

NEW BRUNSWICK

# Teachers'

PENSION PLAN



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# AN UPDATE FROM YOUR BOARD OF TRUSTEES

In these unprecedented times, we, as your NBTPP Board of Trustees, understand the concerns you may have surrounding your pension. We want to reassure you that though times have been challenging for global financial markets, your pensions are secure, and the Plan remains well-funded.

The assets of your plan are invested prudently in a well-diversified portfolio, with very strict risk management measures in place. These lower-risk investments are designed to help reduce the impacts of market downturns on the Plan. Fluctuations in the quarterly investment performance of the NBTPP are to be expected, so it's important that we maintain a long-term focus when looking at the assets of the Plan. Despite the recent challenges, long-term investment returns for the NBTPP exceed what is required for the Plan to remain on a strong financial footing.

For more information on the investment returns of the NBTPP, please refer to the Investment Report prepared by our investment manager, Vestcor, on page 3. We will continue to diligently monitor the situation and provide you with updates as financial markets continue their recovery.

## Key points to remember:

- Your Plan remains well-funded, with enough assets to make the required pension payments for a very long time.
- The investments of the NBTPP are less risky than the traditional pension plan and designed to better withstand market downturns.
- A more detailed Investment Report is available on page 3 of this newsletter.
- For more information on how the Plan performed in 2019, the NBTPP 2019 Annual Report is available now at [vestcor.org/nbtpp](https://vestcor.org/nbtpp).

## INDEXING ADJUSTMENT BENEFIT PROVIDED

In accordance with the NBTPP governing documents, the Plan provides for an annual Indexing Adjustment Benefit (IAB) when possible, up to a maximum of 4.75% each year.

For the 12-month period ending June 30, 2020, the increase in the average Consumer Price Index (CPI) was 1.46%. As a retired member, your benefit will be adjusted based on 75% of the increase in the CPI.

The increase will be applied to your monthly benefit effective January 1, 2021. You'll receive notification of this increase in writing in December 2020.

Curious about how the IAB was calculated? Refer to the IAB fact sheet at [vestcor.org/nbtpp](https://vestcor.org/nbtpp) under "Latest Information".

*\*Members who retire in 2020 will receive a blended IAB.*

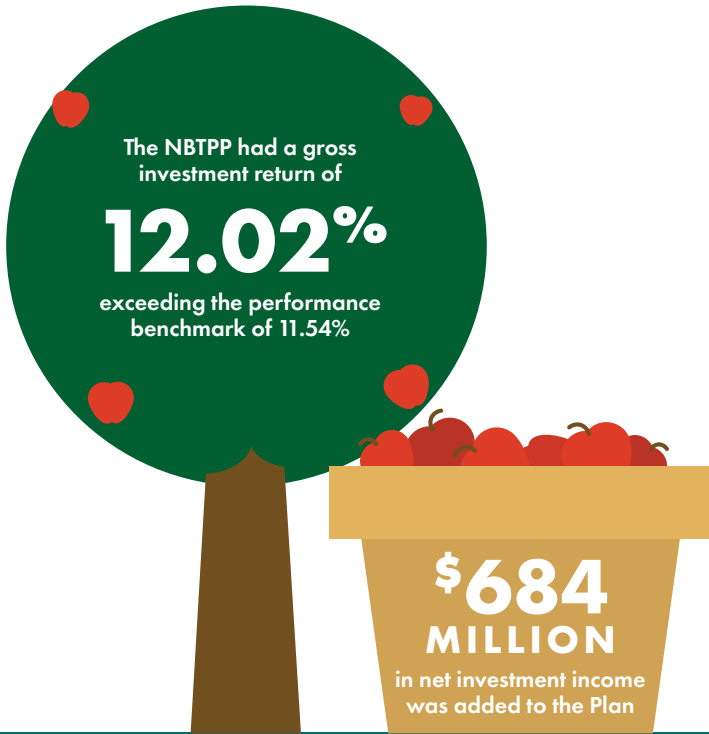
For **retired members** (including survivors), pensions will be adjusted on the basis of 75% of the increase in the CPI

**1.10%\***

**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.

# 2019 IN REVIEW

## INVESTMENT RETURNS



Our investment manager, Vestcor, recently released a brief video summarizing how their long-term investment performance has cost effectively met the long-term return goals of their clients while experiencing a relatively low level of risk. The video can be found at [vestcor.org/investments](http://vestcor.org/investments).

## MEMBERSHIP

As of August 31, 2019, the NBTPP had

**19,462** total members

**9,458** Retirees/Survivors

**8,402** Active Members

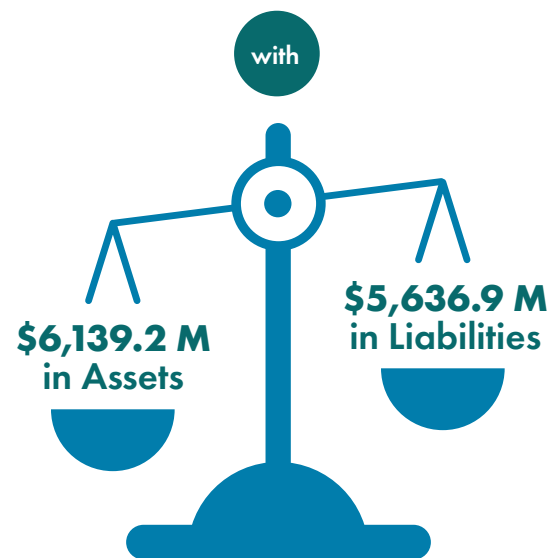
**1,602** Deferred Members

## HEALTH OF THE PLAN

The Plan's Funded Ratio increased to

**108.9%**

per the August 31, 2019 Actuarial Valuation (up from 108.5% at August 31, 2018)



WANT TO LEARN MORE ABOUT YOUR PLAN?

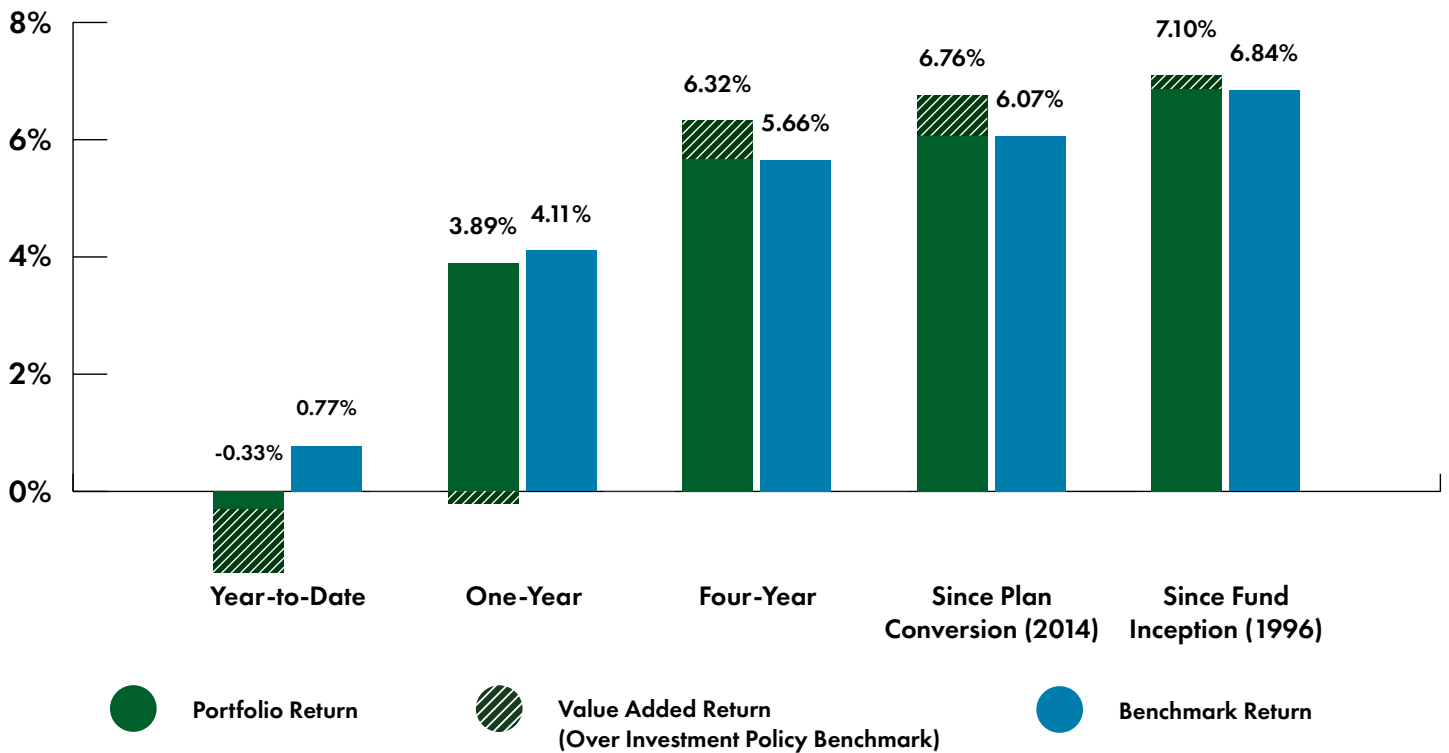


The NBTPP 2019 Annual Report is now available at [vestcor.org/nbtp](http://vestcor.org/nbtp).

## A SNAPSHOT OF WHERE YOUR PENSION FUND STANDS AS AT JUNE 30, 2020

GROSS INVESTMENT RETURN <b>-0.33%</b>	NET DECREASE OF <b>\$111.7 MILLION</b>	INVESTMENT ASSETS <b>\$6.155 BILLION</b>
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### INVESTMENT RETURNS (AS AT JUNE 30, 2020)



The first half of 2020 proved to be an extremely challenging investment environment. Global economic activity declined significantly during the first quarter of the year as most governments essentially shut down their economies to try to mitigate the COVID-19 virus outbreak. This subsequently caused unprecedented financial market volatility, with a significant decline in global risk assets in the first quarter undergoing a strong recovery in the second quarter.

As of June 30<sup>th</sup>, the well diversified NBTPP investment program experienced a slightly negative year-to-date return of -0.33%. More importantly, both the longer term four-year annualized return of 6.32%, and the annualized return since the inception of Vestcor’s management in 1996 of 7.10%, remain in excess of the 5.85% discount rate set by the independent actuary.

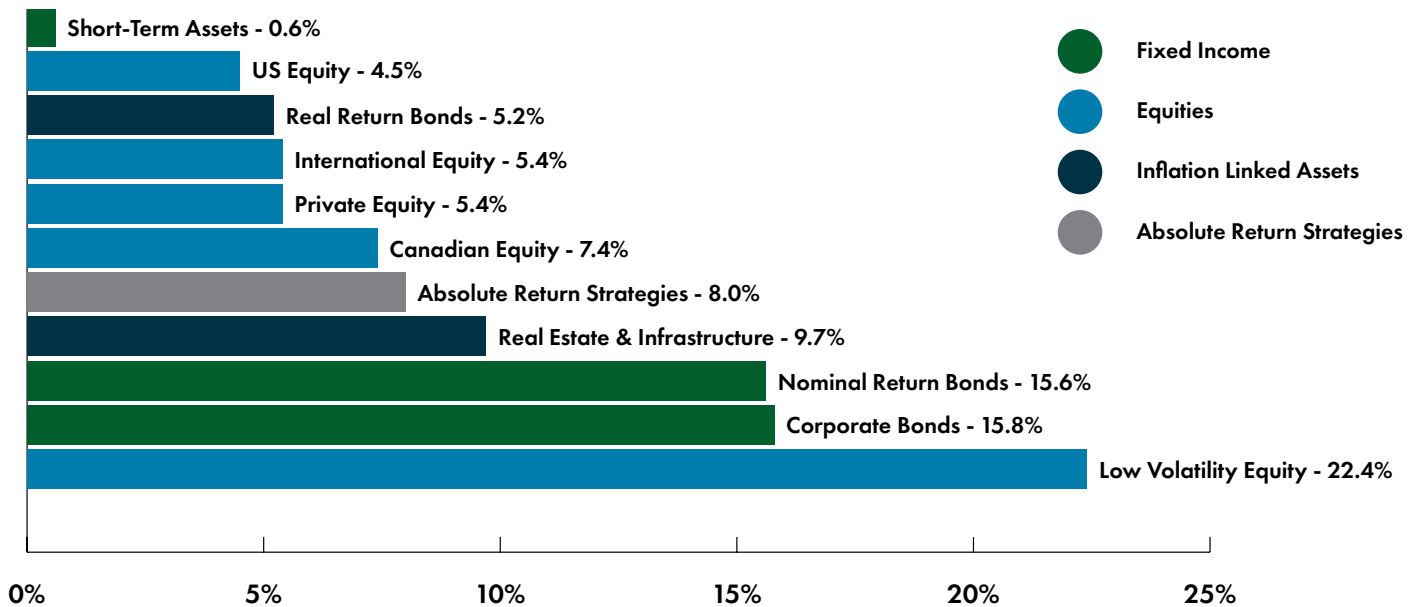
### INVESTMENT ASSETS

The fair value of the NBTPP’s investment assets at June 30, 2020 was \$6.155 billion, a decrease of \$111.7 million from the fair value at December 31, 2019.

The decline in fund assets from December 31, 2019, is due to the sum of active member contributions and investment returns being slightly less than the benefits paid out to retirees in the first six months of the year.

## 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 June 30, 2020, and illustrates how well-diversified the Plan's investment assets are.



## MARKET SNAPSHOT

After the significant volatility in the first quarter of 2020, most equity markets recovered rapidly to close the first half of the year just slightly below the levels at the end of 2019. The U.S. S&P 500 equity market Index ended 2019 at 3230, reached a low of 2237 (-31% return) in late March, but rallied 39% from the lows to close the month of June at 3100. Interest rates have declined further as global central banks try to further stimulate economic activity. Outside of the U.S., global equity markets have also recovered significantly, although remain somewhat lower relative to previous peak values when compared to the U.S. market.

The global geopolitical outlook continues to remain mixed as uncertainty as to the long-term impact of the coronavirus, U.S.-China trade relations, and various political events around the globe continue to weigh on investors.

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](https://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 assets.

**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).

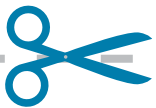
**Statement of Investment Policies:** A legal document that outlines the investment policies and procedures of a fund.

For even more helpful definitions, you can find a glossary of terms relevant to the NBTPP at [vestcor.org/glossary](https://vestcor.org/glossary).

# INCOME TAX REMINDER

## DO YOU FIND YOURSELF OWING TAXES EVERY YEAR?

Just a reminder, there is a form available at [vestcor.org/incometax](https://vestcor.org/incometax) that allows you 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.



## NBTPP 2021 PENSION PAYMENT DATES

JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
22	24	24	23	21	24
JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
23	24	24	22	24	17



## 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 amendment:

- The Statement of Investment Policies was amended to reflect changes to the asset mix as a result of an Asset Liability Modelling Study. The amendment was filed with the Superintendent of Pensions on July 10, 2020.

The updated version of the Statement of Investment Policies is available at [vestcor.org/nbtp](https://vestcor.org/nbtp).