FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2012

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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 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. The Province of New Brunswick is the Pension Plan Sponsor and Administrator for each of these pension plans.

The financial statements of the Public Service Superannuation Fund, the Teachers' Pension Fund and the Judges' Superannuation Fund (the "Pension Funds") and of NBIMC have been prepared by management of the Corporation. They have been approved by the Board of Directors.

Management prepared the Pension Funds' financial statements to comply with section 27(1) of the NBIMC Act. The Pension Fund 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.

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, 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 seven 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, CA
Chief Financial 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 statements of net assets held in trust as at March 31, 2012, the statements of changes in net assets held in trust 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 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; this includes determining that the basis of accounting is an acceptable basis for the preparation of these 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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, 2012 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 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 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.

CHARTERED ACCOUNTANTS

KPMG LLP

JUNE 5, 2012
FREDERICTON, CANADA

Public Service Superannuation Fund

Statement of Net Assets Held in Trust

(In thousands of Canadian dollars)

AS AT MARCH 31

	2012	2011
ASSETS		
Investments *(note 3)*	$ 5,215,946	$ 5,030,406
Contributions receivable	12,684	12,858
Other receivable	—	135
	5,228,630	5,043,399
LIABILITIES		
Accounts payable and accrued liabilities *(note 8)*	2,399	2,186
NET ASSETS	$ 5,226,231	$ 5,041,213

See accompanying notes to financial statements.

Public Service Superannuation Fund

Statement of Changes in Net Assets Held in Trust

(In thousands of Canadian dollars)

YEAR ENDED MARCH 31

	2012	2011
INCREASE IN NET ASSETS		
Net investment income *(note 6)*	$ 239,179	$ 478,597
Employee pension contributions	71,463	71,235
Employer pension contributions	89,385	84,272
Employer special contributions	64,931	63,223
	464,958	697,327
DECREASE IN NET ASSETS		
Payments to sponsor for benefits	269,772	247,367
Payments to sponsor for expenses	2,712	2,421
Fees paid to third party suppliers	2,099	1,929
Fees paid to NBIMC	4,911	4,562
Harmonized sales tax, net of rebates	446	763
	279,940	257,042
NET INCREASE FOR THE YEAR	185,018	440,285
NET ASSETS HELD IN TRUST, BEGINNING OF YEAR	5,041,213	4,600,928
NET ASSETS HELD IN TRUST, END OF YEAR	$ 5,226,231	$ 5,041,213

See accompanying notes to financial statements.
Commitments *(note 9)*

Approved on behalf of the Board:

Gilles Lepage
Chairman of the Board

John A. Sinclair
President and Chief Executive Officer

TEACHERS' PENSION FUND

Statement of Net Assets Held in Trust

(In thousands of Canadian dollars)

AS AT MARCH 31

	2012	2011
ASSETS		
Investments *(note 3)*	$ 4,154,531	$ 4,022,738
Contributions receivable	5,037	4,530
Other receivable	—	109
	4,159,568	4,027,377
LIABILITIES		
Accounts payable and accrued liabilities *(note 8)*	2,060	1,800
NET ASSETS	$ 4,157,508	$ 4,025,577

See accompanying notes to financial statements.

TEACHERS' PENSION FUND

Statement of Changes in Net Assets Held in Trust

(In thousands of Canadian dollars)

YEAR ENDED MARCH 31

	2012	2011
INCREASE IN NET ASSETS		
Net investment income *(note 6)*	$ 206,093	$ 384,584
Employee pension contributions	47,847	47,302
Employer pension contributions	46,367	45,105
Employer special contributions	94,380	91,898
	394,687	568,889
DECREASE IN NET ASSETS		
Payments to sponsor for benefits	255,075	248,678
Payments to sponsor for expenses	1,550	1,392
Fees paid to third party suppliers	1,837	1,659
Fees paid to NBIMC	3,929	3,576
Harmonized sales tax, net of rebates	365	620
	262,756	255,925
NET INCREASE FOR THE YEAR	131,931	312,964
NET ASSETS HELD IN TRUST, BEGINNING OF YEAR	4,025,577	3,712,613
NET ASSETS HELD IN TRUST, END OF YEAR	$ 4,157,508	$ 4,025,577

See accompanying notes to financial statements.

Commitments *(note 9)*

Approved on behalf of the Board:

Gilles Lepage
Chairman of the Board

John A. Sinclair
President and Chief Executive Officer

Judges' Superannuation Fund

Statement of Net Assets Held in Trust

(In thousands of Canadian dollars)

AS AT MARCH 31

	2012	2011
ASSETS		
Investments *(note 3)*	$ 31,076	$ 29,479
Contributions receivable	36	—
Other receivable	—	1
	31,112	29,480
LIABILITIES		
Accounts payable and accrued liabilities *(note 8)*	12	37
NET ASSETS	$ 31,100	$ 29,443

See accompanying notes to financial statements.

Judges' Superannuation Fund

Statement of Changes in Net Assets Held in Trust

(In thousands of Canadian dollars)

YEAR ENDED MARCH 31

	2012	2011
INCREASE IN NET ASSETS		
Net investment income (note 6)	$ 1,427	$ 2,823
Employee pension contributions	471	433
Employer pension contributions	696	—
Employer special contributions	305	—
	2,899	3,256
DECREASE IN NET ASSETS		
Payments to sponsor for benefits	1,167	986
Payments to sponsor for expenses	32	54
Fees paid to third party suppliers	12	12
Fees paid to NBIMC	29	27
Harmonized sales tax, net of rebates	2	4
	1,242	1,083
NET INCREASE FOR THE YEAR	1,657	2,173
NET ASSETS HELD IN TRUST, BEGINNING OF YEAR	29,443	27,270
NET ASSETS HELD IN TRUST, END OF YEAR	$ 31,100	$ 29,443

See accompanying notes to financial statements.
Commitments *(note 9)*

Approved on behalf of the Board:

Gilles Lepage
Chairman of the Board

John A. Sinclair
President and Chief Executive Officer

Net Assets Held in Trust

Notes to Financial Statements

(In thousands of Canadian dollars)

YEAR ENDED MARCH 31, 2012

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 22 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.

1. Significant Accounting Policies (cont'd)

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.

(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 statements 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.

1. Significant Accounting Policies (cont'd)

(g) Taxes

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

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 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, 2014 in order to permit the IASB sufficient time to finalize this proposed exemption. The Funds meet the definition of an 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, 2014.

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, 2012:

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 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 DEX Corporate 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.

3. Investments (cont'd)

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 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).

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 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 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 Low Volatility International Equity Fund

This fund actively invests in securities in the MSCI EAFE (Developed Markets) Index (CAD$). The objective is to achieve a long-term rate of return equivalent to this index with less annual volatility.

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 Low Volatility U.S. Equity Fund

This fund actively invests in securities to gain exposure to the S&P 500 Total Return Index (CAD$). The objective is to achieve a long-term rate of return equivalent to this index with less annual volatility.

3. Investments (cont'd)

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 invests in public and private Canadian real estate investments through Real Estate Investment Trusts (REITs), limited partnerships or similar investment vehicles. The benchmark is a blend of the S&P TSX Capped REIT Index and 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 *($ thousands)*	Units *(# rounded)*	Unit Value *(rounded in dollars)*	Fair Value March 31, 2012	Fair Value March 31, 2011
Fixed income:				
NBIMC Nominal Bond	536,672	$ 2,230	$ 1,196,711	$ 1,396,171
NBIMC Corporate Bond	138,964	1,023	142,103	—
NBIMC New Brunswick Fixed Income Opportunity	4,608	2,630	12,124	12,059
NBIMC Money Market	51,390	1,518	78,014	95,153
NBIMC Student Investment	485	2,629	1,276	1,294
			1,430,228	1,504,677
Equities:				
NBIMC Canadian Equity Index	262,590	2,317	608,317	562,344
NBIMC External Canadian Equity	72,552	2,703	196,139	212,749
NBIMC S&P/TSX Completion Index	38,334	2,589	99,253	108,528
NBIMC Canadian Equity Active Long Strategy	162,465	991	161,068	180,398
NBIMC External International Equity	89,181	1,114	99,312	103,611
NBIMC EAFE Equity Index	791,756	854	675,781	617,591
NBIMC Low Volatility International Equity	101,819	1,047	106,565	—
NBIMC U.S. Equity Index	510,141	1,125	573,885	546,449
NBIMC Low Volatility U.S. Equity	101,386	1,039	105,321	—
			2,625,641	2,331,670
Inflation Linked Assets:				
NBIMC Inflation Linked Securities	137,719	3,316	456,735	462,121
NBIMC Canadian Real Estate	62,416	2,841	177,299	57,141
NBIMC International Real Estate	46,699	3,548	165,689	158,764
NBIMC Infrastructure	24,834	1,133	28,144	45,361
			827,867	723,387
Alternative Investments:				
NBIMC North American Market Neutral	68,280	1,216	83,046	150,302
NBIMC Quantitative Strategies	89,896	1,096	98,506	175,324
NBIMC New Brunswick and Atlantic Canada Equity Opportunity	3,093	3,120	9,649	21,600
NBIMC Private Equity	101,762	1,386	141,009	123,446
			332,210	470,672
			$ 5,215,946	$ 5,030,406

3. Investments (cont'd)

Teachers' *($ thousands)*	**Units** *(# rounded)*	**Unit Value** *(rounded in dollars)*	**Fair Value March 31, 2012**	**Fair Value March 31, 2011**
Fixed income:				
NBIMC Nominal Bond	436,780	$ 2,230	$ 973,963	$ 1,136,614
NBIMC Corporate Bond	110,685	1,023	113,185	—
NBIMC New Brunswick Fixed Income Opportunity	3,670	2,630	9,656	9,643
NBIMC Money Market	40,686	1,518	61,765	75,718
NBIMC Student Investment	528	2,629	1,389	1,409
			1,159,958	1,223,384
Equities:				
NBIMC Canadian Equity Index	191,126	2,317	442,764	408,926
NBIMC External Canadian Equity	57,788	2,703	156,225	170,132
NBIMC S&P/TSX Completion Index	30,533	2,589	79,055	86,788
NBIMC Canadian Equity Active Long Strategy	129,404	991	128,290	144,261
NBIMC External International Equity	71,033	1,114	79,102	82,856
NBIMC EAFE Equity Index	599,406	854	511,607	468,456
NBIMC Low Volatility International Equity	81,099	1,047	84,879	—
NBIMC U.S. Equity Index	390,468	1,125	439,258	419,959
NBIMC Low Volatility U.S. Equity	80,753	1,039	83,888	—
			2,005,068	1,781,378
Inflation Linked Assets:				
NBIMC Inflation Linked Securities	115,960	3,316	384,574	389,671
NBIMC Canadian Real Estate	49,714	2,841	141,219	41,645
NBIMC International Real Estate	48,644	3,548	172,590	170,933
NBIMC Infrastructure	20,599	1,133	23,344	36,577
			721,727	638,826
Alternative Investments:				
NBIMC North American Market Neutral	54,385	1,216	66,146	120,194
NBIMC Quantitative Strategies	71,602	1,096	78,460	140,203
NBIMC New Brunswick and Atlantic Canada Equity Opportunity	2,530	3,120	7,893	17,819
NBIMC Private Equity	83,193	1,386	115,279	100,934
			267,778	379,150
			$ 4,154,531	$ 4,022,738

3. Investments (cont'd)

Judges' *($ thousands)*	**Units** *(# rounded)*	**Unit Value** *(rounded in dollars)*	**Fair Value March 31, 2012**	**Fair Value March 31, 2011**
Fixed income:				
NBIMC Nominal Bond	3,197	$ 2,230	$ 7,129	$ 8,182
NBIMC Corporate Bond	828	1,023	847	—
NBIMC New Brunswick Fixed Income Opportunity	27	2,630	72	71
NBIMC Money Market	305	1,518	463	556
NBIMC Student Investment	4	2,629	10	10
			8,521	8,819
Equities:				
NBIMC Canadian Equity Index	1,564	2,317	3,623	3,292
NBIMC External Canadian Equity	432	2,703	1,169	1,247
NBIMC S&P/TSX Completion Index	228	2,589	591	636
NBIMC Canadian Equity Active Long Strategy	968	991	960	1,057
NBIMC External International Equity	531	1,114	592	607
NBIMC EAFE Equity Index	4,685	854	3,999	3,602
NBIMC Low Volatility International Equity	607	1,047	635	—
NBIMC U.S. Equity Index	3,022	1,125	3,400	3,190
NBIMC Low Volatility U.S. Equity	604	1,039	627	—
			15,596	13,631
Inflation Linked Assets:				
NBIMC Inflation Linked Securities	821	3,316	2,721	2,708
NBIMC Canadian Real Estate	372	2,841	1,056	332
NBIMC International Real Estate	278	3,548	986	934
NBIMC Infrastructure	149	1,133	169	265
			4,932	4,239
Alternative Investments:				
NBIMC North American Market Neutral	407	1,216	495	881
NBIMC Quantitative Strategies	536	1,096	587	1,027
NBIMC New Brunswick and Atlantic Canada Equity Opportunity	19	3,120	59	129
NBIMC Private Equity	640	1,386	886	753
			2,027	2,790
			$ 31,076	$ 29,479

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 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.

Investments that are classified as Level 1 include publicly traded fixed income securities, publicly traded equity securities, real estate investment trusts (REITs) and exchange-traded funds and futures. Cash is a Level 1 investment.

Investments that are classified as Level 2 include short-term securities, non-publicly traded fixed income and equity securities as well as derivatives traded over-the-counter. These investments are valued based on a quotation from a recognized dealer, or by applying a spread to a similarly termed instrument.

Investments that are classified as Level 3 include private equity, real estate and infrastructure investments, as well as some fixed income instruments. These investments are typically private market investments and fair value is derived by using valuation techniques. The significant inputs and assumptions used in these valuation models are not observable and may involve significant subjectivity.

The Pension Funds typically hold their investments indirectly through units of the unit trust funds. For purposes of determining the classification of the inputs used in measuring fair value, the classification of each underlying investment of each unit trust fund is determined.

Certain unit trust funds hold units of the NBIMC Money Market Fund as a proxy for cash. The underlying investments of the NBIMC Money Market Fund include investments that have been measured using Level 1 and Level 2 inputs. Accordingly, the classification of units in the NBIMC Money Market Fund has been determined based on the lowest level input that is significant to the entire assessment, which is Level 2.

3. Investments (cont'd)

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

($ thousands)	March 31, 2012	Level 1	Level 2	Level 3
Public Service				
Fixed income	$ 1,430,228	$ 1,180,886	$ 237,247	$ 12,095
Equities	2,625,642	1,882,832	742,810	—
Inflation linked assets	827,866	269,260	457,529	101,077
Alternative investments	332,210	23,832	157,720	150,658
Teachers'				
Fixed income	$ 1,159,959	$ 959,074	$ 191,251	$ 9,634
Equities	2,005,068	1,450,209	554,859	—
Inflation linked assets	721,726	254,861	385,425	81,440
Alternative investments	267,778	18,982	125,624	123,172
Judges'				
Fixed income	$ 8,521	$ 7,037	$ 1,412	$ 72
Equities	15,596	11,172	4,424	—
Inflation linked assets	4,932	1,603	2,726	603
Alternative investments	2,027	142	940	945

($ thousands)	March 31, 2011	Level 1	Level 2	Level 3
Public Service				
Fixed income	$ 1,504,677	$ 922,636	$ 569,982	$ 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	$ 758,059	$ 455,682	$ 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	$ 5,417	$ 3,331	$ 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

3. Investments (cont'd)

A reconciliation for investments in Level 3 of the fair value hierarchy for the years ended March 31 are as follows:

($ thousands)	Fair Value April 1, 2011	Gains (losses) in net investment income	Purchases	Settlements	Transfers out of Level 3	Fair Value March 31, 2012
Public Service						
Fixed income	$ 12,059	$ 405	$ —	$ 369	$ —	$ 12,095
Inflation linked assets	102,378	7,763	14,494	23,558	—	101,077
Alternative investments	144,320	28,751	26,209	48,622	—	150,658
Teachers'						
Fixed income	$ 9,643	$ 285	—	$ 294	$ —	$ 9,634
Inflation linked assets	78,122	11,154	11,551	19,387	—	81,440
Alternative investments	118,159	23,347	21,427	39,761	—	123,172
Judges'						
Fixed income	$ 71	$ 3	$ —	$ 2	$ —	$ 72
Inflation linked assets	596	62	86	141	—	603
Alternative investments	878	204	165	302	—	945

($ thousands)	Fair Value April 1, 2010	Gains (losses) in net investment income	Purchases	Settlements	Transfers out of Level 3	Fair Value 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

3. Investments (cont'd)

Collateral

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.

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, 2012 the fair value of securities that have been deposited or pledged with various financial institutions as collateral or margin are as follows:

	2012	2011
Public Service	$ 152,038	$ 219,353
Teachers'	$ 120,873	$ 175,155
Judges'	$ 906	$ 1,285

4. 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 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.

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.

4. Financial Instrument Risk Management (cont'd)

(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. 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.

(b) Foreign Currency Risk:

Foreign currency risk 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. Management considers exposure to foreign currencies to provide diversification benefit. The Statement of Investment Policy for each Fund specifies the policy decision to not hedge foreign currency exposure.

Foreign currency hedging remains permitted within the investment policies of the underlying unit trust funds. NBIMC may mitigate this risk through the use of foreign exchange forward contracts *(see also note 5)*. The net underlying unhedged currency exposures, expressed in Canadian dollar equivalents, as at March 31, 2012 are as follows:

Public Service	2012 Fair Value by Currency			
($ thousands)	**Total Exposure**	**Hedging**	**Net Exposure**	**Total**
Canadian Dollar	$ 3,335,020	$ 11,409	$ 3,346,429	64.16 %
United States Dollar	1,016,973	(4,151)	1,012,822	19.42
Euro	277,140	74	277,214	5.31
Japanese Yen	169,339	—	169,339	3.25
British Pound Sterling	194,282	(7,332)	186,950	3.58
Swiss Frank	66,128	—	66,128	1.27
Danish Kroner	8,931	—	8,931	0.17
Norwegian Kroner	7,564	—	7,564	0.15
Swedish Kroner	24,521	—	24,521	0.47
Other	116,047	—	116,047	2.22
Investments	$ 5,215,945	$ —	$ 5,215,945	100.00 %

4. Financial Instrument Risk Management (cont'd)

Teachers' *($ thousands)*	**2012 Fair Value by Currency** **Total Exposure**	**Hedging**	**Net Exposure**	**Total**
Canadian Dollar	$ 2,657,067	$ 9,451	$ 2,666,518	64.18 %
United States Dollar	834,081	(3,430)	830,651	20.00
Euro	214,566	60	214,626	5.17
Japanese Yen	129,098	—	129,098	3.11
British Pound Sterling	149,141	(6,081)	143,060	3.44
Swiss Frank	50,397	—	50,397	1.21
Danish Kroner	6,815	—	6,815	0.16
Norwegian Kroner	5,769	—	5,769	0.14
Swedish Kroner	18,680	—	18,680	0.45
Other	88,917	—	88,917	2.14
Investments	$ 4,154,531	$ —	$ 4,154,531	100.00 %

Judges' *($ thousands)*	**2012 Fair Value by Currency** **Total Exposure**	**Hedging**	**Net Exposure**	**Total**
Canadian Dollar	$ 19,872	$ 68	$ 19,940	64.16 %
United States Dollar	6,061	(24)	6,037	19.43
Euro	1,663	—	1,663	5.35
Japanese Yen	1,003	—	1,003	3.23
British Pound Sterling	1,154	(44)	1,110	3.57
Swiss Frank	392	—	392	1.26
Danish Kroner	53	—	53	0.17
Norwegian Kroner	45	—	45	0.14
Swedish Kroner	145	—	145	0.47
Other	688	—	688	2.22
Investments	$ 31,076	$ —	$ 31,076	100.00 %

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

Public Service *($ thousands)*	**2011 Fair Value by Currency** **Total Exposure**	**Hedging**	**Net Exposure**	**Total**
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 %

4. Financial Instrument Risk Management (cont'd)

Teachers' *($ thousands)*	2011 Fair Value by Currency **Total Exposure**	**Hedging**	**Net Exposure**	**Total**
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' *($ thousands)*	2011 Fair Value by Currency **Total Exposure**	**Hedging**	**Net Exposure**	**Total**
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 %

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 - $18,695 (2011 - $15,413), Teachers' - $14,880 (2011 - $12,362) and Judges' - $111 (2011 - $90).

(c) Interest Rate Risk:

Interest rate risk refers to the effect on the market value of investments due to fluctuation of interest rates. Management adheres to guidelines on duration and yield curve, which are designed to mitigate the risk of interest rate volatility. Duration is the present value, expressed in years, of the yield, coupon, final maturity and call features of interest-bearing financial instruments.

4. Financial Instrument Risk Management (cont'd)

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

	2012			2011		
Public Service *($ thousands)*	**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	$ 1,172,601	7.2	$ 20,439	$ 1,372,062	6.6	$ 21,960
NBIMC Corporate Bond	130,744	6.4	2,032	—	—	—
NBIMC New Brunswick Fixed Income Opportunity	12,095	5.2	136	12,059	5.5	143
NBIMC Money Market	—	—	—	11,458	0.5	13
NBIMC Student Investment	532	6.9	9	557	6.3	9
NBIMC Inflation Linked Securities	451,308	16.8	18,369	455,610	16.4	18,083
	$ 1,767,280			$ 1,851,746		

	2012			2011		
Teachers' *($ thousands)*	**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	$ 954,341	7.2	$ 16,634	$ 1,116,989	6.6	$ 17,878
NBIMC Corporate Bond	104,138	6.4	1,618	—	—	—
NBIMC New Brunswick Fixed Income Opportunity	9,634	5.2	109	9,643	5.5	114
NBIMC Money Market	—	—	—	9,118	0.5	11
NBIMC Student Investment	579	6.9	10	607	6.3	9
NBIMC Inflation Linked Securities	380,004	16.8	15,467	384,182	16.4	15,248
	$ 1,448,696			$ 1,520,539		

	2012			2011		
Judges' *($ thousands)*	**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	$ 6,986	7.2	$ 122	$ 8,040	6.6	$ 129
NBIMC Corporate Bond	779	6.4	12	—	—	—
NBIMC New Brunswick Fixed Income Opportunity	72	5.2	1	71	5.5	1
NBIMC Money Market	—	—	—	67	0.5	—
NBIMC Student Investment	4	6.9	—	5	6.3	—
NBIMC Inflation Linked Securities	2,689	16.8	109	2,670	16.4	106
	$ 10,530			$ 10,853		

4. Financial Instrument Risk Management (cont'd)

The terms to maturity and average effective yields of the interest-bearing financial instruments as at March 31, are as follows:

Public Service ($ thousands)	2012 Term to Maturity Within 1 Year	1-5 Years	6-10 Years	Over 10 Years	Total	Average Effective Yield	2011 Total	Average Effective Yield
Canadian								
Government of Canada bonds	$ 28,914	$ 289,514	$ 184,738	$ 349,430	$ 852,596	2.5%	$ 1,072,327	3.0%
Provincial bonds	8,820	87,180	104,817	363,041	563,858	4.1%	572,530	4.5%
Municipal bonds	5,721	35,921	71,712	8,537	121,891	4.4%	95,184	4.9%
Corporate bonds	194,801	—	—	24,510	219,311	1.6%	96,842	4.1%
Other	—	—	—	9,625	9,625	5.6%	9,330	5.9%
Foreign								
Treasury bonds	—	—	—	—	—	— %	5,533	2.0%
	$ 238,256	$ 412,615	$ 361,267	$ 755,143	$1,767,281		$ 1,851,746	

Teachers' ($ thousands)	2012 Term to Maturity Within 1 Year	1-5 Years	6-10 Years	Over 10 Years	Total	Average Effective Yield	2011 Total	Average Effective Yield
Canadian								
Government of Canada bonds	$ 23,540	$ 235,658	$ 152,915	$ 291,671	$ 703,784	2.5%	$ 883,427	3.0%
Provincial bonds	7,179	70,978	85,321	297,693	461,171	4.1%	468,041	4.5%
Municipal bonds	4,656	29,235	58,371	6,947	99,209	4.4%	77,496	4.9%
Corporate bonds	156,228	—	—	20,638	176,866	1.6%	79,448	4.1%
Other	—	—	—	7,667	7,667	5.6%	7,461	5.9%
Foreign								
Treasury bonds	—	—	—	—	—	— %	4,666	2.0%
	$ 191,603	$ 335,871	$ 296,607	$ 624,616	$1,448,697		$ 1,520,539	

Judges' ($ thousands)	2012 Term to Maturity Within 1 Year	1-5 Years	6-10 Years	Over 10 Years	Total	Average Effective Yield	2011 Total	Average Effective Yield
Canadian								
Government of Canada bonds	$ 172	$ 1,725	$ 1,101	$ 2,082	$ 5,080	2.5%	$ 6,287	3.0%
Provincial bonds	53	520	625	2,163	3,361	4.1%	3,355	4.5%
Municipal bonds	34	214	427	51	726	4.4%	557	4.9%
Corporate bonds	1,161	—	—	146	1,307	1.6%	568	4.1%
Other	—	—	—	57	57	5.6%	54	5.9%
Foreign								
Treasury bonds	—	—	—	—	—	— %	32	2.0%
	$ 1,420	$ 2,459	$ 2,153	$ 4,499	$ 10,531		$ 10,853	

4. Financial Instrument Risk Management (cont'd)

(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.

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

	Public Service		Teachers'		Judges'	
($ thousands)	2012	2011	2012	2011	2012	2011
Investments						
Fixed income	$1,360,780	$1,409,877	$1,102,604	$1,145,785	$ 8,102	$ 8,258
Equities	573,534	581,870	417,980	423,492	3,416	3,405
Inflation linked assets	468,718	472,433	394,616	397,832	2,793	2,769
Alternative investments	192,876	249,455	153,626	199,572	1,149	1,463
Contributions receivable	12,684	12,858	5,037	4,530	36	—
Other receivables	—	135	—	109	—	1
	$2,608,592	$2,726,628	$2,073,863	$2,171,320	$ 15,496	$ 15,896

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

	Public Service		Teachers'		Judges'	
($ thousands)	2012	2011	2012	2011	2012	2011
AAA	$ 998,025	$1,196,854	$ 822,079	$ 984,805	$ 5,947	$ 7,014
AA	899,768	784,257	689,846	602,106	5,317	4,517
A	459,900	467,619	367,603	370,820	2,740	2,739
BBB	28,804	6,162	23,056	5,116	172	36
R-1	209,857	251,101	161,358	191,950	1,247	1,469
Other	12,238	20,635	9,921	16,523	73	121
	$2,608,592	$2,726,628	$2,073,863	$2,171,320	$ 15,496	$ 15,896

As at March 31, 2012, 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. Management's principal lever for managing equity pricing risk is to invest in widely diversified countries, sectors, and issuers.

The Funds also employ absolute return strategies. These strategies have a low correlation to broad market indices and therefore are capable of generating positive returns regardless of market conditions.

4. Financial Instrument Risk Management (cont'd)

(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.

The Funds' 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, government bonds are considered the most liquid asset class 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 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:

March 31, 2012 *($ thousands)*	**Public Service**	**Teachers'**	**Judges'**
Net assets	$ 5,226,231	$ 4,157,508	$ 31,100
Less: investment in NBIMC New Brunswick Fixed Income Opportunity *(note 3)*	(12,124)	(9,656)	(72)
Less: investment in NBIMC Private Equity *(note 3)*	(141,009)	(115,279)	(886)
Less: non-publicly traded assets in NBIMC Canadian Real Estate	(72,817)	(58,000)	(433)
Less: investment in NBIMC Infrastructure *(note 3)*	(28,144)	(23,344)	(169)
Less: investment in NBIMC New Brunswick and Atlantic Canada Equity Opportunity *(note 3)*	(9,649)	(7,893)	(59)
Less: collateral pledged *(note 3)*	(152,038)	(120,873)	(906)
Less: investment commitments *(note 9)*	(114,191)	(92,934)	(712)
Net liquid assets	$ 4,696,259	$ 3,729,529	$ 27,863

March 31, 2011 *($ thousands)*	**Public Service**	**Teachers'**	**Judges'**
Net assets	$ 5,041,213	$ 4,025,577	$ 29,443
Less: investment in NBIMC New Brunswick Fixed Income Opportunity *(note 3)*	(12,059)	(9,643)	(71)
Less: investment in NBIMC Private Equity *(note 3)*	(123,446)	(100,934)	(753)
Less: investment in NBIMC Canadian Real Estate *(note 3)*	(57,141)	(41,645)	(332)
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)
Less: collateral pledged *(note 4(a))*	(219,353)	(175,155)	(1,285)
Less: investment commitments *(note 9)*	(91,964)	(73,129)	(554)
Net liquid assets	$ 4,470,289	$ 3,570,675	$ 26,054

4. Financial Instrument Risk Management (cont'd)

(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, 2012 the Funds had loaned securities with an estimated fair value by asset class as follows:

	Public Service		Teachers'		Judges'	
($ thousands)	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Investments						
Fixed income	$ 260,398	$ 240,033	$ 211,639	$ 195,197	$ 1,551	$ 1,407
Equities	232,935	219,317	179,093	169,629	1,383	1,282
Inflation linked assets	98,012	74,328	83,484	62,681	584	436
Alternative investments	15,814	22,408	12,596	17,919	94	131
	$ 607,159	$ 556,086	$ 486,812	$ 445,426	$ 3,612	$ 3,256

5. Derivatives

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. Derivatives 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.

5. Derivatives (cont'd)

The Statements of Investment Policy do not permit leverage in the use of derivatives. 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 *($ thousands)*	**2012** Notional Value	**2012** Fair Value	**2011** Notional Value	**2011** Fair Value
Asset management:				
Equity futures	$ (22,974)	$ 441	$ (108,152)	$ 643
Equity swaps	556,275	7,603	556,476	25,140
Forward exchange contracts	11,262	(147)	48,184	813
Net fair value of derivative contracts		$ 7,897		$ 26,596

Teachers' *($ thousands)*	**2012** Notional Value	**2012** Fair Value	**2011** Notional Value	**2011** Fair Value
Asset management:				
Equity futures	$ (16,434)	$ 344	$ (78,321)	$ 498
Equity swaps	404,884	5,534	405,110	18,421
Forward exchange contracts	9,328	(123)	38,824	655
Net fair value of derivative contracts		$ 5,755		$ 19,574

Judges' *($ thousands)*	**2012** Notional Value	**2012** Fair Value	**2011** Notional Value	**2011** Fair Value
Asset management:				
Equity futures	$ (137)	$ 3	$ (633)	$ 3
Equity swaps	3,313	45	3,258	146
Forward exchange contracts	68	—	283	5
Net fair value of derivative contracts		$ 48		$ 154

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

	Public Service		**Teachers'**		**Judges'**	
($ thousands)	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**
Under 1 year	$ 544,563	$ 491,308	$ 397,778	$ 361,381	$ 3,244	$ 2,878
1 to 5 years	—	5,200	—	4,233	—	30
	$ 544,563	$ 496,508	$ 397,778	$ 365,614	$ 3,244	$ 2,908

6. Net Investment Income

(a) Net Investment Income

Net investment income for the year ended March 31 is as follows:

($ thousands)	Public Service 2012	Public Service 2011	Teachers' 2012	Teachers' 2011	Judges' 2012	Judges' 2011
Interest income	$ 72,143	$ 86,446	$ 59,038	$ 72,777	$ 426	$ 526
Dividend income	59,266	54,572	47,178	43,503	352	318
Income from Money Market Pool	3,723	2,291	3,010	1,915	22	13
Income (loss) from derivatives	(45,525)	64,884	(33,411)	47,350	(271)	381
Securities lending income	1,056	545	814	420	6	3
Transaction costs	(5,861)	(6,059)	(4,577)	(4,788)	(35)	(35)
Other	(3,376)	(2,219)	(2,737)	(1,788)	(20)	(13)
	81,426	200,460	69,315	159,389	480	1,193
Realized gains on investments	52,141	69,780	47,951	59,397	317	410
Unrealized gains on investments	105,612	208,357	88,827	165,798	630	1,220
Total gain on investments	157,753	278,137	136,778	225,195	947	1,630
Net investment income	$ 239,179	$ 478,597	$ 206,093	$ 384,584	$ 1,427	$ 2,823

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

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

($ thousands)	Public Service 2012	Public Service 2011	Teachers' 2012	Teachers' 2011	Judges' 2012	Judges' 2011
Fixed income	$ 136,692	$ 69,266	$ 111,212	$ 56,947	$ 804	$ 411
Equity income	(34,596)	299,887	(25,705)	230,605	(193)	1,762
Inflation linked assets	115,390	88,077	102,590	79,387	681	520
Alternative investments	21,693	21,367	17,996	17,645	135	130
Net investment income	$ 239,179	$ 478,597	$ 206,093	$ 384,584	$ 1,427	$ 2,823

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 Derivatives provide qualitative descriptions of the investment management process and quality of investments.

7. Capital and Annualized Long-Term Returns (cont'd)

The most recent actuarial valuation for each of the Public Service and Teachers' is April 1, 2011 and for the Judges' is April 1, 2010. 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:

	2012 Annualized Nominal Returns			2011 Annualized Nominal Returns		
($ thousands)	Actuarial Requirement	4 Year	10 Year	Actuarial Requirement	4 Year	10 Year
Public Service	6.60%	3.15%	6.16%	6.60%	2.13%	6.01%
Teachers'	6.60%	3.32%	6.22%	6.60%	2.23%	6.05%
Judges'	6.60%	3.14%	6.19%	7.12%	2.12%	6.02%

8. Accounts Payable and Accrued Liabilities

Included in accounts payable and accrued liabilities of the three combined trust funds, is $1,731 (2011 - $1,543) 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'	
($ thousands)	2012	2011	2012	2011	2012	2011
NBIMC Private Equity	$ 94,221	$ 68,729	$ 77,028	$ 56,195	$ 593	$ 419
NBIMC Canadian Real Estate	19,970	23,235	15,906	16,934	119	135
	$ 114,191	$ 91,964	$ 92,934	$ 73,129	$ 712	$ 554

NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION
FINANCIAL STATEMENTS
March 31, 2012 and 2011

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 comprises the statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010, the statements of operations, changes in accumulated deficit and in net debt and its cash flow for the years ended March 31, 2012 and March 31, 2011, 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 audits. We conducted our audits 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 in our audits 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, 2012, March 31, 2011 and April 1, 2010 and its results of operations, its changes in accumulated deficit and in net debt and its cash flow for the year ended March 31, 2012 and March 31, 2011 in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Accountants
June 5, 2012
Fredericton, Canada

NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

Statements of Financial Position

(in thousands of Canadian dollars)

	March 31, 2012	March 31, 2011	April 1, 2010
FINANCIAL ASSETS			
Cash	$ 55	$ 41	$ 228
Accounts receivable – Pension Funds	1,745	1,561	2,556
Other receivables	8	10	5
Total financial assets	1,808	1,612	2,789
FINANCIAL LIABILITIES			
Accounts payable and accrued liabilities	1,529	1,347	2,553
Supplemental pension (note 6)	379	384	388
Employee future benefits (note 7)	642	606	528
Total financial liabilities	2,550	2,337	3,469
NET DEBT	(742)	(725)	(680)
NON-FINANCIAL ASSETS			
Tangible capital assets *(note 4)*	315	299	244
Prepaid expenses	300	283	270
Total non-financial assets	615	582	514
ACCUMULATED DEFICIT	$ (127)	$ (143)	$ (166)

Contractual obligations and contingencies *(note 5)*
Indemnifications *(note 10)*
See accompanying notes to financial statements

Approved on behalf of the Board:

Gilles Lepage
Chairman of the Board

John A. Sinclair
President and Chief Executive Officer

NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

Statements of Operations and Changes in Accumulated Deficit

For the years ended March 31

(in thousands of Canadian dollars)

	Budget 2012 *(note 9)* *(unaudited)*	Actual 2012	Actual 2011
REVENUE			
Fees:			
Public Service Superannuation Fund	$ 5,057	$ 4,653	$ 4,548
Teachers' Pension Fund	4,044	3,721	3,563
Judges' Superannuation Fund	29	27	27
Other	—	2	1
Total revenue	9,130	8,403	8,139
EXPENSES			
Salaries and benefits	6,032	5,787	5,630
Information systems	1,496	1,362	1,319
Office and business	606	426	439
Professional services	572	375	304
Office rent	293	294	290
Amortization of tangible capital assets	131	143	134
Total expenses	9,130	8,387	8,116
ANNUAL SURPLUS *(note 3)*	$ —	$ 16	$ 23
ACCUMULATED DEFICIT, beginning of year *(note 3)*	$ (143)	$ (143)	$ (166)
Annual surplus	—	16	23
ACCUMULATED DEFICIT, end of year	$ (143)	$ (127)	$ (143)

See accompanying notes to financial statements

NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

Statements of Change in Net Debt

For the years ended March 31

(in thousands of Canadian dollars)

	Budget 2012 *(note 9)* *(unaudited)*	Actual 2012	Actual 2011
NET DEBT, BEGINNING OF YEAR	$ (725)	$ (725)	$ (680)
CHANGES IN YEAR			
Annual surplus	—	16	23
Purchases of tangible capital assets	(229)	(159)	(189)
Amortization of tangible capital assets	131	143	134
Gain on disposal of tangible capital assets	—	—	(1)
Proceeds on disposal of tangible capital assets	—	—	1
Net change in prepaid expenses	—	(17)	(13)
INCREASE IN NET DEBT	(98)	(17)	(45)
NET DEBT, END OF YEAR	$ (823)	$ (742)	$ (725)

See accompanying notes to financial statements

NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION

Statements of Cash Flow

For the years ended March 31

(in thousands of Canadian dollars)

	2012	2011
OPERATING ACTIVITIES		
Annual surplus	$ 16	$ 23
Non cash items:		
Amortization of tangible capital assets	143	134
Gain on disposal of tangible capital assets	—	(1)
(Increase) decrease in accounts receivable – Pension Funds	(184)	995
Decrease (increase) in other receivables	2	(5)
Increase (decrease) in accounts payable and accrued liabilities	182	(1,206)
Increase in supplemental pension obligation	17	18
Increase in employee future benefits	36	78
Increase in prepaid expenses	(17)	(13)
Net cash from operating activities	195	23
CAPITAL ACTIVITIES		
Purchases of tangible capital assets	(159)	(189)
Proceeds on disposal of tangible capital assets	—	1
Net cash used in capital activities	(159)	(188)
FINANCING ACTIVITIES		
Payment of supplemental pension	(22)	(22)
Net cash used in financing activities	(22)	(22)
INCREASE (DECREASE) IN CASH DURING YEAR	14	(187)
Cash, beginning of year	41	228
CASH, END OF YEAR	$ 55	$ 41

See accompanying notes to financial statements

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, 2012, the estimated market value of assets managed by NBIMC was $9.4 billion (March 31, 2011 - $9.1 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

(a) Basis of presentation

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:

(b) Revenue recognition

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

(c) 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.

2. Significant Accounting Policies (cont'd)

(d) Employee future benefits

NBIMC participates in a multi-employer defined benefit pension plan that meets the accounting requirements for treatment as a defined contribution plan. Employer contributions are expensed as incurred.

NBIMC also provides a retirement allowance benefit and a sick leave benefit for eligible employees. These benefits accrue over the estimated service life of the employees and are expensed according to actuarial estimates and assumptions.

(e) 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.

(f) 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 4)*, the estimated actuarial liability for supplemental pension *(note 6)* and the actuarial estimates and assumptions used for the valuation of employee future benefits *(note 7)*.

3. Transition to Public Sector Accounting Standards

NBIMC adopted Canadian public sector accounting standards (PSAS) applicable for other government organizations on April 1, 2011, with changes applied retrospectively. Previously, NBIMC reported in accordance with Canadian generally accepted accounting policies (GAAP).

Under GAAP, NBIMC deferred the recognition of fees billed relating to capital expenditures to match with the amortization of those capital expenditures over their estimated useful lives. Under PSAS, revenue will be recognized when billed with no deferral. Accordingly, net income will be affected whenever the amount of capital expenditures purchased differs from the amortization of previous purchases of tangible capital assets. On April 1, 2010, the date of transition to PSAS, deferred contributions related to tangible capital assets as shown on the Statement of Financial Position was decreased by $244 and accumulated surplus was increased by $244.

PS 2125, *First-time Adoption by Government Organizations*, sets out the decisions to be made and the accounting to be followed, including certain elections and exemptions, to facilitate the transition from GAAP to PSAS. Accordingly, PSAS permits a first-time adopter to either obtain an actuarial valuation of its defined benefit and post-employment benefits plans on the date of transition or defer this until the next regularly scheduled triennial actuarial valuation date.

NBIMC obtained an actuarial valuation of its retirement allowance on the date of transition. For purposes of preparing that actuarial valuation, the discount rate assumption used for PSAS purposes is equal to the government's cost of borrowing, rather than the rate on high quality long-term bonds as required under GAAP. The discount rate at April 1, 2010 was 4.8% (March 31, 2010 – 6.0% on a GAAP basis) which resulted in an increase in the accrued retirement allowance of $132. In addition, PS 2125 permits NBIMC to elect to recognize $68 of accumulated actuarial gains at the date of transition. The combination of these adjustments increased the retirement allowance reflected in employee future benefits in the Statement of Financial Position by $200 and decreased the accumulated surplus by $200.

NBIMC also obtained an actuarial valuation of its non-vesting, accumulated sick leave liability, using the same discount rate of 4.8%. This resulted in NBIMC recording a sick leave liability as at April 1, 2010 of $36 by increasing the employee future benefits on the Statement of Financial Position and decreasing the accumulated surplus by $36.

3. Transition to Public Sector Accounting Standards (cont'd)

NBIMC also obtained an actuarial valuation of its supplemental pension, using the same discount rate of 4.8%. This resulted in NBIMC recording an increase in the supplemental pension liability as at April 1, 2010 of $174 by increasing the supplemental pension liability on the Statement of Financial Position and decreasing the accumulated surplus by $174.

Accordingly, reconciliation between previously reported net assets and restated accumulated deficit as at April 1, 2010 is as follows:

Net assets previously reported in accordance with GAAP	$	—
Adjustments on transition to PSAS:		
Derecognition of deferred contributions		244
Change in discount rate used for retirement allowance		(132)
Recognition of accumulated actuarial gains of retirement allowance		(68)
Recognition of sick leave liability		(36)
Increase in supplemental pension liability		(174)
Accumulated deficit at April 1, 2010	$	(166)

Reconciliation between previously reported change in net assets and restated annual surplus in accordance with PSAS for the year ended March 31, 2011 reflects the impact of these adjustments as follows:

Change in net assets, previously reported in accordance with GAAP	$	—
Adjustments relating to PSAS:		
Fees billed relating to capital expenditures		189
Deferred contributions related to capital assets		(134)
Increase in retirement allowance expense		(8)
Increase in sick leave expense		(6)
Increase in supplemental pension expense		(18)
Annual surplus reported in accordance with PSAS	$	23

At March 31, 2011, NBIMC has prospectively adopted PS 3450 *Financial Instruments*, PS 2601 *Foreign Currency Translation* and PS 1201 *Financial Statement Presentation*. These accounting standards apply to recognition, measurement and disclosure of financial instruments and the presentation of associated gains and losses. There have been no material adjustments made as a result of adoption of these new accounting standards. New disclosures include Note 11, Financial Instrument Risk Management.

4. Tangible Capital Assets

March 31, 2012	Computer equipment	Furniture & equipment	Leasehold Improvements	2012 Total
Cost				
Opening balance	$ 799	$ 387	$ 322	$ 1,508
Purchases	55	19	85	159
Disposals	(3)	(23)	—	(26)
Closing balance	851	383	407	1,641
Accumulated amortization				
Opening accumulated amortization	556	338	315	1,209
Amortization expense	119	14	10	143
Disposals	(3)	(23)	—	(26)
Closing accumulated amortization	672	329	325	1,326
Net book value	$ 179	$ 54	$ 82	$ 315

4. Tangible Capital Assets (cont'd)

March 31, 2011	Computer equipment	Furniture & equipment	Leasehold Improvements	2011 Total
Cost				
Opening balance	$ 634	$ 387	$ 318	$ 1,339
Purchases	185	—	4	189
Disposals	(20)	—	—	(20)
Closing balance	799	387	322	1,508
Accumulated amortization				
Opening accumulated amortization	475	323	297	1,095
Amortization expense	101	15	18	134
Disposals	(20)	—	—	(20)
Closing accumulated amortization	556	338	315	1,209
Net book value	$ 243	$ 49	$ 7	$ 299

5. 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.

6. Supplemental Pension

NBIMC has an estimated liability of $379 (2011 - $384 and at April 1, 2010 - $388) 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 $23 within the next twelve months.

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, 2012, NBIMC expensed contributions of $330 under the terms of the Plan (2011 - $326). NBIMC has no direct liability or entitlement to any unfunded liability or surplus in the plan related to its current or former employees.

7. Employee Future Benefits (cont'd)

b) Retirement allowance

Full-time employees of NBIMC hired prior to September 1, 2011 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 2012	2011	2010
Annual discount rate	3.5%	4.5%	4.8%
Annual salary increases	3.0%	3.0%	3.0%
Mortality	None	None	None
Termination of employment	Public Service Superannuation Plan Experience		
Retirement age	15% at Age 56-58 60% at Age 59-61 25% at Age 62-65	15% at Age 56-58 60% at Age 59-61 25% at Age 62-65	15% at Age 56-58 60% at Age 59-61 25% at Age 62-65
Actuarial cost method	Projected Unit Credit pro-rated on service		

Information on the retirement allowance obligation is as follows:

	2012	2011
Accrued benefit plan obligation		
Balance, beginning of year	$ 584	$ 492
Current service cost	48	46
Benefit payments	(45)	—
Interest cost	26	25
Actuarial loss	56	21
Balance, end of year (unfunded)	669	584
Unamortized net actuarial loss	(75)	(20)
Accrued benefit liability	$ 594	$ 564

Benefit cost recognized in the year is as follows:

	2012	2011
Current service cost	48	46
Interest cost	26	25
Amortization of actuarial losses	2	—
Benefit expense	76	71

7. Employee Future Benefits (cont'd)

c) 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 include the same discount rate, annual salary increases, mortality, and retirement age described for the retirement allowance. For purposes of the actuarial valuation, there has been an assumption that no terminations occur. In addition, at April 1, 2010 and at March 31, 2011 the net excess utilization rate of sick leave was assumed to be 0.57 days per year. At March 31, 2012 the net excess (over 15 days) utilization rate of sick leave assumption used is as follows:

	Age	Number of Days per year
Net excess utilization rate of sick leave -	30 – 31	1.3
	32 – 34	1.2
	35 – 36	1.1
	37 – 39	1.0
	40 – 41	0.9
	42 – 44	0.8
	45 – 46	0.7
	47 – 48	0.6
	49 – 51	0.5
	52 – 53	0.4
	54 – 56	0.3
	57 – 58	0.2
	59 – 60	0.1

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

	2012	2011
Accrued sick leave obligation		
Balance, beginning of year	$ 35	$ 36
Current service cost	5	4
Interest cost	1	2
Actuarial loss (gain)	24	(7)
Balance, end of year (unfunded)	65	35
Unamortized net actuarial gain (loss)	(17)	7
Accrued sick leave liability	$ 48	$ 42

8. 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 employee benefits and 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 $58 (2011 - $58 and at April 1, 2010 - $40). 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 $688 (2011 - $621).

NBIMC is economically dependent upon the revenue received from the three public pension funds for which it serves as trustee.

9. Budget

The unaudited budget amounts included in these financial statements are the amounts consolidated into the Main Estimates for the Province of New Brunswick. Budget figures have not been audited, and are presented for information purposes. Management prepares the budget using best estimates that reflect past experience as well as expected future plans. The budget is reviewed and approved annually by NBIMC's Board of Directors and submitted to the Minister of Finance each December.

10. 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.

11. Financial Instrument Risk Management

Cash, accounts and other receivables and accounts payable and accrued liabilities are financial instruments. Financial instruments may be exposed to risks such as credit risk, foreign currency risk and liquidity 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.

Foreign currency risk arises from holding assets or incurring liabilities denominated in a currency other than the Canadian dollar. NBIMC incurs certain of its expenses in U.S. dollars and incurs foreign currency risk between the date the expense was incurred and its settlement date. NBIMC manages its foreign currency risk by settling its accounts payable promptly. The maximum exposure that NBIMC has to foreign currency risk at March 31, 2012 is $13 (2011 - $11). Realized foreign exchange gains included in office and business expenses in the Statement of Operations were $6 (2011 - $1).

Liquidity risk is the risk of not having sufficient funds available to meet cash demands. NBIMC manages liquidity risk of financial liabilities by settling its accounts payable within a typical 30 day payment cycle.