

**FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2013**

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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(a) to the financial statements.

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

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

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

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



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



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

## 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, 2013, 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, 2013 and the changes in net assets held in trust for the year then ended in accordance with Section 27(1) of the New Brunswick Investment Management Corporation Act.

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

Without modifying our opinion, we draw attention to note 1(a) to the financial statements, which 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



JUNE 4, 2013

FREDERICTON, CANADA

**PUBLIC SERVICE SUPERANNUATION FUND****Statement of Net Assets Held in Trust***(In thousands of Canadian dollars)***AS AT MARCH 31**

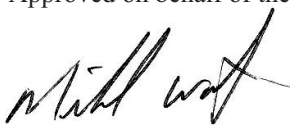
	2013	2012
<b>ASSETS</b>		
Investments <i>(note 3)</i>	\$ 5,616,096	\$ 5,215,946
Contributions receivable <i>(note 8)</i>	10,199	12,684
Other receivable	203	—
	5,626,498	5,228,630
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities <i>(note 8)</i>	3,287	2,399
<b>NET ASSETS HELD IN TRUST</b>	<b>\$ 5,623,211</b>	<b>\$ 5,226,231</b>

*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**

	2013	2012
<b>INCREASE IN NET ASSETS</b>		
Net investment income <i>(note 6)</i>	\$ 468,943	\$ 239,179
Employee pension contributions	70,910	71,463
Employer pension contributions	92,128	89,385
Employer special contributions	67,852	64,931
	699,833	464,958
<b>DECREASE IN NET ASSETS</b>		
Payments to sponsor for benefits	292,833	269,772
Payments to sponsor for expenses	2,708	2,712
Fees paid to third party suppliers	1,841	2,099
Fees paid to NBIMC	5,231	4,911
Harmonized sales tax, net of rebates	240	446
	302,853	279,940
<b>NET INCREASE FOR THE YEAR</b>	<b>396,980</b>	<b>185,018</b>
<b>NET ASSETS HELD IN TRUST, BEGINNING OF YEAR</b>	<b>5,226,231</b>	<b>5,041,213</b>
<b>NET ASSETS HELD IN TRUST, END OF YEAR</b>	<b>\$ 5,623,211</b>	<b>\$ 5,226,231</b>

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

Approved on behalf of the Board:


Michael W. Walton  
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**

	2013	2012
<b>ASSETS</b>		
Investments <i>(note 3)</i>	\$ 4,446,152	\$ 4,154,531
Contributions receivable <i>(note 8)</i>	4,890	5,037
Other receivable	171	—
	4,451,213	4,159,568
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities <i>(note 8)</i>	2,694	2,060
<b>NET ASSETS HELD IN TRUST</b>	<b>\$ 4,448,519</b>	<b>\$ 4,157,508</b>

*See accompanying notes to financial statements.*

**TEACHERS' PENSION FUND**  
**Statement of Changes in Net Assets Held in Trust**  
*(In thousands of Canadian dollars)*

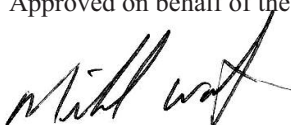
**YEAR ENDED MARCH 31**

	2013	2012
<b>INCREASE IN NET ASSETS</b>		
Net investment income <i>(note 6)</i>	\$ 371,486	\$ 206,093
Employee pension contributions	47,877	47,847
Employer pension contributions	46,139	46,367
Employer special contributions	98,627	94,380
	564,129	394,687
<b>DECREASE IN NET ASSETS</b>		
Payments to sponsor for benefits	265,565	255,075
Payments to sponsor for expenses	1,561	1,550
Fees paid to third party suppliers	1,627	1,837
Fees paid to NBIMC	4,164	3,929
Harmonized sales tax, net of rebates	201	365
	273,118	262,756
<b>NET INCREASE FOR THE YEAR</b>	<b>291,011</b>	<b>131,931</b>
<b>NET ASSETS HELD IN TRUST, BEGINNING OF YEAR</b>	<b>4,157,508</b>	<b>4,025,577</b>
<b>NET ASSETS HELD IN TRUST, END OF YEAR</b>	<b>\$ 4,448,519</b>	<b>\$ 4,157,508</b>

*See accompanying notes to financial statements.*

*Commitments (note 9)*

Approved on behalf of the Board:



Michael W. Walton  
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**

	2013	2012
<b>ASSETS</b>		
Investments (note 3)	\$ 33,415	\$ 31,076
Contributions receivable (note 8)	25	36
Other receivable	1	—
	33,441	31,112
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (note 8)	26	12
<b>NET ASSETS HELD IN TRUST</b>	<b>\$ 33,415</b>	<b>\$ 31,100</b>

See accompanying notes to financial statements.

**JUDGES' SUPERANNUATION FUND**  
**Statement of Changes in Net Assets Held in Trust**  
(In thousands of Canadian dollars)

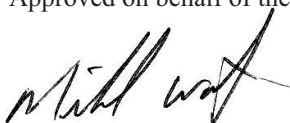
**YEAR ENDED MARCH 31**

	2013	2012
<b>INCREASE IN NET ASSETS</b>		
Net investment income (note 6)	\$ 2,785	\$ 1,427
Employee pension contributions	398	471
Employer pension contributions	326	696
Employer special contributions	153	305
	3,662	2,899
<b>DECREASE IN NET ASSETS</b>		
Payments to sponsor for benefits	1,278	1,167
Payments to sponsor for expenses	27	32
Fees paid to third party suppliers	11	12
Fees paid to NBIMC	30	29
Harmonized sales tax, net of rebates	1	2
	1,347	1,242
<b>NET INCREASE FOR THE YEAR</b>	<b>2,315</b>	<b>1,657</b>
<b>NET ASSETS HELD IN TRUST, BEGINNING OF YEAR</b>	<b>31,100</b>	<b>29,443</b>
<b>NET ASSETS HELD IN TRUST, END OF YEAR</b>	<b>\$ 33,415</b>	<b>\$ 31,100</b>

See accompanying notes to financial statements.

Commitments (note 9)

Approved on behalf of the Board:



Michael W. Walton  
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, 2013

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 23 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 *Public Service Superannuation Act*, the *Teachers’ Pension Act* or the *Provincial Court Judges’ Pension Act* (collectively “the Plans”). Consequently, these financial statements do not purport to show the adequacy of the Funds’ assets to meet the Plans’ pension obligations.

These financial statements have not been prepared in accordance with Canadian Generally Accepted Accounting Principles (“GAAP”) 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 GAAP for publicly accountable entities. The International Accounting Standards Board (“IASB”) has recently completed a project on consolidations that exempts 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 deferred the IFRS conversion date for investment companies to annual periods beginning on or after January 1, 2014. 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 consist of additional financial disclosures but no significant 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, 2013:

### *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 capital of \$1 million, funded in 1998, has been invested using the same general investment policies and guidelines as are used by NBIMC. The overall benchmark for this fund is composed of 50% S&P/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 Low Volatility Canadian Equity Fund*

This fund actively invests in securities to gain exposure to the S&P/TSX Composite Index. The objective is to achieve a long-term rate of return equivalent to this index with less annual volatility.

#### *NBIMC External Canadian Equity Fund*

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

#### *NBIMC S&P/TSX Completion Index Fund*

Managed by an external manager, this fund invests primarily in the companies of the S&P/TSX Completion Index. The performance objective is to exceed the performance of its benchmark, the S&P/TSX Completion Total Return Index, by 150 basis points (after fees).

#### *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) Net Dividends 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 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:

<i>Public Service</i> (\$ thousands)	Units (# rounded)	Unit Value (rounded in dollars)	Fair Value March 31, 2013	Fair Value March 31, 2012
<b>Fixed Income:</b>				
NBIMC Nominal Bond	402,302	\$ 2,322	\$ 934,258	\$ 1,196,711
NBIMC Corporate Bond	355,271	1,087	386,202	142,103
NBIMC New Brunswick Fixed Income Opportunity	3,399	2,760	9,384	12,124
NBIMC Money Market	25,234	1,541	38,873	78,014
NBIMC Student Investment	485	2,767	1,342	1,276
			1,370,059	1,430,228
<b>Equities:</b>				
NBIMC Canadian Equity Index	252,347	2,484	626,706	608,317
NBIMC Low Volatility Canadian Equity	109,092	1,028	112,095	—
NBIMC External Canadian Equity	72,583	2,883	209,275	196,139
NBIMC S&P/TSX Completion Index	38,349	2,692	103,251	99,253
NBIMC Canadian Equity Active Long Strategy	111,476	1,053	117,364	161,068
NBIMC External International Equity	89,219	1,282	114,340	99,312
NBIMC EAFE Equity Index	722,907	967	699,332	675,781
NBIMC Low Volatility International Equity	143,757	1,240	178,262	106,565
NBIMC U.S. Equity Index	484,418	1,302	630,875	573,885
NBIMC Low Volatility U.S. Equity	139,309	1,274	177,492	105,321
			2,968,992	2,625,641
<b>Inflation Linked Assets:</b>				
NBIMC Inflation Linked Securities	151,027	3,395	512,665	456,735
NBIMC Canadian Real Estate	71,693	3,184	228,303	177,299
NBIMC International Real Estate	30,095	4,120	123,981	165,689
NBIMC Infrastructure	33,859	1,213	41,083	28,144
			906,032	827,867
<b>Alternative Investments:</b>				
NBIMC North American Market Neutral	65,964	1,225	80,784	83,046
NBIMC Quantitative Strategies	100,265	1,150	115,294	98,506
NBIMC New Brunswick and Atlantic Canada Equity Opportunity	3,547	4,308	15,278	9,649
NBIMC Private Equity	104,647	1,526	159,657	141,009
			371,013	332,210
			\$ 5,616,096	\$ 5,215,946

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

<i>Teachers'</i> <i>(\$ thousands)</i>	<b>Units</b> <i>(# rounded)</i>	<b>Unit Value</b> <i>(rounded in dollars)</i>	<b>Fair Value</b> <b>March 31,</b> <b>2013</b>	<b>Fair Value</b> <b>March 31,</b> <b>2012</b>
<b>Fixed Income:</b>				
NBIMC Nominal Bond	337,685	\$ 2,322	\$ 784,200	\$ 973,963
NBIMC Corporate Bond	260,795	1,087	283,500	113,185
NBIMC New Brunswick Fixed Income Opportunity	2,663	2,760	7,351	9,656
NBIMC Money Market	19,718	1,541	30,376	61,765
NBIMC Student Investment	528	2,767	1,462	1,389
			1,106,889	1,159,958
<b>Equities:</b>				
NBIMC Canadian Equity Index	181,604	2,484	451,016	442,764
NBIMC Low Volatility Canadian Equity	86,365	1,028	88,742	—
NBIMC External Canadian Equity	57,755	2,883	166,522	156,225
NBIMC S&P/TSX Completion Index	30,516	2,692	82,162	79,055
NBIMC Canadian Equity Active Long Strategy	87,377	1,053	91,993	128,290
NBIMC External International Equity	70,993	1,282	90,983	79,102
NBIMC EAFE Equity Index	542,638	967	524,942	511,607
NBIMC Low Volatility International Equity	113,809	1,240	141,125	84,879
NBIMC U.S. Equity Index	368,983	1,302	480,540	439,258
NBIMC Low Volatility U.S. Equity	110,287	1,274	140,516	83,888
			2,258,541	2,005,068
<b>Inflation Linked Assets:</b>				
NBIMC Inflation Linked Securities	126,117	3,395	428,109	384,574
NBIMC Canadian Real Estate	56,754	3,184	180,731	141,219
NBIMC International Real Estate	34,381	4,120	141,635	172,590
NBIMC Infrastructure	27,623	1,213	33,516	23,344
			783,991	721,727
<b>Alternative Investments:</b>				
NBIMC North American Market Neutral	52,222	1,225	63,954	66,146
NBIMC Quantitative Strategies	79,377	1,150	91,275	78,460
NBIMC New Brunswick and Atlantic Canada Equity Opportunity	2,879	4,308	12,404	7,893
NBIMC Private Equity	84,617	1,526	129,098	115,279
			296,731	267,778
			\$ 4,446,152	\$ 4,154,531

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

<i>Judges'</i> <i>(\$ thousands)</i>	<b>Units</b> <i>(# rounded)</i>	<b>Unit</b> <b>Value</b> <i>(rounded</i> <i>in dollars)</i>	<b>Fair Value</b> <b>March 31,</b> <b>2013</b>	<b>Fair Value</b> <b>March 31,</b> <b>2012</b>
<b>Fixed Income:</b>				
NBIMC Nominal Bond	2,394	\$ 2,322	\$ 5,559	\$ 7,129
NBIMC Corporate Bond	2,114	1,087	2,298	847
NBIMC New Brunswick Fixed Income Opportunity	20	2,760	56	72
NBIMC Money Market	149	1,541	229	463
NBIMC Student Investment	4	2,767	10	10
			8,152	8,521
<b>Equities:</b>				
NBIMC Canadian Equity Index	1,495	2,484	3,711	3,623
NBIMC Low Volatility Canadian Equity	649	1,028	667	—
NBIMC External Canadian Equity	434	2,883	1,250	1,169
NBIMC S&P/TSX Completion Index	229	2,692	617	591
NBIMC Canadian Equity Active Long Strategy	670	1,053	706	960
NBIMC External International Equity	533	1,282	683	592
NBIMC EAFE Equity Index	4,264	967	4,125	3,999
NBIMC Low Volatility International Equity	855	1,240	1,061	635
NBIMC U.S. Equity Index	2,864	1,302	3,730	3,400
NBIMC Low Volatility U.S. Equity	829	1,274	1,056	627
			17,606	15,596
<b>Inflation Linked Assets:</b>				
NBIMC Inflation Linked Securities	899	3,395	3,049	2,721
NBIMC Canadian Real Estate	427	3,184	1,359	1,056
NBIMC International Real Estate	179	4,120	736	986
NBIMC Infrastructure	203	1,213	246	169
			5,390	4,932
<b>Alternative Investments:</b>				
NBIMC North American Market Neutral	392	1,225	481	495
NBIMC Quantitative Strategies	597	1,150	686	587
NBIMC New Brunswick and Atlantic Canada Equity Opportunity	22	4,308	93	59
NBIMC Private Equity	660	1,526	1,007	886
			2,267	2,027
			\$ 33,415	\$ 31,076

### 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 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 are shown in the following tables:

**PUBLIC SERVICE**

<i>(\$ thousands)</i>	<b>Fair Value March 31, 2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Fixed Income:</b>				
NBIMC Nominal Bond	\$ 934,258	\$ 776,508	\$ 157,750	\$ —
NBIMC Corporate Bond	386,202	374,377	11,825	—
NBIMC New Brunswick Fixed Income Opportunity	9,384	—	—	9,384
NBIMC Money Market	38,873	2,870	36,003	—
NBIMC Student Investment	1,342	1,255	87	—
	1,370,059	1,155,010	205,665	9,384
<b>Equities:</b>				
NBIMC Canadian Equity Index	626,706	15,076	611,630	—
NBIMC Low Volatility Canadian Equity	112,095	111,900	195	—
NBIMC External Canadian Equity	209,275	97,191	112,084	—
NBIMC S&P/TSX Completion Index	103,251	102,095	1,156	—
NBIMC Canadian Equity Active Long Strategy	117,364	110,055	7,309	—
NBIMC External International Equity	114,340	—	114,340	—
NBIMC EAFE Equity Index	699,332	686,176	13,156	—
NBIMC Low Volatility International Equity	178,262	178,262	—	—
NBIMC U.S. Equity Index	630,875	572,378	58,497	—
NBIMC Low Volatility U.S. Equity	177,492	176,904	588	—
	2,968,992	2,050,037	918,955	—
<b>Inflation Linked Assets:</b>				
NBIMC Inflation Linked Securities	512,665	—	512,665	—
NBIMC Canadian Real Estate	228,303	118,306	—	109,997
NBIMC International Real Estate	123,981	123,478	503	—
NBIMC Infrastructure	41,083	467	187	40,429
	906,032	242,251	513,355	150,426
<b>Alternative Investments:</b>				
NBIMC North American Market Neutral	80,784	(232)	81,016	—
NBIMC Quantitative Strategies	115,294	27,230	88,064	—
NBIMC New Brunswick and Atlantic Canada Equity Opportunity	15,278	—	—	15,278
NBIMC Private Equity	159,657	—	—	159,657
	371,013	26,998	169,080	174,935
<b>Total</b>	<b>\$ 5,616,096</b>	<b>\$ 3,474,296</b>	<b>\$ 1,807,055</b>	<b>\$ 334,745</b>



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

<i>(\$ thousands)</i>	<b>Fair Value March 31, 2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Fixed Income:</b>				
NBIMC Nominal Bond	\$ 784,200	\$ 651,788	\$ 132,412	\$ —
NBIMC Corporate Bond	283,500	274,820	8,680	—
NBIMC New Brunswick Fixed Income Opportunity	7,351	—	—	7,351
NBIMC Money Market	30,376	2,240	28,136	—
NBIMC Student Investment	1,462	1,367	95	—
	1,106,889	930,215	169,323	7,351
<b>Equities:</b>				
NBIMC Canadian Equity Index	451,016	10,850	440,166	—
NBIMC Low Volatility Canadian Equity	88,742	88,588	154	—
NBIMC External Canadian Equity	166,522	77,335	89,187	—
NBIMC S&P/TSX Completion Index	82,162	81,242	920	—
NBIMC Canadian Equity Active Long Strategy	91,993	86,264	5,729	—
NBIMC External International Equity	90,983	—	90,983	—
NBIMC EAFE Equity Index	524,942	515,067	9,875	—
NBIMC Low Volatility International Equity	141,125	141,125	—	—
NBIMC U.S. Equity Index	480,540	435,983	44,557	—
NBIMC Low Volatility U.S. Equity	140,516	140,050	466	—
	2,258,541	1,576,504	682,037	—
<b>Inflation Linked Assets:</b>				
NBIMC Inflation Linked Securities	428,109	—	428,109	—
NBIMC Canadian Real Estate	180,731	93,654	—	87,077
NBIMC International Real Estate	141,635	141,060	575	—
NBIMC Infrastructure	33,516	380	153	32,983
	783,991	235,094	428,837	120,060
<b>Alternative Investments:</b>				
NBIMC North American Market Neutral	63,954	(184)	64,138	—
NBIMC Quantitative Strategies	91,275	21,557	69,718	—
NBIMC New Brunswick and Atlantic Canada Equity Opportunity	12,404	—	—	12,404
NBIMC Private Equity	129,098	—	—	129,098
	296,731	21,373	133,856	141,502
<b>Total</b>	<b>\$ 4,446,152</b>	<b>\$ 2,763,186</b>	<b>\$ 1,414,053</b>	<b>\$ 268,913</b>

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

<i>(\$ thousands)</i>	<b>Fair Value March 31, 2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Fixed Income:</b>				
NBIMC Nominal Bond	\$ 5,559	\$ 4,620	\$ 939	\$ —
NBIMC Corporate Bond	2,298	2,228	70	—
NBIMC New Brunswick Fixed Income Opportunity	56	—	—	56
NBIMC Money Market	229	18	211	—
NBIMC Student Investment	10	9	1	—
	8,152	6,875	1,221	56
<b>Equities:</b>				
NBIMC Canadian Equity Index	3,711	87	3,624	—
NBIMC Low Volatility Canadian Equity	667	666	1	—
NBIMC External Canadian Equity	1,250	580	670	—
NBIMC S&P/TSX Completion Index	617	610	7	—
NBIMC Canadian Equity Active Long Strategy	706	662	44	—
NBIMC External International Equity	683	—	683	—
NBIMC EAFE Equity Index	4,125	4,047	78	—
NBIMC Low Volatility International Equity	1,061	1,061	—	—
NBIMC U.S. Equity Index	3,730	3,384	346	—
NBIMC Low Volatility U.S. Equity	1,056	1,053	3	—
	17,606	12,150	5,456	—
<b>Inflation Linked Assets:</b>				
NBIMC Inflation Linked Securities	3,049	—	3,049	—
NBIMC Canadian Real Estate	1,359	704	—	655
NBIMC International Real Estate	736	733	3	—
NBIMC Infrastructure	246	3	1	242
	5,390	1,440	3,053	897
<b>Alternative Investments:</b>				
NBIMC North American Market Neutral	481	—	481	—
NBIMC Quantitative Strategies	686	162	524	—
NBIMC New Brunswick and Atlantic Canada Equity Opportunity	93	—	—	93
NBIMC Private Equity	1,007	—	—	1,007
	2,267	162	1,005	1,100
<b>Total</b>	<b>\$ 33,415</b>	<b>\$ 20,627</b>	<b>\$ 10,735</b>	<b>\$ 2,053</b>

**3. Investments (cont'd)**
**PUBLIC SERVICE**

<i>(\$ thousands)</i>	<b>Fair Value March 31, 2012</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Fixed Income:</b>				
NBIMC Nominal Bond	\$ 1,196,712	\$ 1,046,162	\$ 150,550	\$ —
NBIMC Corporate Bond	142,103	130,744	11,359	—
NBIMC New Brunswick Fixed Income Opportunity	12,123	28	—	12,095
NBIMC Money Market	78,014	2,774	75,240	—
NBIMC Student Investment	1,276	1,178	98	—
	1,430,228	1,180,886	237,247	12,095
<b>Equities:</b>				
NBIMC Canadian Equity Index	608,317	72,490	535,827	—
NBIMC External Canadian Equity	196,139	90,501	105,638	—
NBIMC S&P/TSX Completion Index	99,253	98,688	565	—
NBIMC Canadian Equity Active Long Strategy	161,068	159,849	1,219	—
NBIMC External International Equity	99,312	—	99,312	—
NBIMC EAFE Equity Index	675,781	675,876	(95)	—
NBIMC Low Volatility International Equity	106,565	106,565	—	—
NBIMC U.S. Equity Index	573,885	573,605	280	—
NBIMC Low Volatility U.S. Equity	105,321	105,255	66	—
	2,625,641	1,882,829	742,812	—
<b>Inflation Linked Assets:</b>				
NBIMC Inflation Linked Securities	456,735	—	456,735	—
NBIMC Canadian Real Estate	177,299	104,482	—	72,817
NBIMC International Real Estate	165,689	164,778	911	—
NBIMC Infrastructure	28,144	—	(116)	28,260
	827,867	269,260	457,530	101,077
<b>Alternative Investments:</b>				
NBIMC North American Market Neutral	83,046	1,101	81,945	—
NBIMC Quantitative Strategies	98,506	22,731	75,775	—
NBIMC New Brunswick and Atlantic Canada Equity Opportunity	9,649	—	—	9,649
NBIMC Private Equity	141,009	—	—	141,009
	332,210	23,832	157,720	150,658
<b>Total</b>	<b>\$ 5,215,946</b>	<b>\$ 3,356,807</b>	<b>\$ 1,595,309</b>	<b>\$ 263,830</b>

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

<i>(\$ thousands)</i>	<b>Fair Value March 31, 2012</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Fixed Income:</b>				
NBIMC Nominal Bond	\$ 973,963	\$ 851,431	\$ 122,532	\$ —
NBIMC Corporate Bond	113,185	104,138	9,047	—
NBIMC New Brunswick Fixed Income Opportunity	9,656	22	—	9,634
NBIMC Money Market	61,765	2,199	59,566	—
NBIMC Student Investment	1,389	1,283	106	—
	1,159,958	959,073	191,251	9,634
<b>Equities:</b>				
NBIMC Canadian Equity Index	442,764	52,763	390,001	—
NBIMC External Canadian Equity	156,225	72,084	84,141	—
NBIMC S&P/TSX Completion Index	79,055	78,605	450	—
NBIMC Canadian Equity Active Long Strategy	128,290	127,320	970	—
NBIMC External International Equity	79,102	(1)	79,103	—
NBIMC EAFE Equity Index	511,607	511,679	(72)	—
NBIMC Low Volatility International Equity	84,879	84,879	—	—
NBIMC U.S. Equity Index	439,258	439,044	214	—
NBIMC Low Volatility U.S. Equity	83,888	83,836	52	—
	2,005,068	1,450,209	554,859	—
<b>Inflation Linked Assets:</b>				
NBIMC Inflation Linked Securities	384,573	—	384,573	—
NBIMC Canadian Real Estate	141,220	83,221	—	57,999
NBIMC International Real Estate	172,590	171,641	949	—
NBIMC Infrastructure	23,344	—	(97)	23,441
	721,727	254,862	385,425	81,440
<b>Alternative Investments:</b>				
NBIMC North American Market Neutral	66,146	878	65,268	—
NBIMC Quantitative Strategies	78,460	18,104	60,356	—
NBIMC New Brunswick and Atlantic Canada Equity Opportunity	7,893	—	—	7,893
NBIMC Private Equity	115,279	—	—	115,279
	267,778	18,982	125,624	123,172
<b>Total</b>	<b>\$ 4,154,531</b>	<b>\$ 2,683,126</b>	<b>\$ 1,257,159</b>	<b>\$ 214,246</b>

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

<i>(\$ thousands)</i>	<b>Fair Value March 31, 2012</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Fixed Income:</b>				
NBIMC Nominal Bond	\$ 7,129	\$ 6,232	\$ 897	\$ —
NBIMC Corporate Bond	847	779	68	—
NBIMC New Brunswick Fixed Income Opportunity	72	—	—	72
NBIMC Money Market	463	17	446	—
NBIMC Student Investment	10	9	1	—
	8,521	7,037	1,412	72
<b>Equities:</b>				
NBIMC Canadian Equity Index	3,623	431	3,192	—
NBIMC External Canadian Equity	1,169	540	629	—
NBIMC S&P/TSX Completion Index	591	588	3	—
NBIMC Canadian Equity Active Long Strategy	960	953	7	—
NBIMC External International Equity	592	—	592	—
NBIMC EAFE Equity Index	3,999	4,000	(1)	—
NBIMC Low Volatility International Equity	635	635	—	—
NBIMC U.S. Equity Index	3,400	3,398	2	—
NBIMC Low Volatility U.S. Equity	627	627	—	—
	15,596	11,172	4,424	—
<b>Inflation Linked Assets:</b>				
NBIMC Inflation Linked Securities	2,722	—	2,722	—
NBIMC Canadian Real Estate	1,055	622	—	433
NBIMC International Real Estate	986	981	5	—
NBIMC Infrastructure	169	—	(1)	170
	4,932	1,603	2,726	603
<b>Alternative Investments:</b>				
NBIMC North American Market Neutral	495	7	488	—
NBIMC Quantitative Strategies	587	135	452	—
NBIMC New Brunswick and Atlantic Canada Equity Opportunity	59	—	—	59
NBIMC Private Equity	886	—	—	886
	2,027	142	940	945
<b>Total</b>	<b>\$ 31,076</b>	<b>\$ 19,954</b>	<b>\$ 9,502</b>	<b>\$ 1,620</b>

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

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

**PUBLIC SERVICE**

<i>(\$ thousands)</i>	Fair Value April 1, 2012	Gains (losses) in net investment income	Purchases	Settlements	Transfers out of Level 3	Fair Value March 31, 2013
NBIMC New Brunswick						
Fixed Income Opportunity	\$ 12,095	\$ 20	\$ —	\$ 2,731	\$ —	\$ 9,384
NBIMC Canadian Real Estate	72,817	5,816	62,966	31,602	—	109,997
NBIMC Infrastructure	28,260	506	11,820	157	—	40,429
NBIMC New Brunswick and Atlantic Canada Equity Opportunity	9,649	2,889	2,740	—	—	15,278
NBIMC Private Equity	141,009	14,278	36,317	31,947	—	159,657

**TEACHERS'**

<i>(\$ thousands)</i>	Fair Value April 1, 2012	Gains (losses) in net investment income	Purchases	Settlements	Transfers out of Level 3	Fair Value March 31, 2013
NBIMC New Brunswick						
Fixed Income Opportunity	\$ 9,634	\$ (143)	\$ —	\$ 2,140	\$ —	\$ 7,351
NBIMC Canadian Real Estate	57,999	4,250	49,845	25,017	—	87,077
NBIMC Infrastructure	23,441	27	9,643	128	—	32,983
NBIMC New Brunswick and Atlantic Canada Equity Opportunity	7,893	2,287	2,224	—	—	12,404
NBIMC Private Equity	115,279	10,286	29,365	25,832	—	129,098

**JUDGES'**

<i>(\$ thousands)</i>	Fair Value April 1, 2012	Gains (losses) in net investment income	Purchases	Settlements	Transfers out of Level 3	Fair Value March 31, 2013
NBIMC New Brunswick						
Fixed Income Opportunity	\$ 72	\$ —	\$ —	\$ 16	\$ —	\$ 56
NBIMC Canadian Real Estate	433	34	376	188	—	655
NBIMC Infrastructure	170	2	71	1	—	242
NBIMC New Brunswick and Atlantic Canada Equity Opportunity	59	17	17	—	—	93
NBIMC Private Equity	886	93	229	201	—	1,007

**3. Investments (cont'd)****PUBLIC SERVICE**

<i>(\$ thousands)</i>	Fair Value April 1, 2011	Gains (losses) in net investment income	Purchases	Settlements	Transfers out of Level 3	Fair Value March 31, 2012
NBIMC New Brunswick						
Fixed Income Opportunity	\$ 12,059	\$ 405	—	369	\$ —	\$ 12,095
NBIMC Canadian Real Estate	57,141	5,982	14,357	4,663	—	72,817
NBIMC Infrastructure	45,237	1,781	137	18,895	—	28,260
NBIMC New Brunswick and Atlantic Canada Equity						
Opportunity	21,607	11,993	549	24,500	—	9,649
NBIMC Private Equity	122,713	16,758	25,660	24,122	—	141,009

**TEACHERS'**

<i>(\$ thousands)</i>	Fair Value April 1, 2011	Gains (losses) in net investment income	Purchases	Settlements	Transfers out of Level 3	Fair Value March 31, 2012
NBIMC New Brunswick						
Fixed Income Opportunity	\$ 9,643	\$ 285	—	294	\$ —	\$ 9,634
NBIMC Canadian Real Estate	41,645	8,631	11,437	3,714	—	57,999
NBIMC Infrastructure	36,477	2,523	114	15,673	—	23,441
NBIMC New Brunswick and Atlantic Canada Equity						
Opportunity	17,825	9,658	450	20,040	—	7,893
NBIMC Private Equity	100,334	13,689	20,977	19,721	—	115,279

**JUDGES'**

<i>(\$ thousands)</i>	Fair Value April 1, 2011	Gains (losses) in net investment income	Purchases	Settlements	Transfers out of Level 3	Fair Value March 31, 2012
NBIMC New Brunswick						
Fixed Income Opportunity	\$ 71	\$ 3	—	2	\$ —	\$ 72
NBIMC Canadian Real Estate	332	44	85	28	—	433
NBIMC Infrastructure	264	18	1	113	—	170
NBIMC New Brunswick and Atlantic Canada Equity						
Opportunity	129	78	3	151	—	59
NBIMC Private Equity	749	126	162	151	—	886

**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, 2013 the fair value of securities that have been deposited or pledged with various financial institutions as collateral or margin are as follows:

	2013	2012
Public Service	\$ 130,676	\$ 152,038
Teachers'	103,458	120,873
Judges'	778	906

**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, 2013 are as follows:

Public Service (\$ thousands)	Total Exposure	2013 Fair Value by Currency		Total
		Hedged	Net Exposure	
Canadian Dollar	\$ 3,602,025	\$ (39,426)	\$ 3,562,599	63.44 %
United States Dollar	1,056,733	48,775	1,105,508	19.69
Euro	301,153	—	301,153	5.36
Japanese Yen	185,766	—	185,766	3.31
British Pound Sterling	213,439	(9,349)	204,090	3.63
Swiss Frank	76,015	—	76,015	1.35
Danish Kroner	9,657	—	9,657	0.17
Norwegian Kroner	7,159	—	7,159	0.13
Swedish Kroner	26,855	—	26,855	0.48
Other	137,294	—	137,294	2.44
Investments	\$ 5,616,096	\$ —	\$ 5,616,096	100.00 %

**4. Financial Instrument Risk Management (cont'd)**

Teachers' (\$ thousands)	Total Exposure	2013 Fair Value by Currency		
		Hedged	Net Exposure	Total
Canadian Dollar	\$ 2,850,271	\$ (29,683)	\$ 2,820,588	63.44 %
United States Dollar	864,425	37,310	901,735	20.28
Euro	231,939	—	231,939	5.22
Japanese Yen	141,075	—	141,075	3.17
British Pound Sterling	163,120	(7,627)	155,493	3.50
Swiss Frank	57,590	—	57,590	1.30
Danish Kroner	7,322	—	7,322	0.16
Norwegian Kroner	5,422	—	5,422	0.12
Swedish Kroner	20,341	—	20,341	0.46
Other	104,647	—	104,647	2.35
Investments	\$ 4,446,152	\$ —	\$ 4,446,152	100.00 %

Judges' (\$ thousands)	Total Exposure	2013 Fair Value by Currency		
		Hedged	Net Exposure	Total
Canadian Dollar	\$ 21,433	\$ (233)	\$ 21,200	63.44 %
United States Dollar	6,292	289	6,581	19.69
Euro	1,807	—	1,807	5.41
Japanese Yen	1,098	—	1,098	3.29
British Pound Sterling	1,266	(56)	1,210	3.62
Swiss Frank	449	—	449	1.34
Danish Kroner	57	—	57	0.17
Norwegian Kroner	42	—	42	0.13
Swedish Kroner	159	—	159	0.48
Other	812	—	812	2.43
Investments	\$ 33,415	\$ —	\$ 33,415	100.00 %

The net underlying unhedged currency exposures, expressed in Canadian dollar equivalents, as at March 31, 2012 are as follows:

Public Service (\$ thousands)	Total Exposure	2012 Fair Value by Currency		
		Hedged	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	Hedged	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	Hedged	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 %

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 - \$20,535 (2012 - \$18,695), Teachers' - \$16,256 (2012 - \$14,880) and Judges' - \$122 (2012 - \$111).

**(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:

Public Service (\$ thousands)	2013			2012		
	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	\$ 898,386	7.5	\$ 16,257	\$ 1,172,601	7.2	\$ 20,439
NBIMC Corporate Bond	374,306	6.3	5,704	130,744	6.4	2,032
NBIMC New Brunswick Fixed Income Opportunity	9,384	6.1	125	12,095	5.2	136
NBIMC Student Investment	565	7.2	10	532	6.9	9
NBIMC Inflation Linked Securities	509,856	16.7	20,627	451,308	16.8	18,369
	\$ 1,792,497			\$ 1,767,280		

Teachers' (\$ thousands)	2013			2012		
	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	\$ 754,088	7.5	\$ 13,646	\$ 954,341	7.2	\$ 16,634
NBIMC Corporate Bond	274,767	6.3	4,187	104,138	6.4	1,618
NBIMC New Brunswick Fixed Income Opportunity	7,351	6.1	98	9,634	5.2	109
NBIMC Student Investment	615	7.2	11	579	6.9	10
NBIMC Inflation Linked Securities	425,763	16.7	17,225	380,004	16.8	15,467
	\$ 1,462,584			\$ 1,448,696		

Judges' (\$ thousands)	2013			2012		
	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	\$ 5,345	7.5	\$ 97	\$ 6,986	7.2	\$ 122
NBIMC Corporate Bond	2,227	6.3	34	779	6.4	12
NBIMC New Brunswick Fixed Income Opportunity	56	6.1	1	72	5.2	1
NBIMC Student Investment	4	7.2	—	4	6.9	—
NBIMC Inflation Linked Securities	3,034	16.7	123	2,689	16.8	109
	\$ 10,666			\$ 10,530		

**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)	2013 Term to Maturity					Average Effective Yield	2012	
	Within 1 Year	1-5 Years	6-10 Years	Over 10 Years	Total		Total	Average Effective Yield
<b>Canadian</b>								
Government of								
Canada bonds	\$ 32,299	\$ 120,590	\$ 145,076	\$ 428,755	\$ 726,720	2.4%	\$ 852,595	2.5%
Provincial bonds	20,449	84,738	112,132	290,255	507,574	4.0%	563,858	4.1%
Municipal bonds	2,842	69,151	37,099	8,553	117,645	4.3%	121,891	4.4%
Corporate bonds	41,553	200,022	105,493	84,106	431,174	0.6%	219,311	1.6%
Other	—	—	—	9,384	9,384	5.6%	9,625	5.6%
	\$ 97,143	\$ 474,501	\$ 399,800	\$ 821,053	\$ 1,792,497		\$ 1,767,280	

Teachers' (\$ thousands)	2013 Term to Maturity					Average Effective Yield	2012	
	Within 1 Year	1-5 Years	6-10 Years	Over 10 Years	Total		Total	Average Effective Yield
<b>Canadian</b>								
Government of								
Canada bonds	\$ 27,111	\$ 101,249	\$ 121,384	\$ 357,722	\$ 607,466	2.4%	\$ 703,783	2.5%
Provincial bonds	17,165	71,149	94,158	243,312	425,784	4.0%	461,171	4.1%
Municipal bonds	2,385	58,048	31,141	7,179	98,753	4.3%	99,209	4.4%
Corporate bonds	34,696	146,831	77,439	64,264	323,230	0.6%	176,866	1.6%
Other	—	—	—	7,351	7,351	5.6%	7,667	5.6%
	\$ 81,357	\$ 377,277	\$ 324,122	\$ 679,828	\$ 1,462,584		\$ 1,448,696	

Judges' (\$ thousands)	2013 Term to Maturity					Average Effective Yield	2012	
	Within 1 Year	1-5 Years	6-10 Years	Over 10 Years	Total		Total	Average Effective Yield
<b>Canadian</b>								
Government of								
Canada bonds	\$ 192	\$ 719	\$ 863	\$ 2,551	\$ 4,325	2.4%	\$ 5,079	2.5%
Provincial bonds	122	504	667	1,727	3,020	4.0%	3,361	4.1%
Municipal bonds	17	411	221	51	700	4.3%	726	4.4%
Corporate bonds	247	1,190	628	500	2,565	0.6%	1,307	1.6%
Other	—	—	—	56	56	5.6%	57	5.6%
	\$ 578	\$ 2,824	\$ 2,379	\$ 4,885	\$ 10,666		\$ 10,530	

**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:

(\$ thousands)	Public Service		Teachers'		Judges'	
	2013	2012	2013	2012	2013	2012
<b>Fixed Income</b>						
NBIMC Nominal Bond	\$ 934,258	\$1,196,711	\$ 784,200	\$ 973,965	\$ 5,559	\$ 7,129
NBIMC Corporate Bond	386,128	142,103	283,447	113,185	2,297	847
NBIMC New Brunswick Fixed Income Opportunity	9,384	12,095	7,352	9,634	55	72
NBIMC Money Market	37,096	47,472	27,046	35,701	208	278
NBIMC Student Investment	638	604	695	658	6	5
	1,367,504	1,398,985	1,102,740	1,133,143	8,125	8,331
<b>Equities</b>						
NBIMC Canadian Equity Index	611,630	565,605	440,166	411,676	3,624	3,369
NBIMC Low Volatility Canadian Equity	195	—	154	—	1	—
NBIMC External Canadian Equity	3,775	4,347	3,004	3,462	23	26
NBIMC S&P/TSX Completion Index	1,156	564	920	450	7	3
NBIMC Canadian Equity Active Long Strategy	7,308	1,218	5,729	970	44	7
NBIMC EAFE Equity Index	13,156	—	9,875	—	78	—
NBIMC Low Volatility International Equity	—	—	—	—	—	—
NBIMC U.S. Equity Index	58,506	281	44,548	214	346	2
NBIMC Low Volatility U.S. Equity	587	66	466	52	4	—
	696,313	572,081	504,862	416,824	4,127	3,407
<b>Inflation Linked Assets</b>						
NBIMC Inflation Linked Securities	512,666	456,735	428,107	384,573	3,052	2,721
NBIMC Canadian Real Estate	—	4,519	—	3,599	—	27
NBIMC International Real Estate	503	911	575	949	3	5
NBIMC Infrastructure	5,593	5,133	4,564	4,257	34	31
	518,762	467,298	433,246	393,378	3,089	2,784
<b>Alternative Investments</b>						
NBIMC North American Market Neutral	81,007	81,946	64,132	65,268	481	488
NBIMC Quantitative Strategies	87,976	75,598	69,650	60,213	524	450
	168,983	157,544	133,782	125,481	1,005	938
<b>Contributions receivable</b>	10,199	12,684	4,890	5,037	25	36
<b>Other receivables</b>	203	—	171	—	1	—
<b>Total</b>	<b>\$2,761,964</b>	<b>\$2,608,592</b>	<b>\$2,179,691</b>	<b>\$2,073,863</b>	<b>\$ 16,372</b>	<b>\$ 15,496</b>

**4. Financial Instrument Risk Management (cont'd)**

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

(\$ thousands)	Public Service		Teachers'		Judges'	
	2013	2012	2013	2012	2013	2012
AAA	\$ 870,037	\$ 998,025	\$ 726,438	\$ 822,079	\$ 5,177	\$ 5,947
AA	858,069	899,768	656,393	689,846	5,088	5,317
A	627,398	459,900	489,615	367,603	3,694	2,740
BBB	84,483	28,804	62,237	23,056	503	172
R-1	314,224	209,857	238,887	161,358	1,857	1,247
Other	7,753	12,238	6,121	9,921	53	73
	\$2,761,964	\$2,608,592	\$2,179,691	\$2,073,863	\$ 16,372	\$ 15,496

As at March 31, 2013, 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.

**(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 including treasury bills and bankers' acceptances, 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.

**4. Financial Instrument Risk Management (cont'd)**

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, 2013 (\$ thousands)	Public Service	Teachers'	Judges'
Net assets	\$ 5,623,211	\$ 4,448,519	\$ 33,415
Less: investment in NBIMC New Brunswick Fixed Income Opportunity (note 3)	(9,384)	(7,351)	(56)
Less: non-publicly traded assets in NBIMC Canadian Real Estate (note 3)	(109,997)	(87,077)	(655)
Less: investment in NBIMC Infrastructure (note 3)	(41,083)	(33,516)	(246)
Less: investment in NBIMC New Brunswick and Atlantic Canada Equity Opportunity (note 3)	(15,278)	(12,404)	(93)
Less: investment in NBIMC Private Equity (note 3)	(159,657)	(129,098)	(1,007)
Less: collateral pledged (note 3)	(130,676)	(103,458)	(778)
Less: investment commitments (note 9)	(133,973)	(108,179)	(841)
Net liquid assets	\$ 5,023,163	\$ 3,967,436	\$ 29,739

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)	(12,123)	(9,656)	(72)
Less: investment in NBIMC Canadian Real Estate (note 3)	(72,817)	(57,999)	(433)
Less: investment in NBIMC Infrastructure (note 3)	(28,144)	(23,344)	(170)
Less: investment in NBIMC New Brunswick and Atlantic Canada Equity Opportunity (note 3)	(9,649)	(7,893)	(59)
Less: investment in NBIMC Private Equity (note 3)	(141,009)	(115,279)	(886)
Less: collateral pledged (note 3)	(152,038)	(120,873)	(906)
Less: investment commitments (note 9)	(114,191)	(92,934)	(712)
Net liquid assets	\$ 4,696,260	\$ 3,729,530	\$ 27,862



**4. Financial Instrument Risk Management (cont'd)****(g) Securities Lending:**

Certain of the unit trust funds in which the Funds are 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 as follows:

(\$ thousands)	Public Service		Teachers'		Judges'	
	2013	2012	2013	2012	2013	2012
<b>Fixed Income</b>						
NBIMC Nominal Bond	\$ 195,313	\$ 244,249	\$ 163,941	\$ 198,786	\$ 1,163	\$ 1,455
NBIMC Corporate Bond	28,435	—	20,874	—	169	—
NBIMC Money Market	8,127	15,922	6,350	12,606	48	94
NBIMC Student Investment	250	227	274	247	2	2
	232,125	260,398	191,439	211,639	1,382	1,551
<b>Equities</b>						
NBIMC Canadian Equity Index	15,171	30,361	10,919	22,098	90	181
NBIMC Low Volatility Canadian Equity Fund	12,956	—	10,257	—	77	—
NBIMC External Canadian Equity	12,075	16,973	9,608	13,519	72	101
NBIMC S&P/TSX Completion Index	33,869	32,887	26,951	26,194	202	196
NBIMC Canadian Equity Active Long Strategy	18,245	28,064	14,300	22,355	110	166
NBIMC EAFE Equity Index	65,429	77,470	49,113	58,650	386	458
NBIMC Low Volatility International Equity	23,262	5,368	18,416	4,276	138	32
NBIMC U.S. Equity Index	42,791	41,812	32,594	32,001	253	249
NBIMC Low Volatility U.S. Equity	8,713	—	6,898	—	52	—
	232,511	232,935	179,056	179,093	1,380	1,383
<b>Inflation Linked Assets</b>						
NBIMC Inflation Linked Securities	126,630	93,220	105,744	78,491	754	556
NBIMC International Real Estate	14	4,792	16	4,993	—	28
	126,644	98,012	105,760	83,484	754	584
<b>Alternative Investments</b>						
NBIMC North American Market Neutral	7,331	8,564	5,803	6,821	44	50
NBIMC Quantitative Strategies	8,300	7,250	6,571	5,775	49	44
	15,631	15,814	12,374	12,596	93	94
<b>Total</b>	<b>\$ 606,911</b>	<b>\$ 607,159</b>	<b>\$ 488,629</b>	<b>\$ 486,812</b>	<b>\$ 3,609</b>	<b>\$ 3,612</b>

## 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.

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)	2013		2012	
	Notional Value	Fair Value	Notional Value	Fair Value
Asset management:				
Equity futures	\$ 81,037	\$ 1,250	\$ (22,974)	\$ 441
Equity swaps	583,817	7,984	556,275	7,603
Forward exchange contracts	(39,702)	(278)	11,262	(147)
Net fair value of derivative contracts		\$ 8,956		\$ 7,897

Teachers' (\$ thousands)	2013		2012	
	Notional Value	Fair Value	Notional Value	Fair Value
Asset management:				
Equity futures	\$ 61,529	\$ 974	\$ (16,434)	\$ 344
Equity swaps	420,543	5,764	404,884	5,534
Forward exchange contracts	(29,882)	(199)	9,328	(123)
Net fair value of derivative contracts		\$ 6,539		\$ 5,755

**5. Derivatives (cont'd)**

Judges' (\$ thousands)	2013		2012	
	Notional Value	Fair Value	Notional Value	Fair Value
Asset management:				
Equity futures	\$ 478	\$ 7	\$ (137)	\$ 3
Equity swaps	3,459	48	3,313	45
Forward exchange contracts	(234)	(1)	68	—
Net fair value of derivative contracts		\$ 54		\$ 48

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

(\$ thousands)	Public Service		Teachers'		Judges'	
	2013	2012	2013	2012	2013	2012
Under 1 year	\$ 625,152	\$ 544,563	\$ 452,190	\$ 397,778	\$ 3,703	\$ 3,244

**6. Net Investment Income**

(a) Net Investment Income (Loss) by type:

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

(\$ thousands)	Public Service		Teachers'		Judges'	
	2013	2012	2013	2012	2013	2012
Interest income	\$ 66,696	\$ 72,143	\$ 54,668	\$ 59,038	\$ 392	\$ 426
Dividend income	84,529	59,266	67,009	47,178	503	352
Income from Money Market Pool	3,321	3,723	2,627	3,010	20	22
Income (loss) from derivatives	42,338	(45,525)	30,868	(33,411)	251	(271)
Securities lending income	1,305	1,056	1,006	814	8	6
Transaction costs	(4,910)	(5,861)	(3,798)	(4,577)	(29)	(35)
Other	(2,922)	(3,376)	(2,354)	(2,737)	(18)	(20)
	190,357	81,426	150,026	69,315	1,127	480
Realized gains on investments	208,391	52,141	165,850	47,951	1,235	317
Unrealized gains on investments	70,195	105,612	55,610	88,827	423	630
Total gain on investments	278,586	157,753	221,460	136,778	1,658	947
Net investment income	\$ 468,943	\$ 239,179	\$ 371,486	\$ 206,093	\$ 2,785	\$ 1,427

**6. Net Investment Income (cont'd)**

(b) Net Investment Income (Loss) by unit trust fund:

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

(\$ thousands)	Public Service		Teachers'		Judges'	
	2013	2012	2013	2012	2013	2012
<b>Fixed Income</b>						
NBIMC Nominal Bond	\$ 43,570	\$ 132,948	\$ 35,911	\$ 108,233	\$ 258	\$ 782
NBIMC Corporate Bond	15,682	1,406	11,767	1,123	93	8
NBIMC New Brunswick Fixed Income Opportunity	477	1,114	378	891	3	7
NBIMC Money Market	585	1,242	452	985	3	7
NBIMC Student Investment	67	(18)	73	(20)	—	—
	60,381	136,692	48,581	111,212	357	804
<b>Equities</b>						
NBIMC Canadian Equity Index	48,349	(38,987)	35,360	(27,717)	286	(226)
NBIMC Low Volatility Canadian Equity Fund	2,149	—	1,707	—	13	—
NBIMC External Canadian Equity	13,030	(16,952)	10,407	(13,544)	78	(99)
NBIMC S&P/TSX Completion Index	3,950	(9,447)	3,156	(7,550)	24	(55)
NBIMC Canadian Equity Active Long Strategy	10,803	(19,910)	8,543	(15,911)	66	(116)
NBIMC External International Equity	14,963	(4,472)	11,948	(3,570)	89	(26)
NBIMC EAFE Equity Index	92,033	(13,532)	69,538	(10,265)	541	(77)
NBIMC Low Volatility International	23,195	3,506	18,443	2,802	138	21
NBIMC U.S. Equity Index	90,750	61,649	69,405	47,214	536	364
NBIMC Low Volatility U.S. Equity	26,938	3,549	21,421	2,836	160	21
	326,160	(34,596)	249,928	(25,705)	1,931	(193)
<b>Inflation Linked Assets</b>						
NBIMC Inflation Linked Securities	11,419	69,958	9,613	59,051	68	413
NBIMC Canadian Real Estate	22,277	12,062	17,737	9,250	133	71
NBIMC International Real Estate	21,651	29,612	23,685	31,176	129	175
NBIMC Infrastructure Fund	2,102	3,758	1,734	3,113	13	22
	57,449	115,390	52,769	102,590	343	681
<b>Alternative Investments</b>						
NBIMC North American Market Neutral	535	(11,794)	428	(9,438)	3	(69)
NBIMC Quantitative Strategies	5,332	4,586	4,242	3,669	32	27
NBIMC New Brunswick and Atlantic Canada Equity Opportunity	4,395	13,178	3,577	10,866	27	81
NBIMC Private Equity	14,691	15,723	11,961	12,899	92	96
	24,953	21,693	20,208	17,996	154	135
<b>Net investment income</b>	<b>\$ 468,943</b>	<b>\$ 239,179</b>	<b>\$ 371,486</b>	<b>\$ 206,093</b>	<b>\$ 2,785</b>	<b>\$ 1,427</b>

### 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.

The most recent actuarial valuation received 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:

	2013 Annualized Nominal Returns Actuarial			2012 Annualized Nominal Returns Actuarial		
	Requirement	4 Year	10 Year	Requirement	4 Year	10 Year
Public Service	6.60%	10.93%	7.90%	6.60%	3.15%	6.16%
Teachers'	6.60%	11.04%	7.87%	6.60%	3.32%	6.22%
Judges'	6.60%	10.93%	8.13%	6.60%	3.14%	6.19%

### 8. Related Party Transactions

The Province of New Brunswick is the Plan Sponsor for the Public Service Superannuation Act ("PSSA"), Teachers' Pension Act ("TPA") and the Provincial Court Judges' Pension Act ("JPA") and therefore is related to the Funds. The amounts of contributions to and payments from the Funds are determined by the Plan Sponsor and are shown in the Statements of Changes in Net Assets Held in Trust. The Plan Sponsor is responsible for the administration of collections from and payments to the pension plan members. The Plan Sponsor and NBIMC charge fees for services to the respective Funds on a cost recovery basis which are also shown in the Statements of Changes in Net Assets Held in Trust.

Included in the Statement of Net Assets Held in Trust are investments in New Brunswick provincial and municipal bonds that are recorded at their fair values as follows:

<i>(\$ thousands)</i>	2013	2012
Public Service	\$ 36,282	\$ 51,496
Teachers'	30,454	41,911
Judges	216	307

Contributions receivable from the Plan Sponsor as at March 31, 2013 are as shown in the Statement of Net Assets Held in Trust.

Accounts payable and accrued liabilities as at March 31, 2013 as shown in the Statement of Net Assets Held in Trust include the following amounts due to related parties:

<i>(\$ thousands)</i>	2013	2012
Public Service	\$ 2,313	\$ 1,798
Teachers'	1,666	1,537
Judges	22	9

**8. Related Party Transactions (cont'd)**

The Funds have undivided interests in the underlying assets of the Unit Trust Funds. The NBIMC Canadian Real Estate Fund have made certain of its direct and indirect real estate investments using wholly-owned subsidiary company structures.

NBIMC's Board of Directors and key management personnel are related parties by virtue of their collective ability to manage the activities of the Funds.

The cost of the Board function, including per diems, director orientation and Board education, for the year ended March 31, 2013 was \$133 (2012 - \$125) plus travel and accommodation reimbursements of \$14 (2012 - \$15).

Compensation earned by key management personnel is paid by NBIMC. NBIMC recovers this compensation through its investment management fee charged to the Funds. Compensation earned by key management personnel during the year is as follows:

<i>(\$ thousands)</i>	2013	2012
Salary and benefits	\$ 1,123	\$ 1,094
Short-term incentive plan	322	310
Long-term incentive plan	487	212
Pension contribution	122	113
Retirement allowance	24	26
	<b>\$ 2,078</b>	<b>\$ 1,755</b>

**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:

<i>(\$ thousands)</i>	Public Service		Teachers'		Judges'	
	2013	2012	2013	2012	2013	2012
NBIMC Private Equity	\$ 125,162	\$ 94,221	\$ 101,204	\$ 77,028	\$ 789	\$ 593
NBIMC Canadian Real Estate	8,811	19,970	6,975	15,906	52	119
	<b>\$ 133,973</b>	<b>\$ 114,191</b>	<b>\$ 108,179</b>	<b>\$ 92,934</b>	<b>\$ 841</b>	<b>\$ 712</b>

**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION**  
**FINANCIAL STATEMENTS**  
**March 31, 2013**

## INDEPENDENT AUDITORS' REPORT

To the Directors of New Brunswick Investment Management Corporation

We have audited the accompanying financial statements of New Brunswick Investment Management Corporation, which comprise the statement of financial position as at March 31, 2013, the statement of operations and changes in accumulated deficit, changes in net debt and its cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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

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

### *Auditors' Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of New Brunswick Investment Management Corporation as at March 31, 2013, and its results of operations and changes in accumulated deficit, changes in net debt and cash flows for the year then ended in accordance with Canadian public sector accounting standards.



Chartered Accountants  
June 4, 2013  
Fredericton, Canada



**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION**

**Statement of Financial Position**

*(in thousands of Canadian dollars)*

	March 31, 2013	March 31, 2012
<b>FINANCIAL ASSETS</b>		
Cash	\$ 89	\$ 55
Accounts receivable – Pension Funds	2,522	1,745
Other receivables	5	8
Total financial assets	2,616	1,808
<b>FINANCIAL LIABILITIES</b>		
Accounts payable and accrued liabilities	2,191	1,529
Supplemental pension <i>(note 5)</i>	374	379
Employee future benefits <i>(note 6)</i>	730	642
Total financial liabilities	3,295	2,550
<b>NET DEBT</b>	(679)	(742)
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets <i>(note 3)</i>	271	315
Prepaid expenses	237	300
Total non-financial assets	508	615
<b>ACCUMULATED DEFICIT</b>	\$ (171)	\$ (127)

Contractual obligations and contingencies *(note 4)*

Subsequent event *(note 6(b))*

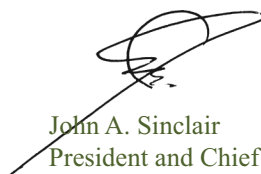
Indemnifications *(note 9)*

*See accompanying notes to financial statements*

Approved on behalf of the Board:



Michael W. Walton  
Chairman of the Board



John A. Sinclair  
President and Chief Executive Officer

**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION**

**Statement of Operations and Changes in Accumulated Deficit**

For the year ended March 31, 2013

(in thousands of Canadian dollars)

	<b>Budget 2013</b> <i>(note 8)</i> <i>(unaudited)</i>	<b>Actual 2013</b>	<b>Actual 2012</b>
<b>REVENUE</b>			
Fees:			
Public Service Superannuation Fund	\$ 5,182	\$ 4,928	\$ 4,653
Teachers' Pension Fund	4,128	3,922	3,721
Judges' Superannuation Fund	31	29	27
Other	—	2	2
<b>Total revenue</b>	<b>9,341</b>	<b>8,881</b>	<b>8,403</b>
<b>EXPENSES</b>			
Salaries and benefits	6,216	6,415	5,787
Information systems	1,463	1,409	1,362
Office and business	594	351	426
Professional services	573	301	375
Office rent	317	309	294
Amortization of tangible capital assets	140	140	143
<b>Total expenses</b>	<b>9,303</b>	<b>8,925</b>	<b>8,387</b>
<b>ANNUAL (DEFICIT) / SURPLUS</b>	<b>\$ 38</b>	<b>\$ (44)</b>	<b>\$ 16</b>
<b>ACCUMULATED DEFICIT, beginning of year</b>	<b>\$ (127)</b>	<b>\$ (127)</b>	<b>\$ (143)</b>
Annual (deficit) / surplus	38	(44)	16
<b>ACCUMULATED DEFICIT, end of year</b>	<b>\$ (89)</b>	<b>\$ (171)</b>	<b>\$ (127)</b>

See accompanying notes to financial statements

**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION**

**Statement of Changes in Net Debt**

For the year ended March 31, 2013

(in thousands of Canadian dollars)

	<b>Budget 2013 (note 8)</b>	<b>Actual 2013</b>	<b>Actual 2012</b>
<b>NET DEBT, BEGINNING OF YEAR</b>	\$ (742)	\$ (742)	\$ (725)
<b>CHANGES IN YEAR</b>			
Annual (deficit) / surplus	38	(44)	16
Purchases of tangible capital assets	(178)	(96)	(159)
Amortization of tangible capital assets	140	140	143
Net change in prepaid expenses	—	63	(17)
<b>DECREASE (INCREASE) IN NET DEBT</b>	—	63	(17)
<b>NET DEBT, END OF YEAR</b>	\$ (742)	\$ (679)	\$ (742)

*See accompanying notes to financial statements*

**NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION**

**Statement of Cash Flow**

For the year ended March 31, 2013

(in thousands of Canadian dollars)

	Actual 2013	Actual 2012
<b>OPERATING ACTIVITIES</b>		
<b>Annual (deficit) / surplus</b>	\$ (44)	\$ 16
<b>Non cash items:</b>		
Amortization of tangible capital assets	140	143
Increase in accounts receivable – Pension Funds	(777)	(184)
Decrease in other receivables	3	2
Increase in accounts payable and accrued liabilities	662	182
Increase in supplemental pension	17	17
Increase in employee future benefits	88	36
Decrease (increase) in prepaid expenses	63	(17)
Net cash from operating activities	152	195
<b>CAPITAL ACTIVITIES</b>		
Purchases of tangible capital assets	(96)	(159)
Net cash used in capital activities	(96)	(159)
<b>FINANCING ACTIVITIES</b>		
Payment of supplemental pension	(22)	(22)
Net cash used in financing activities	(22)	(22)
<b>INCREASE IN CASH DURING YEAR</b>		
Cash, beginning of year	55	41
<b>CASH, END OF YEAR</b>	<b>\$ 89</b>	<b>\$ 55</b>

*See accompanying notes to financial statements*

## NOTES TO FINANCIAL STATEMENTS

Years ended March 31, 2013

(in thousands of Canadian dollars)

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### 1. Nature of Operations

New Brunswick Investment Management Corporation (“NBIMC”) was established pursuant to the *New Brunswick Investment Management Corporation Act* 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, 2013, the estimated market value of assets managed by NBIMC was \$10.1 billion (2012 - \$9.4 billion). These assets are held in separate pooled fund unit trust entities, managed by NBIMC. NBIMC does not consolidate the financial results of the Funds or the pooled funds with these corporate financial statements.

### 2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian public sector accounting standards for other government organizations. The significant accounting policies used in the preparation of these financial statements are as follows:

#### (a) Revenue recognition

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

#### (b) Tangible capital assets

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

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

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

#### (c) 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.

**2. Significant Accounting Policies (cont'd)***(d) Financial instruments*

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

*(e) Measurement uncertainty*

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

**3. Tangible Capital Assets**

March 31, 2013	Computer equipment	Furniture & equipment	Leasehold Improvements	2013 Total
<b>Cost</b>				
Opening balance	\$ 851	\$ 383	\$ 407	\$ 1,641
Purchases	81	15	—	96
Closing balance	932	398	407	1,737
<b>Accumulated amortization</b>				
Opening accumulated amortization	672	329	325	1,326
Amortization expense	121	11	8	140
Closing accumulated amortization	793	340	333	1,466
Net book value	\$ 139	\$ 58	\$ 74	\$ 271

March 31, 2012	Computer equipment	Furniture & equipment	Leasehold Improvements	2012 Total
<b>Cost</b>				
Opening balance	\$ 799	\$ 387	\$ 322	\$ 1,508
Purchases	55	19	85	159
Disposals	(3)	(23)	—	(26)
Closing balance	851	383	407	1,641
<b>Accumulated amortization</b>				
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. Contractual Obligations and Contingencies**

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

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

**5. Supplemental Pension**

NBIMC has an estimated liability of \$374 (2012 - \$379) 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 \$24 within the next twelve months.

**6. Employee Future Benefits**

*(a) Pension*

Full-time employees of NBIMC are covered by the Public Service Superannuation Act (the “PSSA”) of the Province of New Brunswick. The PSSA is a defined benefit multi-employer plan under which contributions are made by both NBIMC and the employees. For the year ended March 31, 2013, NBIMC expensed contributions of \$362 under the terms of the Plan (2012 - \$330). NBIMC has no direct liability or entitlement to any unfunded liability or surplus in the plan related to its current or former employees.

*(b) Retirement allowance*

Full-time employees of NBIMC 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:

	2013	2012
Annual discount rate	3.4%	3.5%
Annual salary increases	3.0%	3.0%
Mortality	None	None
Termination of employment	NBIMC Experience	PSSA 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
Actuarial cost method	Projected Unit Credit pro-rated on service	

**6. Employee Future Benefits (cont'd)**

Previously NBIMC used a termination assumption developed using termination experience from 2000 -2005 for all employees under the PSSA. For the current fiscal year, NBIMC has adopted a termination assumption developed using historical termination experience for employees of NBIMC from 2000 - 2013. The changes have been applied prospectively. The impact of the assumption change results in a reduction of accrued benefit obligations and an increase in unamortized net actuarial gains as at March 31, 2013 in the amount of \$94.

Information on the retirement allowance obligation is as follows:

	2013	2012
<b>Accrued benefit plan obligation</b>		
Balance, beginning of year	\$ 669	\$ 584
Current service cost	52	48
Benefit payments	—	(45)
Interest cost	24	26
Actuarial (gain) loss	(94)	56
Balance, end of year (unfunded)	651	669
Unamortized net actuarial gain (loss)	24	(75)
Accrued benefit liability	\$ 675	\$ 594

Benefit costs recognized in the year is as follows:

	2013	2012
Current service cost	\$ 52	\$ 48
Interest cost	24	26
Amortization of actuarial losses	5	2
Benefit expense	\$ 81	\$ 76

Subsequent to the year end, the Board of Directors approved a discontinuance of the retirement allowance benefit for all eligible employees effective April 30, 2013. Current benefit entitlements of approximately \$842 are expected to be paid no later than October 15, 2013.



NOTES TO FINANCIAL STATEMENTS

6. 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. The assumption for the net excess (over 15 days) utilization rate of sick leave is as follows:

Age	2013 Number of Days per year	2012 Number of Days per year
30 – 31	1.3	1.3
32 – 34	1.2	1.2
35 – 36	1.1	1.1
37 – 39	1.0	1.0
40 – 41	0.9	0.9
42 – 44	0.8	0.8
45 – 46	0.7	0.7
47 – 48	0.6	0.6
49 – 51	0.5	0.5
52 – 53	0.4	0.4
54 – 56	0.3	0.3
57 – 58	0.2	0.2
59 – 60	0.1	0.1

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

	2013	2012
<b>Accrued sick leave obligation</b>		
Balance, beginning of year	\$ 65	\$ 35
Current service cost	10	5
Benefit payments	(6)	—
Interest cost	2	1
Actuarial loss	1	24
Balance, end of year (unfunded)	72	65
Unamortized net actuarial gain	(17)	(17)
Accrued sick leave liability	\$ 55	\$ 48

## 7. 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 \$42 (2012 - \$58). NBIMC obtains certain of its telecommunications services from a department of the Province of New Brunswick. Included in office and business expenses are fees in the amount of \$640 (2012 - \$688).

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

## 8. Budget

The budget amounts included in these financial statements are the amounts consolidated into the Main Estimates for the Province of New Brunswick. Management prepares the budget using best estimates that reflect past experience as well as expected future plans. The budget was reviewed and approved on November 20, 2012 by NBIMC's Board of Directors and submitted to the Minister of Finance in December.

## 9. 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.

## 10. 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, 2013 is \$8 (2012 - \$13). Realized foreign exchange losses included in office and business expenses in the Statement of Operations were \$1 (2012 - (\$6)).

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.