

NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION FINANCIAL STATEMENTS

March 31, 2011

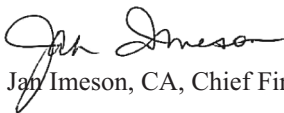
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

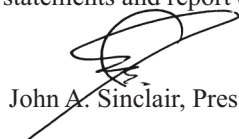
The financial statements of New Brunswick Investment Management Corporation are the responsibility of management. They have been approved by the Board of Directors.

Management prepared the financial statements in accordance with generally accepted accounting principles.

The New Brunswick Investment Management Corporation maintains books of account, systems of information and systems of financial and management control which provide reasonable assurance that accurate financial information is available, that assets are protected and that resources are managed efficiently.

The Board of Directors oversees financial reporting through its Audit Committee. The committee reviews matters related to accounting, auditing, internal control systems, the financial statements and report of the external auditors.


Jan Imeson, CA, Chief Financial Officer


John A. Sinclair, President and Chief Executive Officer

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, 2011, the statements of operations and change in net assets for the year then ended, and notes, comprising a summary of significant accounting policies on 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 generally accepted accounting principles, 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, 2011 and its results of operations and changes in net assets for the year ended in accordance with Canadian generally accepted accounting principles.



KPMG LLP
Chartered Accountants
June 7, 2011
Fredericton, Canada

NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

Statement of Financial Position

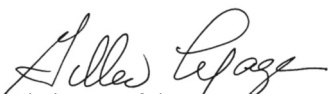
As at March 31

(in thousands of Canadian dollars)

	2011	2010
	\$	\$
ASSETS		
Current		
Cash	41	228
Accounts receivable – Pension Funds	1,561	2,556
Other receivables	10	5
Prepaid expenses	283	270
Total current assets	1,895	3,059
Capital assets <i>(note 5)</i>	299	244
TOTAL ASSETS	2,194	3,303
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
Current		
Accounts payable and accrued liabilities	1,347	2,553
Current portion of supplemental pension <i>(note 6)</i>	22	22
Total current liabilities	1,369	2,575
Supplemental pension <i>(note 6)</i>	170	192
Employee future benefits <i>(note 7)</i>	356	292
Deferred contributions related to capital assets <i>(note 8)</i>	299	244
TOTAL LIABILITIES AND DEFERRED CONTRIBUTIONS	2,194	3,303
NET ASSETS	—	—

See accompanying notes to financial statements

Approved on behalf of the Board:


Chairman of the Board


President and Chief Executive Officer

NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION
Statement of Operations and Changes in Net Assets
For the years ended March 31
(in thousands of Canadian dollars)

	2011	2010
	\$	\$
REVENUE		
Fees:		
Public Service Superannuation Fund	4,443	4,363
Teachers' Pension Fund	3,480	3,446
Judges' Superannuation Fund	26	26
Amortization of deferred contributions related to capital assets	134	84
Other	1	2
Total revenue	8,084	7,921
EXPENSES		
Salaries and benefits	5,598	5,390
Information systems	1,319	1,282
Office and business	439	399
Professional services	304	480
Office rent	290	286
Amortization	134	84
Total expenses	8,084	7,921
CHANGE IN NET ASSETS	—	—

See accompanying notes to financial statements

NOTES TO THE NBIMC FINANCIAL STATEMENTS

Year ended March 31, 2011

(in thousands of Canadian dollars)

1. Nature of Operations

New Brunswick Investment Management Corporation (“NBIMC”) was established pursuant to the *New Brunswick Investment Management Corporation 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 Public Service Superannuation Fund, the Teachers’ Pension Fund and the Judges’ Superannuation Fund (“the Funds”);
- Provide investment counseling services and other services for certain trust funds;
- Promote the development of the financial services industry and capital markets in the Province;
- Have regard to investment opportunities in the Province 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, 2011, the estimated market value of assets managed by NBIMC was \$9.1 billion (March 31, 2010 - \$8.3 billion). These assets are 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 generally accepted accounting principles.

(a) Revenue recognition

Fees for services are recognized in revenue as services are performed and collection is probable. NBIMC follows the deferral method of accounting for contributions. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at rates corresponding with amortization rates for the related capital assets.

(b) Capital assets

Capital assets are recorded at acquisition cost less accumulated amortization. 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 - 12.5 years

Leasehold improvements - over the remaining lease term

Assets under capital lease are amortized over the estimated useful life of the assets.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

(c) Statement of cash flows

A statement of cash flows has not been prepared as the required cash flow information is readily apparent in the statements of financial position and operations and changes in net assets.

2. Significant Accounting Policies (cont'd)

(d) Financial instruments

Financial assets and liabilities are initially recorded at fair value and are subsequently accounted for based on the classification of these financial instruments. Financial instruments classified as “held-for-trading” are subsequently measured at fair value with changes recognized in the statement of operations.

Cash, accounts receivable – Pension Funds, other receivables, and accounts payable and accrued liabilities have been classified as “held-for-trading”.

3. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year. Management changed its practice of paying for certain external investment management fees and securities custody fees through NBIMC as trustee in favour of payment of these fees directly in the Funds to which they relate. In prior years, these costs were reflected in the Statement of Operations and Changes in Net Assets as expenses. The charges to the Funds to recover these costs were reflected as fees in the Statement of Operations and Changes in Net Assets. Management believes that this new practice better reflects the source of investment management costs by separating the operational costs of NBIMC as internal investment manager for the Funds from these third party costs. Accordingly, total revenue and total expenses for the comparative period have been reclassified by \$3,490 from \$11,411 to \$7,921.

4. Future Accounting Standards

Effective for years commencing on or after January 1, 2011, Canadian entities using Canadian generally accepted accounting principles (GAAP) for their financial reporting are required to choose an alternative source of accounting standards to use.

As a provincial crown corporation, NBIMC is classified as an “other government organization” under public sector accounting principles (PSAP). Other government organizations may choose between adopting Canadian PSAP or International Financial Reporting Standards (IFRS), depending upon the needs of the organization’s users and the comparability with entities in either the private or public sectors.

The Province of New Brunswick (the “Province”) is the primary user of NBIMC’s financial statements. The Province consolidates NBIMC’s financial statements in their annual financial reporting (the Public Accounts), which are prepared in accordance with PSAP. Adopting PSAP would facilitate this consolidation. Accordingly, as recommended by the Audit Committee, the Board of Directors has decided to adopt PSAP for NBIMC’s financial reporting effective for the fiscal year commencing on April 1, 2011.

5. Capital Assets

	Cost \$	Accumulated amortization \$	2011 Net book value \$	2010 Net book value \$
Computer equipment	799	556	243	159
Furniture and equipment	387	338	49	64
Leasehold improvements	322	315	7	21
	1,508	1,209	299	244

At March 31, 2011 capital assets include \$5 (2010 - \$10) in net book value of assets under capital lease. Amortization relating to these assets for the year was \$6 (2010 - \$5).

6. Supplemental Pension

NBIMC has an estimated liability of \$192 (2010 - \$214) 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.

7. Employee Future Benefits

(a) Pension

Full-time employees of NBIMC are covered by the Public Service Superannuation Plan (the "Plan") of the Province of New Brunswick. The Plan is a defined benefit multi-employer plan under which contributions are made by both NBIMC and the employees. For the year ended March 31, 2011, NBIMC expensed contributions of \$326 under the terms of the Plan (2010 - \$344). NBIMC has no direct liability or entitlement to any unfunded liability or surplus in the plan related to its current or former employees.

(b) Retirement allowance

Full-time employees of NBIMC are entitled to be paid a retirement allowance upon their retirement based upon years of service. Over the service life of its employees, NBIMC accrues the estimated future liability based upon actuarial estimates and assumptions. The accrued liability is reduced by actual payments made. This is an unfunded program with no specific assets segregated to meet the obligations when they come due.

The significant assumptions are as follows:

	Assumptions	
	2011	2010
Annual discount rate	5.50%	6.00%
Annual salary increases	3.00%	3.00%
Mortality	None	None
Termination of employment	Public Service Superannuation Plan Experience	
Retirement age	15% at Age 56-58	15% at Age 56-58
	60% at Age 59-61	60% at Age 59-61
	25% at Age 62-65	25% at Age 62-65
Actuarial cost method	Projected Unit Credit pro-rated on service	

Information on the retirement allowance obligation is as follows:

	2011	2010
	\$	\$
Accrued benefit plan obligation		
Balance, beginning of year	360	395
Current service cost	35	25
Benefit payments	—	—
Interest cost	23	20
Actuarial loss (gain)	25	(80)
Balance, end of year (unfunded)	443	360
Unamortized net actuarial loss / (gain)	(18)	7
Unamortized transitional obligation	(69)	(75)
Accrued benefit liability	356	292

7. Employee Future Benefits (cont'd)

Benefit cost recognized in the year is as follows:

	2011	2010
	\$	\$
Current service cost	35	25
Interest cost	23	20
Amortization:		
Actuarial gains	—	(2)
Transitional liability	5	6
Pension expense	63	49

8. Deferred Contributions Related to Capital Assets

	2011	2010
	\$	\$
Balance, beginning of year	244	219
Additional contributions received, net	189	109
Less amounts amortized to revenue	(134)	(84)
Balance, end of year	299	244

9. Related Party Transactions

NBIMC is related to all Province of New Brunswick departments, agencies and crown corporations by virtue of common ownership. NBIMC obtains certain services from related parties during its normal course of operations which are recorded at the exchange amount agreed to by the parties.

Related party transactions are included in accounts payable and accrued liabilities in the amount of \$3 (2010 - \$2). NBIMC obtains certain of its telecommunications services from a department of the Province of New Brunswick. Included in operating expenses are fees in the amount of \$621 (2010 - \$655).

10. Fair Value of Financial Assets and Financial Liabilities

The fair value of NBIMC's cash, accounts receivable – Pension Funds, other receivables, accounts payable and accrued liabilities approximate their carrying amounts.

11. Indemnifications

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.

12. Subsequent Events

Subsequent to the year end, NBIMC has entered into a ten year facilities lease renewal commencing on February 1, 2012 and expiring January 31, 2022. The annual rental payable on this original lease term is \$256. The lease renewal also provides for two early termination options which take effect by changing the net rental rate per square foot per annum since inception of the renewal period. Accordingly, under the five year early renewal option, annual rental payable would be \$259 and under the eight year early termination option, the annual rental payable would be \$270.

NET ASSETS HELD IN TRUST FINANCIAL STATEMENTS OF

- **Public Service Superannuation Fund**

- **Teachers' Pension Fund**

- **Judges' Superannuation Fund**

Year ended March 31, 2011


MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements of each of the Public Service Superannuation Fund, Teachers' Pension Fund and Judges' Superannuation Fund are the responsibility of management of New Brunswick Investment Management Corporation, as trustee. They have been approved by the Board of Directors.

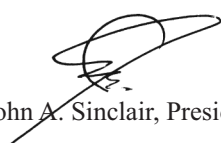
Management prepared the financial statements in accordance with Canadian generally accepted accounting principles and with Section 27(1) of the *New Brunswick Investment Management Act*. These financial statements are special purpose financial statements and reflect the net assets held in trust and changes in net assets held in trust in accordance with the basis of accounting as disclosed in note 1 to the financial statements.

The New Brunswick Investment Management Corporation maintains books of account, systems of information and systems of financial and management control which provide reasonable assurance that accurate financial information is available, that assets are protected and that resources are managed efficiently.

The Board of Directors oversees financial reporting through its Audit Committee. The committee reviews matters related to accounting, auditing, internal control systems, the financial statements and the report of the external auditors.



Ian Imeson, CA, Chief Financial Officer



John A. Sinclair, President and Chief Executive Officer

INDEPENDENT AUDITORS' REPORT

To the Directors of New Brunswick Investment Management Corporation

We have audited the accompanying financial statements of the Public Service Superannuation Fund, the Teachers' Pension Fund and the Judges' Superannuation Fund held in trust by the New Brunswick Investment Management Corporation, which comprise the statement of net assets held in trust as at March 31, 2011, the statements of changes in net assets held in trust for the year then ended, and notes, comprising a summary of significant accounting policies on other explanatory information. The financial statements have been prepared by management to comply with Section 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 Section 27(1) of the *New Brunswick Investment Management Corporation Act*, 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 net assets held in trust by the New Brunswick Investment Management Corporation for the Public Service Superannuation Fund, the Teachers' Pension Fund and the Judges' Superannuation Fund as at March 31, 2011 and the changes in net assets held in trust for the year then ended in accordance with Section 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 1 (a) to the financial statements, which describe 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 Section 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.



KPMG LLP
Chartered Accountants
June 7, 2011
Fredericton, Canada

NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION
Public Service Superannuation Fund
Statement of Net Assets Held in Trust
As at March 31

(In thousands of Canadian dollars)

	2011	2010
	\$	\$
Assets		
Investments <i>(note 3)</i>	5,030,406	4,587,574
Contributions receivable	12,858	15,113
Other receivable	135	126
	5,043,399	4,602,813
Liabilities		
Accounts payable and accrued liabilities <i>(note 8)</i>	2,186	1,885
Net assets	5,041,213	4,600,928

See accompanying notes to financial statements.

Public Service Superannuation Fund
Statement of Changes in Net Assets Held in Trust
Year ended March 31

(In thousands of Canadian dollars)

	2011	2010
	\$	\$
Increase in net assets		
Net investment income <i>(note 6)</i>	478,597	764,234
Pension contributions from sponsor	155,507	166,389
Employer amortization contributions	63,223	60,968
	697,327	991,591
Decrease in net assets		
Payments to sponsor for benefits	247,367	231,899
Payments to sponsor for expenses	2,421	2,436
Fees paid to third party suppliers	1,929	1,854
Fees paid to NBIMC	4,562	4,334
Harmonized sales tax, net of rebates	763	530
	257,042	241,053
Net increase for the year	440,285	750,538
Net assets held in trust, beginning of year	4,600,928	3,850,390
Net assets held in trust, end of year	5,041,213	4,600,928

See accompanying notes to financial statements.

Commitments *(note 9)*

Approved on behalf of the Board:


Chairman of the Board


President and Chief Executive Officer

NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION
Teachers' Pension Fund
Statement of Net Assets Held in Trust
As at March 31

(In thousands of Canadian dollars)

	2011	2010
	\$	\$
Assets		
Investments <i>(note 3)</i>	4,022,738	3,710,015
Contributions receivable	4,530	4,005
Other receivable	109	102
	4,027,377	3,714,122
Liabilities		
Accounts payable and accrued liabilities <i>(note 8)</i>	1,800	1,509
Net assets	4,025,577	3,712,613

See accompanying notes to financial statements.

Teachers' Pension Fund
Statement of Changes in Net Assets Held in Trust
Year ended March 31

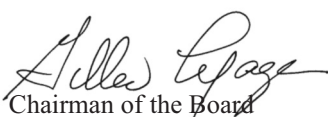
(In thousands of Canadian dollars)

	2011	2010
	\$	\$
Increase in net assets:		
Net investment income <i>(note 6)</i>	384,584	627,658
Pension contributions from sponsor	92,407	89,238
Employer amortization contributions	91,898	88,619
	568,889	805,515
Decrease in net assets:		
Payments to sponsor for benefits	248,678	241,762
Payments to sponsor for expenses	1,392	1,437
Fees paid to third party suppliers	1,659	1,625
Fees paid to NBIMC	3,576	3,422
Harmonized sales tax, net of rebates	620	431
	255,925	248,677
Net increase for the year	312,964	556,838
Net assets held in trust, beginning of year	3,712,613	3,155,775
Net assets held in trust, end of year	4,025,577	3,712,613

See accompanying notes to financial statements.

Commitments *(note 9)*

Approved on behalf of the Board:


Chairman of the Board


President and Chief Executive Officer

NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION
Judges' Superannuation Fund
Statement of Net Assets Held in Trust
As at March 31

(In thousands of Canadian dollars)

	2011	2010
	\$	\$
Assets		
Investments <i>(note 3)</i>	29,479	27,304
Contributions receivable	—	11
Other receivable	1	—
	29,480	27,315
Liabilities		
Accounts payable and accrued liabilities <i>(note 8)</i>	37	45
Net assets	29,443	27,270

See accompanying notes to financial statements.

Judges' Superannuation Fund
Statement of Changes in Net Assets Held in Trust
Year ended March 31

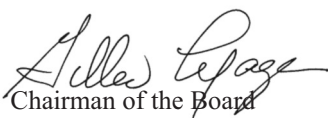
(In thousands of Canadian dollars)

	2011	2010
	\$	\$
Increase in net assets:		
Net investment income <i>(note 6)</i>	2,823	4,615
Pension contributions from sponsor	433	432
	3,256	5,047
Decrease in net assets:		
Payments to sponsor for benefits	986	1,046
Payments to sponsor for expenses	54	25
Fees paid to third party suppliers	12	11
Fees paid to NBIMC	27	26
Harmonized sales tax, net of rebates	4	5
	1,083	1,113
Net increase for the year	2,173	3,934
Net assets held in trust, beginning of year	27,270	23,336
Net assets held in trust, end of year	29,443	27,270

See accompanying notes to financial statements.

Commitments *(note 9)*

Approved on behalf of the Board:


Chairman of the Board


President and Chief Executive Officer

NOTES TO THE NET ASSETS HELD IN TRUST FINANCIAL STATEMENTS

Year ended March 31, 2011

(In thousands of Canadian dollars)

The assets of the Public Service Superannuation Fund (“Public Service”), Teachers’ Pension Fund (“Teachers”) and Judges’ Superannuation Fund (“Judges”), (collectively “the Funds”) 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 Funds’ assets effective April 1, 1996.

On April 1, 1998, the assets of the Funds were transferred to unit trust funds established by NBIMC. This portfolio structure facilitates the collective investment management and administration of the assets. There were 19 active unit trust funds in place at year-end, each pool with a specific investment mandate. Each of the Funds holds units of the unit trust funds in accordance with the investment policy of the Fund.

1. Significant Accounting Policies

(a) Accounting entity and basis of presentation

These special purpose financial statements provide information on the net assets of the Funds managed by NBIMC. They do not include the pension liabilities of the N. B. Public Service Superannuation Plan, the N. B. Teachers’ Pension Plan or the Provincial Court Judges’ Pension Trust Account (collectively “the Plans”). Consequently, these financial statements do not purport to show the adequacy of the Funds’ assets to meet the Plans’ pension obligations.

The amounts of contributions to and payments from the Funds are determined by the Plan Sponsor, the Province of New Brunswick. The Sponsor is responsible for the administration of collections from and payments to members. NBIMC charges fees to the respective Funds on a cost recovery basis.

These financial statements have not been prepared in accordance with Canadian generally accepted accounting principles because they exclude the actuarial liabilities of the plans. They are prepared solely for the information and use of the Directors of NBIMC and the Minister of Finance for the Province of New Brunswick for complying with Section 27(1) of the *NBIMC Act*.

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

(b) Valuation of investments

All investments of the Funds are represented by holdings of units of each of the unit trust funds and are designated as held for trading upon initial recognition. The value of each investment in unit trust funds is based on the calculated net asset value per unit multiplied by the number of units held. Investments held in the unit trusts are valued at their fair value as of the date of the financial statements. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.

Fair value is determined as follows:

- (i) For publicly-traded fixed income securities such as bonds and floating rate notes, fair value is the most recent quote available from the bond quotation service, DEX.
- (ii) For publicly-traded equities, fair value is the latest quoted bid price for long positions and the latest quoted ask price for short positions.
- (iii) For externally-managed fund investments, fair value is based on the net asset value as reported by the external managers of the funds. External managers use public market prices in calculating the applicable net asset values.
- (iv) For unlisted securities or securities traded in “over-the-counter”, fair value is based on a quotation service from a recognized dealer. Residual bonds are valued using a quoted market price for a similarly-termed government bond and adjusted for changes in credit risk spreads based on dealer feedback.

1. Significant Accounting Policies (cont'd)

- (v) For private investments, such as non-traded pooled or closed funds, limited partnership interests, private placement bonds or equity investments, fair value is a subjective process. Private investment fund valuations are initially provided by the external fund managers. Fair values for private investments are estimated using one or more methodologies, including discounted cash flows, multiples of earning measures, third party valuation and comparable recent transactions. An internal Valuation Committee, consisting of NBIMC's Chief Executive Officer/Chief Investment Officer, the Chief Financial Officer and the Vice President, Private Markets, review the external valuations quarterly. The Valuation Committee also meets annually to consider the need to adjust the valuation estimates.
- (vi) Investments in money market instruments are reported at cost which, together with accrued interest, approximates fair value.
- (vii) Derivatives are measured at their fair value with changes in fair value recognized in changes in net assets for the year. Total return equity swaps are valued based on quoted market index rates. Forward foreign exchange contracts are valued based on quoted exchange rates. Interest rate and cross currency swaps are valued using quoted market information from Bloomberg.

(c) Contributions

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

(d) Net investment income

Investment transactions are recognized by the underlying unit trusts as of their trade date. Net investment income includes realized and unrealized gains and losses in the value of the units held in each of the unit trusts. Interest income is recognized on an accrual basis. Dividend income is recognized on the ex-dividend date. Transaction costs are expensed as incurred.

(e) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the prevailing rates of exchange at the date of the statement of net assets held in trust. 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 investment income.

(f) Measurement uncertainty

The preparation of financial statements in conformity with the disclosed basis of accounting requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant estimates and judgments are required in determining the reported estimated fair value of private investments since these determinations may include estimates of expected future cash flows, rates of return and the impact of future events. Actual results could differ from those estimates.

(g) Taxes

The Funds are Registered Pension Plan Trusts as defined in the Income Tax Act and are not subject to income taxes.

The Funds incur Harmonized Sales Tax ("HST") on their expenses. Prior to September 23, 2009, the Public Service and Teachers' plans were eligible for multi-employer pension rebates of one-third of HST paid. On September 23, 2009, the pension rebate provisions of the Excise Tax Act were amended to also apply to single employer pension plans such as the Judges'.

2. Future Accounting Standards

International Financial Reporting Standards

On January 1, 2011 International Financial Reporting Standards (“IFRS”) replaced Canadian generally accepted accounting principles for publicly accountable entities. The International Accounting Standards Board (“IASB”) is currently completing a project on consolidations that is expected to exempt reporting entities that meet the definition of “investment company” from the requirement to consolidate its controlling interests in other entities. Such controlled entities would instead be accounted for at fair value. Recognizing the importance of this change in IFRS to Canadian reporting entities, the Canadian Accounting Standards Board has deferred the IFRS conversion date for investment companies to annual periods beginning on or after January 1, 2013 in order to permit the IASB sufficient time to finalize this proposed exemption. The Funds meet the definition of investment company and therefore qualify for this deferral.

NBIMC has developed an IFRS conversion plan. Major differences between Canadian GAAP and IFRS to date consist of additional financial disclosures but no financial impact to net assets held in trust has been identified to date. We will continue to monitor developments and changes to IFRS that may impact the planned IFRS conversion on April 1, 2013.

3. Investments

Investment assets of the Funds are held in the unit trust funds for which NBIMC is trustee.

Following is a description of each unit trust fund in existence during the year ended March 31, 2011:

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 DEX All Government Bond Index, over a four-year moving average.

NBIMC New Brunswick Fixed Income Opportunity Fund: This fund invests primarily in fixed income issues to finance economic activity in New Brunswick. The performance objective is to add 20 basis points to its benchmark, the DEX All Government Bond Index, over a four-year moving 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 DEX 91-Day Treasury Bill Index and 7% of the Call Loan Rate.

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 base was \$1 million and is to be 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/TSX Total Return Composite Index, 45% DEX All Government Bond Index, 4.65% DEX 91-Day Treasury Bill Index and 0.35% Call Loan Rate. NBIMC staff closely monitor the activities of this fund, including executing and processing all transactions on behalf of the students.

NBIMC Foreign Exchange Hedging Funds: Each of the Funds has settled a separate grantor trust (the “Hedging Trust”), designed to facilitate hedging policy decisions with respect to exposure to foreign currencies. The Hedging Trusts are currently inactive.

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 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 moving 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 (after fees).

3. Investments (cont'd)

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. The performance objective is to exceed the performance of the benchmark, which is a weighting of the respective country or regional indices (CAD\$), by 150 basis points over a four-year moving average.

NBIMC Canadian Equity Active Long Strategy: This fund seeks to add value through prudent selection of individual securities and sector allocations through over and under weighting of the index. The performance objective is to add 150 basis points to its benchmark, the S&P /TSX Total Return Composite Index.

NBIMC EAFE Equity Index Fund: This fund invests in securities in the MSCI EAFE (Developed Markets) Index (CAD\$). The objective is to achieve a rate of return equivalent to the MSCI EAFE (Developed Markets) Net Dividends.

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 (CAD\$).

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 DEX Real Return Bond Index, over a four-year moving average.

NBIMC Canadian Real Estate Fund: This fund is managed by an external manager and invests in Canadian real estate investments through limited partnerships or similar investment vehicles. The benchmark is inflation, as measured by the percentage change in the twelve-month 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 Real Estate Investment Trusts (REITs). The performance objective is to add 150 basis points to the countries' blended REIT Equity Indices (CAD\$), net of fees, over the long-term.

NBIMC Infrastructure Fund: This fund was created in March 2011 to provide additional investment diversification through direct investment in infrastructure through co-investment structures. The benchmark is inflation, as measured by the percentage change in the twelve-month CPI-Canada All Items Index, plus 4%.

NBIMC North American Market Neutral Fund: This fund focuses on adding value through security selection within its universe of the S&P/TSX Composite Index as well as certain publicly traded US-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 500 basis points annually over a four-year moving average basis to its benchmark. The benchmark is calculated as 93% of the DEX 91-Day Treasury Bill Index and 7% of the 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 500 basis points over its benchmark. The benchmark is calculated as 93% of the DEX 91-Day Treasury Bill Index and 7% of the 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 (CAD\$).

3. Investments (cont'd)

Following are details of unit trust holdings by each of the Funds:

Public Service

	Units (rounded in #)	Unit Value (rounded in dollars)	Fair Value 2011 \$	Fair Value 2010 \$
Fixed income:				
NBIMC Nominal Bond	688,014	2,029	1,396,171	1,245,898
NBIMC New Brunswick Fixed Income Opportunity	5,017	2,403	12,059	12,299
NBIMC Money Market	63,515	1,498	95,153	75,031
NBIMC Student Investment	485	2,666	1,294	1,158
			1,504,677	1,334,386
Equities:				
NBIMC Canadian Equity Index	219,843	2,558	562,344	561,360
NBIMC External Canadian Equity	72,428	2,937	212,749	177,151
NBIMC S&P/TSX Completion Index	38,268	2,836	108,528	83,381
NBIMC External International Equity	89,029	1,164	103,611	94,226
NBIMC Canadian Equity Active Long Strategy	161,891	1,114	180,398	149,000
NBIMC EAFE Equity Index	701,841	880	617,591	596,494
NBIMC U.S. Equity Index	542,980	1,006	546,449	537,699
			2,331,670	2,199,311
Inflation Linked Assets:				
NBIMC Inflation Linked Securities	161,909	2,854	462,121	416,662
NBIMC Canadian Real Estate	22,897	2,496	57,141	55,546
NBIMC International Real Estate	52,170	3,043	158,764	178,456
NBIMC Infrastructure	45,442	998	45,361	—
			723,387	650,664
Alternative Investments:				
NBIMC North American Market Neutral	116,632	1,289	150,302	160,592
NBIMC Quantitative Strategies	165,161	1,062	175,324	135,651
NBIMC New Brunswick and Atlantic Canada Equity Opportunity	13,287	1,626	21,600	14,672
NBIMC Private Equity	100,435	1,229	123,446	92,298
			470,672	403,213
			5,030,406	4,587,574

3. Investments (cont'd)

Teachers'

	Units (rounded in #)	Unit Value (rounded in dollars)	Fair Value 2011 \$	Fair Value 2010 \$
Fixed income:				
NBIMC Nominal Bond	560,108	2,029	1,136,614	1,026,115
NBIMC New Brunswick Fixed Income Opportunity	4,012	2,403	9,643	9,947
NBIMC Money Market	50,543	1,498	75,718	60,352
NBIMC Student Investment	528	2,666	1,409	1,261
			1,223,384	1,097,675
Equities:				
NBIMC Canadian Equity Index	159,866	2,558	408,926	416,523
NBIMC External Canadian Equity	57,920	2,937	170,132	143,260
NBIMC S&P/TSX Completion Index	30,602	2,836	86,788	67,429
NBIMC External International Equity	71,195	1,164	82,856	76,200
NBIMC Canadian Equity Active Long Strategy	129,462	1,114	144,261	120,494
NBIMC EAFE Equity Index	532,361	880	468,456	459,222
NBIMC U.S. Equity Index	417,293	1,006	419,959	419,108
			1,781,378	1,702,236
Inflation Linked Assets:				
NBIMC Inflation Linked Securities	136,526	2,854	389,671	355,519
NBIMC Canadian Real Estate	16,688	2,496	41,645	43,739
NBIMC International Real Estate	56,169	3,043	170,933	182,627
NBIMC Infrastructure	36,642	998	36,577	—
			638,826	581,885
Alternative Investments:				
NBIMC North American Market Neutral	93,269	1,289	120,194	129,869
NBIMC Quantitative Strategies	132,076	1,062	140,203	109,699
NBIMC New Brunswick and Atlantic Canada Equity Opportunity	10,961	1,626	17,819	12,200
NBIMC Private Equity	82,119	1,229	100,934	76,451
			379,150	328,219
			4,022,738	3,710,015

3. Investments (cont'd)**Judges'**

	Units (rounded in #)	Unit Value (rounded in dollars)	Fair Value 2011 \$	Fair Value 2010 \$
Fixed income:				
NBIMC Nominal Bond	4,032	2,029	8,182	7,415
NBIMC New Brunswick Fixed Income Opportunity	29	2,403	71	73
NBIMC Money Market	371	1,498	556	445
NBIMC Student Investment	4	2,666	10	9
			8,819	7,942
Equities:				
NBIMC Canadian Equity Index	1,287	2,558	3,292	3,340
NBIMC External Canadian Equity	424	2,937	1,247	1,054
NBIMC S&P/TSX Completion Index	224	2,836	636	496
NBIMC External International Equity	522	1,164	607	561
NBIMC Canadian Equity Active Long Strategy	949	1,114	1,057	887
NBIMC EAFE Equity Index	4,093	880	3,602	3,541
NBIMC U.S. Equity Index	3,170	1,006	3,190	3,192
			13,631	13,071
Inflation Linked Assets:				
NBIMC Inflation Linked Securities	949	2,854	2,708	2,480
NBIMC Canadian Real Estate	133	2,496	332	333
NBIMC International Real Estate	307	3,043	934	1,060
NBIMC Infrastructure	266	998	265	—
			4,239	3,873
Alternative Investments:				
NBIMC North American Market Neutral	684	1,289	881	956
NBIMC Quantitative Strategies	968	1,062	1,027	807
NBIMC New Brunswick and Atlantic Canada Equity Opportunity	79	1,626	129	88
NBIMC Private Equity	613	1,229	753	567
			2,790	2,418
			29,479	27,304

3. Investments (cont'd)

Fair Value Hierarchy

The Funds have designated all of their investments to be held for trading. Accordingly, investments are valued at fair value with changes in fair values over time recognized in net income. The determination of fair value is dependent upon the use of measurement inputs with varying degrees of subjectivity. Quoted market prices are the most reliable input for fair value measurement and are referred to as a Level 1 input. Level 2 inputs include prices of comparable investments where a quoted market price for the specific security is not available. Level 3 inputs are subjective factors not observable in a public market.

The levels of input for valuation of the Funds' investments by asset class are shown in the following tables:

	2011	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Public Service				
Fixed income	1,504,677	1,099,808	392,810	12,059
Equities	2,331,670	1,542,233	789,437	—
Inflation linked assets	723,387	180,702	440,307	102,378
Alternative investments	470,672	323,835	2,517	144,320
Teachers'				
Fixed income	1,223,384	899,151	314,590	9,643
Equities	1,781,378	1,191,890	589,488	—
Inflation linked assets	638,826	189,432	371,272	78,122
Alternative investments	379,150	258,978	2,013	118,159
Judges'				
Fixed income	8,819	6,452	2,296	71
Equities	13,631	9,008	4,623	—
Inflation linked assets	4,239	1,063	2,580	596
Alternative investments	2,790	1,897	15	878

	2010	Level 1	Level 2	Level 3
	\$	\$	\$	\$
Public Service				
Fixed income	1,334,386	865,454	456,633	12,299
Equities	2,199,311	1,844,924	354,387	—
Inflation linked assets	650,664	245,083	350,099	55,482
Alternative investments	403,213	294,578	1,656	106,979
Teachers'				
Fixed income	1,097,675	717,978	369,749	9,948
Equities	1,702,236	1,439,287	262,949	—
Inflation linked assets	581,885	239,473	298,722	43,690
Alternative investments	328,219	238,222	1,339	88,658
Judges'				
Fixed income	7,942	5,160	2,710	72
Equities	13,071	10,965	2,106	—
Inflation linked assets	3,873	1,456	2,085	332
Alternative investments	2,418	1,753	10	655

Comparative figures have been reclassified to reflect correction of classification disclosure in the prior year.

3. Investments (cont'd)

A reconciliation of the changes during the year by asset class for those investments that are measured at fair value using Level 3 input is as follows:

Year ended	Level 3 Investments, beginning of year	Gains (losses) in net income	Purchases	Settlements	Transfers out of Level 3	Level 3 Investments, end of year
March 31, 2011	\$	\$	\$	\$	\$	\$
Public Service						
Fixed income	12,299	88	—	328	—	12,059
Inflation linked assets	55,482	11,099	79,407	43,610	—	102,378
Alternative investments	106,979	20,605	32,152	15,416	—	144,320
Teachers'						
Fixed income	9,948	(40)	—	265	—	9,643
Inflation linked assets	43,690	8,002	62,774	36,344	—	78,122
Alternative investments	88,658	15,810	26,296	12,605	—	118,159
Judges'						
Fixed income	72	—	—	1	—	71
Inflation linked assets	332	56	464	256	—	596
Alternative investments	655	120	196	93	—	878

Year ended	Level 3 Investments, beginning of year	Gains (losses) in net income	Purchases	Settlements	Transfers out of Level 3	Level 3 Investments, end of year
March 31, 2010	\$	\$	\$	\$	\$	\$
Public Service						
Fixed income	17,954	(859)	2	4,798	—	12,299
Inflation linked assets	49,149	(3,466)	13,468	3,669	—	55,482
Alternative investments	107,243	(11,229)	17,454	6,489	—	106,979
Teachers'						
Fixed income	9,631	4,195	1	3,879	—	9,948
Inflation linked assets	39,907	(3,933)	10,606	2,890	—	43,690
Alternative investments	89,753	(10,176)	14,456	5,375	—	88,658
Judges'						
Fixed income	109	(9)	—	28	—	72
Inflation linked assets	302	(29)	81	22	—	332
Alternative investments	666	(77)	107	41	—	655

Comparative figures have been reclassified to reflect correction of classification disclosure in the prior year.

4. Financial Instrument Risk Management

Financial instruments are exposed to risks such as market, credit and liquidity risk. Under its terms of reference, the Board of Directors has overall responsibility for understanding the principal risks facing the Funds and the systems that management has put in place to mitigate and manage those risks. Accordingly, the Board of Directors is responsible for the establishment of a Statement of Investment Policy for each of the Funds. Day-to-day investment activities and monitoring of risk controls are delegated to management, which acts in accordance with the Statements of Investment Policy. Management produces quarterly reporting of investment performance, policy compliance, and trends and changes in investment risks for the Board.

4. Financial Instrument Risk Management (cont'd)

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 each pension 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.

An Investment Risk Management Committee, consisting of a cross-functional team of investment, finance and administrative staff, review all proposed and modified investment strategies before implementation to ensure procedures are designed to measure and monitor expected risk exposures. Following implementation, the Compliance, Risk and Performance Measurement department provides independent regular oversight of all securities trading practices against management's approved investment procedures.

As part of the risk management function, and supplemental to the Statement of Investment Policy, NBIMC also uses a statistical modeling technique known as Value at Risk (VaR) to estimate the probability of loss on investment portfolios. Using return, volatility, and correlation figures, VaR models attempt to aggregate the risks involved in separate investments into one cohesive measure. This aggregation involves certain simplifying assumptions, most notably with respect to the shape of the return distribution for the assets being modeled, which can limit the ability of a VaR system to forecast risk in all market environments. Despite these modeling challenges, well constructed VaR systems provide a valuable way to aggregate separate investment risks into one cohesive measure, and therefore monitor and analyze these risks over time.

(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. In addition to exposure to foreign currency risk, interest rate risk, credit risk and pricing risk as discussed below, the Funds are exposed to other market risks.

NBIMC conducts certain of its investment activities on behalf of the Funds by trading through broker channels on regulated exchanges and in the over-the-counter market. Investment strategies 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. The Statement of Investment Policy for each Fund precludes the use of leverage in the investment portfolio. Accordingly, to the extent that there is market exposure from derivative investments, the Funds will hold cash underlay equal to the amount of market exposure. Market neutral strategies mitigate market risk through adherence to maximum investment limits and stop loss constraints, and are also supported by cash underlay.

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, 2011 the fair value of securities that have been deposited or pledged with various financial institutions as collateral or margin are as follows:

	2011	2010
	\$	\$
Public Service Superannuation Fund	219,353	260,593
Teachers' Pension Fund	175,155	212,376
Judges' Superannuation Fund	1,285	1,550

(b) Foreign Currency Risk: Foreign currency exposure arises from a unit trust fund holding investments denominated in currencies other than the Canadian Dollar. Fluctuations in the relative value of the Canadian Dollar against these foreign currencies can result in a positive or a negative effect on the fair value of investments. NBIMC mitigates this risk through the use of foreign exchange forward contracts (*see also note 5*).

The Statement of Investment Policy ("SIP") for each Fund sets out the foreign currency hedging decision. Prior to July 29, 2009 the SIP required hedging of 50% of core (U.S. Dollar, Euro, Great Britain Pound Sterling and Japanese Yen) currency exposures. On July 29, 2009, the Board approved a change in the SIP to discontinue currency hedging for each Fund. Foreign currency hedging remains permitted within the investment policies of the underlying unit trust funds.

4. Financial Instrument Risk Management (cont'd)

The net underlying unhedged currency exposures, expressed in Canadian dollar equivalents, as at March 31, 2011 are as follows:

Public Service

Currency	Total Exposure \$	2011 Fair Value by Currency		Total %
		Hedging \$	Net Exposure \$	
Canadian Dollar	3,441,649	47,370	3,489,019	69.35
United States Dollar	899,889	(40,385)	859,504	17.08
Euro	245,606	(343)	245,263	4.88
Japanese Yen	126,800	—	126,800	2.52
British Pound Sterling	143,408	(6,642)	136,766	2.72
Swiss Frank	48,114	—	48,114	0.96
Danish Kroner	6,831	—	6,831	0.14
Norwegian Kroner	5,754	—	5,754	0.11
Swedish Kroner	19,886	—	19,886	0.40
Other	92,469	—	92,469	1.84
Investments	5,030,406	—	5,030,406	100.00

Teachers'

Currency	Total Exposure \$	2011 Fair Value by Currency		Total %
		Hedging \$	Net Exposure \$	
Canadian Dollar	2,748,379	38,168	2,786,547	69.27
United States Dollar	747,731	(32,525)	715,206	17.78
Euro	189,503	(287)	189,216	4.70
Japanese Yen	96,180	—	96,180	2.39
British Pound Sterling	109,449	(5,356)	104,093	2.59
Swiss Frank	36,495	—	36,495	0.91
Danish Kroner	5,181	—	5,181	0.13
Norwegian Kroner	4,365	—	4,365	0.11
Swedish Kroner	15,084	—	15,084	0.37
Other	70,371	—	70,371	1.75
Investments	4,022,738	—	4,022,738	100.00

Judges'

Currency	Total Exposure \$	2011 Fair Value by Currency		Total %
		Hedging \$	Net Exposure \$	
Canadian Dollar	20,164	278	20,442	69.34
United States Dollar	5,281	(237)	5,044	17.11
Euro	1,447	(2)	1,445	4.90
Japanese Yen	739	—	739	2.51
British Pound Sterling	838	(39)	799	2.71
Swiss Frank	281	—	281	0.95
Danish Kroner	40	—	40	0.14
Norwegian Kroner	34	—	34	0.12
Swedish Kroner	116	—	116	0.39
Other	539	—	539	1.83
Investments	29,479	—	29,479	100.00

4. Financial Instrument Risk Management (cont'd)

The net underlying unhedged currency exposures, expressed in Canadian dollar equivalents, as at March 31, 2010 are as follows:

Public Service

Currency	Total Exposure \$	2010 Fair Value by Currency		Total %
		Hedging \$	Net Exposure \$	
Canadian Dollar	3,100,341	3,025	3,103,366	67.65
United States Dollar	855,288	(3,250)	852,038	18.57
Euro	223,985	225	224,210	4.89
Japanese Yen	131,348	—	131,348	2.86
British Pound Sterling	127,430	—	127,430	2.78
Swiss Frank	47,225	—	47,225	1.03
Danish Kroner	5,657	—	5,657	0.12
Norwegian Kroner	4,409	—	4,409	0.10
Swedish Kroner	16,575	—	16,575	0.36
Other	75,316	—	75,316	1.64
Investments	4,587,574	—	4,587,574	100.00

Teachers'

Currency	Total Exposure \$	2010 Fair Value by Currency		Total %
		Hedging \$	Net Exposure \$	
Canadian Dollar	2,505,086	3,413	2,508,499	67.61
United States Dollar	716,265	(3,599)	712,666	19.21
Euro	174,508	186	174,694	4.71
Japanese Yen	101,120	—	101,120	2.73
British Pound Sterling	98,184	—	98,184	2.65
Swiss Frank	36,357	—	36,357	0.98
Danish Kroner	4,355	—	4,355	0.12
Norwegian Kroner	3,395	—	3,395	0.09
Swedish Kroner	12,761	—	12,761	0.34
Other	57,984	—	57,984	1.56
Investments	3,710,015	—	3,710,015	100.00

Judges'

Currency	Total Exposure \$	2010 Fair Value by Currency		Total %
		Hedging \$	Net Exposure \$	
Canadian Dollar	18,455	19	18,474	67.65
United States Dollar	5,090	(20)	5,070	18.57
Euro	1,337	1	1,338	4.90
Japanese Yen	780	—	780	2.86
British Pound Sterling	757	—	757	2.77
Swiss Frank	280	—	280	1.03
Danish Kroner	34	—	34	0.12
Norwegian Kroner	26	—	26	0.10
Swedish Kroner	98	—	98	0.36
Other	447	—	447	1.64
Investments	27,304	—	27,304	100.00

4. Financial Instrument Risk Management (cont'd)

A 1% increase or decrease in the value of the Canadian dollar against all currencies would result in an approximate increase or decrease in the value of the Funds' net investment assets of: Public Service - \$15,413 (2010 - \$13,900), Teachers' - \$12,362 (2010 - \$11,253) and Judges' - \$90 (2010 - \$83).

(c) Interest Rate Risk: Interest rate risk refers to the effect on the market value of investments due to fluctuation of interest rates. The fixed income, inflation linked and alternative asset classes have guidelines on duration and yield curve, which are designed to mitigate the risk of interest rate volatility for their fixed income securities. Duration is the present value, expressed in years, of the yield, coupon, final maturity and call features of fixed income instruments.

At March 31, the duration for the fixed income securities, by unit trust fund, and the sensitivity to an increase or decrease of 0.25% in interest rates, are as follows:

Public Service

	2011			2010		
	Fixed Income Instruments Fair Value \$	Duration (years)	Sensitivity to 0.25% change in rates \$	Fixed Income Instruments Fair Value \$	Duration (years)	Sensitivity to 0.25% change in rates \$
NBIMC Nominal Bond	1,372,062	6.6	21,960	1,203,243	6.5	18,581
NBIMC New Brunswick Fixed Income Opportunity	12,059	5.5	143	12,300	5.9	155
NBIMC Money Market	11,458	0.5	13	5,871	0.2	2
NBIMC Student Investment	557	6.3	9	519	6.1	8
NBIMC Inflation Linked Securities	455,610	16.4	18,083	414,911	16.5	15,385
	1,851,746			1,636,844		

Teachers'

	2011			2010		
	Fixed Income Instruments Fair Value \$	Duration (years)	Sensitivity to 0.25% change in rates \$	Fixed Income Instruments Fair Value \$	Duration (years)	Sensitivity to 0.25% change in rates \$
NBIMC Nominal Bond	1,116,989	6.6	17,878	990,982	6.5	15,303
NBIMC New Brunswick Fixed Income Opportunity	9,643	5.5	114	9,947	5.9	126
NBIMC Money Market	9,118	0.5	11	4,722	0.2	2
NBIMC Student Investment	607	6.3	9	565	6.1	8
NBIMC Inflation Linked Securities	384,182	16.4	15,248	354,025	16.5	13,127
	1,520,539			1,360,241		

4. Financial Instrument Risk Management (cont'd)

Judges'

	2011			2010		
	Fixed Income Instruments Fair Value \$	Duration (years)	Sensitivity to 0.25% change in rates \$	Fixed Income Instruments Fair Value \$	Duration (years)	Sensitivity to 0.25% change in rates \$
NBIMC Nominal Bond	8,040	6.6	129	7,161	6.5	111
NBIMC New Brunswick Fixed Income Opportunity	71	5.5	1	73	5.9	1
NBIMC Money Market	67	0.5	—	35	0.2	—
NBIMC Student Investment	5	6.3	—	4	6.1	—
NBIMC Inflation Linked Securities	2,670	16.4	106	2,470	16.5	92
	10,853			9,743		

The terms to maturity of the financial instruments in the fixed income, inflation linked and alternative asset classes, as at March 31, are as follows:

Public Service

	2011					Average Effective Yield %	2010	
	Within 1 Year \$	1-5 Years \$	6-10 Years \$	Over 10 Years \$	Total \$		Total \$	Average Effective Yield %
Canadian								
Government of Canada bonds	35,472	401,143	174,046	461,666	1,072,327	3.0	953,918	3.0
Provincial bonds	28,163	73,598	130,897	339,872	572,530	4.5	382,079	5.1
Municipal bonds	3,465	20,621	63,512	7,586	95,184	4.9	115,129	4.7
Corporate bonds	5,569	47,785	7,304	36,184	96,842	4.1	87,616	5.3
Other	—	—	—	9,330	9,330	5.9	87,601	4.6
Foreign								
Treasury bonds	—	—	—	5,533	5,533	2.0	10,501	3.3
	72,669	543,147	375,759	860,171	1,851,746		1,636,844	

4. Financial Instrument Risk Management (cont'd)

Teachers'

	2011					Average Effective Yield %	2010	
	Within 1 Year \$	1-5 Years \$	6-10 Years \$	Over 10 Years \$	Total \$		Total \$	Average Effective Yield %
Canadian								
Government of Canada bonds	28,878	326,624	141,705	386,220	883,427	3.0	797,227	3.0
Provincial bonds	22,819	59,936	106,576	278,710	468,041	4.5	314,663	5.1
Municipal bonds	2,821	16,788	51,711	6,176	77,496	4.9	94,772	4.7
Corporate bonds	4,431	38,861	5,947	30,209	79,448	4.1	72,178	5.3
Other	—	—	—	7,461	7,461	5.9	72,591	4.6
Foreign								
Treasury bonds	—	—	—	4,666	4,666	2.0	8,810	3.3
	58,949	442,209	305,939	713,442	1,520,539		1,360,241	

Judges'

	2011					Average Effective Yield %	2010	
	Within 1 Year \$	1-5 Years \$	6-10 Years \$	Over 10 Years \$	Total \$		Total \$	Average Effective Yield %
Canadian								
Government of Canada bonds	208	2,351	1,020	2,708	6,287	3.0	5,679	3.0
Provincial bonds	165	431	767	1,992	3,355	4.5	2,274	5.1
Municipal bonds	20	121	372	44	557	4.9	685	4.7
Corporate bonds	33	280	43	212	568	4.1	522	5.3
Other	—	—	—	54	54	5.9	521	4.6
Foreign								
Treasury bonds	—	—	—	32	32	2.0	63	3.3
	426	3,183	2,202	5,042	10,853		9,744	

(d) Credit Risk: The Funds are exposed to credit-related risk in the event that 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. Management 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 NBIMC's Board of Directors.

4. Financial Instrument Risk Management (cont'd)

The maximum credit exposure for each of the Funds as of March 31 is as follows.

	Public Service		Teachers'		Judges'	
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
Investments						
Fixed income	1,409,877	1,257,431	1,145,785	1,034,125	8,258	7,475
Equities	581,870	502,440	423,492	373,825	3,405	2,989
Inflation linked assets	472,433	421,162	397,832	359,087	2,769	2,508
Alternative investments	249,455	264,712	199,572	214,137	1,463	1,575
Contributions receivable	12,858	15,113	4,530	4,005	—	11
Other receivables	135	126	109	102	1	—
	2,726,628	2,460,990	2,171,320	1,985,281	15,896	14,558

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

	Public Service		Teachers'		Judges'	
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
AAA	1,196,854	1,031,756	984,805	859,565	7,014	6,143
AA	784,257	735,787	602,106	574,256	4,517	4,294
A	467,619	401,917	370,820	324,676	2,739	2,391
BBB	6,162	—	5,116	—	36	—
R-1	251,101	281,089	191,950	218,366	1,469	1,668
Other	20,635	10,441	16,523	8,418	121	62
	2,726,628	2,460,990	2,171,320	1,985,281	15,896	14,558

As at March 31, 2011, the highest concentration of credit risk is with Government of Canada bonds.

(e) Other Pricing Risk: Pricing risk is the risk that the fair value or future cash flows of an investment will fluctuate because of changes in market prices (other than those arising from foreign currency, interest rate or credit risks). Pricing risk can affect specific investments or broad market indices.

Each of the Funds holds a portion of its assets in unit trust funds that invest in active and passive equity strategies and commodities. Management's principal lever for managing equity and commodity pricing risk is to invest in widely diversified countries, sectors, issuers and types of commodities.

The Funds also employ absolute return strategies through investments in the NBIMC North American Market Neutral Fund and the NBIMC Quantitative Strategies Fund. These absolute return strategies have a low correlation to broad market indices and therefore are capable of generating positive returns regardless of market conditions.

(f) 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 plan sponsor, cash and readily marketable assets such as government bonds and publicly traded securities. Uses of liquidity include payments to the plan sponsor for pension benefits, purchases of securities and settlement of prior commitments for private equity, real estate and infrastructure investments.

4. Financial Instrument Risk Management (cont'd)

The Funds' asset mix is specifically designed to ensure that sufficient liquid assets are available to meet pension benefit obligations as they are required. The asset mix is a combination of fixed income, equities and alternative investments. Other than cash, government bonds are considered the most liquid asset class whereas private equity investments held in the NBIMC Private Equity Fund, private real estate investments held in the NBIMC Canadian Real Estate Fund and infrastructure investments held in the NBIMC Infrastructure Fund are considered highly illiquid due to the longer term to maturity for these investments.

Net liquid assets are defined to include the fair value of all assets excluding private equity, private real estate and infrastructure, New Brunswick regional investments, 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:

	2011 Total Assets			2010 Total Assets		
	Public Service	Teachers'	Judges'	Public Service	Teachers'	Judges'
Net assets	5,041,213	4,025,577	29,443	4,600,928	3,712,613	27,270
Less: investment in NBIMC New Brunswick Fixed Income Opportunity (note 3)	(12,059)	(9,643)	(71)	(12,299)	(9,947)	(73)
Less: investment in NBIMC Private Equity (note 3)	(123,446)	(100,934)	(753)	(92,298)	(76,451)	(567)
Less: investment in NBIMC Canadian Real Estate (note 3)	(57,141)	(41,645)	(332)	(55,546)	(43,739)	(333)
Less: investment in NBIMC Infrastructure (note 3)	(45,361)	(36,577)	(265)	—	—	—
Less: investment in NBIMC New Brunswick and Atlantic Canada Equity Opportunity (note 3)	(21,600)	(17,819)	(129)	(14,672)	(12,200)	(88)
Less: collateral pledged (note 4(a))	(219,353)	(175,155)	(1,285)	(260,593)	(212,376)	(1,550)
Less: investment commitments (note 9)	(91,964)	(73,129)	(554)	(133,989)	(109,597)	(818)
Net liquid assets	4,470,289	3,570,675	26,054	4,031,531	3,248,303	23,841

(g) Securities Lending: Certain of the unit trust funds in which the Funds have invested have entered into a securities lending arrangement with their securities custodian with the objective of enhancing portfolio returns. Under this program, the custodian 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 this program to minimize exposure to counterparty credit risk. Securities on loan remain recorded as investments on the Statement of Net Assets. As at March 31, 2011, the Funds had loaned securities with an estimated fair value by asset class as follows:

	Public Service		Teachers'		Judges'	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Investments						
Fixed income	240,033	195,441	195,197	160,780	1,407	1,163
Equities	219,317	223,374	169,629	173,499	1,282	1,327
Inflation linked assets	74,328	61,612	62,681	52,571	436	367
Alternative investments	22,408	15,735	17,919	12,724	131	94
	556,086	496,162	445,426	399,574	3,256	2,951

5. Derivative Contracts

A derivative is a financial contract, the value of which is derived from the notional value of underlying assets, indices, interest rates or currency exchange rates. The Funds, through their investments in the unit trust funds, may be party to certain derivatives, including futures contracts, interest rate swaps, forward foreign exchange contracts, cross currency swaps and total return equity swaps. Futures contracts are agreements between two parties to buy or sell a security or financial interest at a specified date, quantity and price. Futures contracts are standardized and traded on recognized exchanges. Interest rate swaps are agreements to exchange cash flows periodically based on a notional principal amount. Forward currency contracts are agreements between two parties, traded over the counter and not on an organized exchange, to purchase or sell currency against another currency at a future date and price. Total return equity swaps, traded in the over-the-counter market, are contractual agreements between two counterparties to exchange financial returns with predetermined conditions based on notional amounts.

Derivatives are used for various purposes, including: to invest in a particular stock market in an inexpensive and effective fashion (e.g. futures and swaps); to enhance returns (total return equity swaps); to convert a fixed interest rate payment into a floating interest rate payment (interest rate swaps); and to hedge against potential losses due to changes in foreign exchange rates or stock prices (forward foreign exchange contracts).

Derivative contracts create credit risk exposure should counterparties be unable to meet the terms of the contracts (see note 4(d)). NBIMC mitigates this risk exposure by only entering into derivatives with investment grade counterparties and restricting each counterparty exposure to no more than 5% of total assets. Derivative instruments are also subject to foreign currency, interest rate, pricing and liquidity risk (see notes 4(b) (c), (e), and (f)). Liquidity risk is the risk that the Funds would need to pay a premium to cancel or offset a derivative position prior to its maturity.

The Statements of Investment Policy do not permit leverage in the use of derivative instruments. Accordingly, short-term assets in an amount sufficient to cover potential derivative exposure are maintained as cash underlay.

The following tables summarize the derivative contracts of each Fund. Notional values represent the volume of outstanding positions of the derivative contracts. The notional value is the amount to which a rate or price is applied in the calculation of cash flows for swaps, foreign exchange contracts and futures.

Public Service

	Notional Value 2011	Fair Value 2011	Notional Value 2010	Fair Value 2010
	\$	\$	\$	\$
Asset management:				
Equity futures	(108,152)	643	(67,129)	341
Equity swaps	556,476	25,140	432,426	38,042
Cross-currency swaps	—	—	17,504	(17,535)
Forward exchange contracts	48,184	813	3,783	759
Net fair value of derivative contracts		26,596		21,607

Teachers'

	Notional Value 2011	Fair Value 2011	Notional Value 2010	Fair Value 2010
	\$	\$	\$	\$
Asset management:				
Equity futures	(78,321)	498	(48,723)	279
Equity swaps	405,110	18,421	321,278	28,329
Cross-currency swaps	—	—	12,988	(13,010)
Forward exchange contracts	38,824	655	4,028	614
Net fair value of derivative contracts		19,574		16,212

5. Derivative Contracts (cont'd)

Judges'

	Notional Value 2011	Fair Value 2011	Notional Value 2010	Fair Value 2010
	\$	\$	\$	\$
Asset management:				
Equity futures	(633)	3	(400)	1
Equity swaps	3,258	146	2,573	226
Cross-currency swaps	—	—	104	(104)
Forward exchange contracts	283	5	23	5
Net fair value of derivative contracts		154		128

The term to maturity based on the notional value for the derivatives as at March 31 is as follows:

	Public Service		Teachers'		Judges'	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Under 1 year	491,308	381,410	361,381	285,312	2,878	2,269
1 to 5 years	5,200	5,173	4,233	4,260	30	31
	496,508	386,583	365,614	289,572	2,908	2,300

6. Net Investment Income

(a) Net Investment Income

Net investment income for the year ended March 31, including net gains (losses) on investments, is as follows:

	Public Service		Teachers'		Judges'	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
Interest income	86,446	60,078	72,777	53,635	526	395
Dividend income	54,572	51,743	43,503	41,887	318	308
Income from Money Market Pool	2,291	3,446	1,915	2,836	13	21
Income from derivative products	64,884	166,370	47,350	130,767	381	1,001
Securities lending income	545	678	420	532	3	4
Transaction costs	(6,059)	(6,391)	(4,788)	(5,127)	(35)	(38)
Other	(2,219)	(2,206)	(1,788)	(1,810)	(13)	(13)
	200,460	273,718	159,389	222,720	1,193	1,678
Realized gains (losses) on investments	69,780	(18,158)	59,397	(15,784)	410	(109)
Unrealized gains on investments	208,357	508,674	165,798	420,722	1,220	3,046
Total gain on investments	278,137	490,516	225,195	404,938	1,630	2,937
Net investment income	478,597	764,234	384,584	627,658	2,823	4,615

6. Net Investment Income (cont'd)

(b) Net Investment Income (Loss) by Asset Class

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

	Public Service		Teachers'		Judges'	
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
Fixed income:						
NBIMC Nominal Bond	67,330	44,367	55,353	36,917	399	267
NBIMC New Brunswick Fixed Income Opportunity	778	238	627	186	5	1
NBIMC Money Market	1,022	1,547	819	1,062	6	9
NBIMC Student Investment	136	199	148	216	1	1
NBIMC Foreign Exchange Hedging	—	68,153	—	57,598	—	417
	69,266	114,504	56,947	95,979	411	695
Equities:						
NBIMC Canadian Equity Index	99,964	188,920	73,368	142,439	589	1,143
NBIMC External Canadian Equity	34,572	53,093	27,806	43,406	204	321
NBIMC S&P/TSX Completion Index	24,657	31,972	19,844	26,115	145	193
NBIMC External International Equity	8,893	17,820	7,143	14,598	52	108
NBIMC Canadian Equity Active Long Strategy	29,069	43,666	23,378	35,707	171	264
NBIMC EAFE Equity Index	46,361	111,329	35,522	86,583	271	673
NBIMC U.S. Equity Index	56,371	87,236	43,544	68,379	330	525
	299,887	534,036	230,605	417,227	1,762	3,227
Inflation Linked Assets						
NBIMC Inflation Linked Securities	45,210	45,354	38,431	39,023	267	273
NBIMC Canadian Real Estate	13,623	(1,771)	10,361	(1,452)	80	(11)
NBIMC International Real Estate	29,269	80,960	30,616	84,373	173	487
NBIMC Infrastructure	(25)	—	(21)	—	—	—
NBIMC Commodity	—	2,656	—	2,153	—	16
	88,077	127,199	79,387	124,097	520	765
Alternative Investments:						
NBIMC North American Market Neutral	(3,313)	460	(2,685)	371	(20)	3
NBIMC Quantitative Strategies	4,520	2,984	3,652	2,446	27	18
NBIMC New Brunswick and Atlantic Canada Equity Opportunity	6,076	1,109	5,087	931	37	7
NBIMC Private Equity	14,084	(16,058)	11,591	(13,393)	86	(100)
	21,367	(11,505)	17,645	(9,645)	130	(72)
	478,597	764,234	384,584	627,658	2,823	4,615

7. Capital and Annualized Long-Term Returns

The definition of capital, as it pertains to each of the Funds, is the net assets of each Fund. Net assets do not include the pension liabilities and consequently, these financial statements do not purport to show the adequacy of net assets to meet the pension obligations. Each 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 each of the pension plans. Note 3 Investments, Note 4 Financial Instrument Risk Management, and Note 5 Derivative Contracts provide qualitative descriptions of the investment management process and quality of investments.

The most recent actuarial valuation for the Public Service is dated April 1, 2010, the Teachers' is April 1, 2010 and the Judges' is April 1, 2007. These valuations provide the long-term nominal and inflation adjusted return assumptions. The target long-term nominal investment return assumptions contained therein and a summary of the four year and ten year annualized long-term nominal returns for each Fund is as follows:

	2011			2010		
	Actuarial Required Nominal Return %	4 Year Annualized Nominal Return %	10 Year Annualized Nominal Return %	Actuarial Annualized Nominal Return %	4 Year Annualized Nominal Return %	10 Year Annualized Nominal Return %
Public Service	6.60	2.13	6.01	6.60	1.75	4.36
Teachers'	6.60	2.23	6.05	6.60	1.80	4.49
Judges'	7.12	2.12	6.02	7.12	1.74	4.20

8. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities of the three combined trust funds, is \$1,543 (2010 - \$2,510) due to NBIMC.

9. Commitments

The NBIMC Private Equity Fund, the NBIMC Canadian Real Estate Fund and the NBIMC Infrastructure 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. Unfunded commitments as at March 31 are:

	Public Service		Teachers'		Judges'	
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
NBIMC Private Equity	68,729	100,053	56,195	82,873	419	615
NBIMC Canadian Real Estate	23,235	33,936	16,934	26,724	135	203
	91,964	133,989	73,129	109,597	554	818

Also, an investment of the NBIMC Canadian Real Estate Fund has committed to a multi-residential real estate investment that is contingent on defined construction and rental achievements. The contingent commitment is Public Service - \$13,317 (2010 - \$14,609); Teachers' - \$9,706 (2010 - \$11,504); and Judges' - \$77 (2010 - \$87).