



SPRING 2020 | VOLUME 11

NBPSP UPDATE

RETIREE EDITION

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PLAN GOVERNANCE

NBPSPP WHO'S WHO

The New Brunswick Public Service Pension Plan (NBPSPP) has a lot of moving parts that retirees don't always get to see. You may find it hard to keep track of who is taking care of the Plan.

With that in mind, feel free to take a moment to look at the following pages. You can familiarize yourself with the organizational bodies that keep the Plan running smoothly.

BOARD OF TRUSTEES

WHAT THEY DO

The NBPSPP Board of Trustees is responsible for the overall governance and administration of the NBPSPP.

The Board of Trustees makes its decisions according to the laws of New Brunswick and Canada, including the *Pension Benefits Act* and the *Income Tax Act*. The Board must also follow the Plan's governing documents, including the Funding Policy, Statement of Investment Policies, and the NBPSPP Plan Text. These documents can be found at vestcor.org/NBPSPP.

The Board's duties include:

- setting the levels of contributions that you and your employer make to the NBPSPP in accordance with the Funding Policy;
- determining the benefits paid out to members of the NBPSPP in accordance with the Funding Policy;
- approving investment policy decisions; and,
- providing oversight of the various service providers.

GOVERNANCE COMMITTEE

WHAT THEY DO

The Governance Committee supports the Board by making sure that best practices are followed in Board governance and stakeholder communications policies. They oversee work on governance documents, ethics, trustee orientation and education, trustee compensation, risk management, and more.

AUDIT COMMITTEE

WHAT THEY DO

The Audit Committee supports the Board by ensuring the integrity and accuracy of the NBPSPP's financial reporting. They assist the Board in its oversight of the appointment of external auditors, maintenance of strong internal controls, management of financial risk, and compliance with acts and regulations.

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.

SERVICE PROVIDERS



WHAT THEY DO

Vestcor is the day-to-day administrator of the NBPSPP. Vestcor collects employee and employer contributions and pays out benefits. They also provide pension services to help members understand their benefits, support services to the Board, and communication services.

Vestcor is also the investment manager for the NBPSPP. Vestcor receives employers' and employees' pension contributions and invests them in a diversified mix of asset classes according to the NBPSPP Statement of Investment Policies.

AUDITING SERVICES



ACTUARIAL SERVICES



HAVE QUESTIONS?

CONTACT VESTCOR

FOR QUESTIONS ABOUT:

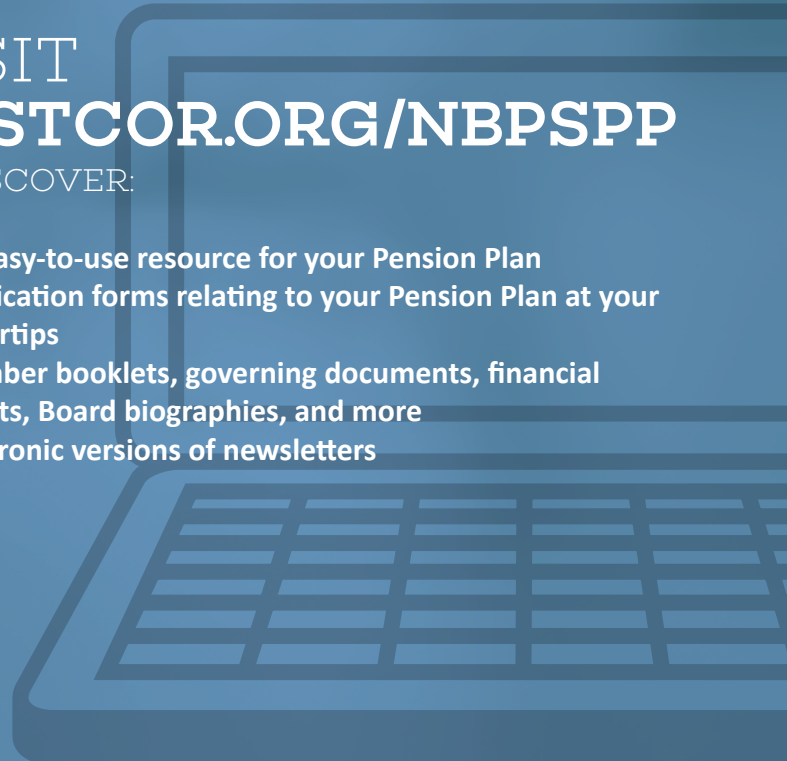
- Income tax deductions
- Notices of deposit
- T4As
- Your pension at 65
- Survivor pension

Call 1 800 561 4012 toll-free (in Canada) or 506 453 2296 in the Fredericton area. You can also reach Vestcor via email at info@vestcor.org.

VISIT VESTCOR.ORG/NBPSPP

TO DISCOVER:

- An easy-to-use resource for your Pension Plan
- Application forms relating to your Pension Plan at your fingertips
- Member booklets, governing documents, financial results, Board biographies, and more
- Electronic versions of newsletters





NBPSPP

ANNUAL INFORMATION MEETING

WHEN?

September 21, 2020, 6:30-8:30 pm

WHERE?

Hampton Inn & Suites Moncton - Mapleton Room A
700 Mapleton Rd, Moncton, NB E1G 0L7

WHY SHOULD YOU ATTEND?

It's your opportunity to learn more about:

- the financial health of your Plan, including financial results and sustainability;
- the basics of your Plan;
- how various events in your life could impact your pension; and
- your Board of Trustees and their role.

Register now at vestcor.org/NBPSPP2020AIM.

COVID-19, FINANCIAL MARKET VOLATILITY, AND YOUR NBPSPP

In the midst of the global financial challenges due to the spread of the COVID-19 virus, it is very important to remember that the investments of your NBPSPP are very well diversified and less risky than the traditional pension plan. Your Plan has been constructed to reduce the market volatility (impacts of market downturns on the Plan) experienced during these types of events. In addition, the Plan has enough liquidity to be able to make the required pension payments for a very long period of time.

With respect to performance reporting, and in consideration of the importance of the long-term focus of your pension plan, your Board of Trustees will continue to disclose investment performance twice a year. The year-end 2019 report is available on pages 5 and 6, while the mid-year report will be included in the Fall newsletter. If you wish to learn more about how your plan is invested, refer to the Asset Mix chart on page 6. As you might expect, the strong results realized by the financial markets in 2019 helped to improve the already strong funding position of your pension plan and its ability to weather this volatility.

With respect to your Plan's service provider Vestcor, they have a well-tested Business Continuity Plan in operation to help ensure that none of your Plan's investment or administration operations are adversely impacted. They have been able to redeploy staff to work from either their alternative work site or from their home if necessary. They have also implemented external visitor restrictions within their operations.

PENSION PAYROLL REMINDER

Just a reminder that as of January 2020, pension payroll services which were previously provided by the Government of New Brunswick, are now provided by Vestcor, the day-to-day administrator of the NBPSPP.

Your provincial pension will now appear in your account as having been issued by “Vestcor” instead of “Province of New Brunswick”.

For those that missed it in the last newsletter, we have also included a pension payment calendar below.



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



CHANGES TO YOUR BOARD OF TRUSTEES

December 2019 saw Marilyn Quinn’s second term as Chair of the NBPSPP come to an end. As outlined in the NBPSPP Board of Trustees Terms of Reference, the Chair and Vice-Chair of the Board are appointed for a three-year term, renewable once. We are happy to announce that the position of Chair has subsequently been filled by Leonard Lee-White, former Vice-Chair of the Board. Leonard is the Assistant Deputy Minister of Finance and Treasury Board, with many years’ experience within the public service providing pension plan investing and risk management advice to government and boards of trustees.

Taking Leonard’s place as Vice-Chair is Ross Galbraith. Ross is the former Chair of the NBPSPP Governance Committee (see page 1 for more info on the Governance Committee). Ross is the Business Manager of Local 37 of the International Brotherhood of Electrical Workers (IBEW) and also represents Canada on the IBEW International Executive Council. His work with the IBEW includes trustee work for benefit funds and an annuity plan. He is a commissioner on the Board of Saint John Energy and Chair of the IBEW Atlantic Utility Council.

Although no longer Chair, Marilyn Quinn remains a Trustee on the NBPSPP Board of Trustees. The Board will continue to benefit from her vast experience and expertise.

INVESTMENT REPORT

VESTCOR

A SNAPSHOT OF YOUR PENSION FUND AT DECEMBER 31, 2019

NBPSPP RETURN (GROSS)

11.65%

AT DECEMBER 31, 2019

NET INCREASE OF

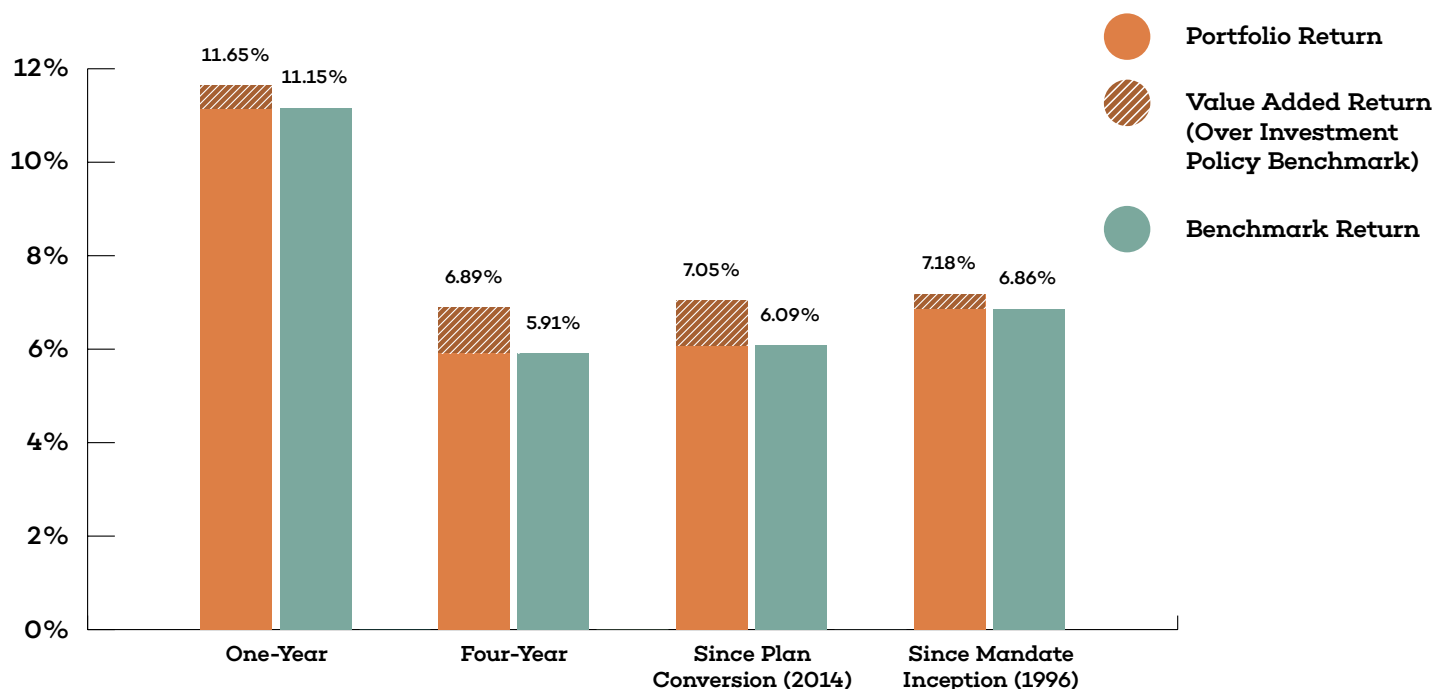
\$715 million

SINCE DEC. 31, 2018

INVESTMENT ASSETS ARE

\$8.334 billion

INVESTMENT RETURNS (AS AT DECEMBER 31, 2019)



2019 proved to be an extremely strong year for equity markets, with most global equity markets moving steadily upward with only occasional turbulence along the way. The S&P 500 U.S. equity index gained over 31% for the year in \$USD, leading the way amongst global equity markets. Interest rates, while experiencing significant volatility throughout the year, also realized positive returns. The gross investment return at December 31, 2019 for the Fund was positive at 11.65% (above the total fund benchmark of 11.15%).

The additional return of 0.50% earned above the fund benchmark was value added by Vestcor's active investment management decisions versus the Investment Policy benchmarks. More importantly, both the longer term four-year annualized return and the return since March 1996 when Vestcor began to manage this Pension Fund, remain above the 4.75% discount rate set by the Plan's independent actuary.

INVESTMENT ASSETS

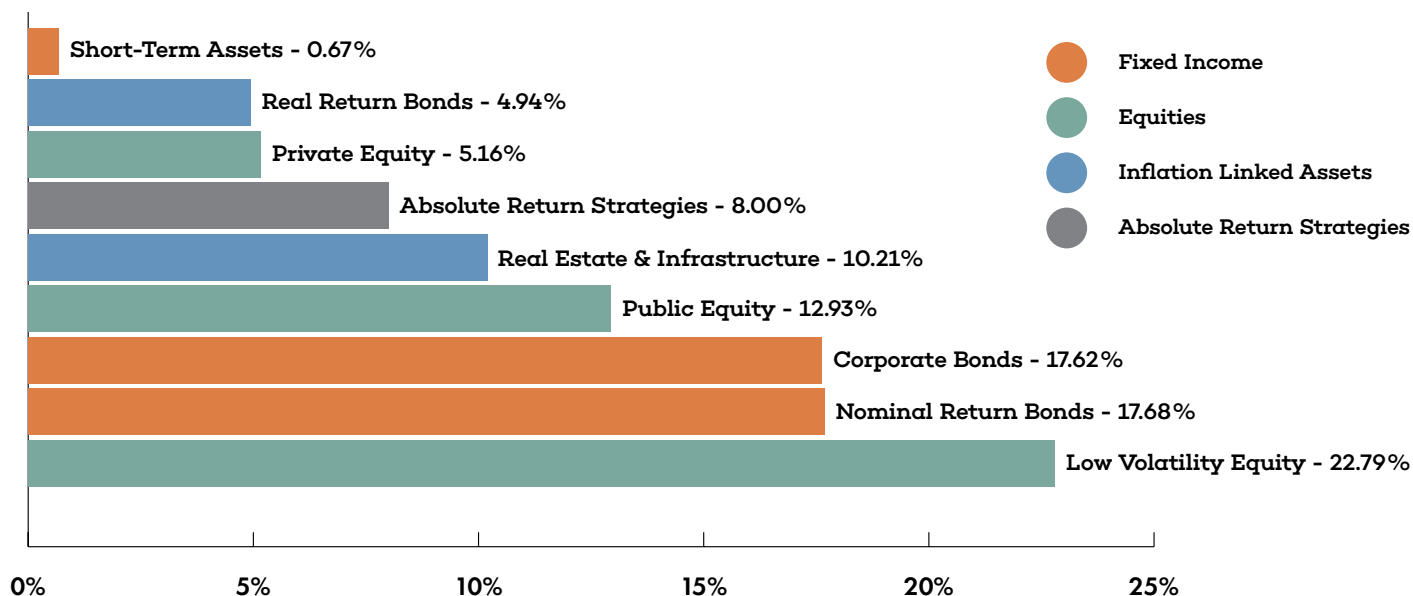
The fair value of the NBPSPP investment assets at December 31, 2019 was \$8.334 billion, up \$715 million from their fair value at December 31, 2018.

INVESTMENT REPORT (CONTINUED)

ASSET MIX

The breakdown of where the Pension Fund was invested at December 31, 2019, known as the investment asset mix, is displayed below. The proportion of each type of investment to the total Pension Fund was held close to the Pension Fund Investment Policy targets set by the Board of Trustees.

Asset Mix Breakdown as at December 31, 2019



MARKET SNAPSHOT

Equity markets were strong performers in 2019 across all regions, with the U.S. market demonstrating particular strength. As would be expected in such a strong year for equity market returns, Low Volatility strategies underperformed broad equity market indexes somewhat for the year in most markets, although they continued to provide solid returns and downside risk protection for investors. Fixed income portfolios gained in 2019 due to yields trending steadily lower in the first three quarters of the year, despite a slight reversal in the fourth quarter.

After the continued market gains in 2019, current valuations indicate that forward looking returns will be somewhat modest for global markets relative to long term averages.

For more information, including a summary of the market outlook for this period, visit the Quarterly Market Updates provided by Vestcor at vestcor.org/marketupdates.

HELPFUL DEFINITIONS

Asset Mix: A breakdown that details the investment assets within a fund or portfolio.

Equities: Investment securities that represent an ownership interest in an asset such as shares in a company or real estate.

Discount Rate: Set by the Plan's independent actuary. The rate at which a fund's expected benefit cash flows to members are discounted to determine its present value. In a Pension Fund, the assumed, net investment rate of return that the Pension Fund needs to conservatively earn over the long-term.

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

Statement of Investment Policies: A legal document that outlines the investment policies and procedures of a fund.

For even more helpful definitions, you can find a glossary of terms relevant to the NBPSPP at vestcor.org/glossary.

TIPS FOR RETIREES



TAX SEASON AND YOUR PENSION

As you may have recently filed your taxes, we thought it would be helpful to remind members who owe additional taxes every year that there is an option that may decrease what is owed at the end of each year.

To begin, you may be wondering why you owe additional taxes in the first place. When taxes are deducted from your NBPSP pension, they are automatically deducted as if the NBPSP pension is your only income; however, you may have additional sources of income. Other sources of income that you may receive include, but are not limited to, the Canada Pension Plan, Old Age Security, employment income, RRSPs, or other pension plans you receive a benefit from. Just like your NBPSP pension, any taxes that are automatically deducted from these other incomes are likely to be calculated as if they are your sole 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.

By going to vestcor.org/incometax, you can download a simple, one page form 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 may be able to decrease the amount you owe at the end of the year.

If you need additional help with the process, contact the Vestcor Member Services Team at 1 800 561 4012.

AMENDMENTS TO GOVERNING DOCUMENTS

The New Brunswick *Pension Benefits Act* (PBA) requires that members be provided with an update on any amendments to the NBPSP governing documents. As such, the Board of Trustees would like to inform you that Appendix A of the Plan Text was amended to include 2.12% COLA granted as of January 1, 2020. This amendment was filed with the Superintendent of Pensions.

The updated version of the NBPSP Plan Text is available at the following website: vestcor.org/NBPSP.