

# FINANCIAL STATEMENTS

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## MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL STATEMENTS

New Brunswick Investment Management Corporation (“NBIMC” or the “Corporation”) was created on March 11, 1996 pursuant to the *New Brunswick Investment Management Corporation Act* of the New Brunswick Legislature (the “NBIMC Act”) and was initially appointed as trustee of the pension fund assets of each of the *New Brunswick Public Service Superannuation Act*, the *New Brunswick Teachers’ Pension Act* and the *New Brunswick Provincial Court Judges’ Act*. Although continuing to serve as the investment manager, NBIMC ceased to be the Trustee for the *New Brunswick Public Service Superannuation Act* when it was converted to the Public Service Shared Risk Plan on January 1, 2014 and for the *New Brunswick Teachers’ Pension Act* when it was converted to a target benefit plan on July 1, 2014. NBIMC remains Trustee of the Provincial Court Judges’ Pension Trust Account Fund (the “Judges”).

The financial statements of the Judges’ pension fund and of NBIMC have been prepared by management of the Corporation. They have been approved by the Board of Directors.

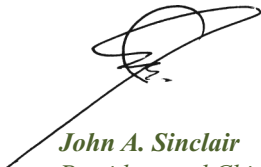
Management prepared the Judges’ pension fund financial statements to comply with Subsection 27(1) of the NBIMC Act. The Judges’ pension fund financial statements are special purpose financial statements and reflect the net assets available for benefits and changes in net assets available for benefits in accordance with the basis of accounting as disclosed in Note 2(a) to the financial statements.

Management prepared the Corporation’s financial statements in accordance with public sector accounting standards. The NBIMC financial statements are general purpose financial statements and include a Statement of Financial Position, Statement of Operations and Changes in Accumulated Surplus (Deficit), Statement of Changes in Net Debt and Statement of Cash Flow.

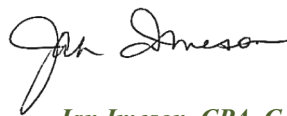
Management is responsible for the integrity and fair presentation of the financial statements, including amounts based on best estimates and judgments. NBIMC maintains systems of internal control and supporting procedures to provide reasonable assurance that accurate financial information is available, that assets are protected and that resources are managed efficiently.

Ultimate responsibility for the financial statements rests with the Board of Directors of the Corporation. The Board is assisted in its responsibilities by the Audit Committee, consisting of four Board members the majority of whom are independent of NBIMC and the Plan Sponsor. The Audit Committee reviews the financial statements and recommends them for approval by the Board. The Audit Committee also reviews matters related to accounting, auditing, internal control systems, financial risk management and the scope, planning and audit findings of the internal and external auditors.

KPMG LLP, the external auditors of the financial statements, are directly accountable to the Audit Committee. They have conducted an independent examination of the financial statements in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to express an opinion to the Board of Directors.



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



**Jan Imeson, CPA, CA**  
*Chief Financial Officer*

**PROVINCIAL COURT JUDGES’  
PENSION TRUST ACCOUNT FUND**

**FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2016**

## INDEPENDENT AUDITORS' REPORT

### TO THE DIRECTORS OF NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

We have audited the accompanying financial statements of Provincial Court Judges' Pension Trust Account Fund (the Entity) held in trust by the New Brunswick Investment Management Corporation, which comprise the statement of net assets available for benefits as at March 31, 2016, the statement of changes in net assets available for benefits for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management to comply with Subsection 27(1) of the *New Brunswick Investment Management Corporation Act*.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Subsection 27(1) of the New Brunswick Investment Management Corporation Act; this includes determining that the basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### *Opinion*

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Entity as at March 31, 2016 and the changes in net assets available for benefits for the year then ended in accordance with Subsection 27(1) of the *New Brunswick Investment Management Corporation Act*.

#### *Basis of Accounting and Restriction of Use*

Without modifying our opinion, we draw attention to Note 2(a) to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Directors of New Brunswick Investment Management Corporation and the Minister of Finance for the Province of New Brunswick for complying with Subsection 27(1) of the New Brunswick Investment Management Corporation Act. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Directors and the Minister of Finance and should not be used by parties other than the specified users.



Chartered Professional Accountants  
June 6, 2016  
Fredericton, Canada

## PROVINCIAL COURT JUDGES' PENSION TRUST ACCOUNT FUND

### Statement of Net Assets Available for Benefits

(In thousands of Canadian dollars)

#### AS AT MARCH 31

	2016	2015
<b>ASSETS</b>		
Investments (notes 3 and 4)	\$ 43,177	\$ 41,988
Contributions receivable from employer (note 8)	76	26
Contributions from employees (note 8)	7	3
Other receivable	1	20
Total assets	43,261	42,037
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (note 8)	32	29
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<b>\$ 43,229</b>	<b>\$ 42,008</b>

See accompanying notes to the financial statements.

## PROVINCIAL COURT JUDGES' PENSION TRUST ACCOUNT FUND

### Statement of Changes in Net Assets Available for Benefits

(In thousands of Canadian dollars)

#### YEAR ENDED MARCH 31

	2016	2015
<b>INCREASE IN NET ASSETS</b>		
Net investment income (note 6)	\$ 830	\$ 5,405
Employer pension contributions (note 8)	1,308	312
Employee pension contributions (note 8)	450	381
	2,588	6,098
<b>DECREASE IN NET ASSETS</b>		
Payments to sponsor for benefits (note 8)	1,269	1,312
Payments to sponsor for administration expenses (note 8)	18	49
Investment management fees (note 8)	80	77
	1,367	1,438
<b>NET INCREASE FOR THE YEAR</b>	<b>1,221</b>	<b>4,660</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR</b>	<b>42,008</b>	<b>37,348</b>
<b>NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR</b>	<b>\$ 43,229</b>	<b>\$ 42,008</b>

See accompanying notes to the financial statements.

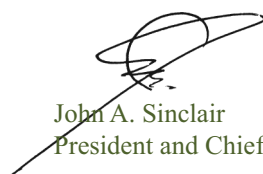
Commitments (note 9)

Subsequent events (note 10)

Approved on behalf of the Board:



Michael W. Walton  
Chairman of the Board



John A. Sinclair  
President and Chief Executive Officer

## PROVINCIAL COURT JUDGES' PENSION TRUST ACCOUNT FUND

### Notes to Financial Statements

(In thousands of Canadian dollars)

### YEAR ENDED MARCH 31, 2016

The assets of the Provincial Court Judges' Pension Trust Account Fund ("the Trust Fund") are held in trust by the New Brunswick Investment Management Corporation ("NBIMC"). NBIMC was appointed as Trustee on March 11, 1996, pursuant to the *New Brunswick Investment Management Corporation Act* of the New Brunswick Legislature (the "NBIMC Act") and assumed responsibility for the management of the Trust Fund's assets effective April 1, 1996.

On April 1, 1998, the assets of the Trust Fund were transferred to unit trust funds established by NBIMC. Each unit trust fund has a specific investment mandate. This portfolio structure facilitates the collective investment management and administration of the assets. The Trust Fund holds units of certain of the NBIMC unit trust funds in accordance with its Statement of Investment Policies ("SIP").

#### 1. Summary Description of the Pension Plan

The combined *Provincial Court Act* ("PCA") and *Provincial Court Judges' Pension Act* ("JPA") are legislated defined benefit pension plans. Below is a summary comparison of the features of each plan. For more complete information, reference should be made to the plans' legislation.

Feature	PCA	JPA
Contributions - employee	8.0% of earnings up to YMPE, 8.0% of earnings in excess of YMPE.	8.0% of earnings up to YMPE, 8.0% of earnings in excess of YMPE.
Contributions - employer	Determined by an actuary, plus special payments determined by an actuary.	Determined by an actuary, plus special payments determined by an actuary.
Unreduced benefits	Age 60 with 25 years of service; or Age 65 with 10 years of service.	Age 60 with 2 years of service.
Reduced benefits	N/A	2 years of service.
Basic benefit	60% of salary. Integrated with CPP.	2.5-3% per year of service up to 65% of salary. Not integrated with CPP.
Annual benefit indexing	Up to 6.0%.	Up to 5.0%.

## 2. Significant Accounting Policies

### (a) Accounting entity and basis of presentation

These special purpose financial statements provide information on the net assets available for benefits of the Trust Fund managed by NBIMC. They do not include the pension liabilities of the JPA (“the Plan”). Consequently, these financial statements do not purport to show the adequacy of the Trust Fund’s assets to meet the Plan’s pension obligations. Such an assessment requires additional information, such as the Plan’s actuarial reports.

These financial statements have been prepared in accordance with Canadian accounting standards for pension plans in Part IV of the Chartered Professional Accountants’ (CPA) of Canada Handbook excluding pension obligations and any resulting surplus or deficit. They are prepared solely for the information and use of the Board of Directors of NBIMC and the Minister of Finance for the Province of New Brunswick for complying with subsection 27(1) of the NBIMC Act. As a result, these financial statements may not be suitable for another purpose.

All investment assets and liabilities are measured at fair value in accordance with IFRS 13, *Fair Value Measurements*. In selecting or changing accounting policies that do not relate to its investment portfolio, Canadian accounting standards for pension plans excluding pension obligations and any resulting surplus or deficit requires the Trust Fund to comply on a consistent basis with either International Financial Reporting Standards (“IFRS”) in Part I of the CPA Handbook or with Canadian accounting standards for private enterprises in Part II of the CPA Handbook. The Trust Fund has chosen to comply on a consistent basis with IFRS.

These financial statements have been prepared in accordance with the significant accounting policies set out below. These financial statements were authorized for issue by the NBIMC Board of Directors on June 6, 2016.

### (b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for investments, which are measured at fair value through the Statement of Changes in Net Assets Available for Benefits.

### (c) Financial instruments

#### (i) Classification, recognition and measurement

Financial assets and financial liabilities are initially recognized in the Statement of Net Assets Available for Benefits on the trade date, which is the date on which the Trust Fund becomes a party to the contractual provisions of the instrument. A financial asset or liability is measured initially at fair value. Transaction costs are recognized in the Statement of Changes in Net Assets Available for Benefits as incurred.

Financial assets, on initial recognition, are required to be classified as measured at amortized cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL) according to the business model used for managing them and their contractual cash flow characteristics. Financial liabilities are classified as measured at amortized cost unless they are measured at FVTPL.

The Trust Fund makes an assessment of the objective of a business model because this best reflects the way the business is managed and information is provided. The information considered includes:

- the stated policies and objectives and the operation of those policies in practice. In particular, whether strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- how performance is evaluated and reported;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

**2. Significant Accounting Policies (continued)**

- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Trust Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

All investments of the Trust Fund consist of units of NBIMC unit trust funds. The investments are managed and their performance is evaluated on a fair value basis. As such, the Trust Fund classifies all investments as FVTPL with changes in fair value being recognized in net investment income in the Statement of Changes in Net Assets Available for Benefits.

The fair value of each investment in units of the NBIMC unit trust funds is based on the calculated daily net asset value per unit multiplied by the number of units held, and represents the Trust Fund's proportionate share of the underlying net assets at fair values determined using closing market prices.

The underlying investments held in the NBIMC unit trust funds are valued at fair value as of the date of the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the unit trust funds have access at that date.

The fair value of the underlying securities in the NBIMC unit trust funds that are traded in active markets (such as exchange-traded derivatives, debt and equity securities) are based on quoted market prices at the close of trading on the reporting date.

If there is no quoted price in an active market, then the NBIMC unit trust funds use valuation techniques that maximize the use of the relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

Certain of the Trust Fund's financial assets and financial liabilities such as contributions and other receivables and accounts payable and accrued liabilities are subsequently measured at amortized cost, which is the cost at initial recognition, minus any reduction for impairment. The carrying amount of these assets and liabilities approximates fair value due to their short settlement period. At the reporting date, the Trust Fund assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Trust Fund recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows.

**(ii) Derecognition**

The Trust Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or are transferred in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

On derecognition of a financial asset, the difference between the carrying amount of the asset and the consideration is recognized in the Statement of Changes in Net Assets Available for Benefits as net investment income.

The Trust Fund derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.



## 2. Significant Accounting Policies (continued)

### (d) Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the functional currency of the Trust Fund.

### (e) Use of estimates and judgments

The preparation of the Trust Fund's financial statements requires judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the Statement of Net Assets Available for Benefits. Significant estimates and judgments are required in determining the reported estimated fair value of private investments, which are included in the underlying investments held in the NBIMC unit trust funds, since these determinations may include estimates of expected future cash flows, rates of return and the impact of future events. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future years affected.

### (f) Taxes

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

### (g) Contributions

Contributions from the Plan Sponsor and pension plan members are recorded in the period that payroll deductions are made.

### (h) Net investment income

Investment transactions are recognized by the underlying unit trusts as of their trade date. Net investment income includes interest, dividends, realized and unrealized gains and losses in the value of the units held in each of the unit trusts.

### (i) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies held by the NBIMC unit trust funds are translated at the prevailing rates of exchange at the date of the Statements of Net Assets Available for Benefits. Investment income and expenses are translated at the exchange rates prevailing on the transaction date. Realized and unrealized exchange gains and losses are included in net investment income.

### (j) Changes in accounting policies

The Trust Fund has early adopted IFRS 9 – Financial Instruments. There were no impacts to previously reported financial results as a result of early adopting this accounting standard.

For an explanation of how the Trust Fund classifies financial assets and liabilities under IFRS 9, see Note 2(c)(i).

## 3. Investments

The Trust Fund invests in certain pooled unit trust funds established by NBIMC, the trustee and investment manager for the Trust Fund. Each unit trust fund has a specific investment mandate. Investing in the unit trust funds enables the Trust Fund to achieve its required asset class weights in accordance with its SIP. Following is a summary description of each unit trust fund in which an interest is held by the Trust Fund during the year ended March 31, 2016:

### *NBIMC Nominal Bond Fund*

This fund invests primarily in investment grade bonds (a minimum of triple-B rated by a major rating agency) of G-7 countries and Canadian provinces paying a nominal rate of interest. The performance objective is to add 20 basis points to its benchmark, the FTSE TMX Canada All Government Bond Index, over a four-year rolling average.

**3. Investments (continued)***NBIMC Corporate Bond Fund*

This fund invests primarily in investment grade corporate bonds (a minimum of triple-B rated by a major rating agency) paying a nominal rate of interest. The performance objective is to add 20 basis points to its benchmark, the FTSE TMX All Corporate Bond Index, over a four-year rolling average.

*NBIMC New Brunswick Fixed Income Opportunity Fund*

This fund invests primarily in fixed income issued to finance economic activity in New Brunswick. The performance objective is to add 20 basis points to its benchmark, the FTSE TMX Canada All Government Bond Index, over a four-year rolling average.

*NBIMC Money Market Fund*

This fund invests primarily in fixed income securities having a maturity of less than one year. The performance objective is to add 20 basis points to its benchmark. The benchmark is calculated as 93% of the FTSE TMX Canada 91 Day T-Bill Index and 7% of the One-day Canadian Call Loan.

*NBIMC Student Investment Fund*

This fund is managed by students at the University of New Brunswick who are registered in the Student Investment Fund Program. Its initial capital of \$1 million, funded in 1998, has been invested using the same general investment policies and guidelines as are used by NBIMC. The overall benchmark for this fund is composed of 50% S&P/TSX60 Total Return Index, 45% FTSE TMX Canada All Government Bond Index, 4.65% FTSE TMX Canada 91 Day T-Bill Index and 0.35% One-day Canadian Call Loan. NBIMC staff closely monitor the activities of this fund, including executing and processing all transactions on behalf of the students.

*NBIMC Canadian Equity Index Fund*

This fund invests in physical securities and derivative strategies to gain exposure to various segments of the S&P/TSX Composite Index. Leverage on derivative products is avoided by ensuring each derivative product is supported by an appropriate value of short-term investments. The performance objective is to match the return of the S&P/TSX Total Return Composite Index over four-year rolling periods.

*NBIMC Low Volatility Canadian Equity Fund*

This fund actively invests in securities to gain exposure to the MSCI Canada Minimum Volatility Total Return Index, Gross (pre-October 1, 2014 – the S&P/TSX Composite Total Return Index). The objective is to achieve a long-term rate of return equivalent to this index net of fees on an annualized four-year rolling average.

*NBIMC External Canadian Equity Fund*

This fund is managed by external managers and invests in publicly traded Canadian equities. The performance objective is to add 150 basis points to its benchmark, the S&P/TSX Total Return Composite Index, over a four-year rolling average.

*NBIMC S&P/TSX Completion Index Fund*

Managed by an external manager, this fund invests primarily in the companies of the S&P/TSX Completion Index. The performance objective is to exceed the performance of its benchmark, the S&P/TSX Completion Total Return Index, by 150 basis points, net of fees. Effective November 28, 2014, the assets of this fund were sold at fair value to the NBIMC Canadian Equity Index Fund and this fund was terminated.

*NBIMC Canadian Equity Active Long Strategy Fund*

This fund seeks to add value through prudent selection of individual securities and sector allocations through overweighting and underweighting of the index. The performance objective is to add 150 basis points to its benchmark, the S&P/TSX Total Return Composite Index.

### 3. Investments (continued)

#### *NBIMC External International Equity Fund*

This fund is managed by external managers and invests in publicly traded equities in markets in Europe, Australasia and the Far East (EAFE). The performance objective is to add 150 basis points net of fees to its benchmark, the MSCI EAFE Total Return Index in \$C, Net, over a four-year rolling average.

#### *NBIMC EAFE Equity Index Fund*

This fund invests in securities in the MSCI EAFE Total Return Index in \$C, Net. The performance objective is to add 20 basis points net of fees to its benchmark, the MSCI EAFE Total Return Index in \$C, Net over a rolling four year average. Previously, the Trust Fund had invested in the *NBIMC EAFE Equity Index Fund – Class N*, which had the same investment mandate but that fund was restricted to non-pension fund unitholders during 2015.

#### *NBIMC Low Volatility International Equity Fund*

This fund actively invests in securities in the MSCI EAFE Minimum Volatility (USD) Total Return Index, \$C, Net (pre-October 1, 2014 – the MSCI EAFE (Developed Markets) Net Dividends Index (CAD\$)). The objective is to achieve a long-term rate of return equivalent to this index, net of fees, on an annualized four-year rolling average. Previously, the Trust Fund had invested in the *NBIMC Low Volatility International Equity Fund – Class N*, which had the same investment mandate but that fund was restricted to non-pension fund unitholders during 2015.

#### *NBIMC Low Volatility Emerging Markets Equity Fund*

This fund actively invests in securities in the MSCI Emerging Markets Minimum Volatility (USD) Total Return Index in \$C. The objective is to achieve a long-term rate of return equivalent to this index, net of fees, on an annualized four-year rolling average.

#### *NBIMC U.S. Equity Index Fund*

This fund passively invests in physical securities and derivatives to gain exposure to the S&P 500 Index. Leverage on derivative products is avoided by ensuring each derivative product is supported by an appropriate value of short-term investments. The performance objective is to match the return of the S&P 500 Total Return Index in \$C.

#### *NBIMC Low Volatility U.S. Equity Fund*

This fund actively invests in securities to gain exposure to the MSCI USA Minimum Volatility (USD) Total Return Index in \$C, Net (pre-October 1, 2014 – S&P 500 Total Return Index in \$C). The objective is to achieve a long-term rate of return equivalent to this index, net of fees, on an annualized four-year rolling average.

#### *NBIMC Inflation-Linked Securities Fund*

This fund invests primarily in fixed income instruments that are adjusted for inflation of G-7 countries. The performance objective is to add 10 basis points to its benchmark, the FTSE TMX Canada Real Return Bond Index, over a four-year rolling average.

#### *NBIMC Canadian Real Estate Fund*

This fund invests in private Canadian real estate investments, directly through a wholly-owned subsidiary, NBIMC Realty Corp., or indirectly through limited partnerships or similar investment vehicles. The benchmark is inflation, as measured by the percentage change in the twelve-month average CPI-Canada All Items Index, plus 4%.

#### *NBIMC Canadian Real Estate Investment Trust Fund*

This fund invests in publicly-traded Canadian real estate investment trust (REIT) securities. The performance objective is to match the return of the S&P/TSX Capped REIT Total Return Index.

### 3. Investments (continued)

#### *NBIMC Non-Canadian Private Real Estate Fund*

This fund was created on December 19, 2014 to invest in private non-Canadian real estate investments directly or indirectly through limited partnerships or similar investment vehicles. The benchmark is inflation, as measure by the percentage change in the twelve-month average CPI-Canada All Items Index, plus 4%.

#### *NBIMC International Real Estate Fund*

This fund is managed by an external manager that invests primarily in publicly traded securities of international REITs. The performance objective is to add 150 basis points to the countries' blended REIT Equity Indices in \$C, net of fees, over the long-term.

#### *NBIMC Public Infrastructure Fund*

This fund was created on April 27, 2015 to provide additional investment diversification by providing infrastructure-like exposure with enhanced liquidity. The benchmark is inflation, as measured by the percentage change in the twelve-month average CPI-Canada All Items Index, plus 4%.

#### *NBIMC Infrastructure Fund*

This fund was created to provide additional investment diversification through direct investment in infrastructure through co-investment structures. The performance objective is to achieve a 4% real rate of return over a long-term investment horizon..

#### *NBIMC North American Market Neutral Fund*

This fund focuses on adding value through security selection within its universe of the S&P/TSX Total Return Composite Index as well as certain publicly traded U.S.-listed stocks. Favored securities are purchased and offset by a corresponding short position in another security within the same sector. The portfolio is supported by a cash underlay and its performance objective is to add 350 basis points annually over a four-year rolling average basis to its benchmark. The benchmark is calculated as 93% of the FTSE TMX Canada 91 Day T-Bill Index and 7% of the One-day Canadian Call Loan Rate.

#### *NBIMC Quantitative Strategies Fund*

This fund seeks to add value by investing in either long or short positions where announced mergers or dual class share structures present arbitrage potential. Short positions are supported by cash underlay. The objective is to add 350 basis points over its benchmark. The benchmark is calculated as 93% of the FTSE TMX Canada 91 Day T-Bill Index and 7% of the One-day Canadian Call Loan Rate.

#### *NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund*

This fund invests in public and private equities or instruments convertible into equities of New Brunswick and Atlantic Canada companies. The performance objective is to achieve a 4% real rate of return over a long-term investment horizon.

#### *NBIMC Private Equity Fund*

This fund is managed by external managers that invest primarily in non-publicly traded securities of U.S. and European companies. The performance objective is to exceed the performance of its benchmark, a blend of the respective countries' total return indices in \$C.

#### *NBIMC Asset Mix Strategy Fund*

This fund was created on June 26, 2015 to add value through active asset mix decisions by the NBIMC's internal Asset Mix Strategy Committee. The objective is to add 10 basis points of absolute return.

**3. Investments (continued)**

Following are details of unit trust holdings by the Trust Fund as at March 31:

<i>(\$ thousands)</i>	<b>Number of Units (# rounded)</b>	<b>Unit Value (dollars)</b>	<b>Fair Value 2016</b>	<b>Fair Value 2015</b>
<b>Fixed Income</b>				
NBIMC Nominal Bond Fund	2,638	\$ 2,627	\$ 6,930	\$ 6,736
NBIMC Corporate Bond Fund	6,025	1,216	7,324	5,455
NBIMC New Brunswick Fixed Income Opportunity Fund	16	3,156	49	53
NBIMC Money Market Fund	347	1,596	553	699
NBIMC Student Investment Fund	4	3,184	12	12
			14,868	12,955
<b>Equities</b>				
NBIMC Canadian Equity Index Fund	195	2,940	572	1,554
NBIMC Low Volatility Canadian Equity Fund	1,213	1,431	1,736	2,495
NBIMC External Canadian Equity Fund	163	3,564	582	1,415
NBIMC Canadian Equity Active Long Strategy Fund	475	1,205	572	748
NBIMC External International Equity Fund	416	1,921	799	839
NBIMC EAFE Equity Index Fund	1,250	1,320	1,650	1,922
NBIMC Low Volatility International Equity Fund	1,186	1,892	2,245	2,718
NBIMC Low Volatility Emerging Markets Equity Fund	2,618	908	2,376	1,278
NBIMC U.S. Equity Index Fund	1,486	2,323	3,452	2,805
NBIMC Low Volatility U.S. Equity Fund	1,303	2,396	3,122	2,780
			17,106	18,554
<b>Inflation-Linked Assets</b>				
NBIMC Inflation-Linked Securities Fund	364	3,582	1,302	1,987
NBIMC Canadian Real Estate Fund	251	3,945	989	861
NBIMC Canadian Real Estate Investment Trust Fund	640	1,170	748	1,035
NBIMC Non-Canadian Private Real Estate Fund	73	999	73	—
NBIMC International Real Estate Fund	113	7,128	803	1,145
NBIMC Public Infrastructure Fund	1,197	978	1,170	—
NBIMC Infrastructure Fund	383	1,437	551	352
			5,636	5,380
<b>Alternative Investments</b>				
NBIMC North American Market Neutral Fund	886	1,289	1,142	1,185
NBIMC Quantitative Strategies Fund	1,666	1,371	2,284	2,149
NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund	23	4,748	110	98
NBIMC Private Equity Fund	643	2,756	1,771	1,667
			5,307	5,099
<b>Tactical Asset Allocation</b>				
NBIMC Asset Mix Strategy Fund	250	1,038	260	—
			\$ 43,177	\$ 41,988

#### 4. Fair Value of Financial Instruments

Investments are valued at fair value with changes in fair values over time recognized in net investment income.

The determination of fair value is dependent upon the use of measurement inputs with varying degrees of subjectivity. The level of subjectivity can be classified and is referred to as the fair value hierarchy. The fair value hierarchy levels are:

**Level 1** – Quoted market prices in active markets. This is considered to be the most reliable input for fair value measurement. A financial instrument is regarded as quoted in an active market if quoted prices are readily or regularly available from an exchange or prices represent actual and regularly occurring market transactions on an arm's length basis.

**Level 2** – Inputs (other than quoted prices included within Level 1) that are observable for the investment, either directly or indirectly. These inputs include quoted prices for similar investments in active markets, quoted prices for identical or similar investments in markets that are not active, and inputs other than quoted prices that are observable for the investment. These are inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

**Level 3** – Inputs that are unobservable that are used to measure fair value when observable inputs are not available. Unobservable inputs reflect subjective assumptions that market participants may use in pricing the investment.

The units held of each NBIMC unit trust fund are classified as a Level 2 investment since the units are priced based on each unit trust net asset value, which is observable, but the units are not traded in an active market.

#### 5. Financial Instrument Risk Management

Financial instruments are exposed to risks such as market, interest rate, credit and liquidity risk.

Under its terms of reference, the NBIMC Board of Directors has overall responsibility for understanding the principal risks facing the Trust Fund and the systems that management has put in place to mitigate and manage those risks. Accordingly, the NBIMC Board of Directors is responsible for the establishment of a SIP for the Trust Fund. Day-to-day investment activities and monitoring of risk controls are delegated to management, which acts in accordance with the Statement of Investment Principles (SIP). The most recent SIP was approved by the Board of Directors on November 23, 2015. Management produces quarterly reporting of investment performance, policy compliance, and trends and changes in investment risks for the Board of Directors.

Management, using information from independent actuarial valuations as well as expectations concerning financial markets, is responsible for the development of a recommended investment asset mix that seeks to deliver the long-term investment return required in the actuarial valuation of the Plan. This process has the intent of constructing the most efficient investment portfolio to meet the actuarial requirements in a risk-controlled fashion. This recommended strategic asset allocation is prepared on at least a triennial basis for consideration by the Board. Once approved, management is responsible for the implementation of the asset mix decision.

(a) **Market Risk:** Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. Market risk includes foreign currency risk, interest rate risk and pricing risk among others. The principal level for managing market risk is to invest in widely diversified countries, sectors and issuers. The Trust Fund holds investments in unit trust funds that invest in active and passive investment strategies and are diversified among domestic and international markets.



## 5. Financial Instrument Risk Management (continued)

Investment strategies used by the unit trust funds may involve the use of financial derivatives such as forward foreign exchange contracts or total return swaps. Investment strategies also include “market neutral” strategies whereby an investment in a long position in one stock is matched with a short position in another stock, typically within the same industry sector. With the limited exception of prudent financing for investments in real property, the SIP for the Trust Fund precludes the use of leverage in the investment portfolio. Accordingly, to the extent that there is market exposure from derivative investments and short positions, the Trust Fund will hold cash underlay equal to the amount of market exposure. Market neutral strategies help to mitigate market risk through adherence to maximum investment limits and stop-loss constraints, and have a lower correlation to broad market indices.

NBIMC conducts certain of its investment activities in the unit trust funds on behalf of the Trust Fund by trading through broker channels on regulated exchanges and in the over-the-counter market. Brokers typically require that collateral be pledged against potential market fluctuations when trading in derivative financial instruments or when shorting security positions. As at March 31, 2016 the fair value of securities that have been deposited or pledged with various financial institutions as collateral or margin on account was \$1,722 (2015 – \$1,800) (*see note 5(c)*).

Foreign currency risk arises from holding investments denominated in currencies other than the Canadian dollar. All of the Trust Fund’s investments are in Canadian dollar denominated unit trust funds managed by NBIMC, however, certain of the unit trust funds invest in assets denominated in foreign currencies or domiciled in foreign jurisdictions. The SIP for the Trust Fund permits hedging of foreign currency exposure at the portfolio manager’s discretion. Approximately 39% (2015 – 36%) of the Trust Fund’s underlying investments are denominated in currencies other than the Canadian dollar, with the largest foreign currency exposure being to the U.S. dollar of 22.3% (2015 – 20.13%) and the Euro of 3.9% (2015 – 4.1%).

A 1% absolute increase or decrease in the value of the Canadian dollar against all currencies with all other variables held constant would result in an approximate decrease or increase in the value of the net investment assets at March 31, 2016 of \$170 (2015 – \$150).

Interest rate risk refers to the effect on the market value of investments due to fluctuation of interest rates. The Trust Fund invests in certain unit trust funds that invest in fixed income securities whose fair values are sensitive to interest rates. The SIP requires NBIMC to adhere to guidelines on duration and yield curve, which are designed to mitigate the risk of interest rate volatility.

If interest rates increased by 1%, and all other variables are held constant, the potential loss in fair value to the net investment assets at March 31, 2016 would be approximately \$1,241 (2015 – \$1,231).

Pricing risk is the risk that equity investments will change in value due to future fluctuations in market prices caused by factors specific to an individual equity investment or other factors affecting all equities traded in the market. The Trust Fund is exposed to price risk associated with the underlying equity investments held in pools managed by NBIMC. If equity market price indices declined by 1%, and all other variables are held constant, the potential loss at March 31, 2016 would be approximately \$203 (2015 – \$209).

(b) **Credit Risk:** The Trust Fund is exposed to credit-related risk in the event that a unit trust investment in a derivative or debt security counterparty defaults or becomes insolvent. NBIMC has established investment criteria which are designed to manage credit risk by establishing limits by issuer type and credit rating for fixed income and derivative credit exposure. NBIMC monitors these exposures monthly. Such derivative and short and long-term debt securities are restricted to those having investment grade ratings, as provided by a third party rating agency. In addition, each counterparty exposure is restricted to no more than 5% of total assets. Investment grade ratings are BBB and above for longer term debt securities and R-1 for short-term debt. Any credit downgrade below investment grade is subject to review by the NBIMC Board of Directors.

**5. Financial Instrument Risk Management (continued)**

The quality of the credit exposure as at March 31 is as follows:

<i>(\$ thousands)</i>	<b>2016</b>	<b>2015</b>
AAA	\$ 4,196	\$ 4,366
AA	3,603	4,373
A	6,112	4,343
BBB	2,161	1,417
R-1	710	1,087
Other	107	120
	<b>\$ 16,889</b>	<b>\$ 15,706</b>

The highest concentration of credit risk at each year end is with Government of Canada bonds.

(c) **Liquidity Risk:** Liquidity risk is the risk of not having sufficient funds available to meet cash demands. Sources of liquidity include pension contributions collected from the employers and employees as well as redemption of investments in unit trust funds. Uses of liquidity include payments to the Plan beneficiaries, Plan service providers and purchases of investments in unit trust funds.

The Trust Fund's asset mix is specifically designed to ensure that sufficient liquid assets are available to meet pension benefit obligations as they are required. Other than cash, treasury bills and bankers' acceptances, the most liquid asset class is government bonds whereas privately-held debt, equity, real estate and infrastructure investments are considered highly illiquid due to the lack of a readily available market and the longer term to maturity for these investments.

Net liquid assets are defined to include the fair value of all unit trust fund investments excluding those for private equity, private real estate, private infrastructure, New Brunswick regional investments, and the Trust Fund's proportionate share of the fair value of collateral pledged with brokers and counterparties and any unfunded investment commitments.

The following table shows the determination of net liquid assets at March 31:

<i>(\$ thousands)</i>	<b>2016</b>	<b>2015</b>
Net assets available for benefits	\$ 43,229	\$ 42,008
Less: investment in NBIMC New Brunswick Fixed Income Opportunity Fund <i>(note 3)</i>	(49)	(53)
Less: investment in NBIMC Canadian Real Estate Fund <i>(note 3)</i>	(989)	(861)
Less: investment in NBIMC Non-Canadian Private Real Estate Fund <i>(note 3)</i>	(73)	—
Less: investment in NBIMC Infrastructure Fund <i>(note 3)</i>	(551)	(352)
Less: investment in NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund <i>(note 3)</i>	(110)	(98)
Less: investment in NBIMC Private Equity Fund <i>(note 3)</i>	(1,771)	(1,667)
Less: collateral pledged <i>(note 5(a))</i>	(1,722)	(1,800)
Less: investment commitments <i>(note 9)</i>	(1,308)	(1,283)
Net liquid assets	<b>\$ 36,656</b>	<b>\$ 35,894</b>

(d) **Securities Lending:** The Trust Fund's SIP permits NBIMC to enter into a securities lending arrangement, externally with their securities custodian or internally among the unit trust funds that NBIMC manages, with the objective of enhancing portfolio returns.

Under the external program, the securities custodian, who is an independent third party, may loan securities owned by the unit trust funds to other approved borrowers in exchange for collateral in the form of readily marketable government-backed securities equal to at least 105% of the value of securities on loan and a borrowing fee. NBIMC has restricted the approved borrowers under the external securities lending program to manage exposure to counterparty credit risk. As at March 31, 2016, underlying securities in the amount of \$5,880 (2015 – \$3,567) have been loaned on behalf of the Trust Fund.



**5. Financial Instrument Risk Management (continued)**

Under the internal securities lending program, certain unit trust funds may loan securities to a borrowing unit trust fund subject to an intra-fund collateral management agreement and a borrowing fee. As at March 31, 2016, underlying securities in the amount of \$309 (2015 – \$328) were loaned on behalf of the Trust Fund and \$375 (2015 – \$432) were borrowed.

**6. Net Investment Income**

Net investment income (loss) by unit trust fund for the year ended March 31, after allocating net gains (losses) on investments, is as follows:

<i>(\$ thousands)</i>	<b>2016</b>	<b>2015</b>
<b>Fixed Income</b>		
NBIMC Nominal Bond Fund	\$ 88	\$ 659
NBIMC Corporate Bond Fund	56	244
NBIMC New Brunswick Fixed Income Opportunity Fund	1	5
NBIMC Money Market Fund	8	8
NBIMC Student Investment Fund	—	1
	153	917
<b>Equities</b>		
NBIMC Canadian Equity Index Fund	(113)	481
NBIMC Low Volatility Canadian Equity Fund	6	139
NBIMC External Canadian Equity Fund	(69)	141
NBIMC S&P/TSX Completion Index Fund	—	(14)
NBIMC Canadian Equity Active Long Strategy Fund	(55)	57
NBIMC External International Equity Fund	(38)	142
NBIMC EAFE Equity Index Fund	(99)	1,827
NBIMC EAFE Equity Index Fund – Class N	—	(1,223)
NBIMC Low Volatility International Equity Fund	129	557
NBIMC Low Volatility International Equity Fund – Class N	—	(300)
NBIMC Low Volatility Emerging Markets Equity Fund	(69)	19
NBIMC U.S. Equity Index Fund	136	1,031
NBIMC Low Volatility U.S. Equity Fund	311	388
	139	3,245
<b>Inflation-Linked Assets</b>		
NBIMC Inflation-Linked Securities Fund	(31)	457
NBIMC Canadian Real Estate Fund	88	79
NBIMC Canadian Real Estate Investment Trust Fund	(21)	94
NBIMC Non-Canadian Private Real Estate Fund	1	—
NBIMC International Real Estate Fund	62	290
NBIMC Infrastructure Fund	27	23
	126	943
<b>Alternative Investments</b>		
NBIMC North American Market Neutral Fund	28	(26)
NBIMC Quantitative Strategies Fund	72	78
NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund	4	(2)
NBIMC Private Equity Fund	312	250
	416	300
<b>Tactical Asset Allocation</b>		
NBIMC Asset Mix Strategy Fund	(4)	—
Net investment income	\$ 830	\$ 5,405

## 7. Capital and Annualized Long-Term Returns

Capital, as it pertains to the Trust Fund, is represented by the net assets available for benefits. For purposes of preparing these special purpose financial statements, net assets available for benefits do not include the pension liabilities and consequently, these financial statements do not purport to show the adequacy of net assets available for benefits to meet the pension obligations.

As required for a defined benefit pension plan, the Trust Fund's objective is to achieve annualized long-term returns that will meet or exceed the investment return assumptions contained in the actuarial valuation for the Pension Plan. The commentary in Note 3 – Investments, Note 4 – Fair Value of Financial Instruments and Note 5 – Financial Instrument Risk Management provide qualitative descriptions of the investment management process and quality of investments.

Returns are non-GAAP measures. Investment returns are calculated in Canadian dollars on the daily change in net assets measured using either closing market price valuations or estimated fair values where closing market price valuations are not available, excluding external cash flows, divided by the beginning value of net assets, as per the time-weighted rate of return methodology and in accordance with Chartered Financial Analysts' Institute standards.

The most recent actuarial valuation received for the JPA is April 1, 2013. This valuation provides the long-term nominal and inflation-adjusted return assumptions. The target long-term nominal investment return assumption contained therein and a summary of the four-year and ten-year annualized long-term nominal returns for the Trust Fund for the periods ended March 31 are as follows:

	2016			2015		
	Annualized Nominal Returns			Annualized Nominal Returns		
	Actuarial Requirement	4-Year	10-Year	Actuarial Requirement	4-Year	10-Year
Judges'	6.25%	9.74%	6.05%	6.25%	10.50%	7.49%

## 8. Related Party Transactions

The Minister of Finance is the Plan Governor for the PCA and JPA and therefore the Trust Fund is related to the Province of New Brunswick. The Plan Governor is the Plan Sponsor and is responsible for the administration of collections from and payments to the Pension Plan members and beneficiaries as shown in the Statement of Changes in Net Assets Available for Benefits.

NBIMC, as a Crown Corporation of the Province of New Brunswick and as the Trustee of the Trust Fund, is also a related party to the Trust Fund. The Plan Sponsor and NBIMC charge fees for services rendered to the Trust Fund on a cost recovery basis.

All of the Trust Fund's investments included in the Statement of Net Assets Available for Benefits are in unit trust funds that are managed by NBIMC. The Trust Fund has an undivided interest in the underlying assets of the unit trust funds (*see note 3*). In addition, the NBIMC Canadian Real Estate Fund and NBIMC Infrastructure Fund have made certain of their direct and indirect investments using wholly owned subsidiary company structures.

Included in the investments in the NBIMC unit trust funds are underlying investments in New Brunswick provincial and municipal bonds that are recorded at their fair values as at March 31, 2016 of \$261 (2015 – \$290).

Contributions from employers and employees are as presented in the Statement of Changes in Net Assets Available for Benefits. Contributions receivable from employers and employees are as presented in the Statement of Net Assets Available for Benefits.

**8. Related Party Transactions (continued)**

Payments to the Province of New Brunswick for benefits and for pension administration expenses are as presented in the Statement of Changes in Net Assets Available for Benefits.

Investment management fees charged by NBIMC in the amount of \$59 (2015 – \$54) are included in investment management fees on the Statement of Changes in Net Assets Available for Benefits.

At March 31, 2016 amounts owing to NBIMC for fees payable in the amount of \$15 (2015 – \$11) and for pension administration payable to the Province of New Brunswick in the amount of \$12 (2015 – \$10) are included in accounts payable and accrued liabilities.

**9. Commitments**

The NBIMC Canadian Real Estate Fund, the NBIMC Non-Canadian Private Real Estate Fund and the NBIMC Private Equity Fund have committed to enter into investments which may be funded over the next several years in accordance with the terms and conditions agreed to in various partnership agreements. The Trust Fund's share of unfunded commitments as at March 31 is:

<i>(\$ thousands)</i>	<b>2016</b>	<b>2015</b>
NBIMC Canadian Real Estate Fund	\$ 92	\$ 127
NBIMC Non-Canadian Private Real Estate Fund	67	—
NBIMC Private Equity Fund	1,149	1,156
	\$ 1,308	\$ 1,283

**10. Subsequent Event**

On March 29, 2016, an *Act to Implement Strategic Program Review Initiatives* was tabled in the New Brunswick Legislature, followed by the tabling of the *Vestcor Act* on March 31, 2016. The *Act to Implement Strategic Program Review Initiatives* will repeal the *New Brunswick Investment Management Corporation Act* and includes a consequential amendment to the *Provincial Court Judges' Pension Act* to transfer the trustee responsibility for the Trust Fund to the Minister of Finance effective October 1, 2016. The *Vestcor Act* will continue NBIMC as a not-for-profit entity under a new name, Vestcor Investment Management Corporation (Vestcor Investments), also effective October 1, 2016. Simultaneously, the Trust Fund expects to enter into a long-term investment management agreement with Vestcor Investments.

**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION  
FINANCIAL STATEMENTS**

**March 31, 2016**

## INDEPENDENT AUDITORS' REPORT

To the Directors of New Brunswick Investment Management Corporation

We have audited the accompanying financial statements of New Brunswick Investment Management Corporation, which comprise the statement of financial position as at March 31, 2016, the statements of operations and changes in accumulated surplus (deficit), changes in net debt and its cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of New Brunswick Investment Management Corporation as at March 31, 2016, and its results of operations and changes in accumulated surplus (deficit), changes in net debt and cash flow for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Professional Accountants  
June 6, 2016  
Fredericton, Canada

**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION**

**Statement of Financial Position**

As at March 31, 2016

(in thousands of Canadian dollars)

	2016	2015
<b>FINANCIAL ASSETS</b>		
Cash	\$ 66	\$ 53
Accounts receivable	3,630	2,736
Other receivables	6	2
Total financial assets	3,702	2,791
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities	4,252	3,164
Supplemental pension (note 5)	350	360
Employee future benefits (note 6)	73	64
Total financial liabilities	4,675	3,588
<b>NET DEBT</b>	<b>(973)</b>	<b>(797)</b>
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (note 3)	503	450
Prepaid expenses	519	355
Total non-financial assets	1,022	805
<b>ACCUMULATED SURPLUS</b>	<b>\$ 49</b>	<b>\$ 8</b>

Contractual obligations and contingencies (note 4)

Indemnifications and litigation (note 10)

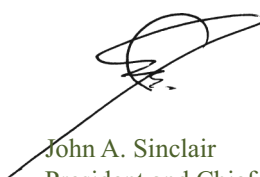
Subsequent events (note 11)

See accompanying notes to financial statements

Approved on behalf of the Board:



Michael W. Walton  
Chairman of the Board



John A. Sinclair  
President and Chief Executive Officer

**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION**

**Statement of Operations and Changes in Accumulated Surplus (Deficit)**

For the year ended March 31, 2016

(in thousands of Canadian dollars)

	Budget 2016 (note 8)	Actual 2016	Actual 2015
<b>REVENUE</b>			
Investment management fees	\$ 11,770	\$ 12,427	\$ 11,140
Other	—	2	2
<b>Total revenue</b>	<b>11,770</b>	<b>12,429</b>	<b>11,142</b>
<b>EXPENSES</b>			
Salaries and benefits (note 8)	8,169	9,246	8,099
Information systems	1,880	1,873	1,655
Office and business	598	414	408
Professional services	518	376	434
Office rent	342	303	304
Amortization of tangible capital assets	257	176	140
<b>Total expenses</b>	<b>11,764</b>	<b>12,388</b>	<b>11,040</b>
<b>ANNUAL SURPLUS</b>	<b>\$ 6</b>	<b>\$ 41</b>	<b>\$ 102</b>
<b>ACCUMULATED SURPLUS (DEFICIT), beginning of year</b>	<b>\$ (25)</b>	<b>\$ 8</b>	<b>\$ (94)</b>
Annual surplus	6	41	102
<b>ACCUMULATED SURPLUS (DEFICIT), end of year</b>	<b>\$ (19)</b>	<b>\$ 49</b>	<b>\$ 8</b>

See accompanying notes to financial statements

**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION**

**Statement of Changes in Net Debt**

For the year ended March 31, 2016

(in thousands of Canadian dollars)

	Budget 2016 (note 8)	Actual 2016	Actual 2015
<b>NET DEBT, BEGINNING OF YEAR</b>	<b>\$ (797)</b>	<b>\$ (797)</b>	<b>\$ (723)</b>
<b>CHANGES IN YEAR</b>			
Annual surplus	6	41	102
Purchases of tangible capital assets	(263)	(229)	(243)
Amortization of tangible capital assets	257	176	140
Net change in prepaid expenses	—	(164)	(73)
<b>INCREASE IN NET DEBT</b>	<b>—</b>	<b>(176)</b>	<b>(74)</b>
<b>NET DEBT, END OF YEAR</b>	<b>\$ (797)</b>	<b>\$ (973)</b>	<b>\$ (797)</b>

See accompanying notes to financial statements

**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION****Statement of Cash Flow**

For the year ended March 31, 2016

*(in thousands of Canadian dollars)*

	<b>2016</b>	<b>2015</b>
<b>OPERATING ACTIVITIES</b>		
<b>Annual surplus</b>	\$ 41	\$ 102
<b>Non cash items:</b>		
Amortization of tangible capital assets	176	140
Increase in accounts receivable	(894)	(194)
Decrease (increase) in other receivables	(4)	65
Increase in accounts payable and accrued liabilities	1,088	177
Increase in supplemental pension	14	16
Increase in employee future benefits	9	5
Increase in prepaid expenses	(164)	(73)
Net cash from operating activities	266	238
<b>CAPITAL ACTIVITIES</b>		
Purchases of tangible capital assets	(229)	(243)
Net cash used in capital activities	(229)	(243)
<b>FINANCING ACTIVITIES</b>		
Payment of supplemental pension	(24)	(24)
Net cash used in financing activities	(24)	(24)
<b>INCREASE (DECREASE) IN CASH DURING YEAR</b>	13	(29)
Cash, beginning of year	53	82
<b>CASH, END OF YEAR</b>	\$ 66	\$ 53

*See accompanying notes to financial statements*



## NOTES TO FINANCIAL STATEMENTS

Years ended March 31, 2016

(in thousands of Canadian dollars)

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### 1. Nature of Operations

New Brunswick Investment Management Corporation (“NBIMC”) was established pursuant to the *New Brunswick Investment Management Corporation Act* (the “Act”) which was proclaimed on March 11, 1996.

NBIMC is a non-share capital corporation. NBIMC recovers all operating expenses and capital expenditures on a cost recovery basis. As a crown corporation, NBIMC is exempt from federal and provincial income taxes.

NBIMC’s legislated mandate is to:

- Act as Trustee for the Provincial Court Judges’ Pension Trust Account Fund (“the Trust Fund”);
- Provide investment counseling services and services for certain other trust funds;
- Promote the development of the financial services industry and capital markets in the Province of New Brunswick;
- Have regard to investment opportunities in the Province of New Brunswick in developing its investment policies; and
- Carry out such other activities or duties as may be authorized or required by the Act or as the Lieutenant-Governor in Council may direct.

At March 31, 2016, the estimated market value of assets managed by NBIMC was \$13.2 billion (2015 – \$13.0 billion). These assets are substantially held in separate pooled fund unit trust entities, managed by NBIMC. NBIMC does not consolidate the financial results of the Funds or the pooled funds with these corporate financial statements.

### 2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards for other government organizations.

The significant accounting policies used in the preparation of these financial statements are as follows:

#### (a) Revenue recognition

Fees for services are recognized in revenue as services are performed and collection is probable.

#### (b) Tangible capital assets

Tangible capital assets are recorded at acquisition cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives, calculated on a straight-line basis, using the following rates:

Computer equipment	- 3 years
Furniture and equipment	- 5 to 12.5 years
Leasehold improvements	- over the remaining lease term

Tangible capital assets are reviewed for impairment whenever events or changes in circumstances indicate that their value of future economic benefits is less than their carrying amount. Useful lives are assessed annually and revisions to the useful life are made as required.

## NOTES TO FINANCIAL STATEMENTS

Years ended March 31, 2016

(in thousands of Canadian dollars)

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### 2. Significant Accounting Policies (cont'd)

#### (c) Employee future benefits

##### (i) Pension benefits:

Since January 1, 2014, full-time employees of NBIMC are covered by the Public Service Shared Risk Plan ("PSSRP") of the Province of New Brunswick. The PSSRP is a contributory target benefit plan. Prior to January 1, 2014, NBIMC full time employees were covered by the *Public Service Superannuation Act*, a contributory defined benefit multi-employer plan. NBIMC has no direct liability or entitlement to any unfunded liability or surplus in either plan.

##### (ii) Sick leave benefits:

NBIMC provides a sick leave benefit for eligible employees that accumulate but do not vest. The benefits accrue over the estimated service life of the employees and are expensed according to actuarial estimates and assumptions.

#### (d) Financial instruments

Financial instruments are contracts that establish rights and obligations to receive or deliver economic benefits. Financial assets consist of cash and accounts and other receivables. Financial liabilities include accounts payable and accrued liabilities. The determination of fair value is dependent upon the use of measurement inputs with varying degrees of subjectivity. The level of subjectivity can be classified and is referred to as the fair value hierarchy. Cash is recorded at fair value and is grouped into Level 1 fair value hierarchy. Accounts and other receivables are measured at the lower of amortized cost and net recoverable amount. Accounts payable and accrued liabilities are measured at amortized cost.

#### (e) Measurement uncertainty

Measurement uncertainty is uncertainty in the determination of the amount at which an item is recognized or disclosed in financial statements. Such uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount. Examples of such uncertainty include the determination of the estimated useful life and selection of rates of amortization of tangible capital assets (*note 3*), the estimated actuarial liability for supplemental pension (*note 5*) and the actuarial estimates and assumptions used for the valuation of employee future benefits (*note 6*).

NOTES TO FINANCIAL STATEMENTS  
Years ended March 31, 2016  
(in thousands of Canadian dollars)

### 3. Tangible Capital Assets

	Computer equipment	Furniture and equipment	Leasehold Improvements	March 31, 2016 Total
<b>Cost</b>				
Opening balance	\$ 1,258	\$ 450	\$ 425	\$ 2,133
Purchases	183	27	19	229
Disposals	—	—	—	—
Closing balance	1,441	477	444	2,362
<b>Accumulated amortization</b>				
Opening accumulated amortization	968	364	351	1,683
Amortization expense	146	16	14	176
Disposals	—	—	—	—
Closing accumulated amortization	1,114	380	365	1,859
Net book value	\$ 327	\$ 97	\$ 79	\$ 503

	Computer equipment	Furniture and equipment	Leasehold Improvements	March 31, 2015 Total
<b>Cost</b>				
Opening balance	\$ 1,084	\$ 422	\$ 414	\$ 1,920
Purchases	204	28	11	243
Disposals	(30)	—	—	(30)
Closing balance	1,258	450	425	2,133
<b>Accumulated amortization</b>				
Opening accumulated amortization	879	352	342	1,573
Amortization expense	119	12	9	140
Disposals	(30)	—	—	(30)
Closing accumulated amortization	968	364	351	1,683
Net book value	\$ 290	\$ 86	\$ 74	\$ 450

### 4. Contractual Obligations and Contingencies

NBIMC leases its premises under a ten-year operating lease which expires on January 31, 2022. The future minimum lease payments are \$256 per annum. Upon signing, NBIMC received a lease inducement in the amount of \$25 which is being amortized to office rent expense in the Statement of Operations on a straight-line basis over the term of the lease. A first charge on the leasehold improvements, furniture and equipment has been pledged to the landlord as collateral for the lease inducement.

The lease contains two possible early termination clauses which would result in a retroactive increase to the minimum lease payments made to reflect the shorter lease term. Early termination would also trigger repayment of the unamortized balance of the lease inducement.

## 5. Supplemental Pension

NBIMC has an estimated liability of \$350 (2015 – \$360) for special supplemental pension relating to past service awarded during 2003-2004. This amount is equivalent to the commuted value of the expected payments. The ultimate cost to NBIMC will vary based on the rise in the consumer price index and demographic factors. Changes in the expected liability are recorded in the period the change occurs. Payments to date and future payments will be received from an increase in the fees charged to the Funds. NBIMC expects to make payments in the amount of \$25 within the next twelve months.

## 6. Employee Future Benefits

### a) Pension

For the year ended March 31, 2016, NBIMC expensed contributions of \$633 under the terms of the PSSRP pension plan (2015 – \$611).

### b) Sick leave

Full-time employees are provided a sick leave benefit that accumulates at a rate of 1.25 days per month to a maximum of 240 days. An employee can take a sick leave with pay for an amount of time equal to the accumulated sick leave or can be granted up to a maximum of 15 working days of pay if the employee does not have enough sick leave and is expected to be able to return to work within a short time. This is an unfunded program with no specific assets segregated to meet the obligations when they come due.

The significant assumptions used for the valuation of the sick leave benefit for the year ended March 31, 2016 were:

	2016	2015
Annual discount rate	3.19%	2.67%
Annual salary increases	2.25%	2.55%
Mortality	None	None
Retirement age	62	62
Actuarial cost method	Projected Unit Credit pro-rated on service	

For purposes of the actuarial valuation, the assumption for the net excess (over 15 days) utilization rate of sick leave is 0.8919 days per year at all ages (2015 – 0-1.3 days depending upon the individual's age).

Information on the sick leave liability included in employee future benefits in the Statement of Financial Position is as follows:

	2016	2015
<b>Accrued sick leave obligation</b>		
Balance, beginning of year	\$ 76	\$ 73
Current service cost	24	13
Benefit payments	(15)	(10)
Actuarial loss	41	—
Balance, end of year (unfunded)	126	76
Unamortized net actuarial gain	(53)	(12)
Accrued sick leave liability	\$ 73	\$ 64

## NOTES TO FINANCIAL STATEMENTS

Years ended March 31, 2016

(in thousands of Canadian dollars)

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### 7. Related Party Transactions

NBIMC is related to all Province of New Brunswick departments, agencies and Crown corporations by virtue of common ownership. In addition to its participation in the pension and supplementary pension plans, NBIMC obtains certain office services from related parties during its normal course of operations which are recorded at the exchange amount agreed to by the parties.

Amounts payable to a related party are included in accounts payable and accrued liabilities in the amount of \$71 (2015 – \$2). Included in office and business expenses are fees in the amount of \$37 (2015 – \$37).

NBIMC is economically dependent upon the revenue received from its clients by virtue of the cost recovery business model under which it operates. Approximately 94% of NBIMC's revenue is generated from two clients.

### 8. Budget

The budget amounts included in these financial statements are the amounts consolidated into the Main Estimates for the Province of New Brunswick. Management prepares the budget using best estimates that reflect past experience as well as expected future plans. The budget was reviewed and approved on November 24, 2014 by NBIMC's Board of Directors and submitted to the Minister of Finance in December.

As a result of accepting additional new clients, the Board of Directors subsequently approved an amendment to the salaries and benefits budget line from \$8,169 to \$8,183 to incorporate additional staffing.

### 9. Financial Instrument Risk Management

The Corporation has exposure to credit risk. Credit risk arises from the potential that a counterparty will fail to perform its obligations. NBIMC is exposed to the carrying value of its accounts and other receivables, all of which have been collected subsequent to the date of the financial statements.

### 10. Indemnifications and Litigation

NBIMC provides indemnifications to its officers and directors pursuant to certain corporate by-laws. NBIMC may be required to compensate these individuals in the event of a claim being made against them. The contingent nature of these indemnification obligations prevents NBIMC from making a reasonable estimate of the maximum potential payments that NBIMC would be required to make. To date, NBIMC has not received any claims nor made any payments pursuant to such indemnifications.

A notice of action and statement of claim was filed in the New Brunswick Court of Queen's Bench on December 30, 2015 naming NBIMC and The Province of New Brunswick, The New Brunswick Union of Public And Private Employees, The New Brunswick Nurses Union, Local 37 of The International Brotherhood of Electrical Workers and Board of Trustees of the PSSRP, as defendants. The claim arises out of the restructuring of the PSSRP as a shared risk plan. NBIMC had only a limited role in that restructuring and did so pursuant to a direction and indemnity provided by the Province of New Brunswick. The Province is defending NBIMC in this matter pursuant to its obligation under that indemnity.

### 11. Subsequent Events

On March 29, 2016 and on March 31, 2016, *An Act to Implement Strategic Program Review Initiatives* and the *Vestcor Act* respectively were tabled in the New Brunswick Legislature. This legislation will have the effect of continuing NBIMC as a not-for-profit corporation, renamed as Vestcor Investment Management Corporation, with governance responsibilities to be transferred from the Province of New Brunswick to a corporation initially governed equally by the PSSRP and the New Brunswick Teachers' Pension Plan on October 1, 2016. The *NBIMC Act* will be repealed effective October 1, 2016. This change of governance and renaming is not expected to have a significant effect on NBIMC's operations.