

# 2019 Annual Information Meeting

## Frequently Asked Questions



Included in this document are answers to some of the most frequently asked questions from plan members surrounding the 2019 NBPSP Annual Information Meeting. These questions were submitted by members either before, during, or after the meeting.

If you would like to submit additional questions to the Board of Trustees of the NBPSP, you can do so through any of the following methods:

- In writing at NBPSP Board of Trustees, c/o Vestcor, PO Box 6000, Fredericton, NB E3B 5H1;
- By telephone at 1 800 561 4012 (toll free) or at 506 453 2296 (Fredericton); or
- By email at [info@vestcor.org](mailto:info@vestcor.org).

A recording of the 2019 Annual Information Meeting is available [here](#).

### **If I pass away before my wife does, does my wife only receive 50% of my pension per month?**

If you retired before the Plan's conversion in 2014 and have a spouse that outlives you, yes, your pension will be reduced by 50% and provided to your spouse on a monthly basis following your death until their death.

If you retired after the Plan's conversion in 2014, the survivor pension your spouse will receive is dependent on the form of pension you chose upon retirement. For more information on the forms of pension available to you, please refer to the [NBPSP At-A-Glance](#) document, available at [www.vestcor.org/nbpsp](http://www.vestcor.org/nbpsp), under "Booklets". If you are uncertain of the form of pension you chose upon retirement, contact Vestcor's Member Services team at 1 800 561 4012 (toll free).

### **At the time of conversion, the Province announced that all service earned by members pre-conversion, or all who were already retired and drawing a pension from the Plan, would be protected from ever having their base benefits reduced. Is this still the case?**

Yes, the protection from the Province is still there. In the very unlikely event that the Board of Trustees is required to reduce pension benefits, pre-conversion pension benefits would never be reduced below the levels they were earned at December 31, 2013 – the date of the Plan's conversion.

### **Does our pension fund manager have a policy on ethical investment? And if so, could we get a rundown of that policy? If there's no such policy, could we consider adopting one?**

Vestcor conducts its investment activities using [Responsible Investing Guidelines](#). They provide insight into environmental, social and governance-related risk, while helping the organization protect its accumulated assets (which includes that of its clients). These guidelines are reviewed annually and are used by all their portfolio managers in making investment decisions.

A copy of the guidelines is available at [www.vestcor.org/investments](http://www.vestcor.org/investments), under “Investment Program Guidelines”.

**What are the total assets that you are managing for our Plan and what companies are making the traded investments of the Plan or is Vestcor staff or another branch of Vestcor actively trading?**

Vestcor’s total assets under management is over \$18 billion as of October 2019, with the NBPSPP accounting for just over \$8 billion of that. Approximately 90% of those assets are managed by Vestcor’s in-house investment staff, while the remaining amount is invested with external global investment managers under Vestcor’s direction.

**Why does Vestcor feel it has the right to take profits that can be put into our pensions and give themselves bonuses?**

Globally, the investment management industry has a compensation structure that is composed of a mix of base compensation and variable incentive compensation tied directly to each organization’s performance. It is important that Vestcor has a similar incentive compensation program to be able to attract and retain the professional staff required to prudently manage over \$18 billion in assets.

The Plan’s investment management costs, including all Vestcor compensation expenses, for 2018 were 0.12% of the Plan’s total assets. This cost is significantly less than what most investment managers charge and therefore helps provide additional growth to the fund assets.

Vestcor’s compensation program is led by the organization’s independent Human Resource Committee, a committee of the Vestcor Inc. Board of Directors. Detailed information on the program is disclosed in our Vestcor Annual Report.

Vestcor is proud to be able to continue to meet and exceed the NBPSPP’s objectives, while charging a significantly lower fee than other investment managers, all while creating significant knowledge-based employment opportunities within New Brunswick.

**Who owns the pension fund?**

The Plan and its assets are owned by all its members. This includes retirees, survivors, active contributing employees and the members we refer to as deferred members, who have left the plan for various reasons but have yet to draw their pension. The Plan’s assets are managed by the Board of Trustees in the interest of all Plan members.

**What's the projected likelihood of the retiree’s pension continuing to receive the annual cost of living increase each year for the foreseeable future?**

The probability is very high. The pension plan’s funded ratio is currently 125.8%. For indexing to cease, this level would have to drop below 110%. As noted at the Annual Information Meeting by the plan’s Actuary, for the ratio to drop below 110%, this would require an investment returns of at least -10%

within a year – returns like this are akin to the market crash in 2008. In a scenario like this, the Plan would stop awarding COLA for a year or two while the funded ratio increased back to over 110%. For more information on the Plan’s funded ratio, refer to the annual reports and actuarial valuation reports, available at [www.vestcor.org/nbpspp](http://www.vestcor.org/nbpspp).

### **Why isn't there more transparency in the calculation of one's pension amount at retirement?**

One of the key principles when the NBPSPP was converted to the shared risk model was transparency of plan information to members (e.g. availability of annual actuarial valuation and financial reports; governing documents such as the Plan Text, Funding Policy, and Statement of Investment Policies; the NBPSPP Annual Information Meeting, etc.)

With regards to pension calculations leading up to retirement, active members receive an Employee Statement of Pension Benefits on an annual basis which provides not only the pensionable service accumulated and pension estimates to the statement end period, but also a data section derived directly from our pension database that can be used in conjunction with Vestcor’s online pension calculator tool.

The complexity of the pension calculation under the current “enhanced career average” methodology would be challenging to provide to members in a simple manner due to a number of components which must be taken into consideration within the calculation. This includes post-conversion benefits being determined annually, the application of cost of living adjustments, the application of any applicable pre and post conversion early retirement reduction factors, etc.

That being said, the applicable calculation methodology is detailed within the [NBPSPP Plan Text](#), as well as the more user-friendly [Member Booklet](#) and [NBPSPP At-A-Glance](#), all of which are available on our website at [www.vestcor.org/nbpspp](http://www.vestcor.org/nbpspp). In addition, if there were any significant concerns raised by a member at retirement in relation to the figures provided to them, Vestcor’s Member Services team would be happy to work with the individual to ensure that they had a level of comfort with the information provided prior to signing-off on any pension options. Vestcor’s Member Services team can be reached toll-free at 1 800 561 4012 or by email at [info@vestcor.org](mailto:info@vestcor.org).

### **Why can't seasonal employees have more deducted out of their pay and have their contributions matched by the employer since seasonal employees only work six to eight months out of the year?**

Plan participation is decided by the parties that govern the NBPSPP: the Province of New Brunswick and Unions who signed the original Memorandum of Understanding for the Plan. Such changes would need to be led by the Unions representing the affected members. The Board of Trustees is not able to amend the Plan to increase participation.

### **Why is my monthly income going to be reduced when I turn 65?**

Your pension entitlement is not reduced at age 65. If you retire before the age of 65, in addition to receiving your lifetime pension benefit (base benefit), the NBPSPP provides a temporary early retirement benefit (also known as the bridge benefit and integration) which is intended to supplement

your pension until age 65 when you become eligible for an unreduced CPP benefit. This temporary benefit will cease at age 65, making it seem as though your pension has been reduced, when in fact the temporary benefit has simply ceased.

**Can you give break down of pension money invested by industry category and percentage of total investment?**

These figures are referred to as the Plan's asset mix. They are reported on semi-annually in the Plan's Newsletters, which are sent to members and published online at [www.vestcor.org/nbpspp](http://www.vestcor.org/nbpspp), under "Communications". In addition, a more detailed outline of the asset mix is included in the Plan's Annual Report and the Plan's Statement of Investment Policies, both available at the web link mentioned above, under "Plan Governance".

**I want to know how much our pensions are affected with downturn like 2007-2008 lasting for longer than 2 years. Can you come up with 2-3 scenario similar to 2007-2008 intensity and lasting for 2 years or more. If a person gets \$1000/month as pension in normal time, what will be reduction in pension/month during this downturn in shared risk model.**

The annual risk management tests, reported by the Plan Actuary, provides a probability estimate of the Plan's ability to pay base benefits (Risk Management Test 1) and annual inflation indexing (Risk Management Test 2) over a future 20-year period. The Actuary has also provided a number of potential future statistical outcomes with respect to the funding ratio in their presentation at the September 2018 AGM. For more information, refer to the Plan Actuary Presentation, delivered by Yves Plourde, Vice-President, Morneau Shepell available at [www.vestcor.org/nbpspp](http://www.vestcor.org/nbpspp), under the Plan Governance, 2018 Annual General Meetings section. Also available within this section is a recording of Mr. Plourde's presentation, and copies of the Actuarial Valuation Reports prepared by Morneau Shepell for the Plan.

**What provisions and strategies have been made to provide a high degree of confidence, that current retiree's pensions are protected from major recessions and market corrections? (i.e. ensure the money will be there.)**

Vestcor assists clients in constructing Shared Risk Pension portfolios that are designed to achieve the long-term returns required by their Plan while taking on a minimum of investment risk. They do so by using strategies that have significantly lower expected volatility than typical investment approaches, with potentially lower exposure to global equity markets. Consequently, during certain years when equity markets rise significantly, your Plan may produce slightly lower returns than other less risk constrained pension funds in other jurisdictions. Conversely, your lower risk portfolios would be expected to be more likely to outperform the other riskier pension funds during more volatile market periods, such as in the event of a market downswing.

**My question is the same as last year's meeting - regarding being able to defer our post shared risk pension separate from pre shared risk pension. Just to reiterate, the City of Fredericton is allowing their employees the option to take full pension or defer their post shared risk until they wish. Both**

**amounts need to be determined so again, why can't we make the decision to take one portion or both upon retirement?**

As mentioned last year, amending the Plan to allow members to take their pre-conversion pension as early as 60, and their post-conversion pension as of 65 is seemingly cost neutral to the Plan, with one significant exception: administrative costs.

It is significantly costlier to administer a pension plan that is set up this way. We also understand that research has shown that for many Plans who have offered this option, the number of members who have selected it has been very low, leaving the cost to potentially outweigh the value to its members.

This being said, this topic continues to be a priority for the Board of Trustees, but has been delayed until the launch of a new pension administration system. This new system will further automate the services Vestcor is able to provide to the members of the NBPSPP. Once implemented, the Board will be in a better position to study the feasibility and true costs of providing this option to its members.

**Is it common for pension plans to integrate?**

Yes. Most pension plan's across Canada integrate with the CPP. These plans, including the NBPSPP, provide members who retire before the age of 65 a temporary early retirement benefit (often referred to as a bridge benefit), up to the age of 65, when the member becomes eligible for an unreduced CPP benefit.

**What happens if there are no actives when the baby boomers leave? Can that affect our pension funds?**

The Plan's actuary has identified in its annual valuations that although there is a large pool of baby boomers retiring or preparing to retire, the pool of active members in the plan isn't necessarily declining. In fact, the Plan has continued to see an increase in membership. This is due to the Province of New Brunswick continuing to fill roles left by those who have retired, and also due to the addition of part-time and casual employees, who are now eligible to participate in the NBPSPP.

In addition, the large number of retirements is considered by the Plan's actuary when conducting the annual risk management testing and probability testing for the Plan, as reported in the Actuarial Valuation Reports and the Annual Reports. Results remain positive at this time, and the actuary does not feel that members should be concerned that their pension will be impacted in the near future by the increase in retirees. For pensions to be affected, a significant scenario, such as a great depression, would be necessary. In that case, financial impacts would be felt everywhere, not only in the pension industry.

Copies of the Actuarial Valuation Reports are available at [www.vestcor.org/nbpspp](http://www.vestcor.org/nbpspp), under "Plan Governance"

### **How will the federal election, US election and turmoil of the British Parliament impact our fund?**

While it is very difficult to estimate the long-term impacts of these types of events, Vestcor staff closely follow global financial markets. Events may result in staff making specific investment decisions as permitted by the fund's Investment Policy Statement, or more specific policy advice to the plan Trustees for their consideration. Vestcor publishes Quarterly Market Updates that provide results of the previous quarter, in addition to a summary of the market environment and outlook. Although this update is general to all of Vestcor's client, and not specific to the NBPSPP, it does provide some interesting outlook information.

To access these updates, visit [www.vestcor.org/quarterly-market-updates](http://www.vestcor.org/quarterly-market-updates).

### **I am planning to retire at age 65 four years from now. What are the steps I should take to ensure my best retirement option(s)?**

It's never too early to begin planning your retirement. For some helpful information and resources, visit [www.vestcor.org/planning-for-retirement](http://www.vestcor.org/planning-for-retirement). You can also contact Vestcor's Member Services team if you have specific questions relating to your NBPSPP pension at 1 800 561 4012 or by email at [info@vestcor.org](mailto:info@vestcor.org). Make sure that you mention who your current employer is.

### **How soon should one start the paperwork before retirement? What are the contact phone numbers?**

You should begin applying for your retirement 12 months before your planned retirement date. The first step is to apply for a formal pension estimate. Details on how to do so are available at [www.vestcor.org/planning-for-retirement](http://www.vestcor.org/planning-for-retirement). If you have specific questions, contact Vestcor's Member Services team at 1 800 561 4012 or by email at [info@vestcor.org](mailto:info@vestcor.org).

If you're more than 12 months away from retirement, you can use Vestcor's Pension Estimate Calculator, with the help of your annual Employee Statement of Pension Benefits, to obtain an estimate of your future pension based on your target retirement date. Visit the calculator at [www.vestcor.org/calculators](http://www.vestcor.org/calculators), and select "New Brunswick Public Service Pension Plan".