

2021 Annual Information Meeting

Question and Answer Summary



Enclosed is a summary of the questions submitted by members before, during and after the 2021 New Brunswick Public Service Pension Plan (NBPSPP) Annual Information Meeting. If you would like to submit additional questions to the Board of Trustees of the NBPSPP, you can do so:

- In writing at NBPSPP 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.

A recording of the 2021 Annual Information Meeting is available [here](#). In addition, an audio recording is available at 1-800 641 7484 (toll-free).

If we take 2008-2009 financial market conditions as base and assume the market stays like that for 2-3 years, what will be the impact on our pensions? Can we expect the same pension we get when market conditions are normal?

First, it is important to keep in mind that the investments of the NBPSPP are less risky than a traditional pension plan and are intended to help reduce the effects of market volatility on the Plan. If you look at previous market downturns, including as recently as early 2020, the NBPSPP has performed significantly better than the average Canadian pension plan. Additionally, the NBPSPP is currently very well-funded.

The NBPSPP also undergoes annual risk management tests, conducted by the NBPSPP's independent Actuary, which provide a probability of the Plan's ability to pay base benefits and annual inflation indexing over a future 20-year period. The Actuary provided the most recent results of these tests, in addition to a number of potential future statistical outcomes with respect to the funding ratio in their presentation at the October 2021 Annual Information Meeting. For more information, refer to the Plan Actuary Presentation, delivered by Yves Plourde, Partner, LifeWorks available at www.vestcor.org/nbpspp, under the Plan Governance, Annual Information Meeting, in addition to the Fall 2021 Newsletter, 2020 Actuarial Valuation Report, and NBPSPP 2020 Annual Report, available at the same link.

When is the best time of the month to start retirement and why?

The best time to terminate your employment would be the end of the month prior to your pension start date. You can only start your pension the month following termination, and because the pension payments for the NBPSPP are always on the 24th of the month, you would most likely receive your last pay two weeks prior to receiving your first pension payment.

Where do you access your pension estimate with the online calculator?

The Pension Estimate Calculator is accessible at vestcor.org/calculators. It requires information within the "Online Calculator Tool Benefit Information" section of your most recent NBPSPP Employee Statement of Pension Benefits. If you do not have this statement readily available, please contact Vestcor's Member Services Team at 1-800 561 4012 or info@vestcor.org in order to obtain a copy.

I've asked this last two years but I keep being told it is being worked on. I don't see the problem with Civil servants, when they retire, to just take their pre-shared risk pension out and leave the post portion untouched until later. I know for a fact that the municipality I reside in, their city workers can do this. Both portions have to be calculated so why can't we choose if we want both right away or just one? I think it's unfair that if we want to retire before the age of 65 (while we are healthy and can enjoy life not working) we are penalized by having to lose 5% each year between 60-65. [...]

It is significantly costlier to administer a pension plan that is set up this way. We also understand that research has shown that for many plans who have offered this option, the number of members who have selected it has been very low, leaving the increased administrative cost to all members to potentially outweigh the value to the limited number of members who would elect this option. For these reasons, this is not a priority of the Board at this time.

Please note that if you retire before 65 (as early as 60), although your post-conversion (2016) benefits will be reduced by 5% per year, you will gain access to a temporary additional early retirement benefit. This additional benefit (known as a bridge benefit) is intended to provide you with extra funds to supplement your pension until age 65 when you become eligible for an unreduced CPP benefit. When you reach age 65, this additional temporary benefit ends.

I don't agree with the cost of living adjustment (COLA) of 1.46%, I don't understand how it's calculated when inflation is higher than that.

The cost of living is calculated based on the Consumer Price Index (a measurement of inflation) reported by Statistics Canada, from the period of July to the following June of any given year. A detailed outline of how the calculation is done is available at www.vestcor.org/nbpspp-cola.

The 1.46% that is to be awarded January 1st, 2022 is based on the raise of consumer price index from 1st of July 2020 to June 30th, 2021. 1.46% is the official rate of inflation for that period. While the recent inflation rates in the months of August and September 2021 were more than 4%, they were not captured within the period used to calculate the most recent cost of living adjustment. They will be reflected in the calculation in 2022.

How do you know if retirees with out of country addresses are alive or not?

Every year we contact all retirees living outside Canada. They must complete a Pension Declaration Form, confirming that their contact information is up to date. Failure to return the form would result in our office taking steps to personally reach out the member until contact can be made. A last resort would be to stop pension payments to prompt the member to call our office.

What happens to my pension if I leave my job before retirement?

To add clarity with respect to “before retirement,” note that a member is eligible to start their pension at age 55 as long as they are vested. Vested means that you have two or more years of membership in the plan.

If you have two or more years of membership in the plan and leave your job prior to retirement, your options would be as follows:

1. Defer your pension – leave the funds in the plan until you are eligible to start your pension. The funds will continue to accrue cost of living adjustments as they are awarded by the Board of Trustees;
2. Transfer funds to a LIRA – you will have 90 days to elect this option or funds will be deferred; or
3. Transfer funds to another pension plan – you will have 90 days to elect this option or funds will be deferred.

If you have fewer than two years of membership in the plan, and therefore are not vested, you will receive the option for a refund of contributions with accumulate interest.

Contact Vestcor’s Member Services team at 1-800 561 4012 or info@vestcor.org for additional information on any of these options.

Why does it take so long to produce the Annual Report? I would have thought that 3 to 4 months would be sufficient when the data included is generated mostly by computer.

There are many steps involved in completing an Annual Report, which require several months and efforts by a large group of individuals. For example:

- Payroll data is supplied by the employers of the 18,000+ active members who participate in the Plan for the year being reported on within the first few weeks of the following year. Vestcor Inc. then validates the accuracy of the information prior to releasing summaries to the Plan’s independent actuary.
- LifeWorks, the Plan’s actuary, can then prepare the actuarial valuation, which takes several weeks to complete.
- Upon completion of the Actuarial Report, Vestcor Inc. is able to finalize the financial statements.
- Once complete, an independent auditor verifies the financial statements, conducting a series of tests for accuracy.
- Once all of this information is available, it is compiled to create the Annual Report, which is reviewed by the Auditor and approved by the Board of Trustees, then translated before its public release.

These requirements require more than 3-4 months to complete.

Page 28 of the Annual Report for Statement of Changes in Pension Obligations has a row called Experience. What does this mean?

As noted in the NBPSPP’s Actuarial Valuation Report, any difference between the extrapolated funding policy liability and the actual funding policy liability revealed in the actuarial valuation as at January of a given year, after considering the impact of changes in assumptions and the cost of indexing, is an actuarial loss (gain) noted as Experience.

Why is our Plan \$400M below average pension plans?

The investment strategy of the NBPSPP has been established to meet the long-term objectives of the NBPSPP and is not related to any other type of pension plan. As described in the presentation by the Plan's investment manager (Vestcor Inc.) during the Annual Information Meeting, the NBPSPP is designed to be less risky than traditional defined benefit type pension plans. During market downturns, including as recently as early 2020, the NBPSPP has performed significantly better than the average Canadian pension plan. That said, when markets are performing well, the NBPSPP returns may be comparatively lower. This design has proven effective considering the long-term return and positive funding status of the NBPSPP to date.

What happens to the Plan when there are more retirees than active contributors?

When any pension plan has more retirees than active members, it is referred to as the maturation of the plan. The actuarial valuation foresees the maturation of the plan so the fact that we'll see more retirees in the future has already been taken into consideration in the actuarial evaluation that we're doing now. We just have to take the time to look and adjust our policies consequently and ensure that the risk taken by the plan is in agreement with the maturation of the plan.

I have read in the newspaper that Vestcor staff get bonuses. Is this true? If so, can this be discussed during the meeting including sharing of amounts in bonus given to staff?

The investment management industry typically includes a variable performance-based incentive component in employee compensation. Information related to Vestcor's compensation program is published annually in Vestcor's Annual Reports, available on the organization's website – www.vestcor.org/annualreports. Additional information relating to the compensation, including the incentive program, can be found at www.vestcor.org/governance.

Why won't Vestcor allow an Audit? Why do they have a unique nonprofit status, shouldn't members receive some of these benefits?

Vestcor does have a rigorous audit process, following industry best practices; they are annually audited by a national accounting firm that has access to a number of industry-based professionals. Those audited financial statements are available publicly through Vestcor's annual report and can be referenced at www.vestcor.org/annualreports. Vestcor is also regulated and supervised by the Financial and Consumer Services Commission as both an Investment Fund Manager and Portfolio Manager.

With respect to the not-for-profit status of Vestcor, our investment manager and pension administrator, the benefits do accrue to the members. For example, the NBPSPP saves a significant amount of money by employing a not-for-profit investment manager. Investment management activity creates a growth in assets under management, but that's only after fees are paid. Due to Vestcor's not-for-profit structure and cost-effectiveness, as laid out in their presentation at this year's meeting, the NBPSPP and its members pay lower investment management fees than we would if we used a third-party manager. These savings are paid directly to the heart of the pension plan.