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NBPSP UPDATE

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COLA AWARDED TO MEMBERS

Your Board of Trustees is very pleased to announce that it has been able to provide all Plan members with a Cost of Living Adjustment (COLA) for the 6th consecutive year. Due to the level of positive returns of the Plan, the Board was able to apply the full COLA, matching Canada's Consumer Price Index of 1.88%.

If you're an active or deferred member, the increase will be applied to the benefits you've earned up to December 31, 2017, positively impacting your future pension. If you're a retiree, the increase will be applied to your monthly pension benefit as of January 1, 2019. You'll receive notification of this increase in writing in December 2018.

Marilyn Quinn, Chairperson of the Board of Trustees, explains "We've continued to have strong returns through 2017, allowing us to again provide the full cost of living adjustment to our members. Being able to do so every year since the Plan's conversion in 2014 is a very positive achievement." The Plan's assets, managed by Vestcor, saw an investment return of 7.81% in 2017 (including investment management fees), exceeding the performance benchmark of 6.72%.

To learn more about how COLA is calculated, please see page 6 of this newsletter.

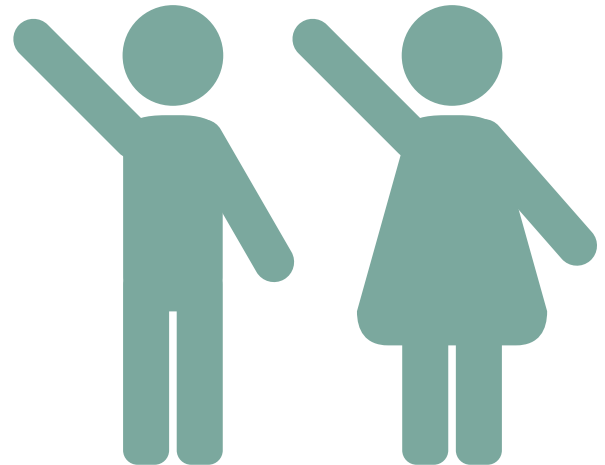
STAND UP AND BE HEARD

This fall, we'll be distributing a survey to you, our members, to find out how you feel about the governance of your pension plan.

This survey will cover a lot of ground. We want to know, among other things:

- how you perceive the Plan;
- how you get the information you need; and
- whether you are familiar with your Board of Trustees.

What you tell us through your responses will help guide our strategic priorities moving forward. That's why it's important that we get your input. The survey will be distributed to active members and retirees in the coming weeks. Please keep an eye out for it!



AMENDMENTS TO GOVERNING DOCUMENTS

The New Brunswick *Pension Benefits Act (PBA)* requires that members be provided with an update on any amendments to the NBPSPP governing documents. As such, the Board of Trustees would like to inform you that the Statement of Investment Policies was amended in order to revise certain asset weights in the Policy Portfolio. These amendments were filed with the Superintendent of Pensions on August 20, 2018.

DISCLAIMER: This newsletter is a publication on behalf of the Board of Trustees of the New Brunswick Public Service Pension Plan. This publication is intended to provide information about the New Brunswick Public Service Pension Plan. If there is a discrepancy between the information contained herein and the pension plan text or other appropriate governing documents, the latter will prevail.

INVESTMENT REPORT

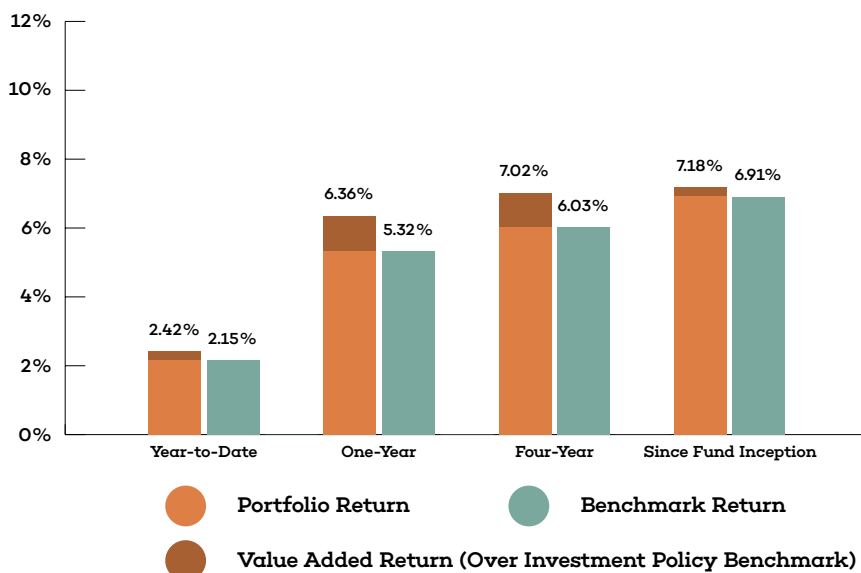
INVESTMENT RETURNS

We are pleased to report that the gross investment return for the NBPSPP for the first half of 2018 was approximately 2.42%, compared to its total fund benchmark of 2.15%. Both the longer term four year annualized return of 7.02% and the return since Vestcor's inception of 7.18% remain well in excess of the 4.75% discount rate set by the independent actuary. The discount rate is the assumed investment rate of return (net of expenses and margins for security) that the actuary expects the Pension Fund can conservatively earn over the long-term given its current investment policy.

NOMINAL RETURN - ANNUALIZED FOR PERIODS > 1 YEAR

Although global equity markets have produced mixed performance (with developed markets strongly outperforming emerging markets year to date), the weakening trend in the Canadian dollar against the U.S. dollar served to offset some of the underlying weakness in markets. Alternative strategies have continued to produce positive results thus far in 2018, while fixed income portfolios have been relatively unchanged in market value due to the relative stability in government interest rates in Canada.

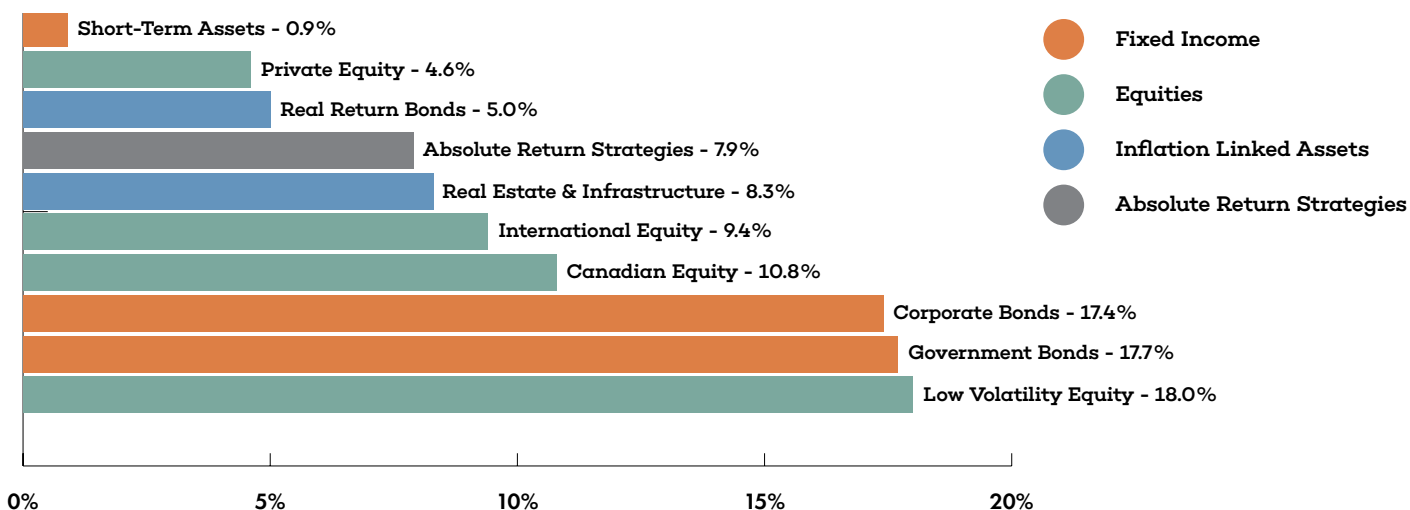
The return earned in excess of the benchmark portfolio contributed positive value add at 0.3% for the current year to date, and 1.0% over the trailing one-year period.



INVESTMENT ASSETS

The fair value of the NBPSPP assets at June 30, 2018 was \$7.744 billion, up \$105 million from the fair value at December 31, 2017. Investment asset mix weights were held close to investment policy targets during the period and the chart outlines our asset mix at June 30, 2018.

For more information, please visit www.vestcor.org/marketupdates.



PLANNING FOR THE LONG HAUL

LEAVING YOUR EMPLOYMENT BEFORE RETIREMENT

If you are a vested* member of the New Brunswick Public Service Pension Plan (NBPSPP) and cease your employment, the pension benefits that you have earned in the Plan do not need to leave with you.



VESTED MEANS YOU HAVE:

- two or more years of pensionable service in the Plan; or
- two or more years of membership in the Plan; or
- five or more years of continuous employment.

For many members of the NBPSPP, the pension benefit they have earned is the most valuable asset they have for their retirement. If you are leaving your employment, you may be concerned about what will happen to the benefits you have earned. The good news is that you can opt to receive a **deferred pension**.

If you are under the age of 55, your deferred pension can be started as early as age 55 (reduced pension) or as late as age 65 (unreduced pension). When you leave your employment, you will receive a statement which details what your monthly deferred pension benefit will be. If you are age 55 or older, you can take an immediate reduced pension, or defer it up to age 65.

BENEFITS OF YOUR DEFERRED PENSION

TAKE SOME STRESS OUT OF YOUR RETIREMENT

The goal of the NBPSPP is to provide you with an income for the rest of your life. Choosing a deferred pension means you can enjoy the security that, upon retirement, you will have a monthly pension you do not have to manage. Your pension will be managed by experienced investment professionals. That means you'll have more time to enjoy your retirement.

GROWTH OF YOUR BENEFITS

Even after you leave your employment, your deferred pension benefits can continue to grow. Every year, your benefits will be eligible for increases through Cost of Living Adjustments. These Cost of Living Adjustments are based on the financial health of the Plan and Canada's Consumer Price Index. Keep this in mind when referring to the monthly benefit amount on your termination statement. By the time you retire, that amount may have increased. For more information on the Cost of Living Adjustment that was awarded for this year, please see page 1 of this newsletter!



PLANNING FOR YOUR LOVED ONES

A deferred pension includes spousal benefit options. If you pre-decease your spouse, they may be eligible to receive a portion of your pension benefits for the rest of their life. This gives an added layer of security for those you care most about as you move through the phases of your life.

SUMMING IT ALL UP

As you can see, there are a number of benefits that you can reap by leaving your assets in the Plan when you cease your employment. The first priority of your pension plan is to provide secure pension benefits to members after their retirement. Ultimately, the choice is up to you. Make sure you consider your options carefully and make an informed decision. Your choice will affect you throughout your retirement.

YOUR SECOND OPTION - ACCEPTING A TERMINATION VALUE

- Instead of a deferred pension, you can also opt to accept a termination value payout.
- Your termination value is a one-time only, lump sum payment based on the value of your pension on the date you cease your employment.
- By accepting the termination value you will no longer be eligible for a NBPSPP pension when you retire.
- The termination value you receive has a number of restrictions on it. The funds must be transferred into a locked-in retirement planning vehicle, such as a Locked-In Retirement Account (LIRA). It cannot be used to pay down mortgages or any other expenses that you may have. It is set aside specifically to provide for your retirement.
- You will be responsible for managing your funds and ensuring that they provide you with enough income in your retirement to last you the rest of your life. This includes responsibility for paying any costs you incur from investment advisors.
- You won't be eligible for future increases through Cost of Living Adjustments.

2017 ANNUAL REPORT BY THE NUMBERS

The NBPSPP 2017 Annual Report is now available at www.vestcor.org/nbpspp. We invite you all to take a look and learn more about your Plan. In the meantime, here are some of the statistics you'll find inside.

The NBPSPP had an investment return of

7.81%

exceeding the performance benchmark of 6.72%

\$559.2
MILLION

in net investment income was added to the Plan

This allowed for a Cost of Living Adjustment of

1.88%

In 2017, the NBPSPP had 37,951 total members

18,010
Active Members

16,099
Retirees/Survivors

3,842
Deferred Members

NBPSPP'S ACTUARIAL VALUATION REPORT AT-A-GLANCE

The Actuarial Valuation Report is a complex assessment completed using models developed by the actuary which examines the Plan's: assets and liabilities as of January 1 of a given year; membership information; and investment, economic and demographic assumptions.

LATEST VALUATION RESULTS

REQUIREMENT	Result as of January 1, 2018	Result as of January 1, 2017
Primary Risk Management Goal — Achieve 97.5% probability that past base benefits earned will not be reduced over the next 20 years.	98.95% (Passed) ✓	98.3% (Passed) ✓
1 st Secondary Risk Management Goal — Provide indexing in excess of 75% of CPI to members and retirees over the next 20 years.	86.3% of CPI (Passed) ✓	82.3% of CPI (Passed) ✓
2 nd Secondary Risk Management Goal — Achieve at least 75% probability that ancillary benefits (i.e., early retirement subsidy) can be provided over the next 20 years.	98.3% (Passed) ✓	97.5% (Passed) ✓

The Funding Status of the Plan is as follows:

- **The Termination Value Funded Ratio** is 112.0% as of January 1, 2018. This ratio is used in calculating members' benefits on termination of employment, retirement, death and marriage breakdown.
- **The 15-year Open Group Funded Ratio**, as of January 1, 2018, is 129.8%. This ratio is used to determine the actions, such as granting COLA, to be taken by the Board under the Plan's Funding Policy.

FEELING CONFUSED?

Sometimes the terminology used when discussing your pension plan can be confusing. With that in mind, we've prepared a What, When, Who, and Why of the Plan's Actuarial Valuation Report to help you learn about this valuable report and how it helps keep your plan secure.

WHAT?

The Actuarial Valuation Report is a type of appraisal conducted to determine the funded status of the Plan.

WHEN?

Completed as of January 1 of a given year, 2018 in this case.

WHO?

By Morneau Shepell, the Plan's current actuarial services provider.

WHY?

The NBPSPP is subject to requirements under the provincially legislated *Pension Benefits Act (PBA)* when completing an annual valuation, which includes risk management testing and reporting on risk management goals. These tests are meant to ensure the Plan's security and ability to provide long-term benefits to members.

Results of the tests may cause the need for short-term adjustments, as outlined in the *PBA* and the NBPSPP Funding Policy.

FUNDING POLICY

Your pension plan's Funding Policy is an important governance tool that is used by the Board of Trustees in managing pension plan risk and in adjusting benefits or contribution levels when the Plan has a surplus or deficit.

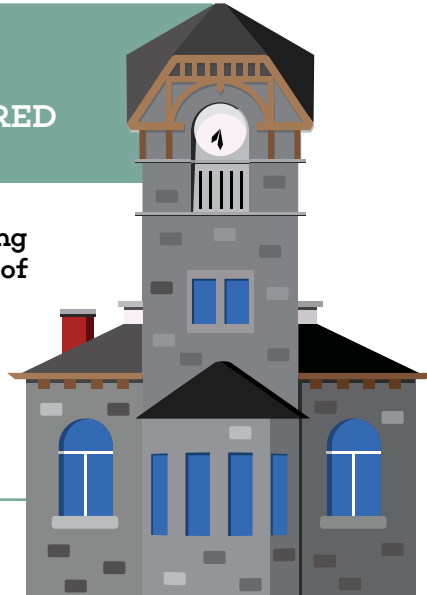
The Funding Policy can be found online at www.vestcor.org/nbpspp.

2018 ANNUAL GENERAL MEETING

This year's NBPSPP Annual General Meeting, which provided a review of the Plan's 2017 results, was held on Thursday, September 6th at the Best Western in Bathurst, NB. Marilyn Quinn, Chair of the Board of Trustees of the NBPSPP, conducted the meeting.

**COULDN'T BE THERE?
WE'VE GOT YOU COVERED**

Find a complete video recording of the meeting, along with all of the questions submitted by members, including questions that we didn't have time to answer during the meeting, at www.vestcor.org/nbpspp.



95%

of respondents were Satisfied or Very Satisfied with this year's Annual General Meeting.

One of the most commonly asked questions was...

HOW WAS THE JANUARY 1, 2019 COST OF LIVING INCREASE CALCULATED?

The January 1, 2019 cost of living adjustment (COLA) was calculated by comparing the average Consumer Price Index (CPI)* for the period of July 2017 to June 2018 with the average CPI for the period of July 2016 to June 2017, as follows:

Month Year	July 2017	Aug 2017	Sept 2017	Oct 2017	Nov 2017	Dec 2017	Jan 2018	Feb 2018	Mar 2018	Apr 2018	May 2018	June 2018	Avg.
CPI	130.4	130.5	130.8	130.9	131.3	130.8	131.7	132.5	132.9	133.3	133.4	133.6	131.84

Month Year	July 2016	Aug 2016	Sept 2016	Oct 2016	Nov 2016	Dec 2016	Jan 2017	Feb 2017	Mar 2017	Apr 2017	May 2017	June 2017	Avg.
CPI	128.9	128.7	128.8	129.1	128.6	128.4	129.5	129.7	129.9	130.4	130.5	130.4	129.41

Here's how the increase is calculated:

$$\frac{131.84 - 129.41}{129.41} = 1.88\%$$

(average CPI for 12-months ending June 30, 2018) (average CPI for 12-months ending June 30, 2017)

(average CPI for 12-months ending June 30, 2017)

The methodology used for calculating the NBPSPP COLA is the same that was used under the former *Public Service Superannuation Act (PSSA)* pension plan. It is also consistent with how other pension plans, including the Canada Pension Plan, calculate COLA.

*CPI figures are drawn from the Bank of Canada. They can be found at www.bankofcanada.ca/rates/price-indexes/cpi/.

NBPSPP 2019 PENSION PAYMENT DATES

January 24

February 22

March 22

April 24

May 24

June 24

July 24

August 23

September 24

October 24

November 22

December 18

TIPS FOR RETIREES



QUICK TIPS

- Make sure to keep your notice of deposit. Notices of deposit confirm your gross and net pension amounts, and are only sent out when there is a change in the net amount. If you require proof of income for any reason, you'll need this document.
- Are you planning on moving? Don't forget to change your address with Vestcor using our Change of Address form available at www.vestcor.org or by calling 1 800 561 4012. Let us know if your phone number has changed as well.
- Do you have a Power of Attorney? Make sure you send us a copy of this document to be sure that person can act on your behalf.
- Need to contact the Canada Pension Plan or Old Age Security? They can be contacted toll free at 1 800 277 9914.
- Have you opened a new bank account? Make sure to let Vestcor know by calling 1 800 561 4012, and keep your old account open until you've seen a payment deposited in your new account.

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