

NEW BRUNSWICK

Teachers'

PENSION PLAN



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CONTACT US

WRITE:
NBTPP Board of Trustees
c/o Vestcor
PO Box 6000
Fredericton, NB E3B 5H1

CALL:
1 800 561 4012 (toll free)
or 506 453 2296 (Fredericton)

EMAIL: info@vestcor.org

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...

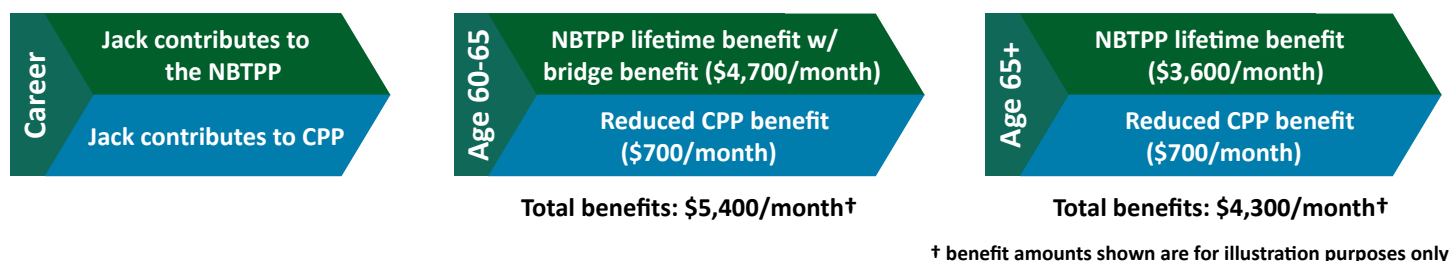
The NBTPP, like most other plans across Canada, is integrated with the CPP. When the CPP was introduced in 1966, contributions under the NBTPP were reduced so that an employee's overall contributions did not increase. Benefit levels were also adjusted so that the combined NBTPP and CPP paid similar benefits 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.



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.

If you have questions about your bridge 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 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.

TAX SEASON AND YOUR PENSION

It's tax season again. If you find yourself owing additional taxes, we wanted to let you know that 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 NBTPP pension, they are automatically deducted as if the NBTPP 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 NBTPP 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. 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.

Some members may also find it beneficial to look into splitting their pension income with their spouse or common-law partner for tax purposes. More information on this process can be found on the Government of Canada website (canada.ca) by searching for "pension income splitting".



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

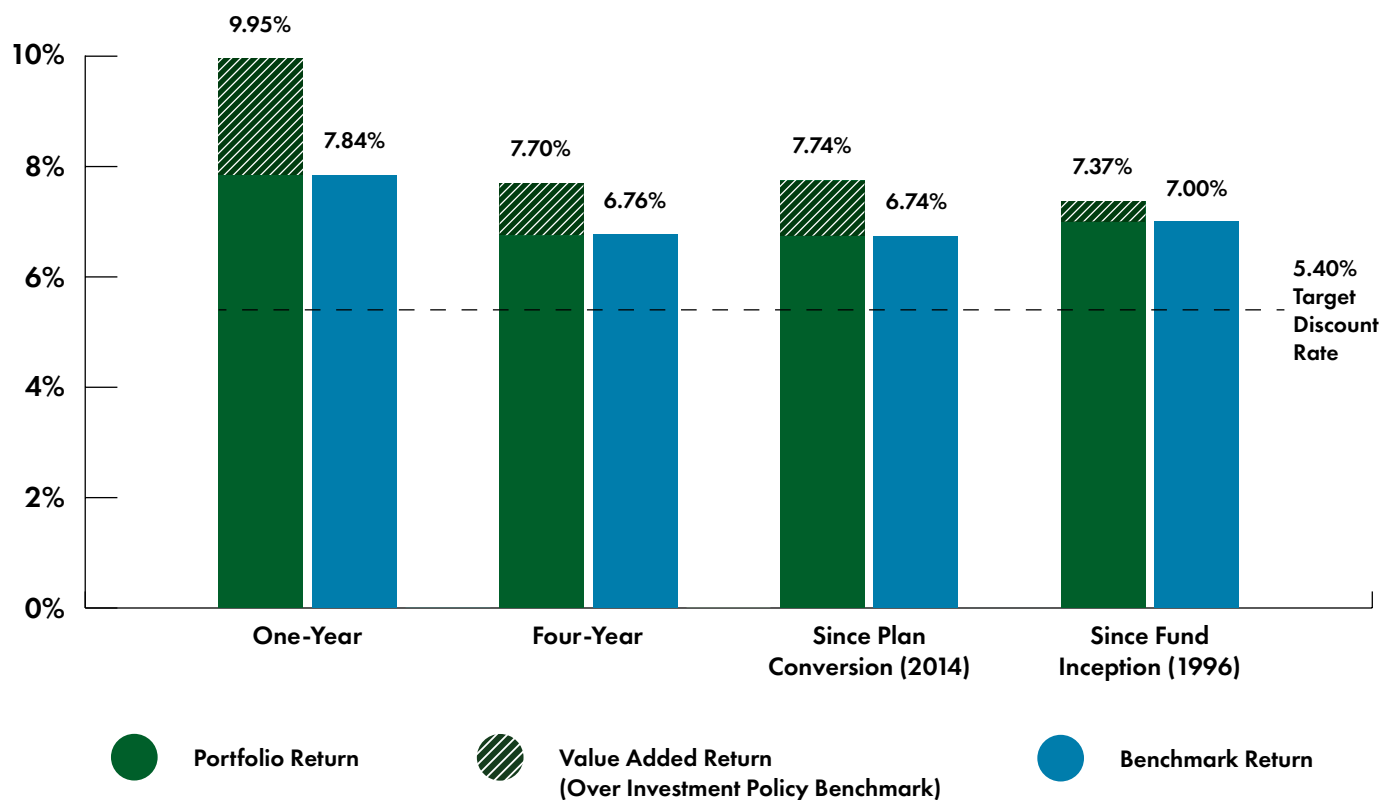
Termination Value Funded Ratio of

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.

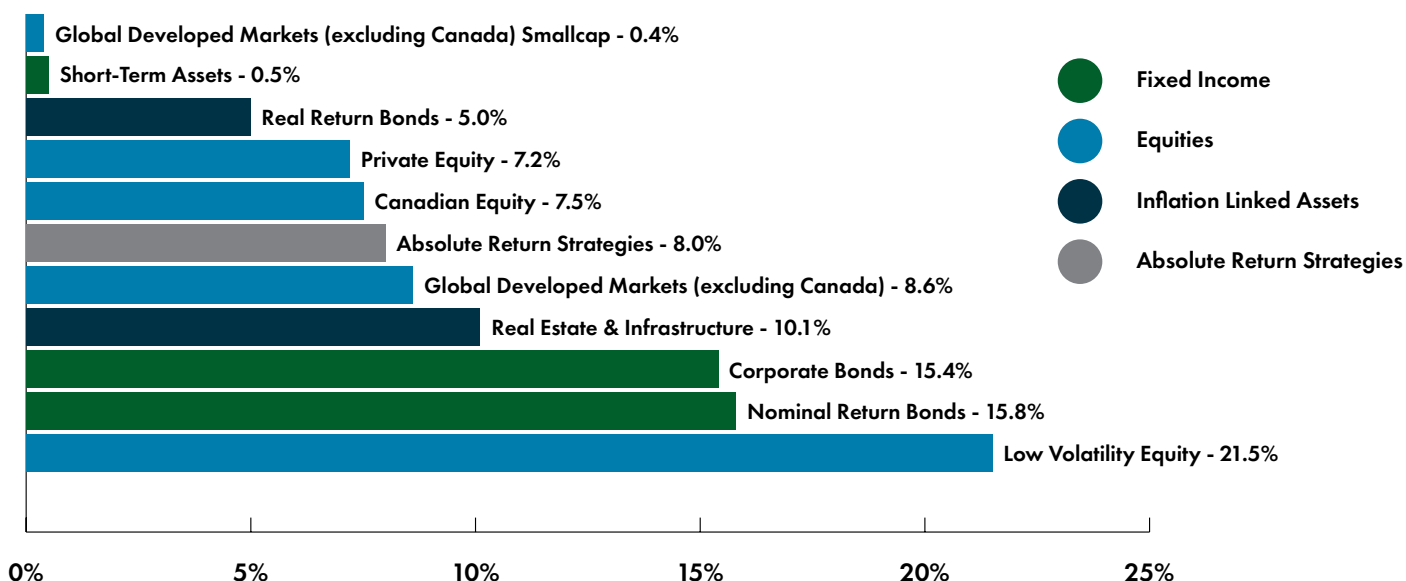
In this past year’s market environment, the overall investment program earned a positive return of 9.95% for the year and 5.78% in the last six months of 2021. Both the four-year annualized return of 7.70%, and the return since the inception of Vestcor’s management in 1996 of 7.37%, remain greater than 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)

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

*For retirees, your benefit was adjusted based on 75% of the increase in CPI, which equalled 1.10%

90%
OF 2021 ATTENDEES FOUND
THE MEETING INFORMATIVE

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.

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 2), 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/lifeevents.



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. 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 information for the 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.