

- Investment Performance
- Net Assets

- Real Rate of Return vs. Target

- Asset Mix



New Brunswick Investment Management Corporation

New Brunswick Investment Management Corporation

The New Brunswick Investment Management Corporation (NBIMC) is a Crown Corporation operating as the trustee and investment manager for the pension assets of over 49,000 members of the Public Service, Teachers' and Judges' pension plans. The investments under management as of March 31, 2009 were \$7.03 billion; broken down as follows: \$3.850 billion in the Public Service Fund, \$3.155 billion in the Teachers' Fund and \$23.36 million in the Judges' Fund. Additional information, including a copy of our Annual Report, can be found at our website www.nbimc.com.

Plan Investment Highlights – to March 31, 2009

Our overall gross rate of return for the Public Service Pension Plan for the year ending March 31, 2009 was -18.43%. Our longer term annualized four-year return was 0.92%, and the long-term annualized return since NBIMC's inception in 1996 is now 5.54%.

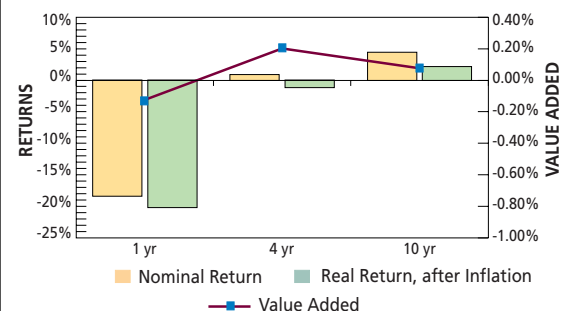
The past year continued to be a very challenging financial market environment for investors as few people expected the severity of the global financial markets crisis that developed during the year. The later half of the year was marked by two related crisis; first a financial markets crisis of confidence due particularly to the collapse of the investment bank Lehman Brothers Inc. in the United States, followed by a very quick and severe economic slowdown due to a subsequent contraction in consumer behaviour and the near elimination of the availability of financial capital. The turmoil brought about by this period resulted in investors strongly favouring federal government debt versus any other investment asset, which unfortunately all but

eliminated the benefits of a diversified investment portfolio. Essentially all assets other than federal government debt were considered by the market to be highly risky, and these events impacted even relatively conservative investment portfolios such as our own.

We are pleased however to point out that our performance was much better than many other large Canadian pension plans. For example, our 2008 calendar year total fund returns were approximately 1.15% above the median manager¹ for that period. Our investment teams also continued to avoid a number of significant credit related issues that affected many other investors and our focus on Canadian based government securities in our fixed income portfolio helped mitigate the poor equity market returns.

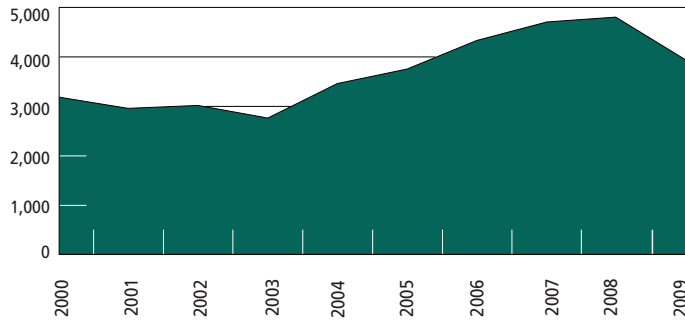
While the value of our assets have been reduced during the year, we feel that by avoiding the more significant problems noted above that we are well positioned to take advantage of future long-term growth as global financial markets stabilize and are supported by an eventual economic recovery.

INVESTMENT PERFORMANCE as of March 31, 2009



¹ RBC Dexia Plans over \$1B - Total Portfolio, for year ending December 31, 2008.

NET ASSETS - as of March 31, 2009 (\$ millions)

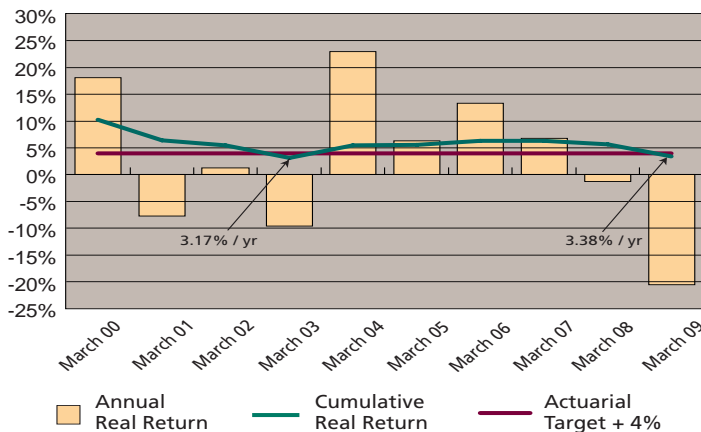


A Long-Term Investment Perspective

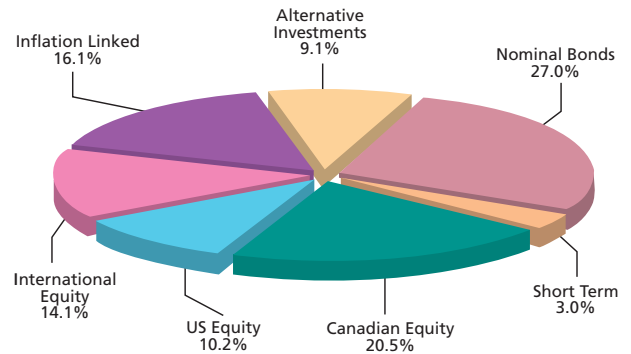
It is important to remember that defined benefit pension plans are structured to obtain a significant portion of their ultimate pension payments from investment returns in the financial markets. Achieving these returns requires diversification into asset classes capable of delivering superior long-term performance. Financial markets by their very nature are cyclical, and unfortunately over the past year experienced one of their most severe downturns witnessed over the past century.

The overall investment program since inception of NBIMC has provided an average annual return to our Funds under management of 5.54%. These returns resulted in NBIMC adding \$3.7 billion to the plans since we were created in 1996. The annualized real return (after adjusting for inflation) since inception is 3.38%. Although this return is lower than the long-term actuarial real return requirement of 4% it is not out of line with what one might expect after such a cyclical decline, and is actually better than the annualized return we realized at the end of the last financial market downturn during Fiscal 2002/03.

Achieving the Long-Term Pension Promise Real Rate of Return vs. Target Overall Total Funds



ASSET MIX - as of March 31, 2009



Annual Pension Payment Requirements

Pension plan members become naturally concerned about the safety of their future pension payments during periods of financial uncertainty. It is important to remember that although the net assets under management have seen significant decline in this specific year, defined benefit pension plans also receive a combination of cash inflows from both employers and active plan members. These annual contributions, along with the strong liquidity provided by our diversified mix of investment assets, outlined in the chart above, provide the plan with ability to make long-term retirement payments.

For example the liquidity provided by the \$3.85 billion investment portfolio at March 31, 2009 combined with last year's net cash flow obligation of \$1.9 million, allows us to make pension payments for many years into the future while at the same time providing the portfolio with the ability to grow in value as financial market conditions improve.

Outlook

NBIMC has recently received updated actuarial information on the Public Service Superannuation Plan and is conducting a review of the plan's investment policy and related asset mix. We expect to have our analysis completed and reviewed by our Board by the mid-point of our current fiscal year.

At the time of writing this newsletter, the global financial markets have somewhat stabilized. Many governments and central banks are providing a significant amount of stimulus and support and there are early signs of economic improvements. While these actions are encouraging we expect continued volatility as these programs take effect and are adjusted and refined into the future.

We will continue to closely adhere to our investment policies and procedures and remain confident that our strategy, people and processes can meet the long-term goals of our stakeholders and look forward to the opportunities and challenges ahead.

Questions / Inquiries More information, including a glossary of common investment terms, is available on our website at www.nbimc.com or by calling (506) 444-5800 or emailing comments@nbimc.com

What is Canada Pension Plan (CPP) integration and why is my PSSA pension benefit integrated?

In January 1966, the Government of Canada implemented the CPP. At the time, provincial governments had to decide whether or not their employees were going to be subject to the national plan. In September of 1966, the Province of New Brunswick decided it would apply to its employees and thus the provincial and federal plans became integrated. All provinces made a similar decision, with Quebec integrating with the QPP as opposed to the CPP.

What this means is that both your contribution rate and the benefit rate for your provincial pension are reduced because you are also contributing to the CPP. To be more specific, *Public Service Superannuation Act (PSSA)* pension plan members pay 5.8% of salary instead of the 7.5% of salary that they would pay if the plans were not integrated. For salary in excess of the Yearly Maximum Pensionable Earnings (YMPE) as defined by the CPP (\$46,300 in 2009), contributors pay 7.5% of salary into the PSSA pension plan.

Depending on an individual member's career choices and their age of retirement, the PSSA pension plan is designed to provide, **in concert with the CPP**, a benefit of 2% of the highest five years average salary for each year of service in the provincial plan.

Under the PSSA, benefits are integrated at age 65 — the current age at which you are eligible for an unreduced benefit from the Canada Pension Plan. Prior to age 65, the PSSA actually provides **an enhanced benefit of 2% on all salary**. At age 65, your PSSA pension benefit is adjusted to reflect the benefit from the CPP. The integration formula is standard, and applies to all members in the same fashion — that is, from age 65, regardless that you may have elected to receive your CPP pension as early as age 60 (a reduced CPP).

Unfortunately, this integration at age 65 has been regarded negatively, as a reduction in the PSSA pension plan earned benefit. In actual fact, the enhanced payment from the PSSA pension plan, up to age 65, should be considered a bonus; and the amount at age 65, the normal earned benefit. Prior to September 1966, the contributions and benefits were not integrated, a full 2% was earned, and the **full contribution** was made.

Contributions paid for pension benefits received

	PSSA Contributions	PSSA Benefit Received		CPP Contributions	CPP Benefits Received
		Before age 65	After age 65		
Salary up to average YMPE	5.8%	2.0%	1.3%	Yes	Yes
Portion of salary above average YMPE	7.5%	2.0%	2.0%	No	No

What is meant by "Indexation" and how does it affect my pension benefit?

Whether we use the term "indexation", "escalation" or "cost of living adjustment" (COLA), all of these terms refer to the same concept. That is, in reference to a pension plan, it means an adjustment to the pension benefit in response to inflation.

COLA is a valuable and desirable feature of many pension plans. It ensures that your pension benefit retains its buying power by offsetting the negative impact of inflation. The PSSA provides pensioners with up to 5% inflation protection per year, except those pensioners who retired before 1 May 1995 – in which case the COLA is set at a maximum of 6%.

The annual COLA increase is calculated according to the average of the Consumer Price Index for the 12-month period ending June 30th in the year preceding any January 1st.

Those members who are no longer active participants in the pension plan, but who have opted for a pension benefit at a future date (deferred pensions) also benefit from COLA. It is calculated and applied to their future pension benefit from their date of termination from the pension plan as an active contributor to the date at which a pension benefit will commence to be paid, and every January 1st thereafter.

Following retirement, the first COLA to be applied to your pension benefit will be prorated according to the number of months you were retired in the year preceding January 1st (Example: Retired July 1st; $6/12 \times 2\%(\text{COLA}) = 1\%$).

COLA is a valuable provision of the PSSA. It is also one of the most expensive ancillary benefits of any pension plan.

Annual rate of indexation to PSSA pension for the last three years:

- 2007 = 2.48%
- 2008 = 1.78%
- 2009 = 2.17%

Note: Maximum indexation (according to the average of the Consumer Price Index) for the PSSA is 5% per year. The PSSA provides for the highest indexation cap of all provincially-sponsored employee pension plans.

Definition of "Spouse" in the PSSA:

Effective 19 December 2008, the PSSA was amended to recognize common law partners for the purpose of pension benefits. These amendments replace the definition that was used to recognize common law partners between 1 January 2001 and 18 December 2008.

Under the amended legislation, common law partners continue to be eligible for Survivor Benefits and a division of pension credits upon the

breakdown of a common law partnership. To be eligible as a common law partner, a continuous period of two (2) years living in a conjugal relationship is required.

For the period between 1 January 2001, and 18 December 2008, common law partner was interpreted to mean:

A person, who was not married to the contributor, had lived with the contributor,

- a) continuously for a period of not less than three years in a conjugal relationship, or
- b) in a conjugal relationship of some permanence where there was a child born of whom they were the natural parents, and had lived with the contributor in that relationship at the time of the contributor's death.

Applications for Survivor Benefits and the **Statutory Declaration of Common-Law Partners** are available at the following web page link: <http://www.gnb.ca/0163/pension/7/pssa-af-e.asp>

You can contact the toll free line of Pensions and Employee Benefits at 1-800- 561-4012 (anywhere in Canada) or 453-2296 (Fredericton area) to obtain a copy of these applications.

More Information:

More information is available on our website at

<http://www.gnb.ca/0163/pension/pension-e.asp>

PSSA Facts...

- At 31 March 2009, a total of **11,427** retirees were drawing their pensions from the PSSA pension plan.
- Pensions paid under the PSSA, for the month of March 2009 alone, totaled **\$17,752,519**. Pensions are paid every 24th of the month (except for the month of December, when the benefit is paid earlier).
- The average monthly pension paid under the PSSA is **\$1,815.15**.
- The average age of a PSSA pensioner is **68.61** years.
- A total of 17,377 **Employee Statement of Benefits** were issued to PSSA participants in 2008 for the period from 1 January 2008 to 31 December 2008. Statements of benefits are issued to plan members who have paid pension contributions during the statement period.

