most developed market economies.

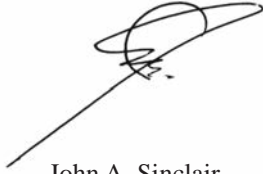
Public equity volatility in developed markets continues to be close to record low levels and bond yields, while remaining at low levels, have generally traded in a fairly stable range. Emerging markets have been impacted in the first quarter of the year due to longer term interest rate concerns and the Russia Ukraine situation.

We expect equity markets to continue to provide favourable returns versus bonds, but most likely at lower levels than witnessed in 2013. We will however continue to closely monitor the impact of the Federal Reserve's tapering activities and the geo-political situation in Eastern Europe. One other ongoing area of potential concern we continue to monitor closely is the declining economic growth rate in China.

As we discussed last year, equity and debt markets remain at very high levels while considerable bidding competition is typical in recent private asset sale processes. These conditions, compounded by market concerns around what looks to be the early stage of central bank monetary policy moderation activities continue to make investment allocation decisions challenging.

Even with the above noted challenges and the changes that we were faced with during the year, we look forward to continuing to work hard in meeting our clients' needs and our fiduciary duties in the year ahead. We also remain confident that we have the strategy, people and processes in place that can continue to help our stakeholders meet their long-term investment goals.

Sincerely,

A handwritten signature in black ink, appearing to read 'John A. Sinclair', with a long horizontal line extending to the left.

John A. Sinclair
President and Chief Executive Officer
Chief Investment Officer

June 30, 2014
Fredericton, New Brunswick

Pension Plan Governance

With the conversion of the *Public Service Superannuation Act* to a shared risk pension plan, that plan is now governed by a **Board of Trustees** comprised of an equal number of representatives of the plan members and the plan employers.

At March 31, 2014, the Province of New Brunswick remains the Plan Sponsor for two legislated pension plans:

- *New Brunswick Teachers' Pension Act* (“Teachers”); and
- *Provincial Court Judges' Pension Act* (“Judges”).

The Plan Sponsor is responsible for pension plan design, which includes setting the levels of contributions and benefits, and benefit administration. The Minister of Finance, as Chair of the Board of Management, is the **Plan Governor and Plan Administrator**.

The day to day administration of these pension plans is assigned to the Pensions and Employee Benefits Division of the Office of Human Resources (OHR) for the Province. OHR is responsible for collection of employee contributions, payment of benefits in accordance with the plan provisions and assisting plan members in understanding their pension entitlements.

Each of the pension plans undergoes a periodic actuarial valuation under the direction of an **Actuarial Valuation Committee**. This Committee is made up of senior level public servants from the Department of Finance, Office of Human Resources and the Office of the Comptroller who are supported by a professionally accredited Actuary. An Actuary is an expert in the mathematics of finance, statistics and risk theory. The Actuarial Valuation Committee approves the actuarial assumptions used for the accounting valuation of the pension plans, used for financial reporting purposes in the Public Accounts.

The **Independent Actuary** is also engaged to provide an actuarial valuation of the pension plan on a going-concern basis (i.e. assumes the plan continues to operate normally) and on a solvency basis (i.e. the plan is assumed to be wound up on the valuation date) in accordance with the standards set by the Canadian Institute of Actuaries. The Independent Actuary obtains current membership data and asset mix information and considers the specific benefits available and contributions required under the plan legislation. The actuarial process involves setting informed assumptions relating to interest rates, inflation, salary increases and longevity. The valuation process determines the long-term funding requirements for each pension plan. The Independent Actuary is responsible for the assumptions used in the actuarial valuation on a going-concern basis and solvency basis.

NBIMC is a Crown corporation established under the *New Brunswick Investment Management Corporation Act* (the “NBIMC Act”) of 1994. NBIMC is primarily responsible for acting as investment manager for the funds under its management and is specifically appointed as Trustee for the pension fund assets of the Teachers’ and Judges’ plans.

As Trustee, NBIMC is responsible for development of an **Investment Policy** that meets the Independent Actuary’s required long-term rate of return and implementing the Investment Policy within a risk-controlled framework. NBIMC uses the specific pension plan cash flow data provided by the Independent Actuary as well as long-term market expectation assumptions to model the risks and returns of potential investment strategies. Assumptions as to economic factors, geopolitical risks and demographic trends are also considered. From this work, NBIMC develops recommendations for an asset mix which are reviewed with the Board of Directors. The Board decides on the appropriate asset mix and delegates to management its implementation.

NBIMC receives the employers’ and employees’ pension contributions collected by OHR and deploys them according to each Pension Fund’s Investment Policy. NBIMC also transfers sufficient funds to OHR to fund the pension benefit payment requirements.

Management's Discussion & Analysis

Management's Discussion & Analysis (MD&A) is provided to enable the reader to interpret the material trends, the results and the financial condition of the pension funds. Key elements of the pension funds' annual financial statements are explained and this MD&A should be read in conjunction with these annual financial statements and related notes.

As well, this MD&A may contain forward-looking statements reflecting management's objectives, outlook and expectations which involve risks and uncertainties. Forward-looking statements are usually preceded by words such as "believe", "expect", "may", "could", "intend", "continue" and "estimate". We caution readers not to place undue reliance on these statements as a number of important factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements.

Pension Assets Under Management

Recent pension reform activities in New Brunswick have resulted in the Public Service Superannuation Plan converting to a shared risk plan pursuant to the *New Brunswick Pension Benefits Act*. Among other changes, the responsibility for the trusteeship of the pension fund assets of that plan has now transferred from NBIMC to the new Public Service Shared Risk Plan (PSSRP) Board of Trustees. The PSSRP Board of Trustees has entered into a renewable investment management agreement with NBIMC for a minimum term of five years.

Going forward, the PSSRP Board of Trustees will make the final decisions on the appropriate investment policy for that plan, subject to specific risk management constraints set out in their Regulations and Funding Policy. NBIMC expects to assist the Trustees with these responsibilities through our investment policy research and risk management advisory capabilities.

NBIMC's Board of Directors remained the Trustee of the Teachers' Pension Fund ("Teachers") and the Judges' Superannuation Fund ("Judges"), although on April 15, 2014 the Province and the New Brunswick Teachers' Association subsequently announced an agreement to implement certain changes to that plan which we understand is expected to take effect on July 1, 2014 and will involve transferring our Trustee responsibilities for the Teachers' to another joint trustee Board.

New Investment Management Relationships

During the year NBIMC entered into two new investment management agreements with other public sector entities, the New Brunswick Power Corporation and University of New Brunswick Endowment Fund, adding approximately \$507 million to assets under management as at March 31, 2014. The addition of these new clients has presented an opportunity for NBIMC to share our locally based investment management expertise with other New Brunswick public sector groups while at the same time providing further cost efficiencies and operational scale to our existing clients.

Each of these clients has invested in various NBIMC Pooled Funds based on their investment objectives and their own Investment Policies for which they are responsible. Separate Pooled Fund performance is provided later in this report.

Pension Fund Asset Mix

The development of the asset mix for each pension fund of which NBIMC is Trustee is highly dependent on the actuarial liability profile of each underlying pension plan. The respective asset mix has been designed to provide annualized long-term returns that will exceed the actuarial return requirement for each plan, with a limited amount of risk.

During the year, NBIMC had received an actuarial valuation for the Teachers' Pension Plan ("TPA") as at April 1, 2012. While management was aware that the TPA was being reviewed as part of the Government's pension reform activities, we conducted a preliminary review of the actuarial material to ensure that the asset mix and Investment Policy for the TPA remained appropriate pending the outcome of the review.

Pension Fund Investment Performance

Our two main objectives, in terms of the investment performance that NBIMC focused on during the year, remained the actuarial return requirements of each pension fund and in adding value through active management strategies.

The first objective is in regards to both the nominal and real return of the funds compared to the actuarial return assumption that had been determined necessary to appropriately fund each of the three defined benefit pension plans (i.e. the PSSA, TPA, and JPF). Our overall nominal return of 13.56% and real return of 12.37% for the fiscal year was well above our nominal and real return actuarial hurdles for the year of 6.60% and 4.00% respectively, but more importantly, remained above their respective actuarial targets over the long term.

Investment returns across most major asset classes were generally positive during the year, however equity markets significantly outperformed other types of investments thanks to the slowly improving economy and continued solid corporate earnings growth. The only asset class that detracted from our overall portfolio performance was our longer term real return bonds as they along with other longer-term interest rate sensitive securities were negatively impacted by concerns about changing central bank interest rate policies.

We are particularly pleased that recent investment policy changes have helped to provide better returns to our investment portfolios. In recent years, we have been reducing our longer-term government debt exposure to other asset classes that we expected to provide similar long-term risk adjusted returns. In particular, we have reduced our real return bond exposure in favour of increased real estate exposure and have reduced nominal bond exposure in favour of low volatility public equities.

The other recent investment policy change that paid off very well during the fiscal year was the funding of a new Corporate Bond portfolio over the past two years from our nominal bond portfolio. As noted above fixed income markets were impacted due to uncertainty around central bank interest rate policy, particularly in the late spring of 2013 as the U.S. Federal Reserve Board begun to outline a path to begin removing their more stimulative policies of recent years. In this type of environment the shorter duration and the additional credit spread gained in the corporate portfolio has provided significantly better returns than the government bonds held in the nominal bond portfolio.

The largest portfolio gains came from both our public and private global developed market equity exposure. The U.S. and EAFE markets provided the largest returns, as the Canadian market's higher exposure to materials and energy held our equity market back due to a combination of the declining growth rate concern in China and the successful development of the domestic energy market in the United States. Returns from our foreign investment exposure also benefited from the decline in value of the Canadian dollar later in the year.

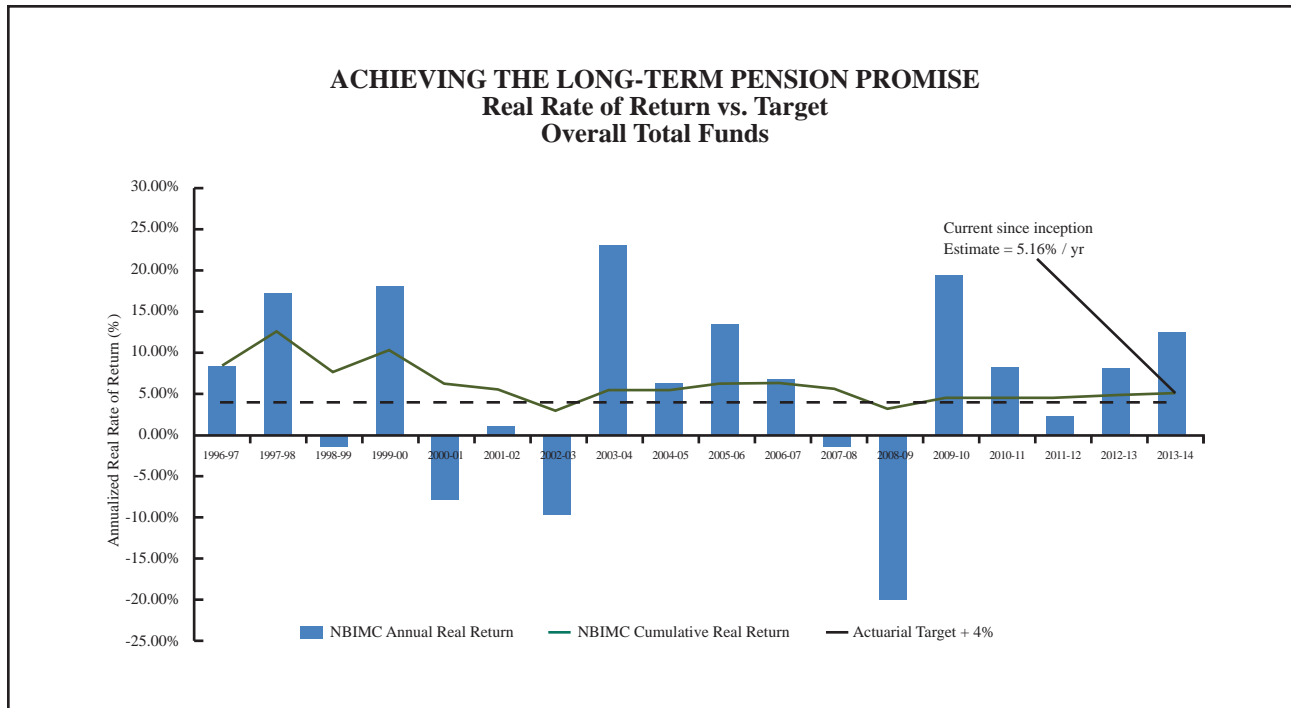
Real estate and infrastructure returns were solid once again during the year as they remained an attractive investment alternative to many investors in the current low interest rate environment.

Fiscal 2013-14 Rates of Return, *calculated in Canadian Dollars*

Aggregated Asset Class	Portfolio Return	Benchmark Return
Fixed Income		
Nominal Bonds	0.68 %	0.25 %
Corporate Bonds	2.23	2.26
Short-Term Assets	1.36	0.99
Public Equity		
Canadian	17.02	15.97
United States	32.58	32.62
International	28.95	27.67
Low Volatility Canadian	17.96	15.97
Low Volatility United States	26.67	32.62
Low Volatility International	21.17	27.67
Inflation Linked Assets		
Real Return Bonds	-5.87	-6.02
Real Estate / Infrastructure	7.77	5.95
Alternative Assets		
Absolute Return	6.59	0.99
Private Equity	27.24	29.13
Total Investment Return for pension fund assets	13.56 %	12.94 %

The **primary performance objective**, as outlined by the plan actuary, was to achieve a long term real return (i.e. return after inflation) objective of at least 4%. This was the most significant hurdle that we measure our performance against and is the primary factor in the security of the pension plan benefits.

As shown in the chart below, we are very pleased to point out that our long-term annualized real return for the pension funds under management since NBIMC's inception is now 5.16% which significantly exceeds this actuarial requirement.



Our **second investment performance objective** is to add value, above our various asset class benchmarks, through active management strategies. This value added, relative to benchmark, is expected to first cover all investment management costs, and subsequently targets an additional 42 basis points (0.42%) per annum to each fund. A basis point is 1/100ths of a percentage.

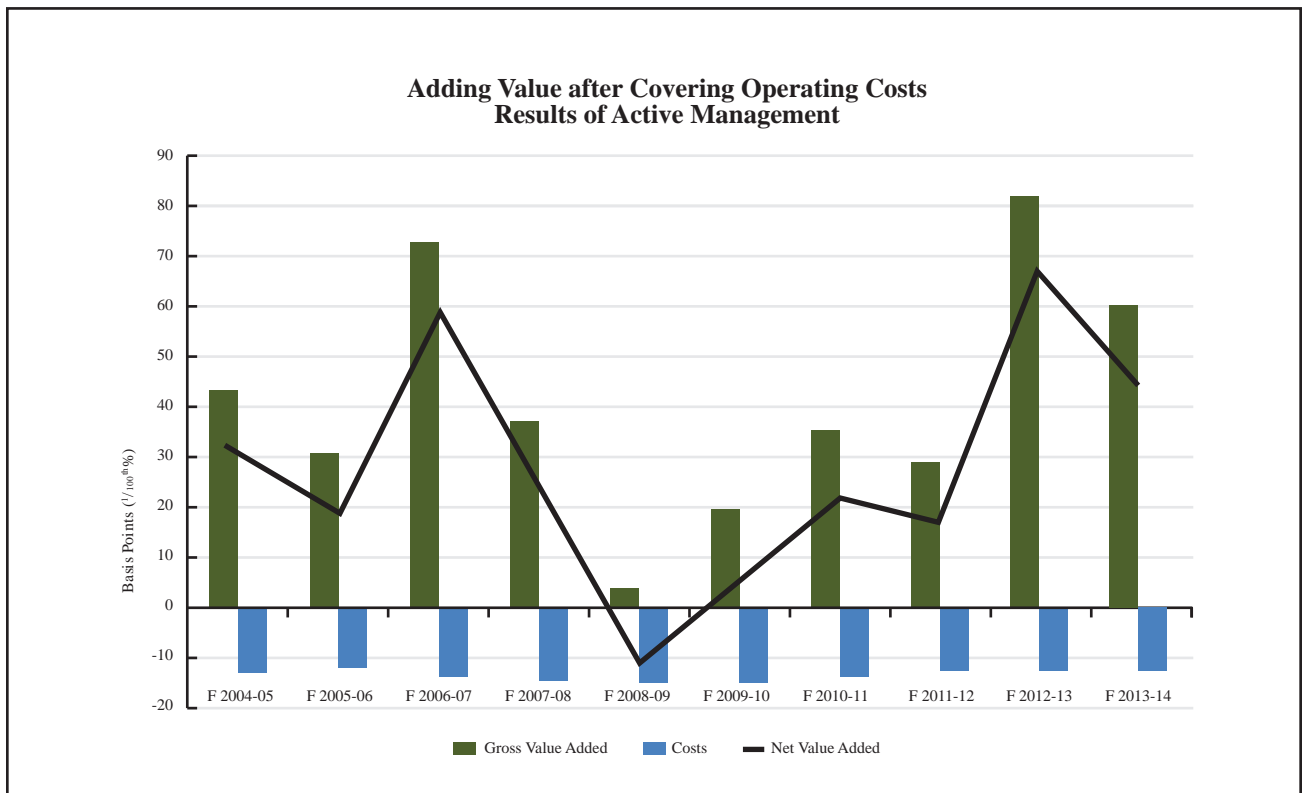
Our active management activities added 61 basis points of gross value and 45.3 basis points of net value, or approximately \$49.2 million, after covering all investment management costs.

Our longer-term four year average annual value added return, net of costs, was approximately 37.9 basis points per annum or approximately \$151 million in additional value over the four year period. The four-year term remains the most significant term used to measure our active management performance and is selected to represent a more consistent longer term measure.

We are very pleased that we were able to achieve additional investment value added in excess of both investment policy benchmarks during the fiscal year and our longer-term four year measurement period. As we noted in last year's Annual Report, we have found that markets have continued to slowly normalize since the financial markets crisis although with short interim periods of volatility. These conditions have allowed us to increase our active investment risk, which has also subsequently led to improved relative performance in more recent years.

Our expectation remains to be that we should be able to deploy active risk levels closer to longer-term target levels as the global economy and financial markets continue to normalize. That being said we will remain vigilant through our risk management processes on making sure that we do not take on an excessive amount of risk if market conditions reverse.

The following chart illustrates both the relative value added and success rate from NBIMC's active management activities over the past ten years. It is broken down in terms of gross value added performance, investment management costs and excess (or net) value added performance.



NBIMC also prepares and presents a Schedule of Composite Performance Results for the pension fund assets under management. This schedule is prepared in compliance with the Global Investment Performance Standards (GIPS®) and is available on our website, www.nbimc.com, when completed.

Total Fund Performance Objectives

The Board of Directors, in an effort to improve the transparency and communication of our investment management activities, developed a series of specific goals and objectives during the 2013-2014 fiscal year in order to provide an overview of the overall performance of our organization.

As noted in the prior section, the two main investment performance objectives that NBIMC focuses on can be summarized as follows:

The **primary investment performance objective** is to achieve a long term real return of at least 4% per annum.

Our **second investment performance objective** is to add value, above the various asset class benchmarks in each pension funds' respective investment policy, through active management strategies. This added value is expected to first cover all investment management costs and subsequently targets an additional 42 basis points (0.42%) per annum to each pension fund over the long term. It is important to note that this target has been selected to represent a first quartile achievement amongst similar investment managers.

NBIMC has also developed a series of other key performance indicators, as **continuous performance objectives**, that correspond to our 2011-2016 Strategic Plan. These indicators have been developed based on discussions and consultations with stakeholders such as the Governor of the pension plans trusted by NBIMC, the Province's Board of Management, staff of Management Board and the Office of Human Resources, various plan member advisory groups, and direct plan member feedback.

The NBIMC Board monitors these indicators on a quarterly basis. They are reported below for the current 2013-2014 fiscal period for total funds under management (i.e. pension and other clients, excluding assets under transition):

Primary Investment Performance Objectives

Objective	Long-Term Targets	F2013-14 Actual	4 Year Annualized	Annualized Since Inception
Real Return (after inflation)	>= 4.00% per annum	12.35%	7.56%	5.23%
Nominal Return	>= 6.60% per annum	13.54%	9.47%	7.23%

Secondary Investment Performance Objective

Objective	Long-Term Target	F2013-14 Actual	4 Year Annualized	Annualized Since Inception
Net Relative Return (after all investment management expenses)	>= 42 bps per annum	45.3 bps	37.9 bps	(0.1) bps

Continuous Performance Efficiency Objectives

Objective	Targets	F2013-14 Actual	4 Year Annualized
Trade-Matching Efficiency:			
Securities Custodian	Industry avg + 2.5%	96.4%	94.1%
Prime Broker #1	Industry avg + 2.5%	98.1%	93.7%
Prime Broker #2	Industry avg + 2.5%	94.8%	93.8%
Industry Average	Per Canadian Capital Markets Association	89.0%	87.7%
Budget Efficiency (excluding performance incentives)	100%	91.6%	89.4%
Absenteeism (%)	<= 2%	2.2%	1.5%
Employee Turnover (#)	<= 3/yr	0	2.25/year
IT System Availability	99%	99.8%	99.8%

Risk Management

NBIMC and the funds that we manage face a number of risks in attempting to fulfill their mandates. Our disciplined risk management focus is a critical part of NBIMC's investment management activities. Risk management is a key element in helping provide stability to both pension plan contributions and benefits, and making sure that our investment management activities do not bring undue risk to our clients' assets. All investment decisions are made in a risk context that not only focuses on the expected returns of our activities but also on the potential gains or losses that could be realized by those activities.

Risk Management - Board Oversight

Although management has the primary responsibility for managing risk, under its terms of reference, the Board of Directors is responsible for understanding the risks and the systems that management has put in place to mitigate and manage those risks. The Board is specifically responsible for the oversight of investment risk. The Board is also responsible for oversight of fiduciary and business strategy risks.

Within the Board structure, the Audit Committee focuses specifically on oversight of financial risks and risks relating to the systems of internal controls and financial reporting as well as fraud risk. The Human Resources and Compensation Committee focuses on risks relating to our employees and work environment. This includes the leadership of the President and CEO, the ability to attract and retain qualified and motivated staff, leadership development and succession plans, and the overall prudence and sound business practices in Human Resource matters. The Governance Committee focuses on the leadership and effectiveness of the Board and the reputation and public image of the Corporation.

Risk Management - Independent Audits

To assist in its oversight of risk management, the Audit Committee has engaged an independent internal audit service provider (a firm external to NBIMC) to conduct reviews and provide advice on the effectiveness of NBIMC's internal controls and processes. Internal audit reports received in the current fiscal year have covered Spreadsheet / End User Computing and Board Reporting. These reviews did not uncover any significant weaknesses; however, they have been helpful in fine-tuning our processes and providing examples of best practices for consideration.

Risk Management - Management Activities

NBIMC has developed an Enterprise Risk Management Framework that can be found on our website at http://nbimc.com/en/about_nbimc/enterprise_risk_management_framework. This Framework identifies three main categories of risk: strategic risk, investment risk and operational risk. The Framework highlights seventeen specific risk elements within these three categories, including a definition of each element, the responsibility for risk oversight and the measures taken by management and the Board to mitigate each risk.

NBIMC uses six internal Management Committees to monitor and address specific issues arising from the Enterprise Risk Management Framework. These committees have cross-functional membership, including management and non-management positions as well as some overlap among the committees, providing a rich opportunity for sharing perspectives and insights:

Enterprise Risk Management Council (ERMC)	<p>In accordance with its Terms of Reference, the ERMC is responsible for reviewing the status of the Enterprise Risk Management Framework on a quarterly basis in advance of presentation of the quarterly risk matrix report to the Board of Directors and advising the President & CEO of areas of emerging risk.</p> <p>In fulfilling this mandate, the ERMC reviews:</p> <ul style="list-style-type: none">• Weekly Capital at Risk and Policy Asset Mix Capital at Risk analyses, including identification of risk proxies;• Asset mix stress testing and back-testing results;• A quarterly Pension Fund liquidity analysis;• Monthly counterparty exposure reports;• Quarterly securities lending compliance reports;• Results from the annual fraud risk assessment; and• Recommendations from independent audit reviews.
Investment Risk Management Committee (IRMC)	<p>In accordance with its Terms of Reference, the IRMC is responsible for the following:</p> <ul style="list-style-type: none">• monitors investment risk measures;• considers risks associated with new investment strategies and products;• proposes procedures to measure and monitor investment risk, subject to the approval of the Chief Investment Officer and within the parameters established by the Board.

Trade Management Oversight Committee (TMOC)	In accordance with its Terms of Reference, the TMOC is responsible for the following: <ul style="list-style-type: none"> • monitors trading policies and practices; • approves broker selection to ensure best trade execution possible; • manages exposure to broker counterparty risk.
Information Technology Risk Management Committee (ITRMC)	In accordance with its Terms of Reference, the ITRMC, which includes an external senior IT executive, is responsible for the following: <ul style="list-style-type: none"> • assists in the development of IT strategy and future direction; • approves new application risk assessments; • monitors adherence to IT policies and processes.
Business Continuity Plan Team (BCP)	In accordance with its Terms of Reference, the BCP is responsible for the following: <ul style="list-style-type: none"> • develops and implements the Business Continuity Plan including disaster recovery; • discusses possible disaster scenarios; • uses passive and active tests to practice response protocols.
Occupational Health & Safety Committee	In accordance with its Terms of Reference, the Occupational Health & Safety Committee is responsible for the following: <ul style="list-style-type: none"> • considers physical environment risks.

Investment Management Costs

One of the most important considerations in assessing investment performance is the cost incurred. Although the industry standard for investment performance is to report gross returns, it is the returns net of costs that contribute to asset growth. Lower costs result in higher comparative net returns and help to maximize the available assets.

Investment management costs are influenced by many factors. Generally, industry cost comparisons prove that it is generally more efficient to manage assets internally than to outsource the investment process to third parties. Also, passive investment strategies – those strategies that are designed to mimic a market index – are less expensive than active strategies which depend on judgment and opportunity to differentiate returns from the benchmark.

The investment management costs to manage the \$11.6 billion of assets under management for the year ended March 31, 2014 consist of the following (in millions of Canadian dollars):

	2014	2013
NBIMC Operational Expenses	\$ 10.1	\$ 8.9
Third Party Service Providers		
Investment counsel fees	6.2	2.8
Securities custody - internally managed	0.7	0.6
- externally managed	—	0.1
Total Investment Management Costs	\$ 17.0	\$ 12.4
Total Assets Under Management (IFRS basis)	\$ 11,620.0	\$ 10,100.0

NBIMC manages approximately 86% of the assets internally using our investment management professionals and technology systems that permit global trading activity from our location in Fredericton, New Brunswick. The costs incurred to manage investment strategies internally, measured over average assets, were 0.115% or 11.5 basis points (bps) for the year ended March 31, 2014 (2013 - 11.4 bps). NBIMC has outsourced approximately 14% of the assets under management where access to the desired investment opportunities or specific strategy expertise is not available internally. The cost of managing investments through our external investment managers, also measured on average assets, was 42.5 bps for the year ended March 31, 2014 (2013 – 20.6 bps). In total, investment management costs were approximately 15.7 basis points of average assets under management during the year, versus 12.7 last year.

The increase in both internal and external costs this year is attributable to the performance incentives earned on higher investment returns. In this way, both NBIMC as internal manager and any third party investment managers are aligned with the performance objectives of our clients.

We benchmark our investment management costs against other peer pension fund managers annually. We continue to compare favourably to publicly available information offered by other public sector peer funds. We also participate in an annual survey of defined benefit pension plans conducted by CEM Benchmarking Inc. Through this benchmarking activity, we conservatively believe that our costs are approximately 25 bps lower than our peers and 35 bps lower than private sector managers. This cost differential means that in the year ended March 31, 2014 the Pension Funds were able to retain over \$26.4 million due to our low cost advantage. This cost advantage has been a cornerstone of our service delivery since our inception eighteen years ago.

In addition to investment management costs, Pension Fund clients incur administrative expenses for costs associated with periodic actuarial valuations, to administer plan member entitlements and pay benefits to plan beneficiaries. These services have been provided through the Province of New Brunswick's Office of Human Resources Pension and Employee Benefits Division. These costs are reported on the Statement of Changes in Net Assets Held in Trust in the accompanying audited financial statements for each Pension Fund.

Future Accounting Policy Changes

Public Sector Accounting Standards

The Public Sector Accounting Standards Board (PSAB) has a number of projects on its current agenda which, when finalized, may have an impact on NBIMC's financial reporting. In particular, the PSAB has current projects examining not-for-profit organizations, revenue recognition standards and accounting for related party transactions, among others. Management continues to monitor progress on these projects.

Compensation Program

Exhibit A

Base Salary

Eligibility	All Staff
Objectives	Reward level of responsibility, expertise, competency and relevant experience

Variable Compensation Program

	Annual Incentive (targets 15% -55% of base salary)		Long-Term Incentive (targets 15% -75% of base salary)
	Short-term	Long-term	Deferred
Eligibility	Investment and research staff and the Chief Financial Officer provided a minimum of six months employment.	Investment and research staff and the Chief Financial Officer provided a minimum of six months employment.	Investment and research staff and the Chief Financial Officer provided a minimum of four years employment.
Objectives	Align eligible employee compensation to team and total fund investment performance with an incentive to achieve sustained asset growth. Strengthen team cooperation. Reward individual performance.	Align eligible employee compensation to team and total fund investment performance with an incentive to achieve sustained asset growth. Strengthen team cooperation.	Align eligible employee compensation to total fund investment performance with an incentive to achieve sustained asset growth. Strengthen team cooperation.
Time horizon	1 year	4 year (prorated)	4 year
Type of program	Cash	Cash	Cash
Performance metric(s)	Total fund return in excess of benchmark, net of investment management expenses. Investment team(s) active return in excess of benchmark. Individual performance versus Board approved pre-determined Annual Business Plan Objectives.	Total fund return in excess of benchmark, net of investment management expenses. Investment team(s) active return in excess of benchmark.	Total fund return in excess of benchmark, net of investment management expenses.
Range: Threshold Target Maximum	Full NBIMC cost recovery 42 bps after costs 84 bps after costs	Full NBIMC cost recovery 42 bps after costs 84 bps after costs	Full NBIMC cost recovery 42 bps after costs 75 bps after costs

Indirect Compensation

	Membership in the Public Service Shared Risk Pension Plan	Employee benefits and post-retirement benefits	Perquisites
Eligibility	Full-time staff.	Full-time staff.	Full-time staff.
Objectives	Encourage long-term retention by rewarding continued service and contributing to post-retirement income.	Provide staff and their families with assistance and security so that they can focus on their professional responsibilities and achieving the corporate mission.	Offers a limited number of benefits to complement total compensation including parking and a health spending account allowance.

Compensation Discussion and Analysis

Compensation Governance

The Board of Directors is responsible for the oversight of NBIMC's compensation principles, policies and programs. The Board approves the compensation program and awards, including the compensation of the President and CEO, based on recommendations made by the Human Resources and Compensation Committee (HRCC).

HRCC Mandate

The HRCC assists the Board in fulfilling its obligations relating to the establishment of policies for compensation of directors and employees, leadership succession planning, and setting of human resource policies and practices.

The Committee is composed of three directors and the Chairperson who acts on the Committee in an ex *officio* capacity. The Committee meets at a minimum three times a year. External human resources consultants may be used to assist the Committee with fulfilling its mandate.

The HRCC's Terms of Reference are available at:

http://nbimc.com/en/governance/corporate_governance/human_resources_and_compensation_committee .

Key responsibilities include:

- Participation in an annual performance appraisal process for the President & CEO, including establishment of measurable goals and objectives, and recommendations for compensation arrangements including performance incentive awards;
- Development of a Compensation Philosophy that articulates principles to follow in approaching compensation decisions that will align with NBIMC's business objectives, operations and risks;
- Oversight of adjustments to competitive compensation ranges, incentive compensation plans, employee benefit plans and operational travel and expense policies;
- Recommendation of changes to the organization's structure, appointment of officers, and amendments to job descriptions as well as any management severance arrangements;
- Consideration of NBIMC's leadership development initiatives and succession plans for key employees;
- Approval of a long range Human Resource Strategic Plan that includes appropriate strategies and policies to attract and retain talented employees; and
- Review of the year-end incentive compensation pool for eligible employees and recommend to the Board for approval.

Independent Advice

The HRCC has retained the help of independent compensation advisors from time to time. The role of the advisor is to periodically review the Total Compensation levels offered to all employees within the context of NBIMC's Compensation Philosophy. This review typically uses a comparator group to represent the marketplace for employee positions. For Investment positions, the comparator group consists of pension funds of similar asset size and investment strategies. Finance and Administration positions are compared to similar positions in the Investment Comparator group, adjusted for regional differences, and to other Atlantic Canada organizations.

NBIMC also participates in and uses compensation surveys conducted by various compensation consultants to ensure that compensation trends are monitored regularly and trends are identified and reported to the HRCC.

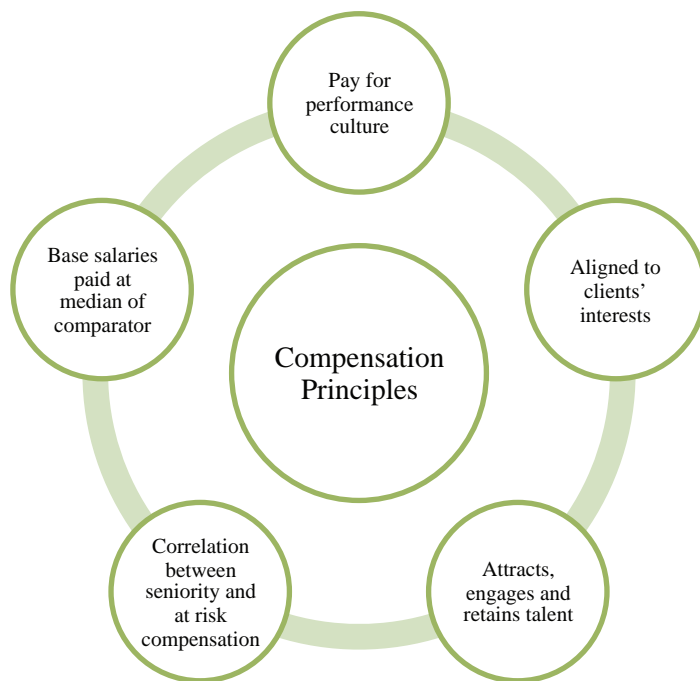
Corporate Compensation Philosophy

NBIMC believes that employees are key to the performance of the Corporation and is committed to providing a positive working environment and competitive compensation. NBIMC also believes that the achievement of its mission will be facilitated by having meaningful alignment between employees' interests and the interests of its clients.

Accordingly, NBIMC has developed a Compensation Philosophy to address the following objectives:

- Provide competitive, performance-based compensation based upon market practices;
- Attract and retain high-quality people;
- Reinforce the strategy, culture and investment policies of NBIMC;
- Promote awareness and attainment of individual, team and corporate strategic objectives;
- Enhance NBIMC's reputation as an employer of choice; and
- Treat employees fairly.

The principles on which this philosophy is based are summarized as follows:



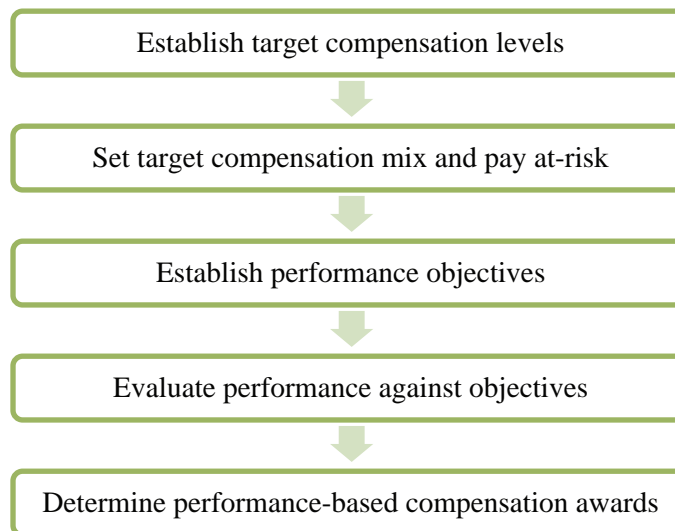
Compensation Risk Management

In 2011, the Board of Directors and the HRCC jointly requested Deloitte & Touche LLP, an independent professional services firm serving as NBIMC's Internal Auditor, to conduct an assessment of the alignment of NBIMC's Compensation Policies and Practices against the Financial Stability Board's (FSB) Principles for Sound Compensation Practices and Implementation Standards. The FSB issued this guidance after the 2008-09 market crisis to encourage global financial institutions to avoid excessive risk-taking by virtue of the design of their compensation programs.

Deloitte's subsequent report acknowledged that the Corporation's compensation policies and practices are consistent with the FSB Principles and Standards. This report was subsequently shared with the Minister of Finance and is available at <http://nbimc.com/uploads/CompAssessment.pdf>.

Compensation Decision-Making

The annual process for determining compensation includes the following steps:



Establish target compensation levels

The HRCC annually reviews the compensation program design and pay levels of its comparator groups to ensure that NBIMC's programs remain competitive. Market information received from various compensation and salary surveys is reviewed as it becomes available. An Independent Compensation Advisor is periodically asked to conduct a Total Compensation Review. Compensation information from public disclosures is also considered.

The HRCC also annually considers whether changes may be required to the NBIMC Incentive Plan for Research Staff, Investment Staff and the Chief Financial Officer.

Set target compensation mix and pay at-risk

Total compensation is a mix of base salary, benefits and, for eligible employees, performance incentives. The mix varies by role and seniority, reflecting the opportunity to influence performance. In determining the mix, market practices are considered and NBIMC's compensation principles, including alignment with clients' interests. A significant portion of the performance incentives are earned over a four year cycle to discourage short-term risk-taking.

Establish performance objectives

Early in the fiscal year, the Board approves an annual business plan designed to support achievement of the Corporation's five year Strategic Plan. This annual business plan contains a balanced mix of financial, investment strategy and operational performance objectives and key initiatives. Each of these performance objectives and key initiatives is then weighted according to its level of importance to the overall Strategic Plan. The President and CEO delegates the key initiatives among the various functional teams based on their specific roles and responsibilities.

Evaluate performance against objectives

The performance of the Corporation is assessed against the objectives that are established early in the fiscal year. Real returns (i.e. after inflation), nominal investment returns and other financial key performance indicators are assessed quantitatively against objectives, while achievement of key business plan initiatives are assessed both quantitatively and qualitatively. The President and CEO recommends to the HRCC the factors to be used in assessing achievement of each element of the annual business plan.

Determine performance based awards

The HRCC is responsible for recommending for board approval the amount of performance incentive compensation to be awarded to the President and CEO and the overall weighted factor based on the evaluations noted above. The President and CEO does not participate in this discussion. The President and CEO in turn reviews performance evaluations for each member of the Incentive Plan and allocates the individual awards based on individual contribution.

Compensation Program

The Compensation Program is outlined in Exhibit A on page 22. The program takes the form of salary and benefits and for certain staff, an annual investment and individual performance-based incentive plan, and a long-term investment-based incentive plan.

The compensation program has been developed by the HRCC with the help of an independent compensation consultant to align with the above Compensation Philosophy. Total compensation levels are periodically benchmarked using independent compensation consultants and against external peer institutional funds or other relevant compensation surveys.

Salary and benefits

Base salary is determined as a range of pay for each job position, after giving recognition to specific job responsibilities. NBIMC provides full-time employees with benefits that include vacation and sick leave entitlement, life and disability insurance, health and dental benefits, and an employee assistance plan.

NBIMC provided a retirement allowance for employees hired prior to September 1, 2011. The retirement allowance had a minimum vesting requirement of five years of service that paid five working days of salary for each full year of continuous employment up to a maximum of one hundred and twenty five working days, calculated on the level of salary at time of retirement or termination without cause. The Board of Directors discontinued this benefit effective April 30, 2013. Accrued benefits owing were paid in the current fiscal year in an amount of approximately \$842,000 (dollars).

Previously all full-time employees were members of the *Public Service Superannuation Act* (PSSA) pension plan. The PSSA provided for a pension upon retirement equal to 1.3% of the annual average of the best five consecutive years of earnings up to the annual average Yearly Maximum Pensionable Earnings (“YMPE”) for the year of retirement and the two preceding years plus 2% of the excess of the annual average of the best five consecutive years of earnings over the annual average YMPE for the year of retirement and two preceding years, multiplied by the years of pensionable service. The plan was integrated with the Canada Pension Plan at age 65 and was indexed for inflation to a maximum of 5%. The plan required a five year vesting period. Benefits earned under the PSSA up to January 1, 2014 have been converted as a provincially guaranteed base benefit under the PSSRP.

Effective January 1, 2014, all full-time employees now participate in the Public Service Shared Risk Plan (PSSRP). The PSSRP provides a pension upon retirement equal to 1.4% of annualized earnings up to the YMPE for each year or part thereof plus 2% of annualized earnings in excess of YMPE. The plan is subject to an early retirement reduction factor if retirement is prior to age 65. Indexing is contingent on PSSRP performance as outlined in the PSSRP Funding Policy.

Annual incentive plan

Full-time Investment and Research employees and the Chief Financial Officer are eligible for an Annual Incentive Plan (AIP) once employed for a minimum of six months.

The AIP is calculated as a percentage of salary, weighted to reflect the role and impact that each eligible employee has on achievement of Corporate Business Plan objectives. The AIP includes components based on quantitative investment performance and individual achievement. Investment performance is measured quantitatively as total fund net value added investment returns on both a one year and four year cumulative basis, compared against an annual target set by the Board. Net value added investment returns represent the gross investment return in excess of the investment policy benchmark returns, after deducting all investment management costs. In previous years, total fund net value added investment returns for AIP purposes excluded private market investments made within the most recent five year period to best represent the long-term nature of the asset class. This adjustment was discontinued in Fiscal 2012-13 for future periods in order to provide better alignment with recent valuation changes in accounting standards and to reflect the more mature nature of NBIMC’s private equity portfolio. The one year investment results have a relatively lower weighting relative to four year results to reinforce the importance of consistency over a longer period and to encourage employee retention.

The AIP also includes a team award for asset class value added returns of actively managed portfolios to promote teamwork within these asset classes. Investment employees are organized into one of three teams focused on asset class: Fixed Income, Equities or Private Markets. The President and CEO, the Chief Financial Officer and Investment Research employees do not participate in the team award due to the overarching focus of their responsibilities.

On the recommendation of the HRCC, the Board also approves an individual incentive component determined by comparing achievement of annual business plan targets established annually as part of the corporate strategic planning process. The overall individual component is then allocated by management based on team and individual contributions to the business plan achievements.

Long-term incentive plan

NBIMC also has a long-term incentive plan (LTIP) for Investment and Research staff and the Chief Financial Officer provided they have a minimum of four years of employment with NBIMC. The LTIP is designed to reinforce the alignment of employee interests with long-term investment performance objectives and corporate strategy and assist in attracting and retaining key personnel. The LTIP is based on total fund investment performance in excess of Board-approved investment policy benchmark returns measured over a retroactive period of four consecutive fiscal years.

Impact of Performance Results for Fiscal 2013-14

NBIMCs' investment program had a successful year in Fiscal 2013-14 as measured by a number of annual and longer term four year investment performance metrics:

- NBIMC's total fund **real return** (after adjusting for inflation) was 12.3% during Fiscal 2013-14. This return, along with the annualized 7.5% four-year, and 5.2% since inception real returns continue to remain well in excess of the long-term 4% per annum real return requirement that has been set out by the Board of Directors.
- The total fund **nominal return** in Fiscal 2013-14 was 13.5% and represents \$1.4 billion in gross earnings from the overall investment program during the year. The longer-term four-year annualized return to the end of the period was 9.5%, which represented a cumulative \$3.6 billion of investment earnings.
- **Relative returns (net of all expenses)** were 0.45% higher than the overall Investment Policy benchmarks during the year. These excess investment returns resulted in an additional \$49.2 million of active investment earnings during the year, and have resulted in a total of \$150.6 million of additional returns over a four-year period.

Compensation, excluding Directors' remuneration (see page 33), for the fiscal year consists of:

<i>(in thousands of Canadian dollars)</i>	F2014	F2013
Salaries and benefits	\$ 5,226.9	\$ 4,574.4
Performance incentives:		
AIP – net investment relative performance	\$ 338.9	\$ 564.8
AIP - individual performance	764.8	345.3
Total AIP	1,103.7	910.1
LTIP	1,090.9	818.7
Total performance incentives	\$ 2,194.6	\$ 1,728.8

Base Salaries and Benefits

For the year ended March 31, 2014, and after consideration of the continuing low inflation environment, the Board approved a 1.9% overall base salary increase. The Board also approved the addition of one permanent full-time equivalent position to add an Investment Associate to the Private Markets team. This position was required to address the planned future growth in exposure to that asset class.

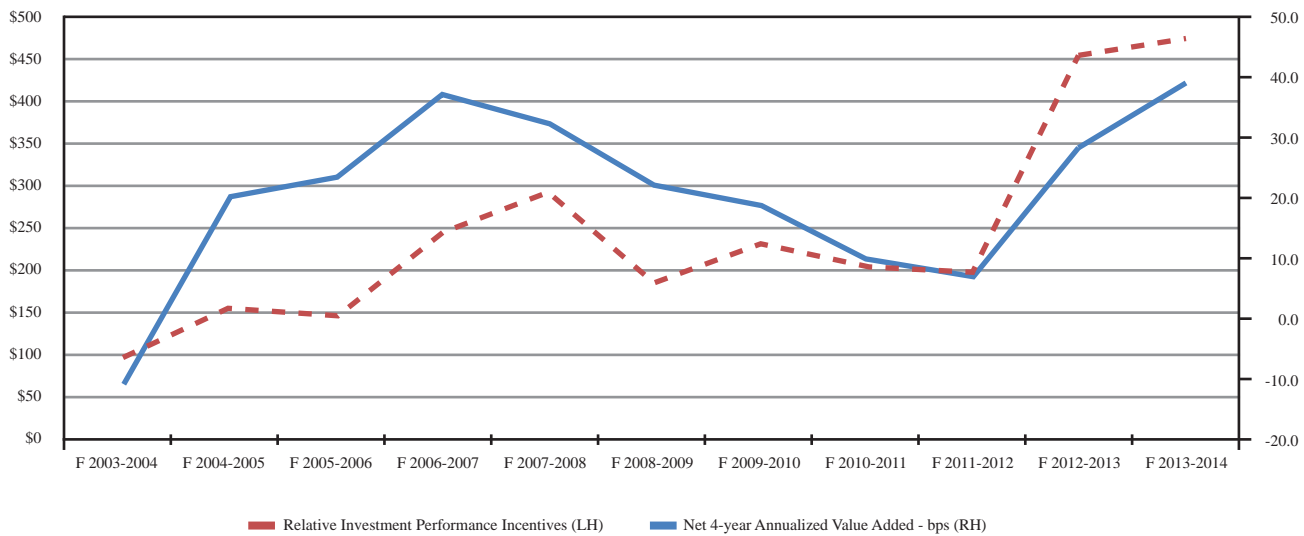
Specific compensation information for the organization is published annually on a calendar year basis by the Office of the Comptroller for the Province of New Brunswick in the Public Accounts.

Compensation Linked to Investment Performance

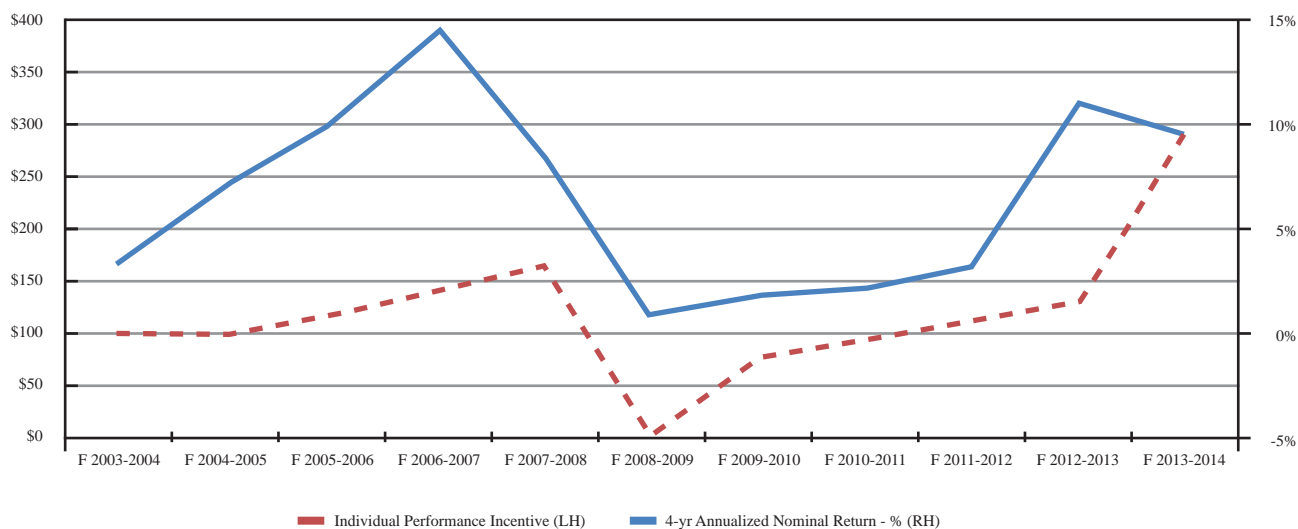
The objective of performance-based compensation is to encourage alignment of employee interests with those of clients, including an appropriate balance between maximizing long-term returns and minimizing risks. Investment performance with respect to incentive compensation can be summarized into two categories: (i) long-term net relative investment returns versus benchmarks, and (ii) long-term nominal total fund portfolio returns and other business plan achievements.

The following charts compare the respective incentive compensation payments awarded over time for each of these two categories, commencing with a base value of \$100. The resulting graphical correlation indicates a relatively strong relationship between actual incentive compensation and investment performance as is intended in the design of the incentive plan.

i) Long-Term Net Relative Investment Returns versus Benchmarks:



ii) Long-Term Nominal Total Fund Returns:



Annual Incentive Plan (AIP) Overview

The AIP component of \$1,103.7 consists of both an investment performance component and a business plan achievement component.

The **AIP related to the investment performance** component was \$338.9. One quarter of this component is based on the one year net value added result and the remainder is based on the four year annualized net value added. The one year net value added result was 45.3 bps, and the four year annualized net value added result was 37.9 bps. A basis point is 1/100th of one percent.

A summary table of prior period one year value added results used to determine the current four-year cumulative net value added AIP result is as follows:

	One Year	
	Net Value Added (bps)	Percentage of Target (%)
2010-11	21.7	51.7
2011-12	16.8	39.9
2012-13	68.6	163.2
2013-14	45.3	108.1
Annualized Four Year	37.9	90.2

The **AIP related to business plan achievements** is \$764.8 for the year ended March 31, 2014. This component is based on an achievement factor of 1.64 times overall target approved by the Board of Directors, compared to an achievement factor of 1.45 for the year ended March 31, 2013.

The individual component of the AIP is based on business plan accomplishments. The annual business plan includes both key performance indicators and specific action plans and initiatives focused on the five key goals in the Corporate Mission (see page 2). A specific weighting for each key goal is determined by the Board at the beginning of each year. The weighting reflects the Board's direction to management for prioritization of its efforts to implement the business plan.

Achievement of the 4% long-term real return (after adjusting for inflation) required by the Independent Actuary of the defined benefit pension plans in a risk-controlled fashion was NBIMC's primary investment performance objective for Fiscal 2013-14 and accounts for the largest weighting proportion. As noted above, the overall total fund real return was 12.35% in Fiscal 2013-14, an annualized 7.56% on a four-year basis, and most importantly 5.23% per annum since NBIMC's inception in 1996.

Key Goals	F2014 Weighting	Achievement
To advance governance, management and organizational effectiveness.	25%	Above expectations
To exceed client long-term investment objectives through prudent asset allocation and risk management strategies.	45%	Above expectations
To maintain, develop, and attract a highly skilled and experienced team of investment management professionals.	10%	Above expectations
To strengthen and expand stakeholder communications and relationships.	10%	Above expectations
To support effective and efficient information technology solutions.	10%	At expectations

In establishing the achievement factor, the Board considered the achievement of key performance indicators associated with each of the five key goals (see preceding page) as well as the following accomplishments:

Key Goals	Fiscal 2013-14 Business Plan Accomplishments
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To advance governance, management and organizational effectiveness.	<ul style="list-style-type: none"> Effectively responded to the changes brought about through Government's Bill 11 <i>An Act Respecting Pensions under the Public Service Superannuation Act</i> and its' related directions. Successfully negotiated a five-year agreement to provide institutional investment expertise to the Public Service Shared Risk Plan Board of Trustees upon transition of NBIMC's role as trustee and investment manager of the predecessor plan's pension assets. Actively participated in the Government's Pension Governance Working Group that was set-up to consider future enhancements to the governance practices resulting from the adoption of shared risk pension plan models by the Province. Completed the implementation of all recommendations arising from the KPA Advisory Services' 2012 report to the Minister on NBIMC's performance. Successfully negotiated investment management agreements with two new clients, transitioning an additional \$507 million of assets under management by March 31, 2014 and a further \$10 million in Fiscal 2014-15. Conducted an orientation session for one new director during the year. Developed and presented an in-depth review of risks for the annual Board Education Day in September, including completion of an Internal Control Report to map key internal controls to the risks faced by NBIMC. Released Letter of Performance Objectives on website and reported on progress in F2012-13 Annual Report and at the Crown Corporations Committee of the Legislature. Continued to meet or exceed key Performance Objectives during the fiscal year.
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Key Goals	Fiscal 2013-14 Business Plan Accomplishments
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To exceed client long-term investment objectives through prudent asset allocation and risk management strategies.
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| <ul style="list-style-type: none">• Successfully generated long-term investment returns well in excess of pre-established targets in a risk-controlled fashion.• Participated in a number of comparator asset class modeling exercises, at the request of the Minister and the NB Pension Task Force, with two actuarial consulting firms as they tested asset mix recommendations arising from their shared risk plan design models.• Commenced development of an internal model, including dynamic liability profiles, for shared risk plans to enable us to provide asset mix design assistance to the PSSRP Board of Trustees• Conducted significant research, and developed professional contacts for future collaboration, with respect to target benefit pension plans• Conducted research on structural, legal and tax requirements associated with expanding direct real estate and infrastructure activities on a global basis.• Completed research into and monitored a test portfolio of low volatility emerging markets equity public securities. This also included the completion of a significant documentation and registration effort to open foreign jurisdiction accounts for future trading.• Seeded the new NBIMC Canadian Long-Term Bond Fund to augment the selection of fixed income investment strategies available to clients. |
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To maintain, develop, and attract a highly-skilled and experienced team of investment management professionals.
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| <ul style="list-style-type: none">• Finalized the implementation of F2013-14 Board-approved Compensation Plan changes.• Presented an update to NBIMC's Human Resources Strategic Plan which was subsequently approved by the Human Resources and Compensation Committee. This included refreshing NBIMC's management succession plan.• Conducted the biennial Workplace Environment Survey to measure employee satisfaction and Leadership Surveys to provide employee feedback on leadership effectiveness. |
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To strengthen and expand stakeholder communications and relationships.

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| <ul style="list-style-type: none">• Conducted a number of stakeholder engagements throughout the year with respect to NBIMC's ongoing investment performance and to address potential future impacts from Government's pension reform activities.• Met with the senior management team at the NB Financial and Consumer Services Commission to ensure pension reform developments affecting NBIMC's investment management role and pending new client arrangements were appropriately communicated to this important regulatory stakeholder.• Ongoing communications activities with the Province relating to implementation of shared risk pension model. This included meetings with Board of Management, Minister and Department of Finance, and the NB Pension Task Force. |
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To support effective and efficient information technology solutions.

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| <ul style="list-style-type: none">• Implemented an enhanced investment performance and attribution system.• Completed testing of all applications for compatibility with Office 2010.• Upgraded all server equipment for both main and back-up facilities ensuring continued system redundancy.• Had both an annual network security assessment and a wireless security assessment conducted by independent IT consultants. Implemented a two-factor authentication process to improve security for all mobile equipment.• Released a version, scalable for new clients, of the internally developed application that produces the daily internal management report used by the investment team professionals.• Exceeded the Performance Objective target of 99% IT systems availability. |
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Long-Term Incentive Plan (LTIP) Overview

The LTIP component is \$1,090.9 for the year ended March 31, 2014. One quarter of this component is based on the one-year net value added result and the remainder is based on the four year annualized net value added. The one-year net value added result was 45.3 bps, and the four year annualized net value added result was 46.9 bps.

Four-year LTIP results differ from the four-year AIP results in Fiscal 2010-11 and 2011-12 due to the previously discussed private equity adjustment in those years.

A summary table of the one year value added results used to determine the four-year cumulative net value added LTIP result is as follows:

	One Year	
	Net Value Added (bps)	Percentage of Target (%)
2010-11	32.5	77.4
2011-12	41.2	98.0
2012-13	68.6	163.2
2013-14	45.3	108.1
Annualized Four Year	46.9	111.7

Directors' Remuneration

Directors' remuneration is established in NBIMC's By-Laws and includes an annual retainer for the Chairperson and a per diem allowance for meeting attendance and preparation time. Directors who are *ex-officio* are not paid. Directors who travel to attend meetings receive a reimbursement for reasonable accommodation costs, and other out of pocket expenses as well as an automobile expense reimbursement based on the number of kilometers traveled.

The cost of the Board function, including per diems, director orientation and Board education, for the year ended March 31, 2014 was \$87.3 (March 31, 2013 - \$132.9) plus travel and accommodation reimbursements of \$16.3 (March 31, 2013 - \$13.8).

Corporate Governance

As a Crown corporation, NBIMC is accountable to the Crown Corporations Committee of the Legislative Assembly. NBIMC most recently appeared before the Crown Corporations Committee at their invitation in October 2013 to present and discuss our objectives and performance results for the fiscal years 2011-2012 and 2012-2013.

The selection process and duties of the NBIMC Board of Directors are outlined in the *NBIMC Act*. Governance of the organization is the primary consideration of the Board which acts solely in a fiduciary capacity as investment manager and as Trustee for certain of the funds under management. Board members do not represent any specific stakeholder interest. The Board ensures that all of NBIMC's transactions are conducted on a purely commercial basis, and that decisions and actions are based on sound business practices.

The Board is responsible for the stewardship and strategic direction of NBIMC and its investments. Its duties include establishment of the corporate mission, vision and values, maintaining an effective relationship with the President, and oversight of the business planning process, financial position and results, risk management, internal controls and information systems, human resources, communications and stakeholder relations. To ensure its on-going effectiveness, the Board performs a biennial self-assessment against these responsibilities.



The Board is assisted in its endeavors by the efforts of three Committees: the Audit Committee, the Human Resources and Compensation Committee and the Governance Committee, whose reports follow. Day-to-day management of NBIMC is delegated to the Chief Executive Officer, while investment-related matters are delegated to the Chief Investment Officer.

Additional information about our corporate governance practices is available on our website at www.nbimc.com. This includes: our governing statutes, Board composition, Board and Committee Terms of Reference, Nomination Guidelines, Director Orientation and Education Policy and Code of Ethics and Business Conduct.

Board Attendance

Board members are expected to attend the board meetings and meetings of committees of which they are a member. The following table provides the number of meetings held and attendance by each of the appointed directors in Fiscal 2013-14:

Appointed Director ¹	Board	Audit Committee	Governance Committee	Human Resources & Compensation Committee
Michael Walton	5/6	3/4	3/4	4/4
Wiktor Askanas	6/6	4/4	2/2	4/4
Joel Attis ³	2/2	n/a	1/1	1/2
Patricia LeBlanc-Bird ²	5/5	2/3	n/a	n/a
Ronald Maloney	6/6	n/a	n/a	3/4
Cathy Rignanesi	6/6	4/4	4/4	n/a
Richard Speight	6/6	n/a	4/4	n/a
Reno Thériault	6/6	n/a	2/2	4/4

¹ The Board of Directors also includes three ex-officio members: the President & CEO of NBIMC, the Deputy Minister of Finance (non-voting), and the Vice-President of Finance of New Brunswick Power Corporation.

² appointed May 1, 2013.

³ term expired August 2013.

The Director Orientation Program assists new directors in understanding the mandate and stakeholders of NBIMC. A significant focus of the initial new director orientation is to explain the roles and responsibilities of the Board and the Board committees. It also outlines NBIMC's organizational structure, introduces the senior leadership team, and provides a primer on the pension and investment industries.

On-going director education includes exposure to relevant news and articles of interest as well as a program of educational sessions. Structured education sessions included: a comprehensive full day review of the Corporation's Enterprise Risk Management Framework including a risk determination exercise, periodic updates on the activities of the Government's Pension Task Force specific to NBIMC, and a review of the final PSSRP funding policy and risk management tests and its' implications on Investment Policy development.

Major decisions made by the Board during the year, in addition to the matters referred to it by the Board Committees (*see Committee reports following*) included:

- Approval of the decision to add a Canadian long-term bond strategy to the current Pooled Fund structure, together with consequent changes to the Investment Policy Statements for the Pooled Funds;
- Reviewed and executed an Agreement to Transfer Trust Assets and Indemnity with the Province to effect the transfer of trustee responsibilities for the PSSF to a newly constituted Board of Trustees upon conversion of the PSSA to a shared risk plan;
- Approval of the Fiscal 2013-14 Annual Business Plan;
- Approval of the Fiscal 2014-15 Annual Budget.

Board Committee Reports

Report of the Audit Committee

The Audit Committee oversees the financial affairs of NBIMC and the funds under management, including the selection of accounting policies to be followed in the preparation of financial statements, the systems of internal control and management information, financial risks, and the relationships with the external and internal auditors.

Management is responsible for the preparation of the financial statements and for maintaining appropriate accounting policies, processes, procedures and systems of internal control to ensure compliance with accounting standards and applicable laws and regulations. The external auditor is responsible for planning and carrying out an audit of the annual financial statements.

The Committee assesses its effectiveness annually to ensure that it has fulfilled its responsibilities as set out in its Terms of Reference.

Fiscal 2013-14 Highlights

In accordance with its Terms of Reference, the Committee accomplished, among other things, the following in or relating to Fiscal 2013-14:

- Reviewed the annual audited financial statements for the Teachers' and Judges' Pension Funds, the NBIMC Unit Trust Funds and NBIMC for the year ended March 31, 2014 and recommended their approval by the Board;
- Reviewed the Schedules of Composite Performance in accordance with Global Investment Performance Standards for the year ended March 31, 2014 and recommended their approval by the Board;
- Received the draft Annual Report material for the year ended March 31, 2014 and approved the financial content and earnings press release;
- Reviewed the quarterly unaudited financial statements for internal use for the Pension Funds, Unit Trust Funds and NBIMC together with management's certifications regarding changes in accounting policies, significant accounting estimates, errors, material weaknesses in internal controls over financial reporting, fraud or illegal acts and subsequent events;
- Reviewed the mid-year financial press release and recommended its approval by the Board;
- Received the audited financial statements for the year ended March 31, 2013 for a wholly-owned subsidiary of the NBIMC Canadian Real Estate Fund;
- Reviewed quarterly status reports from management concerning the conversion of financial reporting for the Pension Funds and Unit Trust Funds to International Financial Reporting Standards, including decision to early adopt IFRS upon the resumption of an external audit of the unit trust fund financial statements;
- Approved the External Auditor's engagement, audit plan, timing, staffing and fees for the year ended March 31, 2014 and pre-approved all non-audit, tax or other services to be performed by the External Auditor in accordance with the Audit Committee's Pre-Approval Policy for Audit and Non-Audit Services;
- Reviewed the External Auditor's Audit Findings Report for the year ended March 31, 2014 and obtained confirmation of the External Auditor's independence;
- With the assistance of the Committee members and the Finance staff, conducted an assessment of the Quality of the External Audit and met with the External Auditor to review the results of this assessment;
- Approved the Internal Auditor's annual plan and budget for the upcoming year ending March 31, 2015;

- Received the Internal Audit recommendations and management's responses for two internal audits: the Spreadsheet / End User Computing and Board Reporting Reviews;
- Reviewed the September 2013 Follow-Up Report from the Internal Auditor concerning management's responses to previous internal audit recommendations;
- Each quarter met *in-camera* with each of the External Auditor, the Internal Auditor and management;
- Monitored key performance indicators for management related to timely resolution of all external and internal audit recommendations;
- Following a comprehensive Board-level review of inherent risks facing the Corporation, assisted in the determination of residual risks after consideration of key internal controls;
- Completed an annual review of the Enterprise Risk Management Framework;
- Reviewed a quarterly risk coverage chart highlighting independent reviews of risk areas in order to ensure appropriate focus on key risks;
- Reviewed a quarterly risk matrix showing trends in key risk areas;
- Reviewed management's reporting of their annual fraud risk assessment;
- Received an update to the Five Year IT Strategic Plan and status report;
- Completed a review of the Valuation Policies for investment securities and agreed with management's recommendation to change the unit trust funds' accounting policy for measurement of financial instruments from using bid/ask prices to market close pricing to better align with the Trust Declaration provisions for purchases and redemptions of units;
- Received quarterly reporting of legal and regulatory compliance;
- Received a quarterly status report of class action litigation in which NBIMC has participated;
- Reviewed the insurance coverage of significant business risks and uncertainties;
- Completed an annual review of the Committee's terms of reference, accomplishments for the year ended March 31, 2014 and set objectives for the upcoming fiscal year.

This report has been approved by the members of the Audit Committee.

C. Rignanesi (Chair), W. Askanas, P. LeBlanc-Bird, D. Murphy, M. Walton (*ex-officio*).

Report of the Governance Committee

The Governance Committee annually reviews the terms of reference for the Board and each committee, all Board policies and the Nomination Guidelines for new directors to ensure that they continue to meet evolving corporate governance best practices. They also oversee the Director Orientation and Education programs and the Code of Ethics and Business Conduct. The biennial Board self-assessment process is facilitated by the Governance Committee.

The Committee assesses its effectiveness annually to ensure that it has fulfilled its responsibilities as set out in its Terms of Reference.

Fiscal 2013-14 Highlights

In accordance with its Terms of Reference, the Committee accomplished, among other things, the following in Fiscal 2013-14:

- Established Board Goals for Fiscal 2013-14;
- Recommended the appointment of a new director to the Audit Committee and a new chairperson for the Human Resources & Compensation Committee;
- Reviewed the Director Orientation and Education program and Fiscal 2013-14 Board education plan;
- Reviewed quarterly compliance with the Code of Ethics and Business Conduct;
- Received a quarterly status report of progress made in addressing the Board Governance Improvement Objectives arising out of the 2011 Board and Committee self-assessment process;
- Conducted a review of the governance of related party subsidiaries and holding companies and compared against peer investment entity practices;
- Reviewed quarterly status reports of progress made at addressing the recommendations from an external review of NBIMC's performance as reported to the Minister of Finance in connection with government's structural review process;
- Conducted an annual review of the Governance Committee's mandate and effectiveness;
- Received a presentation on Bill-60 *Accountability and Continuous Improvement Act*;
- Reviewed and approved a new format for Investment Team Board reporting;
- Monitored publicly available information concerning efforts by the Public Sector Pension Task Force to introduce a shared risk pension model in New Brunswick;
- Created an Ad Hoc Special Committee on Pension Reform to address matters arising from the planned conversion of the PSSA to a shared risk plan. The Ad Hoc Committee provided an initial transition plan to the Minister for transferring trustee responsibilities, and reviewed a new investment management agreement;
- Reviewed the Communications Strategy including public policy;
- Received a discussion paper on potential evolution of pension services following conversion of defined benefit plans to shared risk plans.
- Reviewed the annual confirmation of the Code of Ethics and Business Conduct at March 31, 2014 for employees and directors;
- Sponsored an annual review sign-off procedure for the Enterprise Risk Management Framework;
- Reviewed Director compensation and a summary of expense claims for each Director and the President and CEO for the year ended March 31, 2014; and
- Reviewed the draft Plan and Corporate Governance disclosure for the Fiscal 2013-14 Annual Report and recommended its approval by the Board.

This report has been approved by the members of the Governance Committee.

R. Speight (Chair), W. Askanas, J. Garbutt (*ex-officio*), C. Rignanesi, R. Thériault, M. Walton (*ex-officio*)

Report of the Human Resources & Compensation Committee

The Human Resources and Compensation Committee annually conducts a performance appraisal for the President and CEO. It also oversees changes to the Compensation Philosophy, compensation and benefits, incentive plans and organizational structure as well as monitors management's compliance with employment-related regulatory and legislative matters.

The Committee assesses its effectiveness annually to ensure that it has fulfilled its responsibilities as set out in its Terms of Reference.

Fiscal 2013-14 Highlights

In accordance with its Terms of Reference, the Committee accomplished, among other things, the following in Fiscal 2013-14:

- Reviewed the Committee's Terms of Reference Business;
 - Set the Committee's objectives for Fiscal 2013-14 and reviewed subsequent achievements;
 - Recommended to the Board a change to the Incentive Plan target for private equity and absolute return strategies to 3.5% from 5.0% commencing in the fiscal year 2014-15;
 - Reviewed the individual business plan weightings of the NBIMC Fiscal 2013-14 Annual Business Plan and recommended their approval by the Board;
 - Reviewed the Succession Plans for the President & CEO and senior management positions and recommended approval by the Board;
 - Reviewed the Annual Compensation Report, including comparisons to various compensation surveys conducted by independent consultants;
 - Upon reviewing the Board Compensation Policy of a one day preparation per diem, recommended to the Board that the volume of material required to be reviewed by the Audit Committee warranted two days of preparation;
 - Reviewed the organizational structure and recommended its approval by the Board;
 - Reviewed the Human Resources Strategic Plan and recommended its approval by the Board;
 - Reviewed the Travel Expense Policy and recommended approval by the Board;
 - Received quarterly certification from management as to regulatory compliance with various legislative requirements;
 - Reviewed Fiscal 2013-14 corporate results versus the Annual Business Plan and recommended approval by the Board of the individual incentive performance award;
 - Reviewed and approved the performance of the President and CEO against annual targets;
 - Reviewed the overall Incentive Compensation Pool for Fiscal 2013-14; and
 - Reviewed the Compensation Discussion and Analysis section of the Fiscal 2013-14 Annual Report and recommended its approval by the Board.
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This report has been approved by the members of the Human Resources & Compensation Committee.

R. Thériault (Chair), W. Askanas, R. Maloney, M. Walton (*ex-officio*)

Employee Activity in our Communities

NBIMC Management and staff continued to be very active with a number of important causes in both our local and the larger national community. These efforts can vary from volunteering time, sharing professional expertise, or the donation of personal financial resources.

Local Charitable Causes

During the year, staff continued to exceed their target contribution level for the annual corporate United Way campaign, while at the same time provided an average of over 45 hours per volunteer to 41 non-profit organizations. Three additional charitable causes were also supported through other internal corporate fund-raising initiatives.

Of particular note, NBIMC recognized four individuals: Mr. M. Hunter, Mr. M. MacPherson, Mr. S. Bishop and Mr. T. McBride as our “Volunteer of the Year” for the significant contributions that they have made to our community. We were also pleased to recognize our corporate teams this year: “Bowl for Kids Sake” team (Big Brothers and Big Sisters) and the “CIBC Run for the Cure” Team.

A nominal donation to each of their causes was made in thanks.

Investment Industry Relationships

NBIMC’s investment professionals are recognized nationally as a constructive resource with respect to investment industry related Board or Executive Committee participation. The following list outlines a number of relationships in which NBIMC management has actively participated in this type of capacity during the fiscal year:

- Pension Investment Association of Canada (PIAC)
- Canadian Coalition of Good Governance (CCGG)
- S&P/TSX Canada Index Committee
- CFA Society Atlantic Canada
- University of New Brunswick Investments Committee
- Université de Moncton – Comité de placements
- Fredericton Community Foundation Investment Committee

Communications and Accountability

As a Crown Corporation, NBIMC is accountable to the Legislature of the Province of New Brunswick through the Crown Corporations Committee of the Legislature.

As the investment manager and trustee of the pension funds, NBIMC reports to the Plan Governor, the Minister of Finance as the Chair of the Board of Management, via this Annual Report, as well as an annual budget presentation and quarterly performance reports.

As the investment manager for certain other public sector funds, NBIMC reports those funds' investment performance regularly to their governing bodies.

NBIMC also reports to a number of stakeholder groups at least annually through the following means:

- PSSRP Board of Trustees
- NBTA / AEFNB Pension Committee
- NB Teachers Federation
- TPA Echo Newsletters (jointly with the Office of Human Resources)
- Annual and semi-annual press releases on financial results
- <http://www.nbimc.com>

Public Interest Disclosure Act

As required under Section 18 – Report about disclosures of the *Public Interest Disclosure Act*, we hereby report that for Fiscal 2013-14:

- there were no disclosures received or enacted upon,
- no investigations were therefore commenced due to disclosure receipt,
- no claims had been referred from the Commissioner under section 23, and
- no investigations were therefore commenced due to a referral receipt.

Unit Trust Fund Performance

The specific performance of each NBIMC unit trust fund and its respective benchmark return for the period indicated to March 31, 2014 is outlined in the table below.

Unit Trust Fund	1 Yr %	2 Yrs %	3 Yrs %	4 Yrs %	5 Yrs %	10 Yrs %	Since Inception ¹ %
NBIMC Nominal Bond Fund	0.65	2.38	4.82	4.97	4.81	5.22	5.78
Benchmark	0.25	2.04	4.58	4.70	4.08	4.90	5.62
NBIMC Corporate Bond Fund	2.21	4.24					4.79
Benchmark	2.26	4.27					4.42
NBIMC Canadian Long-Term Bond Fund							0.62
Benchmark							1.14
NBIMC New Brunswick Fixed Income Opportunity Fund	1.15	3.02	5.12	5.45	4.66	6.00	6.83
Benchmark	0.25	2.04	4.58	4.70	4.08	4.90	5.62
NBIMC Money Market Fund	1.35	1.41	1.39	1.32	1.33	2.37	3.10
Benchmark	1.00	1.01	0.99	0.93	0.81	2.02	2.79
NBIMC Student Investment Fund	8.44	6.83	4.00	5.89	8.67	7.23	7.43
Benchmark	7.93	6.60	4.07	5.77	8.24	6.79	7.16
NBIMC Canadian Equity Index Fund	16.29	11.65	4.12	7.68	13.55	8.85	6.92
Benchmark	15.97	10.93	3.55	7.53	13.71	8.29	6.58
NBIMC Low Volatility Canadian Equity Fund	17.96						16.80
Benchmark	15.97						12.54
NBIMC External Canadian Equity Fund	18.87	12.62	5.27	8.65	14.77	9.49	11.85
Benchmark	15.97	10.93	3.55	7.53	13.71	8.29	10.69
NBIMC S&P/TSX Completion Index Fund	17.81	10.66	3.78	9.71	18.61	7.61	7.59
Benchmark	16.57	10.31	3.58	9.61	18.54	6.83	7.79
NBIMC Canadian Equity Active Long Strategy Fund	16.51	11.24	3.23	7.06	13.17		3.06
Benchmark	15.97	10.93	3.55	7.53	13.71		3.35
NBIMC External International Equity Fund	34.17	24.26	13.90	12.76	14.83		4.54
Benchmark	27.67	20.18	11.83	10.31	13.01		3.22
NBIMC EAFE Equity Index Fund	27.66	20.28	11.99	10.49	13.13		3.60
Benchmark	27.67	20.18	11.83	10.31	13.01		3.22
NBIMC Low Volatility International Equity Fund	21.17	19.88					19.93
Benchmark	27.67	20.18					21.15
NBIMC U.S. Equity Index Fund	32.40	23.81	19.67	17.33	17.95		9.51
Benchmark	32.62	23.95	19.68	17.36	18.02		9.65

Unit Trust Fund	1 Yr %	2 Yrs %	3 Yrs %	4 Yrs %	5 Yrs %	10 Yrs %	Since Inception¹ %
NBIMC Low Volatility U.S. Equity Fund	26.67	24.65					23.72
Benchmark	32.62	23.95					25.06
NBIMC Inflation Linked Securities Fund	(5.90)	(1.86)	3.83	5.53	6.81	6.12	7.87
Benchmark	(6.02)	(2.05)	3.76	5.42	6.41	5.95	7.68
NBIMC Canadian Real Estate Fund	2.40	7.13	9.37	11.63	8.48	12.61	12.07
Benchmark	1.84	5.84	6.31	6.01	5.84	5.97	6.00
NBIMC Canadian Real Estate Investment Trust Fund							5.81
Benchmark							5.78
NBIMC International Real Estate Fund	13.04	14.56	15.23	16.02	23.84		7.65
Benchmark	12.37	15.66	15.25	16.33	24.98		7.74
NBIMC Infrastructure Fund	3.73	5.39	8.04				7.75
Benchmark	5.00	5.58	5.91				5.79
NBIMC North American Market Neutral Fund	6.33	3.42	0.35	(0.34)	(0.25)	2.25	2.47
Benchmark	1.00	1.01	0.99	0.93	0.81	2.02	2.08
NBIMC Quantitative Strategies Fund	6.78	5.87	5.03	4.34	4.32		3.53
Benchmark	1.00	1.01	0.99	0.93	0.81		1.07
NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund	0.71	22.51	42.26	41.57	34.29	16.64	10.92
Benchmark	5.00	5.57	5.90	5.69	5.59	9.38	7.25
NBIMC Private Equity Fund	27.24	18.36	16.46	15.73	8.43		6.32
Benchmark	29.13	21.40	14.91	13.21	15.11		6.35

¹ On April 1, 2008, NBIMC implemented Canadian dollar benchmarks for international exposures. Prior to that date, the benchmarks for international exposures were reflected in the local currencies. To ensure comparative information is presented for performance and benchmarks, the since inception column above reflects the returns from the later of the first day of trading in the Fund or, if an international Fund, April 1, 2008.