



NBPSPP UPDATE

FALL 2020 | VOL. 11 | RETIREE EDITION

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AN UPDATE FROM YOUR BOARD OF TRUSTEES

In these unprecedented times, we, as your NBPSPP Board of Trustees, understand the concerns you may have surrounding your pension. We want to reassure you that the NBPSPP remains well-funded. Our investment assets are diversified with significant risk-management in place, beyond what you would see in a traditional pension plan. These measures are designed to reduce the effect of volatile markets on the NBPSPP compared to traditional pension plans. Fluctuations in the quarterly investment performance of the NBPSPP 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 NBPSPP still exceed what is required for the Plan to remain on a strong financial footing. We want to assure you; your pensions are secure.

Finally, the Board would like to remind members that your Plan is a jointly trustee plan. This structure, common across Canada and around the world, means that governance of your Plan is provided by an independent Board of Trustees that have a fiduciary duty to always act in the best interests of the Plan and its members, while abiding by the governing documents of the Plan. This differs significantly from the previous model, where the Province of New Brunswick acted as the Administrator. The independence of your Board ensures that they are removed from outside influence, and accountable to you as a Plan member. Your Board is committed to always following best practices when it comes to the governance of the NBPSPP, today and in the future.

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 NBPSPP are less risky than a traditional pension plan and designed to better withstand market downturns.
- A more detailed Investment Report is available on page 5 of this newsletter.
- More information on how the Plan performed in 2019 can be found in the NBPSPP 2019 Annual Report, available now at vestcor.org/nbpspp.

FULL COST OF LIVING ADJUSTMENT AWARDED TO MEMBERS

Your Board of Trustees was able to approve a full cost of living adjustment (COLA) for January 1, 2021. This year's COLA matches Canada's Consumer Price Index of 1.46%.

The increase will be applied to your monthly pension as of January 1, 2021. Notification of this increase will be sent to you in writing in December 2020.

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



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.

NBPSPP 2020 ANNUAL INFORMATION MEETING

On September 21st, 2020 we held our 6th Annual Information Meeting via live webcast.

If you had difficulties attending, or if you would like more information, visit vestcor.org/NBPSPP2020AIM, where you can:

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



WELCOMING A NEW TRUSTEE TO YOUR BOARD

Your Board's composition changed in early 2020 with Denise Pinette's term as a Trustee ending on January 31, 2020, at which time she chose not to seek reappointment. Denise's knowledge and contributions provided much value to your Board. As of February 1, 2020, your Board of Trustees had the pleasure of welcoming Paul Martin to the Board.

Paul Martin is the Comptroller for the Province of New Brunswick with oversight of accounting, internal audit, enterprise risk management, financial systems and consulting. He has 38 years of experience in public practice as a former partner with a national accounting firm and currently with the Provincial Government. Paul is a Fellow Chartered Professional Accountant and a past president of the New Brunswick Institute of Chartered Accountants. He currently serves as a member of the Chartered Professional Accountants of Canada's Public Sector Accounting Discussion Group and the Employment Benefits Task Force. Paul is also a Trustee of the New Brunswick Teachers' Pension Plan.

AMENDMENTS TO GOVERNING DOCUMENTS

The New Brunswick *Pension Benefits Act* (PBA) requires that members be provided with an update on any amendments to the NBPSPP governing documents.

As such, the Board of Trustees would like to inform you that the Statement of Investment Policies was amended to reflect minor asset mix changes and approved by the Board of Trustees at their March 18, 2020 meeting. This amendment was filed with the Superintendent of Pensions.

The updated version of the Statement of Investment Policies is available at the following website: vestcor.org/nbpspp.

Your NBPSPP in 2019

Membership



Your NBPSPP had

39,981

active, retired, & deferred members
**in New Brunswick &
around the world.**

2019 Investment Performance

11.65%

Gross Investment
Return at Dec. 31, 2019

**\$720
million**

Increase in Net Assets
Since Dec. 31, 2018

**\$8.334
billion**

in Investment Assets
as at Dec. 31, 2019

**As
compared
to 2018...**

The gross
investment return
was **1.75%**, adding
\$132.3 million in
net investment
income.

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.

Read more about the Plan's
Mid-Year Investment
Performance on page 5.

Actuarial Valuation

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 2019?

As of January 1, 2020, 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	Current results as at January 1, 2020	Prior results as at January 1, 2019
Primary Risk Management Goal Achieve 97.5% probability that past base benefits earned will not be reduced over the next 20 years.	97.5%	99.35%	99.15%
1st Secondary Risk Management Goal Provide indexing in excess of 75% of CPI to members and retirees over the next 20 years.	75%	88.60% of CPI	88.90% 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%	98.90%	98.70%

The report also provides an update on how well the NBPSPP is funded, known as the **funding status**.

Termination
Funded Ratio
114.7%

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

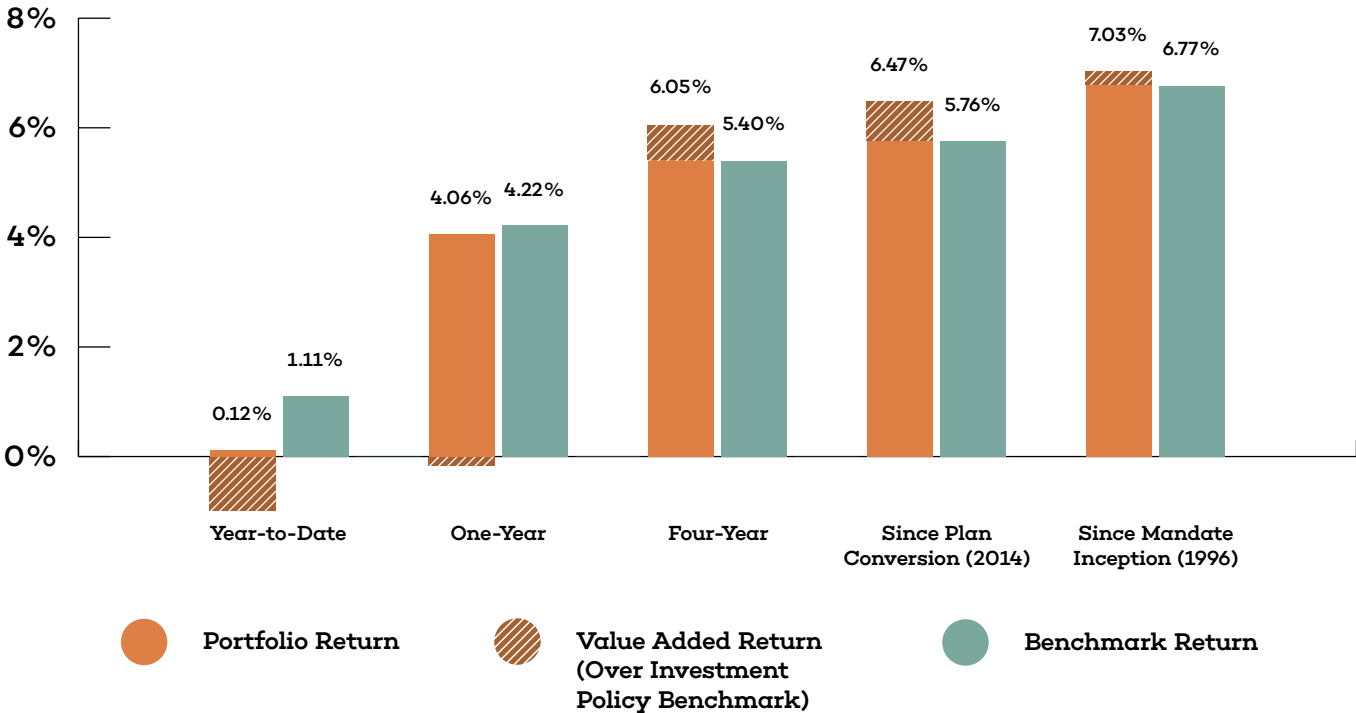
15-Year Open Group
Funded Ratio
131.7%

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

Want to learn more about your Plan?
The NBPSPP 2019 Annual Report is now available at vestcor.org/nbpspp.

NBPSPP RETURN (GROSS) <h1 style="margin: 0;">0.12%</h1> AT JUNE 30, 2020	NET DECREASE OF <h1 style="margin: 0;">\$84.4 million</h1> SINCE DEC. 31, 2019	INVESTMENT ASSETS ARE <h1 style="margin: 0;">\$8.250 billion</h1>
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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 30th, the well diversified NBPSPP investment program experienced a positive year-to-date return of 0.12%. More importantly, both the longer term four-year annualized return of 6.05%, and the annualized return since the inception of Vestcor’s management in 1996 of 7.03%, remain in excess of the 4.75% discount rate set for the Fund.

INVESTMENT ASSETS

The fair value of the NBPSPP investment assets on June 30, 2020 was \$8.250 billion, a decrease of \$84.4 million from the fair value at December 31, 2019. This decrease represents approximately 1% of the overall pension fund.

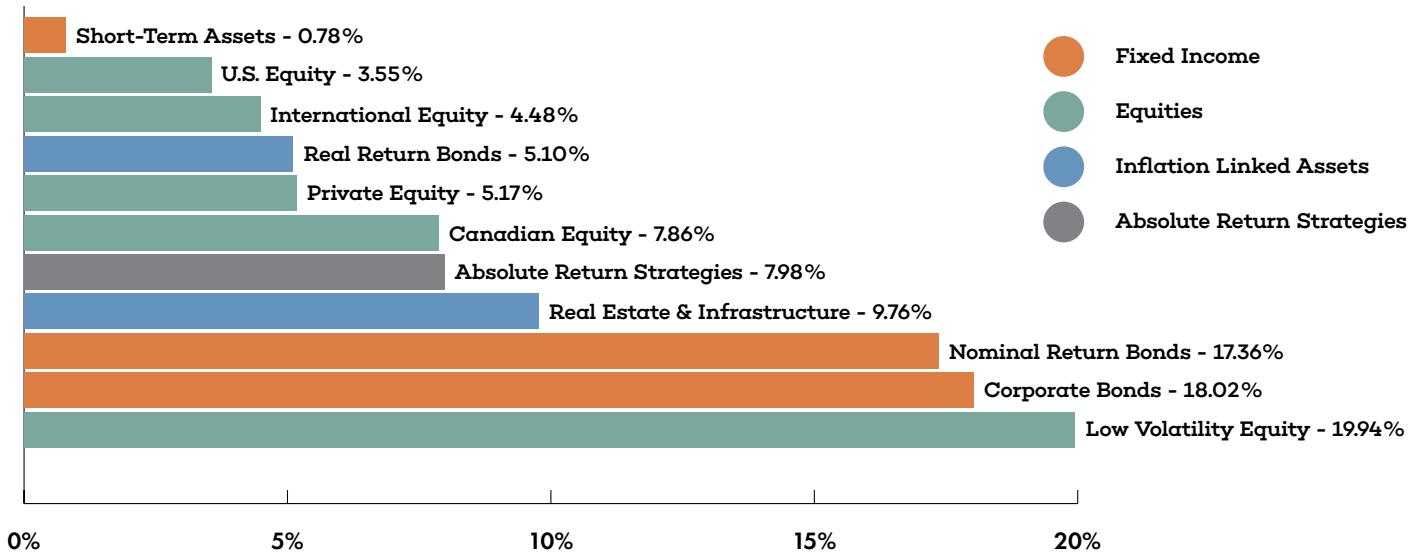
The decline in fund assets from December 31, 2019, is due to the sum of active member contributions and investment returns being slightly less than the benefits paid out to retirees in the first six months of the year.

MID-YEAR INVESTMENT REPORT (CONTINUED)

ASSET MIX

The breakdown of where the Pension Fund was invested at June 30, 2020, 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 June 30, 2020



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.

HELPFUL DEFINITIONS

Asset Mix: A breakdown that details the proportion of 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 assets.

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.

QUICK TIPS FOR RETIREES

- Are you planning on moving? Don't forget to change your address with Vestcor using our Change of Address form available at vestcor.org or by calling 1 800 561 4012. Let us know if your phone number has changed as well.
- Do you have a Power of Attorney? Make sure you send us a certified copy of this document to be sure that person can act on your behalf.
- Need to contact Service Canada about the Canada Pension Plan or Old Age Security? They can be contacted toll free at 1 800 277 9914.
- Have you opened a new bank account? Make sure to let Vestcor know by calling 1 800 561 4012, and keep your old account open until you've seen a payment deposited in your new account.



NBPSPP 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

