

2021

ANNUAL REPORT

VESTCOR

A partner in creating and delivering sustainable financial security.

BOARD OF DIRECTORS

MICHAEL W. WALTON

Chairperson of the Board
Member – Human Resources & Compensation,
Audit and Governance Committees

MICHEL ALLAIN, FCIA, FSA

Director
Member – Human Resources & Compensation
Committee

LORI CLARK, CPA, CMA, ICD.D

Director
Member – Governance Committee

ELEANOR MARSHALL, CPA, CA, CFA

Director
Member – Human Resources & Compensation
and Audit Committees

DANIEL MURRAY, CPA, CA

Director
Chairperson – Governance Committee
Member – Audit Committee

DAVID LOSIER, CPA, CGA, ICD.D

Vice-Chairperson of the Board
Member – Human Resources & Compensation,
Audit and Governance Committees

MICHEL DOIRON

Director
Member – Human Resources & Compensation
Committee

TIM MAWHINNEY, FCIA, FSA, CERA

Director
Member – Audit Committee

CATHY RIGNANESI, FCPA, CA

Director
Chairperson – Audit Committee
Member – Governance Committee

TANYA CHAPMAN, CPHR

Director
Chairperson – Human Resources &
Compensation Committee
Member – Governance Committee

CORPORATE OFFICERS

JOHN A. SINCLAIR

President and Chief Executive Officer

BRENT HENRY, CPA, CA

Chief Financial Officer

YING WU, CFA

Chief Compliance Officer

JONATHAN SPINNEY, CFA

Chief Investment Officer

MARILYN MCCONNELL, CPA, CGA

Chief Pensions and Benefits Officer

JENNIE NOEL-THÉRIAULT, GPC.D

Corporate Secretary

CONTACT INFORMATION

VESTCOR INC.

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Suite 400
Fredericton, NB E3B 3T4

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Fax: (506) 444-5025

Website: vestcor.org

WHO WE ARE

Vestcor Inc. is an integrated investment management, pension and benefits administration organization that was created by the Legislative Assembly of New Brunswick under the *Vestcor Act*. We are an independent not-for-profit company who is not an agent of the Crown and is jointly owned by the New Brunswick Public Service Pension Plan and the New Brunswick Teachers' Pension Plan.

Our strategic mission is "To provide innovative, cost effective, and prudent investment and benefit administration services that address the needs of public sector funds". Oversight of the tailored services provided to our clients, a number of risk-controlled target benefit pension plans and other pools of investment capital, is provided by an independent expert Board of Directors appointed by our owners. We are regulated by the New Brunswick Financial and Consumer Services Commission as both an Investment Fund Manager and Portfolio Manager.

Vestcor provides a significant amount of public disclosure on our investment performance and operational results including the annual externally audited financial reporting information contained within this Annual Report. All of our public reporting and disclosure can be accessed through our website vestcor.org.

Located in Fredericton, New Brunswick, we are the largest investment manager in Atlantic Canada providing global investment management services to ten different client groups representing approximately \$21.0 billion in assets under management. We also provide administration services to eleven pension plans and four employee benefits plans.

2021 HIGHLIGHTS

VESTCOR INVESTMENT DIVISION:

- Client portfolios for which we provide investment advice continued to exceed their overall long-term investment risk and return targets.
 - Their long-term investment risk and return performance remained strong versus other pension fund and diversified investment manager alternatives.
- One-year Total Funds outperformed client policy benchmarks for assets under discretionary management net of all investment management costs by 2.10%. This added to our strong longer term four-year annualized net value added return which finished the year at 0.87%. This represents approximately \$652 million of additional return over client investment policy benchmarks.
- Our annual Management Expense Ratio (MER) remained low at 0.13% of total funds under management.
- Assets under discretionary management increased to \$21.0 billion at year end.
- We added two new Shared Risk Pension Plan investment clients in 2021.

VESTCOR ADMINISTRATION DIVISION:

- Finalized the implementation of our modernized and updated administration technology capabilities.
- Continued to provide uninterrupted services to clients' members since the on-set of the COVID-19 pandemic.
- Coordinated a number of education and trustee onboarding opportunities, communication activities, research material and strategic education sessions for our clients' Boards of Trustees.
- Expenses remained low versus other public sector peers.

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MESSAGE FROM THE CHAIRPERSON

On behalf of the Board of Directors (the Board) and the management team of Vestcor Inc. (Vestcor), I am pleased to introduce our 2021 Annual Report. This Annual Report provides a thorough accounting for our pension and benefits administration, investment, and corporate service operating activities in a format consistent with our prior Annual Reports.

The Vestcor Board of Directors is assisted in its responsibilities for the independent governance, stewardship and strategic direction of our company by three Committees: the Audit Committee, the Human Resources & Compensation Committee and the Governance Committee. Ad-Hoc Committees are formed from time to time to assist with special Board projects and initiatives.

OUR LONG-TERM SUCCESS CONTINUES

Vestcor realized another successful year in 2021 under the guidance and stewardship of our Board of Directors. The Board remains very pleased that Vestcor has been able to continue to provide the essential services that our clients and their members depend on considering the challenges that we, and the partners and stakeholders, experienced through the ongoing COVID-19 pandemic.

Long-term investment results on both a risk and return basis remained strong and well in excess of our clients' targets. Our Administration Team was successful in further leveraging the capabilities of our new more modernized administration and pension payroll system to meet client service targets and to successfully automate a number of more complex shared risk pension plan client calculations. Most importantly, member service survey scores have continued to remain excellent.

Our independent, not-for-profit business model continues to align well with our clients' objectives while also delivering excellent value through low expenses and a customized focus on client goals and service requirements. Investment management related fees continue to be well aligned with the value provided to clients being above their investment policy targets and benchmarks. We were very pleased to have this value proposition confirmed during the year with the addition of two new shared risk pension plan clients to our investment management services platform.

SPECIFIC 2021 GOVERNANCE ACTIVITIES

The Vestcor Board of Directors and their respective Committees continued to provide input and oversight with respect to annual corporate business plan goals and objectives and their link to industry best practices. During the year, our Committee Chairs underwent a rotation process as part of our ongoing Board succession planning and professional development activities.

Updated strategic human resource and related succession plans continue to be reviewed on an annual basis. The Board continues to focus on executive development and succession planning to ensure we remain well positioned for future senior management retirements or departures. We were very pleased that this focus led to the seamless integration of an internal candidate as part of an external search process for a new Chief Financial Officer role this year upon the retirement of the long-serving incumbent.

Additional governance improvement activities that were completed during the past year included a full review of all the Terms of Reference, Policies, and Guidelines that guide our Board's activities, and a full review, risk appetite assessment and update to our corporate Enterprise Risk Management Framework.

As noted in my letter in last year's Annual Report, the Board appointed an Ad-Hoc Compensation Review Committee to complete a review of our overall Compensation Principles, Philosophy, and related policies. The Committee retained the nationally recognized firm Willis Towers Watson to assist with this review. In advance of the study proceeding, the Committee approved a peer comparison group that consisted of a combination of nationally based internal pension fund managers with similar sized assets under management and Atlantic Canadian professional service businesses of similar complexity. This work ensures that our compensation policies will continue to allow us to attract and retain the professionals we require while meeting industry best practices. The study resulted in modifications to the salary bands of a few specific positions to allow us to remain competitive with the approved peer group, and a restructuring of the performance incentive plan in 2021 to align with recent industry

modifications. Additional details with respect to these changes is provided in the Compensation Discussion and Analysis section contained later in this Annual Report.

In addition to the compensation program review, the Board, with the assistance of Human Resources & Compensation Committee and the same external consultant, also completed a review of our investment benchmarks and relative value-added investment return targets. A few modifications have been implemented for 2022 which correspond to a number of recent client actuarial discount rate changes and the addition of two new investment program changes that align with our recent client asset-liability review activity.

DIRECTOR APPOINTMENTS

Vestcor Director appointments are set out with staggered appointment terms to provide for the opportunity to annually refresh Director membership while also reducing the risk of having a concentration of term expirations. Our Guidelines for the Nomination of New Directors sets out the Vestcor Director nomination process under the direction of an Ad-Hoc Nominating Committee.

During 2021 our Vestcor Corp. shareholders re-appointed Ms. Tanya Chapman and I to a new three-year term on the Vestcor Inc. Board of Directors as of June 30, 2021 based on the nomination recommendations of our Ad-Hoc Nominating Committee. The Committee, with the assistance of an external recruiting firm, also appointed two new Directors for similar terms: Ms. Lori Clark, Senior Vice President of Operations at NB Power, and Mr. Michel Doiron, a retired former Senior Assistant Deputy Minister with the Government of Canada. Ms. Clark and Mr. Doiron both replace prior Director retirements and have each added specific skills and diversity attributes of interest that were identified by the Ad-Hoc Committee.

It also came to our attention during the year that another one of our Directors' plans to retire from the Board at the expiration of their term on June 30, 2022. Our Board of Directors formed a new Ad-Hoc Nominating Committee prior to year end and have begun to develop their upcoming search process, in conjunction with Vestcor Corp.'s input.

A RESPONSIBLE CORPORATE CITIZEN

Vestcor's Board of Directors continues to be engaged in a number of other activities in addition to our traditional Board of Director oversight activities. Vestcor Directors remain closely engaged with our management team and owner company Vestcor Corp. in providing oversight and advice in addressing the ongoing COVID pandemic challenges. The Board works closely with management in fulfilling and advancing our many oversight obligations, including our financial reporting, external audit, and securities regulation requirements.

For example, during the year Vestcor Directors became registered through the Financial and Consumer Services Commission (FCNB) as "Permitted Individuals" under the NB *Securities Act* and Regulations.

In 2022, we will also be making available to clients our first SOC 1 Type 1 Report on our internal controls over financial reporting with our Investment Management and Pension and Benefits Administration System as of December 31, 2021. It has been externally audited in accordance with CSAE 3416 and is an exciting advancement of our prior extensive internal control reporting framework.

Vestcor also continues to be focused on being a responsible corporate partner by making sure our operations, and those of our clients, have access to environmental, social, and governance best practice insights. We continue to endorse the Canadian Coalition of Good Governance (CCGG) Stewardship Principles alongside several other Canadian-based institutional investors. The CCGG Principles, available at cggg.ca/policies, are specifically meant to guide "institutions who invest in Canadian public equities [to] be active and effective stewards of their investments and are directed to both asset owners and asset managers". We continue to be actively engaged in incorporating responsible investment practices in our investment activities. Vestcor was pleased to be able to update clients on these accomplishments during our virtual Client Forum event in June, and in a positive comparison report to our investment clients of our procedures and processes against a recently published Canadian Climate Law Initiative investment manager checklist. We have also undertaken another important related initiative on behalf of our clients and look forward to being able to provide our inaugural Vestcor Inc. Task Force on Climate Related Financial Disclosures (TCFD) report in 2022.

OTHER ACTIVITIES

Our Board of Directors and its Governance, Audit, and Human Resources & Compensation Committees were very active on a number of additional governance issues during the year as outlined in their respective sections later in this report.

It also remains important to recognize the support and accountability oversight activities of our Vestcor Corp. Shareholder Board (vestcor.org/vestcorcorp). Transparency and accountability continue to be an important focus of our Board. In addition to our regular owner and client reporting activities, we also publish a significant amount of governance related information on our website at vestcor.org/governance.

We also provide a significant amount of public disclosure including detailed investment performance, operational results, compensation analysis and disclosure, and annual financial reporting information that is externally audited by a national public accounting firm with access to specific pension fund and investment expertise. Our compensation arrangements are based on industry best practices and are subject to oversight by our Board of Directors. They are open and transparently detailed further in this Annual Report and other associated material that is available on our website.

NOTE OF APPRECIATION

On behalf of the Board and senior management team, I would like to acknowledge and thank our long-serving Director, Ms. Donna Bovolaneas, for her service as a Director of our organization upon her retirement from the Board when her term expired in June 2021. Donna was initially a director with one of our predecessor organizations, the NB Investment Management Corporation, and played an important role in the oversight of the process which created Vestcor and as an engaged Audit Committee Chairperson.

The Board continues to be very proud of the management team and our employees for what they accomplished in very difficult circumstances as the world navigated through the global pandemic. We continue to make good progress in building on Vestcor's independent financial services platform right here in New Brunswick to bring increased well aligned value to our current clients while continuing to assess new strategic growth opportunities.

I trust this report provides a thorough accounting of our corporate activities in 2021, however we continue to remain available to address any questions or provide further information by contacting us at comments@vestcor.org at your convenience. Please also note that a significant amount of other governance related material is available on our website at vestcor.org.

Sincerely,

[signed by]

Michael W. Walton, Chairperson
Vestcor Inc.

March 28, 2022
Fredericton, New Brunswick

REPORT FROM THE PRESIDENT AND CEO

On behalf of Vestcor employees and our senior management team, I am pleased to report that even with the ongoing challenges of the global COVID-19 pandemic in 2021 we had a very successful year. Vestcor continued to provide solid long-term investment management performance and administration service results on behalf of our clients during a period of heightened global financial markets volatility, increased administration transaction processing volumes, and intensified member inquiries and service requests.

We were also pleased to welcome two new shared risk pension plans to our investment management platform during the year. We now provide services to 10 investment clients, 11 pension plans, and 4 employee benefit plans. These clients now represent over \$21 billion of financial assets, and over 106,000 plan members.

The Vestcor team made good progress against most of our 2021 annual business plan objectives in this challenging environment. Long-term client investment returns and risk levels remained well ahead of their respective targets, and our Pension and Benefits Administration Teams finalized the implementation of our new pension administration system which experienced a number of COVID related challenges and stakeholder complications during its' initial deployment last year. In fact, our most recent quarterly administration based Key Performance Indicators have returned to meet client targets and we expect to continue to improve this progress further in the new year.

Vestcor continues to also provide very cost-effective services to our clients versus other third-party alternatives. Administration based client expenses remained well within annual client budgets while investment expenses were slightly higher only due to variable incentive expenses associated with our achievement of record value-added investment performance over client benchmarks. These additional investment expenses resulted in a significant contribution to 2021 client returns as detailed later in this Annual Report.

OUR CORPORATE PURPOSE: A PARTNER IN CREATING AND DELIVERING SUSTAINABLE FINANCIAL SECURITY.

As part of the strategic focus of our management team, employees, and Board of Directors, we established the above noted corporate purpose statement during the year to encapsulate what we aim to accomplish on behalf of our clients and to act as a filter for our business planning process and daily operational decisions. The statement also encompasses our long-term focus on building sustainable pools of investment capital for our clients through our not-for-profit partnership model.

In order to confirm our Vestcor value proposition, and help substantiate our new corporate purpose statement, we conducted Vestcor's second biennial Client Satisfaction Survey during the year. We were pleased to see that the overall satisfaction rate of our clients remains high at 79% and we also welcomed a few related comments and suggestions that we will follow-up on to continue to improve our service offerings.

It also continues to be very encouraging to see that the specific member feedback we received throughout the year from our ongoing member services surveys remain strong and further confirms the value we bring to our client's plan members.

COMMUNICATIONS FOCUS

Communication strategy has remained extremely important during the COVID pandemic. Our Communications Team continues to do an outstanding job by both assisting Vestcor Management in providing frequent operational updates and progress reports with our client Trustees, while at the same time assisting the Trustees to continue to keep their membership well informed.

Vestcor provided client Trustees with frequent financial markets updates from each of our Investment Teams throughout the year along with the development of a focused series of informative webinars on topics such as: Vestcor's responsible investment program, investment performance measurement and the Global Investment Performance Standards (GIPS®), investment policy benchmarks, and a cybersecurity update.

Other notable communication achievements conducted during the year included; i) our key role in assisting the NBPSPP and NBTPP conduct their member based Annual Information Meetings which are an important part in communicating Vestcor's long-term success in meeting the objectives of each of our respective shareholder pension plans, and ii) our September appearance before the Standing Committee on Public Accounts of the Legislative Assembly based on their invitation to provide an update on Vestcor's activities during 2019 and 2020, and to address questions with respect to the observations made in last year's Auditor General's 2020 Volume II Report.

Our website vestcor.org acts as an important resource for our client pension and employee benefit plans.

INVESTMENT MANAGEMENT

Our investment program continued to perform well in 2021. Overall long-term total fund returns also remained strong for those shared risk / target benefit plan clients and other pools of capital to whom we provide investment policy advice.

On a total funds under management basis, the gross return from overall Vestcor investment management activities was 9.46% or approximately \$1.9 billion for the year ended December 31, 2021. This return was achieved with our low management expense ratio of approximately 0.13%. Overall gross Pension Fund clients' returns were 9.48% during the year.

More importantly our long-term investment performance has exceeded the targets of our many shared risk / target benefit pension plan clients. Our four-year gross annualized overall pension client return of 7.52% per annum continues to be achieved with much lower realized risk than traditional defined benefit pension plans in line with their legislated requirements. Specific client returns are reported to their members through their own communication process, and many of these reports are available through their specific sections of our website.

Investment returns relative to our client's investment policy benchmarks reached a record high due to the strong active management performance from each of our four investment teams: private markets, equity, quantitative investments, and fixed income. Our investment performance outperformed client benchmarks by a record 2.23% during the year which represented approx. \$426 million in additional value added after the deduction of investment management expenses. Over a longer four-year period we have exceeded both the blended client investment policy benchmarks and our investment management costs by 0.87% per year. This performance has provided our clients with additional returns of approximately \$652 million of investment earnings over their investment policy benchmarks during the four-year period.

Total assets under management increased in 2021 to a new all-time high of \$21.0 billion from \$19.4 billion in the prior year. This increase in assets resulted from \$1,786 million in net investment earnings, net client payouts of \$(903) million, and \$693 million of additional client capital contributions.

While we are very pleased with this long-term success, we recognize that record high equity market levels and historically low interest rates will likely present future investment challenges. Therefore, we have recently finalized several investment policy reviews with a number of our pension plan clients to assist them in meeting their long-term goals and objectives. We expect that our long-term focus and low risk approach should continue to assist our clients in meeting their future challenges in a more difficult investment environment.

Much more detailed information and attribution is presented in the Investment section later in this Annual Report.

PENSION AND BENEFITS ADMINISTRATION

The Pension and Benefits Administration Teams were very focused on completing the implementation of our new pension and benefits administration system during the year while also effectively continuing to service a significant increase in transactional processing volumes and member inquiries. These increases along with a number of provincial government labour relations related impacts intensified our workload near year end.

Even considering these challenges, we are pleased to note that our Key Performance Indicator (KPI) service standards continued to improve back to client targets in the latter half of the year. We look forward to leveraging these improvements into setting more aggressive KPI targets with our clients in the future.

Our Board Support Services Team has made a significant contribution in assisting our client Trustees to execute their duties effectively on a remote basis, while our Member Services Team continue to reach strong member satisfaction scores on the responsive assistance they provide.

Much more detail and discussion is provided on our pension and benefits administration activities later in this report.

OUTLOOK

At the time of writing this letter the strong global economic growth we have experienced coming out of the COVID-19 pandemic is threatened by the impact of more hawkish Central Bank monetary policy actions and impacts from the tragic invasion of Ukraine. Most economic forecasts expect continued broad-based global economic growth however we remain cautious considering the number of challenges and risks that remain.

We have also taken actions to reinforce our administration staff resources to help effectively address the increased transactional volumes we experience. These resources along with the timely stakeholder contributions should assist us in continuing to improve our performance versus our key performance indicators.

In closing, I would like to continue the tradition of recognizing the contribution of five long serving members of the Vestcor team who retired during the year: Jan Imeson - Chief Financial Officer, Brian Allen - Money Market Portfolio Manager, Cathy Girouard – Data Services Administrator, Jim Hasson – Member Services Analyst, and Elizabeth Quigley – Compliance Analyst. I would like to thank each of them on behalf of the Vestcor organization for their many years of dedicated service. While 2021 witnessed a higher than typical number of retirements at Vestcor, management remains very engaged with our Board of Directors in ensuring we have well designed and effective human resource strategies and succession plans in order to effectively respond to these departures.

Vestcor looks forward to continuing to support our clients in meeting their challenges, and questions and comments are always welcome at comments@vestcor.org or by telephone through our reception team at 506-444-5800.

Sincerely,

[signed by]

John A. Sinclair, President and Chief Executive Officer
Vestcor Inc.

March 28, 2022
Fredericton, New Brunswick

MANAGEMENT'S DISCUSSION & ANALYSIS

Management's Discussion & Analysis (MD&A) is provided to enable the reader to interpret the material trends, the results and the financial condition of the organization. Key elements of the annual financial statements are explained, and this MD&A should be read in conjunction with these annual financial statements and related notes.

As well, this MD&A may contain forward-looking statements reflecting management's objectives, outlook and expectations which involve risks and uncertainties. Forward-looking statements are usually preceded by words such as "believe", "expect", "may", "could", "intend", "continue" and "estimate". We caution readers not to place undue reliance on these statements as a number of important factors could cause our actual results to differ materially from the expectations expressed in such forward-looking statements.

This Management's Discussion & Analysis provides an outline of the operations for Vestcor Inc. (Vestcor) for the year ended December 31, 2021. Our operations consist of two business lines: Administration Services and Investment Management Services. These lines of business are supported by three divisions – the administration division, investment division and corporate services division. Our website at vestcor.org also has available the audited financial statements for the various Vestcor Investment Entities for the year ended December 31, 2021. The Vestcor Investment Entities are pooled investment funds structured as either unit trust funds for which Vestcor serves as trustee or as limited partnerships for which a wholly owned subsidiary of Vestcor, Vestcor Investments General Partner, Inc., serves as general partner. These Vestcor Investment Entities have been created to facilitate the efficient investment of assets into separate investment strategies that deliver our clients' asset mix decisions.

The Province of New Brunswick was subject to State of Emergency directives and Mandatory Orders during 2021 as the COVID-19 pandemic continued to significantly impact the Province. Vestcor was able to continue to provide the essential services that our clients and their members depend on through our evolving COVID-19 Operating Plans, and the resources and directions provided in our Business Continuity Plan. We also appreciated the special efforts made during this period by a number of our partners and stakeholders in providing the information and services that we rely on.

CLIENTS AND SERVICES

Vestcor provides both pension and benefits administration services as well as investment management services to a wide range of public sector clients. In total, Vestcor provides services to 21 clients at December 31, 2021. Administration activities cover over 106,000 plan members and investment assets under management (AUM) at December 31, 2021 were \$21.0 billion.

We continue to strive to realize on our corporate vision of being the public sector's provider of choice for pension and benefit administration services and investment management services by providing assistance in any or all of the following service offerings:

- Investment Management (Equity, Fixed Income, Inflation Linked, Alternative Investments)
- Investment Strategy Advice
- Compliance and Performance Measurement Services
- Pension Plan Administration
- Employee Benefits Plan Administration
- Client Trustee Governance Services and Support
- Financial Reporting
- Risk Management
- Communications

Clients are free to choose some, or all, of the services provided by Vestcor. Vestcor incurs expenses in connection with its services as investment manager and in connection with its services as a pension and benefits plan administrator. It is important to note however that the expenses for each of these service areas are allocated to the best of our ability only to the respective clients of those service areas.

Investment management expenses are allocated to investment clients based on their proportionate share of total assets under management on the day an invoice is paid. If a client requires a more specific investment service, the costs to provide that service are fully allocated to that client.

For clients who use our plan administration services, the cost of our human resources to provide those services are allocated according to an annual evaluation of effort expended. Information systems and other general office and business costs are allocated based on a periodic historical analysis of transaction volumes and number of members in each plan.

ADMINISTRATION HIGHLIGHTS

The Vestcor administration team is responsible for the day-to-day operations of 11 pension plans as well as 4 employee benefit programs. We provide service to approximately 68,000 active and 38,700 retired members. Our members include employees from the provincial public service sector, the education sector, provincial health authorities, crown corporations, and other quasi-public sector organizations.

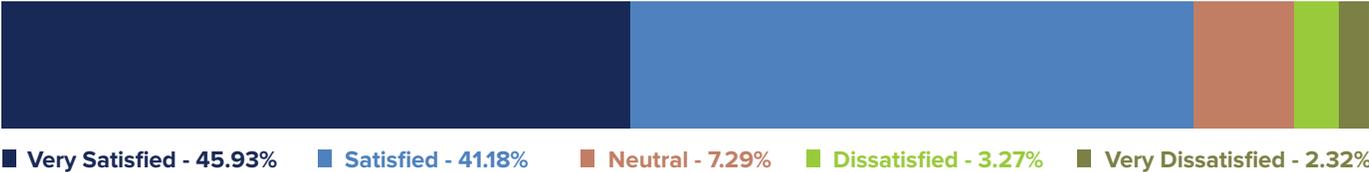
The administration team is divided into four areas: Member Services, Plan Operations and Pension Policy, Communications, and Board and Committee Support Services. Highlights for 2021 from each of these areas are as follows:

MEMBER SERVICES

In 2021, the Member Services team had over 38,000 contacts with plans members through telephone calls, emails and visits to our office, an increase of 17.06% as compared to 2020, where a 12.12% increase had been experienced.

Member Services Satisfaction Survey Results*

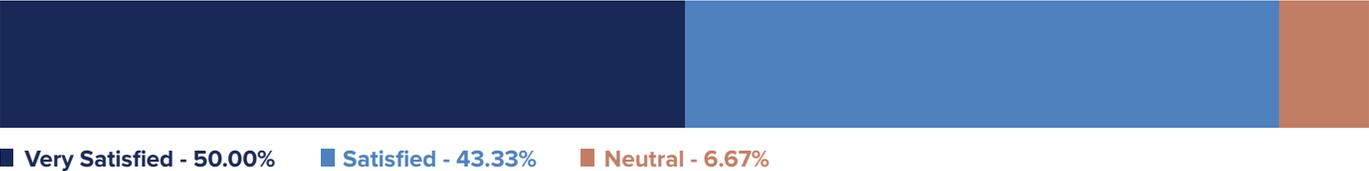
To ensure that we continued to meet the needs of our clients, Vestcor administered client satisfaction surveys, as initially launched in 2017. The surveys were sent to members who received a specific service from Vestcor during the year relating to pension estimates, purchases of service, terminations, or retirements.



* Results above do not sum to 100% due to rounding.

Member Services Employee Education Session Satisfaction Results

In addition to the services noted, Vestcor provided member education sessions. In 2021, despite COVID restrictions for much of the year, 522 plan members attended these sessions. The member sessions provided them the opportunity to learn more about the provisions of their pension and employee benefit plans. Those who attended the sessions were given a survey to complete. Of those who responded, they noted being very satisfied with the information they received, as outlined in the following table.



PLAN OPERATIONS AND PENSION POLICY

During 2021, the team processed over 6,600 pension related applications which included a significant increase in retirement applications (12% higher than the previous two years) and termination applications (28% higher than 2020 and 25% higher than 2019). Throughout the year, the Operations team continued to focus on enhancing processes utilizing Vestcor's new modernized administration system. A large backlog of benefit calculations was completed while at the same time a concentrated effort was exerted to successfully bring service delivery standards back to near target levels.

Service	Target	2021 Number Processed	2021 Achieved	2020 Achieved
Purchase of Service Requests	60 days	701	96.4%	42.8%
Pension Estimates	60 days	1,984	97.1%	63.7%
Retirements	60 days	2,088	99.3%	86.6%
Terminations	30 days	1,674	98.4%	87.9%
Marriage Breakdowns	42 days	166	97.0%	86.5%

MEMBER AND CORPORATE COMMUNICATIONS

As the pandemic continued, the importance of communicating effectively and intentionally was more evident than ever. With that in mind, the Communications team developed a new communications plan based on our Vestcor Strategic Plan. Its overarching goal highlights the importance of delivering consistent purpose driven communication which guided the focus of the team. Initial deliverables of the new plan included the launch of the corporate client survey and an active role in the creation of the corporate purpose, in conjunction with the Senior Management Committee and Board of Directors.

Through the year, the Communications team facilitated several events. In addition to the NBPSPP's annual meeting, the NBTPP held their inaugural Annual Information Meeting in a virtual format, enabling access to a number of active members, retirees, and other stakeholders. In addition, Vestcor's Client Forum continued to be offered virtually through a series of webcasts tailored to the needs and requests of clients. Topics included: investment updates, investment performance measurement and GIPS®, responsible investment, and portfolio benchmarking.

The team continued to support pension and employee benefits clients through various means, including the development of tailored client-specific communication plans, continued modernization of newsletters and forms, further integration of videos, and more.

BOARD SUPPORT SERVICES

Vestcor has continued to successfully adapt its board support services delivery model to enable hybrid (e.g., limited in-person and / or virtual) service offerings during the pandemic. In this regard, the team was able to seamlessly continue to provide robust operational support to our various client boards and committees.

In 2021, the Board Support Services team coordinated multiple educational opportunities via videoconference and conducted research resulting in the development of governance material to assist these groups in achieving their governance and fiduciary objectives and to deliver on their respective strategic initiatives. These activities included providing best practices to client boards related to topics such as board governance, effectiveness and risk management; support in regard to the drafting of internal board policies; coordinating the delivery of various externally facilitated sessions such as board triennial assessments and the establishment of risk management frameworks, and providing oversight of the pension plans' regulatory and legal requirements.

ADMINISTRATION DIVISION COSTS

Vestcor administration clients continue to benefit from our cost-effective not-for-profit model and our focus on their specific needs and service requirements. Our overall Administration Division costs of \$10.7 million increased by approximately \$744 thousand, or 7.5%, versus the prior year.

	Year ended December 31, 2021 (\$ thousands)		Year ended December 31, 2020 (\$ thousands)
Salaries and benefits	\$ 6,793	\$	6,430
Information systems	1,399		1,394
Client directed administration	594		467
Office rent	495		468
Office and business	348		305
Professional services	314		245
Amortization	726		615
	\$ 10,669	\$	9,924

The Administration Division expenses include salaries and benefits for approximately 84 employees on a full-time, part-time, casual or contract basis. Salaries and benefits for the year ended December 31, 2021 were 5.6% higher than the costs in 2020. This reflects modest annual compensation increases as well as the filling of vacant positions. Further information on Vestcor's compensation program can be found in the Compensation Discussion and Analysis section of this Annual Report (see page 39).

Information systems costs continued to represent a large portion of the Administration Division's annual expenditures; however, with the implementation having been completed on the new administration system in 2020, information systems costs remained consistent with the prior year. For the year ended December 31, 2021, total information systems costs were \$1.4 million and only increased by 0.4% over 2020.

Office rent costs of \$0.5 million for the year ended December 31, 2021 were 5.7% more than the prior year, mainly as a result of double rent being paid for January 2021 during our office move to 140 Carleton Street.

Professional services costs in the amount of \$0.3 million for the year ended December 31, 2021 were \$0.1 million more than the prior year reflecting the costs associated with the preparation and audit of Vestcor's initial Service Organization Control Report on internal controls of financial reporting.

Amortization costs of \$0.7 million reflect the continuing amortization of the administration system project costs of approximately \$4.5 million.

INVESTMENT HIGHLIGHTS

The following description of the investment management services covers the year ended December 31, 2021.

ASSETS UNDER MANAGEMENT

Assets under management (AUM) at December 31, 2021 were approximately \$21.0 billion consisting of the following client mandates:

Client	2021 (\$ millions)		2020 (\$ millions)	
New Brunswick Public Service Pension Plan (NBPSPP)	\$ 9,354.1	44.5%	\$ 8,746.1	45.0%
New Brunswick Teachers' Pension Plan (NBTPP)	6,985.5	33.3%	6,518.2	33.5%
Provincial Court Judges' Pension Plan (Judges)	61.4	0.3%	57.5	0.3%
New Brunswick Power Corporation (NBPC):				
Point Lepreau Decommissioning Fund	461.6	2.2%	418.6	2.2%
Point Lepreau Used Fuel Management Fund	247.4	1.2%	225.8	1.2%
Nuclear Fuel Waste Trust	205.3	1.0%	204.3	1.0%
Management Employees of New Brunswick School Districts Pension Plan (NBSD) ¹	–	–	1.2	0.0%
Shared Risk Plan for Academic Employees of University of New Brunswick (AESRP)	447.1	2.1%	411.3	2.1%
University of New Brunswick Endowment Fund (UNBE)	66.6	0.3%	58.1	0.3%
Shared Risk Plan for Certain Bargaining Employees of New Brunswick Hospitals (CBE)	2,793.0	13.3%	2,561.4	13.2%
Shared Risk Plan for City of Fredericton (CoF)	257.4	1.2%	239.4	1.2%
Pension Plan for New Brunswick Hourly Paid Employees of Fraser Papers Inc. (FPHR)	112.5	0.5%	–	–
Pension Plan for New Brunswick Salaried Employees of Fraser Papers Inc. (FPSAL)	26.1	0.1%	–	–
Total AUM	\$ 21,018.0	100.0%	\$ 19,441.9	100.0%

¹ Our management of the NBSD Pension Plan ended during 2021. This pension plan, which was closed to new members, drew down its' remaining assets during the year.

Each client mandate invests in a specific and unique combination of units of the Vestcor Investment Entities but may have also previously invested directly in an opportunity for which oversight is now provided by Vestcor portfolio managers.

INVESTMENT PERFORMANCE DEFINITIONS

Investment performance consists of any income and realized and unrealized capital gains or losses achieved on a portfolio(s) of assets over a defined length of time. Vestcor measures and reports returns in Canadian dollars using the aggregate return method on a daily basis. Daily returns are linked geometrically to calculate periodic returns.

Investment returns expressed on a gross basis are after the deduction of all trading and other directly associated expenses but before the deduction of Vestcor's investment management costs (see page 17).

Investment returns expressed on a net basis are after the deduction of all investment management expenses charged for the assets under management.

In addition to investment performance, a significant consideration in portfolio management is the amount of investment risk. Investment risk is the probability or likelihood of an investment loss relative to the expected return.

TOTAL FUND PERFORMANCE OBJECTIVES

Vestcor’s main investment performance objectives can be summarized as follows:

- a. The **primary investment performance objective** is to achieve the long-term return and risk performance that meet each client’s specific return and risk targets, and
- b. The **secondary investment performance objective** is to exceed the investment performance benchmarks, over the long-term net of all investment management costs, by the value-added target(s) published in each client’s respective Investment Policy Statement or other such directives / guidelines.

Client specific returns are reported to their members through the communication activities of their respective organizations. Vestcor has also developed a series of other investment-related key performance indicators (KPIs), as **continuous performance objectives**, which correspond to our 2019 - 2024 Strategic Plan. These KPIs are monitored on a quarterly basis.

CONTINUOUS PERFORMANCE EFFICIENCY OBJECTIVES

Objective	Target	Year ended December 31, 2021 Actual	4 Year Annualized
Trade-Matching Efficiency:			
Securities Custodian	Regulatory 90% + 2.5%	96.0%	96.7%
Prime Broker #1	Regulatory 90% + 2.5%	87.8%	93.4%
Prime Broker #2	Regulatory 90% + 2.5%	95.8%	97.2%
Prime Broker #3	Regulatory 90% + 2.5%	90.9%	94.4%
Budget Efficiency (excluding performance incentives)	100%	90.8%	91.1%
Absenteeism (%)	<= 2%	1.3%	1.7%
IT Network Availability	99%	99.9%	99.9%
IT Applications Availability			
Administration system	99%	99.3%	n/a
Portfolio management system	99%	100.0%	99.9%

RELATIVE PERFORMANCE VERSUS BENCHMARKS

As noted on the previous page, our **second investment performance objective** is to add value (i.e., returns in excess of benchmarks) above our clients' various asset class benchmarks through active management strategies. This added value is expected to first cover all investment management costs and subsequently targets an additional 42 basis points (0.42%) per annum. This is a key measure for our clients and accordingly is also a key measure considered in Vestcor's variable performance compensation incentives.

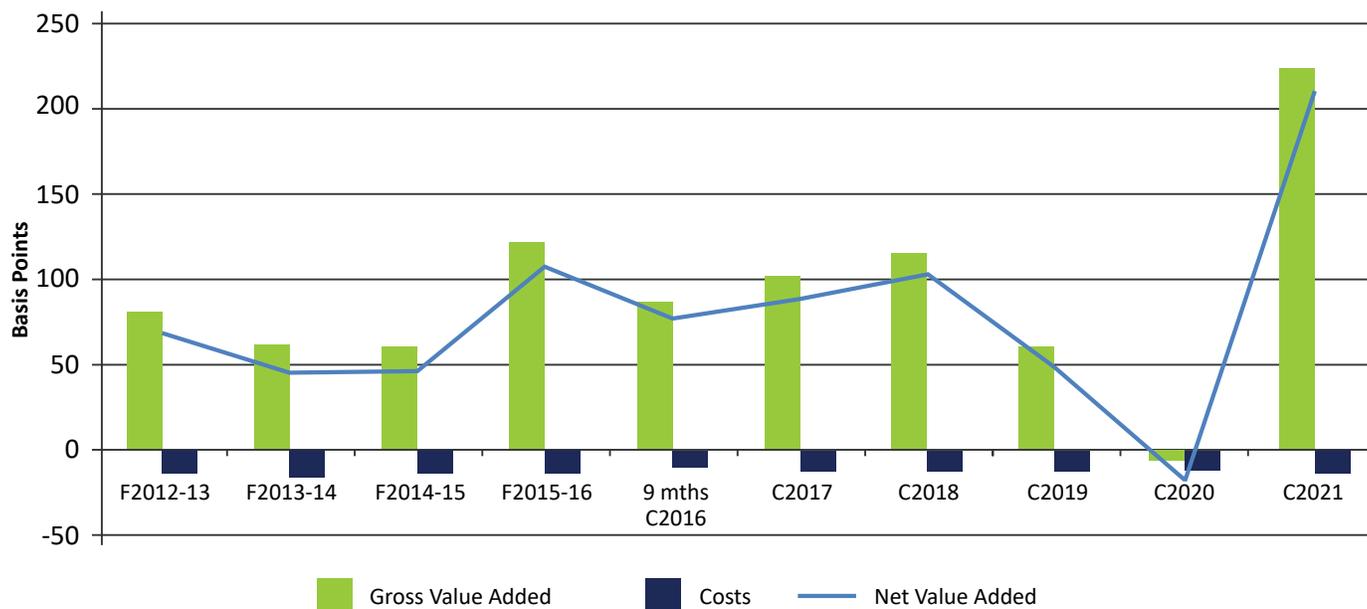
SECONDARY INVESTMENT PERFORMANCE OBJECTIVE

Objective	Long-Term Targets	Year ended December 31, 2021 Actual	4 Year Annualized	Annualized Since Inception (1996)
Net Relative Return (in basis points (bps) after all investment management expenses)	>= 42 bps per annum	210.4	86.7	24.7

As the global economy continued its recovery from the COVID-19 pandemic, markets performed very strongly from both a nominal return and active investment management perspective. Our overall active management activities for the year outperformed by 223.2 basis points of gross value and 210.4 basis points of net value, or approximately \$425.7 million, after covering all investment management costs.

Our longer-term four fiscal year annualized value-added return, net of costs, remained strong at approximately 86.7 basis points or approximately \$651.9 million in additional value over the four fiscal years. The four fiscal year term aligns well with our clients' long-term investment objectives and remains the most significant term used to measure our active management performance. The following chart shows the history of our value-added activities over our most recent ten fiscal reporting periods.

RESULTS OF ACTIVE MANAGEMENT



INVESTMENT MANAGEMENT COSTS

An important consideration in assessing investment performance is the cost incurred. Although the industry standard for investment performance is to report gross returns, it is the return net of costs that contributes to client asset growth. All else being equal, lower costs result in higher comparative net returns and help to maximize the assets available to fund client objectives.

Investment management costs are influenced by many factors. Industry cost comparisons prove that it is generally more efficient to manage assets internally than to outsource the investment process to third parties. Also, passive investment strategies, those strategies that are designed to replicate a market index, are less expensive than active strategies which depend on expert judgment to differentiate return opportunities from the benchmark.

Investment structure also impacts total costs. For example, private market investments can be made directly, through limited partnerships, co-investments or through fund of funds structures. These structures may incur management and carried interest fees, interest expenses, taxes, asset acquisition and or disposition expenses, and other related charges that get reflected in the net asset value of the investments. This complexity continues to make cost transparency and monitoring an ongoing challenge in the investment industry.

Vestcor Investment Entities incur transaction costs associated with the trading of securities in each portfolio. For portfolios holding publicly traded securities, these may include broker commissions and securities borrowing fees which are dependent upon the volume of trading activity undertaken. These costs are reflected in the net asset value of the investment pools rather than in the corporate financial statements.

Lastly, an important factor for consideration is that Vestcor operates under a not-for-profit business model, compared to third party “for-profit” investment managers. This model not only results in considerable cost savings for our clients, but also provides for a better alignment in ensuring investment advice is truly in the best interests of specific client requirements.

Vestcor’s independently audited corporate financial statements (see pages 59 - 71) reflect the following investment management costs to manage the \$21.0 billion of AUM for the year ended December 31, 2021:

	2021 (\$ thousands)		2020 (\$ thousands)
Internal Operational Expenses	\$ 22,464.7	\$	17,582.8
Third Party Service Providers			
Investment counsel fees	3,306.5		3,711.5
Securities custody fees	21.2		21.8
Total Investment Management Costs	\$ 25,792.4	\$	21,316.1
Total AUM (in \$ millions)	\$ 21,018.0	\$	19,441.9

Using our technology systems for global trading activities, our investment management professionals internally manage the majority of the AUM from our location in Fredericton, New Brunswick. This permits a significant cost savings to the benefit of our clients. At December 31, 2021, Vestcor internally managed approximately \$17.8 billion or 85% of client AUM (2020 - \$16.9 billion and 87% respectively).

The costs incurred to manage investment strategies internally, measured against average **internally** managed AUM for the year ended December 31, 2021, were 0.12% or 11.6 basis points (bps) (2020 – 10.6 bps).

Approximately \$3.2 billion, or 15% of investments, are **externally** managed as at December 31, 2021 (2020 - \$2.6 billion and 13% respectively). These mandates arise when access to a desired investment opportunity or specific strategy expertise is not available internally. Of this, \$2.3 billion of assets are related to externally managed private investments and \$0.9 billion are related to publicly traded mandates.

As mentioned above, the external costs to manage the private investments may include direct and indirect manager fees, carried interest, professional fees and other associated expenses. These costs are not included in the Vestcor investment management costs but instead have been deducted in reporting the investment performance of each pooled fund as per industry practice (see *Vestcor Investment Entities Performance* on page 56). The audited financial statements for each of the Vestcor Investment Entities are available under the Publications tab on our website at vestcor.org.

The costs of externally managed publicly traded investments are charged directly to Vestcor Inc. in its capacity as trustee of these pooled funds and are reflected in the Statement of Operations and Changes in Net Assets in Vestcor's audited financial statements on page 65. Measured on average externally managed AUM, these **external** costs were 39.5 bps for the year ended December 31, 2021 (2020 – 51.0 bps).

In total, investment management costs reflected in Vestcor's audited financial statements for the year ended December 31, 2021 were approximately 12.7 bps of average AUM. This is higher than the investment management costs of 11.2 bps for the year ended December 31, 2020 due primarily to an increase in our performance incentive compensation expense linked to our strong investment performance and the significant value-added investment returns realized above client benchmarks in 2021.

We benchmark our investment management costs annually. We continue to compare favourably to publicly available information offered by other public sector peer funds. We also participate in an annual survey of defined benefit pension plans conducted by CEM Benchmarking Inc. Through this benchmarking activity, we conservatively believe that our costs continue to be approximately 22 bps lower than the average of our peers and 35 bps lower than private sector asset managers. This cost differential means that for the year ended December 31, 2021 our clients were able to retain approximately \$64.0 million (2020 - \$59.2 million) due to our lower cost advantage. This significant cost advantage has been a cornerstone of our service delivery value since our inception twenty-three years ago.

ANNUAL PERFORMANCE BY ASSET CLASS

The following discussion of annual investment performance is organized by each major Vestcor investment asset class, along with a more detailed breakdown by asset class sub-portfolio.

Vestcor offers a pooled fund structure consisting of unit trust funds, as well as limited partnership structures for private investments, through which clients can customize their specific investment allocations to achieve their unique investment objectives. For the investment performance by pooled fund, please refer to the Vestcor Investment Entities Performance (pages 56 - 58). The audited financial statements for the Vestcor Investment Entities for the year ended December 31, 2021 are available on our website at vestcor.org.

MARKET COMMENTARY

- Equity markets finished the year strongly. The broadest measure of global equities, the MSCI All Country World Index, gained over 18% in Canadian dollar terms for the calendar year while bond investors experienced modest value declines as benchmark interest rates moved modestly higher throughout the year.
- After several years of approximate 2% increases, inflation moved significantly higher in the second half of 2021, exceeding a 5% rate of year-over-year change towards year end.
- Going forward, market valuations suggest that diversified investors would be well served to expect relatively modest returns over the medium term. The dividend yield on the S&P 500 declined to just 1.25% at year end (the lowest reading since the 1999-2000 tech bubble) and the longer term Cyclically Adjusted Price Earnings (“CAPE”) Ratio ended the year just below 40x, the second highest reading over the past 100 years. While valuations are far from perfect predictors of forward returns, the higher starting asset values will be a source of both market fragility in the short term and investor headwinds in the longer term.

Overall, 2021 continued the rebound from the COVID-19 shutdowns in 2020, and the so-called “reopening trade” proceeded almost uninterrupted to year end. Global equity markets gained about 18% for the year, although returns were quite differentiated across countries, with North America performing particularly well when compared to certain international markets.

Higher risk assets tended to perform more strongly than lower volatility securities, continuing the recent trend of investor preference for higher risk growth focused stocks. While low volatility equity portfolios generated mostly strong gains in 2021, defensive strategies in general still lagged standard market capitalization weighted indices, bringing to a close a period of three consecutive years of underperformance for defensive equity strategies. The MSCI All Country World Index Minimum Volatility Index gained just under 15% for the year, compared the approximate 18% gains for the broad market benchmark, weighed down somewhat by an underweight position in Information Technology companies.

The early 2021 sharp move in higher interest rates was for the most part maintained to year end, with North American 10-year government bond yields closing December up about 0.5% from levels at the beginning of the year. While rates remain low relative to historical averages, the increased yields did impact bond investors, and diversified broad universe portfolios were broadly negative for 2021.

Going forward, the path of interest rates and their direct impacts on both bond investors and secondary impacts on other asset classes will be of significant importance to investors, with increasing potential for a breakdown in the long-term diversification potential for 60-40 investors as the long-term bond bull market of 1981-2020 potentially draws to a close.

Despite the occasional bouts of financial market volatility, underlying economic fundamentals at year end could be described as strong, with consumer spending growth meeting the headwinds of ongoing supply chain interruptions and labour market tightness. While total employment has remained somewhat depressed despite the COVID recovery (the total number of non-farm employees in the U.S. remains approximately 2% below the February 2020 level), the labour market itself tightened considerably throughout the year, with the U.S. unemployment rate falling to nearly 4% by year end. Labour costs and staffing issues will be an important consideration for many companies in 2022 and beyond.

This labour market and supply chain tightness has contributed to significantly above normal inflation, particularly in the second half of 2021. After a year of significantly lower than normal price increases during the COVID lockdowns in 2020, the middle part of 2021 saw an increasing

trend in total CPI with year-over-year changes rising from below 1% in the early stages of 2021 to nearly 5% by November. Although cumulatively, the 2020-21 period has experienced total CPI increases that were only slightly above the Bank of Canada's 2% target at approximately 2.9% per year, nearly all of those price increases were concentrated in the April-November period of 2021. Globally, central bank policymakers have reacted to the increased inflation by shifting course to a tighter policy stance, with the U.S. Federal Reserve apparently planning 3-4 interest rate hikes in 2022 along with potential balance sheet normalization efforts. This rapid change in policy expectations – while likely necessary to maintain control over inflation in the medium term – will have significant impacts on investors across all asset classes.

Apart from standard economic and market commentary remains the concern of geopolitical tensions and the impact on investors. While the outcome of any major geopolitical event remains unfortunately impossible to predict with certainty, the current tensions in Ukraine coupled with ongoing impacts of the now more than 2-year-old COVID-19 pandemic leaves financial markets in a somewhat precarious state. Combining this short-term uncertainty with the impact of fairly stretched fundamentals suggests that all in, the medium term expected return on a 60-40 stock-bond portfolio is likely to be modestly below its long run average level from a starting point of January 2022.

FIXED INCOME PORTFOLIOS

OBJECTIVES

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

PERFORMANCE SUMMARY AS AT DECEMBER 31, 2021

Portfolio	AUM ¹ (\$ millions)	2021 Annual Return		Four-Year Annualized Return	
		Portfolio %	Benchmark %	Portfolio %	Benchmark %
Short Term Assets	\$ 1,111	0.25	0.17	1.31	1.01
Nominal Bonds	3,610	(2.55)	(2.97)	3.81	3.32
Corporate Bonds	3,599	(1.51)	(1.34)	3.93	4.04
International High Yield ²	206	4.26	2.39	n/a	n/a
Real Return Bonds	842	1.70	1.84	5.77	5.58

¹ Includes cross-fund ownership interests

² Start date March 1, 2018

OVERVIEW

Spurred by economic reopening, rising economic growth, and significant employment gains, investor optimism resulted in a rising rate trend for most of 2021. Canadian 10-year bond yields, which started the year at 0.7%, spiked to 1.6% by mid-March. Despite some mid-year volatility, these modestly higher rates were maintained to year-end, with the 10-year bond yield closing December at slightly greater than 1.4%.

North American central banks maintained their highly stimulative monetary policies throughout most of the year, with the Bank of Canada and U.S. Federal Reserve pivoting to a more hawkish tone only in the latter stages of 2021 in the face of rapidly rising inflation. Market expectations rapidly coalesced on a significant rate hike schedule in both markets, although ongoing geopolitical tensions globally will mean that central banks must navigate a dynamic market environment to ensure a so-called “soft landing” in the transition to a less accommodative policy stance. The yield curve itself began this tightening cycle in an atypically flat orientation, with limited term premium available to investors for moving beyond 2 years in maturity. Flatter interest rate term structures are generally reserved for the latter portions of policy tightening cycles and are potentially indicative of increased risk of a shorter rate rise experience than previous cycles, with increased risk of policy error.

Compared to the relatively volatile experience for credit markets in 2020, corporate bond investors experienced comparatively subdued credit spread volatility in 2021 as stimulative central bank policies created a generally favorable credit environment. With only mild moves throughout the year, both corporate and Canadian provincial bond credit spreads ended the year just slightly tighter than at the beginning of January.

PUBLIC EQUITY PORTFOLIOS

OBJECTIVES

We provide two main types of geographically diverse public equity investment portfolios: standard market capitalization-based portfolios, and low volatility equity portfolios. These portfolios are used to help clients gain exposure to the long-term economic growth in global regions on both an active and passively managed basis, with clients benefitting from Vestcor's total portfolio approach to shift active risk to markets where it is most beneficial, while maintaining the efficiency of passive management in certain more competitive markets where evidence warrants a less aggressive approach.

In 2021, Vestcor continued a trend of increasing portfolio efficiency by transitioning separate U.S. and international Developed Market Low Volatility Strategies to a combined "Developed World ex Canada" approach. This new strategy is expected to provide gains in both portfolio and transaction cost efficiency going forward, producing improved results for clients.

PERFORMANCE SUMMARY AS AT DECEMBER 31, 2021

Portfolio	AUM ¹ (\$ millions)	2021 Annual Return		Four-Year Annualized Return	
		Portfolio %	Benchmark %	Portfolio %	Benchmark %
Market Capitalization Weighted:					
Canadian Equity	\$ 1,175	25.22	25.09	10.43	10.28
Canadian Small Cap Equity ²	175	30.68	20.27	n/a	n/a
U.S. Equity	676	26.93	26.85	17.74	17.68
U.S. Small Cap Equity ²	5	15.03	13.52	n/a	n/a
International Equity	860	11.14	10.32	6.18	6.20
Low Volatility:					
Canadian Equity	985	23.96	26.08	8.88	9.50
U.S. Equity ³	–	2.71	0.80	8.86	10.44
International Equity ³	–	(0.42)	(1.99)	2.51	2.93
Global Equity ⁴	2,255	12.71	12.86	n/a	n/a
Emerging Markets Equity	830	5.71	4.65	2.75	4.06

¹ Includes cross-fund ownership interests

² Start date April 30, 2018

³ U.S. and International Strategies merged effective March 31, 2021. 4-year performance from Jan. 1, 2018 through March 31, 2021

⁴ Start date April 1, 2021

OVERVIEW

Compared to the extreme volatility of 2020, global equity investors had a much smoother ride in 2021. While pockets of modest volatility were observed throughout the year, for the most part, 2021 was a period of volatility declines and price increases for global equity markets. The global MSCI All Country World Index gained over 18% in Canadian Dollar terms, although developed markets significantly outpaced emerging markets during the year.

As discussed previously, defensive equity strategies produced significantly improved returns in 2021 when compared to the prior year, although for the third consecutive year failed to match the returns generated by higher risk market capitalization weighted portfolios. Defensive equities remain a significant source of value for many Vestcor clients due to their risk reducing characteristics matching well with the regulatory

framework faced by New Brunswick based Shared Risk and Target Benefit Pension Plans. This risk reducing quality, combined with improved fundamentals for low volatility equities when compared to broader markets, suggest that these defensive strategies will continue to play an important role for clients in future years.

ALTERNATIVE INVESTMENT PORTFOLIOS

OBJECTIVES

Vestcor offers many non-traditional alternative investment strategies which help provide clients with additional diversification benefits and exposure to investments which may help reduce their overall portfolio risk from the more traditional public equity and fixed income markets. Our Absolute Return Strategies are internally managed portfolios that are deployed for clients on both a standalone basis as well as through an overlay approach on total assets that consist primarily of publicly traded securities designed to provide stable returns with a low correlation to standard public market equity index returns.

Vestcor's Private Equity portfolio – historically managed by the firm's Private Markets team - provides investors with the opportunity to invest in more concentrated or control-based equity positions in companies that are at various growth stages and located in a number of different geographic regions. In 2021, Vestcor initiated a modest reorganization of certain investment teams, with the creation of a Real Assets team focused primarily on Real Estate and Infrastructure investments. As a result of this team transition, Private Equity portfolio management responsibilities have migrated to Vestcor's Equity Team, allowing complete oversight of top down and bottom-up portfolio management for the firm's entire non-Quantitatively managed equity portfolios within one integrated team. This integrated approach is expected to provide significant advantages for both public and private equity management at Vestcor in addition to allowing better coverage of rapidly evolving equity capital markets globally.

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

PERFORMANCE SUMMARY AS AT DECEMBER 31, 2021

Portfolio	AUM ¹ (\$ millions)	2021 Annual Return		Four-Year Annualized Return	
		Portfolio %	Benchmark %	Portfolio %	Benchmark %
Absolute Return Strategies	\$ 1,647	6.69	0.17	5.47	1.01
Private Equity	1,306	34.39	21.10	21.27	12.06
Real Estate	1,341	19.76	12.34	10.32	7.61
Infrastructure	1,251	10.06	5.33	8.88	5.73

¹ Includes cross-fund ownership interests

OVERVIEW

We manage separate internal portfolios that provide exposure to a variety of securities, markets and strategies managed using both traditional and quantitative approaches. Meaningful allocations to these portfolios combined with a well-developed risk budgeting framework allow the strategy to achieve the goal of positive, low risk returns without taking on the unintended risk exposures that can often be found in traditional multi-strategy absolute return portfolios such as hedge funds. While each strategy is managed in a diversified and prudent manner by a particular portfolio management team, we additionally employ a combined portfolio risk budgeting approach to ensure risk is efficiently managed and budgeted through all market environments. By shifting capital and risk allocations to their most favorable locations where necessary the strategy has been successful in producing significant positive returns with minimal correlation to traditional markets and less than half the volatility of traditional hedge funds.

In 2021, the Absolute Return Strategy generated returns of 6.7%, with positive contributions from both the fundamental and event driven and quantitatively managed sub-portfolios.

Vestcor’s private equity portfolio is diversified across geography, sector and currency, and investments are made through a combination of commitments to external funds, co-investments alongside fund managers and direct internally managed investments. In 2021, the portfolio gained nearly 35% and significantly outpaced its benchmark for the year. Over the longer-term four-year period, private equity has returned in excess of 21%, outperforming the portfolio’s Public Equity benchmark by more than 9% per year.

The Real Estate portfolio has two components: North American Real Estate Investment Trust (REIT) securities, and private real estate in the form of limited partnership interests, direct co-investments and direct holdings. With the creation of a more focused Real Assets team in 2021, direct Real Estate investments are expected to play a larger role in Vestcor client investment strategy on a go forward basis. In 2021, the combined portfolio earned a return of nearly 20% vs. a benchmark return of 12.3%. In addition, the longer-term 4-year return remains strong and well in excess of benchmark at 10.3% per year.

Vestcor’s Infrastructure portfolio has two components: first, private infrastructure in the form of both fund commitments into limited partnerships as well as co-investments (diversified by geography, currency and by asset type) and second, an internal public infrastructure portfolio that is designed to provide similar long-term return and risk characteristics as private. In 2021, the combined strategy earned 10%, compared to a benchmark return of 5.3%.

TOTAL FUND PERFORMANCE SUMMARY AS AT DECEMBER 31, 2021

Below is a summary of the investment performance returns on all Vestcor management assets since its inception in April 1996.

	1 Yr %	2 Yrs %	3 Yrs %	4 Yrs %	5 Yrs %	10 Yrs %	Since Inception %
Vestcor Total Funds	9.46	8.20	9.38	7.50	7.61	8.58	7.36
Benchmark	7.23	7.12	8.45	6.52	6.62	7.65	6.98

RISK MANAGEMENT

Vestcor faces a number of risks in fulfilling our various client mandates. A summary of our recently updated Enterprise Risk Management Framework, available at vestcor.org/corporate, provides guidance and structure for ensuring that the organization can assess and adapt to emerging risks.

Risk management is a key element in helping provide stability to both pension plan contributions and benefits and making sure that our investment management activities do not bring undue risk to our clients' assets. All decisions are made in a risk context that not only focuses on the expected returns of our activities but also on the potential gains or losses that could be realized by those activities.

BOARD OVERSIGHT

Although management has the primary responsibility for managing risk, under its terms of reference, the Board of Directors is responsible for understanding the risks and the systems that management has put in place to mitigate and manage those risks. The Board is assisted in this responsibility through the efforts of its Committees to which certain risk oversight has been delegated. The Board maintains specific responsibility for the oversight of fiduciary, business strategy and investment risk, however.

Within the Board structure, the Human Resources & Compensation Committee focuses on risks relating to our employees and work environment. These include the leadership of the President and CEO, the ability to attract and retain qualified and motivated staff, leadership development and succession plans, and our Human Resource policies and practices. The Governance Committee focuses on the leadership and effectiveness of the Board and the reputation and public image of Vestcor. The Audit Committee focuses on oversight of financial risks including risks relating to the systems of internal control and financial reporting as well as cybersecurity and fraud risk.

INTERNAL AUDIT FUNCTION

The Audit Committee of the Board uses an independent internal audit function, consisting of internal employees and external independent audit consultants, to assist the Committee in ensuring that the internal controls and information systems used by Vestcor are appropriate and effective. The internal audit function reports directly to the Audit Committee. Internal audit pursues a rotating, risk-focused examination of an audit universe that covers the expanse of Vestcor's corporate policies and processes.

MANAGEMENT ACTIVITIES

Vestcor has an independent Risk Team overseen by the Risk Manager. The Risk Manager is responsible for development, communication and administration of Vestcor's Enterprise Risk Management Framework, leads the Enterprise Risk Management Council and reports directly to the Chair of the Audit Committee.

Vestcor uses various internal Risk Management Committees to monitor and address issues arising from the Enterprise Risk Management Framework. These committees have cross-functional membership, including management and non-management positions as well as some overlap among the committees, providing a rich opportunity for sharing perspectives and insights:

<p>Enterprise Risk Management Council (ERMC)</p>	<p>In accordance with its Terms of Reference, the ERMC is responsible for reviewing the status of the Enterprise Risk Management Framework on a quarterly basis in advance of presenting the quarterly risk matrix report and key risk indicators to the Audit Committee and advising the President and CEO of areas of emerging risk.</p> <p>In fulfilling this mandate, the ERMC reviews:</p> <ul style="list-style-type: none"> • a quarterly key risk indicators report; • weekly Capital at Risk and Policy Asset Mix Capital at Risk analyses, including identification of risk proxies; • a quarterly client liquidity analysis; • monthly counterparty exposure reports; • quarterly securities lending compliance reports; • results from management’s annual fraud risk assessment; and • recommendations from internal audit reviews.
<p>Investment Risk Management Committee (IRMC)</p>	<p>In accordance with its Terms of Reference, the IRMC:</p> <ul style="list-style-type: none"> • monitors investment risk measures; • reviews the results of asset mix stress testing and back-testing; • considers risks associated with new investment strategies and products; and • proposes procedures to measure and monitor investment risk, subject to the approval of the Chief Investment Officer and within the parameters established by the Board and our clients.
<p>Trade Management Oversight Committee (TMOC)</p>	<p>In accordance with its Terms of Reference, the TMOC:</p> <ul style="list-style-type: none"> • monitors trading policies and practices; • approves broker selection to ensure best trade execution possible; and • manages exposure to broker counterparty risk.
<p>Information Technology Risk Management Committee (ITRMC)</p>	<p>In accordance with its Terms of Reference, the ITRMC:</p> <ul style="list-style-type: none"> • assists in the development of IT strategy and future direction; • approves new application risk assessments; • monitors adherence to IT policies and processes; and • oversees cybersecurity risks.
<p>Business Continuity Plan Team (BCP)</p>	<p>In accordance with its Terms of Reference, the BCP:</p> <ul style="list-style-type: none"> • develops and implements the Business Continuity Plan including disaster recovery and pandemic preparedness; • discusses possible disaster scenarios; and • uses passive and active scenario testing to practice response protocols.
<p>Occupational Health & Safety Committee</p>	<p>In accordance with its Terms of Reference, the Occupational Health & Safety Committee considers physical environment risks.</p>

Privacy Committee

Under its Terms of Reference, the Privacy Committee:

- oversees all client / plan member privacy activities;
- develops policies, procedures and safeguards regarding privacy;
- ensures ongoing staff training and awareness;
- monitors policy compliance; and
- investigates and responds to incidents and complaints.

Valuation Committee

In accordance with its Terms of Reference, the Valuation Committee:

- reviews the valuations for all private local opportunity investments and spread-based fixed income securities;
- reviews the valuations for other non-publicly traded securities classified as Level 2 or Level 3 under International Financial Reporting Standards; and
- maintains the valuation procedures manual in accordance with sound business practices and effective internal controls.

CORPORATE GOVERNANCE

Vestcor was established under the *Vestcor Act* in 2016 as a not-for-profit corporation that is indirectly owned by its Members, currently the NBPSPP and NBTPP (“the Founding Members”) through a shareholder corporation, Vestcor Corp.

APPOINTMENT OF BOARD OF DIRECTORS

Vestcor’s Board of Directors is appointed by Vestcor Corp. based on recommendations from a Vestcor Inc. Ad-Hoc Nominating Committee. A skills matrix is developed by the Ad Hoc Nominating Committee to ensure an appropriate diversity of Board experience and skills. A professional executive search firm may be engaged to assist the Committee in the solicitation and evaluation of interested applicants against this skills matrix.

The *Vestcor Act*, a Members’ Agreement and the corporate by-laws set out the duties and responsibilities of the Board of Directors. Also, under a Director Independence Policy that seeks to minimize potential conflicts with respect to Board operations, the current Board operates with all of its ten directors declaring full independence.

A primary consideration of the Board is to oversee Vestcor’s activities as a pension and benefits administrator and investment manager for the funds under management. The Board ensures that, as required under the *Vestcor Act*, all Vestcor’s transactions are conducted on a purely commercial basis, and that decisions and actions are based on sound business practices in the best interest of our clients.

The Board is responsible for the stewardship and strategic direction of Vestcor. Its duties include establishment of the corporate mission, vision and values, maintaining an effective relationship with the President and CEO, and oversight of the business planning process, financial position and results, risk management, internal controls and information systems, human resources, communications and stakeholder relations. To ensure its ongoing effectiveness, the Board performs a self-assessment against these responsibilities.

The Board is assisted in its endeavors by the efforts of three Committees: the Audit Committee, the Human Resources & Compensation Committee and the Governance Committee, whose reports follow. Day-to-day management is delegated to the Chief Executive Officer, while investment-related matters are delegated to the Chief Investment Officer.

Additional information about our corporate governance practices is available on our website at vestcor.org. This includes: our governing statutes, Board composition, Board and Committee Terms of Reference, Nomination Guidelines, Director Orientation and Education Policy, and Code of Ethics and Business Conduct.

BOARD ATTENDANCE

Board members are expected to attend the Board meetings and meetings of committees of which they are a member. The following table provides the number of regular meetings held and attendance by each of the appointed Directors.

Appointed Director	Board	Audit Committee	Governance Committee	Human Resources & Compensation Committee
Michael Walton	9/9	5/5	4/4	5/5
Michel Allain	9/9	n/a	n/a	5/5
Donna Bovolaneas ¹	3/3	3/3	2/2	n/a
Tanya Chapman	9/9	n/a	4/4	5/5
L. Clark ²	6/6	n/a	2/2	n/a
M. Doiron ²	6/6	n/a	1 ³	2/2
David Losier	9/9	5/5	4/4	5/5
Eleanor Marshall	9/9	5/5	n/a	5/5
Tim Mawhinney	9/9	2/2	n/a	3/3
Daniel Murray	9/9	5/5	4/4	n/a
Cathy Rignanesi	9/9	5/5	4/4	n/a

¹ Term expired June 30, 2021

² New Director effective July 1, 2021

³ New Directors can attend all Committee meetings as guests

In addition, the Ad hoc Nominating Committee, which had resumed its activities in late 2020 once the Province's State of Emergency had been lifted, continued its work with the help of an executive recruiting firm to assist with the search for highly qualified directors to fill both a current and a future vacancy (October 1, 2020 and June 30, 2021 expiry). The Ad hoc Nominating Committee met three times and as per the guidelines for the nomination of new directors, provided the formal final appointment recommendations to the Vestcor Corp. Board for approval. The three-year new Directors' term is effective July 1, 2021.

A Director Orientation Program assists new directors in understanding the mandate and stakeholders of Vestcor. A significant focus of the new Director orientation is to explain the roles and responsibilities of the Board and the Board committees and the expectations of individual Directors. It also outlines Vestcor's organizational structure, introduces the senior leadership team, and provides a primer on the pension and benefits administration and investment management services and related industries. Management has provided Director orientation to each of the directors.

Ongoing Director education includes exposure to relevant news and articles of interest as well as a program of educational sessions. In 2021, these sessions included director & organizational diversity and inclusion; regulatory requirements and application in other jurisdictions; compensation trends and governance; and an update on Vestcor's responsible investing program. Directors also attended the client educational webinars hosted by Vestcor in 2021 including portfolio benchmarking, Global Investment Performance Standards and responsible investment approach. Vestcor also has a corporate membership in the Institute of Corporate Directors to ensure that directors and management have ready access to evolving best governance practices.

All Directors participated in an externally facilitated risk appetite workshop enabling a review and discussion of Vestcor's Enterprise Risk Management Framework and the development of a shared understanding across the principal risks facing the organization.

BOARD DECISIONS

Major decisions made by the Vestcor Board during the year ended December 31, 2021, in addition to the matters referred to it by the Board Committees (see *Board Committee Reports* below) included:

- Approval of the appointments of D. Murray as Chair of the Governance Committee, T. Chapman as Chair of the Human Resources & Compensation Committee and C. Rignanesi as Chair of the Audit Committee effective as of April 1, 2021. Subsequently approved a rotation of Directors to the various Committees of the Board;
- Approval of Brent Henry as Vestcor Inc.'s Vice President Finance and Chief Financial Officer, following the result of an externally facilitated recruitment search;
- Approval of Ying Wu as Vestcor Inc.'s Chief Compliance Officer effective March 1, 2021, following the appointment of Brent Henry, former Chief Compliance Officer;
- Approval of the reestablishment of the Ad hoc Nominating Committee to address the 2020 and 2021 director term expirations.
- Recommend to the Vestcor Corp. shareholder, as a result of an external facilitated recruitment search, the appointment of two new Directors, and the reappointment of two existing Directors, to the Vestcor Inc. Board of Directors.
- Approval of the 2021 Incentive Plan compensation payments including the individual award factor based on 2021 business plan accomplishments;
- Approval of a revision to the Investment Authorities including the daily blotter and settlement limits and trading transaction limits;
- Approval of revisions to the Vestcor Investment Entity Profiles, including the creation of a new Vestcor Investment Entity to support new investment strategies;
- Recommendation to the shareholder of reconfirming KPMG as independent auditor for the Vestcor Group for the year ending December 31, 2021, which was approved;
- Approval of the 2022 Annual Corporate Business Plan and weightings for Incentive Plan purposes;
- Recommendation to the shareholder of the 2022 operating and capital expenditure budgets for Vestcor Inc., which were approved;
- Approval of the 2021 Vestcor Client Satisfaction Survey;
- Approval of the 2022 objectives for the President and CEO; and
- Approval of the 2022 Board and Committees' reporting calendar.

BOARD COMMITTEE REPORTS

The following highlights of the Board Committee Reports for the year ended December 31, 2021.

REPORT OF THE AUDIT COMMITTEE

Under its Terms of Reference, the Audit Committee is responsible for assisting the Board in its oversight of the integrity of Vestcor's financial reporting and disclosure processes. This oversight includes:

- monitoring the financial affairs of Vestcor and the Vestcor Investment Entities, including the selection of accounting policies to be followed in the preparation of financial statements and the transparency of financial disclosures;
- appointment of qualified and independent external auditors including an annual assessment of the quality of the external audit and a periodic review of the Committee's policies respecting audit partner rotation and pre-approval of the external auditor's audit and non-audit fees and their impact on the auditor's independence;
- the selection, evaluation, retention and performance of the internal audit function including completeness of the audit universe, approval of the terms of the annual audit plan and a regular assessment of the effectiveness of the internal audit function;
- adequacy and effectiveness of Vestcor's internal controls and management information systems used to produce accurate, appropriate and timely management and financial information;
- robustness of management's enterprise risk management program and strategies to identify and mitigate financial risks; and
- compliance with legal and regulatory matters.

Management is responsible for the preparation of the financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining appropriate accounting policies, processes, procedures and systems of internal control to ensure compliance with

accounting standards and applicable laws and regulations. The external auditor is responsible for planning and carrying out an audit of the annual financial statements.

At the beginning of each year the Committee establishes its objectives under these Terms of Reference for the upcoming year and reports on its success at meeting those objectives annually as part of an assessment of its own effectiveness. At each meeting, the Committee evaluates its meeting agenda against its Terms of Reference to ensure that it has fulfilled its responsibilities.

In accordance with its Terms of Reference, the Committee accomplished, among other things, the following in or relating to the year ended December 31, 2021:

Financial Statements and Other Statements

- Following a review of changes to the Global Investment Performance Standards (GIPS®) introduced in 2020, reviewed and recommended to the Board for approval certain client's Total Fund Reports for GIPS® asset owners in accordance with the standards for the year ended December 31, 2021 for:
 - o New Brunswick Public Service Pension Plan Total Fund;
 - o New Brunswick Teachers' Pension Plan Total Fund;
 - o Provincial Court Judges' Pension Plan Total Fund;
 - o Pension Plan for Management Employees of New Brunswick School Districts Total Fund;
 - o Shared Risk Plan for Certain Bargaining Employees of New Brunswick Hospitals Total Fund;
 - o Shared Risk Plan for the City of Fredericton Total Fund; and
 - o Low Volatility Global Equity Total Fund.
- Reviewed the Environmental Reclamation Total Fund Report in accordance with GIPS® for the year ended March 31, 2021 and recommended its approval by the Board;
- Reviewed the Shared Risk Plan for Academic Employees of the University of New Brunswick Total Fund Report in accordance with GIPS® for the year ended June 30, 2021 and recommended its approval by the Board;
- Reviewed the audited financial statements for the Vestcor Investment Entities for the year ended December 31, 2021 and recommended approval by the Board;
- Reviewed the audited financial statements for Vestcor for the year ended December 31, 2021 and recommended approval by the Board;
- Reviewed the draft Vestcor Annual Report material for the year ended December 31, 2021 and recommended approval by Board subject to the review and approval by each of the Governance and Human Resources & Compensation Committees of material relating to those committees;
- Reviewed the draft press release announcing the publication of the Vestcor Annual Report for the year ended December 31, 2021 and recommended approval by the Board;
- Reviewed quarterly unaudited financial statements for the Vestcor Investment Entities and Vestcor together with management's certifications regarding changes in accounting policies, significant accounting estimates, adequacy of internal controls over financial reporting, and subsequent events;
- Monitored the completion of corporate and client financial reporting activities; and
- Approved the Valuation Policies for investment securities.

Internal Control and Information Systems

- Monitored the status of management's efforts to address internal control findings from previous external audits;
- Reviewed and recommended to the Board for approval of the development of a new Service Organization Controls (SOC 1) report. Received quarterly status report on the continuing progress of the development of the SOC1 report;
- Received and reviewed a quarterly report related to the Vestcor Enterprise Risk Management Framework, including the Enterprise Risk Matrix and Key Risk Indicators; and
- Received an update to the Vestcor Five-Year IT Strategic Plan.

Risk Management

- Completed the annual review of the Fraud Risk Management Policy and recommended to the Board for approval;
- Reviewed findings from management's 2021 fraud risk assessment;
- Reviewed an annual listing of Vestcor's major suppliers;
- Reviewed and approved updates to the Securities Regulation Policy Manual;
- Received and reviewed a revised version of the Vestcor Enterprise Risk Management Framework, incorporating the results of the externally facilitated risk appetite workshop and recommended its approval to the Board;
- Reviewed and approved management's recommendations regarding the Corporate Insurance Program and recommended renewal to the shareholder;
- Completed the annual review of the Risk Manager's mandate, role and responsibilities; and
- Reviewed and approved the Chief Compliance Officer's Annual Securities Compliance Report

Internal Audit

- Received and reviewed the results of the Internal Audit function assessment and the associated action plan;
- Received quarterly Internal Audit Reports outlining work conducted by the Internal Audit function including recommendations and management's responses;
- Reviewed and approved revisions to the Internal Auditors' Terms of Reference;
- Approved the 2022 Internal Audit Plan including projects, budget, updated audit universe and professional development plan for the Manager, Internal Audit;
- Approved an external review of the Vestcor Internal Audit program;
- Reviewed a Follow-Up Report from the Internal Auditor reporting on management's progress in responding to previous internal audit recommendations; and
- Met *in camera* quarterly with the Internal Auditor.

External Auditor

- Reviewed and recommended for approval by the Board the External Auditor's engagement, audit plan, timing, staffing and fees for the Vestcor financial statements for the year ended December 31, 2021, and the Vestcor Investment Entities' financial statements for the year ended December 31, 2021;
- Pre-approved all non-audit, tax and other services to be performed by the External Auditor in accordance with the Audit Committee's Pre-Approval Policy for Audit and Non-Audit Services;
- Reviewed the External Auditor's Audit Findings Report for the year ended December 31, 2021 and obtained confirmation of the External Auditor's independence;
- Opportunity to meet *in camera* quarterly with the External Auditor;
- Received management's feedback concerning the effectiveness and quality of the External Audit;
- Completed an External Auditor Assessment resulting in a recommendation to the shareholder for the re-appointment of the External Auditor for the December 31, 2021 audit; and
- Reviewed and reconfirmed the Hiring Policy respecting Employees and Partners of the External Auditor as originally approved to ensure appropriate independence of the External Audit is maintained.

Committee Objectives

- Received the results of an evaluation conducted by each director after each Audit Committee meeting to assist in identification of improvements to meeting content and efficiency; and
- Reviewed the Audit Committee's accomplishments for the year ending December 31, 2021 and established the 2022 Committee objectives.

Other

- Conducted a thorough review of the Audit Committee's Terms of Reference and recommended amendments to the Board for approval;
- Reviewed and recommended to the Board for approval amendments applied to the Securities Regulation Policies Manual;
- Received quarterly reporting of legal and regulatory compliance;
- Received a quarterly status report of class action litigation in which Vestcor has participated as a claimant pursuant to Vestcor's Responsible Investment Guidelines; and
- Reviewed the IT Team's annual Cyber Security Self-Assessment

This report has been approved by the members of the Audit Committee.

C. Rignanesi (Chair), D. Losier, E. Marshall, D. Murray, T. Mawhinney, M. Walton (ex officio).

REPORT OF THE GOVERNANCE COMMITTEE

Under its Terms of Reference, the Governance Committee is responsible for assisting the Board of Directors in fulfilling its obligations by providing a focus on governance and public policy to enhance Vestcor's performance and ensure that its governance and communications policies and practices meet evolving best practices. To accomplish this, the Committee annually reviews the terms of reference for the Board and each Board committee, all Board policies and the Nomination Guidelines for new directors, oversees the Corporate Communications Policy, Director Orientation and Education programs and the Code of Ethics and Business Conduct. A Board and Director self-assessment process is facilitated by the Governance Committee.

At the beginning of each year the Committee establishes its objectives under these Terms of Reference for the upcoming year and reports on its success at meeting those objectives annually as part of an assessment of its own effectiveness. At each meeting, the Committee evaluates its meeting agenda against its Terms of Reference to ensure that it has fulfilled its responsibilities.

In accordance with its Terms of Reference, the Committee accomplished, among other things, the following in or relating to the year ending December 31, 2021:

Governance Documents and Initiatives

- Conducted an in-depth review of and recommended to the Board for approval revisions to the Terms of Reference for the Board of Directors for Vestcor and for each of the Governance, Audit and Human Resources & Compensation Committees; and
- Completed the annual review of the Director Orientation and Education Policy, Code of Ethics and Business Conduct, Director Nomination Guidelines and Directors' Terms and Skills Competency Matrix and recommended their approvals by the Board; and
- Reviewed the draft Corporate Governance disclosure for the 2021 Annual Report and recommended its approval by the Board.

Ethics

- Reviewed the annual compliance by staff and directors with the Code of Ethics and Business Conduct; and
- Received each quarter a status report of compliance by staff with the Code of Ethics and Business Conduct.

Director Nominations

- Received a status report from the Ad Hoc Director Nominating Committee, reorganized in late 2020 for the 2020 and 2021 director terms expiry. Updates included the relaunch of the director recruitment process and engagement of the shareholder to fill both an existing and upcoming vacancy, preliminary results of the external director recruitment search, selection and interview process based on key skills gaps; and
- Received a letter from the Ad Hoc Director Nominating Committee that recommended to our Vestcor Corp. shareholder the reappointment of two existing directors and the appointment of two new directors, as a successful result of the external director recruitment search, effective July 1, 2021.

Directors' Compensation

- Approved a Report of Directors' Compensation and Expenses for the year ended December 31, 2021; and
- Approved a Report of the President and CEO's travel expense claims for the year ended December 31, 2021.

Director Orientation and Education

- Reviewed a Post-Orientation Survey for New Directors and recommended its approval by the Board to provide feedback and opportunity to improve the director orientation process; and
- Renewed a corporate membership in the Institute of Corporate Directors to provide valuable training and resource material for both management and Directors.

Board Effectiveness

- Received the results of an evaluation conducted by each Director after each Board meeting to assist in identification of improvements to meeting content and efficiency;
- Reviewed a progress report of Board Improvement Objectives identified as part of a facilitated 2020 Board evaluation process;
- Reviewed the Board Operations Policy and the Corporate Information Confidentiality Policy and recommended its approval by the Board; and
- Reviewed the Board's accomplishments for the year ended December 31, 2021 and discussed objectives for enhancing Board effectiveness in 2022.

Communications and Public Policy

- Reviewed and recommended to the Board for approval a revised Strategic Communications Plan; and
- Received a quarterly Media Monitoring Report from the Communications team

Committee Objectives

- Received the results of an evaluation conducted by each director after each Governance Committee meeting to assist in identification of improvements to meeting content and efficiency; and
- Reviewed the Governance Committee's accomplishments for the year ending December 31, 2021 and discussed objectives for enhancing its effectiveness in 2022.

Other

- Received a quarterly update on potential new client mandates; and
- Approved an active monitoring process for registering and maintaining each director's status as a Permitted Individual pursuant to provincial securities regulation.

This report has been approved by the members of the Governance Committee.

D. Murray (Chair), C. Rignanesi, D. Losier, T. Chapman, L. Clark, M. Walton (ex officio)

REPORT OF THE HUMAN RESOURCES & COMPENSATION COMMITTEE

Under its Terms of Reference, the Human Resources & Compensation Committee (HRCC) is responsible for assisting the Board of Directors to fulfill its obligations relating to the compensation of employees, leadership succession, and human resources policies and practices. In doing so, the HRCC conducts an annual performance appraisal for the President and CEO, oversees changes to the Compensation Philosophy, compensation, employee benefits and incentive plans, organizational structure, leadership development and succession, monitors management's compliance with employment-related regulatory and legislative matters and oversees risk management systems related to Vestcor's human resources.

At the beginning of each year, the Committee establishes its objectives under these Terms of Reference for the upcoming year and reports on its success at meeting those objectives annually as part of an assessment of its effectiveness. At each meeting, the Committee evaluates its meeting agenda against its Terms of Reference to ensure that it has fulfilled its responsibilities.

In accordance with its Terms of Reference, the Committee accomplished, among other things, the following in or relating to the year ended December 31, 2021:

Evaluation of the CEO

- Conducted the annual performance review for the President and CEO; and
- Reviewed and approved the performance of the President and CEO against the President and CEO Objectives and business plan targets for the year ended December 31, 2021.

Compensation and Employee Benefits

- Finalized a comprehensive total compensation review for all employee positions with the support of an independent external compensation advisor.
 - Reviewed the incentive structure observations and recommendations from the independent advisor and recommended the resulting proposed recommendations for approval to the Board; and
 - Reviewed the results of the independent expert compensation advisors' investment benchmarks and target value-added study and recommended the resulting proposed recommendations for approval to the Board.
- Reviewed the individual business plan success weightings of the Annual Business Plan for the year ended December 31, 2021 and recommended their approval by the Board; and
- Reviewed corporate results for the year ended December 31, 2021 versus the Annual Business Plan and recommended approval by the Board of the overall Corporate Scorecard incentive compensation pool and the Individual Incentive performance pool awards for the year ended December 31, 2021.

Severance

- N/A – No severances in 2021.

Code of Business Conduct and Ethics

- N/A – No concerns referred by the Governance Committee occurred in 2021.

Organizational Structure

- Ongoing discussion throughout the year on the human resource impact of the COVID-19 pandemic and Vestcor's COVID-19 Operating Plan on continuing efforts to attract, retain, motivate and train personnel. Reviewed the results of a new office space pulse survey of employees, conducted following the move to Vestcor's new office, to evaluate employees' level of safety in the new facility.

Leadership Development and Succession

- Reviewed the Succession Plans for the President and CEO and senior management positions and recommended approval by the Board;
- Reviewed management’s leadership development plans for identified senior leadership succession candidates;
- Retained the services of a professional search firm to help conduct an executive search for a new Chief Financial Officer due to the planned retirement of the incumbent. Recommended approval by the Board of the successful candidate; and
- Received regular updates on management’s recruiting efforts.

Human Resources Planning and Policies

- Reviewed the 2021 Human Resources Strategic Plan, including short, medium and long-term objectives to build Vestcor’s infrastructure to support prudent client growth while reducing enterprise risk exposure and ensuring organizational sustainability, and recommended its approval by the Board;
- Received a proposed updated organizational structure in conjunction with the development of the 2022 budget. The proposed structure included long-term restructuring opportunities within the investment and information technology teams to position Vestcor for future growth opportunities in terms of both additional clients and potential additional service offerings, as indicated in the 2019 – 2024 Corporate Strategic Plan; and
- Reviewed and approved a Corporate Flextime / Remote Work Guidelines.

Compliance Monitoring

- Received quarterly certification from management as to regulatory compliance with various legislative requirements.

Risk Management

- Following the results of the 2020 Biennial Workplace Environment Survey and the subsequent recommendations made by the internal employee Workplace Environment Focus Group to enhance employee satisfaction, reviewed and monitored action plans taken by management to address those recommendations;
- Following the results of the 2020 Biennial Leadership Survey, reviewed a memorandum providing the President and CEO Leadership Survey results and analysis;
- Monitored quarterly key performance indicators related to human resource matters including position vacancies, absenteeism, retention and training; and
- Monitored the risk management areas for which the Committee had been delegated oversight responsibilities including the President and CEO’s leadership effectiveness, performance integrity, and ability to attract and retain qualified personnel.

Annual Committee Objectives

- Updated the Committee’s Terms of Reference to enhance clarity and ensure responsibilities remain appropriate and recommended approval by the Board; and
- Established the Committee’s objectives for the year ended December 31, 2021 in the form of a Committee dashboard and reviewed subsequent achievements throughout the year.

Other

- Each quarter, conducted and reviewed a meeting evaluation to assess the efficiency and effectiveness of the Committee function;
- Reviewed the draft Compensation Discussion and Analysis section of the Vestcor 2021 Annual Report and recommended its approval by the Board; and
- As part of a Vestcor Board of Directors Committee Chairperson rotation process, Ms. Tanya Chapman became Chairperson of the Committee effective April 1, 2021.

TOTAL COMPENSATION PROGRAM REVIEW

The HRCC's responsibilities include regularly reviewing our Compensation Philosophy, employee compensation program, and employee benefits plan against Vestcor's strategic focus and evolving industry best practices to ensure we can attract and retain the professional talent required by our business.

As reported in our 2020 Annual Report, the HRCC retained the help of Willis Towers Watson, an independent expert compensation advisor, during 2020 and early 2021 to provide advice with respect to an extensive Total Compensation Review for all Vestcor employee positions. This review was conducted within the context of Vestcor's Board of Directors reviewed and approved Compensation Philosophy. The last comprehensive externally assisted reviews were completed by the HRCC for Administration and Corporate Services employees in November 2017 and Investment employees in September 2015.

The review was directed by an Ad-hoc Compensation Committee of the Board and utilized peer comparator groups to represent the marketplace for all Vestcor employee positions. Vestcor Directors M. Walton, D. Losier, and C. Rignanesi participated on the Ad-Hoc Committee. For investment and pension administration positions, the comparator group consisted of pension funds of similar asset size and investment strategy complexity. Corporate services positions were compared to similar general industry positions, adjusted for regional differences, and to other Atlantic Canada organizations.

The results of this review determined that the target compensation opportunity for most positions was in line with the peer group identified. It was identified that the compensation targets for a limited number of senior employee positions was lower than the median peer group levels. Adjustments were approved to a combination of salary band and / or variable incentive plan participation levels for the identified positions effective January 1, 2021. Actual salary adjustments are being prudently implemented over time and any immediate changes were made within the previously approved 2021 annual operating budget.

Based on the advice of the external advisor, Vestcor's Incentive Plan has been combined into one plan (versus the prior Annual and Long-term Incentive Plans) in line with the evolution of industry best practices. This new plan further aligns the corporation's variable incentive compensation component with the goals and objectives of our clients, and specific employee quantitative and qualitative performance targets.

It also provides a clearer and more simplified framework that remains transparent to our stakeholders and employees, and one that the Board believes better serves our employee attraction and retention objectives. A detailed scenario analysis was undertaken to ensure that the expected compensation expense related outcomes of the new incentive program structure were similar to those under the prior program and that the total target compensation opportunity for all employees remains the same. These changes became effective as of January 1, 2021.

Based on the advice of the external advisor, employees who have active previously commenced rolling four-year periods in progress under the prior Long-term Incentive Plan will continue to be eligible to receive annual payments determined under the previously existing conditions of that plan up until the final calculation and concluding four-year period of 2020 to 2023. These remaining applicable payments will continue to be subject to Board of Director approval.

In 2021, the HRCC again retained the help of the independent expert compensation advisor Willis Towers Watson and their investment advisory practice, to assist in reviewing the various investment benchmarks and value-added targets that are used as part of the incentive compensation determination process. After an extensive review, the advisor confirmed that the existing investment benchmarks and value-added targets were generally in-line with peer investment firms and industry best practices. The HRCC and Board will utilize this feedback in setting performance targets for 2022 and future years.

Vestcor's pension plan participation and employee benefit program remained unchanged.

ANNUAL CEO COMPENSATION ASSESSMENT

As noted above, the annual performance review for the President and CEO is assigned to the HRCC through their Terms of Reference. The target compensation opportunity for the President and CEO role was reviewed as part of the above noted compensation review and it was determined to be competitive with the peer comparator group and that no changes to the base salary or targeted performance amounts were warranted. The President and CEO's participation in Vestcor's Incentive Plan was amended to reflect the structural changes to the Plan which were noted previously.

In reviewing the performance of the President and CEO against the business plan targets for the year ended December 31, 2021, the HRCC determined that both corporate business plan and individual targets were substantially achieved and awarded a performance target multiplier of 1.35. Continuing strong investment returns resulted in an awarded performance target multiplier of 2.00.

Further detail on the President and CEO compensation components is included in the following Compensation Discussion and Analysis.

This report has been approved by the members of the Human Resources & Compensation Committee.

T. Chapman (Chair), E. Marshall, D. Losier, M. Allain, M. Doiron, M. Walton (ex officio)

COMPENSATION DISCUSSION AND ANALYSIS

The following Compensation Discussion and Analysis explains the processes followed by Vestcor that have been applied in the current year and are expected to be applied to Vestcor in future.

COMPENSATION GOVERNANCE

The Board of Directors is responsible for the oversight of Vestcor's compensation principles, policies and programs. The Board approves the compensation program and awards, including the compensation of the President and CEO, based on recommendations made by the Human Resources & Compensation Committee (HRCC).

HRCC MANDATE

The HRCC assists the Board in fulfilling its obligations relating to the establishment of policies for compensation of employees, leadership succession planning, and setting of human resource policies and practices.

The Committee is composed of five Directors and the Chairperson who acts on the Committee in an ex officio capacity. The Committee meets a minimum of three times each year. External human resources consultants may be used from time to time to assist the Committee with fulfilling its mandate.

The HRCC's Terms of Reference are available at vestcor.org/governance, under "Board Committees" and "The Human Resources & Compensation Committee".

Key responsibilities include:

- Participation in an annual performance appraisal process for the President and CEO, including establishment of measurable goals and objectives, and recommendations for compensation arrangements including performance incentive awards;
- Development of a Compensation Philosophy that articulates principles to follow in approaching compensation decisions that will align with Vestcor's business objectives, operations and risks;
- Oversight of adjustments to competitive compensation ranges, incentive compensation plans, employee benefit plans and operational travel and expense policies;
- Recommendation of changes to the organization's structure, appointment of officers, and amendments to job descriptions as well as any management severance arrangements;
- Consideration of leadership development initiatives and succession plans for key employees;
- Approval of a long-range Human Resources Strategic Plan that includes appropriate strategies and policies to attract and retain talented employees; and
- Review of the year-end incentive compensation pool for eligible employees and recommendation to the Board for approval.

INDEPENDENT ADVICE

The HRCC retained the help of Willis Towers Watson, an independent expert compensation advisor, in 2020 and 2021 to provide advice with respect to a Total Compensation Review for all Vestcor positions within the context of Vestcor's Compensation Philosophy.

This review utilized comparator groups to represent the marketplace for employee positions. For investment and pension administration positions, the comparator group consisted of pension funds of similar asset size and/or investment strategy complexity. Corporate services positions, including the CEO and CFO, were compared to similar general industry positions, adjusted for regional differences, and to other Atlantic Canada organizations. The results and Board decisions resulting from this review were implemented in 2021, details of which can be found on page 37.

Vestcor also regularly participates in and uses compensation surveys conducted by various compensation consultants to ensure that compensation trends are regularly monitored, and trends are identified and reported to the HRCC.

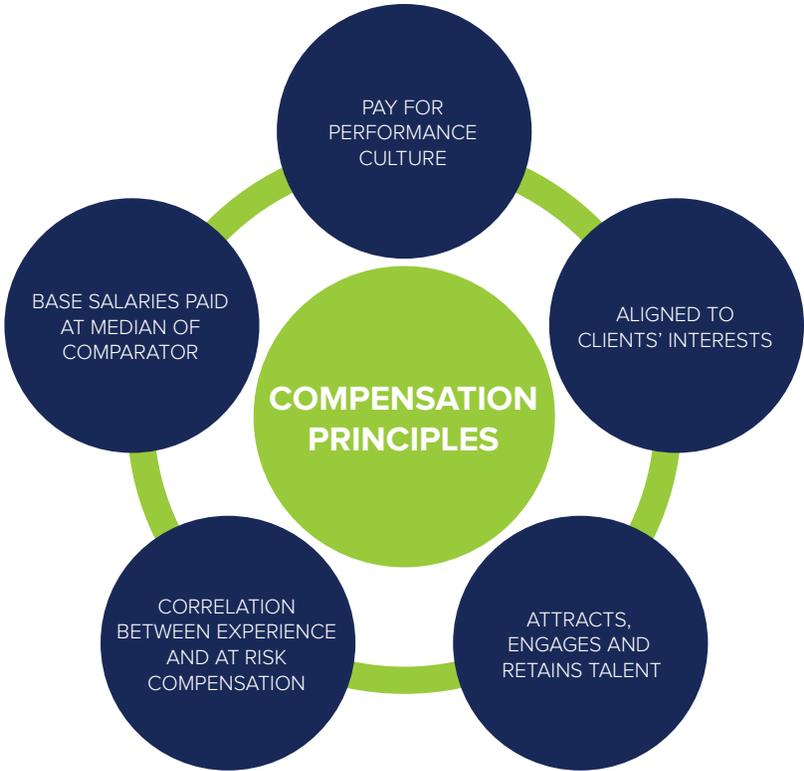
CORPORATE COMPENSATION PHILOSOPHY

Vestcor believes that employees are key to its performance and is committed to providing a positive working environment, rewarding career opportunities and competitive compensation. Vestcor also believes that the achievement of its mission will be facilitated by having meaningful alignment between employees' interests and the interests of its clients.

Accordingly, a Compensation Philosophy has been developed to address the following objectives:

- Provide competitive, performance-based compensation based upon market practices;
- Attract and retain high-quality employees;
- Reinforce the strategy, culture and policies of Vestcor;
- Promote awareness and attainment of individual, team and corporate strategic objectives;
- Enhance Vestcor's reputation as an employer of choice; and
- Treat employees fairly.

The principles on which this philosophy is based are summarized as follows:



COMPENSATION RISK MANAGEMENT

COMPENSATION DECISION-MAKING

The annual process for determining compensation includes the following steps:



Establish target compensation levels

The HRCC annually reviews the compensation program design and pay levels of its comparator groups to ensure that Vestcor’s programs remain competitive. Market information received from various industry specific compensation and salary surveys is reviewed as it becomes available. An independent expert compensation advisor is utilized to conduct a Total Compensation Review at a minimum of every four years. Compensation information from public disclosures of other similar peer organizations is also considered.

The HRCC also annually considers whether changes may be required to the Incentive Compensation Plan. As detailed below and as part of the Total Compensation Review conducted in 2020 and 2021, the former Annual Incentive Plan and Long-term Incentive Plan were combined into one Incentive Compensation Plan effective January 1, 2021.

Set target compensation mix and pay at-risk

Total compensation is a mix of base salary, benefits and, for permanent full-time employees after six months of employment, performance incentives. The mix varies by role, reflecting the opportunity to influence performance. In determining the mix, market practices are considered as well as Vestcor’s compensation principles, including alignment with clients’ interests. In that regard, investment related performance incentives reflect a four-year return cycle to discourage short-term risk-taking and better align with clients’ long-term return objectives.

Establish performance objectives

Each year, the Board approves an annual business plan designed to support achievement of Vestcor’s five-year Strategic Plan. This annual business plan contains a balanced mix of financial, investment strategy, administration and operational performance objectives, and key initiatives. Each of these performance objectives and key initiatives is then weighted according to its level of importance to the overall Strategic Plan. The President and CEO delegates the key initiatives among the various functional teams based on their specific roles and responsibilities.

Evaluate performance against objectives

Vestcor's actual performance is then assessed against these performance and annual business plan objectives. Investment returns versus client Investment Policy Benchmarks, nominal investment returns versus long-term client investment objectives, and other financial key performance indicators are assessed quantitatively against objectives, while achievement of key business plan initiatives are assessed both quantitatively and qualitatively. The President and CEO recommends to the HRCC the factors to be considered in assessing achievement of each element of the annual business plan.

Determine performance-based awards

The HRCC is responsible for recommending for Board approval an achievement factor related to business plan accomplishments. Based on this factor, a total incentive pool is calculated for the annual business plan and individual components of the Incentive Compensation Program. Management then determines the appropriate individual factor for each employee based on their contributions to the annual business plan accomplishments. The individual factors are assigned so as to not exceed the approved total incentive pool.

The HRCC is also responsible for recommending for Board approval the amount of performance incentive compensation to be awarded to the President and CEO and the overall weighted factors based on the evaluations noted above, using discretion as warranted. The President and CEO does not participate in this discussion. The President and CEO in turn reviews performance evaluations for each member of the Incentive Plan and allocates the individual awards based on individual contribution.

COMPENSATION PROGRAM

The Incentive Compensation Program is outlined in Exhibit A on page 52. The program takes the form of salary and benefits as well as individual performance-based incentive awards for all permanent full-time employees after six months of employment.

The compensation program has been developed by the HRCC with the help of an independent compensation consultant to align with the Compensation Philosophy noted on page 40. Total compensation levels are periodically benchmarked using independent compensation consultants and against external peer institutional funds or other relevant compensation surveys.

Salary and benefits

Base salary is determined with respect to a target range of pay for each job position, after giving recognition to specific job responsibilities. Vestcor provides full-time employees with benefits that include vacation and sick leave entitlement, life and disability insurance, health and dental benefits, and an employee assistance plan.

Effective January 1, 2014, all full-time employees participate in and contribute to the New Brunswick Public Service Pension Plan (NBPSPP). The NBPSPP provides a pension upon retirement equal to 1.4% of pensionable earnings up to the Yearly Maximum Pensionable Earnings (YMPE) for each year or part thereof plus 2% of earnings in excess of YMPE. The Plan is subject to an early retirement reduction factor if retirement is prior to age 65. Indexing is contingent on NBPSPP performance as outlined in the NBPSPP Funding Policy. Employees who earn in excess of the earnings required to earn the Maximum Pension (Canada) as defined in the NBPSPP Plan Text in the year also participate in a retirement compensation arrangement sponsored by the Province of New Brunswick.

Prior to January 1, 2014, all full-time employees were members of the *Public Service Superannuation Act* (PSSA) pension plan. The PSSA provided for a pension upon retirement equal to 1.3% of the annual average of the best five consecutive years of earnings up to the annual average YMPE for the year of retirement and the two preceding years plus 2% of the excess of the annual average of the best five consecutive years of earnings over the annual average YMPE for the year of retirement and two preceding years, multiplied by the years of pensionable service. Base pre-indexed benefits earned under the PSSA up to January 1, 2014 have been provincially guaranteed.

INCENTIVE COMPENSATION PLAN

Formerly Annual Incentive Plan and Long-term Incentive Plan

All full-time permanent employees are eligible to participate in Vestcor's Incentive Compensation Plan (ICP) once employed for a minimum of six months.

Each position is eligible for an individual achievement award and a corporate scorecard award, and certain positions are eligible for a component based on absolute client returns and relative investment performance.

The **individual and corporate scorecard award** components of the ICP is calculated as a percentage of salary, weighted to reflect the role and impact that each eligible employee has on achievement of annual business plan objectives as assessed by the Board of Directors.

An absolute **client investment performance award** is measured quantitatively on a four-year cumulative basis compared to client long-term total fund investment objectives.

Investment performance is measured quantitatively as a **total fund net value added investment return award** on a four-year cumulative basis, compared against a value-added target set by the Board. Net value-added investment returns represent the gross investment return in excess of the investment policy benchmark returns, after deducting all investment management costs. Quantitative awards are limited to a maximum of two times target (84 bps of value-added total fund returns after costs).

The ICP also includes an **investment team award** for asset class value added returns of actively managed portfolios to promote teamwork within these investment asset classes. Investment management employees are organized into one of five teams eligible for the team award by asset class: Fixed Income, Quantitative Investments, Equities, Traders and Private Markets. The remaining employees do not participate in the team award due to the overarching focus of their responsibilities.

Starting in 2021, a significant portion of the ICP award is deferred for payment in future years for certain positions, including all investment and risk management staff, CEO, CFO, CIO and CPBO. The deferred ICP is paid out over four years, with 50% being paid in year one and the remaining 50% being paid out in equal installments over the subsequent three years. To further align this award with client investment performance, deferred amounts accrue a return equal to the total actual overall annual investment return achieved during the deferral period.

Long-term incentive plan being discontinued

Prior to 2021, Vestcor had a long-term incentive plan (LTIP) for investment and research staff, the CEO and CFO. Eligibility began only once the individual had been employed a minimum of four years. Once eligible, employee awards were calculated and paid using the prior four-year investment performance in excess of Board-approved investment policy benchmark returns and investment management costs. LTIP award calculations are limited to a maximum of 75 bps of value-added total fund returns after costs.

As part of the recommendations of the Total Compensation Review and as per the terms of the ICP, we discontinued the LTIP effective January 1, 2021. However active eligible employees who had previously commenced rolling four-year award determination periods will continue to receive the remaining annual payments calculated under the LTIP (periods covering 2018-2021, 2019-2022, and the final calculation and concluding four-year period of 2020-2023).

While the LTIP was designed to align employee interests with long-term client investment performance objectives, the new ICP design, with a significant deferral portion of the total award, is believed will strengthen the alignment of these interests and better serve Vestcor's talent attraction and retention objectives. Once fully transitioned, the change in design is not intended to significantly affect the total incentive awards paid.

IMPACT OF PERFORMANCE RESULTS

The summary results of Vestcor's investment program, as measured by pre-selected long-term investment performance metrics, are as follows:

- The total fund **active nominal return** for investment mandates where we have full management discretion for the year ended December 31, 2021 was 9.46% and represents approximately \$1.9 billion in gross earnings from the overall investment program. The annualized active nominal return for the past four years ending December 31, 2021 was 7.50%, which represents approximately \$5.7 billion of cumulative gross investment earnings.
- Value added investment returns (in excess of benchmarks) for 2021 were very strong. Total fund **relative returns** were higher than the combined weighted average client Investment Policy benchmarks for the year ended December 31, 2021, adding 210.4 basis points of value after deducting all investment management costs. A basis point is equal to 1/100ths of a percent. This value added contributed net investment income of approximately \$425.7 million in 2021. Over the longer more important four-year period to December 31, 2021, the investment program has provided a positive net return of 86.7 basis points of value annually over client benchmarks or over \$651.9 million of net investment returns.

The following table shows total compensation awards and payments, excluding Directors' remuneration (see page 51), for the year ended December 31, 2021.

	2021 (\$ thousands)		2020 (\$ thousands)
Salaries and benefits, excluding performance incentives	\$ 13,796.2	\$	13,391.1
ICP performance incentives			
Net investment relative performance	\$ 3,993.7	\$	774.2
Corporate scorecard and individual performance	1,887.8		1,700.5
Total ICP	5,881.4		2,474.7
LTIP ¹	2,688.1		1,951.8
Total performance incentives	8,569.6		4,426.5
Deferred portion of ICP	2,638.6		–
Total performance incentives paid	\$ 5,931.0	\$	4,426.5

¹ LTIP being discontinued from 2021 to 2023 as discussed above

For the year ended December 31, 2021, and after consideration of the continuing competitive talent retention environment, the Board approved a modest cost of living salary increase and merit pool. The Board also approved three new full-time positions in 2021 that enabled Vestcor to build operational capacity in line with our continued growth.

The net increase in performance incentives reflects, for eligible investment staff, the impact of the strong 2021 investment performance on the calculation of the four-year active management value added after costs results discussed in the section above, three additional positions added in the year, the changes to base salaries, the transition from the LTIP design and the business plan accomplishments for the year (see pages 47 – 49).

SUMMARY COMPENSATION TABLE

The following summary compensation table discloses information on compensation for the President and CEO, CFO and the next three highest paid key management personnel (each a Named Executive or NEO) for the past three years. This disclosure is based on **annual periods** and expressed in dollars.

Name and Position	Year	Salary (\$)	AIP ¹ (\$)	LTIP ² (\$)	Pension Contribution ³ (\$)	All Other ⁴ (\$)	Total Compensation (\$)	Deferred Portion of ICP (\$)	Total Paid Compensation ⁵ (\$)
John Sinclair President and CEO	2021	375,053	828,750	450,000	115,386	2,706	1,771,895	414,375	1,357,520
	2020	375,050	355,096	326,316	136,815	2,599	1,195,876	–	1,195,876
	2019	375,047	432,721	450,000	136,584	2,225	1,396,578	–	1,396,578
Jonathan Spinney Chief Investment Officer, VP, Quantitative Investing & Applied Research	2021	289,822	549,550	319,000	33,355	2,565	1,194,293	274,775	919,518
	2020	274,896	152,065	219,357	31,647	2,251	680,216	–	680,216
	2019	255,008	230,518	280,500	29,471	2,132	797,630	–	797,630
James Scott VP, Fixed Income	2021	252,053	412,296	226,800	29,314	2,429	922,892	206,148	716,744
	2020	251,958	143,651	164,463	29,193	2,178	591,443	–	591,443
	2019	240,008	147,263	216,000	27,866	2,087	633,224	–	633,224
Mark Holleran VP, Equities	2021	244,822	429,410	220,500	28,540	2,409	925,681	214,705	710,976
	2020	229,996	158,216	150,105	26,843	2,111	567,271	–	567,271
	2019	223,035	142,723	200,700	26,050	2,034	594,543	–	594,543
Brent Henry CFO	2021	151,645	144,560	–	23,359	2,090	321,655	72,280	249,375
Jan Imeson Former CFO	2021	104,603	48,516	92,458	7,416	448	253,440	–	253,440
	2020	233,015	91,309	101,375	27,166	739	453,604	–	453,604
	2019	228,510	122,509	137,088	26,636	718	515,460	–	515,460

¹ This amount represents 100% of the ICP earned during the year. 50% of the ICP earned in the year are paid in the year of determination of the award. The remaining 50% is paid out in equal installments over the following three years. Deferred amounts earn a return at the total fund return.

² LTIP paid in the year of determination of the award based on prior 4-year return periods and to be phased-out from 2021 to 2023.

³ The pension contribution column shows the employer contribution made in the year to the combination of the New Brunswick Public Service Pension Plan and the related Retirement Compensation Arrangement (RCA). Corresponding employee contributions are required as set out in the Plan. As set out in his employment contract, Mr. Sinclair's performance incentive payouts are pensionable for purposes of the employer and employee contribution to the pension plan and RCA. Performance incentive payouts for all other eligible employees are non-pensionable.

⁴ Amounts shown in the All Other column above include the cost of employer-paid enrolment in a post-retirement private health plan, group life insurance, accidental death and dismemberment insurance and a parking benefit.

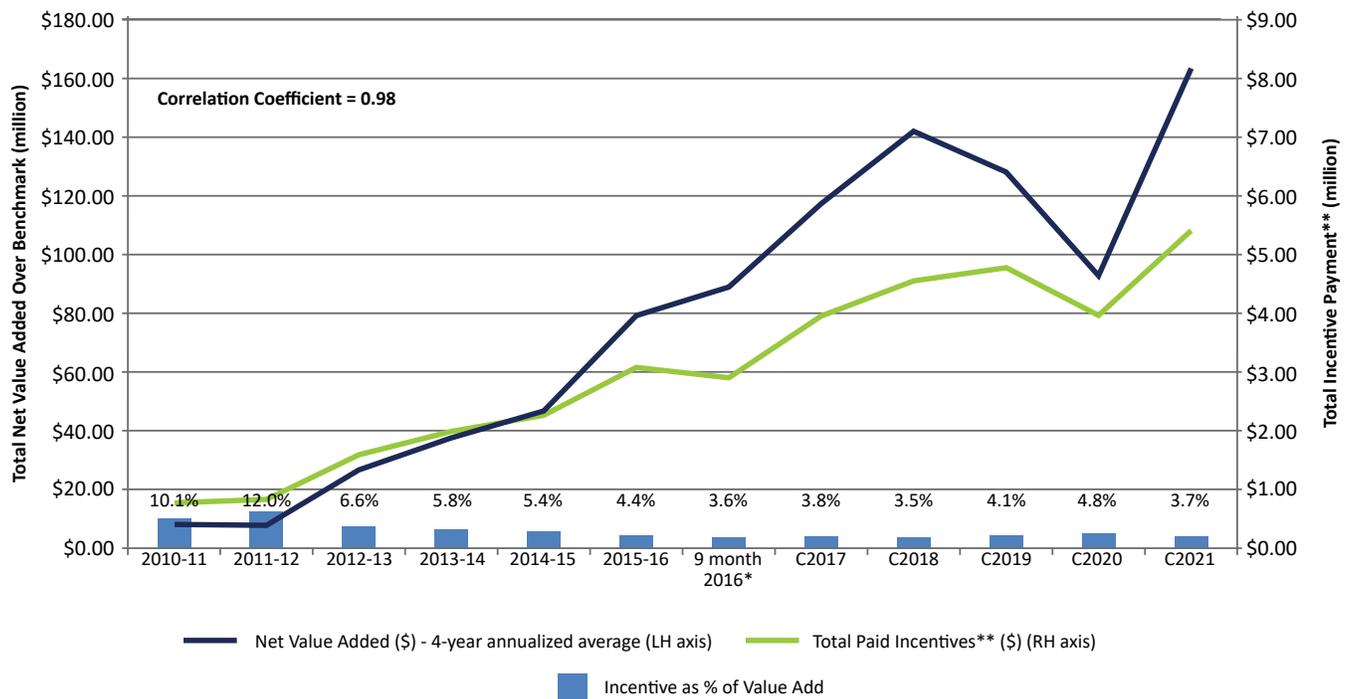
⁵ Includes salary, non-deferred portion of the ICP, LTIP, Pension Contributions and All Other Compensation.

COMPENSATION LINKED TO INVESTMENT PERFORMANCE

The objective of performance-based compensation is to encourage alignment of employee interests with those of clients, including an appropriate balance between maximizing long-term returns and minimizing risks. Investment performance with respect to incentive compensation can be summarized into two categories:

- (i) long-term net relative investment returns versus benchmarks, and
- (ii) long-term nominal total fund portfolio returns and other business plan achievements.

The following chart illustrates the strong alignment of our incentive compensation payments to Vestcor’s additional net investment value added above our clients’ investment policy benchmarks. The total incentive compensation payments awarded over time correlate very highly to the long-term annualized net investment returns in excess of policy benchmarks, and are subject to a maximum payout cap as is intended in the design of the incentive plan as illustrated in the metrics below.



Notes: * 9-month 2016 annualized for calculation and comparison purposes as fiscal year-end changed.

** Total paid incentives excludes amounts that are deferred under the ICP.

INCENTIVE COMPENSATION PLAN (ICP) OVERVIEW

The ICP amount of \$5,881.5 (thousand) consists of both an investment performance component, a corporate scorecard component and an individual performance achievement component based on our annual business plan.

The **ICP related to the investment performance** component was \$3,993.7 (thousand) for the year ended December 31, 2021 (2020 - \$774.2). This component is based on the annualized net value added over benchmarks for the most recent four years ended December 31, 2021. The 2021 net value added result was 210.4 basis points (bps) (2020 – (16.8) bps), and the long-term annualized net value added result was 86.7 bps (2020 – 56.9 bps).

A summary table of prior period value added results used to determine the long-term cumulative net value added ICP result is as follows:

	Net Value Added (bps)	Percentage of Target (%)
Year ended December 31, 2018	103.4	246.2
Year ended December 31, 2019	48.7	115.9
Year ended December 31, 2020	(16.8)	(39.3)
Year ended December 31, 2021	210.4	501.0
Annualized Long-Term (Four Fiscal Periods)	86.7	206.4

The **ICP related to business plan achievements** is \$1,887.8 (thousand) for the year ended December 31, 2021. This component is based on an achievement factor of 1.28 times overall target approved by the Board of Directors, compared to the achievement factor of 1.37 for the year ended December 31, 2020.

The individual component of the ICP is based on each employee’s contribution to the business plan accomplishments. The annual business plan includes both key performance indicators and specific action plans and initiatives focused on the five key goals in the Corporate Strategic Plan as set out in the following table. A specific weighting for each key goal is determined by the Board at the beginning of each year. The weighting reflects the Board’s direction to management for prioritization of its efforts to implement the business plan.

Achievement of the long-term investment returns required by each pension and non-pension client in a risk-controlled fashion was Vestcor’s primary investment performance objective for 2021 and accounts for the largest weighting proportion. The overall total fund active return for all clients combined was 9.46% gross for the year ended December 31, 2021, an annualized 7.50% gross for the most recent four-year period ended December 31, 2021, and most importantly 7.36% gross per annum since Vestcor’s inception in 1996.

Key Goals	2021 Weighting	Achievement
Advance Vestcor’s governance, management and organizational effectiveness to support growth and sustainability.	20%	Exceeded
Advance our clients’ pension and benefit administration, and long-term investment management service needs through prudent risk focused practices and well executed service advancements.	45%	Exceeded
Define the optimal “client experience” and create systems to enable the consistent replication of this experience through growth cycles.	10%	Met
Strengthen stakeholder relationships with shareholders, client trustees, plan members, employer groups and policy-setters.	12.5%	Met
Continue to invest in technology improvements aimed at enhancing our clients’ experience, providing more automated processing and reporting capabilities, expanding our data management strategy (investment and administration), all while also protecting privacy and minimizing cybersecurity risks.	12.5%	Exceeded

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

KEY GOALS BUSINESS PLAN ACCOMPLISHMENTS (Year ended December 31, 2021)

Advance Vestcor’s governance, management and organizational effectiveness to support growth and sustainability.

- Recruited and recommended to our Shareholder Vestcor Corp, two new members of the Vestcor Inc. Board of Directors. Orientation program completed post appointment by Vestcor Corp.
- Assisted the Board of Directors with an update to Vestcor’s corporate risk appetite elements within our Enterprise Risk Management Framework.
- Enterprise Risk Management Framework updated to reflect a detailed review project and changes to risk appetite.
- Continued a virtual Speaker Series to safely offer presentations on relevant topics of interest for clients.
- Chairperson attendance at semi-annual shareholder meetings to ensure effective relationship and timely communication between Vestcor’s shareholder and corporate Boards of Directors.
- Developed a Service Organization Controls Type 1 Report, Report on Internal Controls of Financial Reporting.
- Client Satisfaction Survey developed and completed.
- Completed office move to new office space at 140 Carleton.
- Implemented an investment trade order management system (OMS) to provide pre-and post-trade compliance and end to end trade processing capabilities.
- Updated leadership succession and development plans for all management levels.
- Appointed and integrated a new Chief Financial Officer following the planned retirement of the incumbent.
- With the assistance of an independent expert advisor, completed a Total Compensation Review.
- Implemented a new Incentive Plan which is based on the evolving industry trends in incentive design to reinforce alignment with client interests.
- With the assistance of an independent expert advisor, completed an Investment Benchmark and Value-Added Target Review.
- Updated the Human Resources Policies to include a detailed flexible work policy.

Advance our clients’ pension and benefit administration, and long-term investment management service needs through prudent risk focused practices and well executed service advancements.

- Long-term investment performance continuing to exceed annualized long-term total fund client targets at very low risk levels.
- Asset liability reviews and recommendations were completed for a number of our clients. Resultant client investment policy changes were approved and are being implemented.
- Continued to expand the recently created open-ended private real estate investment pool to meet growing client interest in this asset class. Significant transfers of certain directly owned properties to the pool were completed during the year.

Define the optimal “client experience” and create systems to enable the consistent replication of this experience through growth cycles.

- Client Satisfaction Survey developed and completed.
- Continued to assess client service delivery capabilities against peers.
- Completed a comprehensive client onboarding package and protocols.

Strengthen stakeholder relationships with shareholders, client trustees, plan members, employer groups and policy-setters.

- Added two new investment management clients and completed the transition of their assets to our investment program.
- Continued to expand our library of educational Vestcor website-based videos for clients and plan members.
- Provided a detailed review of Vestcor's operations and long-term performance at the Legislature's Standing Committee on Public Accounts.

Continue to invest in technology improvements aimed at enhancing our clients' experience, providing more automated processing and reporting capabilities, expanding our data management strategy (investment and administration), all while also protecting privacy and minimizing cybersecurity risks.

- In conjunction with our office move, implemented the information technology network to our new office location.
- Developed a strategy and related budget to enable a fully remote workforce within the next two years.
- Added additional cybersecurity controls and tools including additional software to monitor for unauthorized devices attempting to access Vestcor's network.
- Completed a review of alternatives payroll applications and began a project to replace the current corporate payroll system. Implementation completed in early 2022.
- IT assistance provided on the Trade Order Management System implementation project.

LONG-TERM INCENTIVE PLAN (LTIP) OVERVIEW

The LTIP component, which is being phased out through 2023, is \$2,688.1 (thousand) for the year ended December 31, 2021. This represents the deferred component of 2018 total compensation and the payout is based on the annualized net investment results in excess of the total fund performance benchmark for the most recent four years, 2018-2021.

The LTIP results differ from the long-term component of the ICP results because the LTIP plan set a maximum performance level of 75 bps after costs versus a maximum of 84 bps after costs under the ICP.

A summary table of the net value-added results used to determine the annualized LTIP result is as follows:

	Net Value Added (bps)	Percentage of Target (%)
Year ended December 31, 2018	103.4	286.0
Year ended December 31, 2019	48.7	120.2
Year ended December 31, 2020	(16.8)	(40.0)
Year ended December 31, 2021	210.4	610.3
Annualized Long-Term	86.7	235.5

DIRECTORS' REMUNERATION

Directors' remuneration is established in Vestcor's By-Laws as approved by the Board of Vestcor Corp. Directors are paid an annual retainer and a per diem allowance for meeting attendance and preparation time. Directors who travel to attend meetings receive a per diem for travel time, reimbursement for reasonable accommodation costs and other out-of-pocket expenses, as well as an automobile expense reimbursement based on the number of kilometers traveled.

Director	Annual Retainer (\$ dollars)	Board and Committee Meeting Per Diems (\$ dollars)	Total Remuneration ¹ (\$ dollars)	Travel Reimbursement (\$ dollars)
Michael Walton ²	25,000	17,500	44,774	-
Michel Allain	10,000	5,600	16,314	-
Donna Bovolaneas ³	15,000	5,200	11,664	-
Tanya Chapman ⁴	15,000	9,200	24,029	-
Lori Clark ⁵	10,000	3,500	8,783	-
Michel Doiron ⁵	10,000	3,850	9,153	221
David Losier ⁶	15,000	12,800	29,222	-
Eleanor Marshall	10,000	8,750	19,647	-
Tim Mawhinney	10,000	5,600	16,314	-
Daniel Murray ⁷	15,000	10,050	24,929	-
Cathy Rignanesi ⁸	15,000	12,000	28,375	-

¹ Includes costs of employer-paid statutory deductions

² Chair of Board of Directors

³ Chair of Audit Committee January 1, 2021 to March 31, 2021, retired from the Board of Directors effective June 30, 2021

⁴ Chair of Human Resources & Compensation Committee from April 1, 2021 to December 31, 2021

⁵ Appointed to Board of Directors July 1, 2021

⁶ Vice Chair of Board of Directors, Chair of Human Resources & Compensation Committee from January 1, 2021 to March 31, 2021

⁷ Chair of the Governance Committee from April 1, 2021 to December 31, 2021

⁸ Chair of the Governance Committee from January 1, 2021 to March 31, 2021, Chair of the Audit Committee from April 1, 2021 to December 31, 2021

The total cost of the Vestcor Board function, including per diems, director orientation and Board education and memberships, for the year ended December 31, 2021 was \$245.4 thousand (December 31, 2020 – \$227.4 thousand) plus travel and accommodation reimbursements of \$0.2 thousand (December 31, 2020 – \$4.0 thousand).

COMPENSATION PROGRAM

EXHIBIT A

BASE SALARY

Eligibility	All Staff
Objectives	Reward level of responsibility, expertise, competency and relevant experience

INCENTIVE COMPENSATION PROGRAM

	Corporate Scorecard	Individual Performance
Eligibility	Full-time permanent employees subject to a minimum of six months employment.	Full-time permanent employees subject to a minimum of six months employment.
Targets	2.5% to 35% of base salary	2.5% to 25% of base salary
Objectives	Reward performance with respect to achievement of Annual Business Plan objectives.	Individual performance in contributing to the achievement Board approved Annual Business Plan objectives.
Time horizon	Current year	
Type of program	CEO, CFO, CIO, CPBO, investment staff and select other positions – 50% of incentive is paid in year 1 and the remaining 50% is deferred and paid in equal instalments over the proceeding 3 years. All other positions - Cash	
Deferral Method	Deferred amounts accrue at the weighted average absolute client return.	

	Absolute Client Return	Investment Team Performance	Investment Total Fund Performance
Eligibility	CEO, CFO, CIO, CPBO, investment staff and select other positions subject to a minimum of six months employment.	CIO and investment staff subject to a minimum of six months employment.	CEO, CFO, CIO, investment and risk staff and select other positions subject to a minimum of six months employment.
Targets	1% to 20% of base salary	7% to 18% of base salary	2.5% to 55% of base salary
Objectives	Align eligible employee compensation to team and total fund investment performance with an incentive to achieve sustained asset growth. Strengthen team cooperation. Reward individual performance with respect to achievement of Annual Business Plan objectives.	Align eligible employee compensation to team investment performance with an incentive to achieve sustained asset growth. Strengthen team cooperation.	Align eligible employee compensation to total fund investment performance with an incentive to achieve sustained asset growth. Strengthen team cooperation.
Time horizon	4 fiscal periods	4 fiscal periods	4 fiscal periods
Type of program	CEO, CFO, CIO, CPBO, investment staff and select other positions – 50% of incentive is paid in year 1 and the remaining 50% is deferred and paid in equal instalments over the proceeding 3 years. All other positions - Cash	50% of incentive is paid in year 1 and the remaining 50% is deferred and paid in equal instalments over the proceeding 3 years.	CEO, CFO, CIO, CPBO, investment staff and select other positions – 50% of incentive is paid in year 1 and the remaining 50% is deferred and paid in equal instalments over the proceeding 3 years. All other positions - Cash
Deferral Method	Deferred amounts accrue at the weighted average absolute client return.	Deferred amounts accrue at the weighted average absolute client return.	Deferred amounts accrue at the weighted average absolute client return.
Performance metric(s)	Client fund returns in excess of client established long-term investment return targets.	Investment team(s) active returns in excess of benchmarks and targets.	Total fund returns in excess of benchmark, net of investment management expenses.
Range:			
Threshold	Pre-established client return thresholds	Full cost recovery	Benchmark return
Target	Client established long-term return targets	42 bps after costs	Pre-established, Board approved portfolio target investment returns
Maximum	Client established long-term return targets plus 1%	84 bps after costs	2x pre-established, Board approved portfolio target investment returns

LONG-TERM INCENTIVE PROGRAM – PROGRAM BEING PHASED OUT THROUGH 2023.

Long-Term Incentive (targets 15% -75% of base salary) Deferred	
Eligibility	Investment and research staff, President and CEO and the Chief Financial Officer subject to a minimum of four years employment.
Objectives	Align eligible employee compensation to total fund investment performance with an incentive to achieve sustained asset growth. Strengthen team cooperation.
Time horizon	4 fiscal periods
Type of program	Cash
Performance metric(s)	Total fund returns in excess of benchmark, net of investment management expenses.
Range:	
Threshold	Full cost recovery
Target	42 bps after costs
Maximum	75 bps after costs

INDIRECT COMPENSATION

	Membership in the NBPSP	Employee Benefits and Post-Retirement Benefits	Perquisites
Eligibility	Full-time staff and term employees under contract for one year or longer.		
Objectives	Encourage long-term retention by rewarding continued service and contributing to post-retirement income.	Provide staff and their families with assistance and security so that they can focus on their professional responsibilities and achieving the corporate mission.	Offers a limited number of benefits to complement total compensation including parking and a health spending account allowance.

RESPONSIBLE INVESTING GUIDELINES

As a steward of our clients' capital, Vestcor takes fiduciary responsibility to make prudent sustainable investment decisions that are aligned with client guidelines and objectives. As part of this investment process, we have over time incorporated increasing levels of active ownership and actionable Environmental, Social, and Governance (ESG) information into our investment processes and will continue to make enhancements in this area as client interest, data availability and resources permit.

Vestcor first published its updated Responsible Investing Guidelines in 2018 and plans to make the next revision of our standards in 2022. In 2019, we presented the revised principles to clients at our inaugural Client Forum and have since continued to provide periodic client updates on issues related to responsible investing to clients as part of our regular reporting process and at their request. A further detailed update was also provided to our clients during a webinar in June 2021 and all future updates to our Responsible Investing Guidelines will be communicated in a similar fashion.

Vestcor's core principles of Responsible Investing are:

- Good governance,
- Active ownership and engagement,
- Incorporation of ESG information into our investment process wherever practicable, and
- Transparency with clients.

In addition to directly incorporating ESG information into our investment process, Vestcor also continues to be a very active long-term member/partner in various organizations that support best practice environmental, social, and governance-related investment actions. For example, Vestcor has been an active long serving member in organizations such as the Pension Investment Association of Canada (piacweb.org) and the Canadian Coalition for Good Governance (ccgg.ca).

In 2020, Vestcor's Board of Directors endorsed the CCGG's inaugural Stewardship Principles which are designed to assist institutional investors in fulfilling their responsibilities toward their clients and beneficiaries, while enhancing the value of their investments. These Stewardship Principles provide an excellent complement to our corporate Responsible Investment Guidelines and Vestcor has identified a number of internal processes and relationships which assist us in meeting each of the following related principles:

- Principle 1 – Develop an approach to stewardship
- Principle 2 – Monitor companies
- Principle 3 – Report on voting activities
- Principle 4 – Engage with companies
- Principle 5 – Collaborate with other institutional investors
- Principle 6 – Work with policy makers
- Principle 7 – Focus on long-term sustainable value

In addition to general updates to our Responsible Investing Guidelines, Vestcor's focus in 2022 will be on improved understanding of carbon risk inherent in our clients' portfolios through the completion of a Task Force on Climate-Related Financial Disclosures (TCFD) aligned report that will be shared with clients and used as a starting point for more effective climate risk management on behalf of our clients.

Additional details and any updates to our Responsible Investment Guidelines can be found at vestcor.org/investments.

INDUSTRY RELATIONSHIPS

Vestcor's professionals are recognized nationally as a constructive resource with respect to investment industry-related Board or Executive Committee participation. The following list outlines the relationships in which management has actively donated their time in this type of capacity during 2021:

- Association of Canadian Pension Management (ACPM)
- Buy-Side Investment Management Association (BIMA)
- Canadian Coalition for Good Governance (CCGG)
- CFA Society Atlantic Canada
- Fredericton Community Foundation Investment Committee
- Institutional Limited Partners Association (ILPA)
- NB Association of Community Living Investment Committee
- Pension Investment Association of Canada (PIAC)
- Université de Moncton – Comité de placements
- University of New Brunswick Investment Committee
- St. Thomas University's Board of Governors

EMPLOYEE ACTIVITY IN OUR COMMUNITY

Vestcor management and employees are very active with a number of important causes in both our local and the larger national community. These efforts can vary from volunteering time, sharing professional expertise, or the donation of personal financial resources.

Vestcor employees once again very generously contributed to the annual corporate United Way campaign. Staff also organized various successful fundraising activities for local charities. Vestcor is proud to recognize these employee volunteer activities.

VESTCOR INVESTMENT ENTITIES PERFORMANCE

The specific performance of each Vestcor Investment Entity and its respective benchmark return for the period indicated to December 31, 2021 is outlined in the table below.

Entity	1 Yr %	2 Yrs %	3 Yrs %	4 Yrs %	5 Yrs %	10 Yrs %	Since Inception ¹ %
NBIMC Nominal Bond Fund	(2.56)	3.34	4.51	3.81	3.57	3.38	5.13
Benchmark	(2.97)	2.70	3.92	3.32	3.09	2.98	4.90
NBIMC Corporate Bond Fund	(1.51)	3.38	4.91	3.93	3.73	4.08	4.08
Benchmark	(1.34)	3.57	5.05	4.04	3.91	4.05	4.05
NBP Canadian Long-Term Bond Fund							6.60
Benchmark							6.88
NBIMC International High Yield Fixed Income Fund	4.26	3.62	7.13				5.67
Benchmark	2.39	3.26	6.16				4.54
Vestcor FP LDI Completion Fund							(0.05)
Benchmark							0.14
NBIMC New Brunswick and Atlantic Canada Fixed Income Opportunity Fund	0.05	2.76	3.29	3.11	3.18	3.42	5.83
Benchmark	(2.97)	2.70	3.92	3.32	3.09	2.98	4.90
NBIMC Money Market Fund	0.25	0.66	1.14	1.31	1.27	1.25	2.48
Benchmark	0.17	0.50	0.88	1.01	0.92	0.87	2.15
NBIMC Student Investment Fund	12.25	10.69	11.83	7.96	7.69	6.79	7.19
Benchmark	11.85	10.11	11.32	7.56	7.24	6.61	6.97
NBIMC Canadian Equity Index Fund	25.25	15.11	17.73	10.45	10.24	9.69	7.55
Benchmark	25.09	14.93	17.52	10.28	10.04	9.14	7.17
NBIMC Canadian Small Cap Equity Fund	30.68	23.41	21.78				11.70
Benchmark	20.27	16.51	16.29				8.02
NBIMC Low Volatility Canadian Equity Fund	23.96	10.21	14.92	8.88	9.12		10.34
Benchmark	26.08	11.52	15.57	9.50	9.15		9.36
NBIMC External Canadian Equity Fund	25.23	15.63	17.95	10.68	10.38	9.86	10.64
Benchmark	25.09	14.93	17.52	10.28	10.04	9.14	9.73
NBIMC Canadian Equity Active Long Strategy Fund							3.71
Benchmark							4.23
NBIMC External International Equity Fund ²	12.37	8.47	11.07	6.02	8.86	12.00	6.62
Benchmark	10.32	8.10	10.62	6.20	8.25	10.36	5.42
NBIMC EAFE Equity Index Fund	10.48	8.30	10.84	6.43	8.52		8.47
Benchmark	10.32	8.10	10.62	6.20	8.25		8.24
NBIMC EAFE Equity Index Fund – Class N	10.50	8.27	10.83	6.43	8.48	10.59	5.73
Benchmark	10.32	8.10	10.62	6.20	8.25	10.36	5.42

Entity	1 Yr %	2 Yrs %	3 Yrs %	4 Yrs %	5 Yrs %	10 Yrs %	Since Inception ¹ %
Vestcor International Small Cap Equity Fund							2.79
Benchmark							2.05
NBIMC Low Volatility International Equity Fund							7.32
Benchmark							7.06
NBIMC Low Volatility International Equity Fund – Class N							10.10
Benchmark							9.97
Vestcor Low Volatility International Equity Fund							12.70
Benchmark							12.86
Vestcor Low Volatility International Equity Fund - Class N							12.83
Benchmark							12.86
NBIMC Low Volatility Emerging Markets Equity Fund – Class N	5.71	2.99	4.02	2.75	5.61		3.96
Benchmark	4.65	5.28	4.51	4.06	6.78		4.27
NBIMC U.S. Equity Index (2017) Fund	26.92	21.54	22.61	17.75			15.75
Benchmark	26.88	21.49	22.59	17.72			15.72
NBIMC U.S. Equity Index Fund – Class N	27.01	21.46	22.57	17.72	16.90	19.01	13.64
Benchmark	26.35	20.90	21.96	17.09	16.32	18.74	13.49
NBIMC U.S. Small Cap Equity Fund	15.03	16.39	17.29				12.29
Benchmark	13.52	15.44	16.51				11.33
NBIMC Low Volatility U.S. Equity (2017) Fund							7.07
Benchmark							8.68
NBIMC Low Volatility U.S. Equity Fund – Class N							15.32
Benchmark							16.34
NBIMC Inflation Linked Securities Fund	1.70	7.42	7.72	5.77	4.78	3.11	6.82
Benchmark	1.84	7.29	7.53	5.58	4.59	2.96	6.65
NBIMC Canadian Real Estate Fund	15.60	8.50	9.42	10.82	11.68	10.57	11.70
Benchmark	5.33	5.47	5.69	5.73	5.68	5.51	5.70
NBIMC Canadian Real Estate Investment Trust Fund	35.10	8.41	13.14	11.49	11.19		9.71
Benchmark	35.12	8.37	12.98	11.28	10.99		9.51
NBIMC Non-Canadian Private Real Estate Fund	0.04	(10.67)	(5.23)	(0.90)	3.13		1.41
Benchmark	5.33	5.47	5.69	5.73	5.68		5.57
Vestcor Investments Private Real Estate, L.P.	11.41	5.53	7.36	6.18			5.87
Benchmark	5.33	5.47	5.69	5.73			5.68
Vestcor Investments Private Real Estate 2, L.P.	16.39	10.31	6.69				8.04
Benchmark	5.33	5.47	5.69				5.60
Vestcor Real Estate Fund Limited Partnership	11.22	5.77					5.10
Benchmark	5.33	5.47					5.50

Entity	1 Yr %	2 Yrs %	3 Yrs %	4 Yrs %	5 Yrs %	10 Yrs %	Since Inception ¹ %
NBIMC International Real Estate (2017) Fund ³	41.25	13.52	16.62	13.28			10.30
Benchmark	39.96	14.22	16.81	13.63			10.57
NBIMC International Real Estate Fund – Class N	41.29	14.53	17.24	13.73	10.91	14.53	11.10
Benchmark	38.70	13.21	15.67	12.45	9.95	14.09	10.66
NBIMC Public Infrastructure (2017) Fund	9.11	4.17	7.00	5.42			3.99
Benchmark	5.33	5.47	5.69	5.73			5.59
NBIMC Public Infrastructure Fund – Class N	8.79	3.25	6.20	4.75	4.52		3.99
Benchmark	5.33	5.47	5.69	5.73	5.68		5.60
NBIMC Infrastructure Fund	2.64	3.10	7.22	7.97	9.29	8.56	8.35
Benchmark	5.33	5.47	5.69	5.73	5.68	5.62	5.65
Vestcor Investments Infrastructure, L. P.	10.22	7.97	7.42	10.36			10.73
Benchmark	5.33	5.47	5.69	5.73			5.59
NBIMC North American Market Neutral (2017) Fund							2.61
Benchmark							1.13
NBIMC North American Market Neutral Fund - Class N							2.26
Benchmark							1.68
NBIMC Quantitative Strategies (2017) Fund	8.24	10.52	8.55	6.56			6.88
Benchmark	0.17	0.50	0.88	1.01			0.96
NBIMC Quantitative Strategies Fund – Class N	8.30	10.89	8.71	6.41	6.36	6.08	4.97
Benchmark	0.17	0.50	0.88	1.01	0.92	0.87	0.94
NBIMC Quantitative Strategic Beta (2017) Fund	4.90	3.46	4.62	4.68			4.84
Benchmark	0.17	0.50	0.88	1.01			0.96
NBIMC Quantitative Strategic Beta Fund – Class N	4.60	2.96	4.40	4.53	4.59		4.81
Benchmark	0.17	0.50	0.88	1.01	0.92		0.88
NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund	1.96	12.42	11.48	8.55	12.04	13.68	10.16
Benchmark	5.33	5.47	5.69	5.73	5.68	5.62	6.71
NBIMC Private Equity Fund	27.86	25.73	18.88	21.05	20.50	18.68	13.34
Benchmark	21.26	15.65	17.15	11.87	12.43	14.06	9.17
Vestcor Investments Private Equity, L. P.	41.93	29.97	19.49	18.13			10.45
Benchmark	21.02	17.06	17.62	11.73			11.88

¹ On April 1, 2008, Vestcor implemented Canadian dollar benchmarks for international exposures. Prior to that date, the benchmarks for international exposures were reflected in the local currencies. To ensure comparative information is presented for performance and benchmarks, the Since Inception column above reflects the returns from the later of the first day of trading in the entity or, if an international entity, April 1, 2008.

² NBIMC External International Equity Fund was created on August 1, 2001. The returns and benchmarks are reported from April 1, 2008 because the strategy changed from Europe to MSCI EAFE.

³ NBIMC International Real Estate Fund has an inception date of September 2, 2003. A Since Inception benchmark cannot be shown as foreign indices are only reported as of April 1, 2008.

VESTCOR

FINANCIAL STATEMENTS
DECEMBER 31, 2021

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The following annual financial statements report the financial position and results of operations of Vestcor Inc. (“Vestcor”) for the year ended December 31, 2021. They have been prepared by management and approved by the Board of Directors.

Management prepared Vestcor’s financial statements in accordance with CPA Handbook Part III - *Accounting Standards for Not-for-Profit Organizations*. The financial statements are general purpose financial statements and include a Statement of Financial Position, Statement of Operations and Changes in Net Assets 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. Vestcor 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. The Board is assisted in its responsibilities by the Audit Committee, consisting of six independent Board members. 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.

[signed by]

John A. Sinclair
President and Chief Executive Officer

[signed by]

Brent Henry, CPA, CA
Chief Financial Officer



KPMG LLP
Frederick Square
77 Westmorland Street, Suite 700
Fredericton NB E3B 6Z3
Canada
Tel 506-452-8000
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INDEPENDENT AUDITORS' REPORT

To the Shareholder of Vestcor Inc.

Opinion

We have audited the financial statements of Vestcor Inc. (the Entity) which comprise:

- the statement of financial position as at December 31, 2021
- the statement of operations and changes in net assets for the year then ended
- the statement of cash flow for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies (Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

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

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditors' report thereon, included in the annual report.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

KPMG LLP, an Ontario limited liability partnership and member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. KPMG Canada provides services to KPMG LLP.



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In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the annual report as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.



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The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants

Fredericton, Canada

April 28, 2022

VESTCOR INC.**Statement of Financial Position**

As at December 31

(in thousands of Canadian dollars)

	2021	2020
ASSETS		
Current		
Cash	\$ 1,101	\$ 2,716
Accounts receivable <i>(note 10)</i>	7,184	4,890
Accounts receivable – Vestcor Corp. <i>(note 10)</i>	1	822
Other receivables	68	32
Prepaid expenses	865	1,411
Total current assets	9,219	9,871
Long-term accounts receivable for supplemental pension	327	362
Long-term accounts receivable for incentive compensation	2,639	—
Capital assets <i>(note 3)</i>	3,357	3,713
Intangible assets <i>(note 4)</i>	3,569	4,041
	\$ 19,111	\$ 17,987
LIABILITIES AND NET ASSETS		
Current		
Accounts payable and accrued liabilities <i>(note 5)</i>	\$ 9,120	\$ 9,842
Current portion of term loan <i>(note 10)</i>	121	117
Current portion of supplemental pension <i>(note 6)</i>	28	27
Total current liabilities	9,269	9,986
Supplemental pension <i>(note 6)</i>	327	362
Non-current accrued liabilities for incentive compensation	2,639	—
Term loan payable <i>(note 10)</i>	2,542	2,618
Deferred contributions related to capital and intangible assets <i>(note 7)</i>	4,332	5,019
Total liabilities	19,109	17,985
Unrestricted net assets	2	2
	\$ 19,111	\$ 17,987

*See accompanying notes to financial statements**Contractual obligations and contingencies (note 9)*

Approved on behalf of the Board:

[signed by]
Michael W. Walton
Chairman of the Board

[signed by]
Cathy Rignanesi
Chair of the Audit Committee

VESTCOR INC.**Statement of Operations and Change in Net Assets**

For the year ended December 31

(in thousands of Canadian dollars)

	2021	2020
REVENUE		
Investment management fees <i>(note 10)</i>	\$ 25,600	\$ 21,107
Pension administration fees <i>(note 10)</i>	8,461	7,760
Benefits administration fees	1,501	1,434
Amortization of deferred contributions related to capital assets	797	824
Other	102	117
Total revenue	36,461	31,242
EXPENSES		
Salaries and benefits	22,791	18,217
Information systems	4,897	4,527
External investment management	3,306	3,711
Securities custody	1,308	1,219
Office and business	1,319	1,148
Professional services	867	739
Office rent	988	857
Amortization of capital assets	985	824
Total expenses	36,461	31,242
Excess of revenue over expenses	—	—
Unrestricted net assets, beginning of year	2	2
Unrestricted net assets, end of year	\$ 2	\$ 2

See accompanying notes to financial statements

VESTCOR INC.**Statement of Cash Flow**

For the year ended December 31

(in thousands of Canadian dollars)

	2021	2020
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ —	\$ —
Non-cash items:		
Amortization of capital and intangible assets	985	824
Amortization of deferred contributions related to capital and intangible assets	(797)	(824)
Loss on disposal of capital assets	31	51
Writedown of deferred contributions related to capital and intangible assets	(31)	(51)
Supplemental pension	(6)	46
Changes in non-cash operating working capital:		
Accounts receivable	(2,339)	4,386
Long-term accounts receivable – supplemental pension	35	(18)
Long-term accounts receivable – incentive compensation	(2,639)	—
Vestcor Corp accounts receivable	821	(822)
Other receivables	(36)	33
Prepaid expenses	591	(828)
Accounts payable and accrued liabilities	(722)	(2,037)
Non-current accrued liabilities for incentive compensation	2,639	—
Net cash (used in) provided by operating activities	(1,468)	760
INVESTING ACTIVITIES		
Purchases of capital and intangible assets	(188)	(3,945)
Deferred contributions related to capital and intangible assets	141	1,210
Net cash used in investing activities	(47)	(2,735)
FINANCING ACTIVITY		
Payment of supplemental pension	(28)	(27)
Proceeds from Vestcor Corp loan	47	2,735
Loan Payments	(119)	—
Net cash provided by (used in) financing activity	(100)	2,708
(DECREASE) INCREASE IN CASH DURING YEAR	(1,615)	733
Cash, beginning of year	2,716	1,983
CASH, END OF YEAR	\$ 1,101	\$ 2,716

See accompanying notes to financial statements

VESTCOR INC.

Notes to Financial Statements

Year ended December 31, 2021

(in thousands of Canadian dollars)

1. Nature of Operations

Vestcor Inc. (“Vestcor”) was created on January 1, 2018 upon the amalgamation of Vestcor Investment Management Corporation (“VIMC”) and Vestcor Pension Services Corporation (“VPSC”), both wholly-owned entities of Vestcor Corp. Vestcor Corp. is a not-for-profit organization without share capital whose Members consist of the New Brunswick Public Service Pension Plan (“NBPSPP”) and New Brunswick Teachers’ Pension Plan (“NBTPP”). The Vestcor operating entities were transferred to Vestcor Corp. from the Province of New Brunswick on October 1, 2016.

Vestcor’s mandate is to provide pension and benefit plan administration, and investment management and advisory services to pension, trust, endowment or similar funds within the public sector.

Vestcor recovers all operating expenses and capital expenditures on a cost recovery basis. Vestcor is exempt from income taxes under Subsection 149(1)(l) of the *Income Tax Act* (Canada).

2. Significant Accounting Policies

(a) Basis of presentation

These financial statements present the operations of Vestcor for the year ended December 31, 2021 with comparative figures for the year ended December 31, 2020. They have been prepared in accordance with CPA Handbook Part III – *Accounting Standards for Not-for-Profit Organizations*. The significant accounting policies used in the preparation of these financial statements are as follows:

(b) Revenue recognition

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

(c) Capital assets

Capital assets are recorded at acquisition cost less accumulated amortization. When a capital asset no longer contributes to the corporation’s ability to provide services, its carrying amount is written down to its residual value. Capital assets are amortized over their estimated useful lives, calculated on a straight-line basis, using the following rates:

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

2. Significant Accounting Policies (continued)

(d) Intangible assets

Intangible assets are related to consulting costs incurred for implementation of a third-party pension and benefits administration system. System development costs are recognized as an intangible asset when the capitalization criteria have been met. This includes: the ability to demonstrate technical feasibility; the company's intention to complete the implementation; the availability of adequate technical and financial resources to complete the development; the use of the system once implemented; and the ability to demonstrate that the asset will generate future economic benefits. Development costs that do not meet the capitalization criteria are expensed as incurred. Intangible assets are amortized on a straight-line basis over their estimated useful life of 10 years. Amortization of intangible assets commenced upon implementation of the system on January 1, 2020.

(e) Employee future benefits

Full-time employees are members of the NBPSPP, a contributory target benefit plan. Prior to January 1, 2014, full-time employees were members of the *Public Service Superannuation Act*, a contributory defined benefit multiemployer plan. In addition, certain employees are also members of a retirement compensation arrangement sponsored by the Province of New Brunswick. These plans' assets and liabilities are not segregated. Since it is not practicable to obtain all of the information required for a materially precise attribution of Vestcor's portion of the obligations, Vestcor uses defined contribution accounting to account for its portion of these plans. Accordingly, employer contributions are expensed as incurred.

(f) Financial instruments

Financial instruments are recorded at fair value on initial recognition. All financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry any such financial instruments at fair value. Vestcor has not elected to carry any such financial instruments at fair value.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, Vestcor determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount Vestcor expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(g) Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Key items subject to such estimates and assumptions include the net recoverable amount of accounts receivable, determination of the estimated useful life and selection of rates of amortization of capital assets (*note 3*) and deferred contributions (*note 7*) and the estimated actuarial liability for supplemental pension (*note 6*).

VESTCOR INC.
Notes to Financial Statements
Year ended December 31, 2021
(in thousands of Canadian dollars)

3. Capital Assets

	Computer equipment	Furniture and equipment	Leasehold improvements	2021 Total
Cost				
Opening balance	\$ 1,827	\$ 595	\$ 2,374	\$ 4,796
Purchases	130	26	32	188
Disposals	(598)	(12)	(168)	(778)
Closing balance	1,359	609	2,238	4,206
Accumulated amortization				
Opening balance	856	78	149	1,083
Amortization expense	352	48	113	513
Disposals	(586)	(11)	(150)	(747)
Closing balance	622	115	112	849
Net book value	\$ 737	\$ 494	\$ 2,126	\$ 3,357

	Computer equipment	Furniture and equipment	Leasehold improvements	2020 Total
Cost				
Opening balance	\$ 2,213	\$ 538	\$ 541	\$ 3,292
Purchases	1,039	411	2,206	3,656
Disposals	(1,425)	(354)	(373)	(2,152)
Closing balance	1,827	595	2,374	4,796
Accumulated amortization				
Opening balance	1,914	417	449	2,780
Amortization expense	367	15	22	404
Disposals	(1,425)	(354)	(322)	(2,101)
Closing balance	856	78	149	1,083
Net book value	\$ 971	\$ 517	\$ 2,225	\$ 3,713

4. Intangible assets

	2021 Total	2020 Total
Cost		
Opening balance	\$ 4,461	\$ 4,172
Purchases	—	289
Closing balance	4,461	4,461
Accumulated amortization		
Opening balance	420	—
Amortization expense	472	420
Closing balance	892	420
Net book value	\$ 3,569	\$ 4,041

VESTCOR INC.**Notes to Financial Statements**

Year ended December 31, 2021

*(in thousands of Canadian dollars)***4. Intangible assets (continued)**

There were no development costs incurred during the year in connection with the implementation of a new pension and benefits administration system (2020 - \$289). Amortization commenced in January 2020.

5. Government Remittances

Included in accounts payable and accrued liabilities in the Statement of Financial Position are government remittances at December 31, 2021 of \$131 (2020 - \$57) which include amounts payable for GST/HST.

6. Supplemental Pension

Vestcor has an estimated liability of \$355 (2020 - \$389) for special supplemental pension relating to past service awarded during 2003-2004. The accrued liability was determined by an actuarial valuation carried out as of December 31, 2021. The accrued liability is equivalent to the present value of the expected future payments. The ultimate cost to Vestcor 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 are recovered in fees charged to clients.

7. Deferred Contributions Related to Capital and Intangible Assets

The balance of unamortized deferred contributions consists of the following:

	2021	2020
Balance, beginning of period	\$ 5,019	\$ 4,684
Additional contributions received, net	141	1,210
Less amounts amortized to revenue	(797)	(824)
Less writedown related to disposal of capital assets	(31)	(51)
Balance, end of period	\$ 4,332	\$ 5,019

8. Employee Future Benefits

Vestcor is a participating employer in the NBPSPP. For the year ended December 31, 2021, Vestcor expensed contributions of \$1,278 (2020 - \$1,190) under the terms of the NBPSPP pension plan. Vestcor is also a participating employer in a retirement compensation arrangement ("RCA"). For the year ended December 31, 2021, Vestcor expensed contributions of \$126 (2020 - \$154) under the terms of the RCA.

VESTCOR INC.

Notes to Financial Statements

Year ended December 31, 2021

(in thousands of Canadian dollars)

9. Contractual Obligations and Contingencies

Vestcor leases certain of its premises under an operating lease for an initial term of twenty years commencing on September 1, 2020. The future minimum lease payments are \$630 per annum for the first ten years and thereafter adjusted annually by the Consumer Price Index All-Canada Index.

10. Related Party Transactions and Balances

Vestcor offers investment management and pension administration services to the NBPSPP and NBTPP. Investment management and pension administration services for all clients are billed using the cost recovery method. Costs that are directly attributable to a specific client are charged directly to that client. All other costs are allocated among clients according to their prorata share of assets under management for investment management services and according to the effort involved to administer their plans for pension administration services. For the year ended December 31, 2021, Vestcor billed \$14,644 and \$10,159 to the NBPSPP and NBTPP respectively (2020 - \$12,341 and \$8,564 respectively) for these services, which are included in investment management and pension administration fees in the Statement of Operations. At December 31, 2021, NBPSPP and NBTPP owed Vestcor \$4,615 and \$3,417 (2020 - \$2,636 and \$1,946) respectively for such fees. These amounts are included in accounts receivable.

Under an unsecured Term Loan agreement with its shareholder, Vestcor Corp., Vestcor may draw advances up to a maximum amount of \$3,000 for certain capital expenditures including leasehold improvements, furniture and equipment. At December 31, 2021, the loan payable to Vestcor Corp was \$2,663. The loan is repayable in equal monthly installments consisting of principal and interest at a rate of 1.597% per annum and matures on December 31, 2040. Expected loan repayments over the next five years are approximately \$163 per year.

Vestcor is economically dependent upon the revenue received from its clients by virtue of the cost recovery business model under which it operates.

11. Indemnifications

Vestcor provides indemnifications to its officers and directors pursuant to certain corporate by-laws. Vestcor 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 Vestcor from making a reasonable estimate of the maximum potential payments that Vestcor would be required to make. To date, Vestcor has not received any claims nor made any payments pursuant to such indemnifications.

12. Financial Risk

Vestcor has exposure to credit and liquidity risk. Credit risk arises from the potential that a counterparty will fail to perform its obligations. Vestcor is exposed to the carrying value of its accounts receivable, all of which have been collected subsequent to the date of the financial statements. Liquidity risk is the risk that Vestcor will not be able to fund its obligations when they become due. Vestcor operates on a cash recovery basis and is dependent on the revenue received from its clients. Management continuously monitors the impact that the COVID-19 pandemic has on client portfolios. In management's opinion, Vestcor is not exposed to any other financial risks.

13. Comparative Figures

Certain 2020 figures have been reclassified to conform with the presentation adopted for the current year.