



RETIREE EDITION
SPRING 2022 | VOLUME 13

NBPSP UPDATE

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HAVE YOUR SAY!

Fill out the Member Survey included with this newsletter, or available online at nbpspp.ca/retireesurvey.

We want to know, among other things:

- how you perceive the Plan;
- how you get the information you need; and
- whether you are familiar with your Board of Trustees.

What you tell us through your responses will help guide our strategic priorities moving forward. That's why it's important that we get your input. Deadline for submission is May 20, 2022.

INTEGRATION:

A QUICK GUIDE TO YOUR EARLY RETIREMENT BENEFIT

Watch a video about
Integration now!
nbpspp.ca/integration.



The New Brunswick Public Service Pension Plan provides an early retirement benefit paid to members that choose to retire before age 65. **This temporary early retirement benefit is paid in addition to the lifetime pension to help members financially until they qualify for an unreduced Canada Pension Plan (CPP) benefit at age 65.**

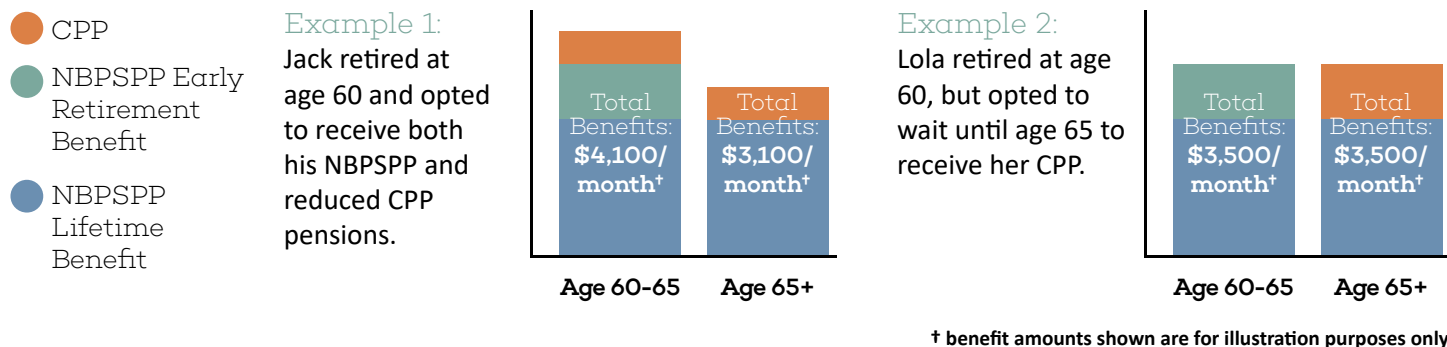
FIRST, A LITTLE BACKGROUND...

The NBPSPP, like most other pension plans across Canada, is integrated with the CPP. When the CPP was introduced in 1966, contributions made to the NBPSPP were reduced so that an employee's overall pension contributions did not increase. Pension benefit levels were also adjusted so that the combined NBPSPP and CPP provided similar benefits to retirees as were previously paid by the NBPSPP alone.

SO, HOW DOES IT WORK?

As mentioned above, if you retired before age 65, your NBPSPP pension amount included a temporary additional benefit along with your lifetime benefit. *Remember, this additional benefit is only paid until you reach age 65.*

In addition, you are eligible to start CPP when you are age 60 at a reduced amount, at age 65 unreduced or up to age 70 with enhanced benefits. Visit canada.ca/cpp to learn more about these different options. Regardless of when you choose to begin receiving your CPP, on the month following your 65th birthday, your early retirement benefit will end. Your CPP will remain unaffected by the early retirement benefit.



For NBPSPP members who retire before age 65 and choose to delay starting their CPP, the change in their income the month following their 65th birthday will be much less significant, as the end of the early retirement benefit will coincide with the start of their CPP benefit. You should keep in mind that your early retirement benefit and CPP benefit amounts are unlikely to be exactly the same amount, so you will see a change in your monthly income. The examples given above for Jack and Lola use simple benefit amounts for illustration purposes only.

It is also important to remember that you may also have other sources of income in retirement, such as Old Age Security.

If you have questions about your early retirement benefit, contact Vestcor's Member Services Team at 1 800 561 4012 or info@vestcor.org and they'll be able to talk to you about the details and how they pertain to you.

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.

Key Resources

For Plan Members

NBPSPP Website - nbpspp.ca

Find helpful videos, application forms, the Plan's governing documents, financial results, annual reports, Board of Trustees biographies, and more, including:



NBPSPP At-a-Glance

A simplified document to help walk you through the basics of the NBPSPP. Curious as to how your pension benefit is calculated? Wondering how transitions in your life can affect your pension? The At-a-Glance covers all of this information and more. You can find the most recent version at nbpspp.ca under "Booklets".

Helpful Documents

- Pension Plan Member Booklet
- Marriage Breakdown Booklet

Cost of Living Adjustment (COLA) Summary

A summary of how COLA increases are determined and how the most recent COLA was calculated. It can be found under "Latest Information" or at nbpspp.ca/cola.



INVESTMENT REPORT

VESTCOR

A SNAPSHOT OF YOUR PENSION FUND AT DECEMBER 31, 2021

NBPSPP RETURN (GROSS)

9.23%

AT DECEMBER 31, 2021

NET INCREASE OF

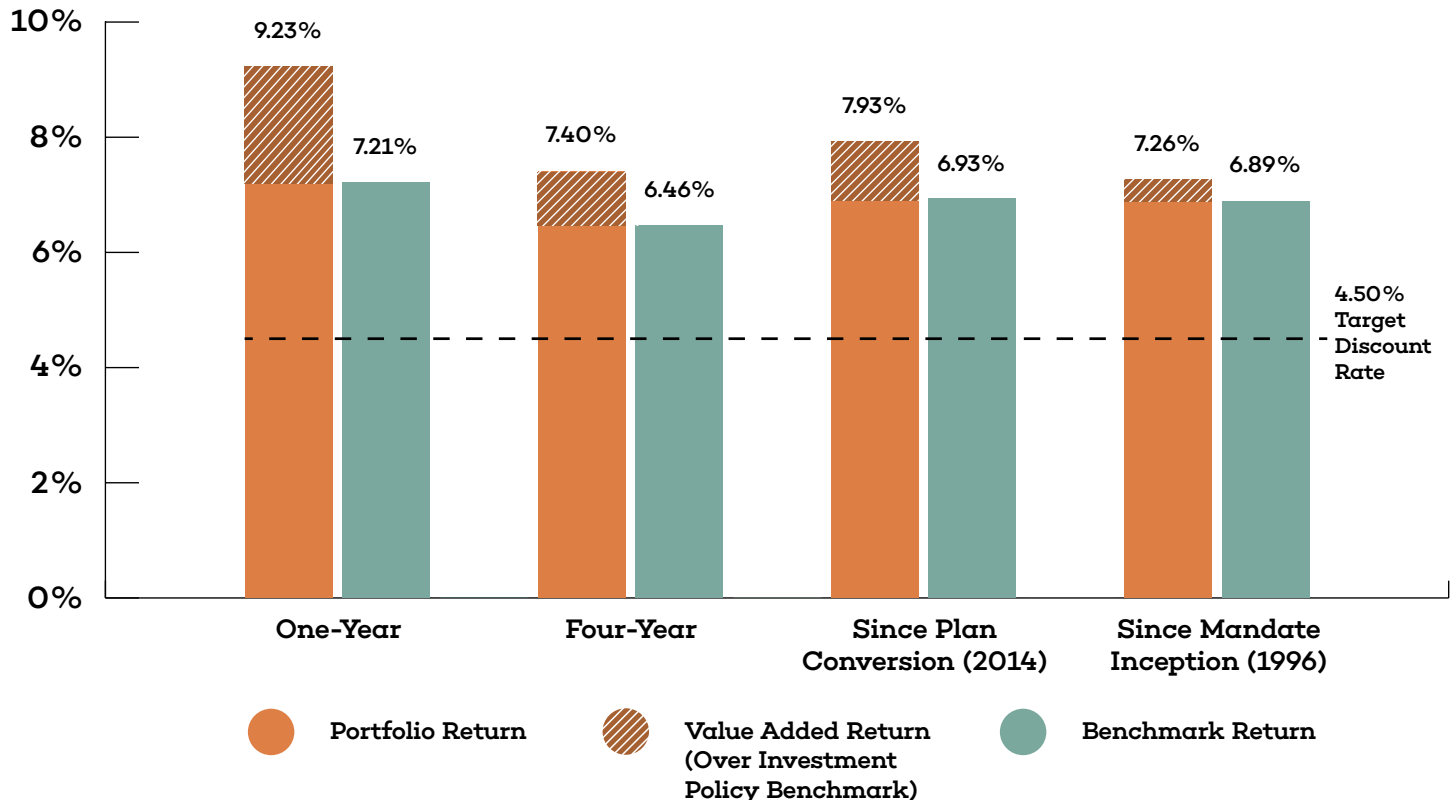
\$608 million

SINCE DEC. 31, 2020

INVESTMENT ASSETS ARE

\$9.353 billion

INVESTMENT RETURNS (AS AT DECEMBER 31, 2021)



Overall, 2021 continued the rebound from the COVID-19 shutdowns in 2020, and the so-called “reopening trade” proceeded almost uninterrupted to year end. Global equity markets gained about 18% for the year, although returns were quite differentiated across countries, with North America performing particularly well compared to certain international markets. After several years of approximate 2% increases, inflation moved significantly higher in the second half of 2021, nearing a 5% rate of year-over-year changes by year end.

In this past year’s market environment, the investment program earned a positive return of 9.23% in 2021 due to the strong 5.45% return experienced during the second half of the year. Over the longer term, both the four-year annualized return of 7.40%, and the annualized return since the inception of Vestcor’s management in 1996 of 7.26%, remain greater than the 4.50% discount rate set for the Fund.

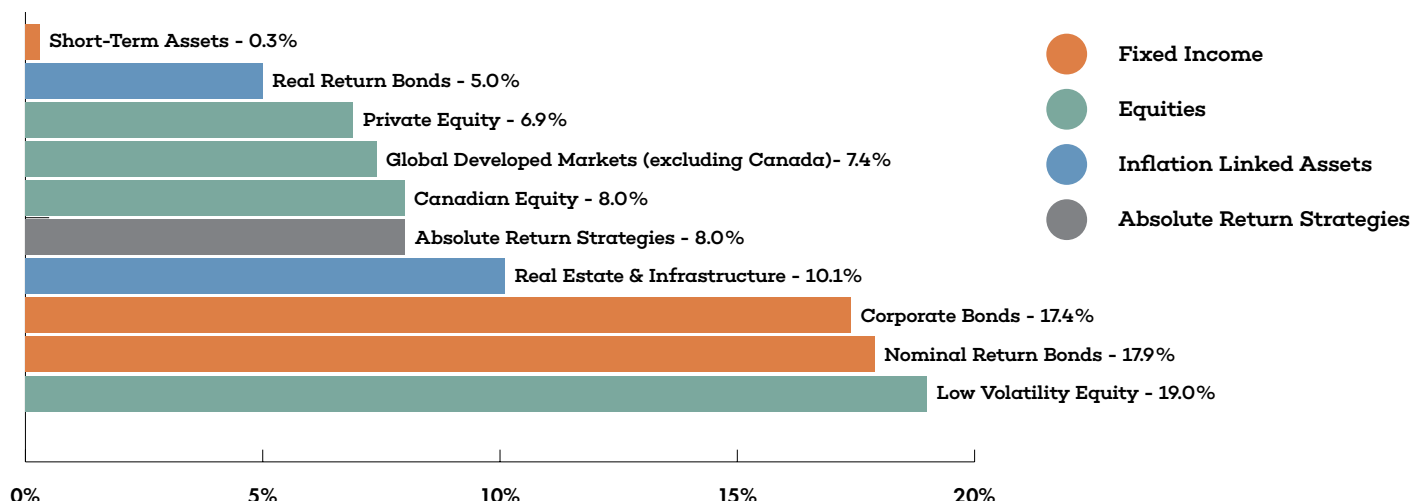
INVESTMENT ASSETS

The fair value of the NBPSPP investment assets on December 31, 2021 was \$9.353 billion, an increase of \$608 million from the fair value on December 31, 2020.

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 December 31, 2021, and illustrates how well-diversified the Plan's investment assets are:

Asset Mix Breakdown as at December 31, 2021



MARKET SNAPSHOT

Going forward, continued periods of short-term volatility combined with relatively modest medium-term returns could be expected. While recovery from the COVID-19 pandemic will continue to be of concern for investors, more significantly the Russian invasion of Ukraine has caused a large spike in market volatility across the globe. While the NBPSPP portfolio does not have direct exposure to Russian assets in its portfolio, indirect effects of instability in the region will cause heightened risk for essentially all asset classes in 2022. For equities, most valuation measures (dividend yield, price-earnings ratios) are at significantly above normal levels, while interest rates on both government and corporate bonds remain low. All in, the medium-term expected return on a generic 60/40 stock bond portfolio is likely to be modestly below its long run average level.

For more information, including a summary of the market outlook for this period, visit the Quarterly Market Updates provided by Vestcor at vestcor.org/marketupdates.

HELPFUL DEFINITIONS

DIVIDEND (YIELD): A stock (bond) payment paid by a company to its shareholders.

EQUITIES: Investment securities that represent an ownership interest in an asset such as shares in a company or real estate.

DISCOUNT RATE: Set by the Board of Trustees after consulting with 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).

VALUATION: The process of determining the value of an asset or security. This may involve the use of the most recent price of a publicly traded security, or a more subjective methodology used for private assets.



For even more helpful definitions, you can find a glossary of terms relevant to the NBPSPP by scanning the code above with your mobile device, or at vestcor.org/glossary.

NBPSPP ANNUAL INFORMATION MEETING 2022



REGISTER TODAY!

Scan the code to the left with your mobile device or visit nbpspp.ca/2022AIM

WHEN?

September 22, 2022, 12 pm (noon) ADT

WHERE?

Online via webcast with a phone-in option

WHY SHOULD YOU ATTEND?

It's your opportunity to learn more about the NBPSPP, including:

- meeting your Board of Trustees;
- the financial health of your Plan, including a recap of the Plan in 2021, and an update on 2022;
- presentations by the Plan's administration services provider and the Plan's actuary; and
- a question and answer session with your Board of Trustees and guests.

Last year a member commented...

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 methodology used to determine the Cost of Living Adjustment (COLA) is provided in the NBPSPP's Plan Text, which can be found at nbpspp.ca. Based on the Plan Text, COLA is calculated by the NBPSPP's independent actuary, LifeWorks, based on inflation figures provided by Statistics Canada. It is calculated annually by comparing the average Consumer Price Index (CPI) year-over-year for the period of July to June. Using CPI figures to determine COLA is consistent with how many plans across Canada, including the Canada Pension Plan, calculate the increase.

Here's how the most recent COLA was calculated:

Month Year	July 2020	Aug 2020	Sept 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	June 2021	Avg.
CPI	137.2	137.0	136.9	137.5	137.7	137.4	138.2	138.9	139.6	140.3	141.0	141.4	138.59

Month Year	July 2019	Aug 2019	Sept 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	June 2020	Avg.
CPI	137.0	136.8	136.2	136.6	136.4	136.4	136.8	137.4	136.6	135.7	136.1	137.2	136.60

$$\begin{array}{c}
 \frac{138.59}{136.60} = 1.46\% \\
 \begin{array}{l}
 \text{(average CPI for 12-months ending June 30, 2021)} \\
 \text{(average CPI for 12-months ending June 30, 2020)}
 \end{array}
 \end{array}$$

While the recent inflation rates in the latter half of 2021 were in excess of 4%, they were not captured within the average CPI periods used to calculate the most recent Cost of Living Adjustment; these inflation rates will be reflected in the average CPI calculation for the period of July 2021 to June 2022 that will be used to determine the potential COLA for January 1, 2023.

Still have questions about how COLA is calculated? A video is available at nbpspp.ca or by scanning the code to the right with your mobile device.



A summary of the Q&A session from the 2021 Annual Information Meeting and a recording of the full meeting are available at nbpspp.ca/2021AIM.

LIFE EVENTS:

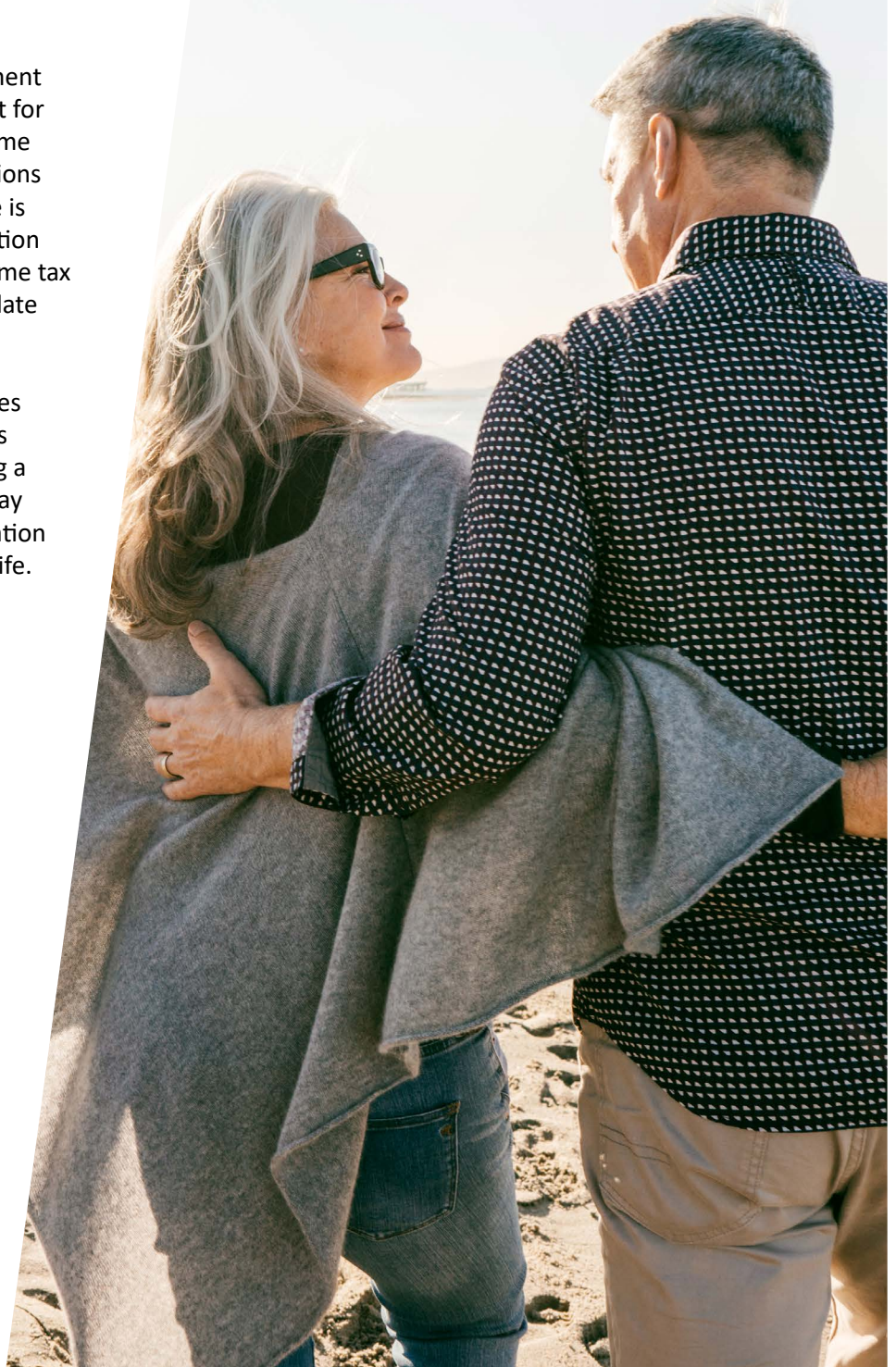
WELCOME TO RETIREMENT

Without a doubt, your retirement is a time for celebration, but for many members it's also a time of serious adjustment. If you have questions about your pension, the Life Events page is a great place to start. You'll find information about what to do if you move, your income tax deductions (see page 7), a pension pay date calendar, and more!

In addition to information for new retirees you'll also find pension-related resources regarding the death of a member, ending a spousal relationship and the impact it may have on your pension, as well as information about other points of transition in your life.



Visit the Life Events page by
scanning the code above
with your mobile device, or
by visiting
vestcor.org/life-events.



TAX SEASON AND YOUR PENSION

It's tax season again. If you find yourself owing additional taxes there is an option that may decrease what is payable at the end of each year.

You may be wondering why you owe additional taxes in the first place. When taxes are deducted from your NBPSP pension, they are automatically deducted as if the NBPSP pension is your only income; however, you may have additional sources of income. Other sources of income that you may receive include, but are not limited to, the Canada Pension Plan, Old Age Security, employment income, RRSPs, or other pension plans you receive a benefit from. Just like your NBPSP pension, any taxes that are automatically deducted from these other incomes are likely to be calculated as if they are your sole income. The issue arises because for tax purposes, you pay income tax on your total income. As your income increases, the percentage of your income that you pay in income tax may also increase. Therefore, when all of your sources of income are totalled, you may find yourself taxed at a higher rate.

By going to vestcor.org/incometax, you can download a simple, one page form to request that Vestcor deduct additional taxes from your pension. The form allows you to specify exactly how much you would like to increase your deductions by, and can be filled out at any time of the year. By paying more taxes upfront, you may be able to decrease the amount you owe at the end of the year. If you need additional help with this process, contact the Vestcor Member Services Team at 1 800 561 4012.



AMENDMENTS TO GOVERNING DOCUMENTS

The *Pension Benefits Act* (New Brunswick) requires that members be provided with an update on any amendments to the NBPSP governing documents. As such, the Board of Trustees would like to inform you of the following amendments that have been filed with the Superintendent of Pensions:

- The Plan Text was amended to reflect the Cost of Living Adjustment granted as at January 1, 2022. The amendment was filed with the Superintendent of Pensions on January 13, 2022.
- The NBPSP Statement of Investment Policies was amended to reflect changes to the investment strategy. The amendment was filed with the Superintendent of Pensions on January 21, 2022.

The governing documents of the NBPSP are available at nbpspp.ca, and include:

- **The Funding Policy:** the tool used by the Board of Trustees to manage the inherit risks of the Plan. It is a document that provides guidance and rules regarding decisions that must, or may, as applicable, be made by the Board of Trustees around funding levels, contributions and benefits. The Funding Policy is accessible at nbpspp.ca/fp.
- **The Summary of the Funding Policy:** a quick summary of some of the main provisions of the Funding Policy of the NBPSP, which is available at nbpspp.ca/sfp.