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NBPSP UPDATE

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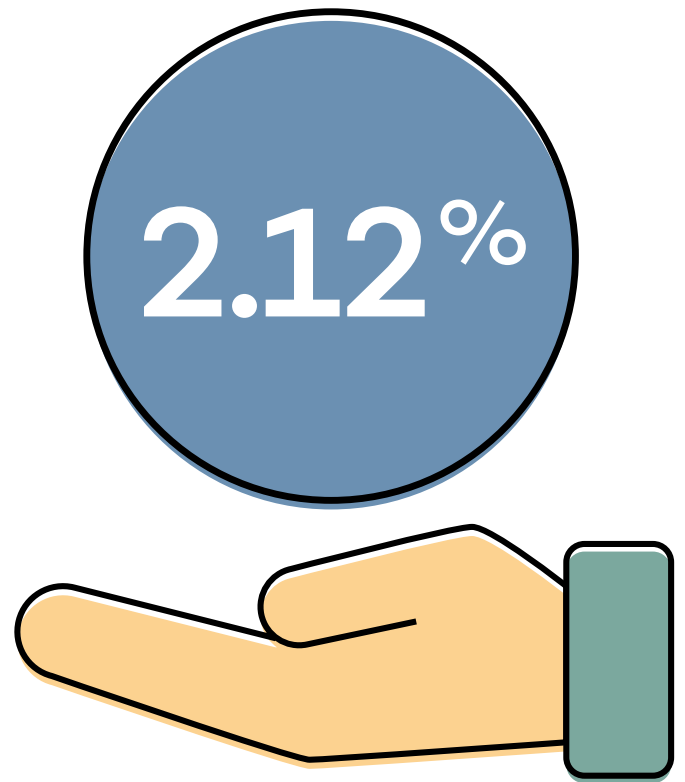
COLA ONCE AGAIN AWARDED TO MEMBERS

Your Board of Trustees was able to approve a full cost of living adjustment (COLA) for January 1, 2020. This year's COLA matches Canada's Consumer Price Index of 2.12%.

If you have not yet retired (i.e. are an active or deferred member), the 2.12% increase will be applied to the pension benefits you've earned up to December 31, 2018. This will positively impact your future pension.

If you're a retiree, the increase will be applied to your monthly pension as of January 1, 2020. Notification of this increase will be sent to you in writing in December 2019.

To know how COLA was calculated, view the COLA fact sheet at vestcor.org/nbpspp under "Latest Information".

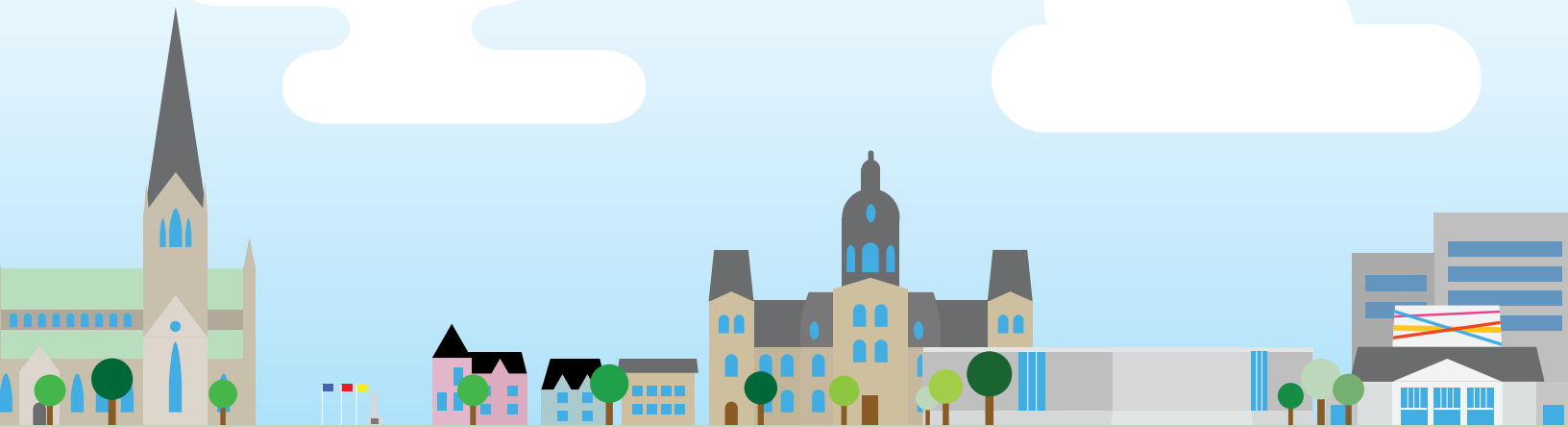


NBPSPP 2019 ANNUAL INFORMATION MEETING

On September 25th, 2019, we held our 5th Annual Information Meeting in Fredericton, NB. The meeting was also broadcast live by webcast.

If you weren't able to attend, or if you would like more information, visit vestcor.org/nbpspp-meeting2019, where you can:

- watch the recording of the meeting;
- access the presentations;
- read the questions and answers; and
- find our new Key Resources Guide.



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.

2018 IN REVIEW

The NBPSPP had an investment return* of

1.75%

for the year ending December 31, 2018, exceeding the performance benchmark of 0.64%.

THAT ADDS UP TO

\$132.3 MILLION

in net investment income added to the Plan.

&

This allowed for a cost of living adjustment of

2.12%

to be approved for January 1, 2020.
See page 1 for more details.

In 2018, the NBPSPP had
39,109 total members

18,507

Active Members

47%

4,114

Deferred Members

11%

16,488

Retired Members & Survivors

42%

WANT TO LEARN MORE
ABOUT YOUR PLAN?



The NBPSPP 2018 Annual Report is now available at vestcor.org/nbpspp.

*gross of investment fees

ACTUARIAL VALUATION RESULTS

WHAT IS AN ACTUARIAL VALUATION REPORT?

The actuarial valuation report is an important tool used by the Board of Trustees. It assesses the NBPSPP's ability to provide pension benefits to you, as a member. It also helps guide the Board in making decisions regarding the finances of the NBPSPP, such as granting COLA. The *Pension Benefits Act* requires the Board to hire an actuary to conduct this report annually.

WHAT WERE THE RESULTS IN 2018?

As of January 1, 2019, the NBPSPP **passed all of the risk management goals** outlined in the actuarial valuation report. A summary of these are included below. The full report is available at vestcor.org/nbpspp, under "Financial Results", "Actuarial Valuation".

	Target	Result as at January 1, 2019	Result as at January 1, 2018
Primary Risk Management Goal Achieve 97.5% probability that past base benefits earned will not be reduced over the next 20 years.	97.5%	99.15%	98.95%
1st Secondary Risk Management Goal Provide indexing in excess of 75% of CPI to members and retirees over the next 20 years.	75%	88.90% of CPI	86.30% of CPI
2nd 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.	75%	98.70%	98.30%

In addition, the report provides an update on how well the NBPSPP is funded, known as the funding status.

TERMINATION FUNDED RATIO

108.0%

Used in calculating a member's benefits upon termination of employment, death or marriage breakdown.

15-YEAR OPEN GROUP FUNDED RATIO

125.8%

Used to determine the actions to be taken by the Board of Trustees per the NBPSPP Funding Policy, such as granting COLA.

YOUR PENSION PLAN FACTS

When completing the member survey distributed in the Fall of 2018, many members expressed a desire to better understand the NBPSPP. Your Board of Trustees would like to share three key points:

1

Your pension plan is designed to be sustainable long-term. This is done through managing risks carefully. Because of this, financial returns may be higher than other pension plans when the financial markets aren't doing well, and may be slightly lower when the markets are doing well.

2

Risk management goal testing is conducted annually to measure the probability that benefits can be paid long-term. This provides additional peace of mind to the Board of Trustees, and for you, as members of the pension plan. Results from recent risk management goal testing are available on page 3.

3

Your pension plan was designed to provide cost of living adjustments (COLA) and other benefits. COLA and other benefits help further grow your pension, above your contributions. These benefits apply to all pension plan members, whether you're actively contributing, have deferred your pension to a later date, or are a retiree.



NBPSPP RETURN (GROSS)

7.41%

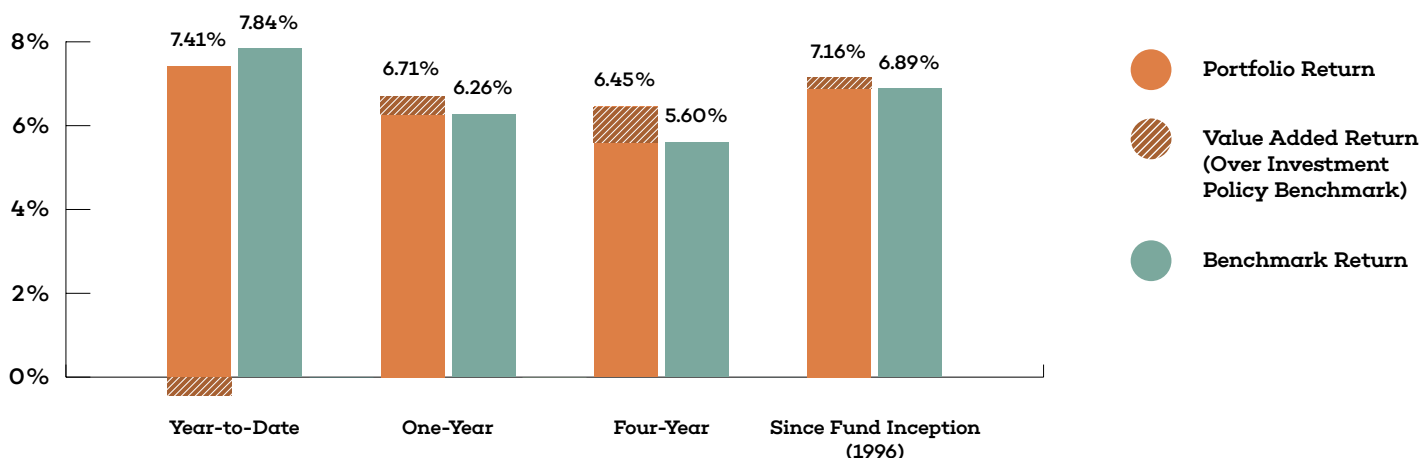
AT JUNE 30, 2019

NET INCREASE OF
\$477 million
SINCE DEC. 31, 2018

NBPSPP NET ASSETS ARE
\$8.110 billion

INVESTMENT RETURNS (AS AT JUNE 30, 2019)

Financial markets rebounded strongly in the first six months of 2019, recovering from the instability experienced in the 4th quarter of 2018. The gross investment return for the NBPSPP for the first half of 2019 was 7.41%.



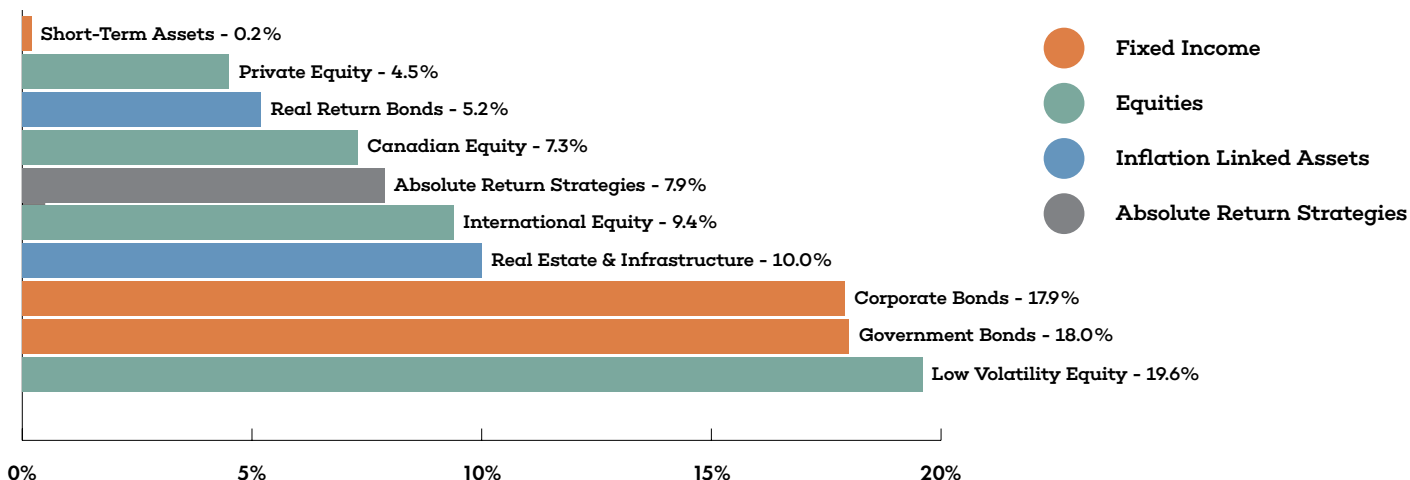
INVESTMENT ASSETS

The net assets available for benefits at June 30, 2019 were \$8.110 billion, up \$477 million from December 31, 2018. Net investment income contributed \$565 million to this increase, while benefits paid out net of employee and employer contributions and expenses used \$88 million of the Fund.

Asset Mix

The breakdown of where the Fund was invested at June 30, 2019, known as the investment asset mix, is displayed below. The weights of each type of investment were held close to the policy targets set by the Board of Trustees. More information on the Board's policies can be found in the Statement of Investment Policies available at vestcor.org/nbpspp, under "Plan Governance", "Governing Documents".

Asset Mix Breakdown as at June 30, 2019



MID-YEAR INVESTMENT REPORT (CONTINUED)

MARKET SNAPSHOT

Investment performance was positive across most asset classes, although the stronger Canadian dollar negatively impacted the returns from foreign currency denominated investments in the first half. Despite strong equity markets, bond yields have remained low and even declined to date in 2019, further contributing to the positive returns. Overall, 2019 appears to be a more challenging time for global investors, with high asset prices and low current bond yields indicating a strong possibility of reduced returns in the future. Adding to this market uncertainty is an elevated level of geopolitical risk. For more information, please visit vestcor.org/marketupdates.

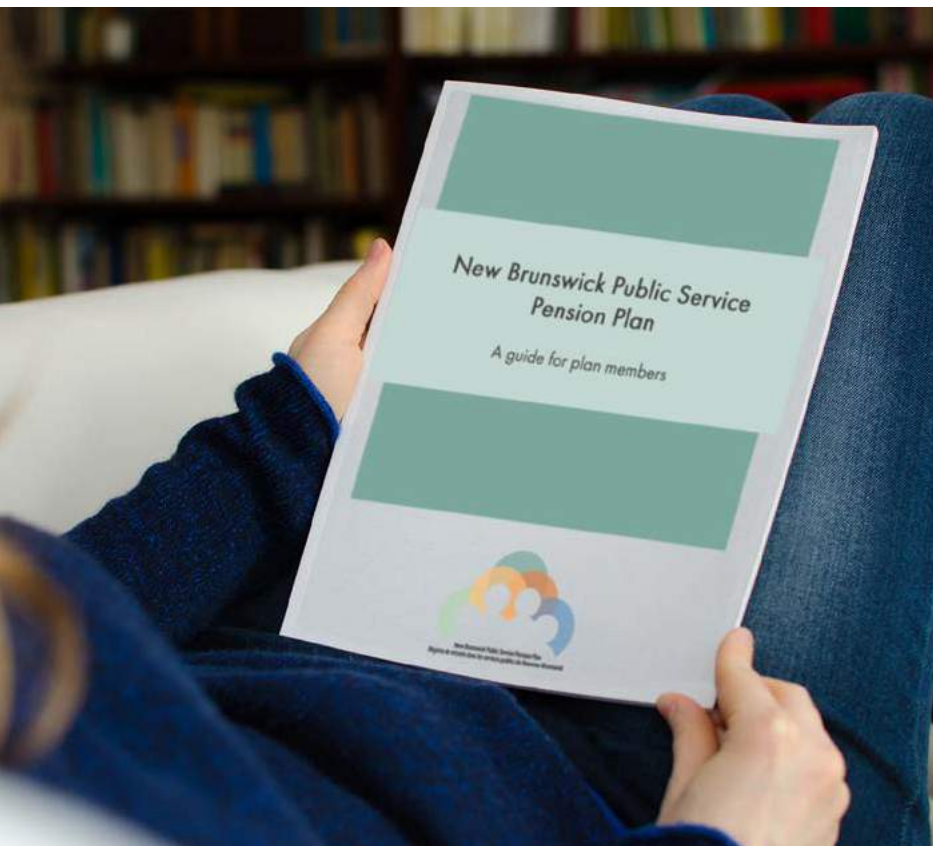
HELPFUL DEFINITIONS

Bond Yields: The current investment return that a bond is expected to provide over its term to maturity.

Discount Rate: Set by the Plan's independent actuary, the discount rate is the assumed investment rate of return (net of expenses and margins for security) the Pension Fund can conservatively earn over the long-term given its current investment policy.

Equity Markets: The markets used for trading equity securities, also referred to as stock markets.

Gross Investment Return: Return before fees are deducted (for example, investment management fees).



YOUR UPDATED MEMBER BOOKLET

Your NBPSPP Member Booklet has been updated. Some of the topics covered in the Member Booklet include:

- what being a Plan member means;
- retirement under the Plan;
- leaving the Plan before retirement; and
- purchasing prior service.

Have questions about your pension plan? Refer to the updated booklet at vestcor.org/nbpspp under "Booklets".

NBPSPP 2020 PENSION PAYMENT DATES

January 24

February 24

March 24

April 24

May 22

June 24

July 24

August 24

September 24

October 23

November 24

December 18

TIPS FOR RETIREES

RETURNING TO WORK IN THE PUBLIC SERVICE

If you decide to return to work after you retire, it is important for you to know the following.

If you return to a position that participates in the NBPSPP, you may be required to suspend your pension and begin contributing to the Plan again.

If you meet the pension eligibility requirements and must re-enroll in the NBPSPP as an active member (i.e. eligible employee), you will stop receiving your pension and start contributing to the Plan. This will be required until the end of the year you turn 71, or when you terminate employment (whichever occurs first).

Once this occurs, you will begin to collect your pension again and, your original pension will be adjusted to reflect the additional benefits you accumulated when you returned to work.

Considerations for re-joining:

- Can you afford to suspend your NBPSPP pension income while you work?
- Will you accumulate enough additional pension benefits to make suspending your NBPSPP pension income worthwhile?
- Being employed may affect the retirement benefits you are eligible to receive from the Federal Government; can you afford this?

Before you decide to accept a new position, contact Vestcor's Member Services Team at 1 800 561 4012 to discuss your options.

INCOME TAX IN RETIREMENT

Do you have more than one retirement income? Do you find yourself owing taxes every year? You may wonder why this is happening, and more importantly, if it may be possible to solve this issue.

WHY DO YOU OWE TAXES EACH YEAR?

When taxes are deducted from your NBPSPP pension, they are deducted as if the NBPSPP pension is your only income. For many members, this isn't the case. Additional incomes that you may receive include, but are not limited to, the Canada Pension Plan, Old Age Security, RRSPs, other pension plans you benefit from, or employment income. Much like your NBPSPP pension, any taxes that are automatically deducted from these other incomes are likely to be calculated as if they are your only source of income. The issue arises because for tax purposes, you pay income tax on your total income. When all of your sources of income are totalled, you may find yourself taxed at a higher rate.

WHAT CAN YOU DO?

When it comes to your NBPSPP pension, there is an easy solution. Complete the form available at vestcor.org/incometax to request that Vestcor deduct additional taxes from your pension. The form allows you to specify exactly how much you would like to increase your deductions, and can be filled out at any time of the year. By paying more taxes upfront, you can decrease the amount you owe at the end of the year. If you need additional help with the process, contact Vestcor's Member Services Team at 1 800 561 4012.