

NEW BRUNSWICK

Teachers'

PENSION PLAN

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THREE PILLARS OF RETIREMENT PLANNING

In Canada, we have three pillars that hold up our retirement goals: Old Age Security (OAS) & Guaranteed Income Supplement (GIS); Canada Pension Plan (CPP)/Quebec Pension Plan (QPP); and employer pensions & personal savings.

Ensuring that you'll have the income required to enjoy your retirement takes some planning. Many financial planners recommend that you should aim for a replacement ratio of 70% of your pre-retirement income; while this is just a guideline, your actual retirement income needs are going to be unique to you, and there are some important questions you should be asking yourself:

- **Will your expenses increase or decrease in retirement?**
- **Do you plan on traveling?**
- **How do you plan on filling your days?**
- **Will you still have debts to be paid off?**

Some of these questions may be difficult to answer depending on what stage you are in your career, but understanding your pre- and post-retirement financial goals will help you plan your sources of retirement income.

 <p>OAS & GIS Old Age Security (OAS) is a federal program that gives Canadians aged 65 or older a monthly payment.</p> <p>Guaranteed Income Supplement (GIS) is for low-income OAS pensioners and is calculated based on income.</p> <p>This pillar is the smallest of the three, designed to give retiring Canadians basic income support.</p> <p>You can find more information on OAS and GIS at canada.ca/oas and canada.ca/gis.</p>	 <p>CPP/QPP The Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) are compulsory pension programs based on your salary and years you've been contributing to the plan. There is a maximum amount receivable, and you can start receiving these benefits as soon as age 60 or as late as age 70. These options will impact your monthly amount.</p> <p>Because these two plans have maximum amounts, they may not give you a high replacement ratio.</p> <p>Depending on your foreseen retirement expenses like traveling or debts, you are likely going to need income from a pension and/or retirement savings as well.</p> <p>You can find more information on CPP at canada.ca/cpp.</p>	 <p>NBTPP & OTHER SAVINGS Your NBTPP benefit and other savings will likely make up the largest portion of your retirement income. Use the pension estimate calculator frequently throughout your career and adjust your personal savings accordingly to ensure that you will have sufficient income to sustain your retirement goals.</p> <p>What's the NBTPP Pension Estimate Calculator? The calculator is an easy-to-use tool that can quickly calculate an estimate of your future pension using any retirement date. The calculator uses data provided from your annual NBTPP Employee Statement of Pension Benefits; while your most recent Statement will provide the most accurate results, older statements may be used. You can find the calculator and an instructional video at vestcor.org/calculators.</p>
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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.



WATCH THE
VIDEO NOW!



YOUR RETIREMENT CHECKLIST

Are you close to retirement, or do you just have questions about what the process will be once the time comes? Our plan administrator, Vestcor, has recently released a short video explaining the steps you'll need to take to apply for your pension.

You can watch the video by scanning the code above with your mobile device, or by visiting nbtp.ca.

NBTPP FINANCIAL UPDATE

COST CERTIFICATE

Every three years the NBTPP is required to undergo an actuarial valuation. This extensive report, prepared by our actuary, **assesses the NBTPP's ability to provide pension benefits to you**, the NBTPP membership. It also helps **guide the Board in making decisions regarding the finances of the NBTPP**. The most recent Actuarial Valuation Report for the NBTPP was completed as at August 31, 2019, with the next one scheduled for 2022.

In the years in which an actuarial valuation is not required, the actuary must prepare a Cost Certificate. As part of preparing a Cost Certificate, **our actuary calculates the financial position of the NBTPP by comparing the fair market value of the NBTPP's assets to the extrapolated funding liability as at August 31, 2021**; this ratio is known as the **termination value funded ratio**, with the results as at August 31, 2021 provided to the right.

Funding Status of the NBTPP

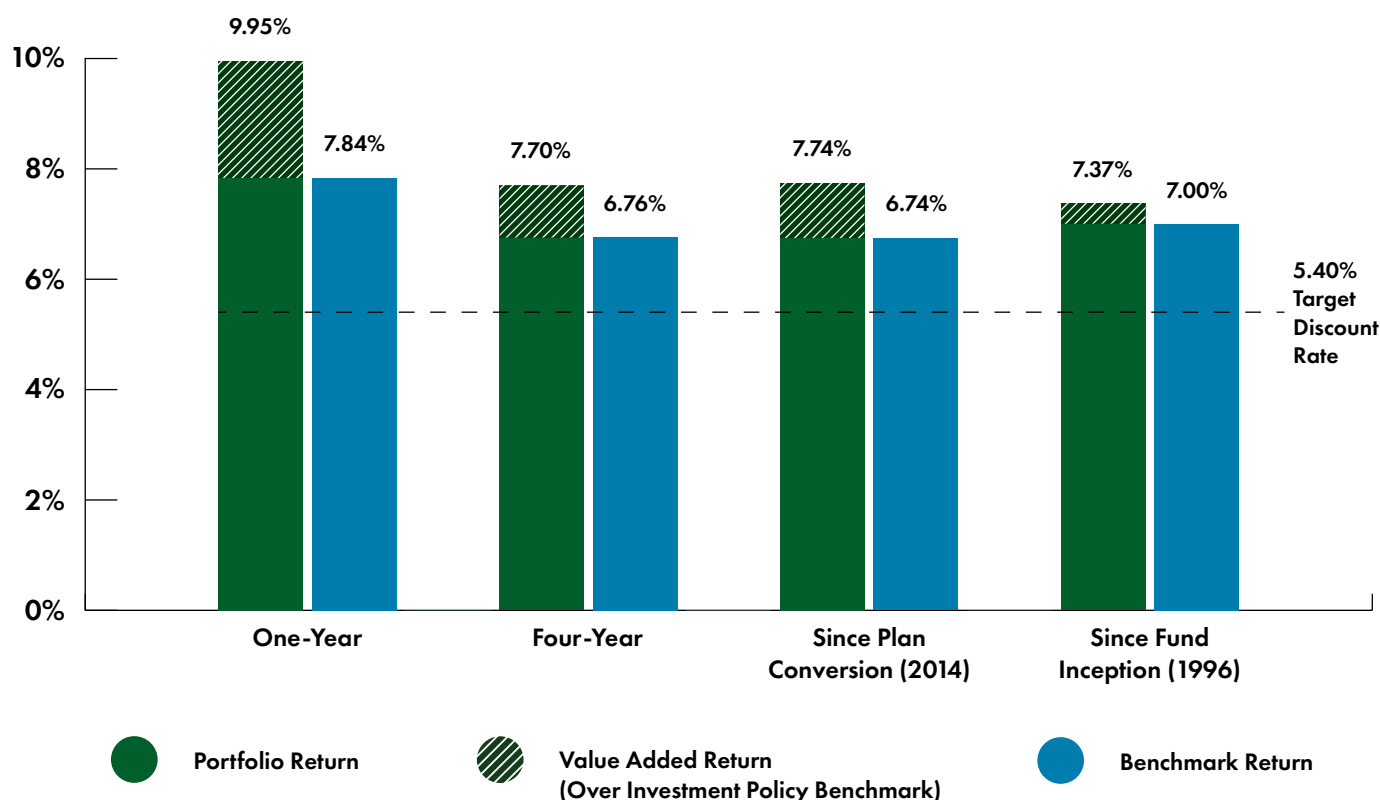
Termination Value Funded Ratio of

110.4%
(as at August 31, 2021)

A SNAPSHOT OF WHERE YOUR PENSION FUND STANDS AS AT DECEMBER 31, 2021



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.

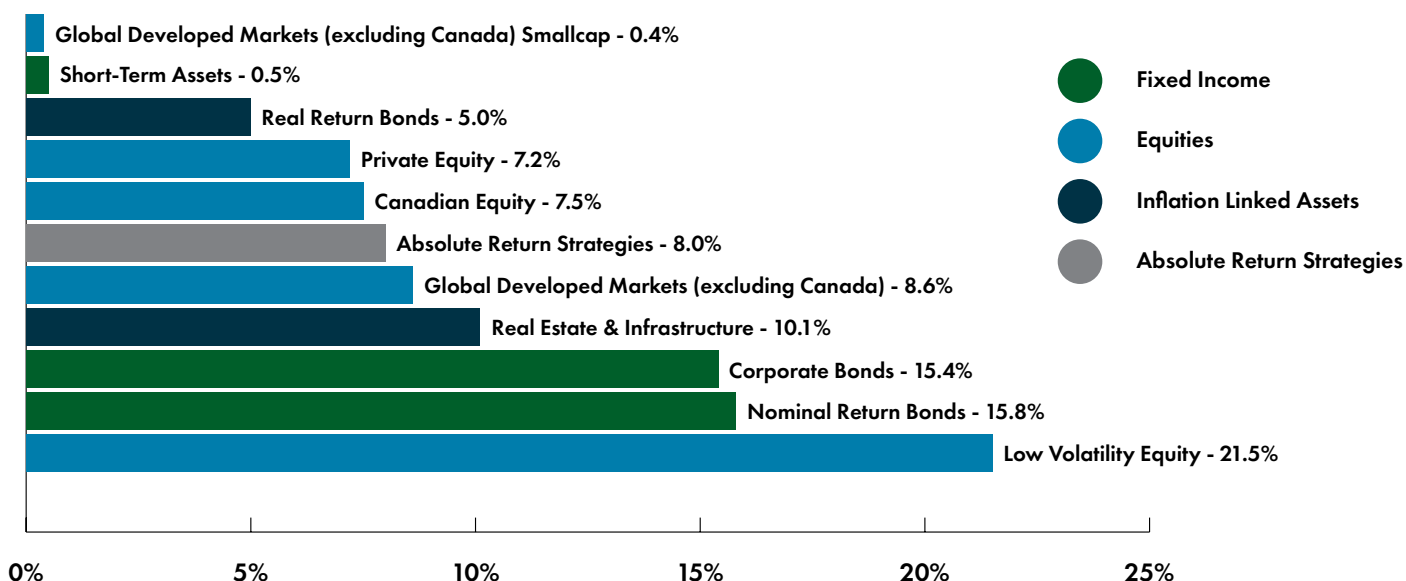
In this past year’s market environment, the overall investment program earned a positive return of 9.95% for the year and 5.78% in the last six months of 2021. Both the four-year annualized return of 7.70%, and the return since the inception of Vestcor’s management in 1996 of 7.37%, remain greater than 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 December 31, 2021 was \$6.986 billion, an increase of \$467 million from the fair value at December 31, 2020.

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



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 NBTPP 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 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 NBTPP by scanning the code above with your mobile device, or at vestcor.org/glossary.

NBTPP ANNUAL INFORMATION MEETING 2022



REGISTER TODAY!

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

WHEN?

October 12, 2022, 7:00 pm ADT

WHERE?

Online via webcast with a phone-in option

WHY SHOULD YOU ATTEND?

It's your opportunity to learn more about the NBTPP, 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 actuary; and
- a question and answer session with your Board of Trustees and guests.

Last year a member asked...

When is the COLA for teachers calculated and how is it done?

The Cost of Living Adjustment (COLA), also known as Indexing Adjustment Benefit (IAB) for the NBTPP, is calculated by the NBTPP's independent actuary, LifeWorks, based on 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. The methodology used to determine the IAB is provided in the NBTPP's Plan Text, which can be found at nbtp.ca. Using CPI figures to determine the IAB is consistent with how many plans across Canada, including the Canada Pension Plan, calculate the increase.

Here's how the most recent IAB, effective January 1, 2022, 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

Reminder: Percentage change is calculated by taking the (final value minus initial value), divided by the initial value, and multiplied by 100. Here's what that looks like in action:

$$\frac{138.59 - 136.60}{136.60} = 1.46\%$$

(average CPI for 12-months ending June 30, 2021) — (average CPI for 12-months ending June 30, 2020)

While the recent inflation rates in the latter half of 2021 were more than 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 IAB is calculated? A video is available at nbtp.ca.

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

INTEGRATION:

A QUICK GUIDE TO YOUR BRIDGE BENEFIT

You can watch a video about Integration by scanning the code to the right with your mobile device, or by visiting vestcor.org/nbtpintegration.



One of the perks the New Brunswick Teachers' Pension Plan provides is a bridge benefit paid to members that retire before age 65. As the name suggests, this bridge benefit is **paid temporarily in addition to your lifetime pension** to help bridge the gap financially between your retirement date, and when you qualify for an unreduced Canada Pension Plan (CPP) benefit at age 65.

FIRST, A LITTLE BACKGROUND...

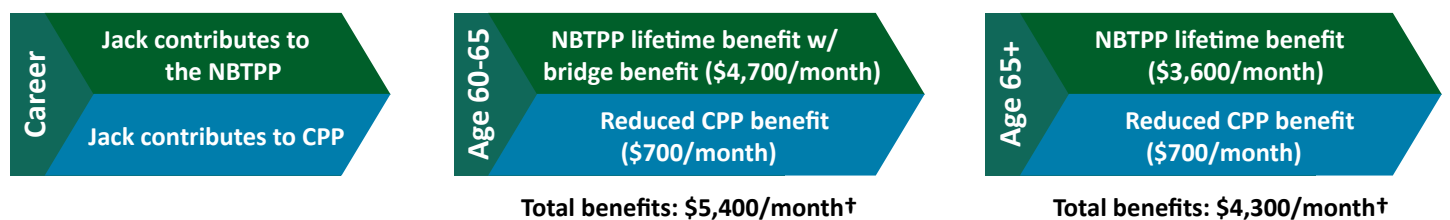
The NBTPP, like most other plans across Canada, is integrated with the CPP. When the CPP was introduced in 1966, contributions under the NBTPP were reduced so that an employee's overall contributions did not increase. Benefit levels were also adjusted so that the combined NBTPP and CPP paid similar benefits as were previously paid by the NBTPP alone. Together they are meant to provide you with a retirement income that will allow you to maintain your quality of life throughout your retirement.

You are eligible to start CPP as early as age 60 at a reduced amount, 65 unreduced, or as late as age 70 with a late retirement factor applied.

SO, HOW DOES IT WORK?

As mentioned above, if you retire before age 65, your base pension amount will include a temporary bridge benefit on top of your lifetime benefit. This additional benefit is only paid until you reach age 65.

In addition to their NBTPP pension, some members choose to start receiving their CPP benefit early. You can start receiving a reduced CPP benefit as early as age 60. It is important to remember, your bridge benefit is paid until you reach age 65, regardless of when you start receiving your CPP benefit. On the month following your 65th birthday, your bridge benefit ends, while your lifetime pension benefit continues to be paid to you for the whole of your retirement. An example of a member who retires at age 60 and opts to receive both their NBTPP and CPP pensions is below.



† benefit amounts shown are for illustration purposes only

Individuals also receive the Old Age Security (OAS) pension at age 65 (max \$640 per month), which will make up some of the difference shown in the example above.

For NBTPP members who 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 bridge benefit will coincide with the start of their CPP benefit. You should keep in mind that your bridge benefit and CPP benefit amounts are unlikely to be exactly the same, so you will see a change in your monthly income.

An efficient way to see how the bridge benefit will affect your pension is to use Vestcor's Pension Estimate Calculator, which can be found at vestcor.org/calculators. It will give you a clearer picture of what your future pension may look like before and after age 65 if you decide to retire early. You can also see what your pension could look like should you wait until age 65 to retire, forgoing the NBTPP bridge benefit entirely. When you feel that retirement is in your near future and you have questions, 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.

Key Resources

For Plan Members

NBTPP Website - nbtpp.ca

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

NBTPP At-a-Glance

A simplified document to help walk you through the basics of the NBTPP. Wondering how much you contribute to the Plan? 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 nbtpp.ca under "Booklets".

Helpful Documents

- Pension Plan Member Booklet
- Marriage Breakdown Booklet
- Supply Teachers/Local Permit Holders Eligibility and Participation Criteria

Indexing Adjustment Benefit (IAB)/COLA Summary

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

Life Events - vestcor.org/lifeevents

Easily find information, videos and checklists relating to your pension during transitional periods in your life – including if you're new to the plan, returning from a leave of absence, ending a spousal relationship, leaving your employment, preparing to retire, or newly retired.

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:

- The Plan Text was amended in order to document the Indexing Adjustment Benefit (IAB) awarded as of January 1, 2022. The amendment was filed with the Superintendent of Pensions on January 14, 2022.
- The Board of Trustees approved amendments to the NBTPP Funding Policy on December 7, 2021 to reflect changes to the mortality assumption for males and address housekeeping items. The amendments were filed with the Superintendent of Pensions on January 19, 2022.
- The Board of Trustees approved amendments to the NBTPP Statement of Investment Policies on September 28, 2021 to update benchmark names for consistency and make changes that are housekeeping in nature. These amendments were filed with the Superintendent of Pensions on October 6, 2021.
- The NBTPP Statement of Investment Policies was amended to reflect changes to the investment strategy. The amendment was filed with the Superintendent of Pensions on February 14, 2022.

The updated versions of the governing documents are available at nbtpp.ca.