

NEW BRUNSWICK

# Teachers'

PENSION PLAN



SPECIAL  
**COST OF LIVING**  
EDITION

## IN THIS ISSUE

- 1 | WHAT GUIDES THE BOARD IN DECISIONS SURROUNDING THE INDEXING ADJUSTMENT BENEFIT (IAB)?
- 2 | HOW DOES THE NBTPP CALCULATE THE IAB?
- 3 | YOUR 2023 IAB
- 4 | 2021 IN BRIEF
- 5 | MID-YEAR INVESTMENT REPORT
- 7 | NBTPP ANNUAL INFORMATION MEETING
- 7 | NBTPP 2023 PENSION PAYMENT DATES
- 7 | AMENDMENTS TO GOVERNING DOCUMENTS

RETIREE EDITION

**FALL 2022**

**VOLUME 7**

ISBN 978-1-4605-3222-5

## 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@nbtp.ca](mailto:info@nbtp.ca)

**Rising inflation has been top of mind for everyone lately, and your NBTPP Board of Trustees is no exception. With this newsletter we wanted to take the opportunity for an in-depth look at how your Plan handles indexing adjustment benefits (IAB), also known as cost of living adjustments (COLA). The IAB is provided to help your pension keep up with inflation.**

The IAB-related topics you'll find in this newsletter include:

- how the governing documents of the NBTPP guide how the IAB is awarded (see below);
- how the NBTPP uses figures provided by Statistics Canada to calculate the IAB (see page 2); and
- further resources available to you to get a firmer understanding of the IAB.

## WHAT GUIDES THE BOARD IN DECISIONS SURROUNDING THE IAB?

Your NBTPP Board of Trustees is required to follow the rules laid out in the governing documents of the Plan when making any decision. These rules and governing documents were agreed to and defined by the parties when the Plan was designed. When it comes to the IAB they look to two primary documents: the **Plan Text** and the **Funding Policy**.

### PLAN TEXT

The Plan Text lays out the basic rules of the NBTPP. When it comes to the IAB, the Plan Text specifies that:

- the IAB is granted on January 1<sup>st</sup> of each year;
- the IAB is based on the increase in the Consumer Price Index (CPI) provided by Statistics Canada in the 12-month period ending June 30, up to a maximum increase of 4.75%;
- active members receive 100% of the increase in CPI (subject to the maximum increase of 4.75%), retired and deferred members receive 75% of the increase in CPI, up to a maximum of 3.56%;
- any increase in base benefits is also applied to the early retirement benefit (also known as the bridge benefit) provided to NBTPP members who retire early; and
- once the IAB is awarded it is considered part of the members' base benefits.

The NBTPP Plan Text can be found at [nbtp.ca/plantext](https://nbtp.ca/plantext). If you're looking for information on the IAB, it is discussed in the section called "Article VI - Ancillary Benefits".

### FUNDING POLICY

The Funding Policy spells out rules that are specific to the funds of the Plan. This includes sections on contributions, risk management, and what actions are to be taken when the Plan is in a surplus or deficit. The objective of the Funding Policy is to ensure that the NBTPP has the required funds to pay base benefits and ancillary benefits. Ancillary benefits are the additional benefits of the Plan above and beyond the base benefits, and include the IAB. When it comes to the IAB, the Funding Policy specifies that while the IAB is a scheduled benefit improvement and does not require Board approval, the Board may be required to reduce the IAB awarded if it would cause the NBTPP to slip into a deficit position.

The NBTPP Funding Policy can be found at [nbtp.ca/fp](https://nbtp.ca/fp).

**Your Board considers the IAB to be a vital part of the design of the NBTPP. Not every teachers' pension plan in Canada provides for cost of living increases, whether due to their plan design, or the fact that they don't have the necessary funds to provide these benefits. A great deal of effort goes into making sure that the NBTPP is sustainable and able to grow with its members.**

**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.

# HOW DOES THE NBTPP CALCULATE THE IAB?

The IAB for the NBTPP is calculated using a similar method as that used by the Canada Pension Plan (CPP) and other pension plans, which base their calculations on the average annual change in the Consumer Price Index (CPI) provided by Statistics Canada. Statistics Canada measures the change in CPI by looking at the change in prices for a number of different kinds of goods, from food and shelter to clothing and recreational products.

## WHAT?

The indexing adjustment benefit (IAB) is measured by determining the change in the 12-month average of the CPI level for the most recent July 1<sup>st</sup> to June 30<sup>th</sup> period by comparing it to the average of the same period for the previous year.

## WHO?

Your Plan's actuary, LifeWorks, completes this calculation.

## HOW?

For the IAB awarded on January 1, 2023 your Plan's actuary:

- Compared the average CPI for the period of July 2021 to June 2022 with the average CPI for the period of July 2020 to June 2021.
- The CPI from each month was added together, and then divided by 12 for the 12 months of the year, to obtain the average monthly CPI. For the period of July 2021 to June 2022 it was 146.29.

Month Year	July 2021	Aug 2021	Sept 2021	Oct 2021	Nov 2021	Dec 2021	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	June 2022	Avg.
CPI Level	142.3	142.6	142.9	143.9	144.2	144.0	145.3	146.8	148.9	149.8	151.9	152.9	146.29
Inflation %	3.7%	4.1%	4.4%	4.7%	4.7%	4.8%	5.1%	5.7%	6.7%	6.8%	7.7%	8.1%	5.56%

- Then the same calculation was done for the previous year. For the period of July 2020 to June 2021 the average CPI was 138.59.

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 Level	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
Inflation %	0.1%	0.1%	0.5%	0.7%	1.0%	0.7%	1.0%	1.1%	2.2%	3.4%	3.6%	3.1%	1.46%

The rate available for the IAB was then calculated by determining the percentage change in the average CPI for those two periods using the calculation you see below. It is important to note that a negative IAB rate would never be applied under the Plan.

$$\frac{146.29 \text{ (average CPI for 12-months ending June 30, 2022)} - 138.59 \text{ (average CPI for 12-months ending June 30, 2021)}}{138.59 \text{ (average CPI for 12-months ending June 30, 2021)}} = 5.56\% \text{ Increase in the Consumer Price Index (CPI)}$$

## WILL THE IAB AWARDED BE 5.56%?

Based on the calculation above, the increase in the CPI was 5.56%. However, CPI and the IAB do not always match. For retired and deferred members of the NBTPP, the IAB is based on 75% of the increase in CPI, up to a maximum of 3.56%. This limitation is in place to allow the Plan to offer other important benefits to its members. More information on the governing documents of the Plan, including the Funding Policy, and how they impact the IAB awarded can be found on page 1. More information on the most recent IAB awarded can be found on page 3.

# YOUR 2023 INDEXING ADJUSTMENT BENEFIT

For retired members, the increase that will be applied to your pension benefit is:

# 3.56%

The increase will be applied to retirees' monthly pension as of January 1, 2023.

For retired members, your adjustment is based on 75% of the increase in Consumer Price Index (CPI), up to a maximum of 3.56% (see page 2). Members who retire in 2022 will receive a blended indexing adjustment benefit (IAB).

## Indexing Adjustment Benefit (IAB) Awarded Since Plan Conversion

Year Awarded (January 1 <sup>st</sup> )	NBTPP IAB* for retirees
<b>2023</b>	<b>3.56%</b>
2022	1.10%
2021	1.10%
2020	1.59%
2019	1.41%
2018	1.10%
2017	1.05%
2016	1.12%
2015	1.07%

\*IAB: Indexing Adjustment Benefit to retired NBTPP members.

## IAB RESOURCES

Follow the links below to access more IAB-related resources.

Video:  
How the IAB is Calculated  
[nbtp.ca/IABvideo](http://nbtp.ca/IABvideo)



Information Sheet:  
Explaining the IAB  
[nbtp.ca/IAB](http://nbtp.ca/IAB)



Statistics Canada  
Consumer Price Index chart  
[nbtp.ca/statscan](http://nbtp.ca/statscan)



Much more information, including a "Cost of Living Increase/Indexing Adjustment Benefit" section is available at [nbtp.ca](http://nbtp.ca).



# 2021 IN BRIEF

The NBTPP had a gross investment return of  
**9.95%**  
exceeding the Investment Policy Benchmark of 7.84%

Plan assets increased by  
**\$467**  
**MILLION**

The Plan's Funded Ratio was  
**110.4%**  
per the August 31, 2021 Cost Certificate  
(compared to 103.4% in 2020)

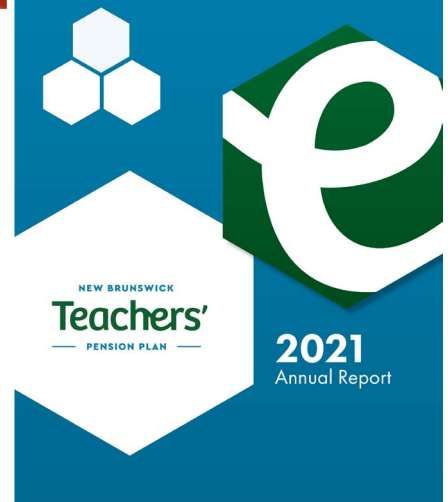
WANT TO LEARN MORE ABOUT YOUR PLAN?

The NBTPP had  
**19,935** total members

**9,693** Retirees/Survivors

**8,502** Active Members

**1,740** Deferred Members

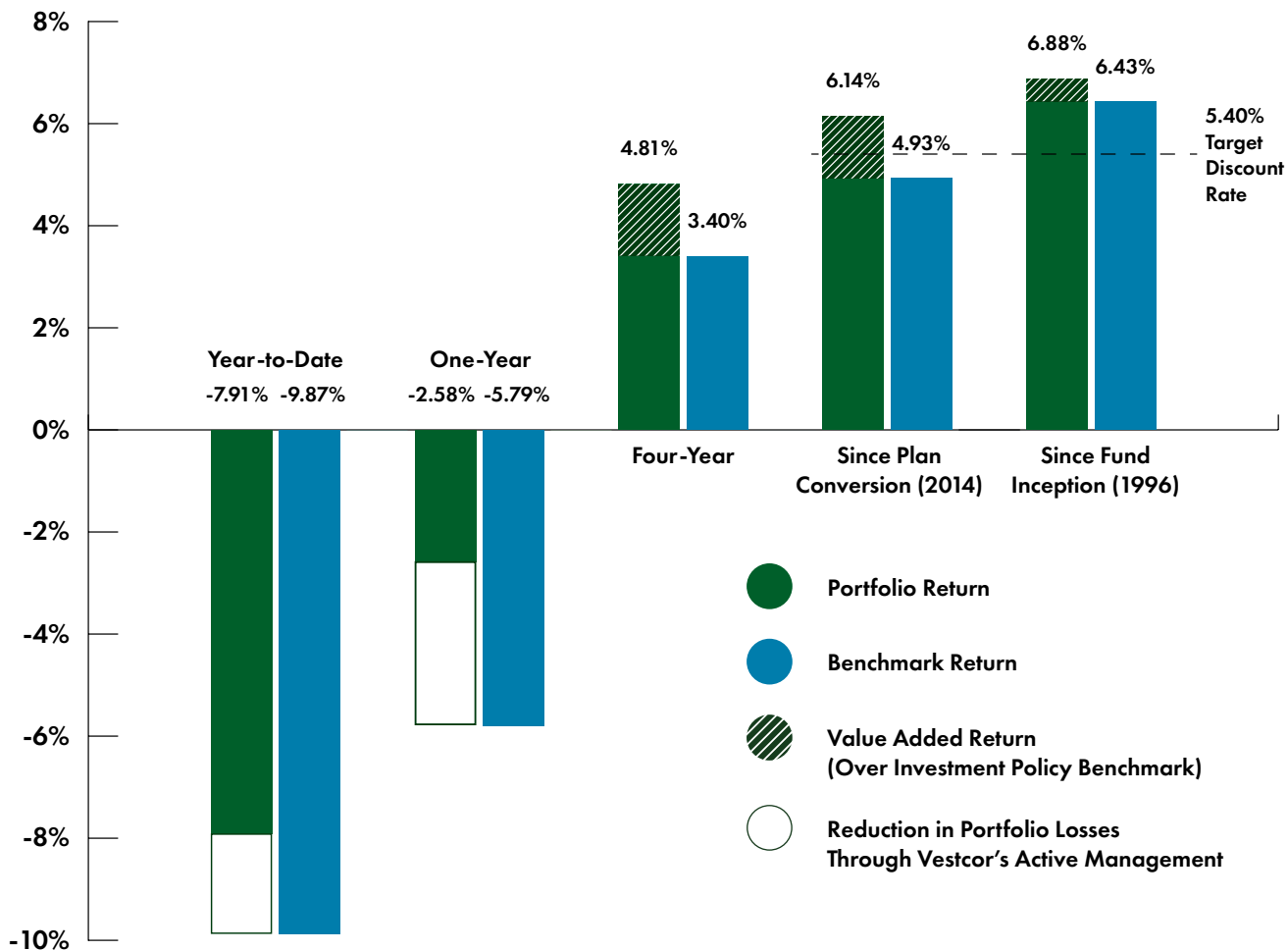


The NBTPP 2021 Annual Report is now available at [nbtp.ca](http://nbtp.ca)

## A SNAPSHOT OF WHERE YOUR PENSION FUND STANDS AS AT JUNE 30, 2022

GROSS INVESTMENT RETURN <b>-7.91%</b>	NET DECREASE OF <b>\$0.644 BILLION</b>	INVESTMENT ASSETS <b>\$6.342 BILLION</b>
--	---	---

### INVESTMENT RETURNS (AS AT JUNE 30, 2022)



Global financial market performance during the first half of 2022 was the worst in recent history for diversified investors, with significantly negative performance for both stocks and bonds on the back of economic volatility and rising inflation. The defensive positioning of the invested assets provided some protection against broader declines and active investment management provided strong added value in excess of benchmarks with 1.96% of active return during the first half of 2022. However, the overall investment program still earned a negative return of -7.91% in the first six months of 2022. During the same time period, the median Canadian defined benefit pension plan earned a negative return of -14.70%\*.

Recent atypical weakness in both equity and fixed income markets have resulted in the four-year annualized gross return of 4.81% lagging the target discount rate of 5.40% set by the independent actuary. The longer-term return since inception has continued to exceed the target discount rate with an annual return of 6.88%.

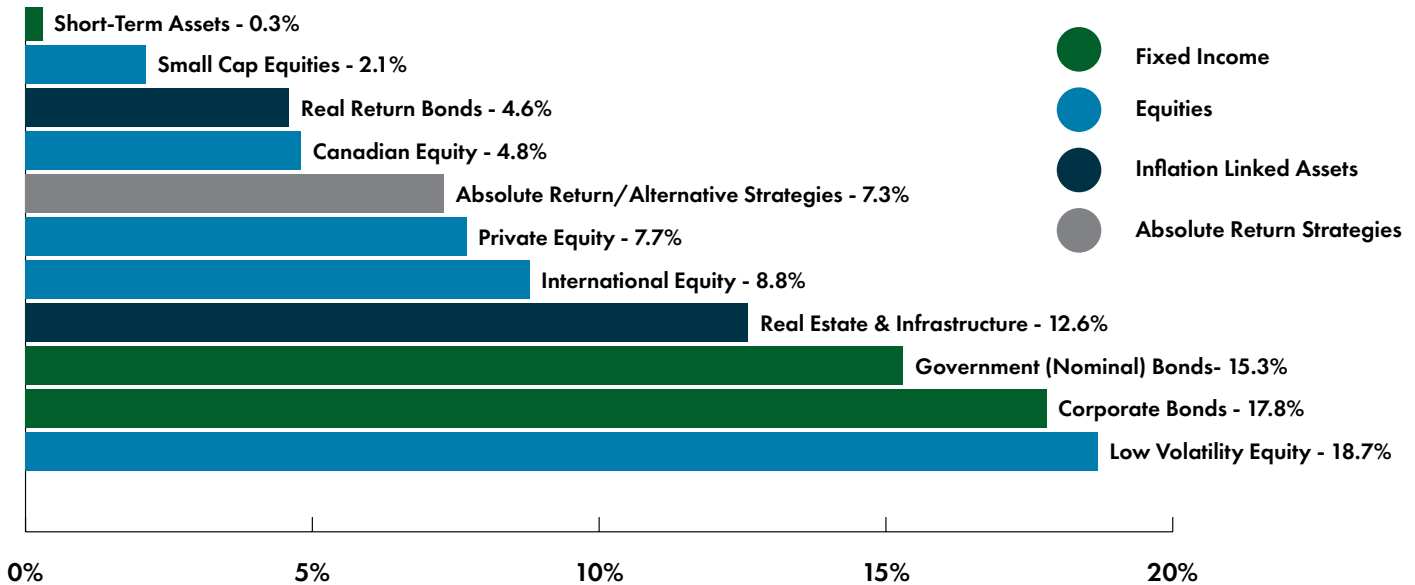
### INVESTMENT ASSETS

The fair value of the NBTPP investment assets on June 30, 2022 was \$6.342 billion, a decrease of \$0.644 billion from the fair value on December 31, 2021.

\*Median defined benefit pension plan according to RBC Investor & Treasury Services

## ASSET MIX

The chart below outlines the portfolio asset mix on June 30, 2022 and illustrates how well-diversified the Plan's investment assets are.



As a result of the Board's annual review of the investment policy, the NBTPP's investments are being transitioned to a new asset mix over the next 12 months. More information on the Board's policies can be found in the Statement of Investment Policies available at [nbtp.ca](http://nbtp.ca), under "Plan Governance" then "Governing Documents."

## MARKET SNAPSHOT

With geopolitical, economic, and market noise at the forefront, market volatility has been significantly above normal so far in 2022, and a prudent outlook would expect higher than normal volatility to continue for quite some time as markets continue to digest news about ongoing conflict in Ukraine, COVID & supply chain issues, and the impact of higher interest rates on economic activity.

Inflation has continued to increase throughout 2022 reaching levels not seen in decades despite recent attempts by both US and Canadian central banks to slow it down. Looking forward, while the short-term outlook is obviously cloudy and requires careful management of the portfolio, the longer-term outlook has improved somewhat for investors, at least in terms of nominal returns.

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](http://vestcor.org/marketupdates).

## HELPFUL DEFINITIONS

**ACTIVE MANAGEMENT:** An investment strategy used by management with the goal of outperforming an industry benchmark or index.

**BENCHMARK:** An industry standard against which rates of return can be measured, such as equity and bond market indices developed by stock exchanges and investment dealers.

**BONDS:** Debt security that pays the investor a fixed rate of interest during the term of the loan and to return the principal or face value when the loan matures. Bonds belong to an asset class known as **Fixed Income**.

**DISCOUNT RATE:** Set by the Board of Trustees after consulting with the Plan's independent actuary. The assumed net investment rate of return that the pension fund needs to conservatively earn over the long-term to maintain the base benefit.

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



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](http://vestcor.org/glossary).



# NBTPP ANNUAL INFORMATION MEETING

On October 12<sup>th</sup>, 2022 we held our 2<sup>nd</sup> Annual Information Meeting via live webcast.

If you were unable to attend, or if you would like more information, visit [nbtpp.ca/2022aim](https://nbtpp.ca/2022aim), where you can:

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



## NBTPP 2023 PENSION PAYMENT DATES

JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
24	24	24	24	24	23
JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
24	24	22	24	24	18

## 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 to extend the temporary suspension of a provision (for the period of July 1, 2022 to June 30, 2024) related to the 80-day supply teaching limit per school year for NBTPP retirees. The amendment was filed with the Superintendent of Pensions on July 5, 2022.

The updated version of the governing documents are available at [nbtpp.ca](https://nbtpp.ca).

### PREFER TO GET THIS NEWSLETTER IN PAPER FORMAT?

Contact us at [info@nbtpp.ca](mailto:info@nbtpp.ca) or by calling 1 800 561 4012.

