

NEW BRUNSWICK TEACHERS' PENSION PLAN



SPRING 2016 - Volume 2, Issue 1

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MESSAGE FROM THE CHAIRPERSON

Your Board of Trustees is pleased to present our Spring newsletter with the latest news on your pension plan. As your board, it is our responsibility to ensure the NBTPP remains in a solid financial position, and keep you well informed about the plan's progress.

The board has been very busy on a number of fronts since being established in 2014. To find out exactly what we have been up to, please refer to the document entitled "2014-2015 NBTPP Decisions and Accomplishments" which can be found on our website at the following link: www.gnb.ca/nbtpp.

We continue to look for ways to improve our communication to all teachers and retired teachers. Please let us know if there is something that you would like to see in future newsletters or if you have suggestions on how we can improve our communication to you.

Sincerely,

Larry Jamieson, NBTPP Chairperson

IN THIS ISSUE

- 2 Your Board of Trustees
- 2 A Look at Your Plan
- 3 Financial Update
- 4 NBTPP Employee Booklet
- 4 Plan Text Amendment
- 4 Something Old and Something New
- 5 Investment Report

YOUR BOARD OF TRUSTEES

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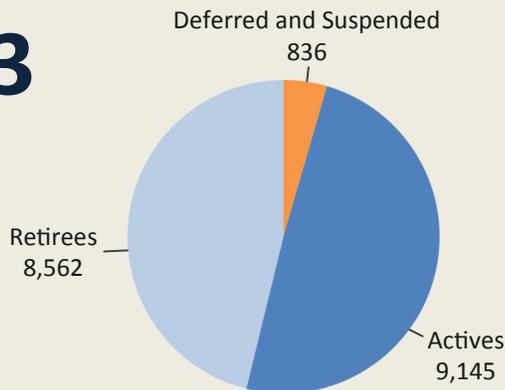
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 A short bio on each board member is available online at www.gnb.ca/nbtp

A LOOK AT YOUR PLAN

18,543

total members



BENEFITS PAID
OUT IN 2015

\$275.7
million



ACTIVE TEACHERS



Average Age: 41.8 years

Average Salary: \$72,902

Average Service: 12.1 years

CONTRIBUTIONS

Active Teachers

\$58.5

Employers

\$72.4

million



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FINANCIAL UPDATE

Cost Certificate

As reported in the last NBTPP Newsletter, the initial Actuarial Valuation Report for the NBTPP was completed as of January 1, 2014. A valuation report must be completed every three years and the next one is scheduled for 2016.

In the years in which an actuarial valuation is not prepared by the NBTPP, the actuary must prepare a Cost Certificate. In preparing a Cost Certificate, the actuary calculates the financial position of the NBTPP by using the actual asset value at August 31 and the estimated plan liabilities extrapolated from the date of the last completed actuarial valuation to August 31.

Funding Status of the NBTPP

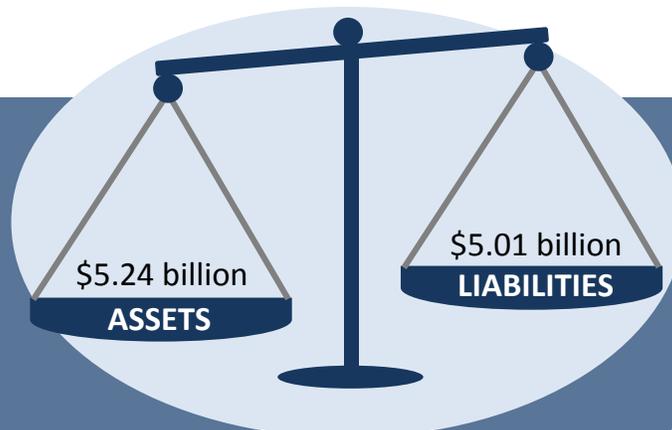
The termination value funded ratio of the NBTPP based on the August 31, 2015, Cost Certificate was 104.7%. This ratio compares the fair market value of the pension plan's assets with the pension plan's extrapolated funding liability at August 31, 2015.

Change in the Funding Status of the NBTPP

The funding status of the plan has changed from 106.1% at August 31, 2014 to 104.7% at August 31, 2015. This change is largely the result of a decrease in the discount rate for the plan caused by declining interest rates. In 2014, the discount rate was 6.25% per annum and in 2015 the actuary has recommended reducing the rate to 6.0% per annum. This change results in an increase in the plan's liabilities. The following tables provide a reconciliation of the assets and liabilities.

ASSETS (in millions)	
Market value of assets – September 1, 2014	\$5,014.9
Teacher contributions	58.5
Employer contributions	72.4
Investment income	382.5
Pensions paid and refunds	(275.7)
Expenses	(10.5)
Adjustments	(0.2)
Market value of assets – August 31, 2015	\$5,241.9

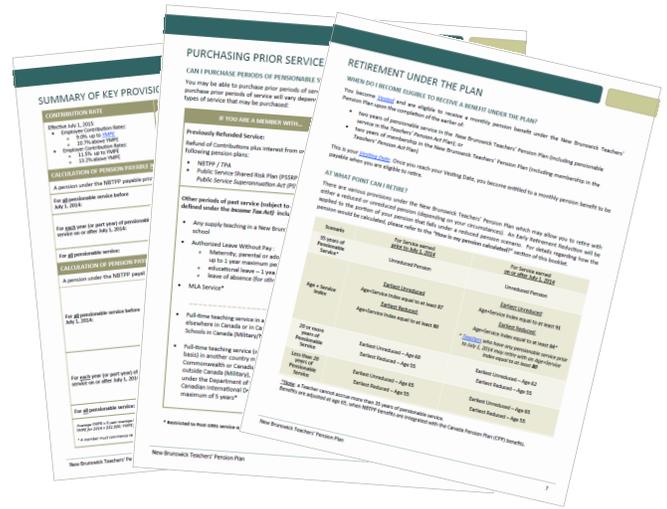
LIABILITIES (in millions)	
Funding liability – August 31, 2014	\$4,725.4
Normal cost – September 1, 2014 to August 31, 2015 (i.e., the value of the benefit earned by active teachers)	92.3
Benefit Payment – September 2014 to August 2015	(275.7)
Impact of discount rate change from 6.25% to 6.0%	174.5
Interest	289.6
Funding liability – August 31, 2015	\$5,006.1



NBTPP EMPLOYEE BOOKLET

The NBTPP Board of Trustees are pleased to inform teachers that the NBTPP Booklet has been finalized and is now available. The booklet provides a comprehensive, yet easy-to-read overview of important NBTPP information: this includes the various pension and early retirement reduction provisions, purchase of service provisions, a glossary of terms, and contact information.

The NBTPP Employee Booklet is available at the following website: www.gnb.ca/nbtppl



PLAN TEXT AMENDMENT

The *Pension Benefits Act (PBA)* requires that plan members be provided with an update on any plan amendments. As such, the Board of Trustees would like to inform you of the following:

The definition of “spouse” in section 2.47 of the Plan Text was amended to be compliant with the definition of spouse in the *Pension Benefits Act*. This amendment was filed with the Superintendent of Pensions on November 27, 2015.

SOMETHING OLD AND SOMETHING NEW: A NEW INDEPENDENT STRUCTURE WITH THE SAME PROVEN TEAMS OF EXPERTS

Your administration and investment service providers are transitioning into a new integrated pension services company, Vestcor Corporation. The new organization will include two companies, New Brunswick Investment Management Corporation (NBIMC) and the Pensions and Employee Benefits Division (PEBD), under the new names of Vestcor Investment Management Corp. and Vestcor Pension Services Corp. Legislation making these changes possible was introduced on March 29 and is on track for passing this spring. The target date for activating the new structure is Oct. 1.

Thanks to a lot of hard work and planning, the transition will be absolutely seamless. You will keep on receiving the same reliable services from the same expert teams.

The change is the next logical step in the evolution of your pension plan and in keeping with industry best practices. When your target benefit plan came into effect in 2014, oversight transferred from the provincial government to

the NBTPP Board of Trustees. However, the day-to-day administration and investment of the plan were still with government, through PEBD and NBIMC.

Your board recognized that the governance structure could be improved and joined with the trustees of the Public Service Shared Risk Plan to create a new organization that will work independently from government.

Our new organization will be better able to take on new public sector clients for pension plan administration and/or investment management services. Adding new clients could further reduce the expense of each individual plan by spreading the administrative costs over a larger group, which is good news for all plan members.

More information on the transition and on-going updates to the process are available on our website: www.gnb.ca/pensions.

INVESTMENT REPORT

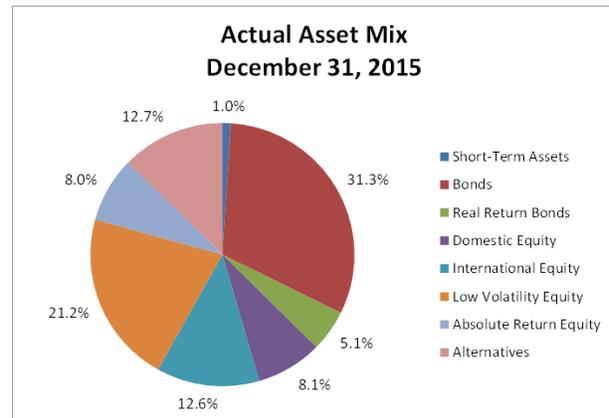
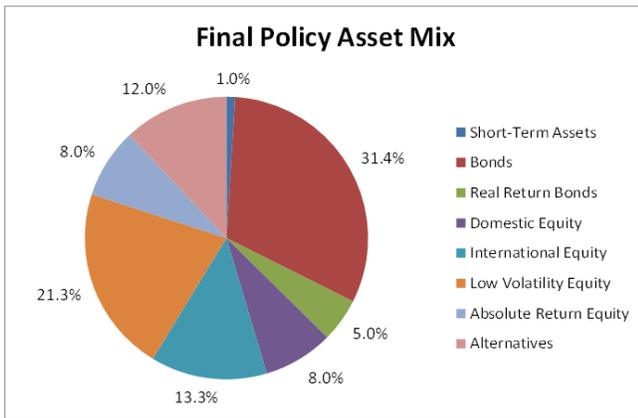
NEW BRUNSWICK INVESTMENT MANAGEMENT CORPORATION (NBIMC)



Investment Assets

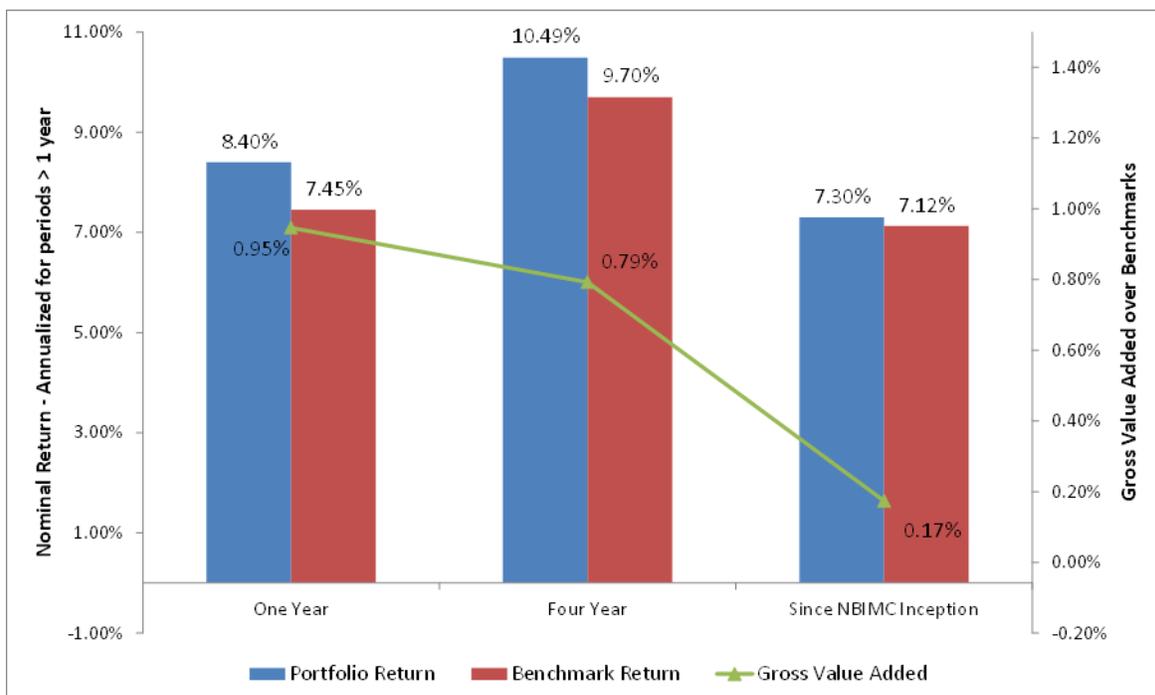
The NBTPP net assets available for benefits at December 31, 2015 were \$5.32 billion, up \$264.2 million from December 31, 2014. This increase in net assets consisted of \$413.6 million of net investment income after deducting all investment management costs, partially offset by net pension payouts of \$147.6 million and pension administration costs of \$1.9 million.

In the Fall 2015 newsletter, we reported that the Board of Trustees had approved a new target asset mix on February 26, 2015. Transition to that new asset mix is now substantially completed. This new asset mix is expected to result in an improved long-term return while controlling risk. It is also expected to exceed the risk management test required by the Funding Policy.



Investment Returns

We are pleased to report the investment return for the NBTPP pension fund for the year ended December 31, 2015 was 8.40%. This significantly exceeds the long-term target investment return. In addition, NBIMC's active investment management activities produced gross investment value of 0.95% over the investment policy benchmarks during the period.



INVESTMENT REPORT (continued)

Investment returns were positive for most asset classes in 2015. Canadian public equity, Canadian low volatility equity and the low volatility emerging markets equity strategy returns were primarily impacted by the weakness in global commodity markets. International equity strategies however benefited from a combination of continued slow economic growth and stronger local currencies versus a weak Canadian dollar. The majority of the asset classes also outperformed their benchmarks. The overall nominal return in excess of investment benchmarks resulted in 0.95% of gross value added. After deducting investment management costs of 0.165%, the net value added to the portfolio was 0.78%, well in excess of the target value add of 0.42%.

Investment Outlook

Financial markets generally rebounded in late 2015 after two consecutive weaker quarters in the middle of the year as the theme of low growth continued to play out in the global economy.

The U.S. economy continued to look stronger versus most other countries. Commodity-based countries such as Canada, however, were negatively impacted by falling materials and energy prices. Future China growth concerns also continued to weigh on most global markets.

The U.S. Federal Reserve Board (FED) finally tightened U.S. interest rates by 0.25% in December. While this was the first FED interest rate increase in over ten years, they were very clear in stating that they expect any further increases will be gradually implemented with an expected longer term equilibrium target of 3.5% being reached sometime after 2017. These tightening actions have kept the US dollar very strong versus other currencies.

In general, 2015 ended with most global equity markets (except Canada) being flat in local currency terms, and bond interest rates were little changed.

We expect that 2016 will continue to provide a tough investment market. Low interest rates, weak commodity demand, heightened credit risk concerns, slow corporate revenue growth, and tight asset class correlations continue to make it difficult to find relatively safe areas in which to invest.

Our asset allocation view has cautiously remained somewhat biased towards equity markets (primarily our low volatility exposure) as we continue to expect a slow growth environment that should keep equities a more attractive asset class versus alternatives. We also continue to believe that interest rates will be going somewhat higher at some point, but will remain at relatively low levels over the longer term.

CONTACT INFORMATION

NBTPP Board of Trustees
c/o Pensions and Employee Benefits
PO Box 6000
Fredericton, NB E3B 5H1

For questions, please contact Pensions and Employee Benefits Division toll free at 1 (800) 561-4012 or 453-2296 (Fredericton).

REMINDER FOR RETIREES

Your pension is deposited on the 24th of each month, unless, the 24th falls on a weekend or holiday. Here are the deposit dates for 2016:

January	22	July	22
February	24	August	24
March	24	September	23
April	22	October	24
May	24	November	24
June	24	December	23



DISCLAIMER: This publication is intended to provide information about the New Brunswick Teachers' Pension Plan. If there is a discrepancy between the information contained herein and the NBTPP Text, the latter will prevail.