

NEW BRUNSWICK

Teachers'

PENSION PLAN

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RETIREE EDITION

SPRING 2023

VOLUME 8

ISBN 978-1-4605-3281-2

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NB TEACHERS' PENSION PLAN

YOU'VE ASKED. HERE ARE THE FACTS.

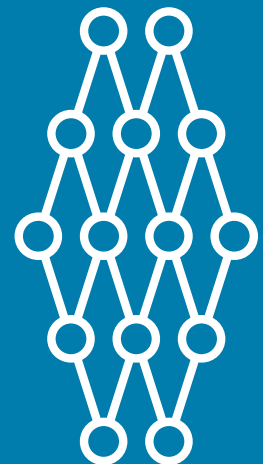


Does the NBTPP investment portfolio take environmental concerns into account?

Yes! Environmental, social, and governance (commonly referred to as ESG) risks are top of mind when considering the investments of the Plan. In fact, our investment manager, Vestcor, recently published their Responsible Investment Report, which gives more detail on their considerations of environmental issues. You can find it at vestcor.org/responsible.

How are board members for the NBTPP chosen? How are members represented on the Board?

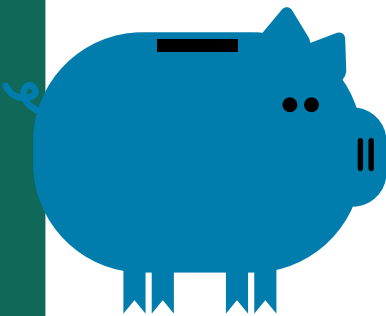
The Parties of the Plan, the NBTF (New Brunswick Teachers' Federation) and Province of New Brunswick, each appoint half of the Board of Trustees. The current Trustees provide a skills matrix to the Parties to consider when selecting Trustees. Each Trustee brings unique skills to the table. This is to make sure that the Board is knowledgeable on a wide range of topics. Your Board includes active contributors and retirees of the Plan. Find out who your Trustees are on page 6. You can find biographies of your Board of Trustees at nbtp.ca/board.



Will the NBTPP have enough money to pay my lifetime pension?

At the end of 2022, the NBTPP had \$6.528 billion in assets. As of the most recent Actuarial Valuation Report, the funding status of the Plan was 112.4%. The funding status of the Plan measures the assets of the NBTPP against its liabilities. These liabilities include your pension benefit! The NBTPP remains stable and well-funded.

You can see the Investment Report on page 3. More information on the Actuarial Valuation Report can be found on page 5.



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.

NB TEACHERS' PENSION PLAN

YOU'VE ASKED. HERE ARE THE FACTS.

I've heard that our investment manager is expensive. Are we paying them too much?

Contrary to what you may have heard, our New Brunswick-based investment manager, Vestcor, is a cost-effective not-for-profit entity that is closely aligned as a trusted partner. In fact, their expenses are lower than other service providers of their size and expertise at 14 cents for every \$100 in assets under management. In 2021, Vestcor participated in an annual survey of defined benefit pension plans conducted by CEM Benchmarking Inc. Through this benchmarking, it was estimated that the NBTPP saves around 22 cents per \$100 in assets under management compared to other public sector pension fund managers. The savings are even greater when compared to private sector asset managers.



In addition to their cost-effective model, Vestcor has provided additional financial value to the Plan, using their expertise to exceed our Investment Policy benchmark by 1.39% on an annual basis over the past four years (see the Investment Report on page 3). This has added an extra \$322.3 million in net funds to the Plan above the benchmark, while keeping risk to the NBTPP very low through prudent investment strategies.

Why is our cost of living increase capped at 3.56%?

Active members of the NBTPP have a 4.75% limit on cost of living increases (also known as the indexing adjustment benefit or IAB). This cap was put in place long before the NBTPP converted to its current form. When the NBTPP converted, a new provision was added stating that retired members were to receive 75% of inflation, up to a maximum of 3.56% ($75\% \times 4.75\% = 3.56\%$). This cap allows for your plan to provide benefits that are not available to members of other public sector plans. This includes the ability for many NBTPP members to retire significantly earlier on average than members of other plans, without a reduction in their lifetime pension. Learn more by visiting nbtp.ca/IABvideo.



Is there a clawback of teachers' pensions at age 65?

There is a common misconception that a "clawback" exists for members of the NBTPP when they reach age 65. In actual fact, if you retired before age 65, the NBTPP pension benefit that you receive will consist of a supplemental amount in **addition** to the lifetime pension portion. This supplemental amount is called a "bridge benefit" and is intended to help you financially until you're eligible for an unreduced Canada Pension Plan (CPP) pension at age 65. This bridge benefit ends when you reach age 65, no matter when you elect to receive your CPP pension. Much more detail can be found by watching our "CPP Integration and Your NBTPP Pension" video at nbtp.ca/integration.



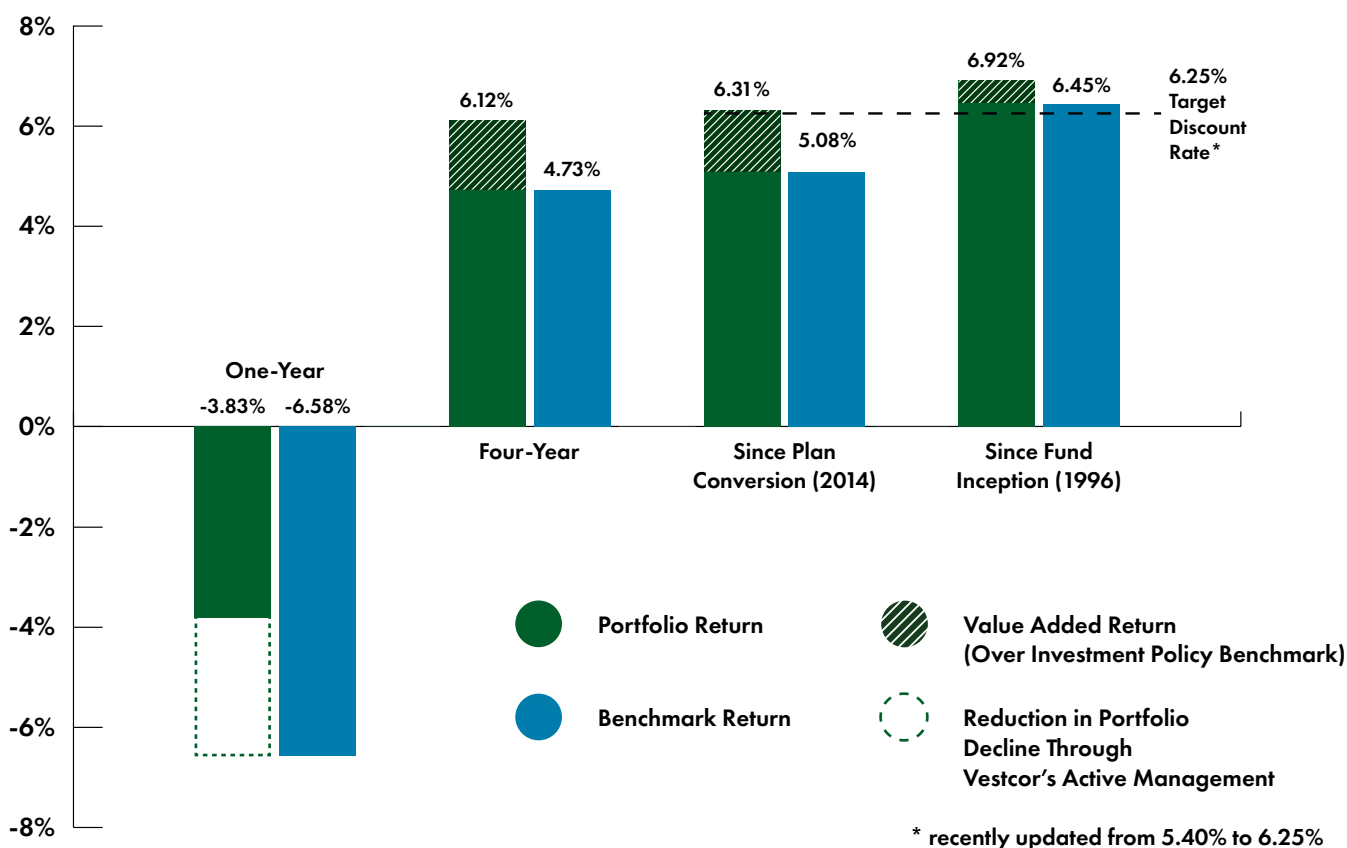
A SNAPSHOT OF WHERE YOUR PENSION FUND STANDS AS AT DECEMBER 31, 2022



Look for terms with a dotted underline in this Investment Report. You can find definitions of these terms and others relevant to the NBTPP by scanning the code to the right with your mobile device, or by visiting vestcor.org/glossary.



INVESTMENT RETURNS (AS AT DECEMBER 31, 2022)



2022 was one of the weakest years on record for diversified investors (see “diversification” in the glossary), with significantly negative performance for both stocks and bonds on the back of economic volatility and rising inflation. Given this market environment, the fund earned a return of -3.83% in 2022. This is the first time since the plan’s conversion to the NBTPP that the fund has earned a negative return for a calendar year. The defensive positioning of the invested assets provided significant protection against broader declines and active investment management provided strong added value in excess of benchmarks with 2.75% of active return in 2022.

Over the longer term, both the four-year annualized return of 6.12% and the annualized return since inception of 6.92% have continued to exceed the benchmark returns of 4.73% and 6.45% respectively. The annualized return since inception also continues to exceed the target discount rate of 6.25% (the discount rate is the net investment rate of return that the Pension Fund needs to conservatively earn over the long-term and was recently increased to 6.25% from 5.40%).

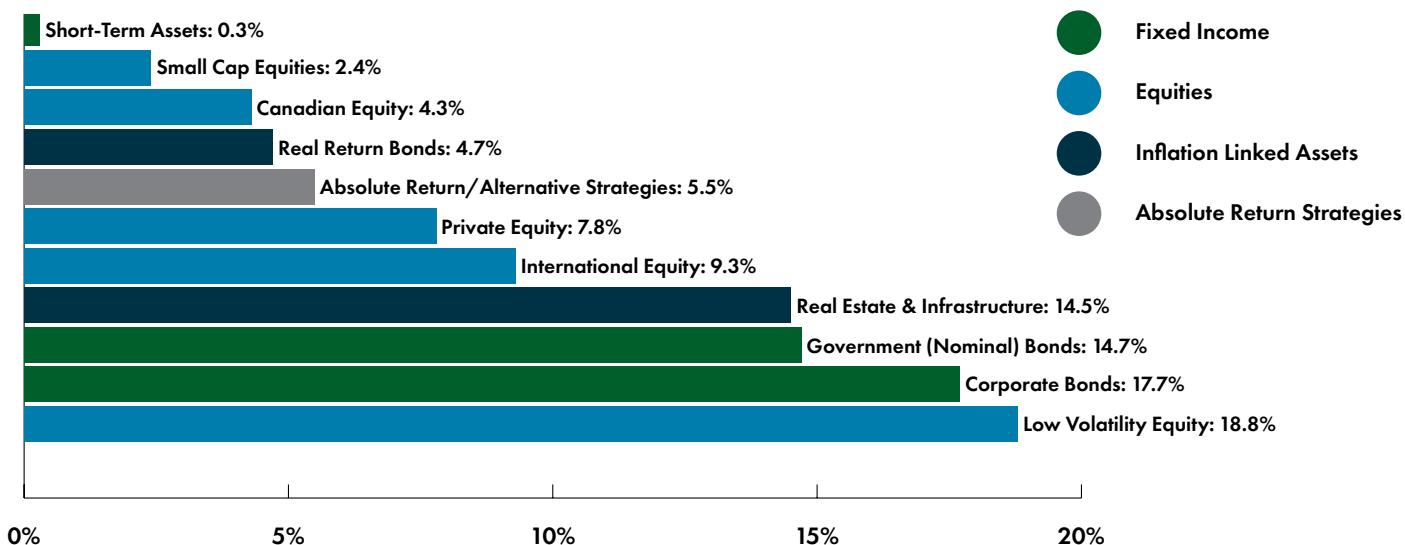
INVESTMENT REPORT

INVESTMENT ASSETS

The fair value of the NBTPP investment assets on December 31, 2022 was \$6.528 billion, a decrease of \$0.4577 billion from the fair value on December 31, 2021.

ASSET MIX

The chart below outlines the portfolio asset mix on December 31, 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 6 - 12 months. More information on the Board's policies can be found in the [Statement of Investment Policies](#) available at nbtp.ca, under "Plan Governance" then "Governing Documents."


MARKET SNAPSHOT

With geopolitical, economic, and increasing interest rate concerns at the forefront, financial market volatility was significantly above normal levels in 2022. Inflation increased throughout 2022 reaching levels not seen in decades. Although inflation remains above central bank targets for both Canada and the US, year-over-year [consumer price index \(CPI\)](#) values appeared to have peaked by mid-year and showed continuing declines toward the end of 2022.

2022 was the worst year on record for Canadian bond markets as interest rates increased at a record pace. At the same time, stock markets also experienced broad declines in 2022 with only [private markets](#) and [alternative investments](#) providing meaningful [diversification](#).

On a positive note, a diversified portfolio today has a much-improved expected return profile when compared to two years ago, and bonds in general can potentially play an improved role in our portfolio going forward from both a return generating and risk management perspective.

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.



WHAT IS THE STATE OF THE NBTPP'S FINANCES?

To determine the funding levels of the NBTPP, the Plan's actuary compares the Plan's assets to its liabilities. The *Pension Benefits Act* and the *Teachers' Pension Plan Act* require the Board to have an actuary prepare this information in an Actuarial Valuation Report every three years*. The results of the Actuarial Valuation Report are outlined below. Want to know more about these results? The full Actuarial Valuation Report is available at nbttp.ca/valuation.

**Termination Value
Funded Ratio**
112.4%

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

**Risk Management
Goal**
99.9%
(passed)

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

*In the years in which an actuarial valuation is not required, the actuary prepares a simpler document called a Cost Certificate.



NBTPP BOARD OF TRUSTEES

1. Larry Jamieson

Chair

Retired Teacher, and retired Executive Director, New Brunswick Teachers' Association

2. Marcel Larocque

Vice-Chair | Audit Committee

Retired Teacher, and retired Acting Executive Director, Association des enseignantes et des enseignants francophones du Nouveau-Brunswick

3. Jennifer Morrison, CPA, CA

Trustee | Chair of the Audit Committee

Treasurer, University of New Brunswick

4. Reno Thériault

Trustee | Chair of the Governance Committee

Retired Teacher, and former Executive Director of the Association des enseignantes et des enseignants francophones du Nouveau-Brunswick

5. Leonard Lee-White, CFA

Trustee | Governance Committee

Retired Assistant Deputy Minister, Department of Finance and Treasury Board, Province of New Brunswick

6. Jane Garbutt, ICD.D

Trustee

Senior Vice-President of Corporate Operations and Administration, Ocean Capital Investments Limited

7. Amy Murdock, CPA, CA

Trustee | Audit Committee

Comptroller, Province of New Brunswick

8. Robert Fitzpatrick

Trustee | Governance Committee

Retired Teacher, and former Executive Director, New Brunswick Teachers' Association

9. Kerry Leopkey

Observer

Licensed Teacher, and Executive Director and Chief Spokesperson, New Brunswick Teachers' Federation

10. Michael Ketchum

Observer

Retired Teacher, and retired from the New Brunswick Teachers' Association Teacher Welfare Services

TIPS FOR RETIREES

UPDATING YOUR INFORMATION

- Is a move in your near future? You can update your address with the change of address form available at nbtp.ca/address. If you would rather call, you can also contact Vestcor at 1 800 561 4012.
- If you have owed money after filing your income tax return in the past few years, you may want to consider increasing the amount of tax withheld from your monthly pension payment. By doing so, you can reduce how much money you owe when you file your tax return next year. The form is available at nbtp.ca/incometax.
- Have you opened a new bank account? Go to nbtp.ca/banking to find the form you need to update your banking information. You can also contact Vestcor by phone at 1 800 561 4012. Remember to keep your old account open until you've seen a payment deposited in your new account.

NBTPP ANNUAL INFORMATION MEETING 2023



REGISTER TODAY!

Scan the code to the left with your mobile device or visit nbtp.ca/2023AIM

WHEN?

October 11, 2023, 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 2022, and an update on 2023;
- presentations by the Plan's actuary, investment manager and pension administration service provider; and
- a question and answer session with your Board of Trustees and guests.

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 reflect changes to the *Pension Benefits Act* with respect to religious exemption from NBTPP enrollment. The amendment was filed with the Superintendent of Pensions on December 13, 2022.
- The Plan Text was amended in order to document the Indexing Adjustment Benefit awarded as of January 1, 2023. The amendment was filed with the Superintendent of Pensions on January 10, 2023.

The governing documents of the NBTPP are available at nbtp.ca, and include:

- The Funding Policy: the tool used by the Board of Trustees to manage the inherent 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 nbtp.ca/fp. A quick summary of some of the main provisions of the Funding Policy of the NBTPP is available at nbtp.ca/sfp.