

NEW BRUNSWICK

# Teachers'

PENSION PLAN



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# UPDATE FROM YOUR BOARD

A lot changed in the world in 2020. We have all been touched personally and professionally by the COVID-19 pandemic. The challenges for teachers have been especially acute. There have been new teaching methods to adapt to and new procedures to follow to keep both students and teachers safe, all while maintaining what was already a heavy workload. We know it hasn't been easy. New Brunswick is fortunate to have so many dedicated, talented teachers preparing its students for the future. We're sure that our retired members often think of those still in the classroom. After all, once a teacher, always a teacher.

Despite all this upheaval, we are pleased to reassure you that your Plan has remained resilient. Funds of the NBTPP were able to weather the market volatility that was seen earlier in the year. This was due in part to the less risky approach that your Plan employs compared to other pension funds. A strong market recovery in the latter half of the year helped the NBTPP see its investment assets grow by \$252 million in 2020. Most importantly, the long-term returns of the Plan continue to exceed what is needed to keep the fund healthy and well-funded. More information can be found in the Investment Report on page 3.

We also want to take a moment to note our concern with the issues recently raised in the 2020 Auditor General Report – Volume II (February 2021). Your Board and Vestcor responded when the report was initially released. Those responses can be found at [vestcor.org/nbtp](https://vestcor.org/nbtp) and [vestcor.org/response](https://vestcor.org/response) respectively. Furthermore, Vestcor has agreed to appear in front of the Standing Committee on Public Accounts and is currently awaiting further instructions. Vestcor looks forward to the opportunity to speak to the Committee. In the meantime, you can find a copy of a letter at [vestcor.org/oag](https://vestcor.org/oag) that has been forwarded to the Committee detailing Vestcor's concerns with the information access request.

## NBTPP FINANCIAL UPDATE

### COST CERTIFICATE

Every three years the NBTPP is required to undergo an actuarial valuation. This extensive report, prepared by our actuary, assesses the NBTPP's ability to provide pension benefits to you, the NBTPP membership. It also helps guide the Board in making decisions regarding the finances of the NBTPP. The most recent Actuarial Valuation Report for the NBTPP was completed as of August 31, 2019, with the next one scheduled for 2022.

In the years in which an actuarial valuation is not required, the actuary must prepare a Cost Certificate. As part of preparing a Cost Certificate, our actuary calculates the financial position of the NBTPP by comparing the fair market value of the NBTPP's assets to the extrapolated funding liability as at August 31, 2020; this ratio is known as the **termination value funded ratio**, with the results as at August 31, 2020 provided to the right.

### Funding Status of the NBTPP

Termination Value Funded Ratio of

**103.4%**  
(as at August 31, 2020)

**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.



# TAX SEASON AND YOUR PENSION



It's tax season again. One of the most common questions from many of our retired members continues to be why they owe additional taxes each year. Therefore, we thought it would be helpful to let members know that there is an option that may decrease what is payable 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 NBTPP pension, they are automatically deducted as if the NBTPP 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 NBTPP 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](https://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 by, 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 this process, contact the Vestcor Member Services Team at 1 800 561 4012.

Some members may also find it beneficial to look into splitting their pension income with their spouse or common-law partner for tax purposes. More information on this process can be found on the Government of Canada website:

<https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/pension-income-splitting.html>.

## PAPERLESS NEWSLETTERS

Your pension plan newsletter is an important tool for your Board of Trustees to communicate updates about the Plan. Our aim is to provide members with information that is valuable to them, including updates to the governing documents of the NBTPP (see page 7) and Investment Reports (see page 3), as well as general information to help them get the most out of their Plan.

We understand that not every member of the NBTPP has a desire to receive the newsletter; however, the *Pension Benefits Act* (New Brunswick) requires that members be provided with this information. Although you are unable to opt out of receiving the newsletter, for those members who currently are receiving a paper copy, we encourage you to sign up to receive the newsletter electronically by filling out the short form found at [vestcor.org/newsletters](https://vestcor.org/newsletters).

## A SNAPSHOT OF WHERE YOUR PENSION FUND STANDS AS AT DECEMBER 31, 2020

GROSS INVESTMENT RETURN

7.06%

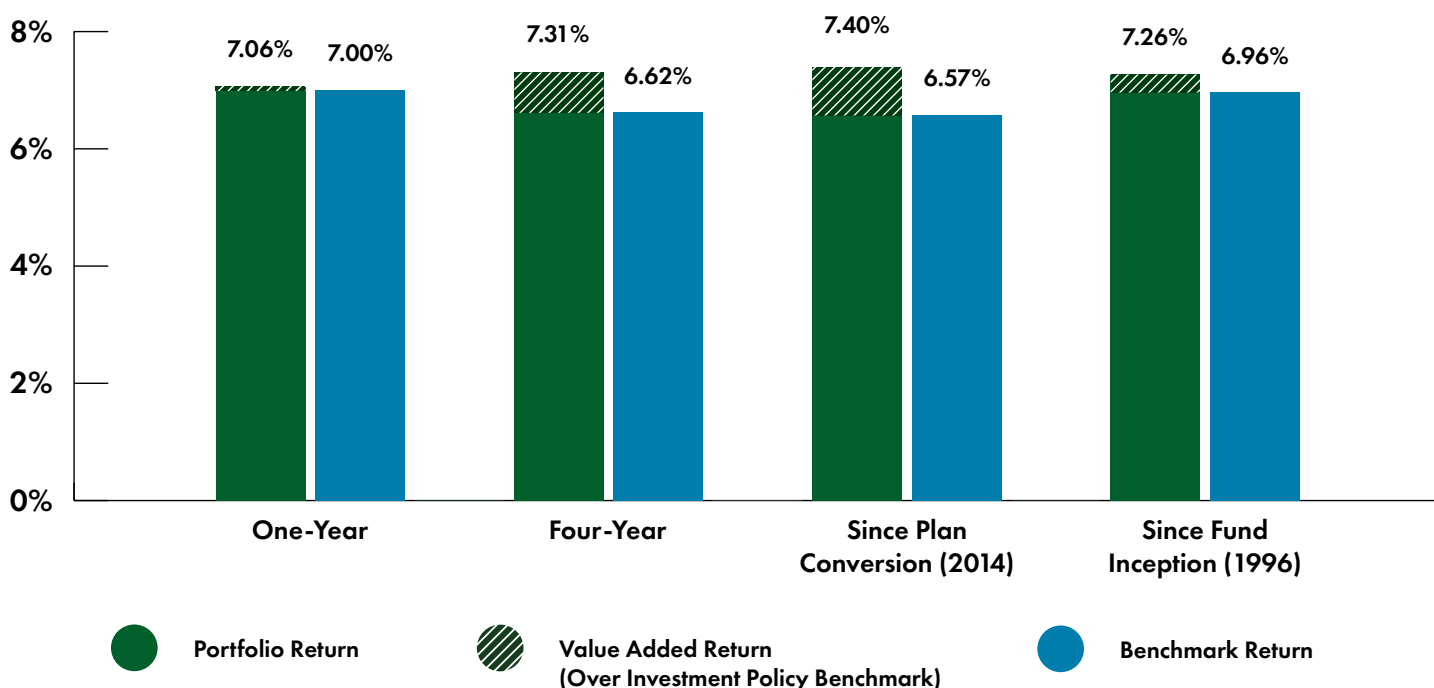
NET INCREASE OF

\$252 MILLION

INVESTMENT ASSETS

\$6.518 BILLION

## INVESTMENT RETURNS (AS AT DECEMBER 31, 2020)



With global financial markets experiencing a volatile first half year in 2020, the second half of the year witnessed a strong rebound from the significant initial negative reaction to the outbreak of the COVID-19 pandemic. While financial markets have continued to strengthen since the November 3<sup>rd</sup> U.S. elections based on positive expectations from a global COVID vaccine program, significant market uncertainties and challenges remain.

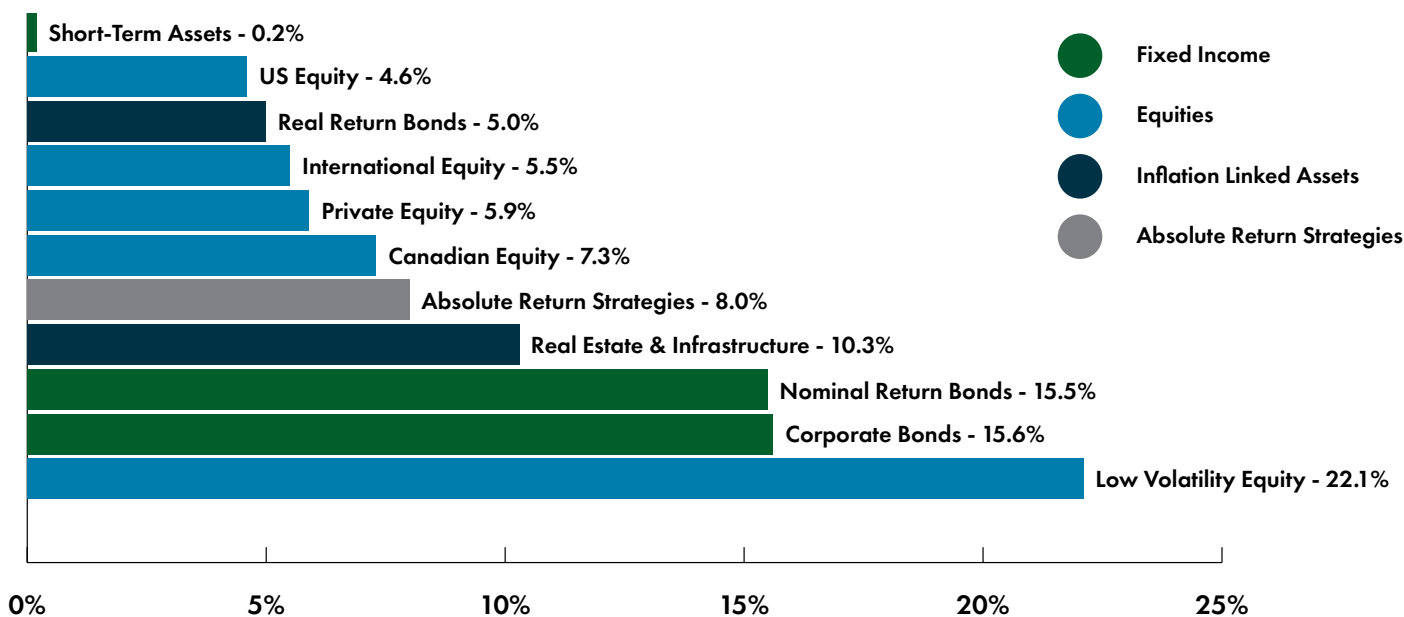
We are pleased to report that the investment program earned a positive return of 7.06% in 2020 due to the strong 7.41% return experienced during the second half of the year. Over the longer term, both the four-year annualized return of 7.31%, and the return since the inception of Vestcor's management in 1996 of 7.26%, remain in excess of the current 5.4% discount rate employed by the independent actuary as at August 31, 2020, as well as the prior discount rate of 5.8% as at August 31, 2019.

## INVESTMENT ASSETS

The fair value of the NBTPP investment assets on December 31, 2020 was \$6.518 billion, an increase of \$252 million from the fair value on December 31, 2019.

## 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 on December 31, 2020, and illustrates how well-diversified the Plan's investment assets are.



## MARKET SNAPSHOT

Despite the significant and ongoing economic upheaval due to the COVID-19 pandemic, equity markets began their strong recovery in late March. By December 31, despite at one point experiencing a year-to-date position of -30%, the S&P 500 index had generated an annual return for investors of over 18% in USD terms.

Given the current economic situation and market status, the outlook remains cloudy for investors. As has been the case with previous updates, valuations remain at the high end of historical ranges – equities are priced at levels not observed since the 1999-2000 tech bubble, and although bond yields have increased off the lows of 2020, forward looking returns for bond investors globally remain significantly below long-term averages. Standard 60% Equity / 40% Fixed Income weighted portfolios appear unlikely to produce returns close to their long-term averages when measured from a starting point of January 2021. Focusing on diversified, low risk sources of enhanced returns while structuring portfolios that maximize diversification and minimize downside risk will remain essential to long run success.

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).



# UPDATED PENSION ADMINISTRATION SYSTEM

Our pension administrator, Vestcor, has recently modernized their pension administration system. The legacy system that had been in place had become outdated when compared to other modern systems; in the interest of data security and ongoing efficiency improvements, it was determined that an upgrade was warranted.

The implementation of a system of this size brought challenges, and the COVID-19 pandemic added to the complexity of the situation. Despite this, Vestcor successfully transitioned to the new system in the latter half of 2020. There are still process refinements being identified, but work continues diligently to solve outstanding issues.

## WHAT DOES THIS MEAN FOR YOU?

The new system will allow our pension administrator to service all members more efficiently. In any interactions with Vestcor, you will notice little to no difference, aside from the look of some documents having been refreshed from previous years. Rest assured, the decision to upgrade the system was made with the long-term benefit of all members in mind.



# LIFE EVENTS:

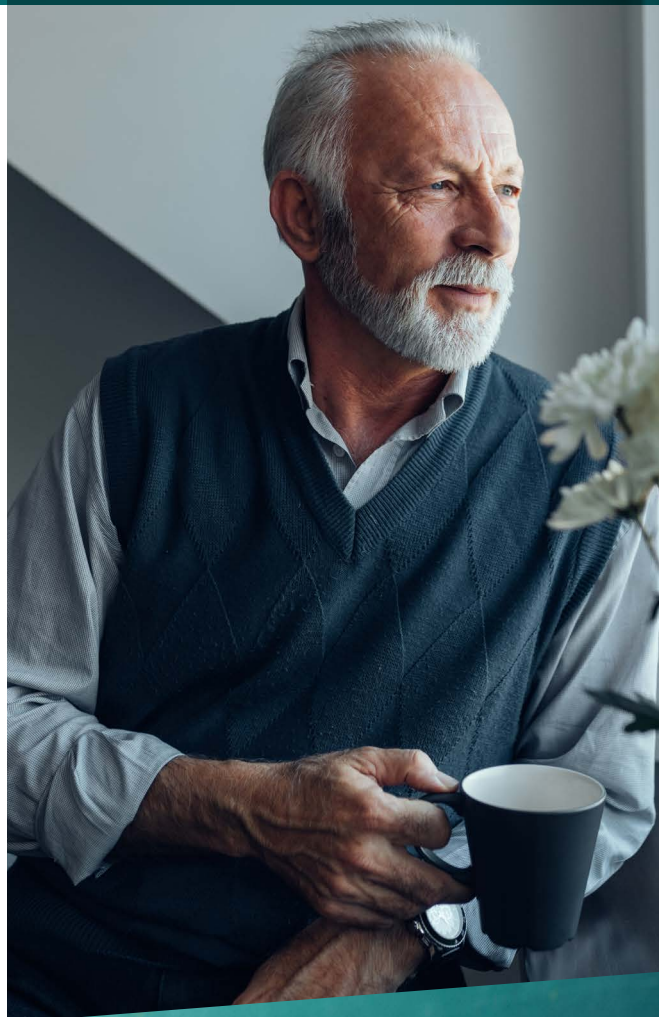
## ENDING A SPOUSAL RELATIONSHIP

Over the course of your career you may experience a lot of changes – professionally and personally. If you're going through a separation or divorce, your pension may be affected.

Your pension is one of the assets available for division as part of a separation or divorce and may be included in the final settlement between you and your former partner.

The NBTPP allows for the transfer of a portion of pension assets to an ex-spouse following the breakdown of a marriage or common-law partnership. The benefits earned in the pension plan **during the time you were married/cohabitating** can be included in the division of marital assets. For retirees, the portion of the benefit that is transferred to your spouse will directly reduce your monthly pension benefit on a go forward basis.

Visit [vestcor.org/life-events](https://vestcor.org/life-events). You'll find important resources including an information booklet which details your Plan's rules regarding the division of pension benefits upon marriage/common-law partnership breakdown, how the calculations are conducted, and other important factors to consider. You'll also find other Life Events including *Planning for Retirement*, *Leaving Your Employment*, *Returning from a Leave of Absence*, and more.





## WE WANT YOUR QUESTIONS!

This is your newsletter, and we want to make sure that it's a valuable resource for you. Are there elements of the NBTPP that are unclear? Is there information related to the Plan that you've been impacted by that you think would be valuable to others? We want to hear from you! Contact [info@vestcor.org](mailto:info@vestcor.org) today. Make sure to reference the NBTPP Newsletter in the subject line.

## AMENDMENTS TO GOVERNING DOCUMENTS

The *Pension Benefits Act* (New Brunswick) 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 which were filed with the Superintendent of Pensions:

- The Plan Text was amended in order to document the Indexing Adjustment Benefit (IAB) awarded as of January 1, 2021; and to extend the temporary suspension of a provision (for the period of July 1, 2020 to June 30, 2022) related to the 80-day supply teaching limit per school year for NBTPP retirees. These amendments were filed with the Superintendent of Pensions on January 22, 2021.
- The Board of Trustees approved amendments to the NBTPP Statement of Investment Policies on September 22, 2020 to reflect benchmark changes and items which are housekeeping in nature. These amendments were filed with the Superintendent of Pensions on October 19, 2020.
- The Board of Trustees approved amendments to the NBTPP Funding Policy on September 22, 2020 to reflect changes to the discount rate, inflation rate assumption and the definition of the retirement assumption. These amendments were filed with the Superintendent of Pensions on October 20, 2020.

The updated versions of the governing documents are available at [vestcor.org/nbtpp](https://vestcor.org/nbtpp).