

2022
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
Chairperson – Governance Committee
Member – Human Resources & Compensation
and Audit Committees

TIM MAWHINNEY, FCIA, FSA, CERA

Director
Member – Audit Committee

DAVID LOSIER, CPA, CGA, ICD.D, CFA

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

TANYA CHAPMAN, CPHR

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

MICHEL DOIRON

Director
Member – Human Resources & Compensation
Committee

CATHY RIGNANESI, FCPA, CA

Director
Chairperson – Audit 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

Telephone: 1-800-561-4012

Fax: (506) 444-5025

Website: vestcor.org

A Partner in Creating and Delivering Sustainable Financial Security.

We are:

- Located in Fredericton, New Brunswick
- The largest investment manager in Atlantic Canada
- An integrated investment management, pension and benefits administration organization created by the Legislative Assembly of New Brunswick under the *Vestcor Act*.
- An independent, not-for-profit company.
- Jointly owned by the New Brunswick Public Service Pension Plan and the New Brunswick Teachers' Pension Plan.

We provide:

- Global investment management services to ten different client groups.
- Administration services to eleven pension plans and four employee benefits plans.
- Innovative, cost effective, and prudent investment and benefit administration services that address the needs of public sector funds.
- Access to sustainable financial security, impacting the overall wellbeing of thousands of individuals and hundreds of organizations.

Our accountability:

- Oversight of the tailored services we provide our clients is done by our independent, expert Board of Directors, who are 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.
- We provide 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. Our public reporting and disclosure can be accessed through our website vestcor.org.

\$20
BILLION
in Assets Under Management

111
THOUSAND
Pension Plan and Benefit
Program Members

22
CLIENTS

FOUR-YEAR AVERAGE RETURNS OF

5.97%

with an average of 1.31% per
year in net value-added returns

Achieved with much lower risk
than comparable defined benefit
plans, as required by our clients'
target benefit plan regulations.

WHICH EQUALS

ONE+
BILLION

dollars of additional return over
client investment policy
benchmarks

MANAGEMENT EXPENSE RATIO OF

0.14%

of Total Funds Under Management

Vestcor is among the most cost-effective
investment managers in Canada.

96%
MEMBER SERVICES
SATISFACTION
AMONG PENSION PLAN
MEMBERS

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 \$19.9 billion in assets under management. We also provide administration services to eleven pension plans and four employee benefits plans.

2022 HIGHLIGHTS

VESTCOR INVESTMENT DIVISION:

- Client portfolios for which we provide investment advice continued to exceed their overall long-term investment risk and return targets, while also remaining strong versus other pension fund and diversified investment manager alternatives.
- Our Total Fund performance outperformed client investment policy benchmarks net of all investment management costs by 2.63%. This added to our strong longer-term four-year annualized net value added return which finished the year at 1.31% representing approximately \$1,018 million of additional return over client investment policy benchmarks.
- Our annual Management Expense Ratio (MER) remained low at 0.14% of total funds under management.
- Assets under management ended the year at \$19.9 billion.
- We released our inaugural Responsible Investment Report which included climate related greenhouse gas emissions disclosure for our consolidated core public securities investment portfolio utilizing the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD).

VESTCOR ADMINISTRATION DIVISION:

- Delivered key administration services within 98.1% of applicable client targets through a period of continued significant member service and application volumes.
- Completed over 42,000 pension data adjustments necessary due to the outcome of a number of provincial government collective agreements requiring retroactive pension adjustments.
- Facilitated a number of hybrid client trustee meetings, educational sessions, onboarding opportunities, communication activities, and strategic education sessions for our clients' Boards of Trustees.
- Expenses remained low versus other public sector peers. Our total cost for pension administration services was \$98 per plan member, which was the second lowest and approximately \$50 below the average amongst our peer survey group.
- Member Service survey results remained very strong.

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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 2022 Annual Report. This Annual Report provides a thorough accounting of our pension and benefits administration, investment, and corporate service operating activities in a format consistent with our prior Annual Reports.

Our independent, not-for-profit business model continues to align well with our clients' objectives, while also cost effectively delivering excellent value through a customized focus on client goals and service requirements.

LONG-TERM SUCCESS THROUGH A VOLATILE ENVIRONMENT

Vestcor continued to successfully execute its' mission to provide innovative, cost effective, and prudent investment and benefit administration services that address the needs of public sector funds during a challenging and volatile 2022. Our Board of Directors remained very engaged with our management team to ensure our organization continued to provide essential client services through the ongoing COVID-19 pandemic challenges that remained through the first half of the year, while also dealing with economic uncertainty, geopolitical concerns, a volatile global financial market environment, and intensified client pension administration and member service requirements.

Long-term investment results on both a risk and return basis remained strong and continued to exceed our clients' long-term funding targets. Our low-risk cost effective approach combined with strong value-added returns over client investment policy benchmarks resulted in both our 2022 and longer-term investment results exceeding most Canadian pension plans. The Vestcor Pension Administration Team also continued to deliver services very near our client's service level targets during a period of increased member service volumes and a large volume of member record modifications required to address a significant number of employer contract settlements that occurred in late 2021.

Through all these challenges it has also been especially satisfying to see that our member service survey scores continue to remain excellent.

OUR GOVERNANCE FOCUS

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.

During 2022, 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.

Our Board remained focused on governance best practices, and during 2022, we engaged the services of an independent external consultant to review the overall governance of our organization as part of our ongoing commitment to continuous improvement. The review's objectives were focused on:

- i) gathering practical insights and recommendations to further support the effectiveness of our Board and its' respective committees; and
- ii) benchmarking our governance structure, policies, processes, and board operations against the best practices from other peer organizations.

While the results confirmed that our Board governance processes remain effective and compare favourably to peer best practices, we have formed an ad-hoc subcommittee to further review and analyze observations with respect to Board committee structure, enhanced Board human resource and succession planning practices, and a further review of a few evolving governance policies and practices.

As reported in last year's Annual Report, an Ad-Hoc Compensation Review Committee had completed a review of our overall Compensation Principles, Philosophy, and related policies to ensure that we remain able to attract and retain the professionals and directors we require while meeting industry best practices. The Committee retained the nationally recognized firm Willis Towers Watson (WTW) in 2020, to assist with this review and 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. Last year we reported on a number of recommended compensation changes that we made to our employee compensation process, while this year we finalized the Board Compensation review and recommended nominal increases to our annual director retainers and meeting per diems. These changes brought these fees to the lower end of the peer range identified in the WTW study and were approved by our shareholder Vestcor Corp. at their December 2022 meeting. Further detail on director compensation is included in a later section of this annual report.

Our Human Resources and Compensation Committee and Board of Directors worked closely during the year with management in updating our Human Resource Strategic Plan which included a new detailed 3-year workplan. This plan continues to have a considerable focus on executive development and succession planning to ensure we remain well positioned for future senior management retirements or departures.

A listing of other governance review obligations, as outlined in our Board and Committee Terms of Reference, is provided in further detail in the Report of the Governance Committee later in this Annual Report.

DIRECTOR APPOINTMENTS

Vestcor Director appointments are set out with staggered 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.

We had four director terms expire in 2022. I am pleased to advise that David Losier (CPA, CGA, ICD.D, CFA), Eleanor Marshall (CPA, CA, CFA) and Cathy Rignanesi (FCPA, CA) were each reappointed to a three-year term by our Vestcor Corp. shareholders. Mr. Daniel Murray (CPA, CA) who had served on the Board as one of our inaugural Vestcor Directors since 2016 advised the Board that he wished to retire from his position when his term expired on June 30th. Dan was a very engaged Director who played an important role as our Governance Committee Chairperson.

Vestcor also publicly advised in November that I will be stepping down as Chairperson on June 30, 2023. By making this announcement early it has allowed the Board sufficient time to undergo the rigorous process required to fill the position as outlined in the Vestcor Act. As noted in the related public press release, I have thoroughly enjoyed my role as Chairperson, and I plan to stay actively involved with the Board by fully serving out my current term as Director until it expires on June 30, 2024.

ACCOUNTABILITY AND DISCLOSURE

Transparency and accountability continue to be an important focus of our Board.

We are pleased to continue to provide a significant amount of public disclosure on our website vestcor.org 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. It also remains important to continue to recognize the support and accountability oversight activities of our Vestcor Corp. Shareholder Board (vestcor.org/vestcorcorp).

As reported last year, we have successfully completed our first SOC 1 Type 1 Report on our Investment Management and Pension and Benefits Administration System and Suitability of the Design of our Controls 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. Our management team has been subsequently working on a Type 2 Report which will detail the suitability of our controls over the full year of 2022. We expect to have the report available to share with clients and other applicable counterparties in early 2023.

NOTE OF APPRECIATION

On behalf of the Board of Directors, I would like to thank our leadership team and employees for their continued success. They continue to demonstrate that an independent, purpose-driven financial services organization based here in New Brunswick can continue to align in cost-effectively meeting our client's long-term objectives in a difficult operating environment.

As this will be my last annual report message, I would also like to note that I have thoroughly enjoyed my leadership role with our Board, and it has been my distinct privilege and pleasure to have had the opportunity to work with such a professional group of employees and board members over my term as Chairperson.

I trust this report provides a thorough accounting of our corporate activities in 2022. Please note that 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 27, 2023
Fredericton, New Brunswick

REPORT FROM THE PRESIDENT AND CEO

On behalf of our employees and senior management team, I am pleased to present our 2022 annual report, detailing another successful year in service to our clients and their members.

While early 2022 witnessed persistent improvements from the impact of the COVID pandemic and the global economy continued a solid rebound, the environment soon changed on the back of the impact of rising inflation and the resultant aggressive central bank interest rate increases and stimulus reductions. The Russian invasion of Ukraine escalated these challenges resulting in a very difficult return environment in the global financial markets. Most global stock and bond markets experienced significant declines during the year, which is a very rare and obviously challenging occurrence.

SOLID PERFORMANCE IN A DIFFICULT ENVIRONMENT

In the face of these difficulties, Vestcor's lower risk long-term focused strategy was strongly validated during 2022 as our investment returns significantly outperformed most other Canadian pension plans while also continuing to provide solid long-term investment performance that exceeds our clients' return targets. Our administration services also were able to meet client objectives during a period of increased administration transaction processing volumes and expanded member inquiries and service requests.

The Vestcor team continued to perform well against a majority of our 2022 annual business plan objectives and key-performance indicators and we continue to provide very cost-effective services to our clients versus other third-party alternatives. Investment management services were provided at a low overall management expense ratio of approximately 0.14%, while Administration based client expenses remained well within annual client budgets and at the lower end of peer comparators.

It continues to be very encouraging to see that the member feedback we received throughout this challenging year from our ongoing member services' surveys remained strong and further confirms the value we bring to our clients' plan members.

INVESTMENT MANAGEMENT

As mentioned above, our low-risk investment management approach performed well in 2022 during a period where most equity and fixed income markets achieved significantly negative returns. This approach, along with the significant additional value-added returns created through our investment team's active management approach, resulted in relatively stronger overall total fund returns for those shared risk / target benefit plan clients and other pools of capital to whom we provide investment policy advice.

For example, the RBC Investor & Treasury Services (RBCITS) median Canadian defined benefit pension plan gross pre-fee return for 2022 was -10.3% versus the -3.63% total return experienced by the overall Vestcor composite return for the pension plans we manage. More importantly, our longer term 4-year gross annualized pension plan return of 5.99% also exceeds the RBCITS comparative median annual return of 5.32%. In addition to this gross return differential, Vestcor's lower investment management costs have continued to provide additional comparative benefits to our clients in this challenging environment.

Most importantly, our long-term investment performance continued to exceed the long-term funding targets of our clients, while being achieved with much lower realized risk than traditional defined benefit pension plans as required by their legislated requirements. Client performance is reported to their members through their own communication process, and many of these reports are available through their respective sections of our website.

Investment returns relative to our clients' investment policy benchmarks reached another 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 net of investment expenses by 2.63% during the year, which represented approximately \$538 million in additional value added. Over a longer four-year period, we have exceeded both the blended client investment policy benchmarks and our investment management costs by 1.31% per year. This performance has provided our clients with additional returns totaling over \$1 billion of investment earnings over their investment policy benchmarks during the four-year period.

Total assets under management dropped in 2022 to \$19.9 billion from \$21.0 billion in the prior year. This decrease in assets resulted from \$557 million in net investment interest and dividend income, a \$(1,368) million decline in net investment valuations, client payouts of \$(945) million and \$623 million of additional client capital contributions.

PENSION AND BENEFITS ADMINISTRATION

Our Pension and Benefits Administration Teams continued to be impacted by a significant increase in transactional processing volumes and member inquiries in 2022, which was supplemented by the additional work associated with a significant number of member record changes and pension retroactivity adjustments required from the conclusion of a number of provincial government labour relation agreements in 2021-2022.

Our management team was able to effectively adjust to these challenges and we are pleased to have been able to deliver administration services within 90% of our clients' Key Performance Indicator (KPI) service standards even with this additional workload. Considering this success, we also look forward to delivering on more aggressive KPI targets in 2023 that we set out with our clients during the year.

The Vestcor Communications Team continued to assist many of our client trustees in expanding and executing their respective communications strategies to help 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 continuing series of informative webinars on topics of mutual interest. Our support with many client plan member reports and information meetings also continued to be well received.

Our Board Support Services Team have maintained a significant contribution in assisting our client group Trustees continue to execute their duties effectively on a hybrid basis, while our Member Services Team were once again recognized with very strong member satisfaction scores on the responsive assistance they provide.

HUMAN RESOURCES FOCUS

Vestcor's ability to continue to provide our cost-effective specialized client services relies heavily on the skills of our professional in-house investment management and pension and benefits management team.

Human resource attraction and retention has been a significant challenge for most businesses as we emerge from the COVID pandemic. Work location flexibility opportunities, aggressive recruiter threats, and retirement increases have provided challenges to many businesses including Vestcor. While our current human resource policies and practices have allowed us to successfully address these challenges to date, we prudently reviewed and updated our Human Resources Strategic Plan with our Board of Directors during the year. This update included the development of a new related 3-year work plan to help us focus on these new challenges.

Our management team and Board of Directors continue to closely monitor our work environment. During the year, we completed our biennial Workplace Environment Survey and Leadership Surveys, while also undertaking a general pay equity and gender diversity review. We were pleased to see that our employees continued to highly rank our Workplace Environment, that compensation opportunities are fairly allocated, and that we have a well-diversified gender mix of employees and Board of Directors.

SUSTAINABILITY PROGRESSION

Vestcor continues to advance our corporate responsibility activities to ensure that our operations consider environment, 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 [ccgg.ca/policies](https://www.ccg.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".

In 2021, we reported that we shared a positive comparison report with our investment clients of our procedures and processes against a recently published Canadian Climate Law Initiative investment manager checklist. In 2022, we were very pleased to release our inaugural Responsible Investment Report (vestcor.org/responsibleinvestment), outlining the active investment related activities that we have committed to under

the direction of our long serving publicly posted set of Responsible Investing Guidelines (vestcor.org/rig).

This Responsible Investment Report speaks to our leadership in, and our commitment to, providing our clients with investments in stable sustainable long-term assets that continue to meet their investment objectives. The intent of the report is to fulfill the core principle of Transparency that is outlined in the Responsible Investing Guidelines; it is also formatted in-line with our other noted core principles including Active Ownership and Engagement, and to illustrate the Incorporation of Environmental Social and Governance (ESG) Information into our investment and risk management processes. It represents the next step in Vestcor providing best practice risk monitoring tools to assist our clients in developing and meeting their own responsible investment objectives. The report also provides climate related greenhouse gas emissions disclosure for our consolidated core public securities investment portfolio utilizing the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD). Vestcor looks forward to continuing to utilize TCFD information in our investment decision process as companies work towards meeting their global climate targets. We also plan to update this report on an annual basis.

OUTLOOK

At the time of writing this letter there remains a great deal of uncertainty with respect to the global economy and geopolitical situation. Similar to last year, we continue to expect long-term broad-based global economic growth, however, it will probably be at lower levels than what we have experienced in recent years. We therefore will continue to take a more cautious approach considering the number of challenges and risks that remain.

While we remain pleased with the long-term success of our investment strategy recommendations, we continue to monitor our investment activities and client strategies closely. Last year, we noted that we had finalized several investment policy reviews with a number of our pension plan clients to assist them in continuing to meet their long-term goals and objectives. Considering the recent financial market changes and the challenges noted above, we expect that we will likely revisit a number of our client investment policies again in 2023.

In closing, I would like to continue the tradition of recognizing the contributions of the long serving members of the Vestcor team who retired during the year: Karen Vautour – Member Services Analyst and James Scott – Vice President Fixed Income. Karen joined Vestcor shortly after we were formed in 2017 and had been a key contributor to our well recognized member service efforts, while James provided long-term leadership in the development of our fixed income investment capabilities during his twenty-three years of service to Vestcor and our predecessor organization, the NB Investment Management Corporation. I would like to thank each of them on behalf of the Vestcor organization for their many years of dedicated service. We continue to prudently work with our Board’s Human Resources and Compensation Committee to invest in our people and operations to reinforce our capabilities in addressing the challenging employment environment and to continue to effectively address succession requirements.

Vestcor looks forward to continuing to support our clients by partnering with them to create and deliver sustainable financial security for their stakeholders.

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 27, 2023
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.

Additionally, 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, 2022. 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. The audited financial statements for the various Vestcor Investment Entities for the year ended December 31, 2022 are available on our website at vestcor.org/annualreports. 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.

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 22 clients at December 31, 2022. Administration activities cover over 111,000 plan members and investment assets under management (AUM) at December 31, 2022 were \$19.9 billion.

We continue to strive towards realizing 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 engage in 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 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 is 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.

CORPORATE HIGHLIGHTS

Objective	Target	Year ended December 31, 2022 Actual	4 Year Annualized
Trade-Matching Efficiency:			
Securities Custodian	Regulatory 90% + 2.5%	96.3%	96.9%
Prime Broker #1	Regulatory 90% + 2.5%	95.7%	94.3%
Prime Broker #2	Regulatory 90% + 2.5%	96.1%	97.1%
Prime Broker #3	Regulatory 90% + 2.5%	93.6%	93.6%
Budget Efficiency (excluding performance incentives)	100%	92.4%	91.2%
Absenteeism (%)	<= 2%	1.8%	1.3%
IT Network Availability	99%	99.9%	99.9%
IT Applications Availability			
Administration system	99%	97.1%	n/a
Portfolio management system	99%	100.0%	99.9%

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, representing 111,000 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 2022 from each of these areas are as follows:

MEMBER SERVICES

In 2022, the Member Services team had over 35,800 contacts with plans members through telephone calls, emails and visits to our office, a slight decrease from 38,000 contacts in 2021, which was an exceptionally busy year.

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.



■ Very Satisfied - 53.03% ■ Satisfied - 38.01% ■ Neutral - 5.43% ■ Dissatisfied - 2.27% ■ Very Dissatisfied - 1.26%

Member Services Employee Education Session Satisfaction Results*

In addition to the services noted, Vestcor provided member education sessions. In 2022, nearly 200 plan members attended these sessions. The member sessions provided them with 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.



■ Very Satisfied - 46.67% ■ Satisfied - 46.67% ■ Neutral - 6.67%

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

PLAN OPERATIONS AND PENSION POLICY

During 2022, 6,569 applications were processed. Although the overall number of applications remained nearly identical to 2021, Termination applications increased by 18.7% as compared to the previous year. As these types of applications require calculations, and must be completed within a shorter time period, the impact was significant. In addition, the signing of a number of provincial government collective agreements in 2021-2022 required the team to process over 42,000 retroactive pension data adjustments, while striving to meet client targets. This was a tremendous achievement in our service delivery.

Service	Target	2022 Number Processed	2022 Achieved	2021 Achieved
Purchase of Service Requests	60 days	607	90.0%	96.4%
Pension Estimates	60 days	1,650	98.8%	97.1%
Retirements	60 days	2,185	99.5%	99.3%
Terminations	30 days	1,987	98.4%	98.4%
Marriage Breakdowns	42 days	140	100.0%	97.0%

MEMBER AND CORPORATE COMMUNICATIONS

Focus on effective and intentional pension and employee benefits communication remained the priority through 2022.

Tailored client communications plans were updated and executed. Member education was imperative, as general concern over rising inflation and volatile global financial markets led pension plan members to seek information related to the status of their plans. The team supported clients in providing members with answers to their pressing questions. QR codes were integrated into print materials to further ease access to information. Additional messaging was also disseminated on topics such as the updates on the retroactive pension adjustments, impacting the future pension benefits of a significant number of members.

The team also facilitated webcasts for clients, providing timely updates in the areas of investment, cybersecurity, responsible investing, and administration services. The team oversaw the launch of the new corporate purpose, defining who we are, as an organization, and what we collectively offer: **A Partner in Creating and Delivering Sustainable Financial Security.**

BOARD SUPPORT SERVICES

Vestcor has continued to successfully adapt its board support services delivery model to enable various format of client meetings during 2022 (e.g., limited in-person, hybrid and / or virtual). In this regard, the team was able to seamlessly continue to provide robust operational support to our various client boards and committees.

In 2022, in addition to regular client meetings, the Board Support Services team assisted the various clients with their respective nomination and onboarding processes, coordinated multiple in-person and virtual educational opportunities 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 regarding the drafting of internal board policies; the delivery of various externally facilitated sessions such as board strategic planning initiatives and the establishment of risk management frameworks and providing oversight of the pension plans' regulatory and legal requirements. In order to continue providing a full complement of governance services to its clients, the Board Support Services team continues to participate in ongoing professional development relevant to the ongoing and increasing needs of the various boards and committees.

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 \$11.0 million increased by approximately \$315 thousand, or 3.0%, versus the prior year.

	Year ended December 31, 2022 (\$ thousands)		Year ended December 31, 2021 (\$ thousands)
Salaries and benefits	\$ 7,213	\$	6,793
Information systems	1,233		1,399
Client directed administration	648		594
Office rent	500		495
Office and business	372		348
Professional services	318		314
Amortization	700		726
	\$ 10,984	\$	10,669

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, 2022 were 6.2% higher than the costs in 2021. 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 sizable portion of the Administration Division's annual expenditures; however, with the implementation of a new administration system in 2020, we have seen a decline of \$166 thousand or 11.9% in information systems costs compared to the prior year.

Office rent costs, office and business costs and professional services costs all remained consistent with the prior year.

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

To validate that we are providing cost effective pension administration services, we take part in an annual benchmarking survey with other Canadian pension administrators. From the most recently completed survey, our total cost for pension administration services was \$98 per plan member. Our cost per member was the second lowest amongst the survey group and almost \$50 per member less than the average cost of the participants.

INVESTMENT HIGHLIGHTS

The following description of the investment management services covers the year ended December 31, 2022.

ASSETS UNDER MANAGEMENT

Assets under management (AUM) at December 31, 2022 were approximately \$19.9 billion consisting of the following client mandates:

Client	2022 (\$ millions)			2021 (\$ millions)		
New Brunswick Public Service Pension Plan (NBPSPP)	\$	8,819.2	44.4%	\$	9,354.1	44.5%
New Brunswick Teachers' Pension Plan (NBTPP)		6,527.8	32.8%		6,985.5	33.3%
Provincial Court Judges' Pension Plan (Judges)		57.1	0.3%		61.4	0.3%
New Brunswick Power Corporation (NBPC):						
Point Lepreau Decommissioning Fund		446.2	2.3%		461.6	2.2%
Point Lepreau Used Fuel Management Fund		241.9	1.2%		247.4	1.2%
Nuclear Fuel Waste Trust		187.0	0.9%		205.3	1.0%
Shared Risk Plan for Academic Employees of University of New Brunswick (AESRP)		417.9	2.1%		447.1	2.1%
University of New Brunswick Endowment Fund (UNBE)		64.2	0.3%		66.6	0.3%
Shared Risk Plan for Certain Bargaining Employees of New Brunswick Hospitals (CBE)		2,751.4	13.8%		2,793.0	13.3%
Shared Risk Plan for City of Fredericton (CoF)		247.6	1.3%		257.4	1.2%
Pension Plan for New Brunswick Hourly Paid Employees of Fraser Papers Inc. (FPHR)		100.2	0.5%		112.5	0.5%
Pension Plan for New Brunswick Salaried Employees of Fraser Papers Inc. (FPSAL)		22.6	0.1%		26.1	0.1%
Total AUM	\$	19,883.1	100.0%	\$	21,018.0	100.0%

Each client mandate invests in a specific and unique combination of units of the Vestcor Investment Entities. Some clients have previously entered directly in investment opportunities 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 19).

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.

RELATIVE PERFORMANCE VERSUS BENCHMARKS

As noted above, our **secondary 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 50 basis points (0.50%) per annum. This value-added target was increased in 2022 as it had been 42 bps in previous years. This is a key measure for our clients and accordingly is also a key measure considered in Vestcor’s variable performance compensation incentives.

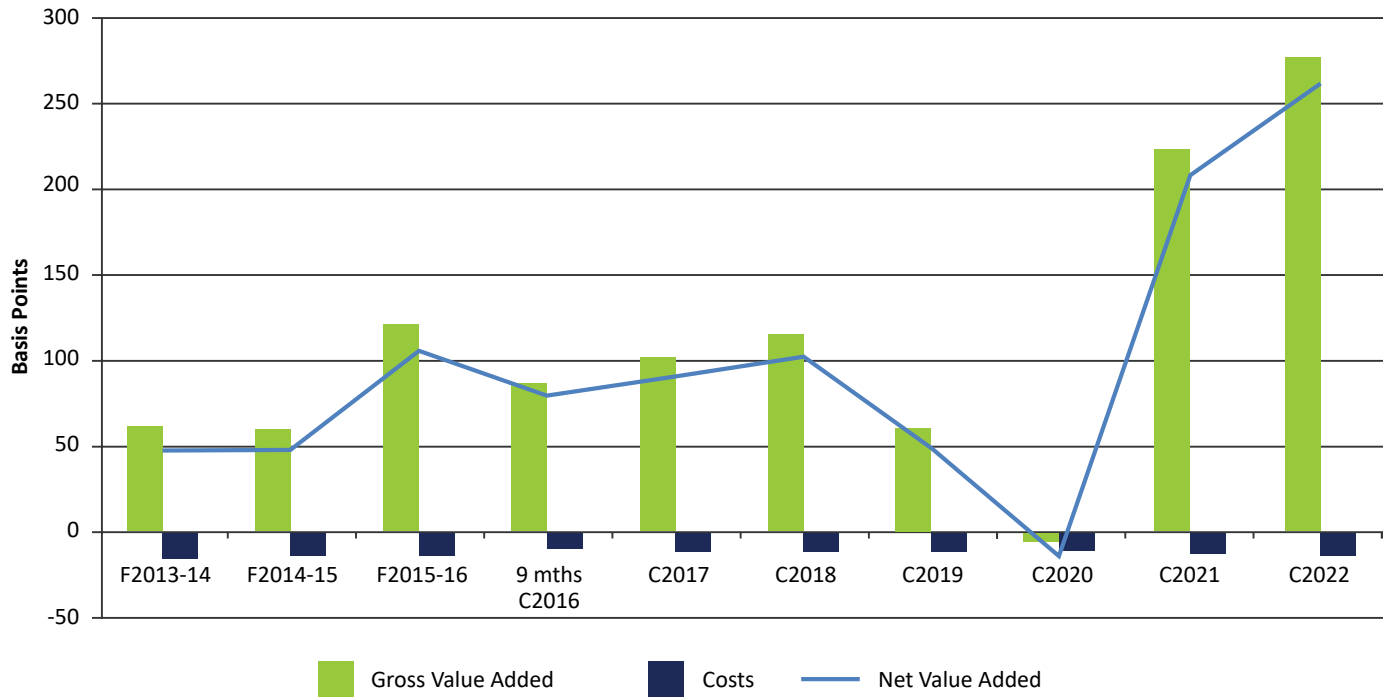
SECONDARY INVESTMENT PERFORMANCE OBJECTIVE

Objective	Long-Term Targets	Year ended December 31, 2022 Actual	4 Year Annualized	Annualized Since Inception (1996)
Net Relative Return (in basis points (bps) after all investment management expenses)	>= 50 bps per annum	263.0	131.4	34.6

As a result of high inflation and central banks' increases to interest rates to try and control inflation, global markets had one of the most difficult years on record with all asset classes being negatively impacted. While this resulted in a total nominal return of -3.63% for the calendar year, our active management was very strong and outperformed our combined benchmark of -6.40%. Our overall active management activities for the year outperformed by 276.8 basis points of gross value and 263.0 basis points of net value, or approximately \$537.9 million, after covering all investment management costs.

Our longer-term four fiscal year annualized value-added return, net of costs, remained very strong at approximately 131.4 basis points or approximately \$1,017.9 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 \$19.9 billion of AUM for the year ended December 31, 2022:

	2022 (\$ thousands)		2021 (\$ thousands)
Internal Operational Expenses	\$ 23,648.4	\$	22,464.7
Third Party Service Providers			
Investment counsel fees	4,451.5		3,306.5
Securities custody fees	15.8		21.2
Total Investment Management Costs	\$ 28,115.7	\$	25,792.4
Total AUM (in \$ millions)	\$ 19,883.1	\$	21,018.0

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 significant cost savings to the benefit of our clients. At December 31, 2022, Vestcor internally managed approximately \$16.3 billion or 82% of client AUM (2021 - \$17.8 billion and 85% respectively).

The costs incurred to manage investment strategies internally, measured against average **internally** managed AUM for the year ended December 31, 2022, were 0.12% or 12.1 basis points (bps) (2021 – 11.6 bps).

Approximately \$3.6 billion, or 18% of investments, are **externally** managed as at December 31, 2022 (2021 - \$3.2 billion and 15% respectively). These mandates arise when it is not cost effective to manage a desired investment opportunity or a specific strategy internally. Of this, \$2.7 billion of assets are related to externally managed private investments and \$0.8 billion are related to publicly traded mandates.

As mentioned on the previous page, 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 on our website at vestcor.org/annualreports.

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 59. Measured on average externally managed AUM, these **external** costs were 52.2 bps for the year ended December 31, 2022 (2021 – 39.5 bps).

In total, investment management costs reflected in Vestcor's audited financial statements for the year ended December 31, 2022 were approximately 13.7 bps of average AUM. This is higher than the investment management costs of 12.7 bps for the year ended December 31, 2021, due primarily to the decline in assets under management, an increase in external manager expenses, and 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 over the four-year measurement period used in the calculation of the performance incentives.

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 20 bps lower than the average of our peers and up to 55 bps lower than private sector asset managers. This cost differential means that for the year ended December 31, 2022 our clients were able to retain anywhere from approximately \$41 to \$112 million due to our lower cost advantage. This significant cost advantage has been a cornerstone of our service delivery value since our inception over twenty-five 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, 2022 are available on our website at vestcor.org/annualreports.

MARKET COMMENTARY

- The most recent calendar year was a challenging one for diversified investors, as both stocks and bonds experienced strongly negative returns in the calendar year. By mid-year, global equities had dropped about -18% in Canadian dollar terms, while a Canadian universe bond index likely earned about -12% for the same 6-month period. By year end, a modest recovery in equities meant that a traditional 60/40 stock/bond portfolio had earned about -12% for the year, making it one of the worst years on record for traditional stock/bond investors.
- Central banks, particularly in North America, engaged in a significant policy tightening during 2022, with the Bank of Canada raising short term rates from 0.25% to 4.25% by year end, and the U.S. Federal Reserve moving its policy rate target to 4.5% from the same starting point.
- While inflation appeared to have peaked by mid-year, year-over-year CPI remained well above the target levels for the Bank of Canada and Federal Reserve, and as such, a bias toward tighter policy likely remains in effect for the time being.

Investors experienced a challenging year in 2022, with a significant drawdown in the first half of the year followed by a late year partial recovery. Equity markets showed significant strength in the final quarter, with Canadian, U.S., International Developed Markets, and Emerging Markets showing gains of approximately 6%, 6%, 15%, and 8% respectively for the final three months of 2022. Despite this, global equity investors finished the year with significant declines in value, with those same four indexes showing losses of approximately -6%, -12%, -9%, and -15% for the full calendar year, respectively. Canadian equities, composed of a relative overweight position in stronger performing energy companies matched with a relative underweight in globally underperforming technology companies, provided a modest measure of protection for investors, despite also experiencing losses of -6% for the year.

While equities had gains only in the fourth quarter, bond investors could more neatly split the year in half from a performance perspective. The first half saw benchmark 10-year Canadian yields spike nearly 2% (resulting in a -12% return for bond investors) as investors digested the rapidly changing inflation and monetary policy outlook. In contrast, while interest rates were not completely stable through the second half, in general, benchmark 10-year yields finished the year at a similar level to their June 30 values, and domestic bond investors earned roughly flat returns in each of Q3 and Q4.

Ultimately, with similar losses for both bonds and stocks for the full calendar year, the median diversified investor holding a portfolio of global stocks and domestic bonds likely earned total returns of approximately -12% in Canadian dollar terms for 2022. In general, 2022 was likely the third weakest year on record for a 60/40 stock/bond investor.

While traditional diversification from bonds did not provide downside protection for investors, non-traditional investments provided meaningful diversification. While Canadian, Global, and Emerging Market equities experienced losses of -6%, -12%, and -15% in 2022, low volatility versions of these indexes strongly outperformed, with much smaller losses of -1%, -4%, and -8%, respectively. In total, global low volatility equities earned a return of approximately -3% in Canadian dollar terms, compared to -12% for standard indexes. Investors in absolute return strategies also likely experienced relatively strong returns for the year, with downside risk hedges offsetting losses in traditional investments.

Inflation was a significant concern for investors throughout 2022, and as such, central banks remained biased toward relatively tighter monetary policy throughout the year. The Bank of Canada raised short term rates twice in the fourth quarter alone for a total increase of 1%, while the Federal reserve raised by 1.25% over the same period. Short term rates in Canada and the U.S. have now reached 4.5% and 5.25%, respectively,

significantly higher than the extended period of 0.25% policy rates following the original COVID-19 economic turmoil in 2020. Market pricing suggests that investors continue to expect further short-term rate hikes in the U.S. throughout the first half of 2023, although the outlook remains highly uncertain, with significant potential changes in a data-driven policy framework. As such, although inflation remains above target for both economies, year-over-year consumer price index (CPI) values appeared to have peaked by mid-year and showed continuing declines toward the end of 2022, the likely slowdown in inflation reduction in late 2022 will have significant influence on investors' policy expectations for 2023.

In terms of external sources of risk, while global supply chains have not completely normalized, measures of activity show that as import volumes have declined somewhat, delays in processing at most container ports have been significantly reduced, with most ports operating at fairly normal productivity levels. Additionally, while COVID continues to be a concern, and business travel will likely remain impaired, measures of leisure travel show strong activity in most markets, including the progressively reopening domestic Chinese market. These factors demonstrate a continuing – if uneven – recovery from the dislocations of the 2020-2022 period.

Overall, investors have faced a challenging environment in recent years. Significant volatility spikes throughout COVID made active management a challenge and showed the value of maintaining strong liquidity within investment portfolios. Furthermore, failures of traditional diversification left investors in a challenging funding situation. As a result, investors with portfolios that provided effective downside protection in recent years are likely well positioned to take advantage of attractive market opportunities going forward, with higher bond yields – particularly in shorter dated instruments – providing a potential opportunity for investors that are positioned for tactical changes in allocations.

Bond yields have increased significantly over the past year, and for the first time in recent memory will contribute meaningfully to medium term expected returns for diversified investors. While compensation for credit risk is not at all-time highs, higher overall yields, combined with relatively lower interest rate risk, allowed corporate bonds to modestly outperform in 2022 and contribute to their attractiveness going forward, at least in certain segments of the market. For investors who prioritize liquidity, the relatively higher level of shorter-term interest rates provides at least a transitory opportunity to maintain exposures while reducing risk and improving the liquidity profile of the combined portfolio. Overall, a diversified portfolio today has a much-improved expected return profile when compared to two years ago, and bonds in general can potentially play an improved role in pension fund portfolios going forward from both a return generating and risk management perspective.

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, 2022

Portfolio	AUM ¹ (\$ millions)	One-Year Annual Return		Four-Year Annualized Return	
		Portfolio %	Benchmark %	Portfolio %	Benchmark %
Short Term Assets	\$ 525	2.02	1.81	1.36	1.11
Nominal Bonds	2,977	(12.04)	(12.34)	0.10	(0.41)
Corporate Bonds	3,568	(9.51)	(9.87)	1.10	1.10
International High Yield	192	(12.06)	(11.59)	1.97	1.41
Real Return Bonds	719	(14.70)	(14.32)	1.61	1.59

¹ Includes cross-fund ownership interests

OVERVIEW

Interest rates moved sharply higher in the first half of 2022, as investors digested continuing increases in inflation and the associated tightening of monetary policy by the Bank of Canada in the form of higher short-term rates. The benchmark Government of Canada 10-year bond yield reached a peak of 3.67% in October and finished the year just modestly lower at a 3.3% yield, for a year-over-year increase of more than 1.8%. Fixed income investors, as a result, endured significantly negative returns for the year, with the Government and Corporate bonds in Canada returning -12.34% and -9.87%, respectively, with corporate bonds providing a small measure of risk reduction due to their relatively lower interest rate exposure.

Central banks, particularly in North America, continued to tighten policy throughout the year. The Bank of Canada raised short term rates from 0.25% at the beginning of the year to a level of 4.25% by year end, while the U.S. Federal Reserve Bank, also starting from 0.25%, raised rates to 4.5% with bond markets continuing to price in an additional 3-4 rate hike of 0.25% each during 2023. With the dramatic increase in short term rates, the U.S. yield curve had inverted significantly by year end, with 2-year yields approximately 0.55% higher than 10-year yields on December 30. Generally, such inverted yield curves have been (admittedly imperfect) signals of economic turmoil to come, although that outlook may be clouded by the currently highly uncertain inflation environment.

The Canadian federal government announced in 2022 that they would bring an end to the practice of issuing Real Return Bonds – bonds whose yields are linked to the level of inflation over time. Real return bonds have been held in a variety of Vestcor client portfolios over the long term, and as such this market change will require potential action despite that the already low level of liquidity in this section of the market will be further impaired by this change.

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 2022, we continued to expand our capabilities in global equities with the increasing rollout of active small-cap strategies. Vestcor began covering small-cap markets domestically in Canada, following on with a Global strategy as a result of client demand for greater market coverage as well as increased alpha generating capacity.

PERFORMANCE SUMMARY AS AT DECEMBER 31, 2022

Portfolio	AUM ¹ (\$ millions)	One-Year Annual Return		Four-Year Annualized Return	
		Portfolio %	Benchmark %	Portfolio %	Benchmark %
Market Capitalization Weighted:					
Canadian Equity	\$ 822	(5.45)	(5.84)	11.49	11.19
Canadian Small Cap Equity	257	(1.78)	(9.29)	15.41	9.29
U.S. Equity	1,094	(13.56)	(13.62)	12.35	12.29
U.S. Small Cap Equity	4	(13.58)	(15.00)	8.66	7.68
International Equity	624	(7.76)	(8.23)	5.86	5.57
International Small Cap Equity	121	(12.66)	(13.10)	n/a	n/a
Low Volatility:					
Canadian Equity	754	(0.99)	(1.08)	10.72	11.16
Global Equity ²	2,011	(1.10)	(3.52)	n/a	n/a
Emerging Markets Equity	785	(6.72)	(7.70)	1.22	1.32

¹ Includes cross-fund ownership interests

² Start date April 1, 2021

OVERVIEW

Investors experienced a return of volatility in 2022, as equity markets had strong negative reactions to elevated inflation and the resulting rapid change in central bank policy to a dramatic tightening bias. As central banks raised rates strongly to slow economic activity and cut off rising prices, equity markets globally dropped significantly in the first half of the year, with Canadian, Developed Market Global, and Emerging Market Indexes dropping -10%, -19%, and -16% by June 30. The relative outperformance of the Canadian market was partially erased in the second half as broadly weaker energy prices somewhat offset the broader equity market recovery, and by year end, the more commodity exposed Canadian market had recovered less than global markets, with Canadian dollar returns of -6%, -12%, and -14% for Canadian, Developed Market Global, and Emerging Markets for the full calendar year.

Vestcor's small-cap portfolios performed strongly during 2022, with significant benchmark relative performance helping to offset the relatively weaker performance of higher volatility, more economically sensitive small-cap stocks during a challenging market year.

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.

PERFORMANCE SUMMARY AS AT DECEMBER 31, 2022

Portfolio	AUM ¹ (\$ millions)	One-Year Annual Return		Four-Year Annualized Return	
		Portfolio %	Benchmark %	Portfolio %	Benchmark %
Absolute Return Strategies	\$ 2,069	8.56	1.81	7.03	1.11
Private Equity	1,410	7.92	(12.15)	16.92	9.06
Real Estate	1,849	4.62	4.51	8.74	7.27
Infrastructure	1,381	13.05	8.90	9.83	6.48

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 the 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 2022, the Absolute Return Strategy generated returns of 8.56%, 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 2022, the portfolio

gained nearly 8% and significantly outpaced its public equity benchmark for the year, which earned a -12.15% return for the year. Over the longer-term four-year period, private equity has returned nearly 17% per year, outperforming the portfolio's Public Equity benchmark by nearly 8% 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. The newly formed Real Assets team deployed significant capital in direct Real Estate investments during 2022, and despite the volatility of 2022, the combined portfolio earned a return of nearly 4.6% vs. a benchmark return of 4.5%.

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 2022, the combined strategy earned strong returns of 13.05%, compared to a benchmark return of 8.9%.

TOTAL FUND PERFORMANCE SUMMARY AS AT DECEMBER 31, 2022

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	(3.63)	2.71	4.11	5.97	5.18	7.30	6.92
Benchmark	(6.40)	0.18	2.41	4.53	3.80	6.14	6.45

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. However, the Board maintains specific responsibility for the oversight of fiduciary, business strategy and investment risk.

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 with 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 private 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 and Vestcor’s Board of Directors. A skills matrix was 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 eight independent directors and one non independent as per the Policy.

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. The Human Resources & Compensation Committee and Board review and approve corporate officers who are responsible for the day-to-day management of the organization.

Additional information about our corporate governance practices is available on our website at vestcor.org/governance. 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	8/8	4/4	3/4	3/4
Michel Allain	8/8	n/a	n/a	4/4
Tanya Chapman	8/8	n/a	3/3	4/4
Lori Clark	5/8	1 ²	4/4	1 ²
Michel Doiron	7/8	1 ²	n/a	4/4
David Losier	8/8	4/4	4/4	2/4
Eleanor Marshall ¹	8/8	4/4	2/2	3/4
Tim Mawhinney	8/8	4/4	n/a	n/a
Daniel Murray ³	5/5	2/2	2/2	n/a
Cathy Rignanesi	8/8	4/4	4/4	n/a

¹ Governance Committee Chair effective July 1, 2022

² New Directors can attend all Committee meetings as guests

³ Term expired June 30, 2022

In addition, an Ad hoc Nominating Committee met in early 2022 to review the upcoming June 30, 2022 Director term expirations. Three existing directors expressed their interest in being considered for reappointment and one had previously advised of his plan to retire from the Board at the expiration of his term. As per the guidelines for the nomination of new directors, the Ad hoc Nomination Committee provided the formal final reappointment recommendations to the Vestcor Inc. Board. A formal resolution was subsequently provided to the Vestcor Corp. Board for approval effective July 1, 2022. Furthermore, the Ad hoc Nomination Committee advised the Vestcor Corp. Board that considering that the Vestcor Inc. Board was in the process of initiating an external governance review project and would soon be conducting a post-COVID pandemic strategic plan review with management, the Committee felt that it would be best to defer the recruitment of a new Director at this time and operate with a remaining roster of nine Directors as these initiatives may help provide additional insight into the future Board governance.

Ongoing Director education includes exposure to relevant news and articles of interest as well as a program of educational sessions. In 2022, these sessions included a comparison between Vestcor's Enterprise Risk Management Framework and the 2022 Proposed Office of the Superintendent of Financial Institutions Investment Risk Management Guidance, a Cybersecurity Scenarios Workshop, an update on Vestcor's risk budgeting process, a Pension Industry Human Resources Update and a presentation on the Vestcor Responsible Investment Report and Climate Risk exposure using the Task Force on Climate Related Financial Disclosures reporting. Directors also attended the client educational webinars hosted by Vestcor in 2022 including cybersecurity controls, introduction to our new corporate purpose and introduction to Vestcor's inaugural Responsible Investment Report. 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.

BOARD DECISIONS

Major decisions made by the Vestcor Board during the year ended December 31, 2022, in addition to the matters referred to it by the Board Committees (see *Board Committee Reports* below) included:

- Approval of the appointment of E. Marshall as a member and Chairperson of the Governance Committee effective as of July 1, 2022;
- Approval of the establishment of the Ad hoc Nominating Committee to address the 2022 Director term expirations;
- Recommend to the Vestcor Corp. shareholder the reappointment of three existing Directors, to the Vestcor Inc. Board of Directors;
- Approval of the 2022 Incentive Plan compensation payments including the individual award factor based on 2022 business plan accomplishments;
- Approval of revisions to the Investment Authorities including the daily blotter and settlement limits and trading transaction limits;
- Approval of revisions to the Vestcor Investment Entity Profiles benchmark changes to two infrastructure Vestcor Investment Entities, the creation of two new Vestcor Investment Entities to support the evolution in client asset mix design and minor administrative changes;
- Approval of the updated Vestcor Responsible Investing Guidelines;
- Approval of the inaugural Vestcor Responsible Investment Report;
- Recommendation to the shareholder of reconfirming the appointment of KPMG as independent auditor for the Vestcor Group for the year ending December 31, 2022, which was approved;
- Approval of the Vestcor Corporate Purpose;
- Approval of the 2023 Annual Corporate Business Plan and weightings for Incentive Plan purposes;
- Recommendation to the shareholder of the 2023 operating and capital expenditure budgets for Vestcor Inc., which were approved;
- Approval of the 2023 objectives for the President and CEO;
- Approval of the 2023 Board and Committees' reporting calendar; and
- Approval to initiate a Board Chairperson Appointment Process following the current Board Chairperson's announcement that he will be stepping down as Chairperson effective June 30, 2023.

BOARD COMMITTEE REPORTS

The following are highlights of the Board Committee Reports for the year ended December 31, 2022.

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, 2022:

Financial Statements and Other Statements

- Reviewed and recommended to the Board for approval certain client’s Total Fund Reports for the Global Investment Performance Standards (GIPS®) asset owners in accordance with the standards for the year ended December 31, 2022 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 New Brunswick Hourly Paid Employees of Fraser Papers Inc. and the New Brunswick Salary Paid Employees of Fraser Papers Inc. Total Fund Reports in accordance with GIPS for the year ended September 30, 2022 and recommended to the Board for approval;
- Reviewed the Environmental Reclamation Total Fund Report in accordance with GIPS® for the year ended March 31, 2022 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, 2022 and recommended its approval by the Board;
- Reviewed the audited financial statements for the Vestcor Investment Entities for the year ended December 31, 2022 and recommended to the Board for approval;
- Reviewed the audited financial statements for Vestcor for the year ended December 31, 2022 and recommended to the Board for approval;
- Reviewed the draft Vestcor Annual Report material for the year ended December 31, 2022 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, 2022 and recommended to the Board for approval;
- 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 Vestcor Valuation Policies for investment securities.

Internal Control and Information Systems

- Received the last status report relating to monitoring the status of management’s efforts to address internal control findings from previous external audits (all items closed);
- Received and recommended to the Board for approval the 2021 Service Organization Controls (SOC1) Type 1 Assurance Findings Report and Proposed 2022 SOC1 Type 2 Assurance Plan.
- Reviewed and recommended to the Board for approval the inaugural Service Organization Controls (SOC 1) Type 1 report (point in time report). Received quarterly status report on the continuing progress of the development of the SOC1 Type 2 report (period of time 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 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 quarterly Internal Audit Reports outlining work conducted by the Internal Audit function including recommendations and management's responses;
- Conducted the biennial review and approved the Internal Auditors' Terms of Reference (*no recommended changes*);
- Approved the 2023 Internal Audit Plan including projects, budget, updated audit universe and professional development plan for the Manager, Internal Audit;
- Received and reviewed the annual confirmation of the Internal Auditor's independence;
- Approved scope and the engagement for KPMG to conduct a high-level external review of the Vestcor Internal Audit program; and
- Met in camera quarterly with the Internal Auditor.

External Audit

- 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, 2022, and the Vestcor Investment Entities' financial statements for the year ended December 31, 2022;
- 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 and recommended to the Board for approval the revised Audit Partner Rotation Policy;
- Reviewed the External Auditor's Audit Findings Report for the year ended December 31, 2022 and obtained confirmation of the External Auditor's independence;
- Met in camera 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, 2022 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, 2022 and established the 2023 Committee objectives.

Other

- Conducted the annual review of the Audit Committee's Terms of Reference and recommended amendments to the Board for approval;
- Received and reviewed a quarterly cybersecurity monitoring update and cybersecurity dashboard;
- 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 (Chairperson), D. Losier, E. Marshall, 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. The Governance Committee may or will also recommend to the Board appropriate processes for Board, Chairperson, Director and Committee effectiveness assessments.

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, 2022:

Governance Documents and Initiatives

- Conducted the annual 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;
- 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;
- Completed the biennial review of the Director Compensation Documents: Directors' and Board Chair's Compensation Policy, Director Compensation Philosophy Overview and the Directors' Travel and Expense Policy; and
- Reviewed the draft Corporate Governance disclosure for the 2022 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 letter from the Ad Hoc Director Nominating Committee that recommended to our Vestcor Corp. shareholder the reappointment of three existing directors effective July 1, 2022. In addition, to continue operating with only nine directors until the completion of the external governance review from a strategy and efficiency perspective.
- Reviewed and recommended to the Board for approval the addition of a website link for future Board appointment opportunities.
- Acted as a sounding board for the Board Chairperson in recommending to the Board for approval the appointment of a new Governance Committee member and Chairperson effective July 31, 2022.

Directors' Compensation

- Following the receipt and review of an independent review of directors' compensation by Willis Towers Watson in 2020, recommended to the Board for approval and further recommendation to the Vestcor Corp. Board for approval modest modifications to the Directors' and Board Chair's Compensation Policy, effective January 1, 2023.
- Approved a Report of Directors' Compensation and Expenses for the year ended December 31, 2022; and
- Approved a Report of the President and CEO's travel expense claims for the year ended December 31, 2022.

Director Orientation and Education	<ul style="list-style-type: none"> Renewed a corporate membership in the Institute of Corporate Directors to provide valuable training and resource material for both management and Directors.
Board Effectiveness	<ul style="list-style-type: none"> 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; Following a Request for Proposal (RFP) for an External Governance Review, received and reviewed the results of the RFP and recommended to the Board for approval BoardWorks Consulting Inc. to conduct the review. Received, reviewed, and recommended to the Board for approval the results of the review and an associated 2023-2025 workplan and related resource implications; and Reviewed the Board's accomplishments for the year ended December 31, 2022 and discussed objectives for enhancing Board effectiveness in 2023 including the result from the external governance review.
Communications and Public Policy	<ul style="list-style-type: none"> Reviewed and recommended to the Board for approval the 2023-2024 Strategic Corporate Communications Plan; and Received a quarterly Media Monitoring Report from the Communications team.
Committee Objectives	<ul style="list-style-type: none"> 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, 2022 and discussed objectives for enhancing its effectiveness in 2023 including the result from the external governance review.
Other	<ul style="list-style-type: none"> 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.

E. Marshall (Chairperson), 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, 2022:

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, 2022.

Compensation and Employee Benefits

- Reviewed a comparison of relative value-added long-term return targets against peers and recommended to the Board for approval;
- Reviewed the individual business plan success weightings of the Annual Business Plan for the year ended December 31, 2022 and recommended their approval by the Board;
- Reviewed corporate results for the year ended December 31, 2022 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, 2022; and
- Reviewed an updated Vestcor Compensation Backgrounder document accompanied by a new Compensation Backgrounder Frequently Asked Questions document and recommended to the Board for approval.

Severance

- N/A – No severance arrangements referred to the Committee in 2022.

Code of Business Conduct and Ethics

- N/A – No concerns referred by the Governance Committee occurred in 2022.

Organizational Structure

- Ongoing discussion throughout the year on the human resource impact of the COVID-19 pandemic and Vestcor's COVID-19 Operating Plan.
- Received a proposed updated organizational structure outline in conjunction with the development of the 2023 budget and a 3-Year Strategic Workforce Plan. Management provided an employee resource overview which identified a number of proposed new positions which will assist with additional oversight / audit activities, increased work volume challenges / growth needs, and back-up / succession support.

Leadership Development and Succession

- Reviewed the updated Succession Plans for the President and CEO and senior management positions, including emergency replacement plans, and recommended approval by the Board;
- Reviewed management's leadership gap assessment and development plans for identified senior leadership succession candidates; and
- Received regular updates on management's recruiting efforts.

Human Resources Planning and Policies

- Retained the services of a professional human resources consultant to assist with the development of an enhanced Human Resources Strategic Plan:
 - o Reviewed a new Human Resources Strategic Plan Outline – Our People Strategy 2022 – 2025 and recommended approval by the Board
 - o Reviewed a Vestcor 3-Year Strategic Workforce Plan and recommended approval by the Board
- Received a proposed updated organizational structure outline in conjunction with the development of the 2023 budget. The proposed structure included long-term restructuring opportunities within the investment, finance and administration teams to position Vestcor to meet increased client needs and future growth opportunities in terms of both additional clients and potential additional service offerings, as indicated in the 2019 – 2024 Corporate Strategic Plan; and
- Received an inaugural analysis of Vestcor’s Pay Equity Status.

Compliance Monitoring

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

Risk Management

- Conducted the 2022 Biennial Workplace Environment Survey to measure employee satisfaction;
- Conducted the 2022 Biennial Leadership Survey;
- 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

- Conducted the review of the Committee’s Terms of Reference to ensure the adequacy of its mandate and responsibilities in relation to evolving best practices and recommended approval by the Board; and
- Established the Committee’s objectives for the year ended December 31, 2022 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; and
- Reviewed the draft Compensation Discussion and Analysis section of the Vestcor 2022 Annual Report and recommended its approval by the Board.

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.

In reviewing the performance of the President and CEO against the business plan targets for the year ended December 31, 2022, the HRCC determined that both corporate business plan and individual targets were substantially achieved and awarded a performance target multiplier of 1.34. 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 (Chairperson), 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.

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.

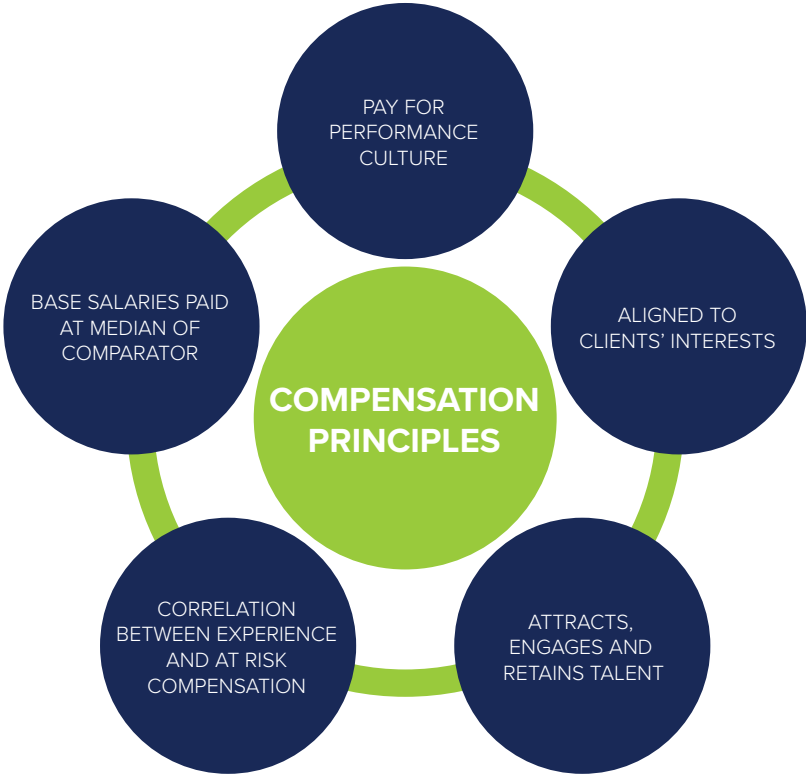
CORPORATE COMPENSATION PHILOSOPHY

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 in our 2021 Annual Report 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

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 (100 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.

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 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 for the past four years ending December 31, 2022 was 5.97%, which represents approximately \$4.6 billion of cumulative gross investment earnings.
- Value-added investment returns (in excess of benchmarks) over the four-year period to December 31, 2022 were very strong. Total fund **relative returns** were higher than the combined weighted average client Investment Policy benchmarks over the four-year period to December 31, 2022, providing a positive net return of 1.31 percent (or 131 basis points) of value annually over client benchmarks after deducting all investment costs or over \$1,017.9 million of total net investment returns for the four-year period.

The following table shows total compensation awards and payments, excluding Directors' remuneration (see page 51), for the year ended December 31, 2022.

	2022 (\$ thousands)		2021 (\$ thousands)
Salaries and benefits, excluding performance incentives	\$ 14,435.0	\$	13,796.2
ICP performance incentives			
Net investment relative performance	\$ 4,355.4	\$	3,993.7
Corporate scorecard and individual performance	2,013.1		1,887.8
Total ICP	6,368.5		5,881.4
LTIP ¹	2,657.0		2,688.1
Total performance incentives ²	9,025.5		8,569.6
Deferred portion of ICP	(2,904.8)		(2,638.6)
Payments from previous year deferrals	841.7		-
Total performance incentives paid	\$ 6,962.4	\$	5,931.0

¹ LTIP being discontinued from 2021 to 2023 as discussed above

² Total incentive expense for 2022 was \$8,912.0, which includes deferral interest of (\$113.5). Interest on deferred balances accrues at the total fund return.

For the year ended December 31, 2022, and after consideration of the continuing competitive talent retention environment, the Board approved a modest cost of living salary increase and merit pool.

The net increase in performance incentives reflects, for eligible investment staff, the impact of the strong 2022 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 48 – 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 (\$)	ICP ¹ (\$)	LTIP ² (\$)	Pension Contribution ³ (\$)	All Other ⁴ (\$)	Total Compensation (\$)	Deferred Portion of ICP (\$)	Payments from Prior Years' Deferrals ⁵ (\$)	Total Paid Compensation ⁶ (\$)
John Sinclair President and CEO	2022	375,057	809,152	450,000	135,089	2,693	1,771,991	(404,576)	133,148	1,500,563
	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
Jonathan Spinney CIO and VP, QIAP	2022	309,672	613,768	341,000	35,605	2,561	1,302,606	(306,884)	88,291	1,084,013
	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
James Scott VP, Fixed Income	2022	264,807	438,338	238,500	30,804	2,398	974,847	(219,169)	66,240	821,918
	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
Mark Holleran VP, Equities	2022	256,826	461,024	231,300	29,950	2,458	981,558	(230,512)	68,989	820,035
	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
Brent Henry CFO	2022	174,768	158,489	–	20,965	2,171	356,393	(79,245)	23,225	300,373
	2021	151,645	144,560	–	18,191	2,090	316,487	(72,280)		244,207

¹ This amount represents 100% of the ICP earned during the year. 50% of the ICP earned in the year is 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 will 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 Deferred balances accrue interest at the total fund return.

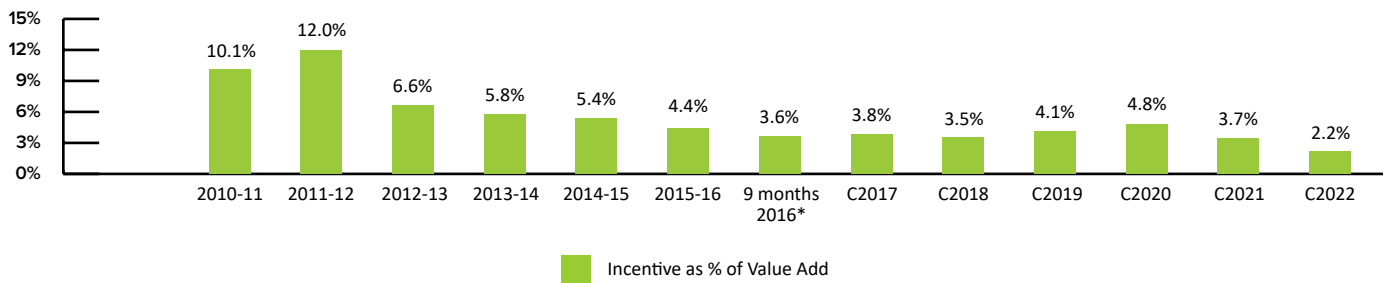
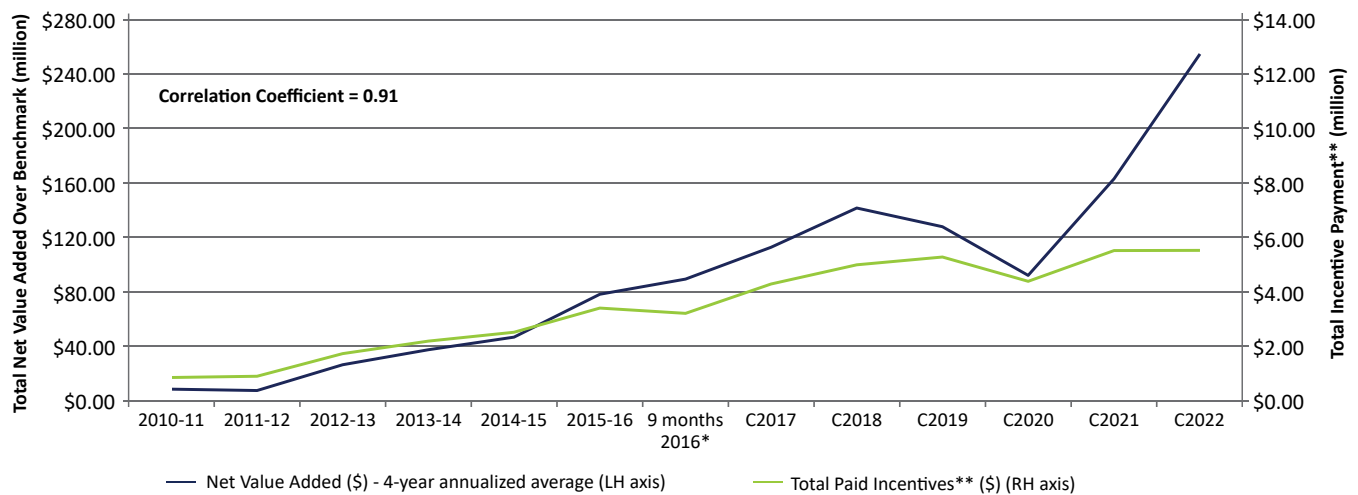
⁶ Includes salary, non-deferred portion of the ICP, LTIP, Pension Contributions and All Other Compensation.

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 exclude amounts that are deferred under the ICP.

INCENTIVE COMPENSATION PLAN (ICP) OVERVIEW

The ICP amount of \$6,368.5 (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 \$4,355.4 (thousand) for the year ended December 31, 2022 (2021 - \$3,993.7 thousand). This component is based on the annualized net value added over benchmarks for the most recent four years ended December 31, 2022. The 2022 net value added result was 263.0 basis points (bps) (2021 – 210.4 bps), and the long-term annualized net value added result was 131.4 bps (2021 – 86.7 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 (%) ¹
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
Year ended December 31, 2022	263.0	526.1
Annualized Long-Term (Four Fiscal Periods)	131.4	262.8

¹ Percentage of target calculated as the net value-added dividend by the value-add target. For years ended December 31, 2019 to December 31, 2021, the value-added target was 42 bps. For the year ended December 31, 2022 and the four year period, the value-add target was increased to 50 bps.

The **ICP related to business plan achievements** is \$2,013.1 (thousand) for the year ended December 31, 2022. This component is based on an achievement factor of 1.34 times overall target approved by the Board of Directors, compared to the achievement factor of 1.28 for the year ended December 31, 2021.

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 2022 and accounts for the largest weighting proportion. The overall total fund active return for all clients combined was an annualized 5.97% gross for the most recent four-year period ended December 31, 2022, and most importantly 6.92% gross per annum since Vestcor's inception in 1996.

Key Goals	2022 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%	Exceeded
Strengthen stakeholder relationships with shareholders, client trustees, plan members, employer groups and policy-setters.	15%	Exceeded
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.	10%	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, 2022)

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

- Recommended to our Shareholder Vestcor Corp, the reappointment of three members of the Vestcor Inc. Board of Directors. Reappointments approved by Vestcor Corp.
- Facilitated an independent external Board Governance Review. Ad-Hoc Board Committee created to develop an implementation plan for resulting recommendations.
- Finalized an independent Board Compensation review. Results and recommendations presented and approved Vestcor Corp.
- Completed the annual update of the Vestcor Enterprise Risk Management Framework.
- Updated Vestcor's Responsible Investment Guidelines.
- Prepared Vestcor's initial Responsible Investment Report which included disclosures in line with the Taskforce for Climate Related Financial Disclosures.
- Chairperson attendance at semi-annual shareholder meetings to ensure effective relationship and timely communication between Vestcor's shareholder and corporate Boards of Directors.
- Upgraded our Human Resources Strategic Plan.
- Completed the bi-annual Workplace Environment Survey. A Work Environment Focus Group has been created to analyze the results and recommend changes to Management.
- Leadership surveys completed on all Team Leaders.
- Updated leadership succession and development plans for all management levels.
- Presented updated, and more aggressive, KPI service level targets to clients for implementation in 2023.
- Completed our initial Service Organization Controls Type 1 Report, Report on Internal Controls of Financial Reporting. Transitioned this report to a Type 2, period of time, report for 2022.

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

- Advised clients and implemented new *Pension Benefit Act* (PBA) changes that were effective in 2022. Provided regular updates to clients on upcoming PBA changes and potential impacts on their Plans.
- Continued our Vestcor Virtual Speakers series and delivered five client webinars during the year covering various topics.
- Long-term investment performance continuing to exceed annualized long-term total fund client targets at very low risk levels.
- Completed a significant amount of client asset mix transition activity. Public market transition activity mainly complete, with very good progress made on staggered private markets transition activity.
- Implemented an innovative absolute return overlay strategy.
- Continued to grow our open-ended private real estate investment pool to meet growing client interest in this asset class. Implemented a new accounting system to account for these real assets and took over management of direct real estate investments.

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

- Implemented actions that resulted from our 2021 Client Satisfaction Survey.

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

- Continued to assess client service delivery capabilities against peers.
- Completed a Vestcor Corporate Purpose Statement.
- Completed an update of our the Vestcor Communications Plan.
- 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.

- Deployed our strategy and related budgeting to enable a fully remote workforce for business continuity purposes by the end of 2023.
- Implemented a secure file transfer application.
- Began the implementation of a new Helpdesk application.
- Completed the implementation of a new corporate payroll system.

LONG-TERM INCENTIVE PLAN (LTIP) OVERVIEW

The LTIP component, which is being phased out through 2023, is \$2,657.0 (thousand) for the year ended December 31, 2022. This represents the deferred component of 2019 related 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, 2019-2022.

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 100 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, 2019	48.7	120.2
Year ended December 31, 2020	(16.8)	(40.0)
Year ended December 31, 2021	210.4	610.3
Year ended December 31, 2022	263.0	745.4
Annualized Long-Term	131.4	346.7

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	10,500	37,416	440
Michel Allain	10,000	4,550	15,218	205
Tanya Chapman ³	15,000	6,400	22,476	-
Lori Clark	10,000	4,200	14,847	-
Michel Doiron	10,000	4,200	14,847	234
David Losier ⁴	15,000	7,200	23,323	476
Eleanor Marshall ⁵	15,000	6,400	20,194	336
Tim Mawhinney	10,000	4,200	14,847	-
Daniel Murray ⁶	15,000	3,550	11,397	-
Cathy Rignanesi ⁷	15,000	6,400	22,476	149

¹ Includes costs of employer-paid statutory deductions

² Chair of Board of Directors

³ Chair of Human Resources & Compensation Committee

⁴ Vice Chair of Board of Directors

⁵ Chair of the Governance Committee from July 1, 2022 to December 31, 2022

⁶ Chair of the Governance Committee from January 1, 2022 to June 30, 2022, retired from the Board of Directors effective June 30, 2022

⁷ Chair of the Audit Committee

The total cost of the Vestcor Board function, including per diems, director orientation and Board education and memberships, for the year ended December 31, 2022 was \$211.8 thousand (December 31, 2021 – \$245.4 thousand) plus travel and accommodation reimbursements of \$1.8 thousand (December 31, 2021 – \$0.2 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.	
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.		
Time horizon	4 fiscal year 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.		
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 threshold	Benchmark Return	Benchmark return and full cost recovery
Target	Client established long-term return targets	Pre-established, Board approved portfolio target investment return	50 bps after costs
Maximum	Client established long-term return targets plus 1.5%	2x pre-established, Board approved portfolio target investment returns	100 bps after costs

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, which were subsequently revised in 2022. We continue to provide periodic client updates on issues related to responsible investing to clients as part of our regular reporting process, at their request, and through client webcasts and presentations. 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, and
- Transparency.

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 made to the Responsible Investing Guidelines, we released our inaugural Responsible Investing Report in October 2022. This report speaks to our leadership in and our commitment to providing our clients with investments in stable sustainable long-term assets that continue to meet their investment objectives.

The intent of the report is to fulfill the core principle of Transparency, noted above, while actively incorporating our other noted core principles of Active Ownership and Engagement, and Incorporation of Environmental Social and Governance (ESG) Information into our investment processes. It represents the next step in Vestcor providing best practice risk monitoring tools to assist our clients in developing and meeting their own responsible investment objectives.

In addition, it provides climate related greenhouse gas emissions disclosure for our consolidated core public securities investment portfolio utilizing the guidelines of the Task Force on Climate-related Financial Disclosures (TCFD). Vestcor looks forward to continuing to utilize TCFD information in our investment decision process as companies work towards meeting their global climate targets, and we plan to update this report on an annual basis.

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

INDUSTRY RELATIONSHIPS

Vestcor's professionals are recognized nationally as a constructive engaged 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 2022:

- Association of Canadian Pension Management (ACPM)
- Canadian Coalition for Good Governance (CCGG)
- CFA Society Atlantic Canada
- Fredericton Community Foundation Investment Committee
- Inclusion NB Investment Committee
- Institutional Limited Partners Association (ILPA)
- Law Society of New Brunswick Admissions Committee
- Pension Investment Association of Canada (PIAC)
- Université de Moncton
- University of New Brunswick Investment Committee
- University of New Brunswick Board of Governors
- Upper Valley Hospital Foundation
- St. Thomas University's Board of Governors
- YMCA Endowment Fund Investment Committee

EMPLOYEE ACTIVITY IN OUR COMMUNITY

Vestcor management and employees are also very active with several 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, 2022 is outlined in the table below.

Unit Trust Fund	1 Yr %	2 Yrs %	3 Yrs %	4 Yrs %	5 Yrs %	10 Yrs %	Since Inception ¹ %
NBIMC Nominal Bond Fund	(12.06)	(7.44)	(2.07)	0.09	0.42	1.74	4.38
Benchmark	(12.34)	(7.78)	(2.58)	(0.41)	(0.02)	1.37	4.14
NBIMC Corporate Bond Fund	(9.51)	(5.60)	(1.11)	1.10	1.09	2.35	2.77
Benchmark	(9.87)	(5.70)	(1.12)	1.10	1.10	2.36	2.70
NBIMC International High Yield Fixed Income Fund	(12.06)	(4.25)	(1.90)	1.97			1.73
Benchmark	(11.59)	(4.86)	(1.95)	1.41			0.97
Vestcor FP LDI Completion Fund	(13.72)						(8.93)
Benchmark	(13.39)						(8.60)
NBIMC New Brunswick Fixed Income Opportunity Fund	(0.42)	(0.19)	1.69	2.35	2.39	3.03	5.57
Benchmark	(12.34)	(7.78)	(2.58)	(0.41)	(0.02)	1.37	4.14
NBIMC Money Market Fund	2.02	1.13	1.11	1.36	1.45	1.31	2.46
Benchmark	1.81	0.98	0.94	1.11	1.17	0.95	2.13
NBIMC Student Investment Fund	(7.49)	1.90	4.26	6.65	4.68	5.40	6.54
Benchmark	(8.36)	1.24	3.57	6.04	4.17	5.13	6.29
NBIMC Canadian Equity Index Fund	(5.80)	8.62	7.67	11.35	6.99	8.16	6.98
Benchmark	(5.84)	8.53	7.54	11.19	6.85	7.74	6.61
NBIMC Canadian Small Cap Equity Fund	(1.78)	13.29	14.36	15.41			8.67
Benchmark	(9.29)	4.45	7.19	9.29			4.06
NBIMC Low Volatility Canadian Equity Fund	(0.99)	10.78	6.34	10.72	6.83	9.15	9.15
Benchmark	(1.08)	11.68	7.15	11.16	7.30	8.27	8.27
NBIMC External Canadian Equity Fund	(3.60)	9.87	8.83	12.15	7.66	8.71	9.87
Benchmark	(5.84)	8.53	7.54	11.19	6.85	7.74	8.88
NBIMC External International Equity Fund ²	(7.06)	2.20	3.03	6.23	3.26	9.57	5.63
Benchmark	(8.23)	0.61	2.35	5.57	3.14	7.95	4.44
NBIMC EAFE Equity Index Fund	(8.09)	0.77	2.53	5.77	3.35		6.25
Benchmark	(8.23)	0.61	2.35	5.57	3.14		6.03
NBIMC EAFE Equity Index Fund – Class N	(7.10)	1.32	2.88	6.05	3.58	8.27	4.81
Benchmark	(8.23)	0.61	2.35	5.57	3.14	7.95	4.44
Vestcor International Small Cap Equity Fund	(12.66)						(10.22)
Benchmark	(13.10)						(11.32)
Vestcor Low Volatility International Equity Fund	(1.10)						6.40
Benchmark	(3.52)						4.99

Unit Trust Fund	1 Yr %	2 Yrs %	3 Yrs %	4 Yrs %	5 Yrs %	10 Yrs %	Since Inception ¹ %
Vestcor Low Volatility International Equity Fund - Class N	(1.17)						6.42
Benchmark	(3.52)						4.99
NBIMC Low Volatility Emerging Markets Equity Fund – Class N	(6.72)	(0.70)	(0.35)	1.22	0.78		2.55
Benchmark	(7.70)	(1.72)	0.76	1.32	1.59		2.68
NBIMC U.S. Equity Index (2017) Fund	(13.56)	4.74	8.49	12.35	10.69		10.02
Benchmark	(13.61)	4.70	8.44	12.32	10.66		9.99
NBIMC U.S. Equity Index Fund – Class N	(13.59)	4.76	8.43	12.31	10.66	15.81	11.55
Benchmark	(14.02)	4.23	7.92	11.75	10.07	15.49	11.38
NBIMC U.S. Small Cap Equity Fund	(13.58)	(0.30)	5.39	8.66			6.17
Benchmark	(15.00)	(1.77)	4.24	7.68			5.09
NBIMC Inflation Linked Securities Fund	(14.70)	(6.86)	(0.53)	1.61	1.32	1.20	5.86
Benchmark	(14.32)	(6.59)	(0.46)	1.59	1.26	1.10	5.71
NBIMC Canadian Real Estate Fund	4.16	9.74	7.04	8.08	9.46	9.58	11.30
Benchmark	8.31	6.81	6.41	6.34	6.24	5.25	5.83
NBIMC Canadian Real Estate Investment Trust Fund	(16.96)	5.92	(0.81)	4.72	5.11		6.40
Benchmark	(17.02)	5.89	(0.86)	4.59	4.93		6.22
NBIMC Non-Canadian Private Real Estate Fund	(51.26)	(30.17)	(27.00)	(19.74)	(14.01)		(8.13)
Benchmark	8.31	6.81	6.41	6.34	6.24		5.94
Vestcor Investments Private Real Estate, LP	6.93	9.15	5.99	7.26	6.33		6.05
Benchmark	8.31	6.81	6.41	6.34	6.24		6.13
Vestcor Investments Private Real Estate 2, LP	11.71	14.03	10.77	7.92			8.88
Benchmark	8.31	6.81	6.41	6.34			6.22
Vestcor Real Estate Fund LP	11.51	11.36	7.65				7.13
Benchmark	8.31	6.81	6.41				6.41
NBIMC International Real Estate (2017) Fund ³	(22.56)	4.59	(0.07)	5.27	4.98		3.72
Benchmark	(19.55)	6.11	1.63	6.41	6.05		4.62
NBIMC International Real Estate Fund – Class N	(22.56)	4.60	0.52	5.69	5.32	10.06	8.41
Benchmark	(20.44)	5.05	0.65	5.34	4.93	9.76	8.21
NBIMC Public Infrastructure (2017) Fund	2.66	5.84	3.66	5.90	4.86		3.76
Benchmark	8.90	7.10	6.61	6.48	6.36		6.17
NBIMC Public Infrastructure Fund – Class N	1.66	5.16	2.72	5.05	4.12		3.68
Benchmark	8.90	7.10	6.61	6.48	6.36		6.03
NBIMC Infrastructure Fund	5.74	4.18	3.97	6.85	7.52	7.76	8.13
Benchmark	8.90	7.10	6.61	6.48	6.36	5.86	5.92
Vestcor Investments Infrastructure, LP	17.06	13.59	10.92	9.75	11.66		11.79
Benchmark	8.90	7.10	6.61	6.48	6.36		6.15
NBIMC Quantitative Strategies (2017) Fund	12.92	10.55	11.32	9.63	7.80		7.94
Benchmark	1.81	0.98	0.94	1.11	1.17		1.11

Unit Trust Fund	1 Yr %	2 Yrs %	3 Yrs %	4 Yrs %	5 Yrs %	10 Yrs %	Since Inception ¹ %
NBIMC Quantitative Strategies Fund – Class N	13.78	11.00	11.85	9.96	7.84	6.98	5.54
Benchmark	1.81	0.98	0.94	1.11	1.17	0.95	1.00
NBIMC Quantitative Strategic Beta (2017) Fund	3.75	4.33	3.56	4.40	4.49		4.65
Benchmark	1.81	0.98	0.94	1.11	1.17		1.11
NBIMC Quantitative Strategic Beta Fund – Class N	3.56	4.08	3.16	4.19	4.34		4.62
Benchmark	1.81	0.98	0.94	1.11	1.17		1.02
NBIMC New Brunswick and Atlantic Canada Equity Opportunity Fund	-	0.97	8.11	8.49	6.79	7.51	9.73
Benchmark	8.90	7.10	6.61	6.48	6.36	5.86	6.80
NBIMC Private Equity Fund	(4.07)	10.75	14.88	12.67	15.55	17.00	12.07
Benchmark	(12.19)	3.19	5.51	9.00	6.58	11.08	7.57
Vestcor Investments Private Equity, LP	14.41	27.43	24.56	18.20	17.37		11.19
Benchmark	(12.19)	3.09	6.36	9.33	6.48		6.84

¹ Effective April 1, 2008, Canadian dollar benchmarks were implemented for international exposure therefor, Foreign Indices are only reported as of 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, 2022

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, 2022. 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 AUDITOR'S 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, 2022
- 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, 2022, 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 "**Auditor's Responsibilities for the Audit of the Financial Statements**" section of our auditor's 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 auditor's report thereon, included in the annual report as at the date of this auditor's 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.

Auditor's 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 auditor's 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 auditor's 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 auditor's 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, 2023

VESTCOR INC.**Statement of Financial Position**

As at December 31

(in thousands of Canadian dollars)

	2022		2021
ASSETS			
Current			
Cash	\$ 774	\$	1,101
Accounts receivable <i>(note 10)</i>	8,394		7,184
Accounts receivable – Vestcor Corp. <i>(note 10)</i>	—		1
Other receivables	50		68
Prepaid expenses	1,714		865
Total current assets	10,932		9,219
Long-term accounts receivable for supplemental pension	283		327
Long-term accounts receivable for incentive compensation	4,588		2,639
Capital assets <i>(note 3)</i>	3,032		3,357
Intangible assets <i>(note 4)</i>	3,096		3,569
	\$ 21,931	\$	19,111
LIABILITIES AND NET ASSETS			
Current			
Accounts payable and accrued liabilities <i>(note 5)</i>	\$ 10,764	\$	9,120
Current portion of term loan <i>(note 10)</i>	123		121
Current portion of supplemental pension <i>(note 6)</i>	29		28
Total current liabilities	10,916		9,269
Supplemental pension <i>(note 6)</i>	283		327
Non-current accrued liabilities for incentive compensation	4,588		2,639
Term loan payable <i>(note 10)</i>	2,419		2,542
Deferred contributions related to capital and intangible assets <i>(note 7)</i>	3,723		4,332
Total liabilities	21,929		19,109
Unrestricted net assets	2		2
	\$ 21,931	\$	19,111

*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)

	2022		2021
REVENUE			
Investment management fees <i>(note 10)</i>	\$ 27,938	\$	25,600
Pension administration fees <i>(note 10)</i>	8,509		8,461
Benefits administration fees	1,574		1,501
Amortization of deferred contributions related to capital assets	771		797
Other	307		102
Total revenue	39,099		36,461
EXPENSES			
Salaries and benefits	23,762		22,791
Information systems	5,181		4,897
External investment management	4,452		3,306
Securities custody	1,311		1,308
Office and business	1,531		1,319
Professional services	903		867
Office rent	1,000		988
Amortization of capital assets	959		985
Total expenses	39,099		36,461
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)

	2022	2021
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ —	\$ —
Non-cash items:		
Amortization of capital and intangible assets	959	985
Amortization of deferred contributions related to capital and intangible assets	(771)	(797)
Loss on disposal of capital assets	(38)	31
Writedown of deferred contributions related to capital and intangible assets	38	(31)
Supplemental pension	(14)	(6)
Changes in non-cash operating working capital:		
Accounts receivable	(1,210)	(2,339)
Long-term accounts receivable – supplemental pension	44	35
Long-term accounts receivable – incentive compensation	(1,949)	(2,639)
Vestcor Corp accounts receivable	1	821
Other receivables	18	(36)
Prepaid expenses	(849)	591
Accounts payable and accrued liabilities	1,644	(722)
Non-current accrued liabilities for incentive compensation	1,949	2,639
Net cash (used in) provided by operating activities	(178)	(1,468)
INVESTING ACTIVITIES		
Purchases of capital and intangible assets	(200)	(188)
Deferred contributions related to capital and intangible assets	200	141
Net cash used in investing activities	—	(47)
FINANCING ACTIVITY		
Payment of supplemental pension	(28)	(28)
Proceeds from Vestcor Corp loan	—	47
Loan Payments	(121)	(119)
Net cash provided by (used in) financing activity	(149)	(100)
(DECREASE) INCREASE IN CASH DURING YEAR	(327)	(1,615)
Cash, beginning of year	1,101	2,716
CASH, END OF YEAR	\$ 774	\$ 1,101

See accompanying notes to financial statements

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, 2022 with comparative figures for the year ended December 31, 2021. 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, 2022
(in thousands of Canadian dollars)

3. Capital Assets

	Computer equipment		Furniture and equipment		Leasehold improvements		2022 Total
Cost							
Opening balance	\$	1,359	\$	609	\$	2,238	\$ 4,206
Purchases		177		23		—	200
Disposals		—		—		—	—
Closing balance		1,536		632		2,238	4,406
Accumulated amortization							
Opening balance		622		116		112	850
Amortization expense		363		49		112	524
Disposals		—		—		—	—
Closing balance		985		165		224	1,374
Net book value	\$	551	\$	467	\$	2,014	\$ 3,032

	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

4. Intangible Assets

	2022 Total		2021 Total	
Cost				
Opening balance	\$	4,461	\$	4,461
Purchases		—		—
Disposal		(38)		—
Closing balance		4,423		4,461
Accumulated amortization				
Opening balance		892		420
Amortization expense		435		472
Closing balance		1,327		892
Net book value	\$	3,096	\$	3,569

VESTCOR INC.
Notes to Financial Statements
Year ended December 31, 2022
(in thousands of Canadian dollars)

4. Intangible Assets (continued)

There were no development costs incurred during the last two years in connection with the implementation of a new pension and benefits administration system. 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, 2022 of \$288 (2021 - \$131) which include amounts payable for GST/HST.

6. Supplemental Pension

Vestcor has an estimated liability of \$312 (2021 - \$355) 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, 2022. 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:

	2022	2021
Balance, beginning of period	\$ 4,332	\$ 5,019
Additional contributions received, net	200	141
Less amounts amortized to revenue	(771)	(797)
Less disposal of capital assets	(38)	(31)
Balance, end of period	\$ 3,723	\$ 4,332

8. Employee Future Benefits

Vestcor is a participating employer in the NBPSPP. For the year ended December 31, 2022, Vestcor expensed contributions of \$1,383 (2021 - \$1,278) 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, 2022, Vestcor expensed contributions of \$145 (2021 - \$126) under the terms of the RCA.

VESTCOR INC.**Notes to Financial Statements**

Year ended December 31, 2022

*(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, 2022, Vestcor billed \$15,782 and \$10,898 to the NBPSPP and NBTPP respectively (2021 - \$14,644 and \$10,159 respectively) for these services, which are included in investment management and pension administration fees in the Statement of Operations. At December 31, 2022, NBPSPP and NBTPP owed Vestcor \$5,825 and \$4,251 (2021 - \$4,615 and \$3,417) 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, 2022, the loan payable to Vestcor Corp was \$2,542 (2021 - \$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.