

## Annual Information Meeting 2021 Question and Answer Session Summary

Included is a summary of the questions submitted by members before, during and after the inaugural New Brunswick Teachers' Pension Plan (NBTPP) Annual Information Meeting held on October 13, 2021. If you would like to submit additional questions to the Board of Trustees of the NBTPP, you can do so through any of the following methods:

- In writing at NBTPP Board of Trustees, c/o Vestcor, PO Box 6000, Fredericton, NB E3B 5H1;
- By telephone at 1 800 561 4012 (toll free) or at 506 453 2296 (Fredericton); or
- By email at [info@vestcor.org](mailto:info@vestcor.org).

A recording of the 2021 Annual Information Meeting is available [here](#).

### PLAN PROVISIONS

#### **I am planning to retire soon and would like additional information.**

If you're planning to retire soon, please contact your School District to advise them. They will guide you through the process. In addition, you are welcome to contact Vestcor at any time to receive additional information about the retirement process. Helpful information is available in the *Life Events* section of the Vestcor website, under "Planning for Retirement" ([Vestcor.org/en/life-events/planning-for-retirement/](https://vestcor.org/en/life-events/planning-for-retirement/)).

#### **How will the changes to CPP affect teachers' contribution rates and their retirement incomes moving forward for future retirees?**

The Canada Pension Plan (CPP) has been modified by the Federal Government to increase benefits payable, which involves increased contributions from employers and employees across Canada. NBTPP Plan Members may be concerned that because the NBTPP is integrated with CPP, retirees may see a bigger reduction to their benefits at age 65 due to the increased CPP. It is important to know that the method used to calculate a retiree's benefit (pension) from the NBTPP and the amount by which it is reduced at age 65 due to CPP is based on the previous CPP formula, before changes were implemented, and therefore will not impact current or future retirees of this plan.

#### **I'm a retiree. If I have divorced my first wife who was entitled to receive my pension, and have remarried, will my second wife be entitled to my pension?**

How the death benefit is paid upon the death of a member is based on the pension option chosen at the time of retirement. If you chose an option that included payment to your spouse upon your death, that remains in effect and your new spouse would not be entitled to a death benefit. If you chose a pension option where the spouse would only be determined upon your death, then your new spouse could be entitled. It is completely dependent on the option you chose. For more information, contact Vestcor's Member Services team at 1-800-561-4012 or at [info@vestcor.org](mailto:info@vestcor.org).

**When I retired, I chose the option of taking less pension which would allow my wife to continue receiving a full survivor pension without reduction. If I pass, who does my wife contact to access this?**

For retired members, your spouse (or beneficiary) needs to contact Vestcor's Member Services team as soon as possible to notify them and begin the process of applying for survivor benefits. They can be reached at 1-800-561-4012.

Should an active member die, their employer will notify Vestcor, who will then provide the member's applicable survivor with documentation, from which they can select their preferable pension-related option.

**What happens when I die without a spouse? Is there a payout to my heirs? If so, how is that calculated?**

Upon your death, if you're an active employee and do not have a spouse, Vestcor would determine if you have an eligible dependent child(ren). If you do not have a spouse or children, your contributions to the NBTPP plus interest will be paid directly to your estate.

If you're a retiree, this would depend on the pension option you chose at your retirement.

When planning to retire, we suggest contacting Vestcor to further discuss these options.

## INDEXING ADJUSTMENT BENEFIT (COST OF LIVING ADJUSTMENT)

**When is the COLA for teachers calculated and how is it done? ie : Average of 12 months CPI?**

The Cost of Living Adjustment (COLA), also known as Indexing Adjustment Benefit (IAB), is calculated by the NBTPP's independent actuary. It is calculated annually by comparing the average Consumer Price Index year-over-year for the period of July to June. A detailed explanation and sample calculation is available at [Vestcor.org/nbtppiab](https://vestcor.org/nbtppiab).

**During the meeting, COLA was noted as 1.46% for 2022. Is that the full COLA or 75% that retirees receive?**

The total value of COLA for 2022 is 1.46%, therefore retirees will receive 1.09%. Additional details are available in the NBTPP Fall 2021 Newsletter, at [Vestcor.org/nbtpp](https://vestcor.org/nbtpp).

**Is there any possibility of the COLA for retirees going above 75%? I was under the impression this reduction was introduced as a temporary measure. How much surplus is required in order for retirees to receive 100% of COLA?**

As noted by the Chair of the NBTPP Board of Trustees, Mr. Larry Jamieson, during the Annual Information Meeting (refer to 58:22 of the recording, available at [Vestcor.org/nbtpp2021aim](https://vestcor.org/nbtpp2021aim)), the reduction to 75% was a measure necessary to ensure the long-term sustainability of the Plan. It was never presented as a "temporary measure", however if the Plan moves well into a surplus, the Plan's Funding Policy does provide for this to be adjusted. The Plan's Funding Policy, available at [Vestcor.org/nbtpp](https://vestcor.org/nbtpp) under Governance, outlines in detail the Steps that the Board of Trustees can implement if the Plan is in a surplus.

## NBTPP INVESTMENTS

**From the information provided during the meeting, am I correct in assuming the expense ratio is about .30-.35%?**

The expense ratio for the NBTPP is available on page 14 of the [2020 NBTPP Annual Report](#). The total expense ratio (including both administration and investments) for the year 2020 was 0.155% (compared to 0.177% in 2019).

**Is it possible to compare the NBTPP admin expenses on a “basis points” comparison to other similar plans?**

The total expense ratio (including both administration and investments) for the NBTPP in 2020 was 0.155% or 15.5 basis points (bps), as per page 14 of the [2020 NBTPP Annual Report](#), compared to 0.177% or 17.7 bps in 2019. As per note 11 of the Audited Financial Statements in the Annual Report, 78% of that amount was used for investment expenses (an investment expense ratio of approx. 12 bps) and 22% of the total was used for administration expenses (an admin expense ratio of approx. 3.5bps). Noted in the presentation during the Annual Information Meeting, Vestcor administration expenses are the second lowest of a national peer group they participate in.

With respect to Vestcor investment management expenses, and as noted on page 18 of the [Vestcor Inc. 2020 Annual Report](#), investment management costs are benchmarked annually. Vestcor continues to compare favourably to publicly available information offered by other public sector peer funds. For example, they participate in an annual survey of defined benefit pension plans conducted by CEM Benchmarking Inc. Through this benchmarking activity, Vestcor conservatively believe that their costs continue to be approximately 25 bps lower than the average of peers and 35 bps lower than private sector asset managers.

This cost differential means that for the year ended December 31, 2020 for example, the NBTPP was able to retain approximately \$20 million due to their lower cost advantage by working with Vestcor, which equates to approximately 500 annual NBTPP pension payments.

**What is the total net asset of the NBTPP and what was the net rate of return on investments?**

Per the NBTPP 2020 Annual Report, net assets at end of the year were \$6.5 billion, and the rate of return on investments at December 31, 2020 was 7.06% (gross). This information is also available in the Spring 2021 newsletter. Annual reports and newsletters are available at [Vestcor.org/nbtpp](http://Vestcor.org/nbtpp).

**What was the New Brunswick government’s contribution to the NBTPP in the last fiscal year?**

The contributions are noted on page 15 of the 2020 NBTPP Annual Report, available at [Vestcor.org/nbtpp](http://Vestcor.org/nbtpp), under “Plan Governance”. Employer contributions for the year were \$75,2 million. In addition, employees contributed \$72,6 million, for a total of \$147.8 million in contributions. Employer contribution rates, as noted in the Plan’s Funding Policy, are also described on page 31 of the Annual Report.

## NBTPP ACTUARIAL VALUATION

### **What is the definition of Actuarial Discount Rate?**

The actuarial discount rate is determined by the NBTPP's independent actuary. It is one of the most significant assumptions made when developing the Plan's actuarial report. It determines the rate used to value the current cost of all future pension obligations (i.e., the estimated payments to all current and future retirees of the NBTPP).

It essentially represents the estimated long-term future returns the pension plan needs to make in order to ensure that all current and future pension payments for all plan members can be met.

## VESTCOR: THE NBTPP'S PENSION ADMINISTRATION SERVICES AND INVESTMENT MANAGER

### **Is Vestcor a strictly NB organization?**

Yes, Vestcor is a NB organization set out under the provincial government act and located in Fredericton, NB. All operations based in NB, all current clients are public sector type plans based in NB as well.

### **Whereas the AG is not auditing Vestcor Accounts, who is the external auditor?**

Vestcor's external auditor is a national accounting firm: KPMG. They are responsible for auditing the accounts of Vestcor Inc. under the director of the Audit Committee of the Vestcor Inc. Board of Directors. Information about Vestcor Inc.'s Audit Committee is available at [Vestcor.org/governance](https://vestcor.org/governance), while the auditor's annual reports are available at [Vestcor.org/annualreports](https://vestcor.org/annualreports).

### **On July 13, 2018 the Moncton Times and Transcript printed an article regarding bonuses paid to the three top executives at Vestcor accusing them of intentionally setting low targets of return to benefit themselves. What is, and when exactly is the formula used to determine these bonuses?**

The article in the Times and Transcript, which was based on an article published a couple of days earlier by CBC NB, included misinformation related to Vestcor's benchmarks and incentive program. A response was published here and provides some important information: [Vestcor Addresses Most Recent CBC NB Performance Critique | July 11 2018 | Vestcor](#). Please note that there is also a significant amount of compensation related disclosure and attribution in Vestcor's Annual Report ([Vestcor.org/annualreports](https://vestcor.org/annualreports)).

### **Will the next NBTPP newsletter mention the bonuses paid our top executives?**

The expenses that the NBTPP pays Vestcor are outlined each year in the NBTPP Annual Report. With respect to the 2020 Annual Report they are outlined on page 14. The Plan's annual reports are available at [Vestcor.org/nbtpp](https://vestcor.org/nbtpp), under "Plan Governance", "Annual Reports".

As mentioned above, information related to Vestcor's compensation program is published annually in Vestcor's Annual Reports, available on the organization's website – [Vestcor.org/annualreports](https://vestcor.org/annualreports).

Additional information relating to the compensation, including the incentive program, can be found at [Vestcor.org/governance](https://vestcor.org/governance). This information is not published in the NBTPP semi-annual newsletters, but is always available on the Vestcor website.

As per note 11 of the Audited Financial Statements in the Annual Report, 78% of that amount was used for investment expenses (an investment expense ratio of approx. 0.12%) and 22% of the total was used for administration expenses (an admin expense ratio of approx. 0.035%).

The Annual Report is available at [Vestcor.org/nbtpp](https://vestcor.org/nbtpp), under "Latest Information".

**Roughly what amount is paid to board members for their work with Vestcor? Are you in a position to give me the answer or to direct me towards it?**

Remuneration provided to members of the Vestcor Inc. Board of Directors is published in the Vestcor Inc. annual reports, available at [Vestcor.org/annualreports](https://vestcor.org/annualreports). The amounts for 2020 are on page 46, under "Directors' Remuneration" ([Vestcor 2020 Annual Report](https://vestcor.org/annualreports)).

For members of the NBTPP Board of Trustees, this information is available in the Plan's annual reports at [Vestcor.org/nbtpp](https://vestcor.org/nbtpp), under "Plan Governance". For 2020, the amounts are on page 8, under "Board Expenses". ([NBTPP 2020 Annual Report](https://vestcor.org/nbtpp))

**Please list the Vestcor Directors/Trustees and comment on how they are elected and independent from the CEO.**

A complete list of the Vestcor Inc. Board of Directors is available at [Vestcor.org/governance](https://vestcor.org/governance). A list of the Vestcor Corp. Board is available at [Vestcor.org/vestcorcorp](https://vestcor.org/vestcorcorp). For the NBTPP Board of Trustees, visit [Vestcor.org/nbtpp](https://vestcor.org/nbtpp), "Plan Governance".

The Vestcor Inc. Board of Directors is independent from the CEO, who is not a member of the Board. The Board of Directors is an expert board comprised of individuals who are selected based on their skills and experience, as outlined in the Nominations Guidelines available at [Vestcor.org/governance](https://vestcor.org/governance). When a Director's term expires, an ad hoc Nominating Committee is formed by the Board, who identify the experience and skills expected of the new Director. Filling that position is then accomplished with the support of an external recruiting firm who identifies potential candidates. Candidates are recommended to the Vestcor Corp. Board (comprised of Trustees of the NBTPP and New Brunswick Public Service Pension Plan) by the Board of Directors of Vestcor Inc.