



FALL 2022 | VOL. 13
RETIREE EDITION

NBPSPP UPDATE

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SPECIAL
**COST OF
LIVING**
EDITION



YOUR COST OF LIVING ADJUSTMENT

Cost of living adjustments are meant to help you keep up with inflation – whether you are a retiree drawing a pension or an active member saving for your future retirement. Cost of living adjustments granted by this pension plan are provided to all plan members: active, retired, or deferred.

The cost of living adjustment (COLA) provided this year is the highest to date for this Plan.

This year's COLA granted to all NBPSP members is:

5.24%

For retirees, the increase will be applied to your monthly pension benefit as of January 1, 2023. You'll receive notification of this increase in writing in December 2022.

Cost of Living Adjustment (COLA) Awarded Since Plan Conversion

Year Awarded (January 1 st)	NBPSP COLA	Canadian CPI*
2023	5.24%†	5.56%
2022	1.46%	1.46%
2021	1.46%	1.46%
2020	2.12%	2.12%
2019	1.88%	1.88%
2018	1.47%	1.47%
2017	1.40%	1.40%
2016	1.49%	1.49%
2015	1.43%	1.43%
2014	0.96%	0.96%

*Maximum COLA that can be granted based on the percentage change in the average Canadian CPI, as defined on page 4.

†The remaining 0.32% that is not awarded this year may be awarded in future years when the plan is in a position to do so.

COLA RESOURCES

Follow the links below or scan the QR codes with your mobile device to access more COLA-related resources.

Video: How COLA is
Calculated
nbpspp.ca/colavideo



Information Sheet:
Explaining COLA
nbpspp.ca/cola



Statistics Canada Consumer
Price Index chart
nbpspp.ca/statscan



NBPSP 2021
Actuarial Valuation
nbpspp.ca/valuation





Much more information, including a “Cost of Living Adjustments” section is available at nbpspp.ca.

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.

WHAT ARE THE STEPS TO AWARD COLA?

The steps the Board follows to award cost of living adjustments (COLA) are determined by the rules laid out in two of the NBPSP's governing documents: Plan Text (nbpssp.ca/plantext) and Funding Policy (nbpssp.ca/fp).

Is our Plan in a good financial position? 	Is there a surplus available to fund COLA? 	What is the current annual inflation rate? 5.56%	What portion of this inflation rate can the Plan provide? 94%	What percentage can be awarded? 5.24%	What happens to the remaining 0.32%? May be awarded in the future.
Determined by: Annual actuarial review (page 3)	Determined by: Annual actuarial review (page 3)	Determined by: CPI 12-month average increase (page 4)	Determined by: Annual actuarial review (see below)	Determined by: Annual actuarial review (see below)	Determined by: Future financial health of the Plan

IS OUR PLAN IN A GOOD FINANCIAL POSITION?

The focus of the Board of Trustees is to ensure the Plan remains secure, sustainable and affordable – for current and future members. Indicators of the Plan's success to date have been its ability to award COLA every year, while keeping the Plan overfunded.


We are pleased to share that the NBPSP continues to be well funded in spite of the difficult market conditions so far in 2022 and the COLA being paid on January 1, 2023.

As required by the *Pension Benefits Act*, every year your Board of Trustees and the Plan's independent actuary review the funding level and risk management goals of the Plan to determine if the Plan is in a good financial position and if a cost of living adjustment (COLA) can be awarded. This review is outlined in the Actuarial Valuation Report, available at nbpssp.ca/valuation. A summary of the results can be found on the next page.

One of three outcomes can occur as a result of this review and how much excess funds the Plan has available to use:

1. The Board can provide a full COLA;
2. The Board can provide a partial COLA; or
3. The Board cannot award COLA.

For the 2023 COLA, we are in the second scenario. Per the NBPSP's Funding Policy, the Plan could use up to \$389.2 million in available funds to award 5.24% of the possible 5.56% cost of living increase. The remaining 0.32% may be provided in future years if the Plan has a large enough surplus. An example of the COLA calculation can be found on page 4.



We are pleased to share that the NBPSP continues to be well funded

WHAT WERE THE FUNDING RESULTS IN 2021?

To determine the funding levels of the NBPSPP, the Plan's actuary compares the Plan's assets to its liabilities. The results of the Actuarial Valuation Report are outlined below. Want to know more about these results and what they mean? The Plan's Actuary, LifeWorks, presented the results at this year's NBPSPP Annual Information Meeting. The video is available at nbpspp.ca/2022AIM.



15-Year Open Group
Funded Ratio
134.8%

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

Termination Value
Funded Ratio
108.4%

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

Risk Management Results

Primary Risk Management Goal

Achieve 97.5% probability that past base benefits earned will not be reduced over the next 20 years.

99.40%



1st Secondary Risk Management Goal

Provide indexing in excess of 75% of CPI to members and retirees over the next 20 years.

94.80%
of CPI



2nd Secondary Risk Management Goal

Achieve at least 75% probability that ancillary benefits (i.e., early retirement benefit) can be provided over the next 20 years.

99.20%



HOW DOES THE NBPSPP CALCULATE COLA?

COLA for the NBPSPP is calculated using a similar method as that used by the Canada Pension Plan (CPP) and other pension plans; the calculation for this year is included below. It's also explained in a video at nbpspp.ca/colavideo.

WHAT?

COLA is measured by determining the 12-month average of the Consumer Price Index (CPI) level for the most recent July 1st to June 30th period and comparing that figure to the average of the same period for the previous year. CPI is provided by Statistics Canada and is an average of the change in prices of different products, from food and shelter to clothing and recreational products.

WHO?

Your Plan's actuary, LifeWorks, completes this calculation. The Board then compares the results with the NBPSPP Funding Policy to decide if COLA can be awarded (see page 2).

HOW?

For COLA 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 COLA 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 COLA rate would never be applied under the Plan.

$$\frac{\begin{array}{c} 146.29 \\ \text{(average Consumer Price Index for} \\ \text{12-months ending June 30, 2022)} \end{array} - \begin{array}{c} 138.59 \\ \text{(average Consumer Price Index for} \\ \text{12-months ending June 30, 2021)} \end{array}}{\begin{array}{c} 138.59 \\ \text{(average Consumer Price Index for 12-months ending June 30, 2021)} \end{array}} = 5.56\% \quad \left| \begin{array}{l} \text{Maximum COLA} \\ \text{that could be} \\ \text{awarded for 2023} \end{array} \right.$$

Based on the calculation, the maximum COLA that could be provided to all members of the NBPSPP for 2023 was 5.56%. Looking at the financial health of the Plan, using the Actuarial Valuation Report, and following the rules laid out in the Funding Policy, **the Board is awarding 5.24% this year, and the rest in future years if possible.**

2022 MID-YEAR INVESTMENT REPORT

A SNAPSHOT OF YOUR PENSION FUND AT JUNE 30, 2022

NBPSPP RETURN (GROSS)

-7.90%

AT JUNE 30, 2022

NET DECREASE OF

\$0.827 billion

SINCE DEC. 31, 2021

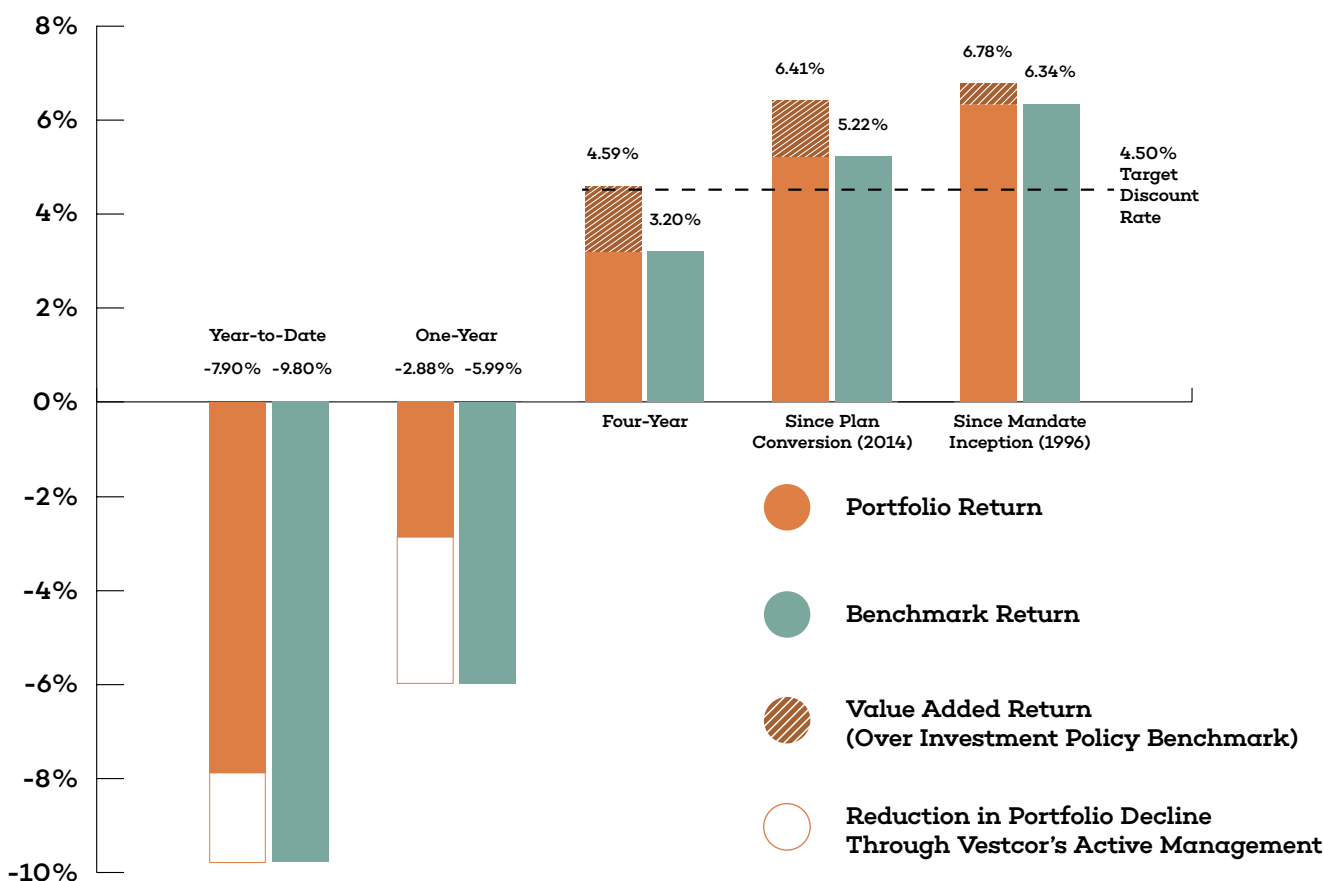
INVESTMENT ASSETS ARE

\$8.526 billion

Key Takeaways

- Financial markets have been challenging so far this year. Although your Plan has faced a short-term decline in asset value, its low risk approach has meant that the decline is much less than peer Canadian pension plans, and long-term, the Plan continues to have a positive return of 6.78% and remains overfunded, through this difficult period.
- Although mid-year returns were -7.90%, the median return for Canadian defined benefit pension plans was -14.70%.*

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 1.90% of active return during the first half of 2022. However, the overall investment program still earned a negative return of -7.90% in the first six months of 2022.

While recent atypical weakness in both equity and fixed income markets have resulted in a weaker year-to-date performance, both the four-year annualized return of 4.59% and the annualized return since inception of 6.78% have continued to exceed the benchmark returns of 3.20% and 6.34% respectively.

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

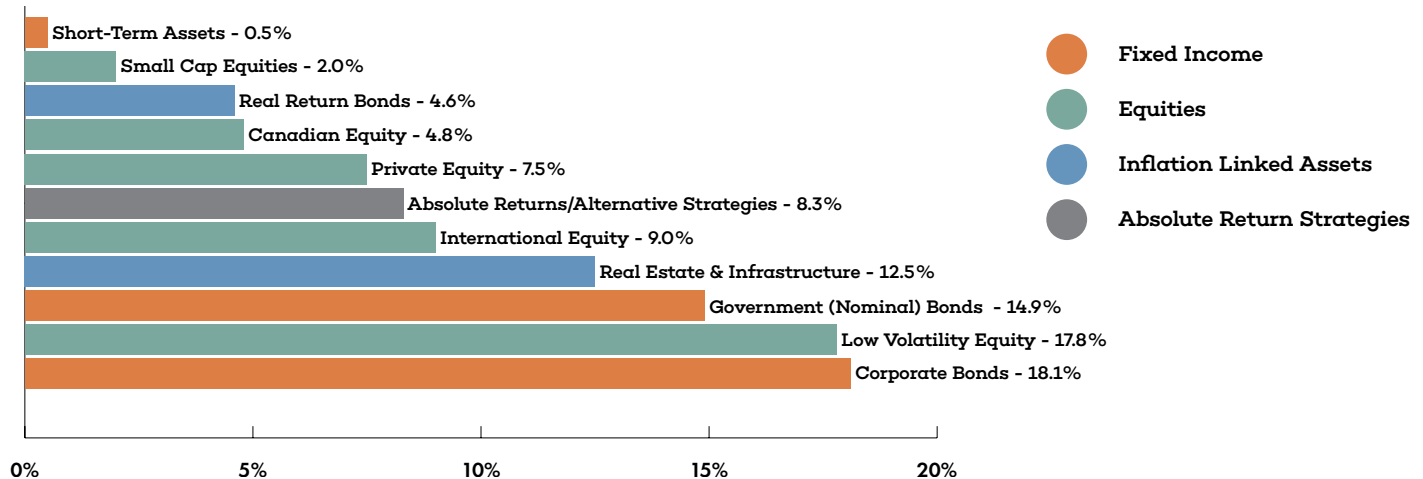
INVESTMENT ASSETS

The fair value of the NBPSPP investment assets on June 30, 2022 was \$8.526 billion, a decrease of \$0.827 billion from the fair value on December 31, 2021. This decrease was due to a combination of declines in investment asset values, Plan expenses, and pension benefits payments, which were partially offset by employer and member contributions.

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.

Asset Mix Breakdown as at June 30, 2022



As a result of the Board's annual review of the investment policy, the NBPSPP'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 nbpspp.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.

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.



NBPSPP 2022 ANNUAL INFORMATION MEETING

On September 22nd, 2022 we held our 8th Annual Information Meeting via live webcast. Over 800 members were able to join us online and over the phone this year.

Information about COLA, the Plan's financial health in 2021 and so far in 2022, were discussed. Watch a recording at nbpspp.ca/2022aim.

WE HEAR YOU! Member Survey Results

This past spring, we asked you to complete a survey to let us know how you perceive the Plan, how well you feel you understand it, and what we can do better.

Thank you to all who took the time to complete it. We received responses from nearly 6,000 members. We are currently reviewing your responses and will use them to inform our decisions moving forward.

Some of the feedback we received includes:

30%

of retired members want to learn more about COLA

66%

believe the Plan will be capable of paying benefits long-term

76%

feel they have a good understanding of the Plan

Full survey results will be available in the coming weeks at nbpspp.ca.



NBPSPP 2023 PENSION PAYMENT DATES

JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC
24	24	24	24	24	23	24	24	22	24	24	18

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. There have been no amendments made to governing documents since the last newsletter.

To view the current NBPSPP governing documents, please visit nbpspp.ca.

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Contact us at info@nbpspp.ca or by calling 1 800 561 4012.

