VESTCOR CORP

2022

Annual Report

Contents

Who We Are

Vestcor Corp. (VCorp) was established pursuant to the *Vestcor Act* which was proclaimed on July 8, 2016. VCorp's mandate is to provide, through its wholly owned subsidiary, Vestcor Inc. (Vestcor), a cost effective, integrated investment management, pension and benefit service delivery platform to public sector entities.

Board of Directors

Robert Fitzpatrick[1]
Presiding Co-Chair

Mark Gaudet[1]
Co-Chair

Marilyn Quinn
Director

Larry Jamieson[2]
Director

Leonard Lee-White[2]
Director

Marcel Larocque
Director

Susie Proulx-Daigle
Director

Sébastien Deschênes, DBA, CFA, CPA, ICD.D
Director

Corporate Officers

John A. Sinclair
Chief Executive Officer

Brent Henry, CPA, CA
Chief Financial Officer

Jennie Noel-Thériault, GPC.D
Secretary of the Vestcor Corp.
Board of Directors

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Notes:
[1] New Co-Chairs were appointed effective December 12, 2022.
[2] Leonard Lee-White and Larry Jamieson were appointed to the VCorp Board by the New Brunswick Teachers' Pension Plan effective September 24, 2022, after Reno Thériault and Michael Springer chose not to be reappointed upon the completion of their most recent terms.

Message from the Co-Chairs

On behalf of the Vestcor Corp. (VCorp) Board of Directors, we are pleased to present our sixth annual report. This report provides a summary of our activities in 2022 in overseeing our operating company subsidiary, Vestcor Inc (Vestcor). It also includes audited non-consolidated financial statements for VCorp in our role as shareholder of Vestcor. Vestcor publishes a separate Annual Report of its operations – available at **vestcor.org/annualreports**.

VCorp is governed by a Board of Directors (Board). Directors are appointed equally by our Founding Members: the New Brunswick Public Service Pension Plan (NBPSPP) and the New Brunswick Teachers' Pension Plan (NBTPP). Our subsidiary, Vestcor, is governed by an independent Board of Directors appointed by VCorp.

Recent Activities

2022 saw a change to the composition of the VCorp. Board, with two long-serving Directors choosing not to be reappointed upon the completion of their terms: Reno Thériault and Michael Springer. We thank both for their contributions and efforts as they served the Board since its inception in 2016. We've since welcomed Larry Jamieson and Leonard Lee-White to the Board. Both were appointed by the NBTPP in September.

The Board met twice in 2022. A list of our accomplishments is available on page 7. Of note was the reappointment of three Vestcor Directors, whose terms were expiring: David Losier, Eleanor Marshall and Cathy Rignanesi.

On behalf of the Board, we wish to thank the employees, management team and Board of Vestcor for another successful year. Together, they delivered prudent and cost-effective investment and administration services to clients and their members, while encountering external challenges. Faced with significant inflation, market volatility, and substantial member service and application volumes, the team continued to meet the long-term goals of clients and deliver on the organization's corporate purpose: a partner in creating and delivering sustainable financial security.

We trust this Annual Report to Members provides a thorough account of our activities in 2022.

[signed by]

Robert Fitzpatrick
Presiding Co-Chair

Mark Gaudet
Co-Chair

June 19, 2023
Fredericton, New Brunswick

Corporate Governance

Under the *Vestcor Act*, Vestcor Corp. (or "VCorp") is established as a non-share, not-for-profit corporation that is owned by its Members, currently the New Brunswick Public Service Pension Plan (NBPSPP) and the New Brunswick Teachers' Pension Plan (NBTPP), referred to as "the Founding Members". VCorp's purpose is to be a holding company for Vestcor Inc. (or "Vestcor").

Vestcor Corp. and Vestcor Inc. (collectively the "Vestcor Group"), operate on a commercial basis using sound business practices. The Act also requires that each Member of VCorp be a client of Vestcor.

The Act provides for the Board of Directors of VCorp (or "Board") to consist of a minimum of eight directors, four of whom are appointed by the NBPSPP and four by the NBTPP. The Board may be increased by up to another four potential seats in the event new Members are admitted.

Each director is appointed for a term of three years and may be reappointed at the discretion of the appointing Member. The Board will elect two directors to be Co-Chairs. The Co-Chairs will preside over Board affairs on an alternating twelve-month basis.

The Members' Agreement between the NBTPP and NBPSPP further describes the decision-making process that will be followed for the oversight of the Vestcor Group.

The Act and the Members' Agreement requires the approval of the Members for the admission of any new Member, any amalgamation, restructuring or dissolution of any of the Vestcor Group of companies, any changes to the by-laws of the Vestcor Group and the appointment or dismissal of the external independent auditor.

The Board of Directors of VCorp is mandated under the Act or the Members' Agreement to:

- Approve the by-laws and any changes to the by-laws for each company in the Vestcor Group;
- Approve the remuneration and travel expense policy for directors of the Vestcor Group;
- Appoint an independent board of directors for Vestcor, the operating company;
- Approve the annual operating and capital expenditure budgets for Vestcor; and
- Provide an annual report of VCorp's activities to its Members.

The Vestcor Act and the Members' Agreement can be found at **vestcor.org/vestcorcorp**.

VCorp Directors are subject to a Code of Ethics and Business Conduct that requires each Director to confirm, by signing and submitting an Annual Confirmation, their ongoing awareness of the Code and its provisions and their compliance during the past year. The applicable Confirmation was received from each Director during the year.

Corporate Governance

Board Attendance

The VCorp Board was appointed by the Members to be effective upon proclamation of the Act. Board members are expected to attend the Board meetings.

The table below provides the number of meetings held and attendance by each of the appointed directors during the year ended December 31, 2022.

All directors have completed the Director Orientation Program that assists new directors in understanding the mandate and stakeholders of VCorp.

Director	Appointing Member	Meeting Attendance Regular Business
Robert Fitzpatrick, Presiding Co-Chair	NBTPP	2/2
Mark Gaudet, Co-Chair	NBPSPP	2/2
Sébastien Deschênes	NBPSPP	1/2
Susie Proulx-Daigle	NBPSPP	1/2
Marilyn Quinn	NBPSPP	2/2
Marcel Larocque	NBTPP	2/2
Michael Springer[1]	NBTPP	1/1
Reno Thériault[1]	NBTPP	1/1
Larry Jamieson[2]	NBTPP	1/1
Leonard Lee-White[2]	NBTPP	1/1

[1] Term expired on September 30th, 2022
[2] Term commenced on October 1st, 2022

Director's Remuneration

Directors' remuneration is established in VCorp's By-Laws and includes 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.

The cost of the Board functions for 2022 was $18,200 as compared to $15,444 in 2021.

	2022	2021
Meeting and Translation Expenses	$4,611	$5,694
Travel and Accommodations[1]	1,864	0
Per Diems	11,725	9,750
	$18,200	**$15,444**

[1] Meetings were held in a virtual format in 2021 due to the safety protocols surrounding the COVID-19 pandemic.

Corporate Governance

Board Actions

Major decisions made during the year ended December 31, 2022 and the information reviewed by the VCorp Board included:

- Received a Vestcor Inc. governance update and a series of related highlights from the Chairperson of Vestcor at each meeting;
- Held an in-camera meeting with the Chairperson of Vestcor at each Board meeting; to continue to foster an effective relationship and to discuss strategic direction and accomplishments;
- Received and approved the 2021 Vestcor Corp. Audit Findings Report from the external auditor;
- Reviewed and approved the Vestcor Corp. audited non-consolidated financial statements for the year ended December 31, 2021;
- Reviewed and approved the Vestcor Corp. Annual Report for the year ended December 31, 2021;
- Received the Vestcor Annual Report for the year ended December 31, 2021;
- Approved the recommendation from the Vestcor Ad-hoc Nomination Committee to reappoint for a term expiring June 30, 2025 three directors: David Losier, Eleanor Marshall, and Cathy Rignanesi;
- Reconfirmed the appointment of Vestcor Group's external auditor;
- Reviewed and approved the 2022 Vestcor Corp. Audit Plan from the external auditor;
- Reviewed and approved a memorandum from the Chief Financial Officer requesting the renewal of the Vestcor Group insurance program including coverages, deductibles and premiums;
- Reviewed and approved recommended amendments to the Vestcor Inc. Director Compensation Policy;
- Reviewed and approved recommended amendments to the Vestcor Corp. Board of Directors Remuneration and Travel Expenses Policy;
- Reviewed and approved the 2023 operating and capital budgets for Vestcor Corp. and for Vestcor; and
- Conducted the annual review of the Vestcor Corp. Code of Ethics and Business Conduct and received the annual declaration of compliance from each Vestcor Corp. Director.

NON-CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2022

Management's Responsibility for Financial Statements

Vestcor Corp. (VCorp) was created on July 8, 2016 pursuant to the *Vestcor Act* of the New Brunswick Legislature.

The non-consolidated financial statements of VCorp have been prepared by Management. They have been approved by the Board of Directors.

Management prepared VCorp's non-consolidated financial statements in accordance with CPA Handbook Part III - *Accounting Standards for Not-for-Profit Organizations*. The non-consolidated 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 non-consolidated financial statements, including amounts based on best estimates and judgments. VCorp 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 non-consolidated financial statements rests with the Board of Directors.

KPMG LLP, the external auditors of the non-consolidated financial statements, are directly accountable to the Board of Directors. They have conducted an independent examination of the non-consolidated 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
Chief Executive Officer

[signed by]

Brent Henry, CPA, CA
Chief Financial Officer

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Vestcor Corp.

Opinion

We have audited the non-consolidated financial statements of Vestcor Corp. (the Entity) which comprise:

- the non-consolidated statement of financial position as at end of December 31, 2022
- the non-consolidated statement of operations and change in net assets for the year then ended
- the non-consolidated statement of cash flow for the year then ended
- and notes to the non-consolidated 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 non-consolidated financial position of the Entity as at December 31, 2022, and its non-consolidated results of operations and its non-consolidated 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.

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.

  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.

KPMG LLP

Chartered Professional Accountants

Fredericton, Canada

July 26, 2023

VESTCOR CORP.
Non-Consolidated Statement of Financial Position
As at December 31

		2022		2021
ASSETS				
Current				
Cash	$	556	$	12
Accounts receivable *(note 5)*		6,470		7,826
Other receivable		400		—
Current portion of term loan *(note 3)*		122,869		120,923
Total current assets		130,295		128,761
Investment in subsidiary *(note 3)*		2,000		2,000
Long-term portion of term loan *(note 3)*		2,418,782		2,541,651
	$	2,551,077	$	2,672,412
LIABILITIES AND NET ASSETS				
Current				
Accounts payable and accrued liabilities *(note 4)*	$	9,426	$	9,838
Current portion of term loan from shareholders *(note 5)*		122,869		120,923
Total current liabilities		132,295		130,761
Term loan from shareholders *(note 5)*		2,418,782		2,541,651
Total liabilities		2,551,077		2,672,412
Unrestricted net assets		—		—
	$	2,551,077	$	2,672,412

See accompanying notes to financial statements

Approved on behalf of the Board:

[signed]

Marcel Larocque
Presiding Co-Chair of the Board

[signed]

Marilyn Quinn
Co-Chair of the Board

VESTCOR CORP.
Non-Consolidated Statement of Operations and Change in Net Assets
For the year ended December 31

		2022		2021
REVENUE				
Members' contributions *(note 5)*	$	25,982	$	27,034
Interest		41,639		43,553
Total revenue		67,621		70,587
EXPENSES				
Board remuneration		11,725		9,750
Board travel		1,864		—
Translation		3,803		5,694
Interest		41,639		43,553
Business expenses		1,090		242
Professional services		7,500		11,348
Total expenses		67,621		70,587
Excess of revenue over expenses		—		—
Unrestricted net assets, beginning of year		—		—
UNRESTRICTED NET ASSETS, end of year	$	—	$	—

See accompanying notes to financial statements

VESTCOR CORP.
Non-Consolidated Statement of Cash Flow
For the year ended December 31

	2022	2021
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ —	$ —
Changes in non-cash operating working capital:		
Accounts receivable	1,356	(2,390)
Accounts receivable from Vestcor Inc.	—	1,883
Other receivable	(400)	—
Accounts payable and liabilities	(412)	(626)
Net cash from (used in) operating activities	544	(1,133)
INVESTING ACTIVITIES		
Advance of term loan to Vestcor Inc.	—	(47,107)
Loan payments from Vestcor Inc.	120,923	119,009
Net cash used in investing activities	120,923	71,902
FINANCING ACTIVITIES		
Proceeds of term loan from shareholders	—	47,107
Loan payments to shareholders	(120,923)	(119,009)
Net cash from financing activity	(120,923)	(71,902)
CHANGE IN CASH DURING YEAR	544	(1,133)
Cash, beginning of year	12	1,145
CASH, END OF YEAR	$ 556	$ 12

See accompanying notes to financial statements

VESTCOR CORP.
Notes to Non-Consolidated Financial Statements
Year ended December 31, 2022

1. Nature of Operations

Vestcor Corp. ("VCorp.") was established pursuant to the *Vestcor Act* which was proclaimed on July 8, 2016. VCorp.'s mandate is to provide, through one or more subsidiary corporations, pension and benefits administration, investment management and advisory services and related services to pension, trust, endowment or similar funds within the public sector.

VCorp. 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").

VCorp. recovers all operating expenses and capital expenditures on a cost recovery basis from its Members. VCorp. 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 non-consolidated financial statements 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*

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. VCorp. 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) *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. VCorp. 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, VCorp. 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 VCorp. 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.

VESTCOR CORP.
Notes to Non-Consolidated Financial Statements
Year ended December 31, 2022

2. Significant Accounting Policies *(continued)*

(d) 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 4)* and deferred contributions *(note 6)*.

3. Investment in Subsidiary

VCorp. owns 100% of the issued capital stock of Vestcor Inc. ("Vestcor"), a not-for-profit share capital corporation created on January 1, 2018 following the amalgamation of two predecessor entities, Vestcor Pension Services Corporation and Vestcor Investment Management Corporation. Vestcor offers investment management and pension and benefits plan administration services on a cost recovery basis to public sector entities.

Under an unsecured term loan agreement, Vestcor may draw advances up to a maximum amount of $3,000,000 for certain capital expenditures including leasehold improvements, furniture and equipment. As of December 31, 2022, the loan receivable was $2,541,651 (2021 - $2,662,574). The loan bears interest at a rate of 1.597% per annum and matures on December 31, 2040. It is repayable in equal monthly installments consisting of principal and interest. Expected loan repayments over the next five years are approximately $162,500 per year.

Vestcor owns 100% of Vestcor Investments General Partner, Inc. As at December 31, 2022, Vestcor Investments General Partner, Inc. is the general partner in five limited partnerships in which the NBPSPP and NBTPP are limited partners: Vestcor Investments Private Real Estate, L.P., Vestcor Investments Private Real Estate 2, L.P., Vestcor Real Estate Fund Limited Partnership, Vestcor Investments Infrastructure, L.P. and Vestcor Investments Private Equity, L.P.

4. Government remittances

Included in accounts payable and accrued liabilities in the Statement of Financial Position are government remittances at December 31, 2022 which include amounts payable for GST/HST of $1,927 (2021 – $1,499).

5. Related Party Transactions and Balances

VCorp. is an organization owned in equal parts by each of the NBPSPP and NBTPP.

VCorp. incurs costs relating to the functioning of its Board of Directors and its investment in Vestcor that are recoverable from its Members, the NBPSPP and NBTPP. For the year ended December 31, 2022, each Member's share of such costs was $12,991 (2021 – $13,517) which is included in Members' contributions in the Statement of Operations and Changes in Net Assets. At December 31, 2022, $3,235 (2021 – $3,913) from both NBPSPP and NBTPP respectively were recorded in accounts receivable for such costs.

VESTCOR CORP.
Notes to Non-Consolidated Financial Statements
Year ended December 31, 2022

5. Related Party Transactions and Balances *(continued)*

Under an unsecured term loan agreement, VCorp. may draw advances up to a combined maximum amount of $3,000,000 in equal parts from each Member for certain capital expenditures including leasehold improvements, furniture and equipment. At December 31, 2022, the loan payable to each shareholder, NBPSPP and NBTPP, was $1,270,826 (2021 - $1,331,287) respectively. The loan bears interest at a rate of 1.597% per annum and matures on December 31, 2040. It is repayable in equal monthly installments consisting of principal and interest. Expected loan repayments over the next five years are approximately $162,500 per year.

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

6. Indemnifications

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

7. Financial Risk

VCorp. has exposure to credit risk. Credit risk arises from the potential that a counterparty will fail to perform its obligations. VCorp. is exposed to credit risk equal to the carrying value of its accounts receivable which have all been collected subsequent to the date of the financial statements.