

February 23, 2021

Dear members:

Today, the Province of New Brunswick's Auditor General (AG) released her Annual Report noting that she was unable to perform an audit of Vestcor Inc. (Vestcor). Your Board of Trustees (the "Board") would like to provide you with some further context and reassure you that our number one concern is our responsibilities to you, the members of the New Brunswick Teachers' Pension Plan (NBTPP).

The Board of the NBTPP has received requests from the Auditor General requesting full access to Vestcor's records. These requests were in connection with her office's performance audit on government oversight of publicly funded entities. We respectfully declined to provide full access to Vestcor's records and directed Vestcor to continue to refrain from providing the requested information because neither the NBTPP nor Vestcor are part of government.

Vestcor is jointly owned by the NBTPP and the New Brunswick Public Service Pension Plan. Its creation resulted from a requirement of the Memorandum of Understanding that the Board examine and recommend independent governance best practices, including investment management and plan administration. After thorough examination, we recommended the creation of Vestcor which led to the introduction, debate and passage of the *Vestcor Act*. Vestcor is overseen by an independent operating board of directors appointed by its owners and is accountable to its owners and other client groups. The *Vestcor Act* specifically states that Vestcor is not an agent of the Crown. More details on Vestcor can be found at: vestcor.org

The establishment of Vestcor has allowed the NBTPP to continue to benefit from the lowest investment management and administration expense ratios in Canada through a locally accessible team of plan administration and pension fund management professionals. Investment returns provided to date have exceeded the long-term return objective of the NBTPP at a lower risk, as required under the *Pension Benefits Act*. These returns have significantly improved the funding ratio of the NBTPP and allowed for the annual indexing adjustment benefit to be provided each year since the NBTPP's inception in 2014. Vestcor's value-added investment returns and low costs benefit the members of the NBTPP.

The NBTPP was established by an Act of the Legislature and is jointly governed and administered by a Board of appointed Trustees. The Trustees are required to act independently of the Province and are not subject to supervision by the Province, Minister or the Auditor General. The Board has a fiduciary duty to act in the best interests of the NBTPP plan members and has the sole responsibility for the administration of the Plan, including the selection and supervision of service providers. The assets of the NBTPP are held in trust by the Board for the plan members. The funds consist of employee and employer contributions and investment returns. Furthermore, the Board retains the services of KPMG to audit the NBTPP assets and liabilities.



The NBTPP Board takes its responsibilities very seriously and is committed to the best practices of pension plan governance, including the requirement that we remain independent and always act in accordance with our duties as fiduciaries of your plan. We will be reviewing the Auditor General's recommendations in more detail at the next quarterly Board meeting, to determine if there are additional governance measures that should be considered.

Sincerely,
Your NBTPP Board of Trustees

