

NEW BRUNSWICK

# Teachers'

PENSION PLAN



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## NBTPP'S FIRST ANNUAL INFORMATION MEETING

On October 13<sup>th</sup>, 2021 we held our 1<sup>st</sup> Annual Information Meeting via live webcast.

If you were unable to attend, or if you would like more information, visit [vestcor.org/NBTPP2021AIM](https://vestcor.org/NBTPP2021AIM), where you can:

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

## INDEXING ADJUSTMENT BENEFIT PROVIDED

The NBTPP is once again in a position to increase the benefits of members, based on the increase in the Consumer Price Index (CPI) established by Statistics Canada. For the 12-month period ending June 30, 2021, the increase in the average CPI was 1.46%. The Plan provides for an annual Indexing Adjustment Benefit (IAB) when possible, up to a maximum of 4.75% each year.

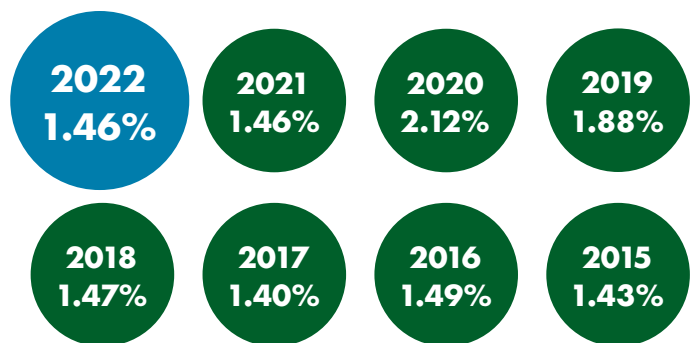
For active members, your benefit will be adjusted based on 100% of the increase in the CPI. Benefits will be adjusted based on 75% of the increase in the CPI\* for retirees and deferred members.

The increase will be applied to the benefit you've earned up to December 31, 2020.

Curious about how the IAB was calculated? Refer to the IAB fact sheet at [vestcor.org/nbtppIAB](https://vestcor.org/nbtppIAB).

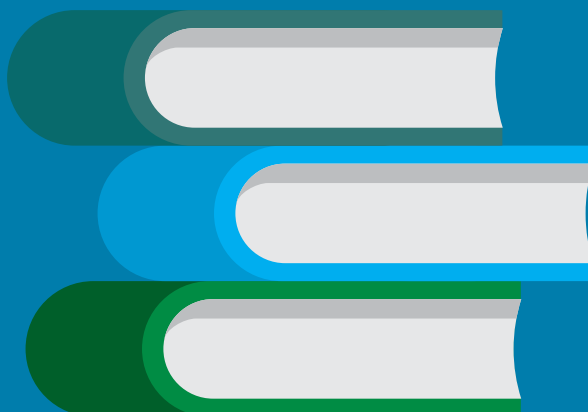
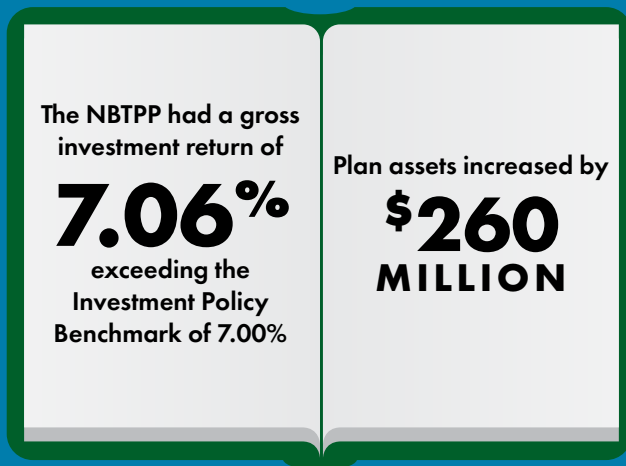
*\*Members who retire in 2021 will receive a blended IAB.*

### IAB Awarded Since Plan Conversion (January 1<sup>st</sup>)



**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.

# 2020 IN REVIEW



The Plan's Funded Ratio was **103.4%\*** per the August 31, 2020 Cost Certificate

**\$6,289.0 M**  
in Assets

**\$6,079.6 M**  
in Liabilities

\*As per the August 31, 2019 actuarial valuation, the funded ratio was 108.9%. The decline in the Funded Ratio is primarily due to an increase in the estimated liability from a reduction in the discount rate from 5.8% to 5.4% to better reflect lower expected long-term financial market returns. The discount rate is the required rate of return the Plan needs, and is recommended by the Plan's independent actuary.

As of August 31, 2020, the NBTPP had

**19,831** total members

**9,627** Retirees/Survivors

**8,474** Active Members

**1,730** Deferred Members



**WANT TO LEARN MORE ABOUT YOUR PLAN?**

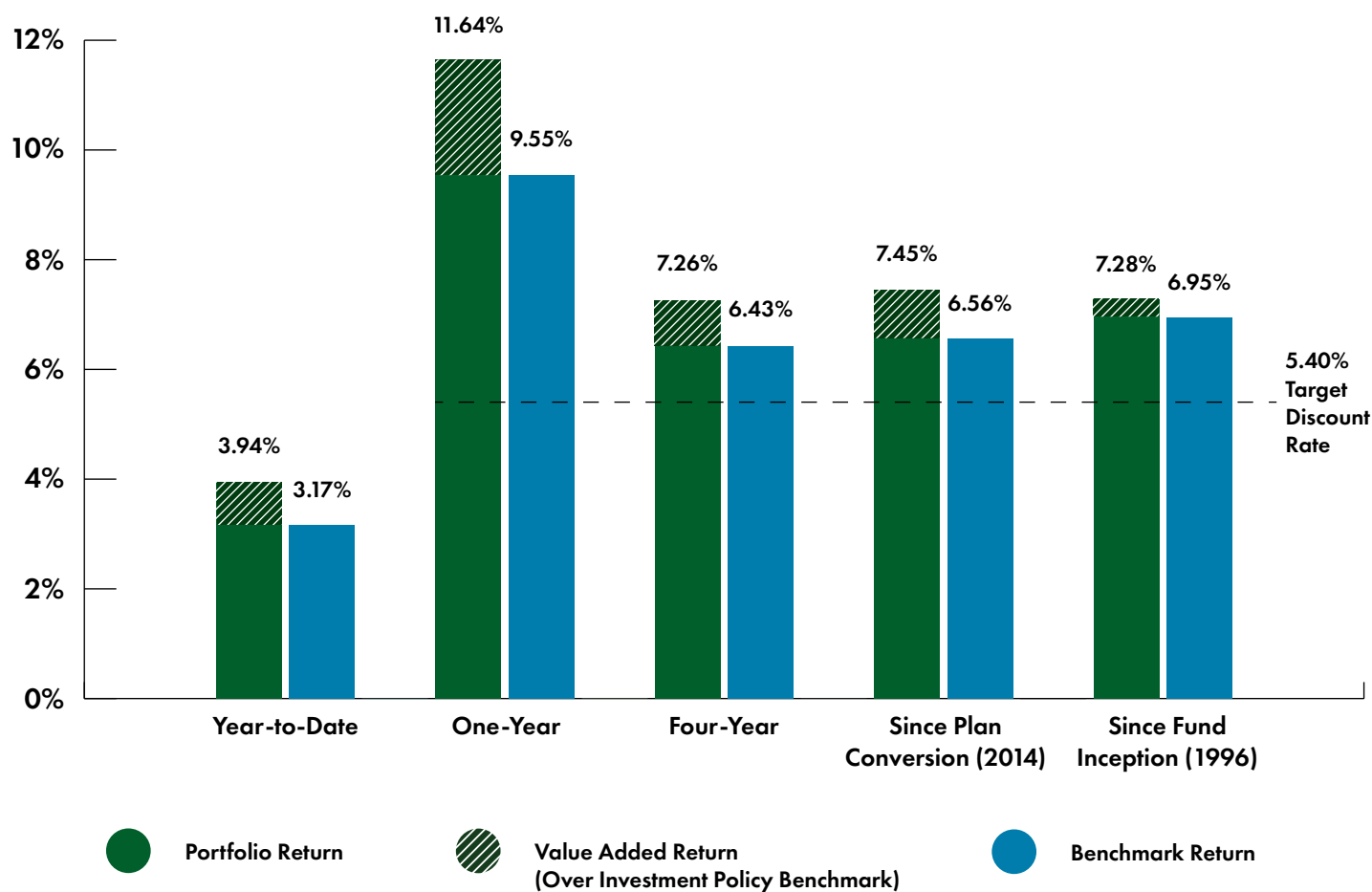


The NBTPP 2020 Annual Report is now available at [vestcor.org/nbtp](http://vestcor.org/nbtp).

## A SNAPSHOT OF WHERE YOUR PENSION FUND STANDS AS AT JUNE 30, 2021

GROSS INVESTMENT RETURN <b>3.94%</b>	NET INCREASE OF <b>\$174 MILLION</b>	INVESTMENT ASSETS <b>\$6.692 BILLION</b>
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### INVESTMENT RETURNS (AS AT JUNE 30, 2021)



The first half of 2021 saw a continuation of the strong global financial markets' recovery experienced in the latter half of 2020. Equity markets led the rebound with Canadian markets advancing the gains in the January-June period, with the TSX Composite Index at 17%, comparing favourably with the rest of the developed world markets (+9.6%) as well as emerging markets (+4.4%).

We are pleased to report that the overall investment program earned a positive return of 3.94% in the first six months of 2021. Both the four-year annualized return of 7.26%, and the return since the inception of Vestcor's management in 1996 of 7.28%, remain in excess of the 5.40% target discount rate set by the independent actuary in August of 2020.

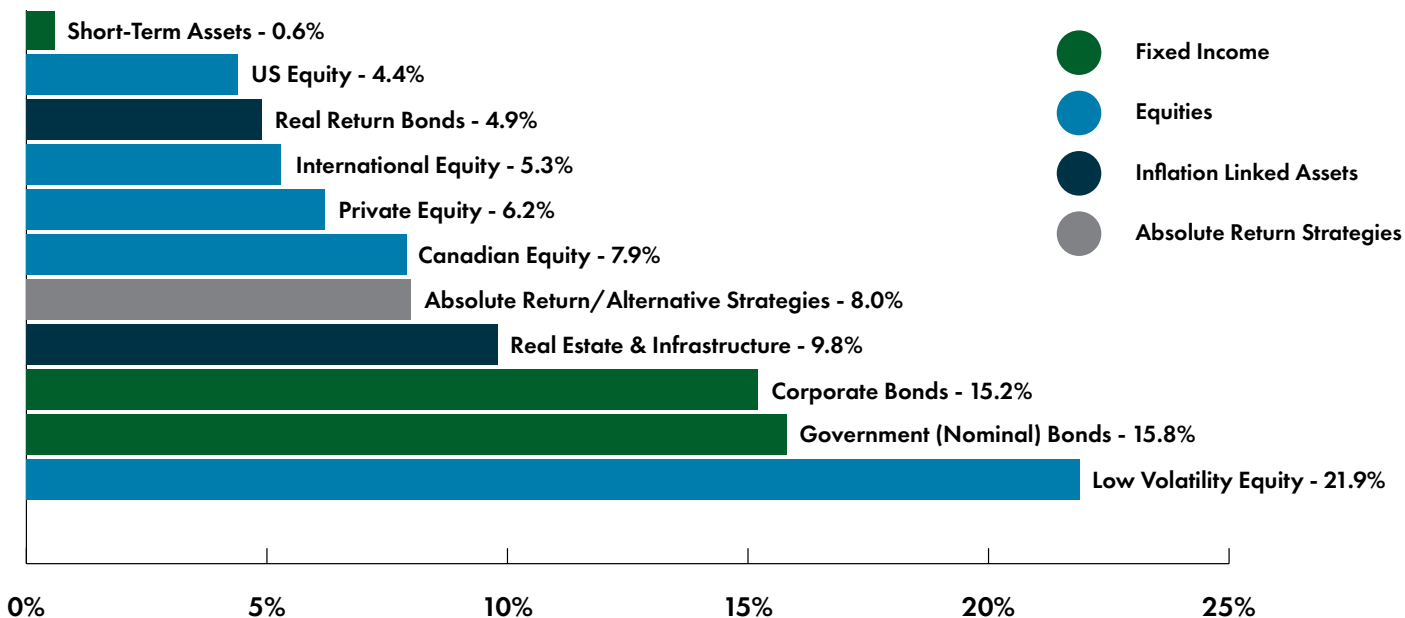
### INVESTMENT ASSETS

The fair value of the NBTPP investment assets on June 30, 2021 was \$6.692 billion, an increase of \$174 million from the fair value at December 31, 2020.

# MID-YEAR INVESTMENT REPORT (continued) VESTCOR

## 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 June 30, 2021 and illustrates how well-diversified the Plan's investment assets are.



## MARKET SNAPSHOT

While overall the economic and market recovery from the depths of the COVID-19 pandemic and its associated recession has continued to advance thus far in 2021, there are several warning signs on the horizon that suggest continued caution is warranted. The U.S. Federal Reserve Board has strongly indicated that the current inflation spike is expected to be transitory, and markets will likely react sharply to any perceived changes in the path of interest rates from the current expectations. In addition, the ongoing COVID-19 vaccination effort continues to be the primary driver of economic reopening, with regional differences in vaccination rates indicating the global recovery will continue to be uneven in the near term.

Looking forward, investors are facing similar conditions as described in our prior reports, with stretched valuations, continued economic uncertainty in certain segments of the economy, and a significant disparity in the success of vaccination programs globally.

More information, including a summary of the market outlook for this period, is available in 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.

**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).



# EARLY RETIREMENT REDUCTION RULES

If you are considering retiring prior to being eligible for an unreduced pension, there are different factors which will determine the early retirement reduction rules which could apply. These factors include your age, age + service index (or ASI), as well as your pre- and post-conversion service. It is important to note that **the rule which provides for the lowest reduction (and which is therefore most beneficial to you, the member) is what would be applied at retirement.** These calculations may seem intimidating at first, so let's run through them one at a time, and give a concrete example.

**AGE + SERVICE INDEX (ASI)<sup>†</sup>** - As the name suggests, your ASI is your age plus your years of service. For example, a member who is 59 years of age, with 22 years of service would have an ASI of 81 (59+22). If you choose to retire with an ASI of at least 80\*/84, the following reduction factors apply:

## SERVICE PRIOR TO JULY 1, 2014 (PRE-CONVERSION)

ASI	80	81	82	83	84	85	86	87
Reduction	17.5%	15%	12.5%	10%	7.5%	5%	2.5%	0%

2.5% reduction for each Index Year that ASI is less than 87.

## SERVICE ON OR AFTER JULY 1, 2014 (POST-CONVERSION)

ASI	80*	81*	82*	83*	84	85	86	87	88	89	90	91
Reduction	27.5%	25%	22.5%	20%	17.5%	15%	12.5%	10%	7.5%	5%	2.5%	0%

2.5% reduction for each Index Year that ASI is less than 91.

<sup>†</sup>Rule by ASI does not apply to deferred pensions.

\*Only available to members who joined the NBTPP prior to July 1, 2014.

**AGE** - The reduction applicable based on the "Age" rule is dependent on whether or not you have attained 20 years of pensionable service at retirement. The applicable reductions are as follows:

If you choose to retire before age 65 with 20 or more years of pensionable service

## YEARS OF SERVICE PRIOR TO JULY 1, 2014 (PRE-CONVERSION)

Age	55	56	57	58	59	60	61	62	63	64	65
Reduction	25%	20%	15%	10%	5%	0%	0%	0%	0%	0%	0%

5/12% applied monthly (5% per year) if pension commences between ages 55 and 59. No reduction at age 60+.

## YEARS OF SERVICE ON OR AFTER JULY 1, 2014 (POST-CONVERSION)

Age	55	56	57	58	59	60	61	62	63	64	65
Reduction	35%	30%	25%	20%	15%	10%	5%	0%	0%	0%	0%

5/12% applied monthly (5% per year) if pension commences between ages 55 and 61. No reduction at age 62+.

If you choose to retire before age 65 with less than 20 years of pensionable service

## FOR ALL YEARS OF SERVICE

Age	55	56	57	58	59	60	61	62	63	64	65
Reduction	50%	45%	40%	35%	30%	25%	20%	15%	10%	5%	0%

5/12% applied monthly (5% per year) if pension commences between ages 55 and 64. No reduction at age 65+.

# EARLY RETIREMENT REDUCTION RULES (continued)

## LET'S LOOK AT AN EXAMPLE OF A MEMBER RETIRING AT AGE 59 WITH 22 YEARS OF SERVICE/ASI OF 81

Years of service **prior to July 1, 2014:**

- Rule by ASI would mean a reduction of 15%
- Rule by age would mean a reduction of 5%

Years of service **on or after July 1, 2014:**

- Rule by ASI would mean a reduction of 25%
- Rule by age would mean a reduction of 15%

The rule that provides the **lowest** reduction is applied. In this example, the **rule by age** (+20 years of service) would be applied. Therefore, a reduction of 5% on service before July 1, 2014 (pre-conversion), and 15% on service on or after July 1, 2014 (post-conversion) would be applied. If you have questions about the NBTPP's early retirement reduction rules, please contact Vestcor's Member Services team at 1-800-561-4012 or [info@vestcor.org](mailto:info@vestcor.org).

## NEW RECIPROCAL TRANSFER AGREEMENT

Your Board of Trustees is pleased to report that a new reciprocal transfer agreement (RTA) has been negotiated between the NBTPP and the Government of Canada Public Service Pension Plan (Federal PSPP).

If you are an active contributor to the NBTPP and have funds in the Federal PSPP from past contributions to that plan, you now have the option under the RTA to transfer the value of your Federal PSPP contributions to the NBTPP. Transferring these past contributions will provide you with more service when calculating your pension benefit under the rules of the NBTPP upon your retirement. Similarly, individuals who cease contributing to the NBTPP and who have joined the Federal PSPP may now transfer the value of their NBTPP contributions to the Federal PSPP, increasing the benefit that they will receive under that plan at retirement.

If you are interested in finding out how any past Federal PSPP contributions could increase your pension benefit under the NBTPP, please complete and submit an "Appendix A2 – Request for Transfer Estimate" which can be found at [vestcor.org/nbtp](http://vestcor.org/nbtp). If you have any questions, please contact Vestcor's Member Services Team at 1-800-561-4012.



## UPDATING YOUR LANGUAGE PREFERENCE

Would you prefer to receive correspondence about your pension in French? Contact Vestcor's Member Services team at 1-800-561-4012 or [info@vestcor.org](mailto:info@vestcor.org) and they'll be happy to help you.

# PROTECTING YOUR PLAN

## NBTPP SECTION 5.6

Nearing retirement? When you apply for a preliminary pension estimate from Vestcor, the pension amount may be slightly different from the amounts provided in either your annual Employee Statement of Pension Benefits or the calculations produced using the Online Pension Calculator Tool. This difference is due to a provision within the NBTPP Plan Text, Section 5.6.

### WHAT IS SECTION 5.6?

Generally speaking, the calculation of pension benefits under the NBTPP is based on an “Enhanced Career Average” method, which consists of:

- Your best 5-year average salary calculation (up to June 30, 2014) for service you’ve accumulated **prior to the Plan’s conversion**; and
- Individual benefit calculations for each calendar year **after conversion**.

The Indexing Adjustment Benefit granted in accordance with the NBTPP’s Funding Policy is applicable to all benefits.

Section 5.6 involves a second calculation taking place to determine your lifetime benefit based on the best 5-year average salary at retirement. If this second calculation is lower than the “Enhanced Career Average” method described above, your lifetime benefit is limited to the Section 5.6 calculation. Any applicable early retirement reduction factors or optional form of pension factors would then be applied to your benefit.

Whether or not Section 5.6 impacts your pension calculation can only be determined once you, as a member, select a retirement date and Vestcor confirms your best 5-year average salary at retirement. This level of detail cannot be accounted for when calculating the estimate provided on your annual Employee Statement of Pension Benefits or using the Online Calculator Tool, leading to the discrepancy.

### WHY IS SECTION 5.6 PART OF THE NBTPP?

Section 5.6 limits the lifetime benefit payable. This ensures that benefits provided to members under the NBTPP cannot exceed the benefits that would have been payable under the former *Teachers’ Pension Act*. This protects all members and the Plan.

Questions? Don’t hesitate to contact Vestcor’s Member Services team at 1-800-561-4012 or [info@vestcor.org](mailto:info@vestcor.org).

## 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:

- Cost Certificate as at August 31, 2020 and Financial Statements as at December 31, 2020 were filed with the Superintendent of Pensions on May 26, 2021.
- The Plan Text was amended to exclude Deputy Minister from the definition of “Teacher”. The amendment was filed with the Superintendent of Pensions on June 22, 2021.
- The Funding Policy was amended to reflect a change in the discount rate to 5.4% per annum effective from August 31, 2020. The amendment was filed with the Superintendent of Pensions on September 29, 2021.

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