

NEW BRUNSWICK

Teachers'

PENSION PLAN

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NBTPP WHO'S WHO

The New Brunswick Teachers' Pension Plan (NBTPP) 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.

PLAN GOVERNANCE

BOARD OF TRUSTEES

WHAT THEY DO

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

The Board of Trustees makes its decisions according to the laws of New Brunswick and Canada, including the *Teachers' Pension Plan Act*, 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 NBTPP Plan Text. These documents can be found at vestcor.org/nbtpp.

The Board's duties include:

- setting the levels of contributions that you and your employer make to the NBTPP in accordance with the Funding Policy;
- determining the benefits paid out to members of the NBTPP in accordance with the Funding Policy;
- approving investment policy decisions; and,
- providing oversight of 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 NBTPP'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 Teachers' Pension Plan. This publication is intended to provide information about the New Brunswick Teachers' 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 NBTPP. 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 NBTPP. Vestcor receives employers' and employees' pension contributions and invests them in a diversified mix of asset classes according to the NBTPP 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/NBTPP

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

COVID-19, FINANCIAL MARKET VOLATILITY, AND YOUR NBTPP

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 NBTPP 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. Your Board of Trustees held one of their regularly scheduled quarterly meetings on May 7, 2020 through videoconference. After meeting with the NBTPP's investment manager, administration services provider and actuary, we are pleased to inform you that the NBTPP remains resilient, and that our diversified investment strategy has reduced the impact of the market volatility on the Plan. In addition, it was noted that the Plan continues to have sufficient liquidity 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.

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?

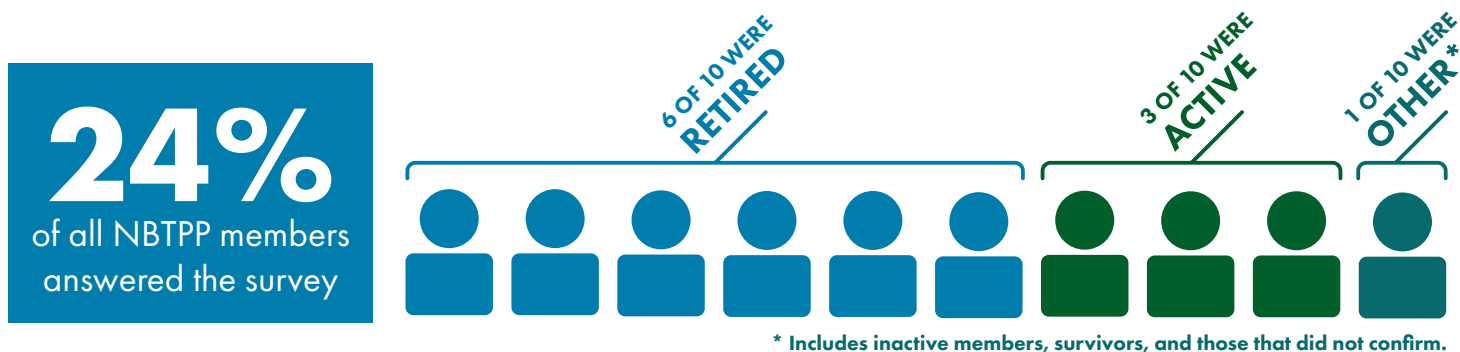
When taxes are deducted from your NBTPP pension, they are deducted as if the NBTPP pension is your only income. For many members, this isn't the case. Additional incomes that you may receive include, but are not limited to, the Canada Pension Plan, Old Age Security, RRSPs, other pension plans you benefit from, or employment income. Much like your NBTPP 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 NBTPP 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 may be able to 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.

THE NBTPP SURVEY

In the Fall of 2018, the Board of Trustees launched a survey to better understand how you, as a member of the NBTPP, perceive your pension plan. Initial results were shared in the Spring 2019 newsletter. Below are more detailed findings.



KEY TAKEAWAYS

The strong response rate has allowed the Board of Trustees to identify areas for improvements.

Many members identified similar needs and interests, including:

- A desire to learn more about the NBTPP;
- Uncertainty about who to contact for pension-related information;
- A reminder that online communications isn't a preferred method for everyone. Although it is for most, it is not always accessible, especially to retired members; and,
- Other preferred sources of information were identified.

Your Board of Trustees has made a commitment to:

- Provide more opportunities for you, the Plan's members, to learn about the Plan in more detail, from its provisions to key sources of information;
- Diversify methods of communication to provide you with more opportunities to access this information in methods that may be best for you. Various methods are being explored, including presentations, videos, and more.

Keep an eye on vestcor.org/nbtp. We'll continue to add new resources based on your feedback to help you better understand your plan. Not online? You can always call Vestcor to speak to the Member Services team at 1 800 561 4012 toll-free (in Canada) or 506 453 2296 in the Fredericton area.

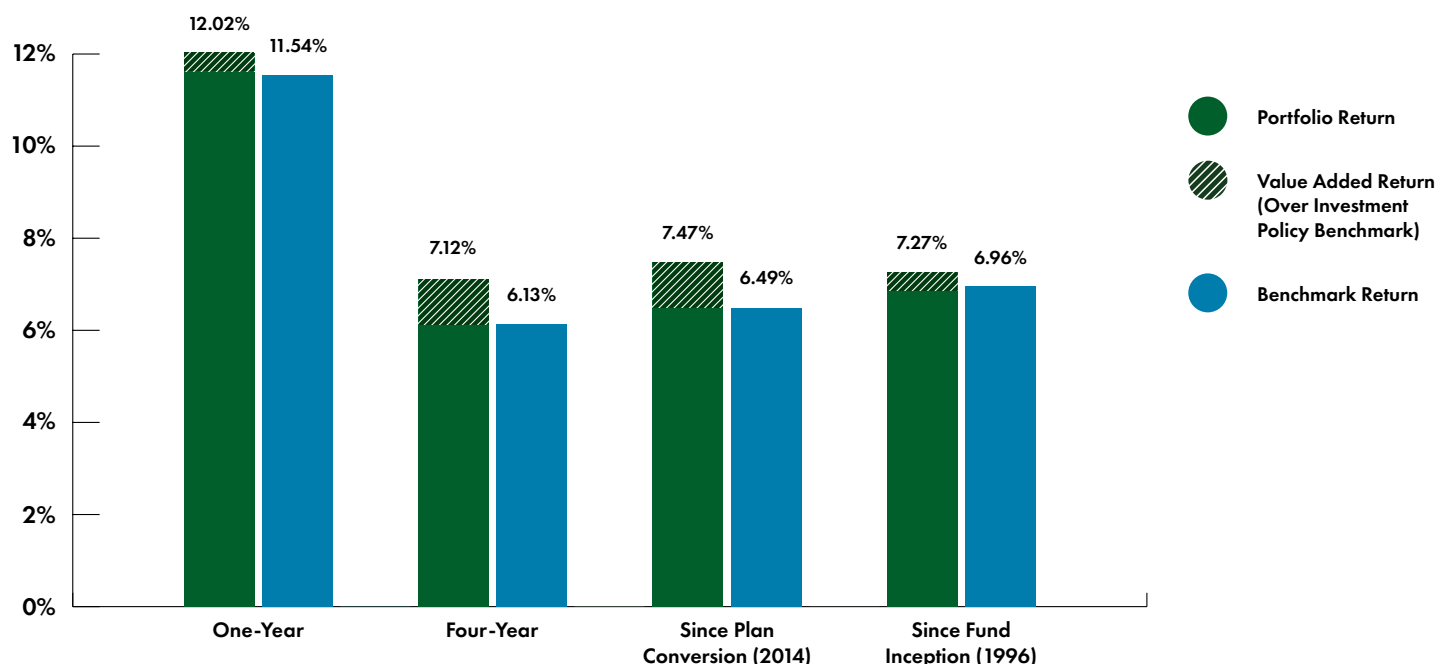
A SNAPSHOT OF WHERE YOUR PENSION FUND STANDS AS AT DECEMBER 31, 2019

2019 GROSS INVESTMENT RETURN
12.02%

NET INCREASE OF
\$522 MILLION

INVESTMENT ASSETS
\$6.266 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 global geopolitical outlook remains mixed, with uncertainty as to the long-term impact of the coronavirus, U.S. - China trade relations, and various political events around the globe which continue to weigh on investors.

The investment program significantly exceeded the policy benchmark in 2019 and led to a positive investment return of 12.02%. More importantly, both the longer term four-year annualized return of 7.12%, and the return since the inception of Vestcor's management in 1996 of 7.27%, remain in excess of the 5.85% discount rate set by the independent actuary.

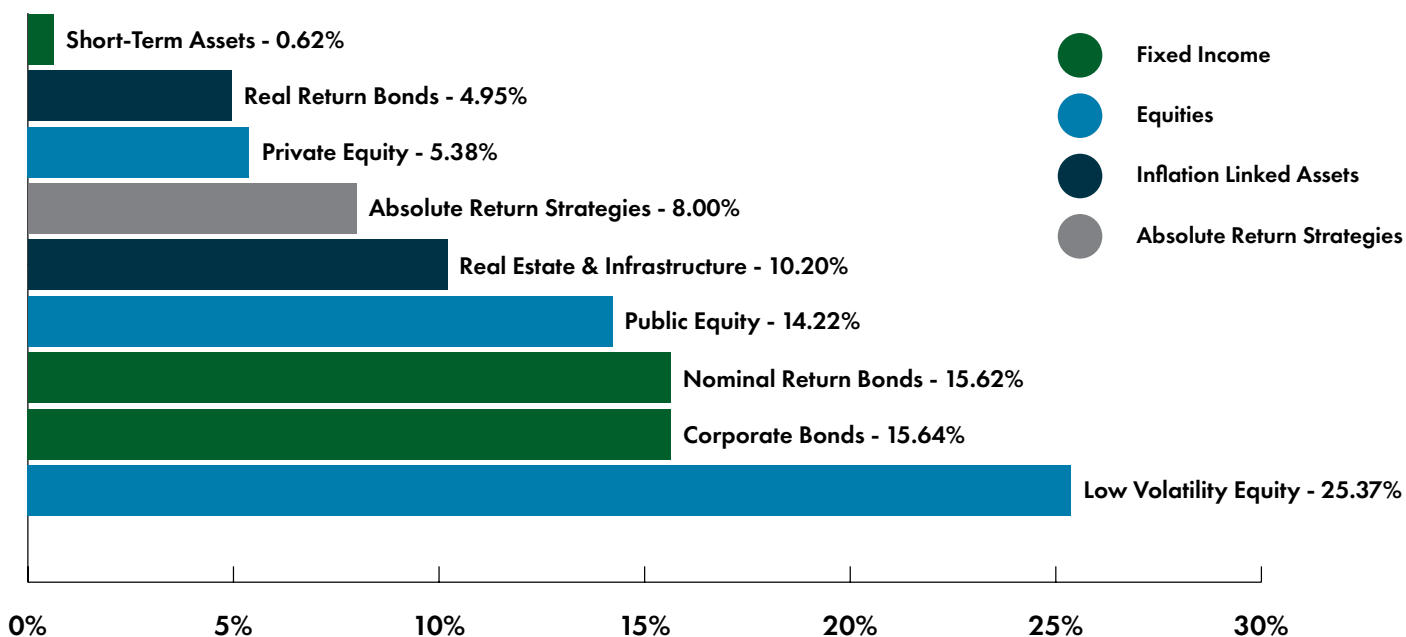
The return earned in excess of the benchmark portfolio contributed positive value add at 0.48% for the year ended December 31, 2019.

INVESTMENT ASSETS

The fair value of the NBTTP investment assets at December 31, 2019 was \$6.266 billion, an increase of \$522 million from the fair value at December 31, 2018.

ASSET MIX

NBTPP investment asset mix weights were held close to investment policy targets during the year. The chart below outlines the portfolio asset mix 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

Fair Value: The value of an asset (or liability) based on the market where the funds are traded, on the date reported.

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

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 Plan's expected benefits 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 NBTPP at vestcor.org/glossary.

ACTUARIAL VALUATION

THE FINANCIAL HEALTH OF YOUR PLAN

WHAT IS AN ACTUARIAL VALUATION?

The actuarial valuation report is an important tool used by the Board of Trustees. It assesses the NBTPP'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 NBTPP. The *Pension Benefits Act* and the *Teachers' Pension Plan Act* require the Board to have an actuary prepare this report every three years.

The NBTPP has two main tests it has to undergo:

- a risk management test to verify the Plan's security and its ability to pay benefits long-term; and
- a funding status test that compares the Plan's assets to its liabilities as of August 31 and calculates what is known as the **termination value funded ratio** of the Plan. This termination value funded ratio is used in the calculation of a member's benefits on termination of employment, death, marriage breakdown, or retirement.

WHAT WERE THE RESULTS IN 2019?

As of August 31, 2019, the NBTPP **passed the tests** outlined in the actuarial valuation report. The results can be seen on the right of the page.

The full report is available at vestcor.org/nbtp, under "Financial Results", "Actuarial Valuation".

Risk Management Test (PASSED)

99.65%

probability that benefits earned
will not be reduced over the next
20 years (as at August 31, 2019)

Funding Status Test (PASSED)

Termination Value Funded Ratio of

108.9%

(as at August 31, 2019)

AMENDMENTS TO GOVERNING DOCUMENTS

The New Brunswick *Pension Benefits Act* requires that Plan members be provided with an update on any Plan amendments.

As such, the Board of Trustees would like to inform you of the following amendments:

- The Plan Text was amended to permit the transfer of a member's termination benefits from a former employer's registered pension plan to the NBTPP in the absence of a reciprocal transfer agreement, subject to any statutory limitations and requirements, as well as the approval, beforehand, of the Board of Trustees. The amendment was filed with the Superintendent of Pensions on October 3, 2019.
- The Plan Text was amended in order to document the Indexing Adjustment Benefit (IAB) awarded as of January 1, 2020. The amendment was filed with the Superintendent of Pensions on February 7, 2020.
- The Statement of Investment Policies was amended to reflect a small change to the permitted deviations as well as a few housekeeping items. The amendments were filed with the Superintendent of Pensions on February 7, 2020.