

SOMETHING OLD AND SOMETHING NEW: A NEW INDEPENDENT STRUCTURE WITH THE SAME PROVEN TEAMS OF EXPERT SERVICE PROVIDERS

As you may have heard, your administration and investment service providers are transitioning into a new integrated pension and employee benefit services company, Vestcor Corporation. 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. What does this mean for you and your pension and employee benefit plans? Only good things.

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.

So why the change? It is the next logical step in the evolution of your plan and in keeping with practices in other Canadian jurisdictions. When your shared risk pension plan came into effect in 2014, oversight transferred from the provincial government to the PSSRP Board of Trustees. However, the day-to-day administration and investment of the plan were still with

government, through the Pension and Employee Benefits Division of the Department of Human Resources and the New Brunswick Investment Management Corporation.

Your board recognized that the governance structure could be improved and joined with the trustees for the New Brunswick Teachers Pension 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 and employee benefit 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 at: www.gnb.ca/pssrp.

BOARD MEMBERS

The PSSRP is governed by an equal number of employee and employer representatives. The board of trustees includes two observers who attend meetings but have no voting rights. The current board members are:

Marilyn Quinn

Chair
President, NBNU

Leonard Lee-White

Vice-Chair
Assistant Deputy Minister,
Department of Finance

Ross Galbraith

Business Manager,
IBEW Local 37

Mark Gaudet

Assistant Deputy Minister,
Department of Transportation
and Infrastructure

Ernest MacKinnon

Retired CEO, NBIMC,
and former provincial
Deputy Minister

Susie Proulx-Daigle

President, NBUPPE

Observers:

Odette Robichaud

President, CUPE Local 1840

Leigh Sprague

Legal Counsel for NBUPPE



A short bio on each
board member is
available online at

www.gnb.ca/pssrp

ANNUAL GENERAL MEETING

The second Annual General Meeting for the PSSRP is tentatively scheduled for 7 p.m. on Thursday, Sept. 29, 2016, in Moncton. The intention is to stream the meeting, live, on the internet so that plan members will be able to follow it from their homes.

An invitation with details regarding the meeting will be sent to plan members later in the year. The information will also be posted online, as will instructions on how to register to participate in the meeting either in person or via the internet.

The plan's 2015 Annual Report will be available online a few weeks before the meeting. Printed copies will be available at the meeting.

NEW SHARED RISK PLAN VIDEO

The PSSRP Board of Trustees, in collaboration with the Boards of Trustees for the Shared Risk Plan for CUPE Employees of New Brunswick Hospitals and the Shared Risk Plan for Certain Bargaining Employees of New Brunswick Hospitals, have developed a new video which provides a general overview of how your pension plan works.

Whether you are a new employee or a long-time participant of the plan, this four-minute video is designed to provide you with a general introduction to your plan, highlighting its most important aspects.



If you are viewing this newsletter electronically, click on the “Shared Risk Plan” image to directly access the video. Otherwise, this video can be accessed through your internal employer website, or through the Pensions and Employee Benefits Division (PEBD) website at the following address: www.gnb.ca/pssrp.

FREQUENTLY ASKED QUESTIONS – A NEW EDUCATIONAL RESOURCE



A new section is now available on the PSSRP website with answers to common questions relating to preparing for retirement, understanding your pension options and what to expect when you retire. Click on a section and choose the question that best applies to you, or feel free to explore.

PROTECT THE ENVIRONMENT BY RECEIVING YOUR NEWSLETTERS BY EMAIL

Receiving your newsletters by email helps protect the environment, reduces costs to your pension plan and gets you the information more quickly. Please provide us with your email address today.



DESIGNATION OF A BENEFICIARY

The PSSRP allows members to designate one or more beneficiaries to receive benefits upon their death.

If you have a spouse or common-law partner, they will automatically be entitled to any pension death benefits even if you did not designate them as your beneficiary.

If you do **not** have a spouse or common-law partner, any pension death benefits will be paid to your estate **unless** you designate a beneficiary.

If you have dependent children and your intent is that they receive a pension death benefit if your spouse does not survive you, you must name them as your beneficiary. As named beneficiaries, they will also receive a pension death benefit if your spouse dies subsequently, while your children are still dependent.

Your dependent children will not supersede your spouse/common-law partner if he or she survives you.

The Designation/Change of Beneficiary form and the PSSRP Employee Booklet, which provides information regarding the designation of a beneficiary, are available online at www.gnb.ca/pssrp and through your Human Resources or Payroll Office.

PENSION PLAN TEXT AMENDMENTS

New Brunswick's *Pension Benefits Act* (PBA) requires that members be provided with an update on any amendments to the PSSRP Text. The following amendments have been filed since the last newsletter:

STATEMENT OF INVESTMENT POLICIES

At their November 12, 2015 meeting, the Board of Trustees reviewed and approved the following amendments to the Statement of Investment Policies:

- Section C.3 Performance Benchmarks
 - Number of housekeeping amendments to listed benchmarks
- Section C.4 Permissible Investments
 - Added a "General" section which speaks to the provisions regarding Pooled Funds
 - Removed the following: "Additionally, the fund is permitted to invest in corporate debt under the provisions contained in subsection C.5 (Local and Regional Investments)"
- Removed Section C.5 Local and Regional Investments (NB and Atlantic Opportunity) as such investments will be covered under the Private Equity section of C.4 Permissible Investments in future.
- Applied other applicable housekeeping amendments

PLAN TEXT

- Subsection 12.3
 - Revised optional forms of pension titles in order to be clearer and consistent with wording in the PBA
- Subsection 12.3(i) and (ii)
 - Removed a provision for payment of a survivor pension to a second spouse following the member's selection of a 60% or 100% Joint and Survivor Pension option elected with an initial spouse
- Subsection 23.2
 - Corrected an inconsistency in the benefit formula for Base Benefits related to pre-conversion service purchased after the PSSRP Conversion date

QUESTIONS ABOUT THE PSSRP?



1 (800) 561-4012 (Toll free) or
(506) 453-2296 (Fredericton)



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www.gnb.ca/pssrp



DISCLAIMER: This publication is intended to provide information about the Public Service Shared Risk Plan. If there is a discrepancy between the information contained herein and the Plan Text, the latter will prevail.

INVESTMENT REPORT

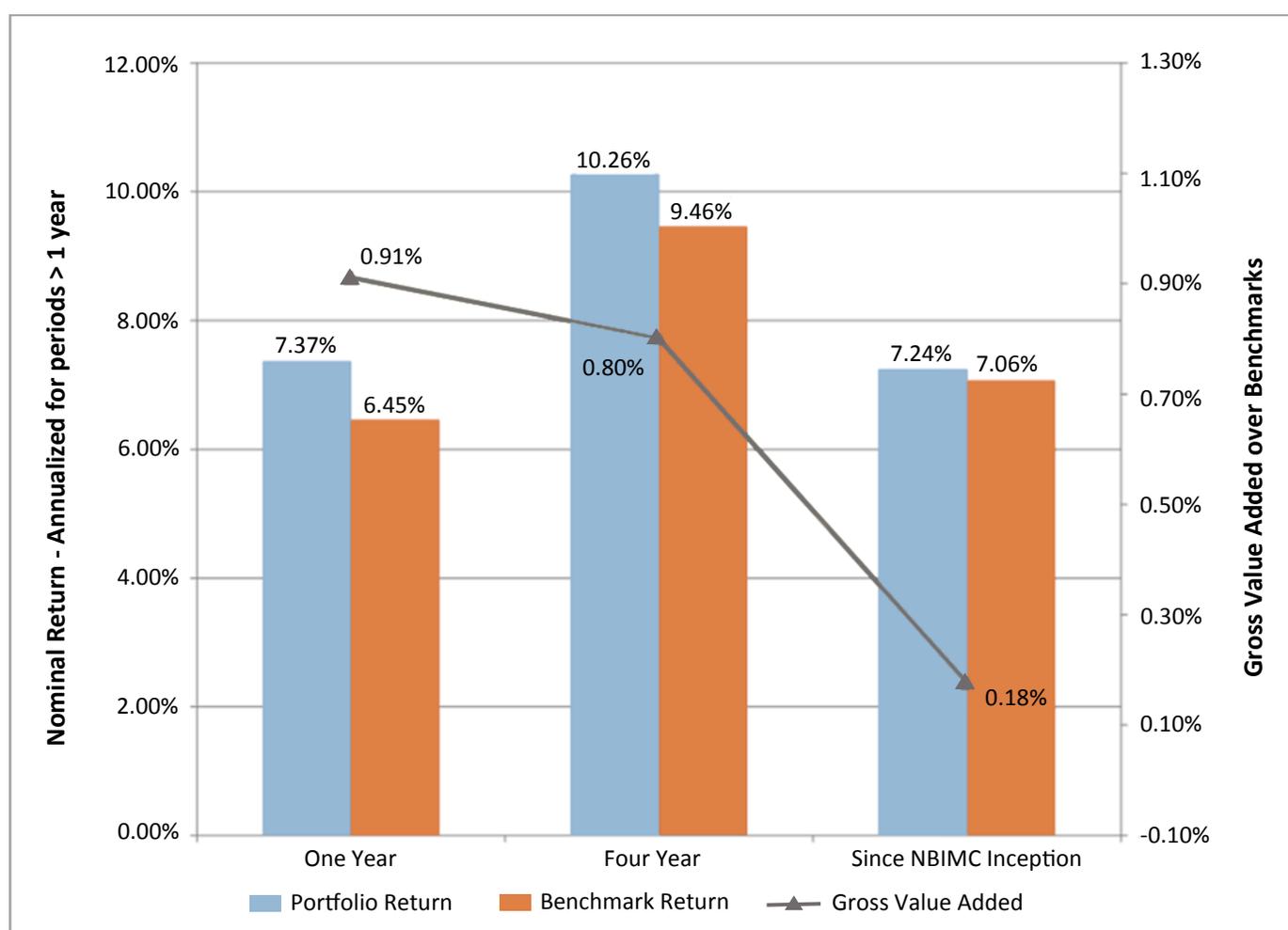
INVESTMENT OBJECTIVES

The long-term objectives for the investment of the pension funds are to preserve the capital value, provide the best possible long-term real return on investments and achieve the risk management goals as set out in the Funding Policy and the regulations under the *Pension Benefits Act*.



INVESTMENT RETURNS

We are pleased to report that the gross investment return for the PSSRP Trust for the year ended December 31, 2015 was 7.37% compared to its total fund benchmark of 6.45%. This result, and the annualized results for the longer term four-year and twenty year periods since inception of NBIMC as Investment Manager, exceeded the 4.75% annual long-term return required by the independent actuary.

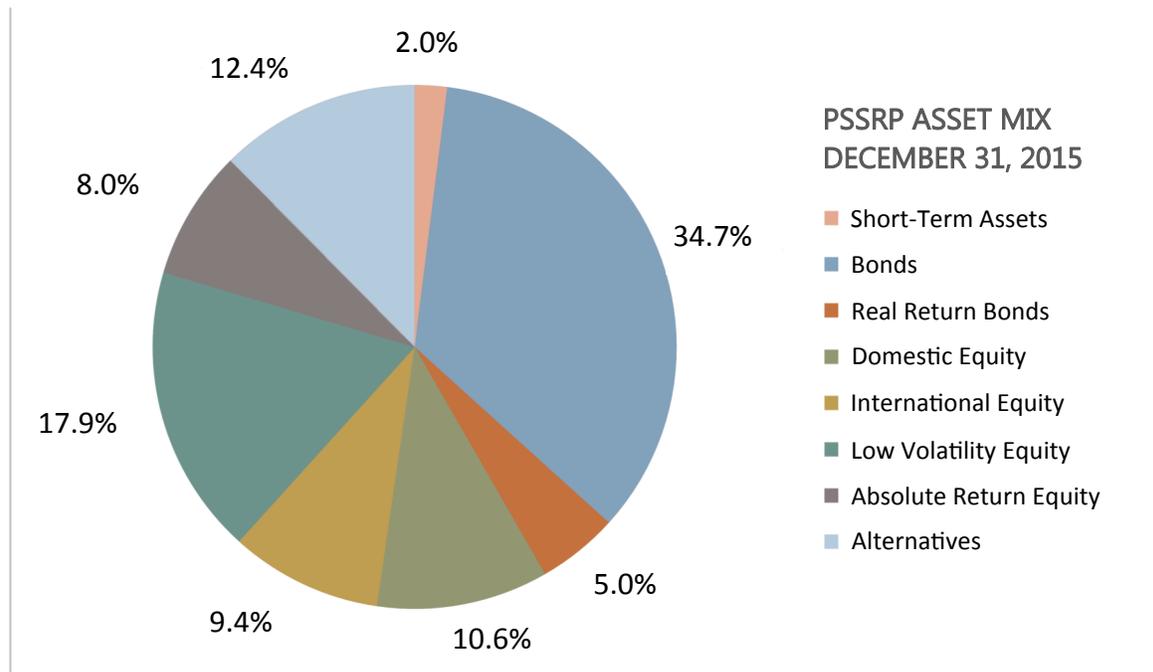


Investment returns were positive for most asset classes in 2015. Canadian public equity, Canadian low volatility equity and the low volatility emerging markets equity strategy returns were primarily impacted by the weakness in global commodity markets. International equity strategies, however, benefited 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 0.91% of gross value added. After deducting investment management costs of 0.156%, the net value added to the portfolio was 0.754%, well in excess of the target value add of 0.42% .

INVESTMENT ASSETS

The net assets available for benefits for the PSSRP Trust at December 31, 2015 were \$6.92 billion, up \$356.6 million from December 31, 2014. This increase in net assets consisted of \$470.7 million of net investment income after deducting all investment management costs, partially offset by net pension payouts of \$111.0 million and pension administration costs of \$3.1 million.

The following pie chart outlines the actual asset mix at December 31, 2015:



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 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.