



NB Investment Management Corp.
Société de gestion des placements NB

2010 – 2011

Annual Report

EXCEEDING PENSION INVESTMENT OBJECTIVES
FOR OVER 15 YEARS

BOARD OF DIRECTORS

Gilles Lepage
Chairperson of the Board

Joel Attis
Vice-chairperson of the Board

Elaine Albert
Director

Earl Brewer
Director

Marc-Antoine Chiasson
Director

Michael Ferguson
Director (ex officio, non-voting)

Gaston LeBlanc
Director

Ronald B. Maloney
Director

Darren Murphy
Director (ex officio)

Cathy Rignanesi
Chairperson of Audit Committee
Director

John A. Sinclair
Director (ex officio)

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

Reno Thériault
Director

Michael W. Walton
Chairperson of Human Resources &
Compensation Committee
Director

MEMBERS OF



Pension Investment
Association of Canada

Association canadienne des
gestionnaires de caisses de retraite

CORPORATE OFFICERS

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

Jan Imeson, CA
Chief Financial Officer

Norma Kennedy
Secretary of the Corporation

CORPORATE LEADERSHIP TEAM

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

James Scott, CFA
Vice-President Fixed Income

Dan Goguen, CA, FRM
Vice-President Private Markets

Jan Imeson, CA
Chief Financial Officer

Mark Holleran, CFA
Vice-President Equities

New Brunswick Investment Management Corporation

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CORPORATE PROFILE

The New Brunswick Investment Management Corporation (NBIMC) is the trustee and investment manager for the pension assets of over 50,000 members of the Public Service, Teachers', and Judges' defined benefit pension plans. It was formed in 1996 under the New Brunswick Investment Management Corporation Act by the Province of New Brunswick.

The primary mission of NBIMC is to increase the long-term value of the pension funds it manages and to assist the plan sponsor in meeting the pension promise to its members.

To fulfill this mission NBIMC conducts the following activities:

- Acts as fund trustee.
- Develops the investment policy for each fund.
- Implements the investment policy for each fund.
- Adds value through active investment management net of organizational expenses.
- Manages risks associated with the investment of the pension assets.
- 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 \$9.1 billion at March 31, 2011.

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.

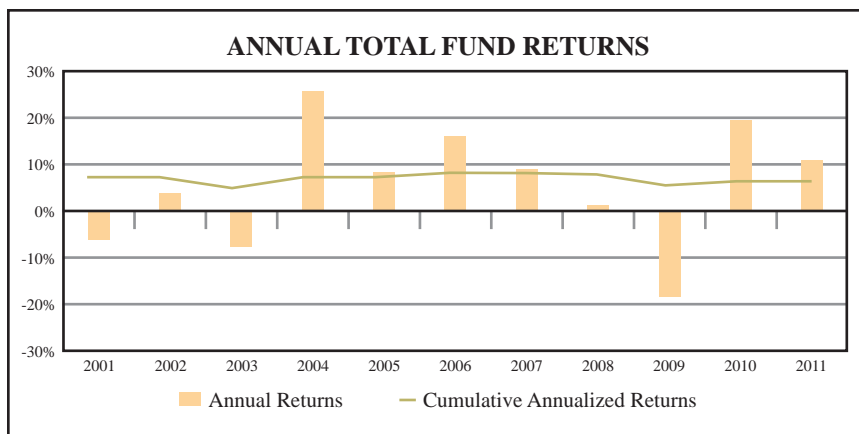
NBIMC’S INVESTMENT BELIEFS

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 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 funds under management 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.

PUBLIC SERVICE 2010-2011 FINANCIAL HIGHLIGHTS – AS OF MARCH 31, 2011

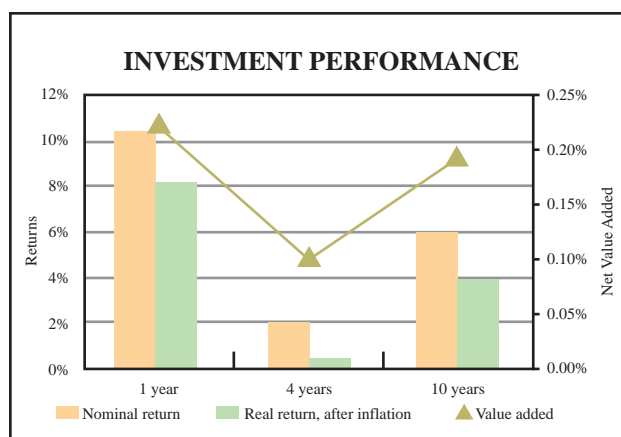
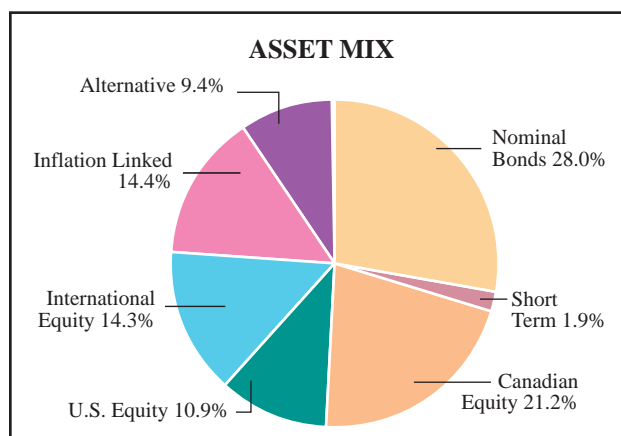
ANNUALIZED RETURNS	
1 year	10.42%
4 years	2.13%
10 years	6.01%
Since inception	6.76%



INVESTMENTS BY PORTFOLIO (\$ millions)

	2011	2010	2009
	\$	\$	\$
FIXED INCOME			
Nominal Bonds	1,409.5	1,258.2	1,037.0
Short Term Assets	95.2	76.2	116.7
	1,504.7	1,334.4	1,153.6
PUBLIC EQUITY			
Canadian	1,064.0	970.9	786.1
U.S.	546.4	537.7	391.6
International	721.2	690.7	541.0
	2,331.7	2,199.3	1,718.8
INFLATION LINKED ASSETS			
Real Return Bonds	462.1	416.7	350.5
Real Estate and Infrastructure	261.3	234.0	191.7
Commodities	0.0	0.0	74.8
	723.4	650.7	617.0
ALTERNATIVE INVESTMENTS			
Absolute Return	325.6	296.2	242.6
Private Equity	145.0	107.0	107.2
	470.7	403.2	349.8
Total Investments	5,030.4	4,587.6	3,839.3

Amounts may not add due to rounding

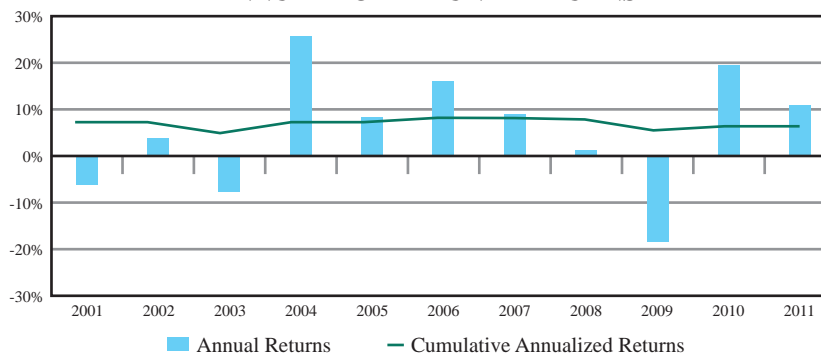


TEACHERS' 2010-2011 FINANCIAL HIGHLIGHTS – AS OF MARCH 31, 2011

ANNUALIZED RETURNS

1 year	10.41%
4 years	2.23%
10 years	6.05%
Since inception	6.74%

ANNUAL TOTAL FUND RETURNS

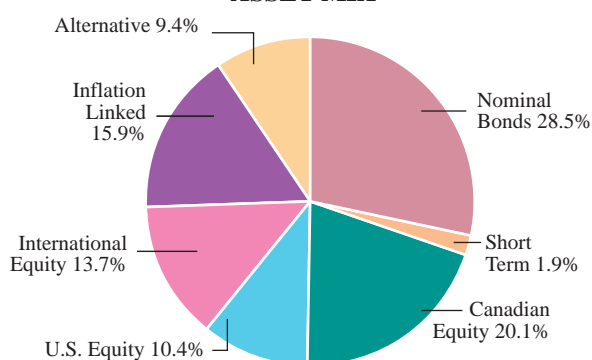


INVESTMENTS BY PORTFOLIO (\$ millions)

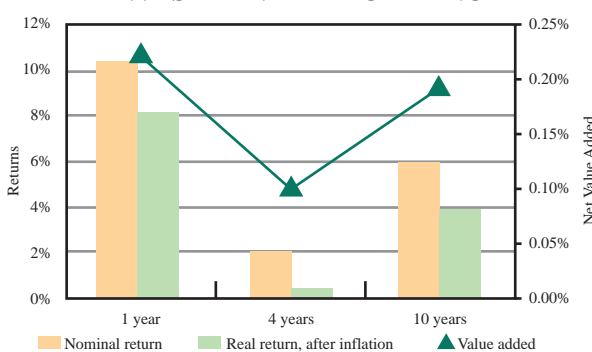
	2011 \$	2010 \$	2009 \$
FIXED INCOME			
Nominal Bonds	1,147.7	1,036.1	867.6
Short Term Assets	75.7	61.6	95.8
	1,223.4	1,097.7	963.4
PUBLIC EQUITY			
Canadian	810.1	747.7	613.8
U.S.	420.0	419.1	308.3
International	551.3	535.4	424.7
	1,781.4	1,702.2	1,346.8
INFLATION LINKED ASSETS			
Real Return Bonds	389.7	355.5	303.7
Real Estate and Infrastructure	249.2	226.4	189.0
Commodities	0.0	0.0	61.4
	638.8	581.9	554.2
ALTERNATIVE INVESTMENTS			
Absolute Return	260.4	239.5	199.2
Private Equity	118.8	88.7	89.7
	379.1	328.2	289.0
Total Investments	4,022.7	3,710.0	3,153.4

Amounts may not add due to rounding

ASSET MIX

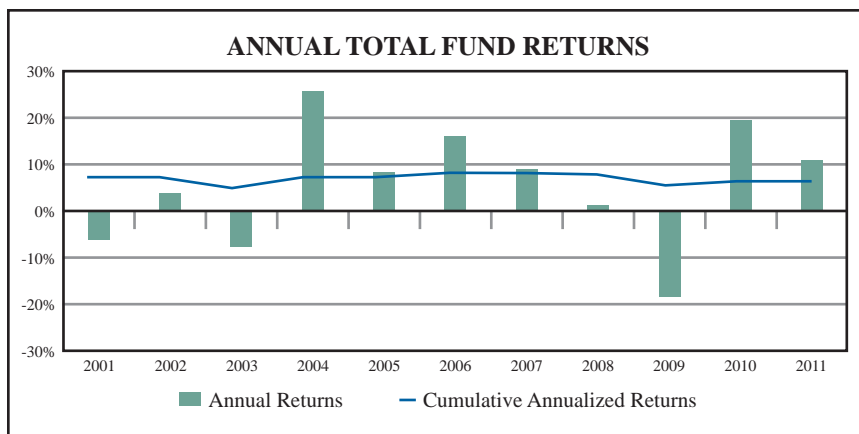


INVESTMENT PERFORMANCE



JUDGES' 2010-2011 FINANCIAL HIGHLIGHTS – AS OF MARCH 31, 2011

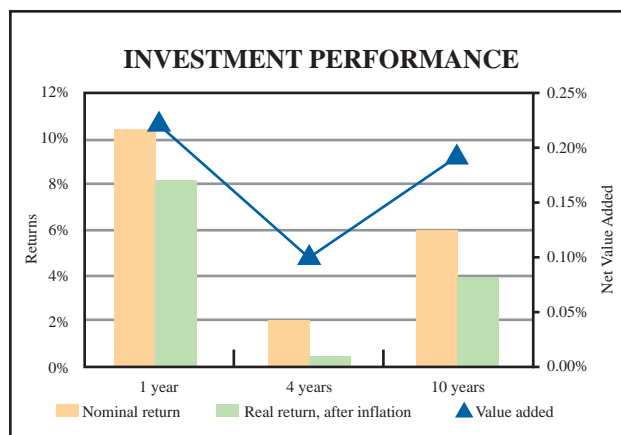
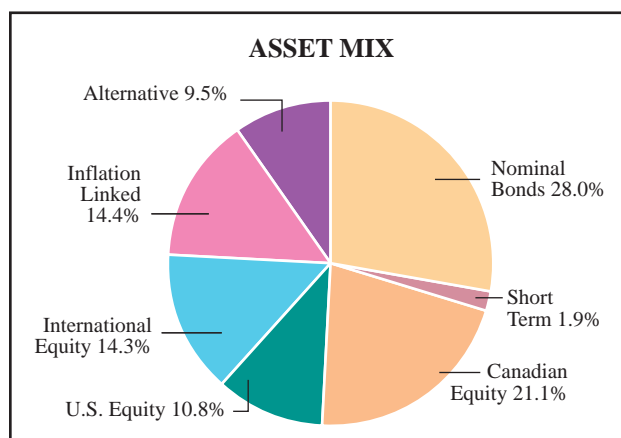
ANNUALIZED RETURNS	
1 year	10.43%
4 years	2.12%
10 years	6.02%
Since inception	6.82%



INVESTMENTS BY PORTFOLIO (\$ millions)

	2011 \$	2010 \$	2009 \$
FIXED INCOME			
Nominal Bonds	8.3	7.4	6.3
Short Term Assets	0.6	0.5	0.7
	8.8	7.9	7.0
PUBLIC EQUITY			
Canadian	6.2	5.8	4.8
U.S.	3.2	3.2	2.4
International	4.2	4.1	3.3
	13.6	13.1	10.4
INFLATION LINKED ASSETS			
Real Return Bonds	2.7	2.5	2.1
Real Estate and Infrastructure	1.5	1.4	1.2
Commodities	0.0	0.0	0.5
	4.2	3.9	3.8
ALTERNATIVE INVESTMENTS			
Absolute Return	1.9	1.7	1.5
Private Equity	0.9	0.7	0.7
	2.8	2.4	2.1
Total Investments	29.5	27.3	23.4

Amounts may not add due to rounding



LETTER TO STAKEHOLDERS

On behalf of the Board of Directors and the staff of the New Brunswick Investment Management Corporation (NBIMC) we are pleased to present the following Fiscal 2010-2011 Annual Report marking our fifteenth year of operations.

Fifteen Years of Service

In the early 1990s, certain of the Province of New Brunswick's legislated pension plans had large unfunded liabilities. At that time, the Province set the goal of having the pension plans for the Public Service and the Teachers' fully funded within twenty-five years. A fully-funded position means that there are sufficient assets in a plan to cover all projected payments that must be made to current and future pensioners.

Since this funding shortfall (the difference between the plan assets and liabilities) was the responsibility of the Province, it chose to implement measures to reduce the shortfall. This included the introduction of equity investments to diversify the investment portfolio with the objective of potentially earning higher equity returns. The New Brunswick Investment Management Corporation was subsequently formed in 1996 to provide the additional investment expertise that was required to earn these higher equity returns while managing the higher risk associated with those investments in a cost effective manner.

We are very pleased to report that after fifteen years of service, our long-term performance has exceeded the 4% real return target required to fund the plans as set out by the independent pension plan Actuary. This was achieved in spite of the 2008-2009 global financial markets crisis – one of the worst on record.

NBIMC's success has kept the provincial pension funds on track with the Province's long-term goal for fully funded pension plans.

We are also pleased to report that the Board of Directors and Senior Management have recently updated our Corporate Strategic Plan for 2011-2016. We look forward to communicating it to our stakeholders over the year ahead, and using it to help guide the beginning of our next fifteen years of service.

Fiscal 2010-2011

Our investment portfolios have remained well positioned to take advantage of the relatively slow global economic rebound that has occurred since the Fiscal 2008-2009 financial markets crisis.

The fiscal year started out to be very challenging. Sovereign debt and banking concerns in Europe, an armed conflict on the Korean peninsula and continued concerns about a possible double dip recession due to weak housing markets and slow job growth in North America weakened both equity markets and credit markets considerably.

While brief periods of volatility and uncertainty continued to appear from time to time, the overall mood changed significantly in the fall of 2010 as government policies focused on supporting their economies and corporate earnings reports continued to demonstrate strong revenue and earnings growth.

The continued backing of the world's central banks in terms of low interest rates, as well as the U.S. Federal Reserve Board's significant securities purchasing activities, provided support to riskier asset classes such as the public equity and corporate credit markets throughout the remainder of the fiscal year.

This dynamic resulted in investment managers who held more risky asset classes such as public equity securities, and more risky assets in those classes, to have higher performance than those with a less risk tolerant approach. For example, smaller capitalized Canadian public equity stocks (as represented by the S&P TSX Completion index) outperformed the larger capitalized Canadian public equity stocks (as represented by the S&P TSX 60 Index) by over 12% during the year.

The Corporation produced a 10.42% gross (not adjusted for inflation) rate of return for the 2010-2011 fiscal year. Our long-term annualized return since NBIMC's inception in 1996 is now at 6.75%.

Most importantly our annualized real return (after adjusting for inflation) since inception is now 4.74%. This real return is now 0.74% per annum above the long-term 4% real return requirement that the pension funds' independent Actuary has continued to believe to be necessary to fund the pension plans under our management. We are very pleased that our relatively low risk investment approach continues to consistently meet the long-term funding goals of the pension plan sponsor while also attempting to minimize the exposure to the potential of large negative and positive swings from financial markets' volatility in any one period.

Net assets under management increased significantly to \$9.096 billion from \$8.341 billion in the prior year. This increase in assets resulted from \$853 million in net investment earnings, \$155 million in special funding payments from the plans' sponsor, and net pension payouts of \$253 million.

Management successfully added approximately \$30.5 million of investment earnings through active portfolio management activities versus their benchmarks, which provided the funds with approximately \$18.9 million in additional net earnings after covering the combined \$11.6 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 continue to be very respectable versus peer public sector pension plans and we continue to provide ample liquidity to fund pensioner payments. The Fiscal 2010-2011 net payment obligations of \$110 million against a total portfolio asset value of \$9.096 billion illustrates our ability to make pension payments well into the future. The ability to make pension payments continues to be enhanced by having both our nominal bond portfolio and short-term debt securities focused primarily on government securities.

Important Accomplishments

NBIMC achieved a number of important accomplishments during the year:

- As noted above, our long-term investment performance continues to exceed the actuarial real return target requirement for the Pension Plans under our management.
- Management increased our relative value added returns, after covering expenses, for the portfolios through active investment management activities.
- We concluded a full Asset Liability study for the Teachers' Pension Fund (TPF) based on an actuarial review received in early 2010, followed by a review of Judges' Pension Fund (JPF) in early 2011. Based on this work the Board of Directors re-affirmed that the existing Investment Policies for each Fund continued to be appropriate.
- The Board of Directors approved financial statement conversion plans to International Financial Reporting Standards (IFRS) and Public Sector Accounting Standards (PSAP).
- In coordination with our Internal Auditor, we completed audits in Operational Governance Scoping, Transaction Processing, Records Management, and continued our ongoing fraud risk assessment process.
- We continued to expand our direct private markets investment activity on both a local and global basis.
- In coordination with the Office of the Auditor General, we provided a follow up report with respect to their 2006 Governance, and 2008 Investment Performance and Cost Analysis audit recommendations.
- An Enterprise Risk Management Council (ERMC) was constituted to oversee and assist in providing a quarterly assessment of our corporate Enterprise Risk Management Framework to the Board of Directors.

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

The NBIMC Advantage

As a global debate continues in regards to the sustainability of Defined Benefit Pension Plans, we thought it would be helpful to outline the following advantages that a dedicated investment manager such as NBIMC brings to the three Defined Benefit Plans under our management:

- NBIMC provides a well structured, independent and transparent fiduciary based governance process.
- We create specific investment programs that are focused on providing dependable future retirement income for each pension plan and stability in employer and employee contributions.
- We provide a strong level of oversight through our Enterprise Risk Management Framework and asset safekeeping capabilities.
- The Funds receive cost effective access to professional fund management services gained through the economies of scale realized by pooling member plan assets. The majority of our lower investment management fees are also expensed at home in New Brunswick versus international jurisdictions.

We expect that these advantages will continue to help keep the pension plans under management on track in fulfilling the Province's goal for being fully funded in the future as noted earlier in this letter.

Outlook

In May of last year we wrote that “we have witnessed a significant improvement of financial markets performance primarily due to the unprecedented coordinated action of the world’s governments and central banks to provide very cheap liquidity and significant economic stimulus. While economic conditions have also improved, unemployment and housing market troubles in the United States continue to negatively affect market sentiment. These concerns in combination with the sovereign debt issues affecting many regions have a number of people still concerned for the future.”

These concerns can essentially be reiterated today, twelve months later. Economic growth continues to generally recover at a slower rate than after past recessions, however with a new concern of more divergent global government and central bank actions. The United Kingdom has decided to immediately address their fiscal deficit situation while the European Central Bank has been focused of late on potential interest rate increases to address inflation concerns. Both of these actions have the potential of constricting future economic growth in Europe. On the other hand, the United States continues to run both large deficits and a very accommodative monetary policy. These actions have given rise to concerns about continued currency weakness and accelerating inflationary pressures in the near future. Emerging Asian markets appear to be overheated, while Japan has a long road of reconstruction ahead. We will continue to monitor these situations closely during the year ahead.

We are also once again this year in the process of reviewing recently received updated actuarial reports for both the TPF and PSSF, and will be conducting a full review of the Investment Policy for each pension fund during the upcoming fiscal year. This analysis will ensure that we continue to prudently meet each Plan’s long-term actuarial return goals in a risk controlled fashion.

Appreciation of Dedicated Service

We would like to recognize our Board for their efforts and support to the Corporation during the year. Service on the Board continues to be a major responsibility and a significant commitment which is greatly appreciated. We would especially like to recognize the long-term service of John Mallory, upon his retirement as Deputy Minister of Finance, as a director on our Board since the inception of the Corporation.

During the year we welcomed two new Directors. Mr. Earl Brewer joined our Board in June of 2010 and Mr. Mike Ferguson joined our Board in December 2010 in his new ex-officio capacity as Deputy Minister of Finance. Both are welcomed additions to the team and we look forward to their continued involvement.

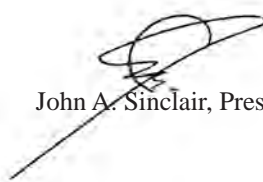
On behalf of the Board we also wish to thank our team of professionals at NBIMC for their continued diligence and hard work. We are very pleased that the management team continues to provide long-term investment returns in excess of both actuarial funding requirements and policy benchmarks in a difficult economic environment.

Consistent with our past annual letters, we remain confident that we have the strategy, people and processes in place that can continue to meet the long-term goals of our stakeholders.

Sincerely,



Gilles Lepage, Chairperson of the Board



John A. Sinclair, President and Chief Executive Officer

May, 2011
Fredericton, New Brunswick

GOVERNANCE

Plan Governance

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 and trustee for the pension fund assets of three public sector pension plans. The legislation establishing the pension plans are the:

- New Brunswick Public Service Superannuation Act;
- New Brunswick Teachers’ Pension Act; and
- Provincial Court Judges’ Pension Act.

The Province of New Brunswick is the Plan Sponsor for each of these pension plans and is responsible for pension plan design, which includes the levels of contribution and benefits, and benefit administration. The Minister of Finance, as Chair of the Board of Management, is the Plan Governor and Plan Administrator. However the day to day administration of the plan is assigned to the Pensions and Employee Benefits Division, Office of Human Resources.

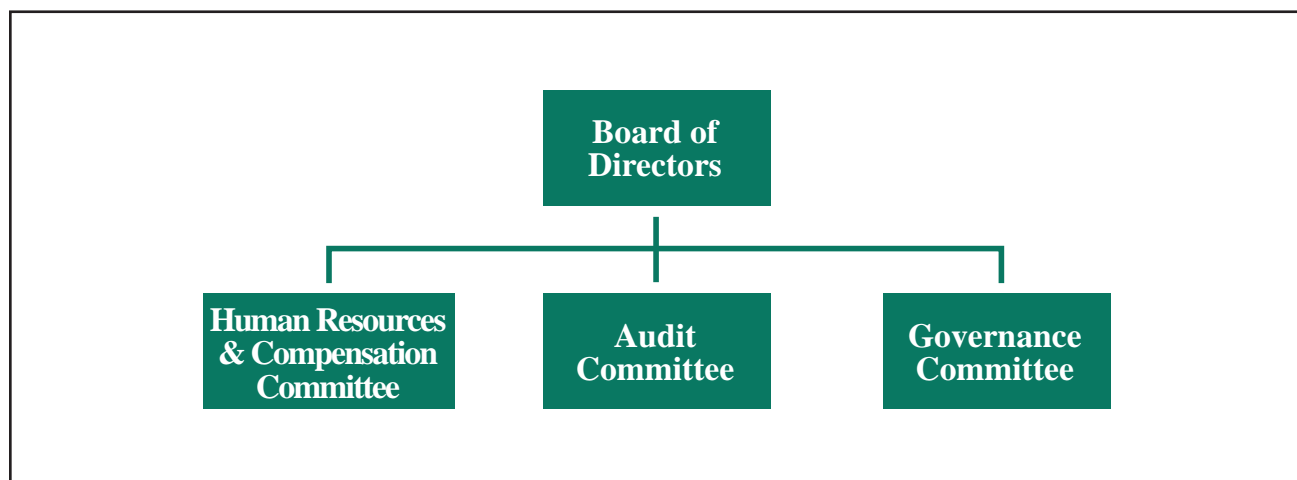
As trustee of the funds under management, NBIMC is responsible for development of the investment policy and implementing the investment policy within a risk-controlled framework.

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 in February 2011 to present and discuss its objectives and performance results for the fiscal years 2008-09 and 2009-10.

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 Trustee for 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 2010-11:

Appointed Director ¹	Board ²	Audit Committee	Governance Committee	Human Resources & Compensation Committee
Gilles Lepage	8/8	3/4	4/4	6/6
Elaine Albert	7/8	3/4	n.a.	n.a.
Joel Attis	7/8	n.a.	4/4	6/6
Earl Brewer ³	6/6	n.a.	n.a.	3/3
Marc-Antoine Chiasson	6/8	2/4	n.a.	n.a.
Gaston LeBlanc	8/8	3/4	n.a.	n.a.
Ronald Maloney	8/8	n.a.	n.a.	5/6
Cathy Rignanesi	7/8	4/4	3/4	n.a.
Richard Speight	7/8	n.a.	4/4	n.a.
Reno Thériault	8/8	n.a.	n.a.	6/6
Michael Walton	6/8	n.a.	4/4	6/6

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 the New Brunswick Power Holding Corporation.

² 6 regular and 2 special meetings occurred during the full fiscal year

³ Appointed to the Board on June 17, 2010

The Board welcomed two new appointees in Fiscal 2010-11 and accordingly, conducted an in-depth director orientation session in accordance with its Director Orientation and Education Policy. 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. Four education sessions were held in Fiscal 2010-11. These sessions addressed the topics of asset management governance within the pension fund industry along with legal and fiduciary responsibilities, asset liability modeling and research activities supporting the asset mix decision, securities lending activities and controls, and an overview and review of the New Brunswick and Atlantic Opportunities portfolio.

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*) include:

- Review of the most recent asset liability analyses for each of the Public Service Superannuation Plan and the Teachers' Pension Plan as at April 1, 2009;
- Approval of the decision to retain the current asset mix for each of the Pension Funds under management;
- Approval of the Five Year Strategic Plan for 2011 – 2016;
- Approval of the Fiscal 2010-11 Annual Business Plan;
- Approval of a new unit trust fund, NBIMC Infrastructure Fund, and consequent changes to the Investment Policy Statement for the Pooled Funds; and
- Approval of changes to Board committee memberships arising from addition of two new directors.

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 2010-11 Highlights

In accordance with its Terms of Reference, the Committee accomplished, among other things, the following in Fiscal 2010-11:

- Approved the conversion of financial reporting for the Pension Funds and Unit Trust Funds to International Financial Reporting Standards and for NBIMC to Public Sector Accounting Standards;
 - Developed a selection process for a new external audit partner pursuant to the Audit Committee's Audit Partner Rotation Policy, conducted candidate interviews and approved a new engagement partner;
 - Approved the External Auditor's engagement, audit plan, timing, staffing and fees for the year ended March 31, 2011;
 - Approved the Internal Auditor's annual plan and budget for the upcoming year ending March 31, 2012;
 - Received the Internal Audit recommendations and management's responses for three internal audits: Transactional Processing; Operational Governance Scoping; and Records Management Processes;
 - Completed an annual review of the Enterprise Risk Management Framework;
 - Approved the Five Year Information Technology Strategic Plan for Fiscal 2011-2016;
 - Approved a change to pay variable fund expenses directly from the Pension Funds;
 - Received quarterly reporting of legal and regulatory compliance;
 - Reviewed the insurance coverage of significant business risks and uncertainties;
 - Approved the annual audited financial statements for the Pension Funds, the Unit Trust Funds and NBIMC for the year ended March 31, 2011;
 - Received the draft Annual Report material for the year ended March 31, 2011 and approved the financial content and earnings press release; and
 - Completed an annual review of the Committee's terms of reference, accomplishments for the year ended March 31, 2011 and objectives for the upcoming fiscal year.
-

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

C. Rignanesi (Chair), E. Albert, M. Chiasson, G. LeBlanc, G. Lepage (ex-officio), D. Murphy

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 2010-11 Highlights

In accordance with its Terms of Reference, the Committee accomplished, among other things, the following in Fiscal 2010-11:

- Established Board Goals for Fiscal 2010-11;
- Reviewed the Director Orientation and Education program and Fiscal 2010-11 Board education plan;
- Reviewed the quarterly Code of Ethics and Business Conduct reports;
- Conducted an annual review of the Governance Committee's mandate and effectiveness;
- Reviewed the Board's and Committees' process for annual risk management oversight;
- Completed an annual review of all governing documents and Committee Terms of Reference;
- Approved amendments to the Code of Ethics to include reference to the Public Interest Disclosure Act where appropriate;
- Approved the June 2010 progress report for the Governance 2006 Vol. 2 and Investment Performance 2008 Vol. 2 Reports from the Office of the Auditor General;
- Reviewed upcoming director term expirations and updated the director skills assessment for new candidate consideration. Communicated these findings to the Minister of Finance;
- Reviewed the Governance Committee and the Board meeting schedules for Fiscal 2010-2011;
- Approved the Strategic Communications Plan and budget for Fiscal 2011-12;
- Reviewed the annual reporting of the Code of Ethics and Business Conduct at March 31, 2011 for employees and directors;
- Reviewed Director compensation and a summary of expense claims for each Director and the President and CEO for the year ended March 31, 2011; and
- Approved the Plan and Corporate Governance disclosure for the Fiscal 2010-11 Annual Report.

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

R. Speight (Chair), J. Attis, G. Lepage (ex-officio), C. Rignanesi, M. Walton

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 2010-11 Highlights

In accordance with its Terms of Reference, the Committee accomplished, among other things, the following in Fiscal 2010-11:

- Reviewed the Committee's Terms of Reference Business;
- Reviewed the Committee's objectives for Fiscal 2010-11;
- Reviewed and approved the individual incentive plan weightings of the NBIMC Fiscal 2010-11 Annual Business Plan;
- Reviewed management's plans to address the results obtained from the prior year's Workplace Environment Survey;
- Reviewed and revised the Committee's Terms of Reference;
- Reviewed the reappointment process of the President and CEO;
- Approved the addition of a new position of Senior Portfolio Manager for the Fixed Income Investment team;
- Approved a modified position description to the role of Corporate Secretary;
- Approved a modification to a specific position pay band due to competitive concerns;
- Reviewed and approved the Corporation's Value Added Relative Return Targets;
- Approved a restructured format to the Corporation's Human Resources Strategic Plan;
- Reviewed Fiscal 2010-11 corporate results versus the Annual Business Plan and subsequently approved a corporate individual incentive performance award pool;
- Reviewed and approved the performance of the President and CEO against annual targets;
- Reviewed and approved the overall Incentive Compensation Pool for Fiscal 2010-11; and
- Approved the Compensation Discussion and Analysis section of the Fiscal 2010-11 Annual Report.

This report has been approved by the members of the Human Resources & Compensation Committee.

M. Walton (Chair), J. Attis, E. Brewer, G. Lepage (ex-officio), R. Maloney, R. Thériault

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.

Asset Mix

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

During the year, NBIMC had received an actuarial valuation for both the Public Service Superannuation Plan and the Teachers' Pension Plan as at April 1, 2009 from which we conducted thorough asset liability analyses based on the updated liability characteristics and funding position of each plan. We also subsequently received a copy of an actuarial valuation for the Provincial Court Judges' Pension Plan as at April 1, 2007, from which we conducted a similar asset mix review. These reviews concluded that our existing asset mix and Investment Policy for each Fund remained appropriate, and the Board subsequently approved these recommendations.

As has been mentioned in an earlier section, we have recently received an updated actuarial valuation for both the Public Service Superannuation Plan and the Judges' Pension Plan as at April 2010. We have begun our asset liability analysis process to determine if any asset mix changes are now warranted in light of these revised liability profiles and current long-term financial markets conditions.

Investment Performance

The two main objectives, in terms of investment performance that NBIMC focuses on are 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 has been determined necessary to appropriately fund each pension plan. Our overall nominal return of 10.42% and real return of 8.23% for the fiscal year was above both our nominal and real return actuarial hurdles.

The majority of our investment performance during the year came about from a combination of the continued strong returns realized in the public equity markets, our real asset portfolios and our nominal bond portfolio.

Public equity markets produced solid returns, with the Canadian market leading the way thanks primarily to its large exposure to companies with exposure to the commodity markets. While the other global equity markets produced good returns U.S. equity market performance was mitigated by the strength of the Canadian Dollar during the year and the Japanese equity market was impacted by the natural disaster related crisis that struck the country near the end of March. Our real estate and infrastructure portfolio posted very significant returns, particularly on the back of gains from a number of assets that we opportunistically acquired coming out of the financial markets crisis in 2008 and 2009. Real return bonds also performed well as inflationary expectations slowly increased during the year making these types of bonds more attractive. The nominal bond portfolio continued to perform well, while providing diversification benefits during periods of equity market volatility.

Our short term assets and absolute return portfolio returns remained relatively minimal. Short-term interest rates remained low during the year as most central banks maintained their very low interest rate policies, while value added investment activity in our absolute return portfolio was difficult to generate. Our absolute strategies focus on active equity investment activity based primarily in North American markets and both of these markets experienced conditions in which active investment managers had difficulty outperforming standard benchmarks. Our private equity portfolio reported good returns throughout the year, as the lag in the private market valuation reassessment process versus the public markets that we discussed in relation to the underperformance last year was reversed.

The specific performance of each NBIMC asset portfolio and its respective benchmark is outlined in the table below.

Fiscal 2010-11 Rates of Return,

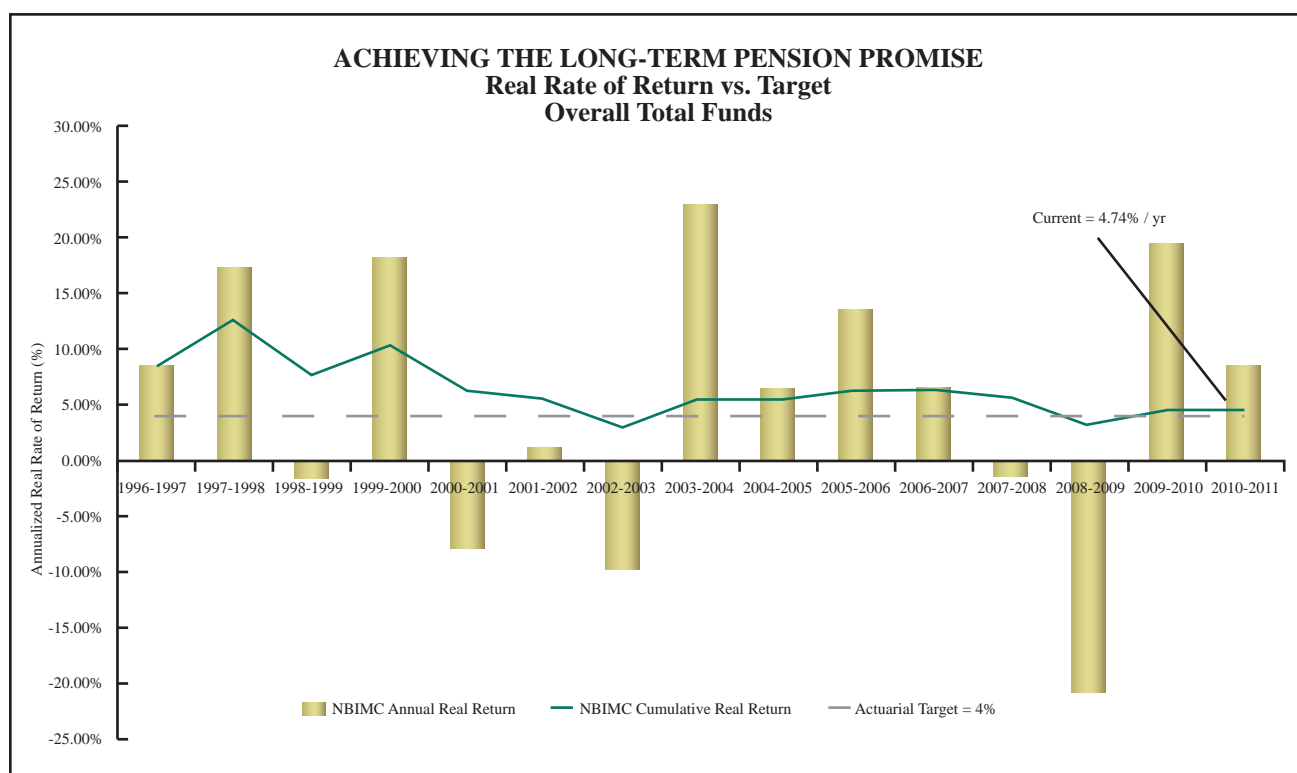
calculated in Canadian dollars

	Portfolio Return	Benchmark Return
Fixed Income		
Nominal Bonds	5.40 %	5.03 %
Short Term Assets	1.11	0.77
Public Equity		
Canadian	20.13	20.41
United States	10.66	10.66
MSCI EAFE	6.57	5.87
Inflation Linked Assets		
Real Return Bonds	10.80	10.59
Real Estate/Infrastructure	19.04	15.70
Alternative Investments		
Absolute Return	(0.22)	0.77
Private Equity	13.57	8.26
Total Investment Portfolio	10.42 %	10.07*%

*Board approved active management benchmark returns are equal to the benchmarks in the Schedule of Composite Performance calculated in accordance with Global Investment Performance Standards ® and net of an adjustment for private market investments made within the most recent 5 year period.

The **primary performance objective**, as outlined by the plan actuary, is to achieve a long term real return (i.e. return after inflation) objective of at least 4%. **This is 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 report that our long-term annualized real return since NBIMC's inception is now 4.74% and 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 of NBIMC’s operating costs, and subsequently targets an additional 42 basis points (0.42%) per annum to each fund.

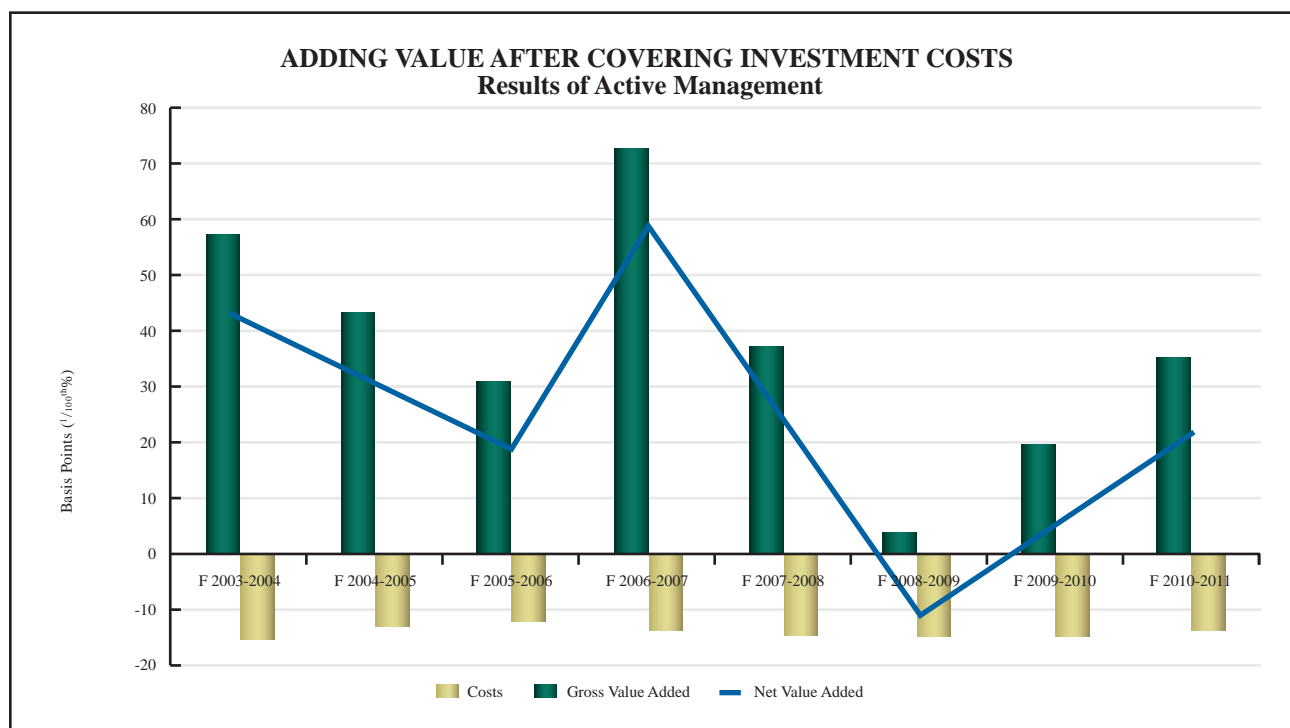
Our active management activities added 35.1 basis points of gross value and 21.7 basis points of net value, or approximately \$18.9 million for the year, after covering all investment management costs.

Our longer-term four year average annual value added return, net of costs, was approximately 8.8 basis points per annum or approximately \$33.6 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 to note that we have continued to incrementally improve our annual value added performance since the financial market crisis of Fiscal 2008-09. As discussed in prior Annual Reports, NBIMC’s primary active investment activity is to differentiate between the securities in specific companies that we find attractive, versus those that we do not. This differentiation activity became very challenging during the financial markets crisis, as many investors headed to the perceived safety and liquidity of government securities and unfortunately did not necessarily care what securities they were selling in the process. Last year we found that the reverse took place where a number of investors were interested in investing in riskier securities in order to try to quickly recoup prior losses and take advantage of the relatively cheap liquidity provided by very low interest rates.

Our expectation is that we should be able to continue to return to a period of more consistent, and closer to long-term targeted value added active management activity as the global economy and financial markets continue to normalize.

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



NBIMC also prepares and presents Schedules of Composite Performance Results for each of the pension funds under management. These audited schedules are prepared in compliance with the Global Investment Performance Standards (GIPS®) and are available on our website, www.nbimc.com, when completed.

Risk Management

NBIMC and the Pension Funds 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 the plan sponsor provide stability in both pension plan contributions and benefits, and making sure that our active investment management activities do not bring undue risk to the Plans' 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. In this context, the Board has communicated guidelines to management's investment discretion in the Statements of Investment Policy for each Pension Fund. These Statements of Investment Policy are also available on the NBIMC website.

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 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 the following areas:

- A scoping of Operational Governance Processes;
- Transaction Processing; and
- Records Management Policies and Processes.

These reviews did not uncover any significant weaknesses; however, they have been helpful in fine-tuning our processes to increase efficiency and effectiveness.

As noted in prior years' reports, the Office of the Auditor General (OAG) for New Brunswick conducted two "value for money" reviews of NBIMC's operations: (i) a Governance review in 2006 and (ii) an Investment Performance and Cost Analysis review in 2008. These reviews, including NBIMC's responses to their recommendations, are available in the Annual Reports on the OAG's website at www.gnb.ca/OAG-BVG/index-e.asp. This year, as in past years, the OAG requested follow-up responses to report the status of our efforts to address their recommendations. However, in their Fiscal 2010 Annual Report, Volume 2, paragraph 1.8, the Auditor-General has noted that "this year we did not have the staff in the Office available to do the follow-up work necessary to prepare an update...and report credibly to the Legislative Assembly on their progress." A follow-up report had been presented in the OAG's 2009 Annual Report.

NBIMC believes that it is important to provide our stakeholders, including the Crown Corporations Committee of the Legislative Assembly, with information about our efforts to address recommendations made by the Auditor General as they pertain to NBIMC. Accordingly, our 2010 follow-up report as submitted to the OAG is available to interested parties upon request. We welcome the OAG to review our progress with their recommendations if and when they have the resources in the future.

Risk Management - Management Activities

NBIMC has developed an Enterprise Risk Management Framework that can be found on our website at <http://www.nbimc.com/Investments/EnterpriseRisk.aspx>. This Framework identifies three main categories of risk: strategic risk, investment risk and operational risk. Within these categories, sixteen specific risk elements are considered.

During the current fiscal year, Management established an Enterprise Risk Management Council (ERMC) consisting of a cross-functional mix of senior management and staff.

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.
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The Board reviews Management’s assessment of each of the risk elements identified in the Framework on a quarterly basis.

Management supplements the work of the ERMC by also using other internal committees to focus on specific risks. These committees also have a cross-functional membership, including management and non-management positions as well as some overlap with the ERMC, providing a rich opportunity for sharing perspectives and insights:

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)	<p>In accordance with its Terms of Reference, the TMOC is responsible for the following:</p> <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)	<p>In accordance with its Terms of Reference, the ITRMC, which includes an external senior IT executive, is responsible for the following:</p> <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
Recovery Management Team (RMT)	<p>In accordance with its Terms of Reference, the RMT is responsible for the following:</p> <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	<p>In accordance with its Terms of Reference, the Occupational Health & Safety Committee is responsible for the following:</p> <ul style="list-style-type: none"> • considers physical environment risks

Operating Costs

The industry standard for investment management performance is to report gross returns. It is the net returns however that pay the pension promise. Lower costs result in higher comparative net returns and help to maximize the assets that are available to pay pension benefits.

The Pension Funds incur four types of costs:

1. Transaction costs – these are the costs of trading securities such as broker commissions and withholding taxes and are charged by our brokers at the time of the trade transaction. These costs are expensed as incurred and are included in the performance of the underlying investment strategies.
2. Administration costs – these are costs incurred by the Plan Sponsor such as the cost to engage independent actuaries for assistance with plan design and periodic actuarial valuations, as well as costs for administering plan member entitlements and payments of benefits to plan beneficiaries. 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.
3. Investment management costs – these costs are either supporting the delivery of in-house capabilities of NBIMC or are costs of external third parties for securities custody or external management of investment strategies that are not managed in-house by NBIMC. NBIMC's operational costs, allocated to the Pension Funds on a pro rata basis, include compensation, data information, technology systems, office and business costs, professional services, and office rent and are reported in detail in the Statement of Operations and Changes in Net Assets in the accompanying audited financial statements for NBIMC. Both the NBIMC costs and the costs of third party service providers are reported in the Statement of Changes in Net Assets Held in Trust in the accompanying audited financial statements for each Pension Fund.
4. Harmonized sales taxes (“HST”) – the Funds incur HST on certain of the investment management costs. Previously the Public Service and the Teachers’ were eligible for a refund of one-third of HST paid under a multi-employer pension rebate provision. Under new regulations effective September 23, 2009, this pension plan rebate provision has been expanded to include single employer pension plans and therefore now includes the Judges’. Proposed regulations, most recently released on January 28, 2011, will create a timing difference between the Federal and provincial components of the HST pension plan rebate claims for claim periods beginning on or after July 1, 2010.

Typical investment industry practice is for managers to report their investment management costs as a percentage of average assets under management. Our specific investment management costs include the direct NBIMC operating costs and the fees paid to third party service providers.

Overall, these costs were approximately 0.134% (13.4 basis points) of average assets under management during the year, versus 0.149% last year.

NBIMC manages approximately 84% of the assets of the Pension Funds internally, using our investment management professionals and technology systems that permit global trading activity from our location in Fredericton, New Brunswick. These in-house capabilities provide significant economies of scale for internally-managed investment strategies. The costs incurred to manage investment strategies internally, were 0.121% or 12.1 basis points for the year ended March 31, 2011 (0.133% or 13.3 basis points last year). For the remaining assets, NBIMC has outsourced the investment management function for certain investment mandates where access to investment opportunities or specific expertise is not available internally. The cost of managing investments through external investment managers was 0.205% or 20.5 basis points for the year ended March 31, 2011 (0.230% or 23.0 basis points last year).

There are a number of ways that we attempt to benchmark the amount of investment management expenses versus peer fund managers. First of all we continue to compare favourably from internally conducted comparisons of information that becomes publicly available from the Annual Reports put forward by our public sector peer funds. We also participate in an annual survey of defined benefit pension plans conducted by CEM Benchmarking Inc. CEM's calendar 2009 survey compared our costs against the average investment management costs for 91 participants in the Canadian universe of defined benefit peer pension funds, responsible for an aggregate of \$764 billion. Through this benchmarking survey, we believe that our costs are approximately 18.5 basis points lower than our peers. We have submitted our data and are currently awaiting the 2010 survey results.

Lastly, the Office of the Auditor General has concluded in their Investment Performance and Cost Analysis review of our organization that: “Based on this analysis, it appears that the total cost of administering New Brunswick’s two largest pension plans, including the cost of investment management services provided by NBIMC, is at the low end of the scale”.¹

¹ Report of the Auditor General – 2008, Chapter 2 - New Brunswick Investment Management Corporation, Investment Performance and Cost Analysis, Section 2.190, Page 55.

Future Accounting Policy Changes

International Financial Reporting Standards

The Accounting Standards Board (AcSB) of the Canadian Institute of Chartered Accountants (CICA) had announced the replacement of Canadian Generally Accepted Accounting Policies (GAAP) for publicly accountable enterprises with International Financial Reporting Standards (IFRS) for years beginning on or after January 1, 2011. Recognizing that there are pending changes to IFRS that would have significant impact to investment funds, the AcSB has recently delayed the IFRS conversion date for investment funds to years beginning on or after January 1, 2013. The Pension Funds follow accounting for investment funds and accordingly expect to adopt IFRS for their fiscal year ending March 31, 2014.

Public Sector Accounting Standards

NBIMC, as a provincial Crown corporation, is classified as an “other government organization.” As such, NBIMC has decided to adopt Public Sector Accounting Principles (PSAP) for its fiscal year commencing April 1, 2011.

To date, management has identified four major differences between GAAP and PSAP as they relate to NBIMC:

ITEM	GAAP	PSAP
Operating budget	Not disclosed.	Disclosed on the income statement with variances described in the notes to the financial statements.
Discount rate used for valuation of employee future benefit plans	Discount rate is based on long-term corporate bond rates.	Discount rate is based on government's cost of borrowing.
Recognition of actuarial gains or losses	Actuarial gains or losses in excess of a corridor (10% of the greater of the plan assets or plan liabilities) are recognized over the expected average service life of employees.	Actuarial gains or losses are recognized over the expected average service life of employees.
Recognition of compensated absences that do not vest.	Non-vesting compensated absences, such as sick leave, are not recognized as an obligation until the event occurs.	Non-vesting compensated absences are recognized as an obligation on the balance sheet and reflected as a service cost using actuarial standards.

Under PS 2125 *First-time Adoption by Government Organizations*, certain exemptions from accounting principles required under PSAP are permitted in the initial year of adoption. Two exemptions are applicable to NBIMC's accounting under PS 3250 *Retirement Benefits*:

- (i) Deferral of the change to the discount rate until the earlier of the date of the next actuarial valuation or within three years of transition; and
- (ii) Choice to recognize all cumulative actuarial gains and losses at the date of transition directly in accumulated surplus.

Following management's recommendation, the Audit Committee and the Board of Directors approved the decision to adjust to the required discount rate and recognize all cumulative actuarial gains and losses in NBIMC's opening balance sheet prepared in accordance with PSAP. The effect of these adjustments is expected to result in a charge to accumulated deficit of \$44,000.

COMPENSATION DISCUSSION AND ANALYSIS

Human Resources and Compensation Committee Mandate

The Human Resources and Compensation Committee (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 six directors, five of whom are independent and one who is an *ex officio* director. The Committee meets at a minimum quarterly. External human resources consultants may be used to assist the Committee with fulfilling its mandate.

The HRCC's key responsibilities include:

- Oversight of an annual performance appraisal process for the President & CEO, including establishment of measureable goals and objectives, and recommendations for compensation arrangements including incentive awards;
- Participation in effective Human Resource governance processes including development of NBIMC's Compensation Philosophy inclusive of employee benefit programs;
- Recommendation of changes to the organization's structure, appointment of officers, amendments to job descriptions, adjustments to competitive salary ranges and succession plans for key employees.
- Review and recommendation to the Board for approval of the year-end incentive compensation pool for all eligible employees.

Corporate Compensation Philosophy

NBIMC believes that the achievement of its mission will be facilitated by having meaningful alignment between employee interests, corporate interests, and investment performance versus market benchmarks. 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.

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 external consultant to align with the above Compensation Philosophy. Total compensation levels are periodically benchmarked using independent compensation consultants and against external peer institutional pension fund or other relevant compensation surveys.

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.	Align eligible employee compensation to team and total fund investment performance with an incentive to achieve sustained asset growth.	Align eligible employee compensation to total fund investment performance with an incentive to achieve sustained asset growth.
	Strengthen team cooperation.	Strengthen team cooperation.	Strengthen team cooperation.
	Reward individual performance.		
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, investment management expenses.	Total fund return in excess of benchmark, net of investment management expenses.	Total fund return in excess of benchmark, net of investment management expenses.
	Investment team(s) active return in excess of benchmark.	Investment team(s) active return in excess of benchmark.	
	Individual performance versus Board approved pre-determined Annual Business Plan Objectives.		
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 Superannuation Pension plan and retirement allowance	Employee benefits and post-retirement benefits	Perquisites
	Eligibility	Full-time staff with a minimum of five years employment.	Full-time staff with a minimum of three months employment.
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.

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 entitlement, life and disability insurance, health and dental benefits, and an employee assistance plan. In addition, a defined benefit pension plan and a retirement allowance are provided after minimum vesting periods, outlined as follows:

(a) Defined benefit pension plan

All full-time employees participate in the defined benefit pension plan pursuant to the Public Service Superannuation Act (PSSA). The PSSA provides for a pension upon retirement equal to 2% of the average annual salary for the five consecutive years of highest salary, multiplied by the number of years of pensionable service. The plan is integrated with the Canada Pension Plan at age 65 and is indexed for inflation to a maximum of 5%. The plan requires a five year vesting period.

(b) Retirement allowance

Each full-time employee with five or more years of continuous employment is entitled to a retirement allowance equal to five working days of pay 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.

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 returns represent the gross investment return in excess of the benchmark, after deducting all investment costs. 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 component determined by comparing annual business plan achievements to targets established in the five year corporate strategic plan. 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 performance in excess of Board-approved benchmarks measured over a retroactive period of four consecutive fiscal years.

Impact of Performance Results for Fiscal 2010-11

The overall nominal fund return was 10.42% in Fiscal 2010-11 (19.94% in Fiscal 2009-10). Additional net relative investment value, consisting of investment returns in excess of benchmarks and all investment management expenses, was \$18.9 million for the current fiscal year. Over the past four years, the Corporation has been able to add approximately \$33.6 million of net relative investment value.

The Board, on the back of a proactive firm-wide salary freeze in Fiscal 2009-10 and in recognizing the continuing challenge faced by the pension funds to fully recover from the 2008 financial market crisis, approved only a limited merit based increase in salary compensation for Fiscal 2010-11. Accordingly, the base salary component of total compensation for the current fiscal year increased by 0.4% over base salary for the previous fiscal year.

The performance-based incentive component of total compensation is \$865,854 (dollars) for the year ended March 31, 2011, compared to \$906,052 for the year ended March 31, 2010, a decrease of 4.4%.

The AIP component is \$576,406 for the current year, compared to \$550,899 for the year ended March 31, 2010, an increase of 4.6%. The AIP consists of both an investment performance component and a business plan achievement component.

The AIP related to the investment performance component decreased by 4.4% as compared to the previous year. One quarter of this component is based on the one year net value added result and the remaining three quarters is based on the four year annualized net value added. The one year net value added result was 21.7 basis points (bps), up from the previous year's result of 5.2 bps. A basis point is 1/100th of one percent. The four year annualized net value added result is 8.8 bps, down from the previous year's result of 17.6 bps. Although the one year component was higher than last year, the four year annualized net value added result was lower because the exceptional result for Fiscal 2006-07 of 58.9 bps is no longer part of the current four year calculation.

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

Years	One Year	
	Net Value Added (bps)	Percentage of Target (%)
2007-08	22.6	53.8
2008-09	(10.6)	(25.1)
2009-10	5.2	12.5
2010-11	21.7	51.7
Annualized Four Year	8.8	21.0

The AIP related to business plan achievements is \$242,009 for the year ended March 31, 2011 compared to \$201,025 last year. This component is based on an achievement factor of 0.96 approved by the Board of Directors, compared to an achievement factor of 0.84 for the year ended March 31, 2010. In establishing this achievement factor, the Board considered the achievement of key performance indicators associated with each of the six key goals in the NBIMC Corporate Mission (*see page 1*) and the following accomplishments:

- Completion of two asset liability studies following receipt of revised actuarial valuations;
- Completion of three research assignments related to innovative investment strategies;
- Continued growth in private real estate and infrastructure investment opportunities;
- Establishment of an Enterprise Risk Management Council to more fully consider overall corporate risk;
- Implementation of workplace environment improvements as measured by employee satisfaction surveys;
- Completion of focused professional development initiatives for staff;
- Implementation of revisions to the data architecture model used by the core portfolio management system;
- Development of certain proprietary software applications to increase efficiency of system interfaces;
- Upgrade to network infrastructure to use blade server technology and provide fully redundant systems;

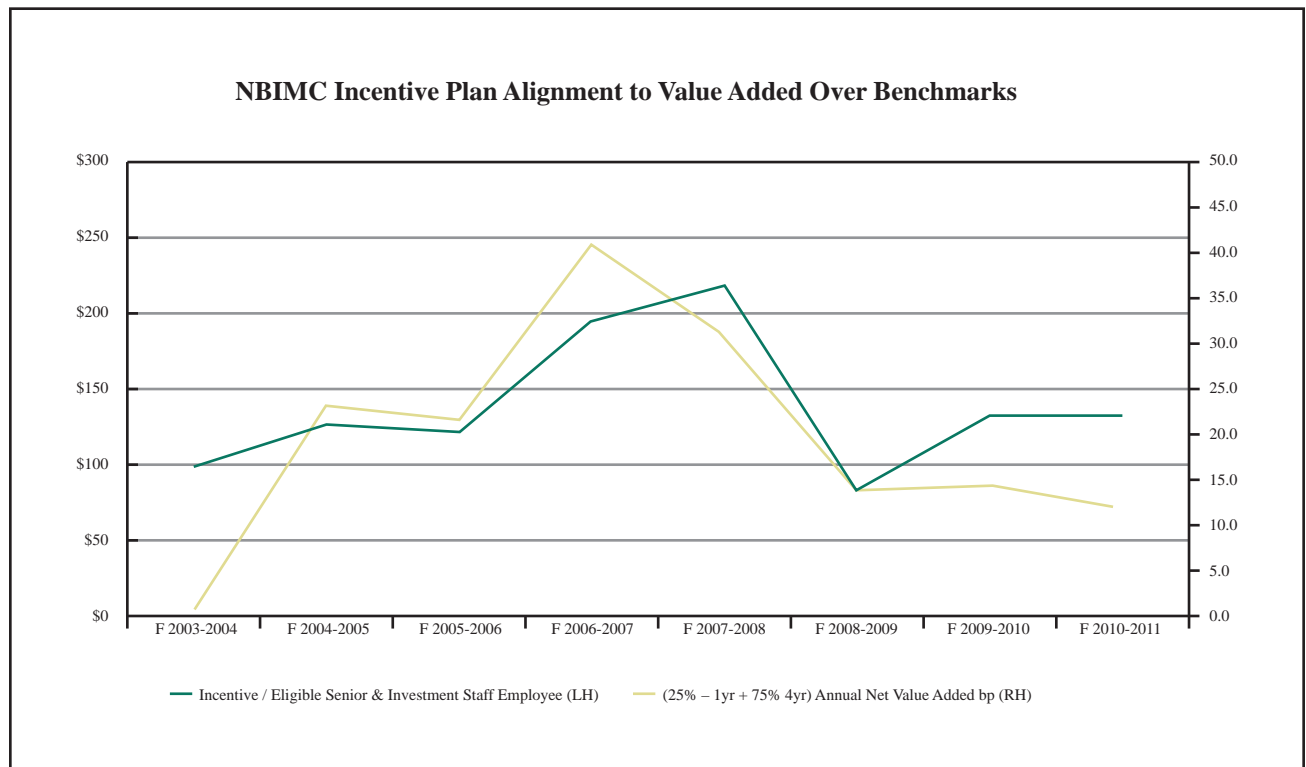
- Assessment of all information technology programs and services against the Control Objectives for Information and related Technology (COBIT®) risk management framework;
- Progress toward conversion of accounting standards for NBIMC to Public Sector Accounting Standards and for the Pension Funds to International Financial Reporting Standards;
- Completion of Board governance initiatives including new director orientation and various Board education forums;
- Development of an ongoing fraud risk assessment process;
- Preparation and execution of a Strategic Communications Plan;
- Development of a refreshed five year Corporate Strategic Plan; and
- Extent of direct interactions with stakeholders including the Plan Sponsor and various Plan Member groups.

The LTIP component is \$289,448 for the year ended March 31, 2011 compared to \$355,153 for the comparative year, reflecting the lower four year annualized net value added return and the inclusion of one additional employee who reached the four year eligibility threshold.

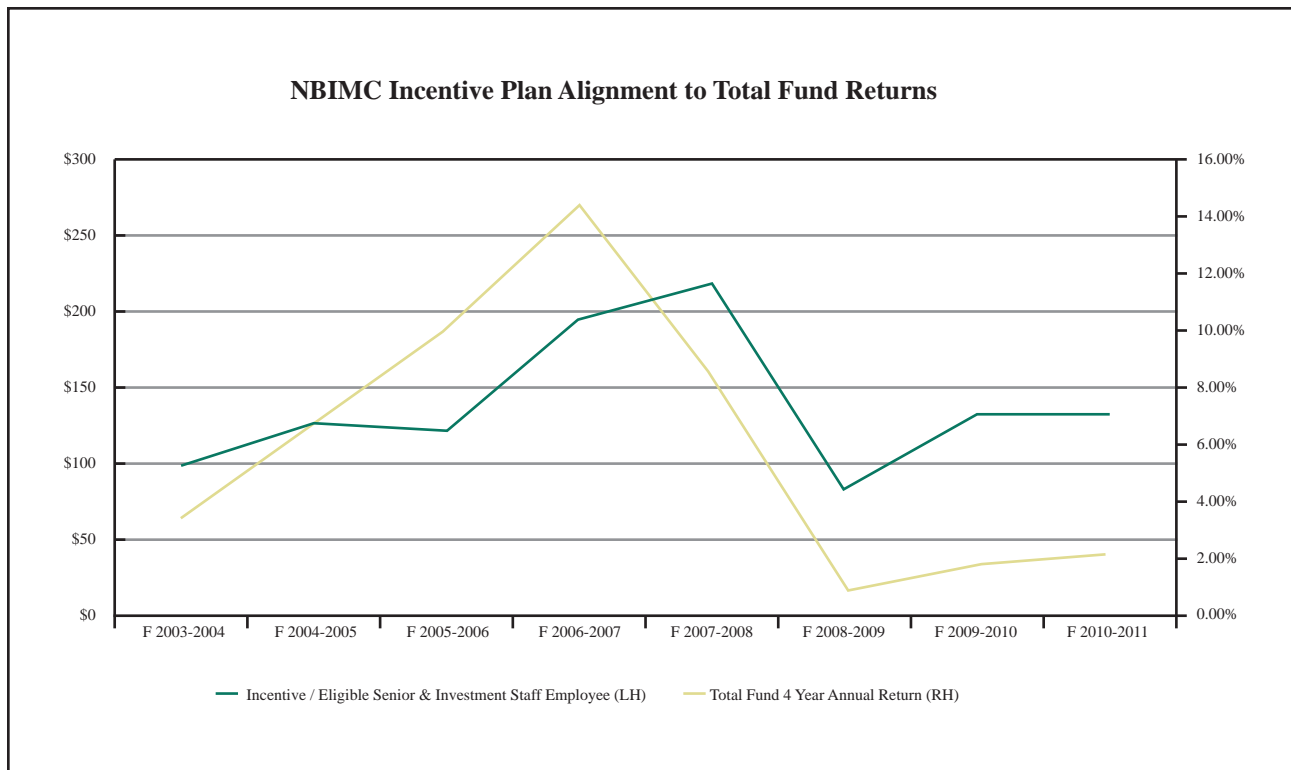
Compensation Linked to Investment Performance

The objective of performance-based compensation is to encourage alignment of employee interests with those of the Pension Funds, including an appropriate balance between maximizing long-term returns and minimizing risks. The following chart compares the total incentive compensation, commencing with a base value of \$100 to the annual net value added returns in excess of benchmarks:

The resulting graphical correlation indicates a relatively strong relationship between performance compensation and the annual net value added returns, as is intended in the design of the incentive plan.



The following chart compares the total incentive compensation to the four year annualized total fund returns each year. Again, the resulting graphical correlation demonstrates a meaningful linkage between the performance incentives and returns over the long-term.



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

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 a car 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, 2011 was \$139,209 (March 31, 2010 - \$101,550) plus travel and accommodation reimbursements of \$16,325 (March 31, 2010 - \$20,603).

EMPLOYEE ACTIVITY IN OUR COMMUNITIES

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

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 50 hours per volunteer to 44 non-profit organizations. Four additional charitable causes were also supported through other internal corporate fund-raising initiatives.

Of particular note, NBIMC recognized three individuals Ms. M. Jackman, Ms. D. Patterson, and Ms. A. MacDonald as our “Volunteer of the Year” for the significant contributions that they have made to our community. We were also pleased to recognize Ms. H. Morrison, our United Way Campaign Chair, and Mr. B. Bagnell, our organizer for our corporate “Run for the Cure” team, for their efforts put forward during the year.

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

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.

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

- PSSA Consultation Committee or delegates
- NBTA / AEFNB Pension Committee
- NB Teachers Federation
- PSSA, TPA, and JSP 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 2010-11:

- 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.