



SPRING 2021 | VOLUME 12

NBPSP UPDATE

ACTIVE MEMBER EDITION

IN THIS ISSUE

- 1 | **NBPSP 2021 VIRTUAL ANNUAL INFORMATION MEETING**
- 2 | **UPDATED PENSION ADMINISTRATION SYSTEM**
- 2 | **NBPSP VIDEO PRESENTATIONS**
- 3 | **UPDATE FROM YOUR BOARD OF TRUSTEES**
- 3 | **YOUR EMPLOYEE STATEMENT OF PENSION BENEFITS**
- 4 | **PURCHASING PRIOR SERVICE**
- 4 | **PAPERLESS NEWSLETTERS**
- 5 | **INVESTMENT REPORT**
- 7 | **LIFE EVENTS: ENDING A SPOUSAL RELATIONSHIP**
- 7 | **AMENDMENTS TO GOVERNING DOCUMENTS**

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ISBN 978-1-4605-2768-9



NBPSPP 2021 VIRTUAL ANNUAL INFORMATION MEETING



WHEN?

September 30th, 2021, 12:00 noon - 1:00 pm

WHERE?

Online via webcast with a phone-in option

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/NBPSPP2021AIM

Some questions from prior meetings...

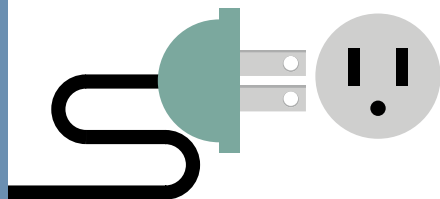
What provisions have been made to provide a high degree of confidence that current retirees' pensions are protected from major recessions?

Our investment manager, Vestcor, assists the NBPSPP in constructing a portfolio that is designed to be lower risk, while achieving the long-term returns required by the Plan. They do so by using strategies that have much lower expected volatility than typical investment approaches. So, during years when markets rise significantly, your Plan may produce slightly lower returns than other riskier pension funds. Conversely, your Plan's lower risk portfolio would be more likely to outperform the other riskier pension funds during more volatile market periods, such as in the event of a recession.

Do you think the COLA of 1.46% is reasonable considering the pandemic and considerable augmentation of cost to habitation, food, services, etc.? I don't believe it's enough.

The Board of Trustees must follow the specific terms provided in the Funding Policy to award COLA. In accordance with the Funding Policy, COLA cannot be awarded by more than the increase in the Consumer Price Index for the year ending June 30th prior to the effective date of the award. That increase in CPI was equal to 1.46%, and therefore the maximum COLA that was permissible under the terms of the Funding Policy for the Plan was provided.

For more information, please refer to "Explaining the Cost of Living Increase" under "Latest Information" at vestcor.org/nbpspp.



We recognize that some members had technical difficulties accessing our 2020 Virtual Annual Information Meeting, particularly when it came to the phone-in option. We want to assure you that we are working with our service providers to ensure an improved experience for all members in 2021.

For a full summary of the Q&A Period from the 2020 Annual Information Meeting, visit vestcor.org/NBPSPP2020AIM

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.



UPDATED PENSION ADMINISTRATION SYSTEM

Our pension administrator, Vestcor, has recently modernized their pension administration system. Their prior system had become outdated when compared to other modern systems. An upgrade was performed to ensure data security, improve efficiency and provide better service to members.

The system was successfully implemented in the latter half of 2020 in a challenging environment owing to the COVID-19 pandemic. There are still process refinements being identified, but work continues diligently to solve these outstanding issues.

WHAT DOES THIS MEAN FOR YOU?

The new system will allow our pension administrator to service all members more efficiently. We expect this system enhancement will improve your experience.

NBPSPP VIDEO PRESENTATIONS

Some members may have had the opportunity in the past to attend employee presentations conducted by our pension services administrator (Vestcor). Did you know these presentations are also available online in video form at vestcor.org/nbpspp?

The presentations are separated by topic, which include *Benefits Accumulated Under the NBPSPP*, *Forms of Pension*, *Keeping Track of Your Pension Benefit*, and much more. Watch them all in order or choose the topics that interest you the most! You can also find them by searching for Vestcor on YouTube.



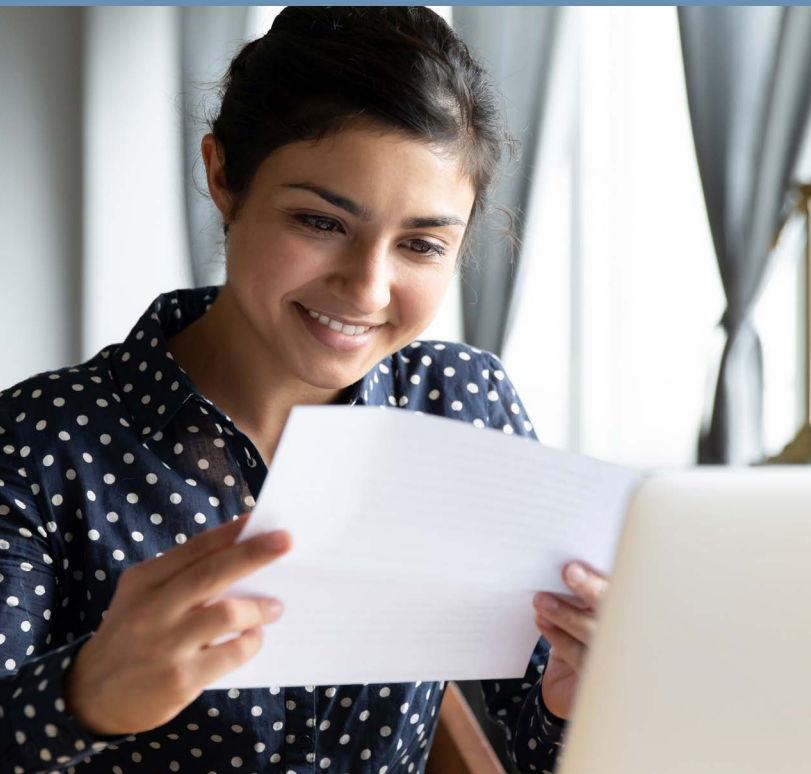
UPDATE FROM YOUR BOARD OF TRUSTEES

A lot changed in the world in 2020. We have all been touched in some way, both personally and professionally, by the COVID-19 pandemic. Despite this upheaval, we are happy to announce that your Plan has remained resilient. Funds of the NBPSPP 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 NBPSPP see its investment assets grow by \$412 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 5.

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). As you may be aware, the Office of the Auditor General has requested full access to the records of our administration and investment management service provider Vestcor. As Vestcor is jointly owned by the NBPSPP and the New Brunswick Teachers' Pension Plan, the Auditor General requested that the Board of the NBPSPP instruct Vestcor to provide her office with the requested access. We have respectfully declined these requests. Under the *Vestcor Act*, it is specifically stated that Vestcor is a fully independent, not-for-profit company, and not an agent of the Crown. Therefore, Vestcor does not fall within the mandate of the Auditor General. Although a number of the members of your Board were appointed by the Province, our fiduciary duty and responsibility is to you, the members of the NBPSPP. We have a legal commitment to act as an independent body and our only duty is to act in the best interests of the Plan and its members. Both the NBPSPP and Vestcor have a rigorous external audit process that they follow. The results of these audits are available in the respective annual reports of the NBPSPP and Vestcor. Vestcor's annual report can be found at vestcor.org/annualreports. You can find the NBPSPP annual report and read our full response to the Auditor General's request at vestcor.org/nbpspp.



This is your newsletter, and we want to make sure that it's a valuable resource for you. Are there elements of the NBPSPP 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 today. Make sure to reference the NBPSPP Newsletter in the subject line.



YOUR EMPLOYEE STATEMENT OF PENSION BENEFITS

If you were an active member of the NBPSPP in 2020 you'll receive your 2020 Employee Statement of Pension Benefits this spring. This statement provides you with updated estimated pension amounts as of December 31, 2020. Your statement also includes the information you need to use Vestcor's pension estimate calculator, found at vestcor.org/calculators.

If you need help with your statement, an *Understanding your Employee Statement of Pension Benefits* guide will be included with it. This guide is also available at vestcor.org/nbpspp under "Booklets".

PURCHASING PRIOR SERVICE

Purchasing prior service may be a great way for you to increase your pension benefit when you retire; the following article is designed to answer some of the most commonly asked questions and to highlight how purchasing service as early as you can will likely benefit you.

HOW MUCH DOES IT COST?

For most types of purchase of service, the cost to purchase is usually the **greater of**:

- the missed employee pension contributions (based on the current contribution rate and your current salary); or
- the Adjusted Termination Value (an actuarial calculation that reflects what the true cost will be to the NBPSP to provide your purchased benefits at retirement; it is based on a number of Plan assumptions and other factors, such as age and salary).

A comprehensive *NBPSP Additional Purchase of Service Information* booklet is available at vestcor.org/nbpspp-purchase.

HOW DO I APPLY TO PURCHASE SERVICE?

Purchases of prior periods of service can only be made while you are an active contributor to the NBPSP. In order to obtain an official purchase of service costing estimate, please complete a purchase of service application with your Human Resources/Payroll Office. Your application will then be submitted to Vestcor for processing. Once you receive your purchase of service costing estimate, you will have 90 days in which to elect the purchase of service.

Once you have elected your purchase of service, it can be paid in a **lump sum payment** including personal cheque, money order, direct transfer of funds from an RRSP, or using all or part of your retirement allowance/severance benefits (subject to restrictions).

WHAT TYPES OF SERVICE CAN BE PURCHASED?

Previously refunded service from one of the following plans:

- NBPSP / former *Public Service Superannuation Act* (PSSA) pension plan
- Certain periods of refunded service from another provincially sponsored pension plan (for example, the New Brunswick Teachers' Pension Plan), the Government of Canada (including any Crown Corporation or Agency), or a Government of a Province or Territory in Canada.

Other periods of past service, which include (but are not limited to):

- Prior Non-Contributory service (Full-Time or Part-Time Service)
- Authorized Leave Without Pay (e.g. Maternity Leave) – subject to Canada Revenue Agency (CRA) limits
- Long-Term Disability Waiting Period (restricted to post-1992 service)
- MLA Service (restricted to post-1991 service)

For a comprehensive list of the types of service that may be purchased, please refer to your NBPSP booklet at vestcor.org/nbpspp.



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 NBPSP (see page 7) and Investment Reports (see page 5), as well as general information to help them get the most out of their Plan.

We understand that not every member of the NBPSP 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.

INVESTMENT REPORT

VESTCOR

A SNAPSHOT OF YOUR PENSION FUND AT DECEMBER 31, 2020

NBPSPP RETURN (GROSS)

7.23%

AT DECEMBER 31, 2020

NET INCREASE OF

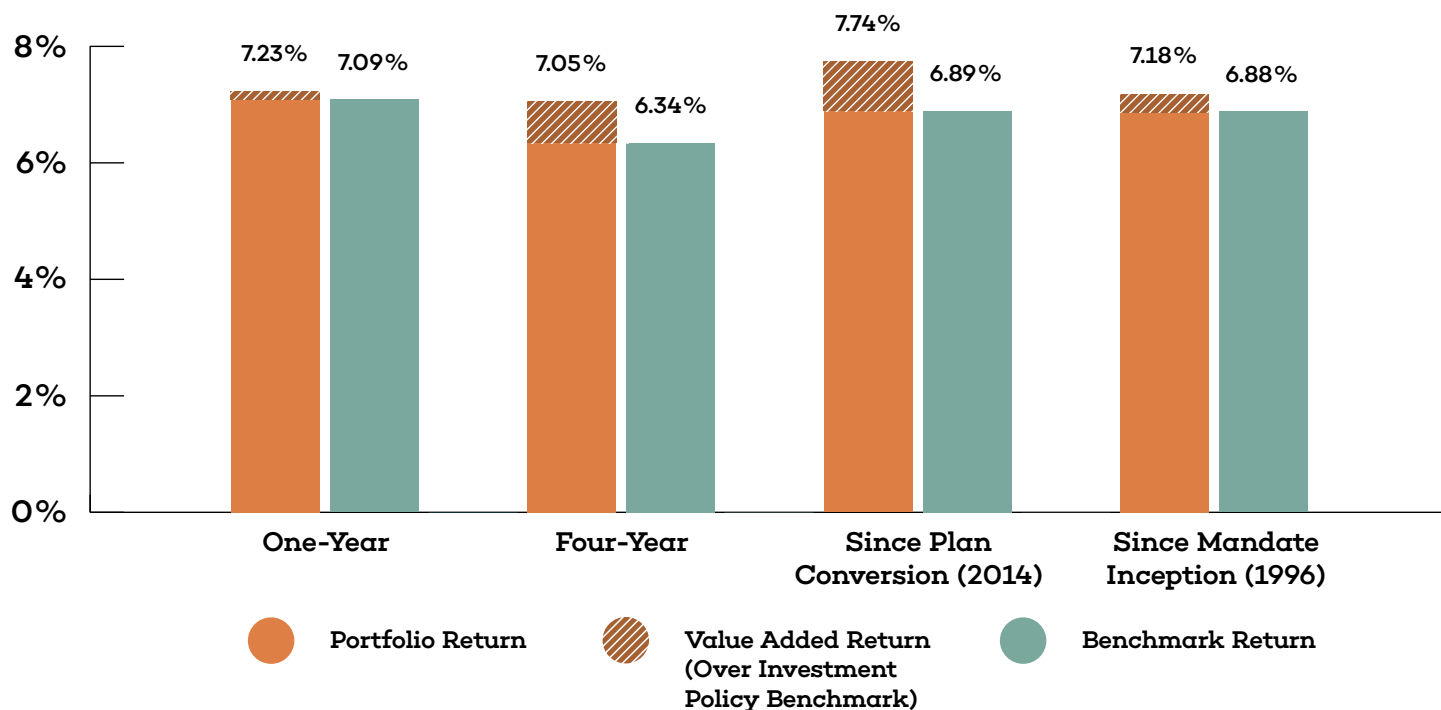
\$412 million

SINCE DEC. 31, 2019

INVESTMENT ASSETS ARE

\$8.746 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 3rd U.S. elections based on positive expectations from a global COVID vaccine program, significant market uncertainties and challenges remain.

As of December 31st, the well diversified NBPSPP investment program experienced a positive year-to-date return of 7.23%, with a strong performance in the second half of the year with a return of 7.10%. Over the longer term, both the four-year annualized return of 7.05%, and the annualized return since the inception of Vestcor's management in 1996 of 7.18%, remain in excess of the 4.75% discount rate employed by the independent actuary. Returns higher than the discount rate increase the ability of the plan to pay out benefits into the future.

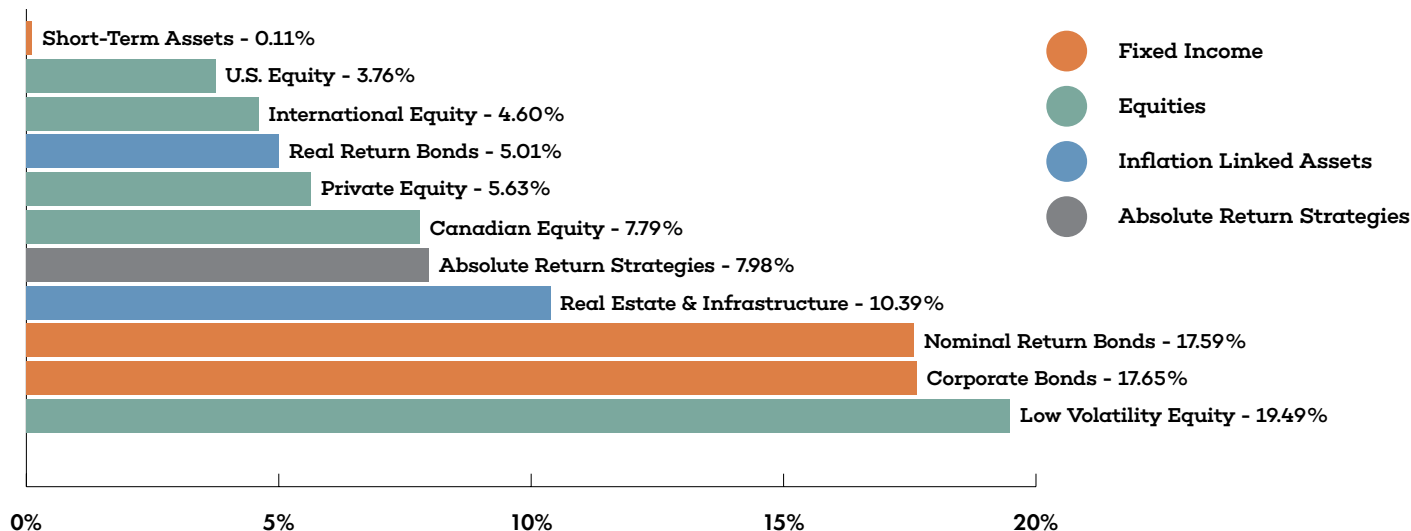
INVESTMENT ASSETS

The fair value of the NBPSPP investment assets on December 31, 2020 was \$8.746 billion, an increase of \$412 million from the fair value on December 31, 2019.

ASSET MIX

NBPSPP 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:

Asset Mix Breakdown as at December 31, 2020



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.

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.

LIFE EVENTS:

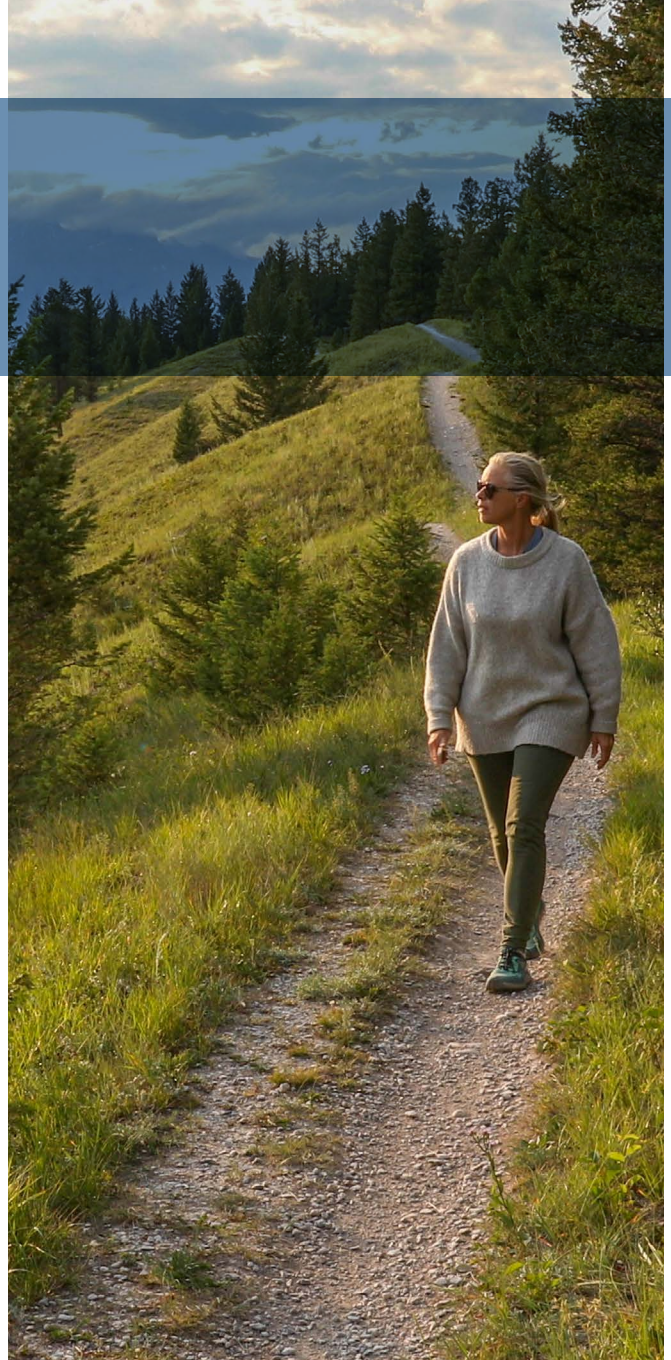
ENDING A SPOUSAL RELATIONSHIP

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 NBPSPP 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.

Visit 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.



AMENDMENTS TO GOVERNING DOCUMENTS

The *Pension Benefits Act* (New Brunswick) 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 of the following amendments that have been filed with the Superintendent of Pensions:

- NBPSPP Plan Text was amended to include 1.46% COLA granted as of January 1, 2021;
- NBPSPP Statement of Investment Policies was amended to reflect minor asset mix changes; and
- NBPSPP Funding Policy was amended to add clarity to the Funding Excess Utilization Plan section.

The updated versions of the governing documents are available at the following website: vestcor.org/nbpspp.