



# NBPSP UPDATE

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# YOUR BENEFITS HAVE GROWN AGAIN

Your Board of Trustees was able to approve a full cost of living adjustment (COLA) to all active, deferred and retired members for January 1, 2022. For the 12-month period ending June 30, 2021, the increase in the average CPI was 1.46%.

For active and deferred members, the 1.46% increase will be applied to the pension benefits you've earned up to December 31, 2020. This will positively impact your future pension. The increase will be applied to retirees' monthly pension as of January 1, 2022.

To know how COLA was calculated, view the COLA fact sheet at [vestcor.org/nbpspp-cola](https://vestcor.org/nbpspp-cola).



## Cost of Living Adjustment (COLA) Awarded Since Plan Conversion

Year Awarded (January 1 <sup>st</sup> )	COLA
2022	1.46%
2021	1.46%
2020	2.12%
2019	1.88%
2018	1.47%
2017	1.40%
2016	1.49%
2015	1.43%
2014	0.96%

## Life Events: Death of a Member

As you are a member of the NBPSP, your spouse or beneficiary may be eligible for survivor benefits when you pass away.

The death of a loved one can be overwhelming, and at these times it can be very difficult to keep track of everything that needs to be done. Our pension administrator, Vestcor, is committed to helping your loved ones through the process of applying for a survivor benefit and making it as easy as possible.

For active members (employed or on approved leave), the employer will notify Vestcor of their passing. Vestcor will provide the member's applicable survivor with documentation, from which they can select their preferable pension-related option. For deferred or retired members, your spouse or beneficiary will need to contact Vestcor's Member Services team at 1-800-561-4012.

If you have any questions about this process, contact Vestcor's Member Services team by telephone at 1-800-561-4012 or in writing at [info@vestcor.org](mailto:info@vestcor.org).

For information on other life events that may affect your pension visit [vestcor.org/life-events](https://vestcor.org/life-events).



**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.

# ABOUT YOUR NEW BRUNSWICK PUBLIC SERVICE PENSION PLAN

Your NBPSPP is a Shared Risk Plan, which is designed to provide its active and retired members with a **secure, affordable, and sustainable long-term pension plan**.

To achieve this, the Plan follows **lower-risk investment strategies** to protect the assets of its members, as set out in the *Pension Benefits Act* and governing documents.

## WHAT DOES THIS MEAN?

Due to the lower-risk nature of your NBPSPP:

- When financial market returns are strong, the returns of the NBPSPP may be lower than some defined benefit pension plans such as in 2019 and 2020; BUT,
- When financial markets are poor, the NBPSPP's returns are expected to be higher than some defined benefit pension plans. For example, in 2018 many defined benefit pension plans posted negative returns, while the NBPSPP had a positive return and the Board of Trustees remained in a position to continue to award a cost of living adjustment to all active and retired members of the plan.

Comparing the NBPSPP's rate of return to defined benefit pension plans is like comparing apples to oranges. Demographics, risk profiles, objectives and other features of the pension plans are different.

## DOES IT WORK?

The NBPSPP came into effect on January 1, 2014.

To date, this lower-risk strategy has resulted in:

- **Longer-term annual returns that have been higher than the amount needed to pay your pension into the future, based on the Plan's actuarial valuation (see page 4).**
- **A full cost of living adjustment (indexing) being granted to all members – active and retirees – every year.**

## WHO IS INVOLVED?

The NBPSPP is overseen by a Board of Trustees that ensures that the Plan continues to be secure, affordable, and sustainable. As part of their duties, the Board of Trustees reviews rates of return and risk to ensure that all legal requirements are met and that the long-term Investment Policy benchmarks are being achieved.

Your NBPSPP continues to exceed its required rate of return and risk objectives and continues to build surpluses to provide support in the event of negative market conditions or changes in the NBPSPP's liabilities. Updates are shared with you through semi-annual newsletters, annual reports, and an Annual Information Meeting.

**Your NBPSPP continues to exceed its required rate of return and risk objectives**

## LEARN MORE

To learn more about your Board of Trustees and its responsibilities, access member newsletters, read the NBPSPP Annual Reports, watch the Employee Presentation Video Series, and more, visit [vestcor.org/nbpspp](https://vestcor.org/nbpspp).



# Your NBPSPP in 2020

## Membership



Your NBPSPP had

**40,833**

active, retired, & deferred members  
**in New Brunswick &  
around the world.**

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## 2020 Investment Performance

**7.23%**  
Gross Investment  
Return at Dec. 31, 2020

**\$412 million**  
Increase in Net Assets  
Since Dec. 31, 2019

**\$8.746 billion**  
in Investment Assets  
as at Dec. 31, 2020

Read more about the Plan's  
Mid-Year Investment  
Performance on page 5.







# Actuarial Valuation

## WHAT IS AN ACTUARIAL VALUATION REPORT?

The actuarial valuation report is an important tool used by the Board of Trustees. It assesses the NBPSPP's ability to provide pension benefits to you, as a member. It also helps guide the Board in making decisions regarding the finances of the NBPSPP, such as granting COLA. The *Pension Benefits Act* requires the Board to hire an actuary to conduct this report annually.

## WHAT WERE THE RESULTS IN 2020?

As of January 1, 2021, the NBPSPP **passed all of the risk management goals** outlined in the actuarial valuation report. A summary of these is included below. The full report is available at [vestcor.org/nbpspp](https://vestcor.org/nbpspp), under "Financial Results", "Actuarial Valuation".

	Target	Current results as at January 1, 2021	Prior results as at January 1, 2020
<b>Primary Risk Management Goal</b> Achieve 97.5% probability that past base benefits earned will not be reduced over the next 20 years.	97.5%	99.10%  Passed	99.35%  Passed
<b>1<sup>st</sup> Secondary Risk Management Goal</b> Provide indexing in excess of 75% of CPI to members and retirees over the next 20 years.	75%	82.00% of CPI  Passed	88.60% of CPI  Passed
<b>2<sup>nd</sup> Secondary Risk Management Goal</b> Achieve at least 75% probability that ancillary benefits (i.e., early retirement subsidy) can be provided over the next 20 years.	75%	98.40%  Passed	98.90%  Passed

The report also provides an update on how well the NBPSPP is funded, known as the **funding status**.

Termination  
Funded Ratio  
**114.9%**

Used in calculating a member's benefits upon termination of employment, death or marriage breakdown.

15-Year Open Group  
Funded Ratio  
**130.4%**

Used to determine the actions to be taken by the Board of Trustees per the NBPSPP Funding Policy, such as granting COLA.

The conservative approach of the NBPSPP has proven successful since the Plan conversion in 2014. In order to help keep the NBPSPP secure through potential market downturns in the future, the discount rate of the Plan was reduced from 4.75% to 4.5%, as recommended by the Plan's independent actuary. The discount rate is the required long-term rate of return the Plan needs to remain sustainable. One effect of the decrease in the discount rate is an increase to the actuarial liability of the Plan. That means that while the funds of the NBPSPP have continue to increase, the growth of the funded ratios was slowed.

**Want to learn more about your Plan?**  
The NBPSPP 2020 Annual Report is now available at [vestcor.org/nbpspp](https://vestcor.org/nbpspp).

# 2021 MID-YEAR INVESTMENT REPORT

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

NBPSPP RETURN (GROSS)

**3.59%**

AT JUNE 30, 2021

NET INCREASE OF

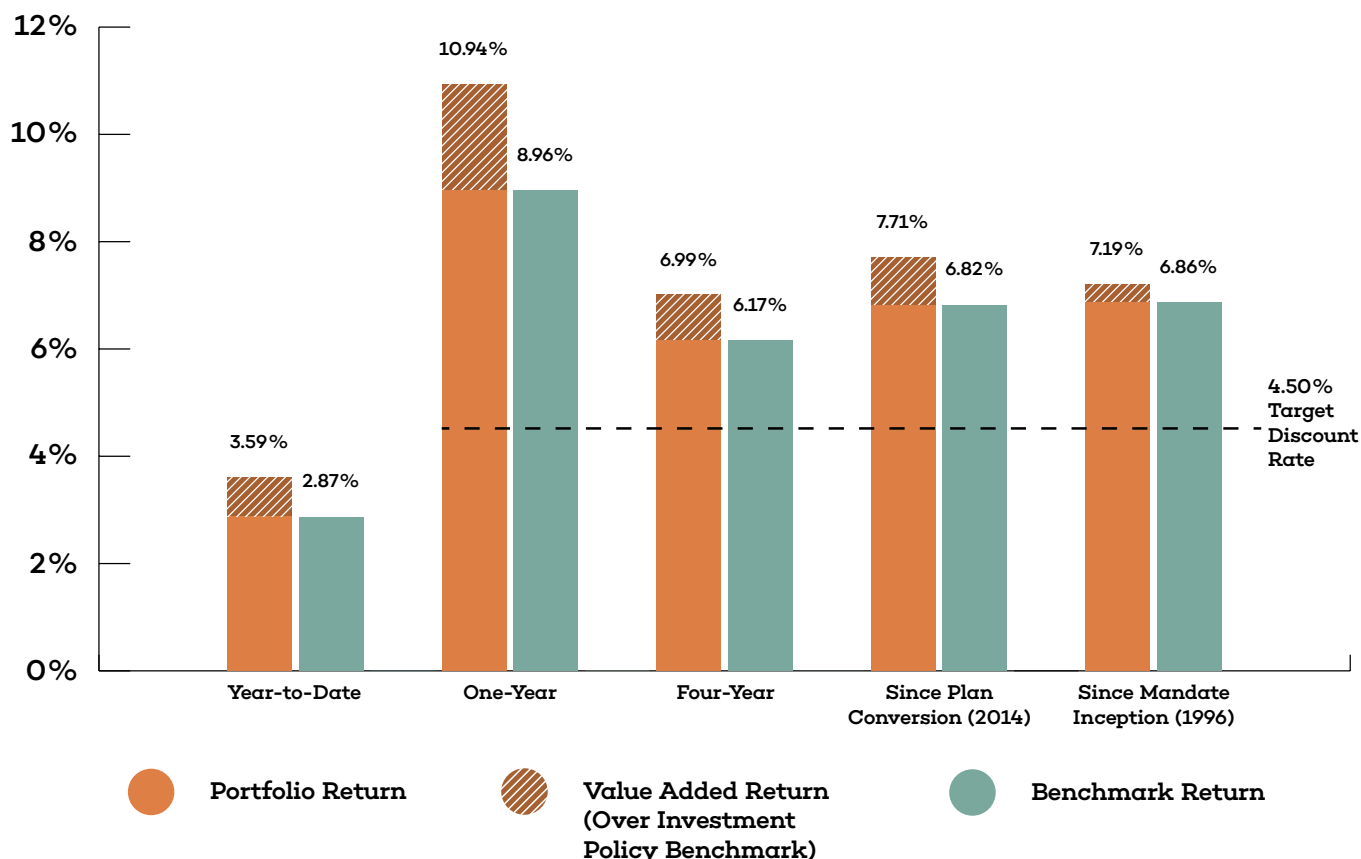
**\$217 million**

SINCE DEC. 31, 2020

INVESTMENT ASSETS ARE

**\$8.963 billion**

### 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%).

As of June 30<sup>th</sup>, the well diversified NBPSPP investment program experienced a positive year-to-date return of 3.59%. More importantly, both the longer term four-year annualized return of 6.99%, and the annualized return since the inception of Vestcor's management in 1996 of 7.19%, remain in excess of the 4.50% discount rate set for the Fund.

### INVESTMENT ASSETS

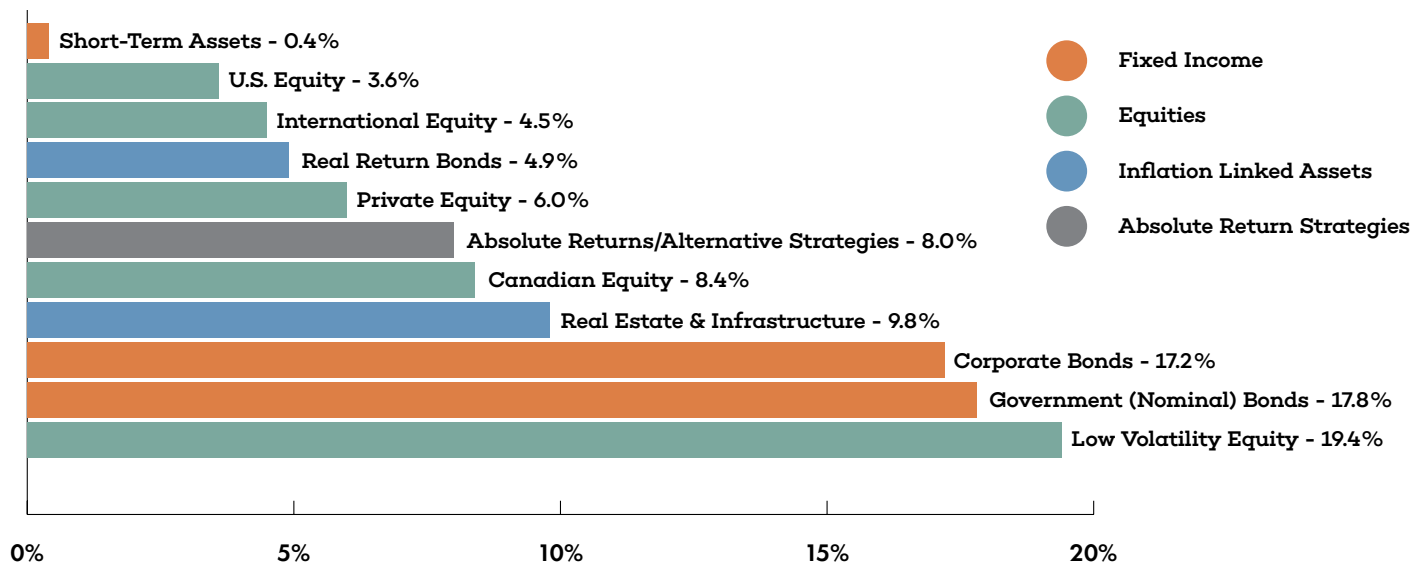
The fair value of the NBPSPP investment assets on June 30, 2021 was \$8.963 billion, an increase of \$217 million from the fair value on December 31, 2020.

# 2021 MID-YEAR INVESTMENT REPORT (CONTINUED)

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

Asset Mix Breakdown as at June 30, 2021



## 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

**Asset Mix:** A breakdown that details the proportion of investment assets within a fund or portfolio.


**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 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](https://vestcor.org/glossary).



# NBPSPP 2021 ANNUAL INFORMATION MEETING

On October 6<sup>th</sup>, 2021 we held our 7<sup>th</sup> Annual Information Meeting via live webcast.

Following a brief introduction, the presentations at this year's meeting included:

- **2020 Actuarial Results** - The NBPSPP's actuary, LifeWorks, gave a thorough walkthrough of the 2020 Actuarial Valuation (see page 4) and what it means for your Plan.
- **Road Map to Retirement** - Vestcor's Member Services Team laid out what you can expect leading up to your retirement, and some of the important dates you should keep in mind.
- **2020 Investment and Plan Administration Report** - The Plan's Investment Manager and Plan Administrator, Vestcor, reviewed how the investments of the NBPSPP performed in 2020, and gave an update on the administrative services they provide to members.
- The meeting concluded with a **Question and Answer Session** with questions submitted by members.

If you were unable to attend, or if you would like more information, visit [vestcor.org/nbpspp2021aim](https://vestcor.org/nbpspp2021aim), where you can:

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

## AMENDMENTS TO GOVERNING DOCUMENTS

The New Brunswick *Pension Benefits Act* (PBA) 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 amendment that has been filed with the Superintendent of Pensions:

- The NBPSPP Funding Policy was amended to incorporate the new discount rate of 4.50% per annum approved by the NBPSPP Board of Trustees effective January 1, 2021, and to reflect the adjustments determined following a mortality study specific to the NBPSPP using experience from 2014 – 2018.

The updated version of the Funding Policy is available at the following website: [vestcor.org/nbpspp](https://vestcor.org/nbpspp).