



New Brunswick Investment Management Corporation

**ANNUAL REPORT
2014-2015**

**Providing innovative, cost effective, and prudent
investment management services that address the
investment challenges of public sector funds**

BOARD OF DIRECTORS

Michael W. Walton
Chair of the Board
Director

Wiktor Askanas
Vice-chair of the Board
Director

Jean Marc-Dupuis
Director (ex officio, non-voting)

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

CORPORATE LEADERSHIP TEAM

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

Dan Goguen, CPA, CA, FRM
Vice-President Private Markets

Mark Holleran, CFA, FRM
Vice-President Equities

Inge Després
Corporate Secretary

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

James Scott, CFA
Vice-President Fixed Income

Jon Spinney, CFA
Vice-President Quantitative
Investment and Applied Research

**Andrea MacDonald, CHRP,
IPMA-CP**
Human Resources Manager

New Brunswick Investment Management Corporation

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MEMBERS OF



Pension Investment
Association of Canada

Association canadienne des
gestionnaires de caisses de retraite

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FISCAL 2014-15 HIGHLIGHTS

- Our annual nominal return for all assets under management was 14.18%. The real return (after considering inflation) was 12.13%.
 - The Judges' Pension Fund, for which NBIMC has remained Trustee, had a nominal return of 14.64% and real return of 12.59%.
- Long-term annualized nominal total fund return since NBIMC's inception in 1996 was 7.58% with a real (after inflation return) of 5.59% per year.
- We continued to add nominal returns in excess of client benchmarks of 0.46% net of all investment management costs. This represented approximately \$56.4 million of additional return to client portfolios.
 - NBIMC's management expense ratio declined to 0.14% during the year.
- Total assets under management closed the year at a new high of \$13.0 billion as of March 31, 2015.
 - \$1.629 billion of net gains were realized by our clients from our investment activities.
- The New Brunswick Teachers' Pension Plan converted to a target benefit pension plan on July 1, 2014. As part of the conversion, NBIMC is no longer Trustee for the New Brunswick Teachers' Pension Fund.

CORPORATE PROFILE

The New Brunswick Investment Management Corporation (NBIMC) is the investment manager for certain public sector pension and other funds. 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 Provincial Court Judges' defined benefit pension plan.
- 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 \$13.0 billion at March 31, 2015.

CORPORATE MISSION

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

Key Goals:

- To advance NBIMC's governance, management and organizational effectiveness.
- To meet our clients' specific long-term investment objectives through prudent investment advice and well-executed risk managed investment strategies.
- To expand NBIMC's client-servicing and support operations.
- To maintain, develop and attract a highly skilled and experienced team of investment management professionals.
- To strengthen and expand client and other stakeholder communications and relationships.
- To support effective and efficient information technology, data management and client reporting solutions.

CORPORATE VISION

We are the public sector's provider of choice for investment management services.

NBIMC is recognized for applying “industry best practices” by our clients and peers.

The company is:

- Acknowledged as being able to develop investment strategies that exceed each clients' long-term risk and return objectives.
- A provider of consistent value added returns, net of expenses, for clients through a diverse range of investment strategies.
- Recognized by stakeholders as having strong governance practices and a long-term strategic vision.
- Driven by a long-serving 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 develop and implement appropriate investment strategies that are focused on client objectives and risk management guidelines.*

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 through clear roles and coordinated activity that is fully aligned with achieving our clients' 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 strong Code of Ethics and Business Conduct.*

INNOVATION – *We continue to provide a broad range 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 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 recommendations and/or establishment of the appropriate asset mix for each of our clients' investment funds under our management is heavily influenced by both their long-term return and risk objectives and their funding status.
5. NBIMC believes that market inefficiencies present opportunities to add value through active management.

MESSAGE FROM THE CHAIRPERSON

On behalf of the Board of Directors and management of the New Brunswick Investment Management Corporation (NBIMC), I am pleased to introduce our Fiscal 2014-2015 Annual Report. This report marks the conclusion of our nineteenth year of operations with NBIMC continuing to exceed our clients' long-term investment objectives, while at the same time effectively managing a number of changes that have been brought about by the Government of New Brunswick's pension reform activities.

One of the most significant changes that occurred during the year was that the Government and the New Brunswick Teachers' Federation transitioned the governance of the *Teachers' Pension Act* ("TPA") to the new N.B. Teachers' Pension Plan (NBTPP) on July 1, 2014. This transition included moving our prior responsibility as Trustee for the Fund to a new joint trustee framework, with NBIMC continuing to provide investment management services under a long-term investment management agreement.

The following Annual Report provides a detailed account of another year in which we have successfully met our primary and secondary performance targets for: i) the Judges' Pension Fund for which the NBIMC Board of Directors is Trustee, ii) the Public Service Shared Risk Plan (PSSRP) and N.B. Teachers' Pension Plan (NBTPP) both of which had been transitioned to new Joint Trustee Boards in 2014, and iii) specific investment account mandates with the New Brunswick Power Corporation and the University of New Brunswick's Endowment Fund.

The Board of Directors was very active on a number of initiatives during the year which are outlined in more detail throughout this report. First of all, we are pleased to provide our second annual report of achievement against our specific corporate performance objectives as outlined on page 10. These objectives are set at the beginning of the fiscal year and directly reported to each of our stakeholder groups as well as posted on our website (www.nbimc.com).

Our Board also concluded our biennial Board and Director self-evaluation process during the past year and has subsequently identified a number of improvement objectives that we will focus on over the next two years.

STRATEGIC PLAN 2015 TO 2020

One of the most significant areas of focus for the Board during the year was the review and refreshing of our Strategic Plan. The review was especially relevant this year to ensure that we continue to provide an investment platform that exceeds all of our clients' long-term investment requirements, while continuing to meet the needs of our two largest clients' new pension models. An area of specific focus was with respect to the additional client service requirements that occurred with both the PSSRP and NBTPP transitions and the addition of our other two more recent public sector investment mandates. Please note that a detailed copy of this revised Strategic Plan is also available on our website.

PENSION REFORM IMPACTS

NBIMC Directors and management have been very focused on ensuring that the Corporation has been able to help provide a seamless transition with respect to the investment program activities and governance of both the PSSRP and NBTPP. We look forward to continuing to provide investment advice and management services through our long-term Investment Management Agreement with each party into the future.

As part of the Government's process with respect to the conversion of the prior defined benefit pension plans to a target benefit approach, the Minister of Finance had 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 new pension plans in achieving their goal of prudently managed and sustainable pensions. NBIMC management continued to actively participate in the Governance Working Group during the year by sharing our governance and investment related experience with this group.

Pension plan governance changes have caused us to change the format of our traditional annual performance discussion in our annual report this year. We no longer provide detailed consolidated total fund performance of the pension plans under our management, and now only focus on the Judges' Pension Fund (JPF) for which we remain Trustee. The PSSRP and NBTPP will report on their own specific fund performance through their independent communications activities. We provide further reporting detail on the performance of our separate investment strategies and the specific unit trust funds in which each of our clients have the opportunity to invest.

APPRECIATION OF DEDICATED SERVICE

I would like to continue to recognize our Board and senior management team for their commitment and contribution to the Corporation during another very busy year. The Board remains very pleased with NBIMC's performance, especially considering the number of operational changes that we have experienced over the past two fiscal years and the ever present investment challenges in the global financial markets.

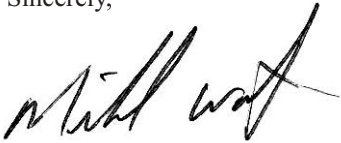
In particular I would like to express our appreciation of the service of Ms. Patricia LeBlanc Bird who stepped down from our Board in February of 2015. Patricia helped guide NBIMC through the challenging period of change outlined in this report during her term as a Director.

With respect to Board composition, a number of our Director terms expire in the fiscal year ahead. The Board has formed an Ad hoc Director Nomination Committee to help our shareholder address this situation, and we are comfortable that with the assistance of this Committee and our NBIMC – Director Nomination Guidelines, NBIMC will continue to be effectively overseen and well governed in the future.

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. We are particularly proud that the Corporation has been able to assist in effectively transitioning our two largest pension fund clients to their new framework while continuing to provide them with the long-term investment returns that they require.

I trust this annual report provides a thorough accounting of NBIMC's activities in Fiscal 2014-15, however I encourage our numerous stakeholders to feel free to contact us through comments@nbimc.com with any questions or for any further information at their convenience.

Sincerely,



Michael W. Walton
Chairperson

June 8, 2015
Fredericton, New Brunswick

CEO LETTER TO STAKEHOLDERS

I am very pleased to report that the Corporation's investment program continued to perform well in Fiscal 2014-2015. We once again **surpassed both our primary investment objective of exceeding the long-term investment returns** required by the clients under our management, **and our secondary investment objective of producing value added returns** that exceed their investment policy benchmarks after covering all of our investment management expenses. These results were achieved in an even more disorderly investment environment than what has been experienced in the past few years as we continued to endure interest rates moving lower in combination with a significant drop in energy prices and a much stronger U.S. Dollar.

As noted in our Chairperson's Letter, this past fiscal year continued to be one of significant change. The Government's pension reform activities resulted in the former TPA pension plan being converted into the NBTTP as of July 1, 2014. This conversion, along with the earlier transition of the PSSRP trustee responsibilities and related investment strategies were a significant focus during the year. For example, NBIMC assisted both the PSSRP and NBTTP Trustees conduct a full asset-liability review, and developed related transition plans for their Investment Strategies during the year.

NBIMC management remained focused on our responsibilities with respect to the JPF. During the year we assisted our NBIMC Board of Directors review the JPF Investment Policy based on an updated report that was received from the Plan's Actuary, and subsequently made and implemented a number of changes to their investment strategy.

The Corporation was also able to efficiently transition a number of client asset allocation changes during the year that resulted from a combination of the above-noted investment policy-related work along with additional transitional requirements that were related to our mandates with the New Brunswick Power Corporation and University of New Brunswick's Endowment Fund. Our ability to cost efficiently transition assets among offsetting client needs where possible, provided a much more effective implementation approach than incurring the costs related to trading through a traditional market based alternative.

FISCAL 2014-15

We are pleased to report that the gross investment return for the JPF, which has remained an NBIMC Trustee responsibility, was 14.64% for the fiscal year. This return exceeded the JPF investment policy benchmark by 0.59% gross of investment management costs. The related real rate of return (after adjusting for inflation) was 12.59%, which significantly exceeded the actuarial real rate of return requirement of 4.00%.

Most importantly the long-term JPF annualized real rate of return since NBIMC's inception now stands at 5.59%. This real return is now well above the long-term real return requirement that the Pension Fund's independent Actuary had believed to be necessary to fund the JPF. As noted above we also conducted an asset-liability review for the JPF and subsequently determined that it would be prudent to reduce the risk of the portfolio based on the improved funding status of the Pension Plan. The details of this revised investment policy are available on our website.

Our overall total funds value added portfolio performance exceeded both the blended client investment policy benchmarks and our investment management costs by 0.46% during the year. This performance equated to additional returns of approximately \$74 million of investment earnings to our clients through active portfolio management activities versus their benchmarks, or approximately \$56 million in additional net earnings after covering the combined \$17.3 million of NBIMC's operating costs and the costs of third party service providers.

Net assets under management increased to a new all-time high of \$13.0 billion from \$11.6 billion in the prior year. This increase in assets resulted from \$1.629 billion in net investment earnings and net client payouts of \$268 million.

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 earlier, our long-term investment performance significantly exceeded the targeted investment returns for the public sector clients under our management.
 - Management continued to add relative value added returns, after covering all expenses, for our clients through active investment management activities.
- Concluded significant asset-liability studies for the PSSRP, NBTPP and JPF which were approved by each respective Trustee group.
- Successfully completed sizeable, cost efficient asset class transitions for the PSSRP, JPF and NB Power client portfolios. Developed a similar transition plan which is currently underway for NBTPP assets.
- We continued to assist the Minister's Pension Governance Working Group with ongoing best practice pension operations and governance discussions with respect to public sector pensions and their service providers.
- Assisted the new PSSRP and NBTPP Trustee Boards organize and implement their operational capabilities:
 - Successfully transitioned the governance responsibilities of the TPA to the NBTPP, including the finalization of an initial five-year investment management services agreement.
- Significantly expanded our Investment Management capabilities:
 - Constituted a new Quantitative Investment and Applied Research investment team, under the direction of a new Vice President, to provide focus to NBIMC's recently increased quantitative investment capabilities and to be able to better address the increased client demand for portfolio strategy development and risk management services.
 - Management developed and implemented three new investment strategies during the year:
 - A new Emerging Markets Low Volatility public equity portfolio, which provides clients with economic exposure to high growth emerging economies at a lower expected risk than the traditional corresponding market capitalized index.
 - A new quantitatively-based market neutral Absolute Return investment strategy to further diversify our internal capabilities with the increased strategic client allocations to this internally managed investment portfolio.
 - A new public markets-based infrastructure portfolio that is expected to provide similar long-term returns to private infrastructure investment opportunities.
- We continued to expand our direct private markets investment activity and related relationships on both a local and global basis.
- Successfully expanded our client accounting, compliance, performance measurement and reporting capabilities.

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

OPERATIONAL OUTLOOK

As noted earlier in this letter, Fiscal 2014-15 was another year of significant change for both NBIMC and for our PSSRP and NBTPP clients. Much as we expected last year, we have been working closely with each of their new trustee boards to provide not only investment management services but also assistance with respect to their operations, investment policy development and monitoring processes.

While we expect that NBIMC will continue to bring a number of benefits to our current clients, we continue to be approached by a number of other public sector investment pools of capital who have an interest in our services. At the time of writing this letter we are close to finalizing a relationship with two additional New Brunswick based public pension funds. 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. It is also important to point out that any new client relationships also help our current investment management clients by providing them with further investment diversification, particularly in private asset investments, while also helping to provide them with additional cost efficiencies.

As noted in our NBIMC corporate vision, we continue to look forward to being the public sector's provider of choice for investment management services by providing 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

MARKET OUTLOOK

Recent economic reports continue to illustrate the long slow period that it typically takes for economies to recover from a financial market crisis. The last two quarters of relatively stronger global growth in 2014 look to have slowed down considerably in early 2015. The growth situation has only become more confusing thanks to the significant drop in energy prices that occurred late last year. A number of jurisdictions experienced a more immediate negative impact from the drop in energy related capital spending activities well in advance of any economic pick-up that might offset these declines due to activities that benefit from lower energy prices.

Production statistics and industrial output reports however generally continued to confirm that most regions remain in a slow expansionary trend. Consumer confidence, housing related statistics, and employment reports all tend to confirm these developments. Early indications from the March 31, 2015 quarter end corporate earnings reports also generally confirm slow continued growth, especially once energy-related company data is excluded. Revenue gains have tended to mirror the above-noted economic slowdown, however earnings growth generally remains strong.

Global central bank activities continued to heavily influence capital markets during the past year. The European Central Bank (ECB) announced and subsequently started an aggressive quantitative easing bond buying program in early 2015, which has driven a number of stronger credit European country sovereign bonds to unprecedented negative yield levels. This stimulus, in combination with the continued aggressive stimulus in Japan has significantly impacted yields across the world as investors search for yield, including Canada and the United States. The U.S. Federal Reserve Board (FED) on the other hand is expected to increase interest rates at some point in the near future, however the exact timing is uncertain.

These mixed global growth statistics and divergent central bank intentions, in combination with a number of unstable geopolitical situations have increased both fixed income and equity market volatility from the very low levels witnessed over the past few years.

We expect that markets will be more challenging in the year ahead as volatility levels continue to moderate to normalized historic levels, and as most asset price levels, irrespective of whether they are equity or debt, continue to push toward record high levels.

We look forward to the challenge of continuing to meet our clients' needs and 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.



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

June 8, 2015
Fredericton, New Brunswick

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 funds under management. Key elements of the 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.

ASSETS UNDER MANAGEMENT

New Brunswick's pension reform activities continued during the current fiscal year. On July 1, 2014, the New Brunswick Teachers' Pension Plan (NBTPP) was converted to a target benefit plan and the trustee responsibilities were transferred from NBIMC to a new NBTPP Board of Trustees. The NBTPP Board of Trustees has entered into a renewable investment management agreement with NBIMC for a minimum of five years.

NBIMC's Board of Directors remained the Trustee of the Provincial Court Judges' Pension Trust Account Fund (the Judges' Pension Fund).

Assets under management (AUM) at March 31, 2015 were approximately \$13.0 billion consisting of the following discretionary and non-discretionary funds:

Client	March 31, 2015		March 31, 2014	
	Assets		Assets	
Public Service Shared Risk Plan Trust	\$ 6,944.9	53.5%	\$ 6,222.0	53.5%
New Brunswick Teachers' Pension Plan Fund	5,370.7	41.4%	4,841.2	41.7%
Provincial Court Judges' Pension Trust Account Fund	42.0	0.3%	37.2	0.3%
New Brunswick Power Corporation (NBPC):				
Point Lepreau Decommissioning Fund	267.0	2.1%	133.3	1.1%
Point Lepreau Used Fuel Management Fund	235.4	1.8%	116.6	1.0%
University of New Brunswick Endowment Fund	21.6	0.2%	17.0	0.1%
Total Discretionary Funds	12,881.6	99.3%	11,367.3	97.8%
Non-discretionary NBPC funds in transition	85.7	0.7%	225.2	2.2%
Total AUM	\$ 12,967.3	100.0%	\$ 11,620.0	100.0%

NBIMC has remained very involved with assisting its clients with investment policy research during the fiscal year ended March 31, 2015.

The development of the investment strategy for each pension fund is highly dependent on the actuarial liability profile and the design of the underlying pension plan. With the move to the more complex target benefit type plans now in place for the PSSRP and NBTPP, the target asset mix for each of those plans is more heavily weighted to lower risk asset classes such as fixed income investments. NBIMC conducted asset liability studies for each of these clients to help ensure that the asset mix decisions in their investment policies were well diversified and able to take advantage of a number of investment strategies that are expected to provide similar return and lower risk characteristics.

During the year, NBIMC also received an updated actuarial valuation report for the Provincial Court Judges' Pension Plan. The new valuation reconfirmed the long-term real return assumption for this plan of 4.0%. Accordingly, as per past practice we also conducted an updated asset liability study for the Judges' Pension Fund, culminating in the recommendation of an updated asset mix that was approved by the NBIMC Board of Directors in November 2014.

We have also been actively assisting our clients to transition to their new investment policy asset mixes. Where possible, our investment teams have taken advantage of internal transfer opportunities among our collection of pooled funds to ensure trading costs associated with both transition and regular client rebalancing efforts have been minimized.

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 2014-15 fiscal year in order to provide an overview of the overall performance of our organization.

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 for pension fund clients.

Our **second investment performance objective** is to add value, above the various asset class benchmarks in each client's 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 client over the long term. It is important to note that this target has been selected to represent a first quartile long-term achievement amongst similar investment managers.

NBIMC had also developed a series of other key performance indicators, as **continuous performance objectives**, that corresponded to our 2011-2016 Strategic Plan.

The NBIMC Board monitors these indicators on a quarterly basis. They are reported below for the current 2014-15 fiscal year for total funds under management (i.e., pension and other clients, excluding assets under transition):

Primary Investment Performance Objectives

Objective	Long-Term Targets	F2014-15 Actual	Four Year Annualized	Annualized Since Inception
Real Return (after inflation)	>= 4.00% per annum	12.13%	8.52%	5.59%
Nominal Return	>= 6.60% per annum	14.18%	10.39%	7.58%

Note: Above returns are for total assets under management

Secondary Investment Performance Objective

Objective	Long-Term Target	F2014-15 Actual	Four Year Annualized	Annualized Since Inception
Net Relative Return (after all investment management expenses)	>= 42 bps per annum	45.6 bps	43.8 bps	0.2 bps

Continuous Performance Efficiency Objectives

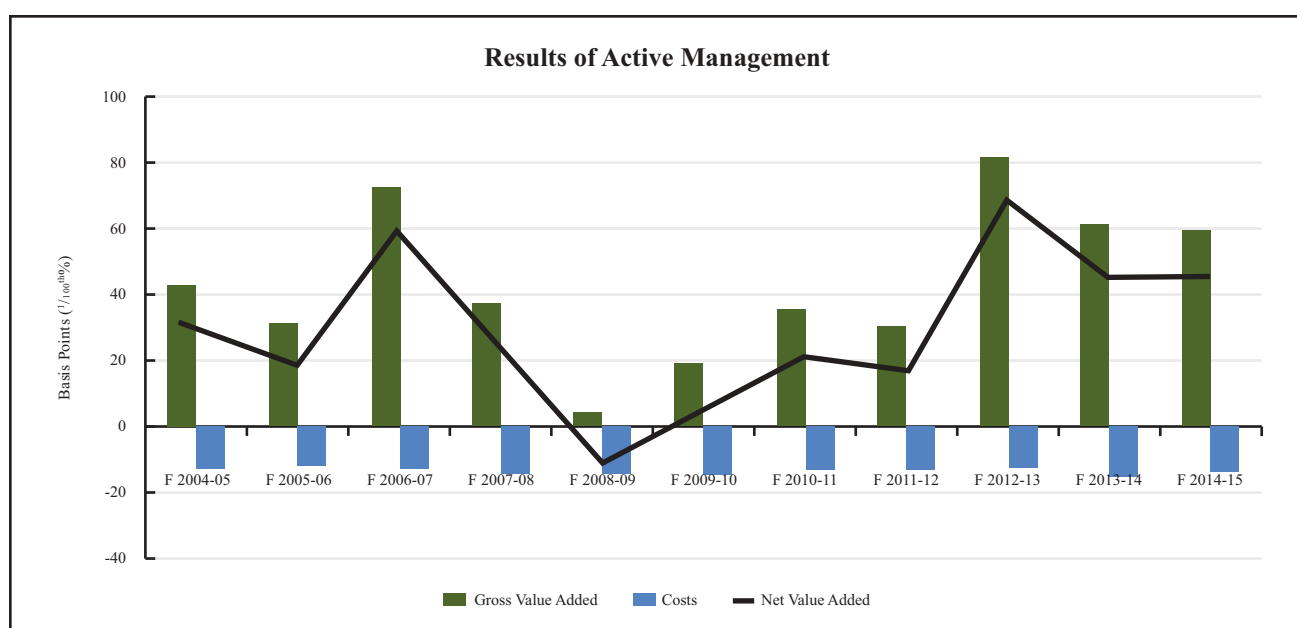
Objective	Targets	F2014-15 Actual	Four Year Annualized
Trade-Matching Efficiency:			
Securities Custodian	Industry avg + 2.5%	96.4%	95.5%
Prime Broker #1	Industry avg + 2.5%	95.9%	95.9%
Prime Broker #2	Industry avg + 2.5%	93.0%	94.1%
Industry Average	Per Canadian Capital Markets Association	90.0%	88.8%
Budget Efficiency <i>(excluding performance incentives)</i>			
	100%	96.8%	91.9%
Absenteeism (%)	<= 2%	1.13%	1.53%
Employee Turnover (#)	<= 3/yr	0	1.25/year
IT System Availability	99%	99.9%	99.8%

RELATIVE PERFORMANCE VERSUS BENCHMARKS

As noted in the chart above, 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. A basis point is 1/100ths of a percentage.

Our overall active management activities added 59.6 basis points of gross value and 45.6 basis points of net value, or approximately \$56.4 million, after covering all investment management costs.

Our longer-term four-year average annual value added return, net of costs, was approximately 43.8 basis points per annum or approximately \$188.1 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.



PERFORMANCE BY ASSET CLASS

The following discussion is organized by major asset class supported by NBIMC on behalf of our clients. The discussion also provides a breakdown by asset class sub-portfolio. NBIMC has created a pooled unit trust fund structure in which clients can invest with customized weights to achieve their unique investment objectives. For a description of investment performance by unit trust fund, please refer to Unit Trust Fund Performance (page 40).

FIXED INCOME PORTFOLIOS

Objectives

NBIMC provides a number of Canadian fixed income focused portfolios that allow clients to access a broad mix of maturity term and credit quality exposures. These portfolios can be combined to represent standard industry benchmarks or used separately to provide more customized exposure to fit specific investment objectives or requirements.

Performance Summary

Portfolio	AUM (\$ millions)	F2014-15 Return		Four-Year Annualized Return	
		Portfolio	Benchmark	Portfolio	Benchmark
Short Term Assets	\$ 1,179	1.28%	0.94%	1.36%	0.97%
Nominal Bonds	2,134	11.12%	11.11%	6.37%	6.18%
Corporate Bonds	1,717	8.47%	8.22%	n/a	n/a
Long-Term Bonds	161	19.19%	19.72%	n/a	n/a
Real Return Bonds	743	14.29%	14.47%	6.35%	6.34%

Overview

Bond yields plunged globally during the year as economic growth remained uneven to weak with low inflation throughout most of the developed world. This forced most major Central Banks to ease their monetary policy which included a surprise rate cut by the Bank of Canada on January 21, 2015.

The one exception to this easing was the U.S. Federal Reserve (FED) which ended their quantitative easing program on October 29, 2014. Most investors now look for the FED to begin raising interest rates from their current zero rate setting later in 2015 as their economy rebounds and their unemployment rate improves toward 5% which is generally regarded as close to full employment.

In Europe, yields dropped significantly throughout the year as the European economies slipped back into recession and inflation was dropping. To fight this trend, on January 22, 2015 the European Central Bank announced a larger than expected quantitative easing program, resulting in already low yields falling further. Yields in many European countries actually fell to negative levels. German 10-year bonds, which began the fiscal year yielding 1.55%, ended at 0.16% on March 31, 2015.

Canadian corporate credit had a rather uneventful year with spreads having widened slightly versus Government of Canada yields, with pockets of modest tightening, such as in the infrastructure and retail sectors. Credit spreads in other sectors, such as energy, telecommunications and financials widened somewhat.

Canadian Provincial bonds had a very good year as their longer term to maturity allowed them to benefit handsomely from the large decline in interest rates during the year. Unlike corporate credit, provincial bond spreads narrowed during the year versus Government of Canada bonds, which added to their already robust returns. Ontario and Quebec bonds had the best performance as their economies are the ones generally expected to benefit the most from lower oil prices and a declining Canadian dollar.

PUBLIC EQUITY PORTFOLIOS

Objectives

We provide two main types of geographically diverse public equity investment portfolios: standard market capitalization based portfolios, and low volatility equity portfolios. These portfolios are used to help clients gain exposure to the long-term economic growth in a number of global regions on both an active and passively managed basis.

NBIMC has focused significant resources in recent years in developing internally managed low volatility portfolios in the various geographic regions outlined below. We feel that these portfolios provide an effective public equity investment approach, particularly for our target benefit pension fund clients, in terms of providing similar long-term performance to traditional equity markets with significantly less risk.

Performance Summary

Portfolio	AUM (\$ millions)	F2014-15 Return		Four-Year Annualized Return		
		Portfolio	Benchmark	Portfolio	Benchmark	
Market Capitalized:						
Canadian Equity	\$ 1,800	7.55%	6.93%	5.03%	4.39%	
U.S. Equity	925	29.40%	29.36%	22.04%	22.03%	
International Equity	1,174	14.53%	13.70%	12.93%	12.29%	
Low Volatility:						
Canadian Equity	484	18.86%	12.91%	n/a	n/a	
U.S. Equity	550	33.08%	34.65%	n/a	n/a	
International Equity	533	19.93%	19.63%	n/a	n/a	
Emerging Markets Equity ¹	212	0.88%	2.98%	n/a	n/a	

¹Low Volatility Emerging Markets portfolio currently being implemented

Overview

All portfolios continued to provide healthy nominal returns for the 2014-15 fiscal year. The U.S. and International equity portfolios also benefited from the significant strength of their respective local currencies when compared to the Canadian dollar.

Low volatility portfolios continued to meet their long-term goals, as both the Canadian and International portfolios outperformed their benchmarks, while the U.S. portfolio lagged slightly due to the very strong returns in the U.S. market. During the final month of the fiscal year, a low volatility Emerging Markets strategy was launched to provide lower risk, more stable access to these historically more volatile higher growth equity markets.

In general, equities continued to benefit from strong corporate earnings, accommodating economic data, supportive policies from global Central Banks and improving sentiment among consumers. Global markets have followed the lead of the U.S., which has steadily shown improving economic health. During the fiscal year, the FED steadily removed monetary stimulus through its Quantitative Easing program, which was well telegraphed to market participants, while Europe has launched its own version of accommodative central bank policies to assist economic growth.

Our Canadian Equity portfolio added value over its benchmark, however trailed other developed markets, in large part due to the exposure of the Canadian index to the energy and material sectors. The total return performance of our Canadian low volatility equity portfolio provided a good example of the benefits of having exposure to a less volatile portfolio in comparison to the market volatility the general Canadian equity market experienced during the fiscal year.

ALTERNATIVE INVESTMENT PORTFOLIOS

Objectives

NBIMC offers a number of non-traditional alternative investment strategies which help provide clients with additional diversification benefits and exposure to investments which may help reduce their overall portfolio risk from the more traditional public equity and fixed income markets.

Our Absolute Return Strategies are internally managed unlevered portfolios that consist of public equity securities designed to provide high single digit returns with a low correlation to public market returns.

The Private Equity portfolio provides investors with the opportunity to invest in more concentrated or control based equity positions in companies which are at various growth stages and located in a number of different geographic regions.

Real Estate and Infrastructure investments provide clients with the ability to invest capital in a diverse portfolio of long-term assets that provide an ongoing yield that typically adjusts with inflation over the time horizon of the investment.

Performance Summary

Portfolio	AUM (\$ millions)	F2014-15 Return		Four-Year Annualized Return	
		Portfolio	Benchmark	Portfolio	Benchmark
Absolute Return Strategies	\$ 739	3.53%	0.94%	2.89%	0.97%
Private Equity	495	17.13%	17.74%	18.66%	15.31%
Real Estate	879	22.50%	20.32%	15.12%	13.05%
Infrastructure	104	6.97%	5.52%	7.77%	5.81%

Overview

Our Absolute Return Strategies comprise three sub-portfolios, each targeting a complementary strategy, which includes event-driven investing, fundamental long/short market neutral investing and quantitative market neutral portfolios. This mix provides diversification and allows for capital allocations to be competitive between the strategies over time, depending on the macro-environment for each sub-portfolio.

Absolute Return Strategies continued to provide positive contributions in F2014-15, benefiting from the improved environment for mergers and acquisitions as companies sourced opportunities to expand through accretive transactions. The quantitative market neutral portfolio also made positive contributions to the overall results during the fiscal year, as the portfolio's exposure to high quality, attractively priced securities proved advantageous throughout the year.

The private equity portfolio is diversified among several factors including geographies, industry sectors and currencies. Investments are achieved through a combination of commitments to external funds and direct internally managed investments. The past year saw strong returns in most parts of the underlying portfolio as global growth continues albeit at a moderate pace.

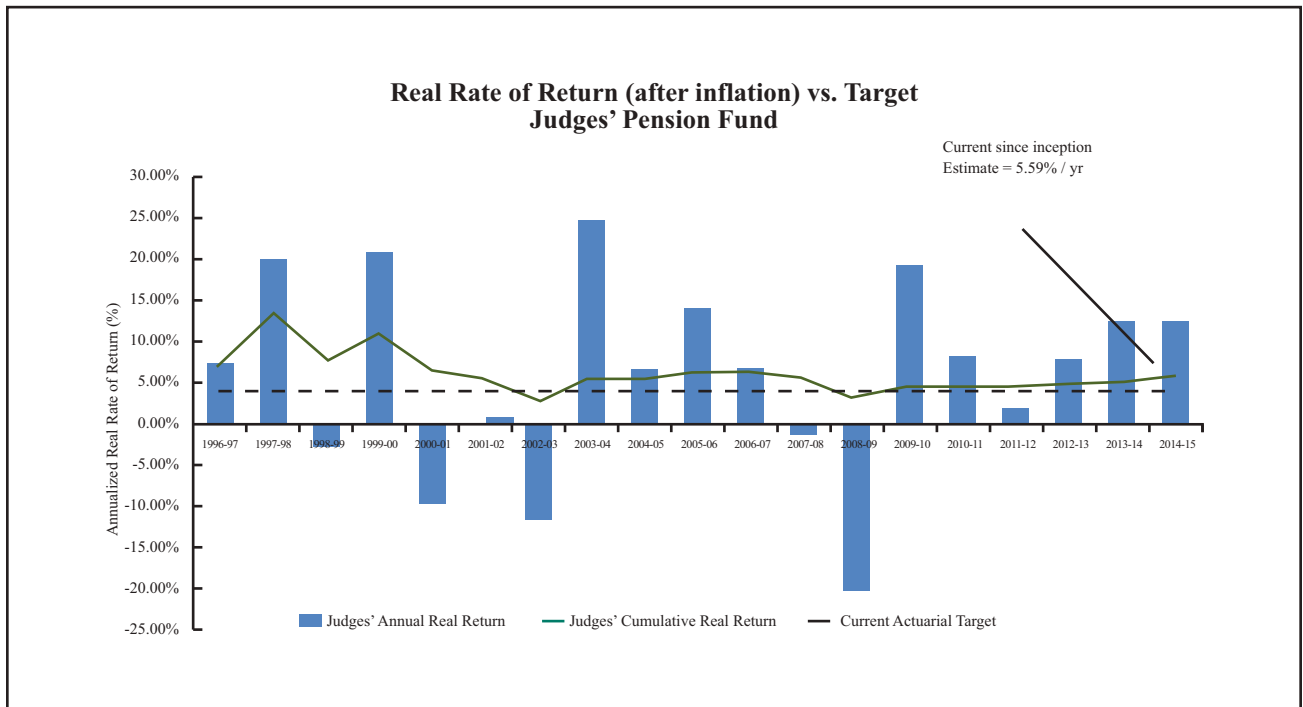
The real estate portfolio has two broad components: North American Real Estate Investment Trust (REIT) securities and Canadian private real estate in the form of limited partnership interests, direct co-investments and direct holdings. Our real estate investments continued to benefit from low interest rates, solid fundamentals and strong investor demand.

The infrastructure portfolio consists of a number of private co-investments diversified by geography, currency and by asset type. Low interest rates continue to fuel strong investor demand and scarce investment opportunities. These characteristics have also led to a high valuation environment. To address the scarcity of good investments in this asset class, during the year NBIMC developed and implemented an internal public infrastructure portfolio which is expected to provide similar longer-term return and risk characteristics to private infrastructure investments.

JUDGES' PENSION FUND INVESTMENT PERFORMANCE

Our two main objectives for the Judges' Pension Fund remained exceeding the long-term actuarial return requirements and in adding value through active management strategies.

Our **first investment performance objective** is in regards to both the nominal and real return of the Fund compared to the actuarial return assumption that had been determined by the Plan Sponsor to be necessary to fund this defined benefit pension plan appropriately. The nominal return of 14.64% and real return of 12.59% for the fiscal year were well above the Plan's nominal and real return actuarial hurdle for the year of 6.60% and 4.0% respectively, but more importantly, remained above the respective actuarial targets over the long term. The long-term annualized real return for the Judges' Pension Fund since NBIMC's inception is now 5.59% which significantly exceeds this actuarial requirement.



As stated above, our **second investment performance objective** is to add value, above our various asset class benchmarks, through active management strategies. Our active management activities for the Judges' Pension Fund added 59.1 basis points of gross value and 45.1 basis points of net value, or approximately \$0.2 million, after covering all investment management costs.

Our longer-term four-year annualized value added return net of costs for the Judges' Pension Fund was approximately 50.3 basis points per annum or approximately \$0.6 million in additional value over the four-year period.

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 return net of costs that contribute to asset growth. All else being equal, lower costs result in higher comparative net returns and help to maximize the available assets.

Investment management costs are influenced by many factors. 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 approximately \$13.0 billion of assets under management for the year ended March 31, 2015 consist of the following:

(in millions of Canadian dollars)	2015	2014
NBIMC Operational Expenses	\$ 11.0	\$ 10.1
Third Party Service Providers		
Investment counsel fees	5.3	6.2
Securities custody fees	1.0	0.7
Total Investment Management Costs	\$ 17.3	\$ 17.0
Total Assets Under Management	\$ 12,967.3	\$ 11,620.0

NBIMC internally manages approximately 87%, up from 86% in 2014, of the assets under management (AUM) 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 AUM, were 0.112% or 11.2 basis points (bps) for the year ended March 31, 2015 (2014 – 11.5 bps). NBIMC has outsourced approximately 13% of the AUM 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 AUM, was 32.4 bps for the year ended March 31, 2015 (2014 – 42.5 bps). In total, investment management costs were approximately 14.0 bps of average AUM during the year, versus 15.7 last year and 14.9 per the original F2014-15 budget as submitted to the Minister of Finance.

The increase in the amount of NBIMC operational expenses this year is primarily attributable to the performance incentives earned on investment returns. In this way, NBIMC as internal manager is aligned with the performance objectives of our clients.

The conversion from defined benefit plans to target benefit plans by the PSSRP and NBTPP resulted in a higher than normal amount of investment trading activity as each of these two clients transitioned from their previous asset mix to their new target benefit asset mix. The transitions reduced the amount of assets managed using external managers, thereby decreased external investment counsel fees by \$0.9 million from the fees incurred in the comparative year and increased the securities custody fees by \$0.3 million, reflecting the increased transaction activity.

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 asset managers. This cost differential means that in the year ended March 31, 2015 our clients were able to retain over \$30.7 million due to our lower cost advantage. This cost advantage has been a cornerstone of our service delivery since our inception nineteen years ago.

In addition to investment management costs, the NBIMC Pooled Funds incur transaction costs associated with trading of securities in each portfolio. These costs include broker commissions and borrowing fees which are dependent upon the volume of trading activity undertaken. As well, management fees and other fees paid to General Partners and advisors are incurred on initial investment and over the holding period of private market investments. All such transaction costs have been deducted in reporting the investment performance of each pooled fund.

RISK MANAGEMENT

NBIMC and the funds that we manage face a number of risks in attempting to fulfill their mandates. A critical part of NBIMC's investment management activities is our disciplined risk management focus. 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 Proxy Voting, Automated Controls and Ethics and Risk Culture. 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 and 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 client 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:</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 and our clients.
Trade Management Oversight Committee (TMOC)	<p>In accordance with its Terms of Reference, the TMOC:</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:</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.
Business Continuity Plan Team (BCP)	<p>In accordance with its Terms of Reference, the BCP:</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 considers physical environment risks.</p>

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 and CEO, including establishment of measureable 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 components and 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.

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 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.

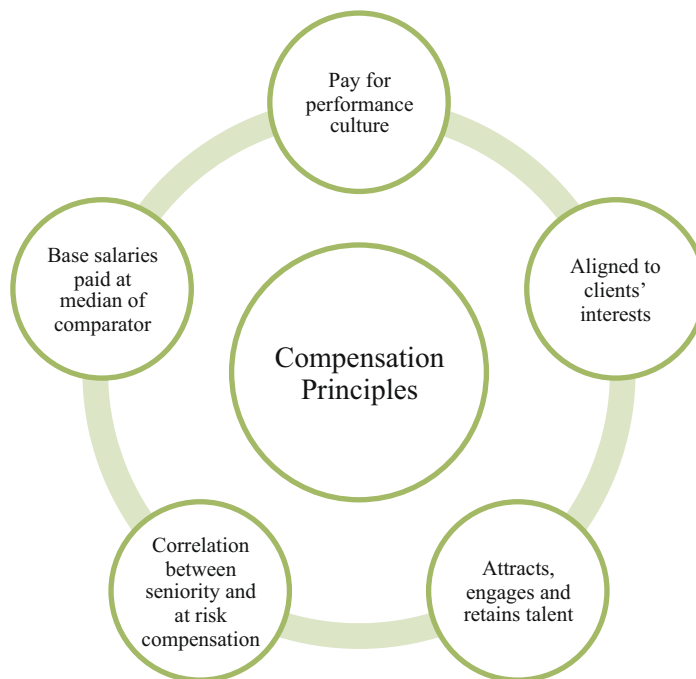
CORPORATE COMPENSATION PHILOSOPHY

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:



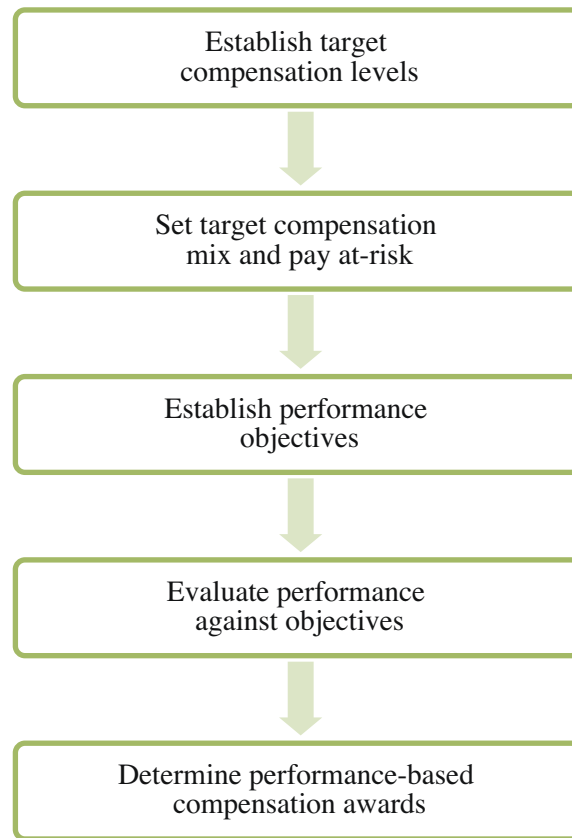
COMPENSATION RISK MANAGEMENT

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 20. 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.

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. Base pre-indexed benefits earned under the PSSA up to January 1, 2014 have been provincially guaranteed.

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 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. For F2015-16, a fourth team has been added: the Quantitative Investing & Applied Research Team. 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 and investment management costs measured over a retroactive period of four consecutive fiscal years.

IMPACT OF PERFORMANCE RESULTS FOR FISCAL 2014-15

NBIMC's investment program had a successful year in Fiscal 2014-15 as measured by a number of annual and longer term four year investment performance metrics:

- NBIMC's total investment return for the **pension funds** which we provide investment management services for was 14.05% during Fiscal 2014-15, which exceeded their overall investment policy benchmarks. Investment returns for **non-pension clients** also exceeded their respective benchmarks.
- The total fund **real return** (after adjusting for inflation) for the Provincial Court Judges' Pension Fund was 12.59% during Fiscal 2014-15. This return, along with the 8.64% annualized four-year, and 5.59% annualized since inception real returns, continues to remain well in excess of the 4.00% per annum long-term real return requirement that has been set by NBIMC's Board of Directors for this Pension Fund for which they remain the Trustee. More importantly, these real returns, by exceeding their specific requirement, have resulted in a positive impact to the plan's long-term funding status.
- The total fund **nominal return** in Fiscal 2014-15 was 14.18% and represents \$1.6 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 10.39%, which represented a cumulative \$4.5 billion of investment earnings.

- **Relative returns (net of all investment management costs)** were 0.46% higher than the combined weighted average client Investment Policy benchmarks during the year. These excess investment returns resulted in an additional \$56.4 million of active investment earnings provided to our clients during the year, and have resulted in a total of \$188.1 million of additional returns over a four-year period.

Compensation for the fiscal year consists of:

(in thousands of Canadian dollars)	F2015	F2014
Salaries and benefits	\$ 5,574.2	\$ 5,226.9
Performance incentives:		
AIP – net investment relative performance	\$ 421.0	\$ 338.9
AIP – individual performance	824.5	764.8
Total AIP	1,245.5	1,103.7
LTIP	1,279.0	1,090.9
Total performance incentives	\$ 2,524.5	\$ 2,194.6

Base Salaries and Benefits

For the year ended March 31, 2015, and after consideration of the continuing low inflation environment, the Board approved a 2.0% overall base salary increase.

With the conversion of certain of NBIMC’s legacy defined benefit plan clients to independently joint trustee target benefit plans and the acceptance of new clients during 2014, the human resources required to effectively service these clients has expanded. During the year, the Board approved the creation of two new full-time positions, a Policy and Stakeholder Relations Coordinator and an Investment Accountant, to support the increased workload associated with client administration. The Board also approved the promotion of a Senior Investment Portfolio Manager to the position of Vice President to lead a newly created Quantitative Investing & Applied Research Team that will focus on the investment strategy impact of the increased complexity of the target benefit plans as well as continue to deliver innovative, alternative investment strategies where appropriate.

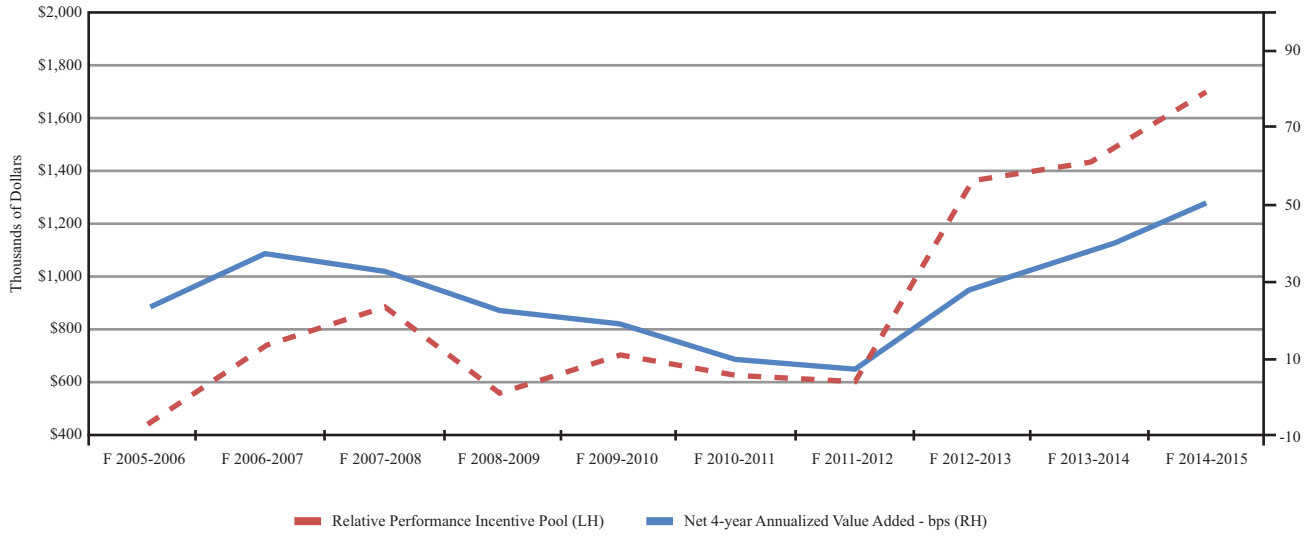
Specific compensation information for the organization is published annually on a calendar year basis by the Office of the Comptroller for the Province of New Brunswick in the Public Accounts.

Compensation Linked to Investment Performance

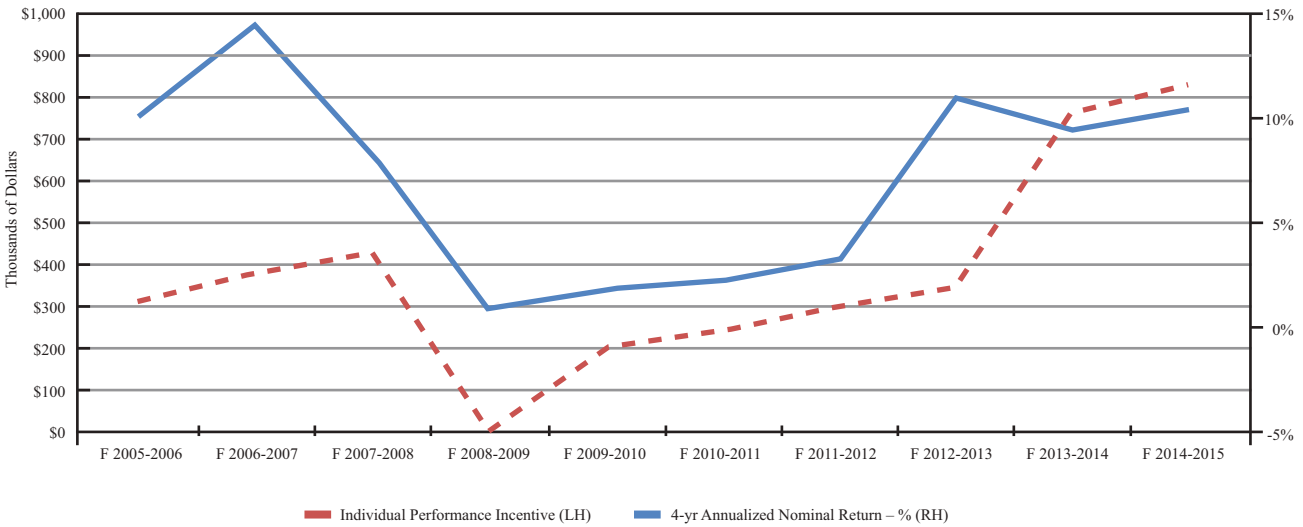
The objective of performance-based compensation is to encourage alignment of employee interests with those of clients, including an appropriate balance between maximizing long-term returns and minimizing risks. Investment performance with respect to incentive compensation can be summarized into two categories: (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. 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 \$1,245.5 consists of both an investment performance component and a business plan achievement component.

The **AIP related to the investment performance** component was \$421.0. 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 45.6 bps, and the four-year annualized net value added result was 43.8 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:

	Net Value Added (bps)	Percentage of Target (%)
2011-12	16.8	39.9
2012-13	68.6	163.2
2013-14	45.3	108.1
2014-15	45.6	108.6
Annualized Four-Year	43.8	104.3

The **AIP related to business plan achievements** is \$824.5 for the year ended March 31, 2015. This component is based on an achievement factor of 1.67 times overall target approved by the Board of Directors, compared to an achievement factor of 1.64 for the year ended March 31, 2014.

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. 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 long-term investment returns required by each pension plan and non-pension plan client, in a risk-controlled fashion, was NBIMC's primary investment performance objective for Fiscal 2014-15 and accounts for the largest weighting proportion. The overall total fund return for all clients combined was 14.2% in Fiscal 2014-15, an annualized 10.4% on a four-year basis, and most importantly 7.6% per annum since NBIMCs' inception in 1996.

Key Goals	F2014 Weighting	Achievement
To advance governance, management and organizational effectiveness.	30%	Above expectations
To exceed client long-term investment objectives through prudent asset allocation and risk management strategies.	40%	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.	15%	At expectations
To support effective and efficient information technology solutions.	5%	Above expectations

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

Key Goals

Fiscal 2014-15 Business Plan Accomplishments

To advance governance, management and organizational effectiveness.

- Actively facilitated and participated in each of the PSSRP and NBTPP Boards of Trustees’ meetings, ensuring a smooth transition of trustee responsibilities following conversion of these defined benefit pension plans to target benefit plans.
- Conducted asset-liability reviews for each of the PSSRP, NBTPP and Judges’ pension plans to enable refinement of their respective Investment Policies in light of their specific plan objectives, continued low interest rates, market volatility and highly competitive private market environment.
- Effectively transitioned the PSSRP and Judge’s plans to their new Investment Policy asset mix while minimizing market impact and trading costs. Have begun to transition the NBTPP plan to their new asset mix.
- Facilitated the completion of the biennial NBIMC Board and Director effectiveness assessment to identify further governance improvement opportunities.
- Conducted a full NBIMC Strategic Plan review with the Board and senior management to ensure NBIMC’s mission is responsive to the recent changes in our business model. This included development of new key performance indicators aligned with more of an investment management focus while retaining a trustee focus for the Judge’s plan.
- Developed processes and reporting templates and ensured human resource and system capabilities aligned with supporting additional quarterly client reporting requirements.
- Advanced discussions with other potential clients, providing opportunity for other public sector pension plans to benefit from NBIMC’s successful, institutional investment track record, and significant cost efficiencies.
- Continued development of other stakeholder relationships including actuarial and regulatory groups.
- Met or exceeded all key performance indicators.

To exceed client long-term investment objectives through prudent asset allocation and risk management strategies.

- All pension clients’ annual and long-term real returns exceeded pension plan requirements, contributing to improved funding levels.
- All non-pension clients’ annual returns were in excess of benchmarks.
- Contributed to target benefit pension plan investment policy research and development by expanding our investment programs which are expected to help clients better meet their objectives.
- Completed development of full asset-liability modeling capabilities to enable investment manager validation and monitoring of target benefit pension plan requirements and objectives.
- Implemented a low volatility emerging markets equity strategy to provide additional exposure to areas of expanding global economic growth and to provide further diversification of sovereign risk.
- Continued to expand and diversify our direct private markets investment program.
- Designed and developed a public infrastructure investment portfolio that is expected to be launched in early F2016.
- Implemented a Canadian long-term bond fund.

To maintain, develop, and attract a highly-skilled and experienced team of investment management professionals.

- Refreshed NBIMC's Human Resources Strategic Plan to address incremental workflow for new clients and target benefit plan complexities, subsequently approved by the Human Resources and Compensation Committee.
- Evaluated the results of the biennial Workplace Environment Survey conducted in early 2014 to identify improvement opportunities and action plans.
- Exceeded all key performance indicators.

To strengthen and expand stakeholder communications and relationships.

- Continued ongoing communications activities with stakeholder groups participating in the Province's pension reform activities and target benefit pension models. Facilitated discussions with the Financial and Consumer Services Commission, Auditor General, and the Superintendent of Pensions to discuss developments affecting NBIMC including impact of new clients, changes in regulatory environment for derivative securities, and target benefit plan impacts.
- Achieved all key performance indicators.

To support effective and efficient information technology solutions.

- Upgraded all storage area network equipment in main computer facility and rotated equipment to backup facility maintained for system redundancy purposes.
- Upgraded risk analytics system to deliver client-specific metrics
- Proposed and created a database architecture solution to enable shared data interfaces for delivering user-defined internally-developed applications
- Exceeded all key performance indicators.

Long-Term Incentive Plan (LTIP) Overview

The LTIP component is \$1,279.0 for the year ended March 31, 2015. 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 45.6 bps, and the four-year annualized net value added result was 50.2 bps.

Four-year LTIP results differ from the four-year AIP results due to the previously reported gain in an investment in our NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund in Fiscal 2011-12 that was only attributable to the LTIP results.

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:

	Net Value Added (bps)	Percentage of Target (%)
2011-12	41.2	98.0
2012-13	68.6	163.2
2013-14	45.3	108.1
2014-15	45.6	108.6
Annualized Four-Year	50.2	124.9

Directors' Remuneration

Directors' remuneration is established in NBIMC's By-Laws and includes an annual retainer for the Chairperson, and for other directors 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, 2015 was \$94.4 (March 31, 2014 – \$87.3) plus travel and accommodation reimbursements of \$15.6 (March 31, 2014 – \$16.3).

GOVERNANCE

CORPORATE GOVERNANCE

The selection process and duties of the NBIMC Board of Directors are outlined in the NBIMC Act. Governance is the primary consideration of the Board to oversee NBIMC's activities as investment manager for the funds under management. The Board also has a fiduciary role as Trustee for the Judges' Pension Fund. 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. 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 2014-15:

Appointed Director ¹	Board	Audit Committee	Governance Committee	Human Resources & Compensation Committee
Michael Walton	6/7	3/4	3/4	3/4
Wiktor Askanas	7/7	4/4	4/4	4/4
Patricia LeBlanc-Bird ²	6/6	4/4	n/a	n/a
Ronald Maloney	6/7	n/a	n/a	4/4
Cathy Rignanesi	7/7	4/4	4/4	n/a
Richard Speight	7/7	n/a	3/4	n/a
Reno Thériault	7/7	n/a	4/4	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 Resigned February 20, 2015.

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 during the fiscal 2014-15 year included: attendance at a Pension Governance full-day seminar led by Keith Ambachtsheer and facilitated by NBIMC for the Board and the Boards of Trustees of several of the target benefit plans in the Province; a presentation by internal staff covering new Global Investment Performance Standards for Asset Owners; and another internal presentation explaining the operational activities associated with efficiently transitioning clients' asset mixes.

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 Fiscal 2014-15 Annual Business Plan;
- Review and execution of an Agreement to Transfer Trust Assets and Indemnity with the Province to effect the transfer of trustee responsibilities for the Teachers' Pension Fund to a newly constituted Board of Trustees upon conversion of the *Teachers' Pension Act* to a new target benefit pension plan;
- Review and approval of NBIMC's Five-Year Strategic Plan to recognize our on-going role as Investment Manager for public sector pools of capital, including refreshing our Enterprise Risk Management Framework;
- Approval of future benchmark changes to the existing Low Volatility Equity portfolios from a market capitalized benchmark to more specific MSCI Minimum Volatility benchmarks;
- Review and approval of the Investment Policy Statement for the Provincial Court Judges' Pension Fund including an amended target asset mix;
- Approval of a decision to discontinue the NBIMC S&P/TSX Completion Fund effective November 28, 2014 and movement of the portfolio to the NBIMC Canadian Equity Index Fund;
- Approval of the renaming of the former NBIMC EAFE Equity Index Fund and NBIMC Low Volatility International Equity Fund to include "– Class N" in their names and to restrict these funds to non-pension fund clients only as well as approval to create two new funds, NBIMC EAFE Equity Index Fund and NBIMC Low Volatility Equity Fund, restricted to pension fund clients only and approval of the transfer of the pension fund clients' proportionate interest in the underlying former unit trust funds to the new funds, effective January 5, 2015;
- Approval of an Investment Policy Statement for a newly-created NBIMC Non-Canadian Private Real Estate Fund in anticipation of completion of due diligence respecting a potential new investment;
- Approval of the launch of a new Low Volatility Emerging Markets Equity Fund;

- Approval of a three-year funding commitment to the Student Investment Fund program at the University of New Brunswick's Faculty of Business Administration Centre for Financial Studies;
- Approval of the Fiscal 2015-16 Annual Budget and approval of an amendment to the previously-approved Fiscal 2014-15 Annual Budget to reflect additional staffing decisions required to address service requirements of new clients and requirements of existing target benefit plan clients.

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, information systems used to produce accurate, appropriate and timely management and financial information, strategies to identify and mitigate financial risks, and the relationships with the external and internal auditors.

Management is responsible for the preparation of the financial statements that are free from material misstatement, whether due to fraud or error, 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 2014-15 Highlights

In accordance with its Terms of Reference, the Committee accomplished, among other things, the following in or relating to Fiscal 2014-15:

- Reviewed the annual audited financial statements for the Judges' Pension Fund, the NBIMC Unit Trust Funds and NBIMC for the year ended March 31, 2015 and recommended their approval by the Board;
- Reviewed the Schedules of Composite Performance in accordance with Global Investment Performance Standards (GIPS) for the year ended December 31, 2014 for the PSSRP Trust Composite and the NBTPP Fund Composite and recommended their approval by the Board;
- Reviewed the Schedules of Composite Performance in accordance with GIPS for the year ended March 31, 2015 for the Judges' Pension Fund Composite, the Environmental Reclamation Fund Composite and the Low Volatility Global Equity Composite and recommended their approval by the Board;
- Received the draft Annual Report material for the year ended March 31, 2015 and approved the financial content and earnings press release;
- Reviewed the quarterly unaudited financial statements for internal use for the Judges' Pension Fund, 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;
- Received a regular status report of the Province's pension reform activities from the President and CEO;
- Reviewed a quarterly memorandum from the CFO outlining financial reporting decisions and changes required to respond to the changes arising from pension reform, as well as the addition of new clients and monitored the changes necessitated by these events on processes and resources;
- Reviewed management's memorandum concerning the release of the GIPS position paper *Guidance Statement on the Application of the GIPS Standards to Asset Owners* outlining new composite definitions, independent verification rather than examination and claiming compliance with the CFA Institute;

- Received the audited financial statements for the year ended March 31, 2014 for a wholly-owned subsidiary of the NBIMC Canadian Real Estate Fund;
- Approved the External Auditor’s engagement, audit plan, timing, staffing and fees for the year ended March 31, 2015 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, 2015 and obtained confirmation of the External Auditor’s independence;
- Reviewed the findings from a survey by the CFO of the quality of the external audit;
- Approved the Internal Auditor’s annual plan and budget for the upcoming year ending March 31, 2016;
- Received the Internal Audit recommendations and management’s responses for two internal audits: the Proxy Voting Review and the Automated Controls Assessment – Trade Execution and Authorization;
- Reviewed the Internal Auditor’s findings from an NBIMC-wide survey on Ethics and Risk Culture;
- Reviewed the September 2014 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 management’s key performance indicators related to timely resolution of all external and internal audit recommendations;
- 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 the 2014 Internal Control Report prepared by management outlining NBIMC’s major processes, risks and key controls;
- Reviewed a quarterly risk matrix showing trends in key risk areas;
- Reviewed management’s findings from 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;
- Received a presentation covering the operational processes involved and opportunities to add value through transitioning activities for clients adopting a new asset mix;
- 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;
- Reviewed a memorandum covering the tax policy, procedures and governance followed by NBIMC for the corporate entity, the unit trust funds and the pension fund clients and approved the engagement of external U.S. tax advisors to provide tax compliance advice;
- Completed an annual review of the Committee’s terms of reference, accomplishments for the year ended March 31, 2015 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, 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 2014-15 Highlights

In accordance with its Terms of Reference, the Committee accomplished, among other things, the following in Fiscal 2014-15:

- Established Board Goals for Fiscal 2014-15;
- Reviewed the proposed high level objectives and related target weights for the F2014-15 Corporate Business Plan and recommended approval by the Board;
- Reviewed the Committee's accomplishments for Fiscal 2013-14 and set objectives and initiatives for F2014-15;
- Reviewed the Director Orientation and Education program and Board education plan;
- Reviewed and recommended to the Board for approval changes to the NBIMC Director Orientation and Education Policy;
- Reviewed the Board composition and competency matrix, conducted an annual review of upcoming director term expirations and a skills gap assessment for new candidate consideration;
- Recommended to the Board the creation of an ad hoc Director Nomination Committee to lead the 2015 nomination process;
- Reviewed proposed changes to the NBIMC Guidelines for the Nomination of Directors and recommended to the Board for approval;
- Reviewed and supported draft quarterly Investment Performance Reports for non-pension plan clients;
- Received a quarterly update on Pension Reform and new mandates;
- Reviewed quarterly compliance with the Code of Ethics and Business Conduct;
- Reviewed the process of the Fiscal 2014-15 Board self-assessment and facilitated Board Governance Improvement Objectives;
- Received a quarterly status report of progress made in addressing the Board Governance Improvement initiatives;
- Conducted an annual review of the effectiveness of the Board, Chair and Committees;
- Reviewed the risk management areas for which the Committee had been delegated oversight responsibilities: fiduciary, legal and regulatory compliance;
- Reviewed and recommended to the Board for approval a new Five-Year Corporate Strategic Plan F2015-2020;
- Conducted the annual review of By-laws, governance policies, Board practices and Board independence;
- Conducted an annual review of the Governance Committee's mandate and effectiveness;
- Reviewed the Communications Strategy including public policy;
- Reviewed an outline for an integrated pension services organization;
- Recommended the appointment of a new director to the Governance Committee;
- Received periodic updates from the Ad hoc Director Nomination Committee;

- Reviewed the annual confirmation of the Code of Ethics and Business Conduct at March 31, 2015 for employees and directors;
- Reviewed and recommended to Board for approval a revision to the NBIMC Director Compensation to add one per diem for travel time;
- Reviewed summary content of NB Pension Plans Joint Governance Workshop held in January 2015;
- Reviewed Director compensation and a summary of expense claims for each Director and the President and CEO for the year ended March 31, 2015; and
- Reviewed the draft Corporate Governance disclosure for the Fiscal 2014-15 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.M. Dupuis (*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 2014-15 Highlights

In accordance with its Terms of Reference, the Committee accomplished, among other things, the following in Fiscal 2014-15:

- Reviewed the Committee's Terms of Reference Business and recommended changes to the Board for approval;
- Set the Committee's objectives for Fiscal 2014-15 and reviewed subsequent achievements;
- Reviewed the individual business plan success weightings of the NBIMC Fiscal 2014-15 Annual Business Plan and recommended their approval by the Board;
- Reviewed the risk management areas for which the Committee had been delegated oversight responsibilities including the President's leadership, NBIMC's performance integrity, and NBIMC's ability to attract and retain qualified personnel;
- Reviewed the Succession Plans for the President and 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;
- Reviewed the investment performance benchmarks and recommended for approval by the Board a future change to the Low Volatility Equity Portfolios from market capitalization benchmarks to minimum volatility benchmarks effective October 1, 2014;
- Reviewed changes to organizational structure and recommended approval by the Board;
- Recommended for approval by the Board the creation of a new investment team position of Vice President, Quantitative Trading & Applied Research;
- Recommended for approval by the Board the addition of a new Investment Accountant position and the repositioning of certain other finance positions;
- Reviewed and recommended to the Board for approval the formation of an Ad Hoc Compensation Review Committee to oversee a total compensation review in early 2015;

-
- 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 the CEO position description;
 - Reviewed proposals to conduct a total compensation review including comparison of NBIMC Value Added Targets against peers and recommended approval of a consultant;
 - Reviewed and recommended to the Board revisions to the NBIMC Compensation Philosophy Overview;
 - Reviewed Fiscal 2014-15 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 and recommended to the Board the overall Incentive Compensation Pool for Fiscal 2014-15; and
 - Reviewed the Compensation Discussion and Analysis section of the Fiscal 2014-15 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 36 hours per volunteer to over 40 non-profit organizations. Over 72% of employees were involved in volunteer efforts in some capacity. 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, Ms. M. Nowicki and Ms. K. Bowen 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
- Canadian Investment Performance Council
- Canadian Bond Investors’ Association
- CFA Society Atlantic Canada
- University of New Brunswick Investment Committee
- Université de Moncton – Comité de placements
- Fredericton Community Foundation Investment Committee

COMMUNICATIONS AND ACCOUNTABILITY

NBIMC reports to the Legislature of the Province of New Brunswick through the Crown Corporations Committee of the Legislature.

As the trustee of the Provincial Court Judges' Pension Fund, 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;
- NBTPP Board of Trustees;
- 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 2014-15:

- there were no disclosures received or acted upon;
- no investigations were therefore commenced due to disclosure receipt;
- no claims had been referred from the Ombudsman under section 23; and
- no investigations were therefore commenced due to a referred claim.

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, 2015 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	11.13	5.76	5.22	6.37	6.17	5.79	6.08
Benchmark	11.11	5.54	4.98	6.18	5.95	5.50	5.94
NBIMC Corporate Bond Fund	8.47	5.29	5.63				5.91
Benchmark	8.22	5.20	5.57				5.57
NBIMC Canadian Long-Term Bond Fund	19.19						16.76
Benchmark	19.72						17.73
NBIMC New Brunswick Fixed Income Opportunity Fund	9.91	5.44	5.27	6.30	6.33	6.25	7.01
Benchmark	11.11	5.54	4.98	6.18	5.95	5.50	5.94
NBIMC Money Market Fund	1.28	1.31	1.37	1.36	1.31	2.25	2.99
Benchmark	0.94	0.97	0.98	0.97	0.93	1.89	2.68
NBIMC Student Investment Fund	9.44	8.94	7.69	5.33	6.59	7.20	7.55
Benchmark	9.74	8.83	7.63	5.46	6.55	6.80	7.31
NBIMC Canadian Equity Index Fund	8.67	12.41	10.65	5.24	7.88	8.23	7.02
Benchmark	6.93	11.36	9.58	4.39	7.41	7.61	6.60
NBIMC Low Volatility Canadian Equity Fund	18.86	18.40					17.71
Benchmark	12.91	14.43					12.71
NBIMC External Canadian Equity Fund	9.28	13.97	11.49	6.26	8.78	8.83	11.63
Benchmark	6.93	11.36	9.58	4.39	7.41	7.61	10.37
NBIMC S&P/TSX Completion Index Fund	(2.82) ³	8.46	6.74	2.28	7.60	6.84	7.09
Benchmark	(1.89)	8.39	6.87	2.38	7.74	6.37	7.34
NBIMC Canadian Equity Active Long Strategy Fund	7.26	11.79	9.90	4.22	7.10		3.58
Benchmark	6.93	11.36	9.58	4.39	7.41		3.80
NBIMC External International Equity Fund	17.10	25.35	21.83	14.69	13.61		6.25
Benchmark	13.70	20.48	17.98	12.29	10.98		4.66
NBIMC EAFE Equity Index Fund							15.84 ²
Benchmark							15.84
NBIMC EAFE Equity Index Fund - Class N	13.91	20.59	18.12	12.47	11.16		5.01
Benchmark	13.70	20.48	17.98	12.29	10.98		4.66
NBIMC Low Volatility International Equity Fund							16.02 ²
Benchmark							16.25

Unit Trust Fund	1 Yr %	2 Yrs %	3 Yrs %	4 Yrs %	5 Yrs %	10 Yrs %	Since Inception ¹ %
NBIMC Low Volatility International Equity Fund – Class N	19.93	20.55	19.90				19.93
Benchmark	19.63	23.59	20.00				20.67
NBIMC Low Volatility Emerging Markets Equity Fund							0.88 ²
Benchmark							2.98
NBIMC U.S. Equity Index Fund	29.27	30.83	25.61	22.00	19.63		12.14
Benchmark	29.36	30.98	25.73	22.03	19.67		12.27
NBIMC Low Volatility U.S. Equity Fund	33.08	29.84	27.40				26.53
Benchmark	34.65	33.63	27.42				27.93
NBIMC Inflation Linked Securities Fund	14.29	3.71	3.25	6.35	7.22	6.39	8.24
Benchmark	14.47	3.72	3.18	6.34	7.17	6.31	8.07
NBIMC Canadian Real Estate Fund	9.92	6.09	8.05	9.51	11.28	13.01	11.88
Benchmark	5.52	2.49	4.93	5.51	5.43	5.70	5.75
NBIMC Canadian Real Estate Investment Trust Fund	12.79						15.24
Benchmark	12.61						15.08
NBIMC International Real Estate Fund	42.64	26.98	23.25	21.55	20.91		12.07
Benchmark	40.77	25.77	23.49	21.16	20.85		11.94
NBIMC Infrastructure Fund	6.97	5.34	5.91	7.77			7.56
Benchmark	5.52	5.26	5.56	5.81			5.72
NBIMC North American Market Neutral Fund	(3.34)	1.38	1.12	(0.58)	(0.95)	1.32	1.97
Benchmark	0.94	0.97	0.98	0.97	0.93	1.89	1.98
NBIMC Quantitative Strategies Fund	7.84	7.31	6.52	5.72	5.03		4.13
Benchmark	0.94	0.97	0.98	0.97	0.93		1.05
NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund	(2.16)	3.12	13.66	29.55	31.49	16.90	10.10
Benchmark	5.52	5.26	5.56	5.81	5.66	8.55	7.15
NBIMC Private Equity Fund	18.63	22.86	18.45	17.00	16.30		7.99
Benchmark	18.58	23.74	20.45	15.82	14.27		8.02

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.

² These funds were implemented during the current fiscal year.

³ This fund was terminated on November 28, 2014. The nominal and benchmark returns are for the period to that termination date.