

A vertical photograph of several long, slender green leaves, likely from a plant like an orchid, positioned on the left side of the page.

New Brunswick Public Service Pension Plan

Actuarial Valuation Report as at
January 1, 2023

Report prepared July 2023

Registration number:

Canada Revenue Agency: #0305839

NB Superintendent of Pensions: #0305839

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Introduction

The Public Service Superannuation Act (“Former PSSA”) was converted to the Public Service Shared Risk Plan (“PSSRP”) effective January 1, 2014. As of April 2016, the PSSRP has been renamed the New Brunswick Public Service Pension Plan (“Plan” or “NBPSPP”).

This report, conducted as at January 1, 2023, was prepared for the NBPSPP Board of Trustees (“Trustees”) and the Superintendent of Pensions (“Superintendent”) for the following purposes:

- To document the results of a funding policy valuation, as required under subsection 100.61(1) of the New Brunswick *Pension Benefits Act* (“PBA”) and subsections 14(5) to 14(7) of Regulation 2012-75, and provide the related actuarial opinion;
- To document the results of a going-concern actuarial valuation required under subsection 14(1) of the Regulations to the PBA in order to determine the maximum eligible employer contribution to the NBPSPP under subsection 147.2(2) of the *Income Tax Act (Canada)* (“ITA”) and provide the related actuarial opinion;
- To document the results of the risk management procedures as required under paragraph 100.7(1)(e) of the PBA; and
- To document the results of a hypothetical wind-up valuation of the NBPSPP as required under the Canadian Institute of Actuaries’ Standards of Practice, and provide the related actuarial opinion.

The Board of Trustees is also seeking the approval of the Superintendent for the following items, as required under the PBA and Regulations:

- Approval of the generational mortality table used in the funding policy valuation as required under subparagraph 14(7)(c)(ii) of Regulation 2012-75;
- Approval of the asset liability model used, as described in Appendix C, including the stochastic projection assumptions found under Appendix C, as required under subsection 15(1) of Regulation 2012-75; and
- Approval of the economic assumptions used in the asset liability model, as described under Appendix C, as required under subsection 15(3) of Regulation 2012-75.

The Trustees for the NBPSPP retained the services of TELUS Health to prepare this report.

The last actuarial valuation report prepared for the NBPSPP was performed as at January 1, 2022.

The hypothetical wind-up basis has been updated to reflect market conditions as at the valuation date and changes in the Canadian Institute of Actuaries’ Standards of Practice.

The primary funding policy valuation assumptions have been updated as follows:

- The interest rate on member required contributions is 5.00% per annum as of January 1, 2023, which is 0.75% per annum higher than the rate used for the actuarial valuation as at January 1, 2022 while the funding policy valuation discount rate is 5.00% per annum as at January 1, 2023, which is 0.50% per annum higher than the discount rate used in the actuarial valuation as at January 1, 2022.

These changes are described in more detail in Section 1 of this report

The next actuarial valuation report for the NBPSPP will be due no later than one year following the effective date of this report in accordance with the requirements of subsection 100.61(1) of the PBA.

Subsequent Events

On March 11, 2020, the World Health Organization declared that COVID-19 was a pandemic. This public health response has caused significant economic and social disruptions worldwide. COVID-19 has resulted in higher deaths for the population in general as measured by public health officials. The effect of COVID-19 on the future mortality incidence for members of the Plan is unknown at this time and no adjustments related to COVID-19 have been made to the mortality assumption in this report. The effect on the Plan, if any, will be recognized in the gains or losses of future reports as experience emerges.

We understand that there remains a legal action against the Province of New Brunswick related to the conversion of the Former PSSA to the PSSRP (now the NBPSPP). The outcome of this legal action is not yet known and it may or may not ultimately impact the results of the calculations found in this report. At this time, no special provision is made in this report with respect to any potential outcome related to this legal action.

We understand that following a request from the Board of Trustees, the Parties as described in the NBPSPP's Funding Policy, have agreed to amend Section V of the Funding Policy. Effective January 1, 2023, the amount available for utilization in the Funding Excess Utilization Plan is 1/5th of the funds that make up the excess of the open group funded ratio at the valuation date (to a maximum of 140%) over 105% as opposed to 1/6th of the funds that make up the same excess for valuation dates prior to January 1, 2023. This amendment has been reflected in the results found in this report.

To our knowledge, there are no other events subsequent to the valuation date which would materially impact the results of the valuation.

The recommendations and opinions are given exclusively from a financial viewpoint. This valuation report does not constitute a legal opinion on the rights and duties of the Trustees or the members of the NBPSPP over the pension fund.

Actuarial valuation results are only estimates. Actuarial valuations are performed based on assumptions and methods that are in accordance with sound actuarial principles. Emerging experience differing from these assumptions will result in gains or losses, which may affect future open group funded ratios of the Plan, which in turn will impact the types and timing of any actions to be taken by the Trustees in accordance with the Funding Policy. These gains and losses will be revealed in future actuarial valuations.

The undersigned is available to provide supplementary information and explanation as appropriate, concerning this report.

Respectfully submitted,



Yves Plourde, FSA, FCIA



Eric Robert, FSA, FCIA

July 27, 2023

Date

July 27, 2023

Date

Section 1 – Funding Policy Valuation

A funding policy valuation is required under subsection 100.61(1) of the PBA and subsections 14(5) to 14(7) of Regulation 2012-75. The results of the funding policy valuation of the NBPSPP as at January 1, 2023, are found below.

The funding policy valuation results presented in this section are based on asset information found in Appendix A, membership data found in Appendix B, Plan provisions summarized in Appendix D, and provisions of the Funding Policy summarized in Appendix E of this report. The methods and assumptions used in the funding policy valuation are described later in this section.

Funding Policy Valuation Funded Status

The funding policy valuation funded status of the NBPSPP is determined by comparing the fair market value of the assets to the funding policy actuarial liabilities. The funding policy actuarial liabilities are based on the benefits earned up to the valuation date assuming the Plan continues indefinitely. The funding policy valuation funded status of the NBPSPP as at January 1, 2023, along with the results in the previous valuation as at January 1, 2022, are found below:

Table 1.1 – Funding Policy Valuation Funded Status

	January 1, 2023	January 1, 2022
	\$M	\$M
Fair market value of assets (including receivables / payables)	\$8,838.3	\$9,370.1
Funding policy valuation actuarial liabilities		
Active members	\$2,302.3	\$2,387.9
Retirees and survivors	5,215.4	5,116.0
Deferred vested and suspended members	341.2	333.3
Outstanding refunds	2.4	1.7
Total funding policy valuation actuarial liabilities	\$7,861.3	\$7,838.9
Funding policy valuation excess (unfunded liability)	\$977.0	\$1,531.2
Termination value funded ratio [calculated in accordance with paragraph 14(6)(e) of Reg. 2012-75]	112.4%	119.5%

The termination value funded ratio is used in the calculation of the “termination value” of any individual’s pension benefits at termination of employment, death, marriage breakdown, or retirement, as the case may be, in accordance with the terms of the NBPSPP and subsection 18(1) of Regulation 2012-75. It is calculated in accordance with paragraph 14(6)(e) of Regulation 2012-75.

Funding Policy Valuation Normal Cost and Excess Contributions

The table below provides the funding policy valuation normal cost, being the value of the pension benefits being earned in the twelve-month period after the valuation date. It compares the funding policy valuation normal cost to the level of member and employer contributions in order to determine the level of contributions being made to the NBPSPP in excess of the funding policy valuation normal cost. Results for the year following January 1, 2023 are presented below, along with the results found in the previous actuarial valuation as at January 1, 2022.

Table 1.2 – Funding Policy Valuation Normal Cost and Excess Contributions

	Year Following January 1, 2023		Year Following January 1, 2022	
	\$M	% of payroll	\$M	% of payroll
A. Funding policy valuation normal cost ¹	\$169.0	11.70%	\$174.0	12.79%
B. Contributions:				
Members	\$119.2	8.25%	\$112.2	8.25%
Employers' initial contributions	162.5	11.25%	153.1	11.25%
Employers' temporary schedule 2 (for 10 years after 1.1.2014)	10.8	0.75%	10.2	0.75%
Total	\$292.5	20.25%	\$275.5	20.25%
C. Excess contributions (B. – A.)	\$123.5	8.55%	\$101.5	7.46%
Estimated payroll for following year	\$1,444.5		\$1,360.6	

¹ Note that the normal cost in dollars includes the cost of continued accruals of disabled members according to the terms of the Plan text along with the continued accruals of other regular active members while the estimated payroll only includes the future earnings of regular active members. As of January 1, 2023, there were 585 disabled members while the count of disabled members as of January 1, 2022 was 541.

Determination of 15-Year Open Group Funded Ratio

The table below provides the 15-year open group funded ratio as calculated in accordance with the requirements of paragraph 14(6)(f) of Regulation 2012-75. This ratio is used extensively under the Funding Policy to determine the actions to be undertaken by the Trustees under the funding policy deficit recovery plan and the funding policy excess utilization plan. The 15-year open group funded ratio is calculated as follows:

Table 1.3 – 15-Year Open Group Funded Ratio

	January 1, 2023	January 1, 2022
	\$M	\$M
A. Market value of assets (including receivables / payables)	\$8,838.3	\$9,370.1
B. Present value of excess contributions over next 15 years [calculated in accordance with Reg. 14(6)(c)]	1,387.5	1,196.0
C. Funding policy valuation actuarial liabilities	\$7,861.3	\$7,838.9
D. 15-Year Open Group Funded Ratio [(A. + B.) / C.]	130.1%	134.8%

Reconciliation of Funding Policy Valuation Funded Status with Previous Valuation

The table below describes the change in the NBPSPP's funded status between the last funding policy valuation as at January 1, 2022 and this funding policy valuation as at January 1, 2023:

Table 1.4 – Reconciliation of Funded Status

	\$M	\$M
Funding policy valuation excess (unfunded liability) as at January 1, 2022		\$1,531.2
Expected changes in funded status		
Interest on excess (unfunded liability)	\$68.9	
Total contributions in excess of normal cost	115.9	
Impact of indexing for retirees and survivors as at January 1, 2023	(256.6)	
Impact of indexing for actives, deferreds and suspendeds as at January 1, 2023	(149.1)	
Total		(\$220.9)
Expected funding policy valuation excess (unfunded liability) as at January 1, 2023		\$1,310.3
Experience gains (losses) due to the following factors		
Investment return on actuarial value of assets	(799.8)	
Incidence of mortality	(4.8)	
Incidence of retirements	0.2	
Incidence of terminations of employment	19.5	
Other miscellaneous factors	13.1	
Total		(\$771.8)
Funding policy valuation excess (unfunded liability) as at January 1, 2023 (prior to changes in assumptions)		\$538.5
Impact of changes in assumptions (discount rate and interest rate on required member contributions)		\$438.5
Funding policy valuation excess (unfunded liability) as at January 1, 2023		\$977.0

Reconciliation of Total Normal Cost

The factors contributing to the change in the total normal cost from the last funding policy valuation as at January 1, 2022 to this funding policy valuation as at January 1, 2023 are shown below:

Table 1.5 – Reconciliation of Total Normal Cost

	% of payroll
Total normal cost as at January 1, 2022:	12.79%
Impact of changes in demographics:	(0.04%)
Impact of changes to assumptions:	(1.05%)
Total normal cost as at January 1, 2023:	11.70%

Funding Policy Valuation Actuarial Methods

Asset Valuation Method

The assets used under the funding policy valuation are equal to the fair market value of the assets. This is a requirement of paragraph 14(6)(d) of Regulation 2012-75.

Actuarial Cost Method

The funding policy valuation actuarial liabilities and total normal cost were calculated using the accrued benefit (or unit credit) actuarial cost method in accordance with the requirements of paragraph 14(7)(a) of Regulation 2012-75.

The funding policy valuation actuarial liabilities are equal to the actuarial present value of benefits earned by members for services prior to the valuation date, taking into account the actuarial assumptions as indicated hereafter. For greater certainty, it does not take into account the impact of any future salary increases and the impact of any future increases in accrued pensions due to cost-of-living adjustments as may be granted from time to time by the Trustees in accordance with the Plan terms and the Funding Policy.

The funding policy valuation normal cost is equal to the actuarial present value of benefits expected to be earned by members in the year following the valuation date. A salary increase estimate has been made to calculate the estimated normal cost and estimated members and employers' contributions for the year following the valuation date.

The ratio of the total normal cost to the covered payroll for the period will tend to stabilize over time if the demographic characteristics of the active and disabled members remain stable. All other things being equal, an increase in the average age of the active and disabled members will result in an increase in this ratio.

For valuation purposes, to determine eligibility for benefits and for any other use, the age used is the age on the date of the nearest birthday.

Funding Policy Valuation Actuarial Assumptions

The main actuarial assumptions employed for the funding policy actuarial valuation are summarized in the following table. Emerging experience differing from these assumptions will result in gains or losses, which will be revealed in future funding policy actuarial valuations. Experience gains and losses emerging in future funding policy actuarial valuations will impact, among other things, the open group funded ratio of the Plan, which in turn will impact the types and timing of any actions to be taken by the Trustees in accordance with the Funding Policy. All rates and percentages are annualized unless otherwise noted.

Table 1.6 – Funding Policy Valuation Actuarial Assumptions

January 1, 2023 and January 1, 2022										
Discount rate		5.00% per annum (4.50% per annum as of January 1, 2022)								
Salary increase for the year following valuation (normal cost purposes only)		2.60% per annum plus merit and promotion								
YMPE increase for the year following valuation (normal cost purposes only)		2.60% per annum								
Mortality		Males: 110% of CPM2014_PUBL with generational improvement using projection scale CPM-B Females: 110% of CPM2014_PUBL with generational improvement using projection scale CPM-B								
Termination (membership)		None								
Age at Conversion										
Retirement Age*	Under 25 or joined Plan after conversion date	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60+	
55	0%	0%	0%	0%	0%	0%	0%	0%	0%	
56	0%	0%	0%	0%	0%	0%	0%	2.5%	5%	
57	0%	0%	0%	0%	0%	2.5%	5%	5%	5%	
58	0%	0%	0%	2.5%	5%	5%	5%	5%	5%	
59	0%	0%	5%	5%	5%	5%	5%	12.5%	20%	
60	2.5%	5%	5%	5%	5%	12.5%	20%	20%	20%	
61	5%	5%	5%	12.5%	20%	20%	20%	20%	20%	
62	5%	5%	20%	20%	20%	20%	20%	13.1%	6.25%	
63	12.5%	20%	20%	20%	20%	13.1%	6.25%	6.25%	6.25%	
64	20%	20%	20%	13.1%	6.25%	6.25%	6.25%	6.25%	6.25%	
65	55%	45%	25%	21.9%	18.75%	15.65%	12.5%	9.4%	6.25%	

	January 1, 2023 and January 1, 2022
Investment and administrative expenses assumed by the fund	Implicit in the discount rate
Interest on member required contributions	5.00% per annum as of January 1, 2023 (4.25% per annum as of January 1, 2022)
Proportion of members with a spouse or common-law partner	
Active males	85%
Active females	75%
Retirees	Varies by age
Spousal age difference	Males 2 years older than females

Note: New members after conversion retire in accordance with the "Under 25" rates. If a member is older than age 55, retirement rates are adjusted proportionately to keep the same retirement pattern for the remaining rates at older ages. Members older than age 65 are assumed to retire in one year.

Rationale for Material Actuarial Assumptions

The assumptions have been reviewed in light of current economic and demographic conditions.

Inflation

Given the historical increases in consumer prices in Canada, the rates expected by the market, the portfolio managers' expectation, the Bank of Canada policy and the long-term forecasts of the Conference Board of Canada, TELUS Health believes that the expected long-term annual rate of inflation should be between 1.75% and 2.25%.

The long-term inflation assumption is 2.10% per annum. Canadian inflation has remained near the Bank of Canada's target during a sustained period of economic growth and stimulus following the 2008 economic downturn which has provided some evidence of the Bank of Canada's ability to control inflation, but inflation has recently surpassed the Bank of Canada's target. While it is expected that Canadian inflation will remain above 2% in the short term, we believe that an annual rate of 2.1% for the long-term inflation assumption is appropriate. There is no change in this assumption from the previous valuation.

Discount Rate Development

The elements considered in the development of the discount rate assumption for purposes of the funding policy valuation are summarized in the table below.

Table 1.7 – Development of Funding Policy Valuation Discount Rate

	%
Expected long-term nominal return based on the results of our stochastic analysis (using long-term target asset mix, and including impact of rebalancing and diversification)	7.09
Assumed margin for adverse deviation (originally set to achieve a high probability of exceeding the discount rate over the next 20 years)	(1.89)
Expected investment and administration expenses paid from the fund	(0.20)
Discount rate	5.00

The target asset mix used in the calculations is found in the Statement of Investment Policies adopted by the Trustees, as summarized in Table A.4. It should be noted that the return assumptions for bonds have been determined mainly on current market conditions while the return assumptions for equities and alternative investments are based more on long-term expectations.

Following a review of the discount rate assumption for the January 1, 2023 actuarial valuation, a rate of 5.00% per annum, effective January 1, 2023, was adopted by the Board of Trustees at their March 30, 2023 meeting. The discount rate was 4.50% per annum for the January 1, 2022 actuarial valuation.

Expenses

The allowance for investment management and administrative expenses paid from the Plan built into the discount rate is 0.20% of assets based on recent Plan history and our expectation for future expenses. This assumption is consistent with the expense assumption used for the previous valuation.

Rate of Salary Increase

Salary increases consist of a combination of inflation, productivity growth (i.e. real increase in average employment earnings in excess of inflation) and merit and promotional increase.

The basic salary increase assumption is 2.60% per annum (based on assumed inflation of 2.10% per annum and productivity growth of 0.5% per annum). There is no change from the basic salary increase assumption of 2.60% per annum used for in the previous valuation. A merit and promotion scale is added to this salary increase assumption using five decreasing levels depending on age. A merit and promotion increase of 2.2% per annum is used for ages 29 and under, 1.3% per annum for ages 30 to 39, 0.7% per annum for ages 40 to 49, 0.2% per annum for ages 50 to 64 and 0% for ages 65 and above.

For example, a member at age 20 would receive a 4.80% salary increase each year up to age 29, at which time the annual increases would be reduced to 3.90% per annum until age 39, and so forth until expected retirement age. The average salary increase for this member's career would be approximately 3.60% per annum.

Interest Rate on Contributions

The interest rate credited to Plan member required contributions is equal to the annual fund rate of return. At an actual member termination, excess contributions, if any, are determined after conditional indexation has been granted annually. Since the funding policy valuation liability does not reflect future indexing, the assumption for the rate of interest credited on contributions for the purpose of the funding policy valuation is equal to the long term expected rate of return net of the inflation assumption, rounded to 0.25%. This net rate is 5.00% per annum as of January 1, 2023 while the assumption as of January 1, 2022 was 4.25% per annum.

Mortality

In order to take into account the improvements in life expectancy substantiated by the Canadian Institute of Actuaries in its report on Canadian Pensioners Mortality (published on February 13, 2014), we used the CPM-2014Publ Mortality Table, and the CPM-B Improvement Scale, which varies by gender, age and calendar year.

A mortality study was completed using Plan experience from 2004 to 2018. The study revealed that Plan mortality rates remained slightly higher than those produced by the above standard mortality table and projection scale with in particular, male mortality experience being higher than previously assumed. As a result, and after considering the statistical credibility of the experience, equal adjustment factors of 110% are used for males and females. These adjustments are used for all participants before and after retirement with the exception of existing disability pensioners. This is the same mortality assumption as used in the previous valuation.

The mortality rates described above result in the following life expectancies for females and males:

Table 1.8 - Life Expectancy for Females and Males

Females		Life expectancy by Age in Year			
Age	2023	2028	2033	2038	2043
55	33.8	34.0	34.3	34.5	34.8
60	28.9	29.2	29.4	29.6	29.9
65	24.2	24.5	24.7	24.9	25.1
70	19.7	19.9	20.1	20.3	20.5
75	15.4	15.6	15.8	16.0	16.2
80	11.4	11.6	11.8	11.9	12.1
Males		Life expectancy by Age in Year			
Age	2023	2028	2033	2038	2043
55	31.7	31.9	32.2	32.5	32.7
60	27.0	27.2	27.5	27.7	28.0
65	22.4	22.7	22.9	23.1	23.4
70	18.0	18.2	18.4	18.6	18.8
75	13.8	14.0	14.2	14.4	14.6
80	10.0	10.2	10.3	10.5	10.6

For existing disability pensioners (this is a closed group of 85 retirees who retired under a disability provision which existed before January 1, 1993 under the Former PSSA), the mortality table adopted is the 1971 GAM Table. This table is the same as for the previous valuation for disabled pensioners and remains appropriate for this group of pensioners.

Rate of Increase in YMPE

We have continued to assume in this valuation that the YMPE will increase at the same rate as salary (before merit and promotional increase). As a result, we have used a rate of 2.60% per annum. The YMPE is automatically updated to its revised base level at each valuation date. There is no change from the YMPE increase assumption used in the previous valuation.

Retirement

Given the changing early retirement subsidies for service after the Conversion Date, we estimate that plan members will slowly start to delay retirement as we move away from the Conversion Date. As a result, we adopted retirement assumptions that vary depending on the member's age at conversion as well as an ultimate retirement assumption for new members after conversion. A younger member at the valuation date will be expected to retire later on average than an older worker at the same date. This is the same assumption as the one used for the last valuation. We will continue to monitor this assumption for reasonableness.

Difference in Age Between Spouses

The assumed age difference between spouses is used for active, deferred and suspended members as well as some retirees. A review of Plan experience had indicated that the difference between the ages of spouses had been decreasing. Reflecting this analysis, the assumed spousal age difference is for males to be 2 years older than females. This is the same spousal age difference assumption as used in the previous valuation.

Proportion with a Spouse or Common-Law Partner

An assumption is required for the proportion of retirees who have a spouse at retirement as well as for the proportion of deceased retirees with a spouse or common-law partner at death when no spousal information is available. The assumed proportion with a spouse or common-law partner at retirement is 85% for males and 75% for females which is consistent with the assumption used for the actuarial valuation as at January 1, 2022. The assumed proportion of deceased retirees with a spouse or common-law partner at death reflects recent Plan experience and can be found in Table 1.9. This table is the same as for the previous valuation and remains appropriate for the current valuation. We will continue to monitor this assumption for reasonableness.

Table 1.9 – Proportion of Deceased Retirees With a Spouse or Common-Law Partner at Death

January 1, 2023		
Ages	Males	Females
59 or younger	85%	75%
60-64	85%	75%
65-69	82.5%	70%
70-74	80%	65%
75-79	75%	57.5%
80-84	70%	45%
85-89	60%	30%
90-94	45%	10%
95 or older	25%	10%

Opinion on Funding Policy Valuation

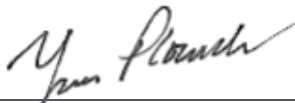
In our opinion, for the purposes of the funding policy valuation section of the report:

- The membership data on which the valuation is based are sufficient and reliable for the purposes of the valuation.
- The assumptions are appropriate for the purposes of the valuation.
- The methods employed in the valuation are appropriate for the purposes of the valuation.

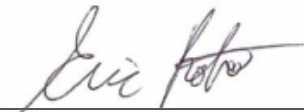
This funding policy valuation section of this report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

The assumptions used under the funding policy valuation section of this report were reasonable and consistent with the objectives of the NBPSPP at the time this actuarial valuation report was prepared. The funding valuation assumptions are consistent with the stochastic model inputs.

Respectfully submitted,



Yves Plourde, FSA, FCIA



Eric Robert, FSA, FCIA

July 27, 2023

Date

July 27, 2023

Date

Section 2 – Going-Concern Valuation

The going-concern actuarial valuation is conducted in accordance with subsection 14(1) of the Regulations to the PBA in order to determine the maximum eligible employer contribution to the NBPSPP under subsection 147.2(2) of the ITA and provide the required actuarial opinion.

The going-concern actuarial valuation results presented in this section are based on asset information found in Appendix A, membership data found in Appendix B, and Plan provisions as summarized in Appendix D. The methods and assumptions used in the going-concern valuation are described later in this section.

Going-Concern Funded Status

The funded status of the Plan on the going-concern basis is determined by comparing the actuarial value of the assets to the actuarial liabilities. The actuarial liabilities are based on the benefits earned up to the valuation date assuming the Plan continues indefinitely. It also has a provision for future cost-of-living adjustments to be provided by the Trustees in accordance with the Plan terms and the Funding Policy. Such a provision is acceptable under paragraph 147.2(2)(c) of the ITA. The going-concern valuation funded status of the NBPSPP as at January 1, 2023, along with the results of the previous going-concern valuation as at January 1, 2020 are found below:

Table 2.1 – Going-Concern Funded Status

	January 1, 2023	January 1, 2020
	\$M	\$M
Fair market value of assets (including receivables / payables)	\$8,838.3	\$8,352.4
Going-concern actuarial liabilities		
Active members	\$3,130.1	\$3,542.3
Retirees and survivors	6,133.0	5,767.3
Deferred vested and suspended members	456.6	371.3
Outstanding refunds	2.4	1.2
Total going-concern actuarial liabilities	\$9,722.1	\$9,682.1
Going-concern funding excess (unfunded liability)	(\$883.8)	(\$1,329.7)
Going-concern funded ratio	90.9%	86.3%

Going-Concern Residual Normal Cost

The table below summarizes the estimated going-concern residual normal cost of pension benefits being earned in the twelve-month period after the valuation date (the normal cost), along with the residual normal cost at the previous valuation.

Table 2.2 – Going-Concern Residual Normal Cost

	Year Following January 1, 2023		Year Following January 1, 2020	
	\$M	% of payroll	\$M	% of payroll
Total going-concern normal cost	\$237.9	16.47%	\$252.7	19.56%
Less Member contributions	\$119.2	8.25%	\$106.6	8.25%
Residual going-concern normal cost	\$118.7	8.22%	\$146.1	11.31%
Estimated payroll for following year	\$1,444.5		\$1,291.8	

Maximum Eligible Employer Contribution under the *Income Tax Act (Canada)*

The maximum eligible employer contribution in accordance with the ITA is equal to the residual normal cost, plus the greater of the going-concern unfunded liability and the hypothetical wind-up deficiency.

On the basis of the methods and assumptions in this report, the maximum eligible employer contribution for the year following January 1, 2023 is equal to \$5,510.6M (representing \$118.7M of residual normal cost and \$5,391.9M of hypothetical wind-up unfunded liability assuming purchase of fully indexed annuities).

When spreading the hypothetical wind-up unfunded liability over the next three years (period for which this going-concern valuation is valid under the PBA), the maximum eligible employer contribution for the three years following January 1, 2023 (ignoring interest and salary increases) would be as follows:

Table 2.3 – Maximum Eligible Employer Contributions Spread Over Three Years

Year Following	Greater of Going-Concern and Hypothetical Wind-up Unfunded Liability (\$M)	Residual Normal Cost (\$M)	Total (\$M)	Total (% payroll)
January 1, 2023	1,797.3	118.7	1,916.0	132.6%
January 1, 2024	1,797.3	118.7	1,916.0	132.6%
January 1, 2025	1,797.3	118.7	1,916.0	132.6%

Based on the above, the employer contribution requirements under the terms of the NBPSPP of 12.0% of earnings (comprised of 11.25% of earnings in initial contributions, and 0.75% of earnings in temporary contributions) are eligible contributions under the ITA. Furthermore, should employer contributions be increased by 1.5% of earnings as would be required under the Funding Policy if the 15-year open group funded ratio of the Plan dropped below 100% for two years in a row, those higher employer contributions would also be eligible contributions under the ITA up to the date of the next going-concern valuation scheduled for no later than January 1, 2026.

Going-Concern Valuation Actuarial Methods

The asset valuation method and the actuarial cost method under the going-concern valuation are identical to the asset valuation method and the actuarial cost method under the funding policy valuation. The going-concern valuation assumptions are also identical, except for the discount rate and the addition of a provision for future cost-of-living adjustments for the going-concern valuation.

Discount rate

In order to balance the need to fund intended benefits in a secure and responsible manner, while recognizing the necessity for CRA to monitor the impact of over-conservatism in assumptions, we developed a methodology to select an appropriate discount rate which we believe will balance those concerns. The discount rate selected is determined by using the nominal investment return expected from the long-term asset mix of the NBPSP over the next 20 years at its 67th percentile (lower percentiles being higher investment returns), minus 1.0% (to account for inclusion of any margins for adverse deviation and any and all expenses to be paid from the fund), subject to the going-concern discount rate being not lower than the funding policy valuation discount rate. This leads to a nominal discount rate of 5.40% per annum after rounding to the nearest 5 basis points.

Assumed contingent indexing on accrued pensions and pensions in payment

A provision for future cost-of-living adjustments on the amount of the accrued pensions of active members, and terminated deferred vested members, and on the amounts of current and future pension payments is made. This provision satisfies the requirements of paragraph 147.2(2)(c) of the ITA.

The funding policy excess utilization plan provides that indexing of benefits to full CPI is intended when and if the Plan can afford it. While this is by no means a guaranteed outcome, the contributions have been set at a level such that there is a high likelihood of achieving these benefit intentions, based on the results of our stochastic analysis presented in Section 4.

As a result, and in accordance with the PBA, we have conducted the going-concern valuation based on these benefit intentions, which would provide for indexing of accrued pensions both before and after retirement at 2.10% per annum (reflecting the inflation assumption in our funding policy valuation).

Other going-concern actuarial assumptions

All other assumptions in our going-concern valuation are identical to the assumptions used under the funding policy actuarial valuation detailed in Table 1.6 of Section 1 of this report, and the rationale for the choice of those assumptions also applies for the going-concern valuation.

The additional assumptions detailed in Table 4.1 of Section 4 are not required under the going-concern actuarial valuation, and therefore do not apply.

Emerging experience differing from these assumptions will result in gains or losses, which will be revealed in future going-concern actuarial valuations.

Opinion on Going-Concern Valuation

In our opinion, for the purposes of the going-concern valuation section of the report:

- The membership data on which the valuation is based are sufficient and reliable for the purposes of the valuation.
- The assumptions are appropriate for the purposes of the valuation.
- The methods employed in the valuation are appropriate for the purposes of the valuation.

This going-concern valuation report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

The assumptions used under the going-concern valuation of this report were reasonable at the time this actuarial valuation report was prepared.

Respectfully submitted,



Yves Plourde, FSA, FCIA



Eric Robert, FSA, FCIA

July 27, 2023

Date

July 27, 2023

Date

Section 3 – Hypothetical Wind-Up Valuation

A hypothetical wind-up valuation assumes that the Plan is wound-up on the valuation date and members' benefit entitlements are calculated as of that date. Although this type of valuation is not required under Part 2 of the PBA for a shared risk plan, the Standards of Practice of the Canadian Institute of Actuaries require that actuarial valuation reports provide information with respect to hypothetical wind-up situations.

Postulated scenario at January 1, 2022

Subsection 16(3) of Regulations 2012-75 under the PBA prescribes that if a shared risk plan is wound-up by the persons who established the plan within 5 years of its conversion date, the conversion of the plan is void and the plan has to be wound-up as a defined benefit plan under Part 1 of the PBA. In addition, effective January 1, 2018, subsection 16(3.1) of Regulation 2012-75 provides that if the wind-up occurs between 5 and 10 years after the plan conversion date, the Superintendent may determine that the conversion is void and may require that the plan be wound-up as a defined benefit plan under Part 1 of the PBA.

It is important to note that the Former PSSA was not subject to the PBA and the procedures to be followed if a wind-up occurred were not defined within the Former PSSA. As a result, the procedures for payments at wind-up were not defined. In conducting the hypothetical wind-up valuation as at January 1, 2022, we therefore made the assumption that the conversion to a shared risk plan would be void, and that the NBPSPP would be wound-up as at January 1, 2022 in accordance with rules found under Part 1 of the PBA. This assumption was made solely on the basis that subsection 16(3.1) would apply on January 1, 2022 and does not represent a legal opinion on the validity of this scenario.

In order to estimate the accrued pensions of active members at January 1, 2022 under a scenario in which the conversion would have been void, we increased the accrued pensions by the differential between cost-of-living granted since the conversion date and the salary increase assumption under the funding policy basis. No adjustments were made to retiree pensions for this purpose. We also valued the hypothetical wind-up liability using discount rates consistent with the requirements of the PBA for plan wind-ups under Part 1.

Postulated scenario at January 1, 2023

Effective December 1, 2022, the CIA revised the standards of practice related to the hypothetical wind-up valuations of target pension arrangements. Section 3570 of the revised Standards define a target pension arrangement as “a pension plan for which the applicable legislation contemplates the reduction to the accrued pensions of plan members and beneficiaries while the plan is ongoing as one of the available options for maintaining the funded status of the pension plan, and where the reduction in accrued pensions is not necessarily caused by the financial distress of the plan sponsor or sponsors.” The NBPSPP is considered a target pension arrangement.

Under the revised Standards of Practice, a hypothetical wind-up valuation for the NBPSPP must value the target benefits for each member as defined on the funding policy valuation basis. Plan liabilities are to be determined based on the group annuity marketplace at the hypothetical wind-up date. Accordingly, we have followed the CIA's recommendations to determine the estimated cost of non-indexed annuities as at January 1, 2023. We also included the estimated cost of fully indexed annuities for information purposes as at the same date.

Hypothetical Wind-Up Funded Status

The hypothetical wind-up funded status under the scenarios postulated above, including the results of the last hypothetical wind-up valuation, is as follows:

Table 3.1 – Hypothetical Wind-Up Funded Status

	January 1, 2023		January 1, 2022
	(non-indexed) \$M	(fully indexed) \$M	(fully indexed) \$M
Assets			
Market value of assets	\$8,838.3	\$8,838.3	\$9,370.1
Provision for expenses	(3.0)	(3.0)	(3.0)
Total	\$8,835.3	\$8,835.3	\$9,367.1
Hypothetical wind-up liabilities			
Active members	\$2,793.0	\$5,459.6	\$8,280.1
Retirees and survivors	5,334.2	7,924.3	9,046.7
Deferred vested and suspended members	421.8	840.9	1,118.3
Outstanding refunds	2.4	2.4	1.7
Total	\$8,551.4	\$14,227.2	\$18,446.8
Assets less liabilities on the hypothetical wind-up basis	\$283.9	(\$5,391.9)	(\$9,079.7)

The hypothetical wind-up funded status is presented for information purposes. There is no requirement under the PBA to fund any hypothetical wind-up deficit of the NBPSPP while it is not in a wind-up state.

Furthermore, the postulated scenario for the January 1, 2023 hypothetical wind-up valuation under which group annuities would be purchased for all members is a scenario which is mandated by CIA Standards. In an actual wind-up of the Plan, assuming the Superintendent did not determine the conversion to a Shared Risk Plan to be void under subsection 16(2) of Regulation 2012-75, section 100.62 of the PBA and section 16 of Regulation 2012-75 would apply, and as a result, the funding policy valuation basis would be used to allocate a share of the assets of the Plan to every member upon wind-up. Once a share of assets is allocated to each member, such member will be provided with options to settle their entitlement in accordance with the requirements of the PBA on wind-up.

Incremental Cost on the Hypothetical Wind-Up Basis

The incremental cost on the (non-indexed) hypothetical wind-up basis represents the present value of the expected aggregate change in the actuarial liabilities from January 1, 2023 to January 1, 2024, adjusted for benefit payments in the inter-valuation period. This incremental cost is estimated to be \$121.0M as at January 1, 2023.

Hypothetical Wind-Up Asset Valuation Method

Wind-up assets are equal to the market value of assets less an allowance for wind-up expenses. This valuation method is the same as the one used in the last valuation.

Hypothetical Wind-Up Actuarial Cost Method

The hypothetical wind-up liabilities are determined using the accrued benefit (or unit credit) actuarial cost method. The hypothetical wind-up liabilities are equal to the actuarial present value of all benefits earned by members for services prior to the valuation date assuming the NBPSPP is wound up on the valuation date. This method is the same as the one used in the last valuation.

For valuation purposes, to determine eligibility for benefits and for any other uses, the age used is the age on the date of the nearest birthday. This method is the same as the one used in the last valuation.

Hypothetical Wind-Up Actuarial Assumptions

The main actuarial assumptions used in the hypothetical wind-up valuation correspond to those prescribed by the Standards of Practice published by the Canadian Institute of Actuaries (“CIA”).

In the previous valuation, the main actuarial assumptions used in the hypothetical wind-up valuation corresponded to those prescribed by the PBA. Although the Former PSSA was not subject to the PBA before it was converted to a shared risk plan, in the absence of specific direction to the contrary in the Former PSSA, we previously valued the hypothetical wind-up liability using discount rates consistent with the requirements of the PBA if the NBPSPP were to be wound up. The PBA requires that benefits paid out to each member upon wind-up be not less than the cost to purchase an annuity for that member. Accordingly, we previously followed the Canadian Institute of Actuaries’ recommendations for the estimated cost of fully indexed annuity purchases as at January 1, 2022.

The main actuarial assumptions employed for the hypothetical wind-up actuarial valuation as at January 1, 2023 are summarized in the following table. All rates and percentages are annualized unless otherwise noted. The rates below represent the estimated annuity purchase rates.

Table 3.2 – Hypothetical Wind-Up Actuarial Assumptions

	January 1, 2023	January 1, 2022
Interest rate		
Interest rate for active, deferred vested and suspended members under age 55	Non-indexed: 4.90% per annum Fully indexed: 1.00% per annum, rate net of inflation	- 0.55% per annum (rate net of inflation for fully indexed annuities)
Interest rate for retirees and survivors and all other members age 55 and over	Non-indexed: 4.90% per annum Fully indexed: 1.00% per annum, rate net of inflation	- 0.55% per annum (rate net of inflation for fully indexed annuities)
Salary increases	None	Same
Mortality	CPM14 generational using Scale CPM-B	Same
Termination (membership)	None	Same
Retirement	Age which maximizes the value of the pension	Same
Provision for expenses	\$3,000,000	Same

The Canadian Institute of Actuaries (“CIA”) collects data annually from insurance companies and annually determines interest rates suitable for estimating the cost of single premium group annuities in hypothetical wind-up valuations. For retirees and survivors and for active members and deferred vested and suspended members eligible for immediate retirement at the valuation date, the interest rate used in the hypothetical wind-up valuation is an estimate of the rate that would be used by insurance companies in pricing both non-indexed and fully indexed single premium group annuities for annuitants already retired, based on the suggested rates for such annuitants published by the CIA.

The hypothetical wind-up liability is valued under the assumption that accrued benefits at the date of the valuation would be settled by a single annuity purchase agreement, regardless of any capacity constraints in the Canadian group annuity market. However, given the magnitude of the purchase under consideration, it is possible that in reality such a purchase would be difficult to underwrite. In the event of a Plan wind-up, other alternatives may need to be considered, which may require regulatory approval or even legislative change.

The discount rate used for active members and deferred vested and suspended members not eligible for immediate retirement is the rate used for retirees and survivors without adjustment, as suggested by the CIA as an appropriate estimate of the cost of deferred annuities based on their survey data from insurance companies.

Emerging experience differing from these assumptions will result in gains or losses, which will be revealed in future hypothetical wind-up actuarial valuations.

Termination Scenario

The termination scenario used in the hypothetical wind-up valuation as at January 1, 2023 includes the following assumptions:

- Plan wind-up would not result from employer insolvency.
- All assets could be realized at their reported market value.
- Annuities would be purchased for all Plan members.

Margin for Adverse Deviations

As specified by the Standards of Practice of the Canadian Institute of Actuaries, the hypothetical wind-up assumptions do not include a margin for adverse deviations.

Provision for Fees

Allowance has been made for administrative, actuarial and legal costs which would be incurred if the NBPSPP were to be wound up, based on sufficient and reliable data. It is assumed that the wind-up date, the calculation date and the settlement date are coincident, and as such, expenses related to investment policy reviews, investment and custodial fees are not included. Expenses related to the resolution of surplus and deficit issues are not taken into account. The amount of expenses is only an approximation and may differ significantly from real expenses incurred on Plan wind-up, for example, in case of litigation, bankruptcy and eventual replacement by a third-party administrator.

Hypothetical Wind-Up Incremental Cost

The method used to calculate the hypothetical wind-up incremental cost may be described as follows:

1. Present value of expected benefit payments between January 1, 2023 and January 1, 2024, discounted to January 1, 2023;

Plus

2. Projected hypothetical wind-up liabilities as at January 1, 2024, discounted to January 1, 2023;

Less

3. Hypothetical wind-up liabilities as at January 1, 2023.

Opinion on Hypothetical Wind-Up Valuation

In our opinion, for the purposes of the hypothetical wind-up valuation section of the report:

- The membership data on which the valuation is based are sufficient and reliable for the purposes of the valuation.
- The assumptions are appropriate for the purposes of the valuation.
- The methods employed in the valuation are appropriate for the purposes of the valuation.


This hypothetical wind-up valuation section of this report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

The assumptions used under the hypothetical wind-up valuation section of this report were reasonable at the time this actuarial valuation report was prepared.

Respectfully submitted,



Yves Plourde, FSA, FCIA



Eric Robert, FSA, FCIA

July 27, 2023

Date

July 27, 2023

Date

Section 4 – Risk Management Goals and Procedures

Meeting Risk Management Goals

The NBPSPP was designed to achieve or exceed the risk management goals prescribed under the PBA and Regulation 2012-75. Certain procedures were developed to test whether these goals can be achieved given the contribution rules and benefits defined in the NBPSPP. These goals and procedures are described separately below, along with the relevant results of the stochastic analysis required under the PBA as at January 1, 2023.

Risk Management Goals

The primary risk management goal under the PBA is to achieve a 97.5% probability that past base benefits at the end of each year will not be reduced over the 20 years following the valuation.

The goal is measured by taking into account the following funding management plans:

1. the funding deficit recovery plan except for reduction in past or future base benefits, and
2. the funding excess utilization plan excluding permanent benefit changes.

The funding deficit recovery plan and the funding excess utilization plan are described in Sections IV and V of the Funding Policy, respectively.

There are two secondary risk management goals under the PBA. These are:

- On average be expected to provide contingent indexing on base benefits (all members) in excess of 75% of the indexation provided under the Former PSSA over the next 20 years.
- On average be expected to provide at least 75% of the value of the ancillary benefits described in the Plan documents over the next 20 years.

For the purposes of meeting these goals, base benefits include the accrual of extra service of members and any contingent indexing provided based on the financial performance represented by each scenario tested.

If as a result, through the testing process, a scenario allows for indexing in a given future year, then this contingent indexing amount becomes part of the base benefits that the Plan is to strive to protect in accordance with Regulation 2012-75. In other words, the base benefit is dynamically adjusted based on the stochastic results for each economic scenario tested.

Risk Management Procedures

The risk management goals are measured using an asset liability model with future economic scenarios developed using a stochastic process.

The risk management goals were tested as at January 1, 2023, effective date of this report. The results of these tests combined with the results of the funding policy actuarial valuation at the same date will determine the actions the Board of Trustees is required to take, or can consider, under the terms of the Funding Policy.

The primary risk management goal must be achieved or exceeded:

- At January 1, 2014 (i.e. the Conversion Date);
- At the date a permanent benefit change as defined in the Regulations is made;
- At the date a benefit improvement as defined in the Regulations is made; or
- At the date contribution adjustments that exceed those provided under the Funding Policy are implemented.

The secondary risk management goals must be achieved or exceeded:

- At January 1, 2014 (i.e. the Conversion Date); or
- At the date a permanent benefit change as defined in the Regulations is made.

The definitions of permanent benefit change and benefit improvement are as follows:

- “permanent benefit change” means a change that is intended to permanently change the formula for the calculation of the base benefits or ancillary benefits after the date of the change, including a change made in accordance with the funding excess utilization plan.
- “benefit improvement” means an escalated adjustment for past periods or an increase in other ancillary benefits allowed under the Funding Policy.

Additional Assumptions on a Funding Policy Basis for Purpose of the Stochastic Analysis

Other assumptions are required for the stochastic analysis required under the risk management procedures for the Plan. These additional assumptions are used to establish future Plan membership as well as future earnings, as to determine the level of future cash flows to and from the Plan, such as member and employer contributions, normal costs, benefit payments and expenses for the next 20 years. These cash flows are calculated on a deterministic basis for each year following the valuation date for a period of 20 years, and allow the determination of the funding policy actuarial liability and assets at each future date, as well as the determination of the present value of 15-year excess contributions in accordance with paragraph 14(6)(c) of Regulation 2012-75.

Table 4.1 – Additional Funding Policy Actuarial Valuation Assumptions for Purpose of the Stochastic Analysis

January 1, 2023				
New entrants	Each active member is replaced at death or retirement by a new entrant, resulting in a stable active membership			
Distribution of new entrants and salary at entry:	Age	Distribution	Average Salary at Entry	Work Percentage
	25	25.0%	\$57,000 (\$56,430 at January 1, 2022)	92% (95% at January 1, 2022)
	35	35.0%	\$67,000 (\$63,612 at January 1, 2022)	92% (95% at January 1, 2022)
	45	25.0%	\$70,000 (\$66,690 at January 1, 2022)	92% (95% at January 1, 2022)
	55	15.0%	\$70,000 (\$69,768 at January 1, 2022)	92% (95% at January 1, 2022)
Inflation	2.10% per annum			
Salary increases	2.60% per annum plus merit and promotion			
YMPE increases	2.60% per annum			
Proportion of new entrants by gender	55% female, 45% male			

Results of Stochastic Analysis as At January 1, 2023

The stochastic analysis undertaken as at January 1, 2023, took into account the main following items:

- Membership Data as at January 1, 2023 summarized in Appendix B;
- Economic and demographic assumptions as at January 1, 2023 for the funding policy valuation summarized in Section 1;
- NBPSPP target asset mix as summarized in Table A.4 of Appendix A;
- Stochastic projection assumptions as summarized in Appendix C;
- Risk management procedures described above;
- NBPSPP provisions, summarized in Appendix D;
- Funding deficit recovery plan found under Section IV of the NBPSPP's Funding Policy (except for reduction in past or future base benefits);
- Funding excess utilization plan found under Section V of the NBPSPP's Funding Policy (excluding permanent benefit changes).

Based on the above, the results of the stochastic analysis for the various risk management goals as at January 1, 2023 are as follows:

Table 4.2 – Results of Stochastic Analysis for the Various Risk Management Goals

Risk Management Goal	Goal under PBA	Results for NBPSPP as at January 1, 2023
Primary Goal [Regulation 7(1)] -	97.5%	99.40%
There is at least a 97.5% probability that the past base benefits at the end of each year will not be reduced over a 20-year period		PASSED
Secondary Goal 1 [Regulation 7(3)(a)] -	75.0% of the assumed increase in CPI	95.5% of the assumed increase in CPI
Expected contingent indexing of base benefits of active members for service before the conversion date shall, on average over the next 20-year period, exceed 75% of the increase in the Consumer Price Index; or Expected contingent indexing of base benefits of retirees and deferred vested members for service rendered before the conversion date shall, on average over the next 20-year period, exceed 75% of the escalated adjustments specified in the pension plan immediately before it was converted to a shared risk plan (i.e. Full CPI subject to a maximum increase of 5.0% or 6.0% per year depending on the date of retirement.)		PASSED
Secondary Goal 2 [Regulation 7(3)(b)] -	75.0% of the value of ancillary benefits will be provided	Above 98.9% of the value of ancillary benefits is expected to be provided (See Note below)
The amount of ancillary benefits (other than contingent indexing) that are expected to be provided shall, on average over the next 20-year period, exceed 75% of the value of the ancillary benefits specified in the plan text		PASSED

Note: The Funding Policy provides for the reduction of one type of ancillary benefit under the Funding Deficit Recovery Plan at actions 1 and 2. This is the replacement of early retirement reductions for post conversion service under action 1, and for pre-conversion service at action 2, by a full actuarial reduction for members not yet eligible to receive an immediate pension. We expect these two ancillary benefits would be reduced in about 1.1% of our 10,000 20-yr scenarios. If those were the only two ancillary benefits reduced, and they were eliminated completely, then we could expect that 98.9% of the value of ancillary benefits would be provided over the 20-year period. Given that there are other ancillary benefits under the Plan that will not be touched (because they are not mentioned as a benefit that can be reduced under the Funding Policy), the percentage for this test is expected to be higher than 98.9%, which is well above minimum required under the PBA of 75%.

Section 5 – Plausible Adverse Scenarios

Plausible Adverse Scenarios must be selected for various risks underlying the Plan and the impact such scenarios would have on the funded status and risk management test results of the Plan must be disclosed in the report. The results of this analysis are contained in this Section 5.

The Standards of Practice of the CIA continue to require that valuation reports disclose the sensitivity of the liabilities to changes in the discount rate assumption. As these sensitivities are also a form of stress test, we have included them in this Section 5 for completeness.

Description of the Plausible Adverse Scenarios

A Plausible Adverse Scenario would be a scenario of adverse but plausible assumptions relative to the best estimate assumptions outlined in Section 1 of this report. As a result, these scenarios are stress tests on a selection of risks to which the Plan is subject. This selection is not meant to consider all of the risks to which the Plan is subject.

The following is a description of the four scenarios analyzed.

Scenario I - Interest Rate Risk

In this Scenario, we will model the impact of a sudden drop in fixed income yield, which will impact the level of the discount rate, and the value of the fixed income assets in the Fund. The magnitude of the drop will be such that there is a 1 in 10 likelihood of such a reduction happening in accordance with our economic model underlying our stochastic analysis.

Based on the outcome with a 1 in 10 likelihood of occurrence under our economic model, yields on fixed income assets are assumed to decrease by 1.00% immediately, leading to a 0.20% decrease in the expected return of the Plan's investments. We have not reflected any change of the assumed margin for adverse deviation to compensate for the decrease in expected return and have therefore reflected a decrease in the discount rate to 4.80% per annum for this valuation. We have illustrated the impact of the decrease in discount rate even if the Funding Policy states that the intent in practice is to leave the discount rate stable.

In valuing the effect of this change on the Plan assets, the impact of the interest rate risk was restricted to the asset classes deemed to be fixed income investments, and results in a 12.90% increase on the market value of the affected asset classes, which translates into a 3.60% increase on the market value of the Fund as a whole.

All other assumptions and methods used for this valuation were maintained, and no other compensating adjustments were made.

Scenario II - Deterioration of Asset Values

In this Scenario, we will model the impact of a sudden drop in the value of assets other than fixed income assets, with no change in the level of the discount rate or any other assumptions. The magnitude of the drop will be such that there is a 1 in 10 likelihood of such a reduction happening for such asset classes in accordance with our economic model underlying our stochastic analysis.

Based on the outcome with a 1 in 10 likelihood of occurrence under our economic model, all assets other than fixed income assets were assumed to decrease by 10.55% immediately, resulting in a 7.60% decrease on the market value of the total Fund. No changes to funding valuation actuarial liabilities and normal cost were considered under this scenario. All assumptions and methods used for this valuation were maintained.

Scenario III - Longevity Risk

In this Scenario, we will model the impact of an increase in the average life expectancy of all Plan members relative to our assumption used in our valuation. The magnitude of the increase will be such that the life expectancy is increased by 10% from the underlying mortality table assumption used in our valuation.

To test the impact of an average life expectancy increase of 10% for all ages over the current assumption on the funding policy actuarial liabilities and normal cost, a multiplier of 0.7 was applied to all mortality rates used for this valuation. All other assumptions and methods used for this valuation were maintained.

Scenario IV - Decrease in Contribution Base

In this Scenario, we will model the impact of a decrease in contribution base, where an undefined event triggers an immediate 10% reduction in active members contributing and accumulating benefits under the Plan.

A decrease of 10% in payroll for the year following the valuation date is assumed. We assume that the demographic profile of the active membership is unchanged from the decrease in payroll. For purposes of this scenario, we assume that the market value of assets and funding policy actuarial liabilities are unchanged, and due to the decrease in payroll we assume a 10% reduction in contributions and normal cost for each year following the valuation date. All other assumptions and methods used for this valuation were maintained.

Plausible Adverse Scenarios - Funding Policy Valuation

The following table illustrates the impact of four plausible adverse scenarios on the funding policy liabilities and corresponding funded statuses and legislated risk management tests. The scenarios have been applied and reported on separately.

Table 5.1 – Plausible Adverse Scenarios Impact on the Funding Policy Valuation Results

	Funding Policy Valuation Results as at January 1, 2023	Plausible Adverse Scenario Results as at January 1, 2023			
		Scenario I Interest Rate Risk	Scenario II Deterioration of Asset Values	Scenario III Longevity Risk	Scenario IV Decrease in Contribution Base
		\$M	\$M	\$M	\$M
Market value of assets	8,838.3	9,121.2	8,166.6	8,838.3	8,838.3
Funding policy actuarial liabilities	7,861.3	8,044.5	7,861.3	8,335.7	7,861.3
Funding policy valuation excess (unfunded liability)	977.0	1,076.7	305.3	502.6	977.0
Termination value funded ratio	112.4%	113.4%	103.9%	106.0%	112.4%
Present value of excess contributions over the next 15 years	1,387.5	1,319.6	1,387.5	1,306.4	1,248.4
Open group funded ratio	130.1%	129.8%	121.5%	121.7%	128.3%
Funding policy valuation normal cost	169.0	175.9	169.0	175.5	152.1
Results of stochastic analysis for risk management goal					
Primary Goal [Regulation 7(1)]	99.40% PASS	99.45% PASS	98.90% PASS	98.00% PASS	99.10% PASS
Secondary Goal 1 [Regulation 7(3)(a)]	95.5% PASS	95.9% PASS	92.5% PASS	91.1% PASS	94.9% PASS
Secondary Goal 2 [Regulation 7(3)(b)]	98.9% PASS	99.0% PASS	97.9% PASS	97.0% PASS	98.5% PASS

Discount Rate Sensitivity Results

The Standards of the CIA require that valuation reports disclose the sensitivity of the liabilities to changes in the discount rate assumption. The discount rate sensitivity results for the funding policy, going-concern and hypothetical wind-up bases are presented below.

Sensitivity Analysis on the Funding Policy Valuation Basis

The table below illustrates the effect of 1% decrease in the discount rate on the funding policy valuation actuarial liabilities. With the exception of the discount rate, all other assumptions and methods used for this valuation were maintained.

Table 5.2 – Sensitivity of Actuarial Liabilities on the Funding Policy Valuation Basis

	January 1, 2023	Discount rate 1% lower
	\$M	\$M
Actuarial liabilities		
Active members	\$2,302.3	\$2,744.8
Retirees and survivors	5,215.4	5,702.1
Deferred vested and suspended members	341.2	408.5
Outstanding refunds	2.4	2.4
Total	\$7,861.3	\$8,857.8
Increase in actuarial liabilities		\$996.5

Sensitivity Analysis on the Funding Policy Valuation Total Normal Cost

The table below illustrates the effect on the total normal cost of using a discount rate 1% lower than the one used for the funding policy valuation. All other assumptions and methods, as used for this valuation, were maintained.

Table 5.3 – Sensitivity of Funding Policy Valuation Total Normal Cost

	As at January 1, 2023		Discount Rate 1% lower	
	\$M	% of payroll	\$M	% of payroll
Total normal cost	\$169.0	11.70%	\$207.6	14.37%
Increase in total normal cost			\$38.6	2.67%

Sensitivity Analysis on the Going-Concern Basis

The table below illustrates the effect of 1% decrease in the discount rate on the going-concern actuarial liabilities. With the exception of the discount rate, all other assumptions and methods used for this valuation were maintained.

Table 5.4 – Sensitivity of Actuarial Liabilities on the Going-Concern Basis

	January 1, 2023	Discount rate 1% lower
	\$M	\$M
Actuarial liabilities		
Active members	\$3,130.1	\$3,835.2
Retirees and survivors	6,133.0	6,770.0
Deferred vested and suspended members	456.6	565.6
Outstanding refunds	2.4	2.4
Total	\$9,722.1	\$11,173.2
Increase in actuarial liabilities		\$1,451.1

Sensitivity Analysis on the Going-Concern Total Normal Cost

The table below illustrates the effect on the total normal cost of using a discount rate 1% lower than the one used for the going-concern valuation. All other assumptions and methods, as used for this valuation, were maintained.

Table 5.5 – Sensitivity of Going-Concern Total Normal Cost

	As at January 1, 2023		Discount Rate 1% lower	
	\$M	% of payroll	\$M	% of payroll
Total normal cost	\$237.9	16.47%	\$303.4	21.00%
Increase in total normal cost			\$65.5	4.53%

Sensitivity Analysis on the Hypothetical Wind-Up Basis

The table below illustrates the effect on the actuarial liabilities of using discount rates 1% lower than those used for the hypothetical wind-up valuation using non-indexed annuities. All other assumptions and methods, as used in this valuation, were maintained.

Table 5.6 – Sensitivity of Non-indexed Actuarial Liabilities on the Hypothetical Wind-Up Basis

	January 1, 2023	Discount rates 1% lower
	\$M	\$M
Actuarial liabilities		
Active members	\$2,793.0	\$3,199.3
Retirees and survivors	5,334.2	5,843.7
Deferred vested and suspended members	421.8	483.4
Outstanding refunds	2.4	2.4
Total	\$8,551.4	\$9,528.8
Increase in actuarial liabilities		\$977.4

Appendix A – Assets

Description of Plan Assets

The assets of the NBPSPP are held in trust and are being managed by Vestcor Inc. (“Vestcor”). The information on Plan assets as at December 31, 2022 was taken from unaudited financial statements prepared by Vestcor for the Board of Trustees.

Statement of Market Value

The following table shows the asset mix as at December 31, 2022:

Table A.1 – Assets at Market Value

	December 31, 2022	
	%	\$M
Invested assets		
Canadian equities	10.0%	\$881.3
Foreign equities	24.1%	2,129.3
Fixed income	32.5%	2,872.3
Inflation linked assets	18.9%	1,669.1
Alternatives	14.1%	1,245.7
Other investments and net amount receivable	0.5%	40.6
Total assets	100.0% ¹	\$8,838.3

¹ Percentages may not add to 100% due to rounding.

Changes to Plan Assets

The following table shows changes to the NBPSPP's assets during the inter-valuation period, based on market values. The reconciliation from January 1, 2022 to December 31, 2022 is based on the unaudited financial statements prepared by Vestcor for the Board of Trustees.

Table A.2 – Reconciliation

	2022 (\$M)
Assets at beginning of period	\$9,370.1
Receipts	
Member contributions	\$126.4
Employer contributions	182.3
Investment income plus realized and unrealized capital appreciation and depreciation	(363.7)
Total receipts	(\$55.0)
Disbursements	
Pension and refunds	\$458.9
Expenses	17.9
Total disbursements	\$476.8
Assets at end of period	\$8,838.3

Return on Assets

The Plan assets earned the following rates of return, net of investment management fees and other expenses charged to the Fund, based on our calculations which assume cash flow occurred in the middle of the period:

Table A.3 – Net Investment Return

Year	Net rate of return
	%
2022	(4.1)
2021	9.0
2020	7.0
2019	11.4
2018	1.6
2017	7.6
2016	6.4
2015	7.2

Actuarial Value of Assets

We have used the market value of assets (including receivables / payables) without adjustment. The actuarial value of assets as at December 31, 2022 was \$8,838.3M.

Target Asset Mix

The Statement of Investment Policies for the NBPSPP, as last modified by the Board of Trustees, effective December 14, 2021, provides for the following long term target asset mix:

Table A.4 – Target Asset Mix

Asset Classes	Target Allocation (%)
Fixed income:	
Canadian short term assets	0.0%
Canadian government bonds	15.0%
Canadian corporate bonds	18.0%
Inflation linked:	
Real return bonds	5.0%
Real estate	12.0%
Infrastructure	6.5%
Public equity (market capitalization):	
Canadian equities	3.0%
Canadian small cap equities	1.5%
Global developed markets (ex Canada) public equities	10.0%
Global developed markets (ex Canada) small cap public equities	2.0%
Emerging Markets	3.0%
Public equity (low volatility):	
Canadian low volatility	3.0%
Global developed markets (ex Canada) low volatility	10.0%
Emerging markets low volatility	4.0%
Private equity	7.0%
Total	100%
Absolute return overlay	10.0%

We understand that Vestcor uses an Absolute Return Overlay. This strategy provides exposure to the absolute return asset class, without having to allocate actual underlying portfolio assets to the asset class. For the purpose of the stochastic analysis in this valuation, we have modelled the strategy by allocating -10% to short terms assets (the equivalent of providing a short-term loan) and +10% to the Absolute Return asset class to achieve a total net allocation of 100%.

This target asset mix is the same as the one used for the last valuation. The target asset mix is used to determine the discount rate assumption under the NBPSPP, and to conduct the stochastic analysis required under the PBA to assess the various risk management goals.

Appendix B – Membership Data

Description of Membership Data

The data as at January 1, 2023 was provided to us by Vestcor.

In developing the valuation membership data set as of January 1, 2023, the following adjustments were made following conversations with Vestcor:

- Accrued pensions for suspended UNB professors were adjusted to take into account an estimate of the salary progression that they would have experienced while actively employed but no longer active members of the Plan, up to conversion. The indexation granted following conversion was also applied, based on our understanding of their benefit.
- In very limited cases where the credibility of the data received this year for certain individuals was questioned in light of a comparison with data received as part of the previous valuation, the data from previous valuations was used to adjust to the valuation data.

We have taken the following additional steps to review data for accuracy, completeness and consistency purposes:

- A reconciliation of data was performed in order to follow the changes concerning some of the active members, retirees and vested members.
- Basic data checks were performed to ensure that age, salary, service and pension accrual data were reasonable for the purposes of the valuation.

Summary of Membership Data

The following tables were prepared using the above data regarding active members, retirees and former members. Accrued pensions, in payment or not, for all members reflect the cost-of-living adjustment granted by the Board of Trustees effective January 1, 2023.

These tables show the following:

- B.1 Summary of Membership Data
- B.2 Changes in Plan Membership
- B.3 Age/Service Distribution for Active Members as at January 1, 2023
- B.4 Distribution of Retirees and Survivors by Age Groups as at January 1, 2023
- B.5 Distribution of Deferred Vested and Suspended Members by Age Groups as at January 1, 2023

Table B.1 – Summary of Membership Data

		January 1, 2023	January 1, 2022
Active members	Number	19,457	18,777
	Average salary	\$77,561	\$75,694
	Average age	46.3 years	46.5 years
	Average accrued lifetime benefit	\$12,521	\$12,317
	Average accrued bridge benefit	\$3,961	\$3,928
	Average pensionable service	11.0 years	11.5 years
Deferred vested and suspended members	Number	5,780	5,365
	Average age	46.9 years	46.8 years
	Average accrued lifetime benefit	\$6,295	\$6,062
	Average accrued bridge benefit ¹	\$2,179	\$2,098
Retirees and survivors	Number	18,221	17,843
	Average accrued lifetime benefit	\$24,116	\$22,922
	Average accrued bridge benefit ¹	\$8,542	\$8,234
	Average age	72.5 years	72.2 years

¹ Average for those entitled to receive a bridge benefit.

Table B.2 – Changes in Plan Membership

	Active Members	Deferred Vested and Suspended Members	Retirees and Survivors	Total
Members at January 1, 2022	18,777	5,365	17,843	41,985
New members	2,392	--	--	2,392
Retirements	(594)	(145)	739	--
Members who returned to active	538	(527)	(11)	--
Terminations				
Paid lump sum	(202)	(199)	--	(401)
Outstanding	(145)	(11)	--	(156)
Deaths or cessation of pension	(8)	(4)	(581)	(593)
New survivor pensions	--	--	224	224
Became suspended members	(1,301)	1,301	--	--
Data adjustments	--	--	7	7
Members at January 1, 2023	19,457	5,780	18,221	43,458

Table B.3 – Age/Service Distribution for Active Members as at January 1, 2023

		Age										
Years of Service		Under 25	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65 and Over	Total
0 - 4	Number	407	1,258	1,234	1,116	1,037	837	650	464	272	73	7,348
	Tot. Sal.	22,498,713	76,853,491	82,689,153	80,067,660	74,081,747	60,789,836	47,666,130	31,906,978	18,816,105	4,688,540	500,058,353
	Avg. Sal.	55,279	61,092	67,009	71,745	71,439	72,628	73,333	68,765	69,177	64,227	68,054
5 - 9	Number	***	118	541	673	628	565	516	399	289	96	3,826
	Tot. Sal.	***	9,015,872	41,549,815	54,635,720	50,804,089	44,783,684	40,474,359	29,178,611	20,070,248	6,686,246	297,292,283
	Avg. Sal.	***	76,406	76,802	81,182	80,898	79,263	78,439	73,129	69,447	69,648	77,703
10 - 14	Number	-	-	78	400	525	475	403	369	157	36	2,443
	Tot. Sal.	-	-	6,827,231	33,134,368	45,465,995	40,265,899	32,876,474	29,641,125	12,321,160	2,855,385	203,387,637
	Avg. Sal.	-	-	87,529	82,836	86,602	84,770	81,579	80,328	78,479	79,316	83,253
15 - 19	Number	-	-	***	103	409	436	425	325	189	40	1,928
	Tot. Sal.	-	-	***	10,001,910	36,573,579	38,359,112	36,835,538	27,170,484	15,009,550	3,493,815	167,572,015
	Avg. Sal.	-	-	***	97,106	89,422	87,980	86,672	83,601	79,416	87,345	86,915
20 - 24	Number	-	-	-	-	100	444	511	433	222	44	1,754
	Tot. Sal.	-	-	-	-	9,647,147	40,639,411	45,698,472	35,996,174	18,196,174	3,418,602	153,595,980
	Avg. Sal.	-	-	-	-	96,471	91,530	89,429	83,132	81,965	77,696	87,569
25 - 29	Number	-	-	-	-	-	47	309	308	118	20	802
	Tot. Sal.	-	-	-	-	-	4,307,449	26,587,005	26,124,143	10,267,480	1,609,555	68,895,631
	Avg. Sal.	-	-	-	-	-	91,648	86,042	84,819	87,013	80,478	85,905
30 - 34	Number	-	-	-	-	-	***	195	550	181	37	964
	Tot. Sal.	-	-	-	-	-	***	18,413,870	50,171,182	15,027,034	2,782,318	86,451,558
	Avg. Sal.	-	-	-	-	-	***	94,430	91,220	83,022	75,198	89,680
35 and over	Number	-	-	-	-	-	-	***	175	165	50	392
	Tot. Sal.	-	-	-	-	-	-	***	14,665,752	12,882,801	4,152,181	31,844,464
	Avg. Sal.	-	-	-	-	-	-	***	83,804	78,078	83,044	81,236
Total number		408	1,376	1,854	2,292	2,699	2,805	3,011	3,023	1,593	396	19,457
Total salaries		22,592,351	85,869,364	131,194,226	177,839,658	216,572,557	229,202,546	248,695,579	244,854,448	122,590,552	29,686,642	1,509,097,923
Average of salaries		55,373	62,405	70,763	77,591	80,242	81,712	82,596	80,997	76,956	74,966	77,561

Average age: 46.3 years; Average years of service: 11.0 years

Notes: The age is computed at the nearest birthday. Years of service means the number of years credited for pension plan purposes.

Membership for active members is composed of 9,232 males and 10,225 females.

*** Certain cells are not shown to protect member confidentiality

Table B.4 – Distribution of Retirees and Survivors by Age Groups as at January 1, 2023

Age Group	Number	Total Annual Payments	
		Lifetime	Bridge
Under 60	786	16,952,614	4,712,859
60-64	2,706	68,754,614	22,621,430
65-69	4,337	111,343,176	0
70-74	4,077	105,345,348	0
75-79	2,863	65,958,462	0
80-84	1,750	37,642,614	0
85-89	1,034	21,146,195	0
90 and over	668	12,269,011	0
Total	18,221	439,412,034	27,334,289

Average age: 72.5 years

Notes: Age groups are based on exact age. The pension used is the pension payable as at January 1, 2023. Membership for retirees and survivors is composed of 8,789 males and 9,432 females.

Table B.5 – Distribution of Deferred Vested and Suspended Members by Age Groups as at January 1, 2023

Age Group	Number	Total Annual Payments	
		Lifetime	Bridge
Under 25	40	34,785	13,642
25-29	338	511,657	206,116
30-34	661	1,827,418	676,251
35-39	720	2,751,061	1,016,916
40-44	779	4,215,123	1,518,650
45-49	845	6,025,832	2,022,440
50-54	866	8,259,433	2,647,020
55-59	799	7,873,285	2,572,224
60-64	438	3,455,901	1,124,243
65 and over	294	1,430,644	0
Total	5,780	36,385,139	11,797,502

Average age: 46.9 years

Note: Age groups are based on exact age. Membership for deferred vested and suspended members is composed of 2,471 males and 3,309 females

Appendix C – Stochastic Projection Assumptions and Disclosures

The model inputs for our stochastic analysis are built each year using Conference Board of Canada (CBoC) forecasts, internal research, inflation expectations and by surveying the asset manager universe. This ensures we are not using inputs that are out of touch with broader expectations. We strive for accuracy in our assumptions, as high or low expectations can lead to biased results. However, when deciding between equally reasonable modeling choices, we err on the side of conservatism.

The methodology used to develop key assumptions used within the model is described below.

Economic Assumptions

Economic stochastic projection assumptions are updated annually by TELUS Health Investment and Risk using a multi-stage process.

Inflation

We select a long-term inflation rate assumption based primarily on the current Bank of Canada Monetary Policy. Volatility for inflation is based on historical data since the early 1990’s when the current monetary policy was introduced. Historical volatility is used to estimate consumer price index volatility for future years. We also develop an assumption for market implied inflation which is used to determine fixed-income yields in any given year. We use current market data for the initial rate and then use an autoregressive time-series model to determine the market implied inflation assumption rates over the first ten projection years, at which point the rate remains stable, such that the long-term implied market inflation is consistent with our assumption for the change in the consumer price index.

Table C.1 – Market Implied Inflation

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032 and after
December 31											
Market implied inflation (%)	2.04	2.04	2.05	2.06	2.07	2.07	2.08	2.09	2.10	2.11	2.11

Interest Rates

We use a building block approach to estimate the long-term interest rates for government bonds and Canadian bond indices. The three components that make up the long-term interest rate estimate are: Inflation, real return, and credit spread. After careful consideration, we assume that both real yields and credit spreads revert to projected long-term rates. Although some research papers suggest that the possibility that interest rates follow a random walk process (that is, they do not mean-revert) cannot be rejected, mean reversion is intuitive and increases the likelihood that rates will remain within a reasonable range. Therefore, we assume each building block moves from the value in the market as of the valuation date towards its long-term level over a projected

period of 10 years (and remains at the long-term level thereafter). Each of the building blocks follow a modified discrete version of the Vasicek model, using an instantaneous volatility determined from historical data.

Canadian Bond Indices

We generate expected return levels and standard deviations for Canadian bond indices in a stochastic simulation approach. We assume that the only components needed to model the returns are: yield and variation of interest rates. We make the assumption that interest rates follow a Vasicek model. To determine the impact of yield variation on return we extract the duration and convexity as of the valuation date for the FTSE Canadian bond indices and assume that it will remain constant in the future. Using the Vasicek model, we simulate 10,000 interest rate paths which we use to create 10,000 return series for various Canadian bond indices. The geometric average of the 10,000 simulated returns is taken as the return level assumption. The mean annual standard deviation of returns is taken as the standard deviation of returns.

Fixed income asset classes that were used in our modeling include, but are not limited to Canadian federal, provincial, and corporate bond indices. The following initial and ultimate average credit spreads and average nominal yields were used as at January 1, 2023.

Table C.2 – Credit Spreads and Yields by Bond Index

Asset Class	Initial Credit Spread *	Ultimate Credit Spread *	Initial Yield	Ultimate Yield
FTSE Canada Federal Bonds	n/a	n/a	3.69%	2.54%
FTSE Canada Federal Short Term Bonds	n/a	n/a	3.92%	2.23%
FTSE Canada Federal Mid Term Bonds	n/a	n/a	3.44%	2.76%
FTSE Canada Federal Long Term Bonds	n/a	n/a	3.37%	3.25%
FTSE Canada Corporate Bonds	1.58%	1.22%	5.27%	3.76%
FTSE Canada Short Term Corporate Bonds	1.36%	0.87%	5.28%	3.10%
FTSE Canada Mid Term Corporate Bonds	1.74%	1.28%	5.18%	4.04%
FTSE Canada Long Term Corporate Bonds	1.96%	1.70%	5.33%	4.95%
FTSE Canada Universe Provincial Bonds	0.46%	0.90%	4.15%	3.44%
FTSE Canada Short Term Provincial Bonds	0.11%	0.24%	4.03%	2.46%
FTSE Canada Mid Term Provincial Bonds	0.52%	0.50%	3.97%	3.25%
FTSE Canada Long Term Provincial Bonds	0.95%	0.79%	4.32%	4.04%

* The credit spread reflects the excess average yield for the index over the federal bond index of similar maturity.

Fixed income asset classes' returns and standard deviations must be consistent. We perform a check on the relationships between indices and sub-indices, and make adjustments if necessary.

Equity

The process for determining the nominal equity return assumptions uses a forward-looking building block approach. We utilize multiple sources of information, including our inflation assumptions, historical data, GDP and other economic data, growth forecasts and dividend information.

The building blocks are the change in the consumer price index assumptions determined above, the expected dividend yield for the index (adjusted for share issues and buy-backs), and Consensus Economics' GDP forecasts.

The building block approach results in equity return assumptions in the local currency of the asset classes. For foreign equity, we used Consensus Economics' estimates for purchasing power parity between the local currency and the Canadian dollars. We assume that the current exchange rate will trend linearly towards purchasing power parity over a period of 10 years.

Standard deviations and correlations of equity returns are mainly derived from historical data. To ensure consistency between indices covering different regions, we use an iterative calibration process.

We also consider differences in capitalization levels and investment styles. Small-cap equities and large-cap equities have different risk-return profiles. We use historical data to measure the return and volatility spreads between small-cap and large-cap equities.

Alternative Asset Classes

Alternative asset classes include real estate, infrastructure, hedge funds, private equity, foreign fixed income and high yield bonds.

Real estate indices do not include leverage; however, some real estate funds and strategies use leverage. Moreover, some real estate indices are only updated quarterly, resulting in an appraisal lag. Other indices are transaction based rather than appraisal based. Therefore, we must exercise some subjective judgement to estimate return levels, standard deviations and correlations.

Hedge fund indices usually include survivorship and backfill biases. Moreover, hedge fund strategies can differ from the index due to their characteristics. Most hedge funds have an absolute return target that can guide in the selection of the assumption.

Private equity may be viewed as public equity, adjusted with a liquidity risk premium. Private equity managers usually target a spread of 3% to 5% over public equities.

Infrastructure return level assumption is based on the 10-year Government of Canada bond returns, plus a spread. The spread varies on whether the investment is in infrastructure debt or in infrastructure equity.

For foreign fixed income, we utilize the same model used for Canadian fixed income except that the credit spread and real yield components are not separated due to a lack of reliable data.

Correlations & Standard Deviations

Correlations and standard deviations are mainly derived from historical data. However, recent trends and experience can potentially lead us to perform modifications on the historical correlations. Although exchange rates have little impact on long-term equity return levels, they do have an impact on correlations.

Correlations between certain pairs of asset classes are unstable through time, particularly for alternative asset classes. Historical correlations may show a large diversifying advantage for certain assets, which may not be properly supported by theoretical evidence. In cases of a strong negative correlation, we consider whether this correlation should be trended back towards zero.

The correlation matrix must be consistent. Consistency is required for theoretical accuracy and in stochastic simulations. We use an algorithmic approach to ensure consistency of the correlation matrix.

Returns, Volatility, and Correlations by Asset Class

The following expected return and volatility by asset class were used as at January 1, 2023. For reference, we have also included the return and volatility as at the date of the previous valuation, January 1, 2022.

Table C.3 – Expected Long-Term Return and Volatility (Standard Deviation) by Asset Class

	January 1, 2023		January 1, 2022	
	Expected Annualized Long-Term Return	Volatility of Annual Return	Expected Annualized Long-Term Return	Volatility of Annual Return
Inflation (change in the consumer price index)	2.10%	1.4%	2.10%	1.3%
Asset Classes				
Fixed income:				
Short term assets	2.25%	1.4%	1.40%	1.2%
Government bonds	3.50%	7.8%	2.30%	6.7%
Corporate bonds	4.45%	6.2%	3.15%	5.0%
Inflation linked:				
Real return bonds	3.45%	12.5%	2.10%	10.7%
Real estate	5.70%	9.0%	5.90%	9.4%
Infrastructure	7.65%	12.2%	6.10%	12.4%
Public equity (market capitalization):				
Canadian equities	7.25%	16.4%	6.60%	16.2%
Canadian small cap equities	7.50%	21.5%	6.85%	21.3%
Global developed markets (ex-Canada) equities	6.60%	15.6%	6.80%	15.3%
Global developed markets (ex-Canada) small cap equities	7.10%	17.9%	7.30%	17.6%
Emerging Markets	10.30%	23.1%	9.50%	23.0%
Public equity (low volatility) ¹ :				
Canadian low vol	6.75%	13.1%	6.10%	13.0%
Global developed markets (ex-Canada) low vol	6.15%	12.5%	6.30%	12.2%
Emerging market low vol	9.80%	18.5%	9.00%	18.4%
Private equity	9.70%	23.7%	9.70%	22.6%
Absolute return strategy	6.25%	9.6%	5.40%	9.7%

¹ For purposes of our stochastic analysis at January 1, 2023, specific assumptions were made for the public equities (low volatility) strategies. The methodology for deriving assumptions for such strategies was approved by the Superintendent of Pensions in a letter dated August 18, 2015. The conditions ultimately imposed by the Superintendent of Pensions for such strategies are as follows:

- Expected long term rate of return of 0.25% to 0.5% lower than regular market capitalization index.
- Volatility of 80% of the regular market capitalization index
- Correlation of 30% lower than regular market capitalization index
- Maximum of 25% of the funds in such strategies for modeling purposes, with any excess modeled using the regular market capitalization index assumptions

The following is the correlation among the various asset classes identified in Table C.3 used as at January 1, 2023. For fixed income asset classes, the correlations are based on the real yields of the assets, whereas for non-fixed income asset classes, the correlations are based on the asset returns:

Table C.4 - Simulation Correlations Among Asset Classes and Fixed Income Yields

Asset Classes	Inflation	Short Term Assets	Real Return Bonds	Government Bonds	Corporate Bonds	Canadian Equities	Canadian Low Vol	Canadian Small Cap	Global Equities	Glob. Equ. Small Cap	Glob. Equ. Low Vol	Global EM	Real Estate	Infra.	Private Equity	Absolute Return	EM Low Vol
Inflation	1.00	0.51	0.44	0.57	0.58	0.03	0.02	-0.05	-0.25	-0.28	-0.25	-0.17	0.25	-0.06	-0.15	0.05	-0.12
Short Term Assets		1.00	0.42	0.75	0.70	0.16	0.12	0.04	0.04	-0.07	0.00	0.07	0.31	0.09	0.01	0.22	0.05
Real Return Bonds			1.00	0.82	0.77	0.09	0.07	0.09	-0.04	0.00	-0.21	0.14	0.03	0.24	-0.05	0.24	0.10
Government Bonds				1.00	0.91	0.26	0.18	0.14	0.08	0.03	-0.08	0.24	0.29	0.19	0.05	0.35	0.17
Corporate Bonds					1.00	0.00	0.00	-0.10	-0.12	-0.20	-0.20	0.00	0.19	0.21	-0.13	0.06	0.00
Canadian Equities						1.00	0.70	0.82	0.55	0.67	0.27	0.75	0.24	0.08	0.58	0.83	0.53
Canadian Low Vol							1.00	0.58	0.39	0.47	0.19	0.53	0.17	0.05	0.40	0.58	0.37
Canadian Small Cap								1.00	0.40	0.62	0.12	0.67	0.03	0.07	0.49	0.75	0.47
Global Equities									1.00	0.82	0.82	0.43	0.13	-0.05	0.66	0.45	0.30
Global Equity Small Cap										1.00	0.64	0.57	0.12	0.03	0.60	0.60	0.40
Global Equ. Low Vol											1.00	0.10	0.23	-0.02	0.48	0.12	0.07
Global EM												1.00	0.11	0.04	0.43	0.83	0.70
Real Estate													1.00	0.08	0.11	0.26	0.08
Infrastructure														1.00	0.01	0.04	0.03
Private Equity															1.00	0.49	0.30
Absolute Return																1.00	0.58
EM Low Vol																	1.00

The correlations are assumed to remain constant over the entire projection period.

Forecasted Funding Policy Valuation Liabilities

As required under paragraph 15(2)(c) of Regulation 2012-75, the projection of the liability and future cash flows under the stochastic analysis uses the same demographic assumptions as used for the calculation of the funding policy valuation liability. As such, the funding policy valuation assumptions are used to project the demographics of the Plan on a deterministic basis 20 years into the future. Both the economic and demographic assumptions in Table 1.6 and Table 4.1 are used to project the number of members and their salaries, with each active member being replaced at death or retirement by a new entrant, resulting in the membership profile outlined herein. The following table contains the results of the deterministic projection, in particular the number of active members, along with their average pensionable service, average age, and average pensionable earnings for the year for each of the 20 years in the projection period.

Table C.5 – Projection Statistics for Active Members

Date	Number of Active Members	Average Age (years)	Average Pensionable Service (years)	Average Salary *
31-Dec-23	19,457	47.2	12.0	\$79,309
31-Dec-24	19,457	46.4	11.6	\$80,841
31-Dec-25	19,457	46.5	11.7	\$82,802
31-Dec-26	19,457	46.7	11.9	\$84,832
31-Dec-27	19,457	47.0	12.2	\$86,924
31-Dec-28	19,457	47.2	12.5	\$89,030
31-Dec-29	19,457	47.5	12.7	\$91,160
31-Dec-30	19,457	47.7	12.9	\$93,346
31-Dec-31	19,457	48.0	13.2	\$95,580
31-Dec-32	19,457	48.3	13.5	\$97,799
31-Dec-33	19,457	48.5	13.7	\$100,043
31-Dec-34	19,457	48.5	13.9	\$102,315
31-Dec-35	19,457	48.7	14.1	\$104,633
31-Dec-36	19,457	48.9	14.4	\$107,037
31-Dec-37	19,457	49.1	14.6	\$109,520
31-Dec-38	19,457	49.3	14.9	\$112,085
31-Dec-39	19,457	49.5	15.1	\$114,548
31-Dec-40	19,457	49.6	15.2	\$117,049
31-Dec-41	19,457	49.8	15.4	\$119,629
31-Dec-42	19,457	49.9	15.5	\$122,288

* These are average salaries in each year reflecting the expected salary increase.

The following table contains the results of the deterministic projection, in particular the number of inactive members, along with the total expected benefits in payment to inactive members over the projection period. Note that inactive members include all members who are not active members (including but not limited to deferred vested members and pensioners). The benefit payments outlined in the table below do not include any future cost-of-living adjustments which may be granted.

Table C.6 – Projection Statistics for Inactive Members

Date	Number of Inactive Members	Inactive Benefits in Payment (\$M)
31-Dec-23	23,122	465
31-Dec-24	24,224	488
31-Dec-25	24,702	497
31-Dec-26	25,109	506
31-Dec-27	25,427	512
31-Dec-28	25,726	519
31-Dec-29	25,993	526
31-Dec-30	26,223	531
31-Dec-31	26,405	536
31-Dec-32	26,576	541
31-Dec-33	26,751	546
31-Dec-34	26,969	552
31-Dec-35	27,100	557
31-Dec-36	27,177	560
31-Dec-37	27,208	563
31-Dec-38	27,188	566
31-Dec-39	27,159	570
31-Dec-40	27,128	575
31-Dec-41	27,060	579
31-Dec-42	26,988	583

The following table contains the results of the deterministic projection, in particular the total liability at the beginning of each year. The total liability is further split by actives and inactives. The liabilities outlined in the table below are all calculated using the funding policy valuation discount rate and do not include the value of any future cost-of-living adjustments which may be granted.

Table C.7 – Projection of Funding Policy Actuarial Liabilities

Date	Total Liability (\$M)	Active Liability (\$M)	Inactive Liability (\$M)
31-Dec-23	7,950	2,585	5,365
31-Dec-24	8,018	2,433	5,585
31-Dec-25	8,082	2,454	5,628
31-Dec-26	8,146	2,491	5,655
31-Dec-27	8,212	2,554	5,658
31-Dec-28	8,279	2,613	5,666
31-Dec-29	8,347	2,679	5,668
31-Dec-30	8,419	2,758	5,661
31-Dec-31	8,495	2,854	5,641
31-Dec-32	8,575	2,952	5,623
31-Dec-33	8,659	3,049	5,610
31-Dec-34	8,747	3,144	5,603
31-Dec-35	8,839	3,251	5,588
31-Dec-36	8,939	3,376	5,563
31-Dec-37	9,047	3,514	5,533
31-Dec-38	9,165	3,665	5,500
31-Dec-39	9,291	3,799	5,492
31-Dec-40	9,426	3,925	5,501
31-Dec-41	9,569	4,061	5,508
31-Dec-42	9,723	4,197	5,526

Stochastic Model Projection Methodology

The economic assumptions and forecasted funding policy valuation liabilities outlined above are combined together to form an asset-liability model and used in a Monte Carlo simulation technique to model 10,000 series of alternative economic scenarios over 20 years (this exceeds the minimum requirements under the PBA of 1,000 series of economic scenarios for 20 years). This model is used to measure whether the Plan achieves its risk management goals.

For each of these scenarios and for each year, the financial position of the Plan is measured. For each of these measurements, a decision consistent with the funding deficit recovery plan or the funding excess utilization plan,

as applicable, is modeled. Notably, only step 1 and step 2 of the funding excess utilization plan and steps 1 through 4 of the funding deficit recovery plan are modeled. When modeling the funding deficit recovery plan actions over the 20-year period of each economic scenario, each of the five steps identified in the funding deficit recovery plan under Section IV of the Funding Policy is implemented in sequence until such time as the Plan's open group funded ratio reaches 100% or higher. A "benefit reduction trial" is recorded (for purposes of the primary risk management goal calculation) when step 4 of the funding deficit recovery plan found in Section IV of the Funding Policy is triggered (i.e. a reduction in past base benefits) at any point in the 20-year period of an economic scenario. The primary risk management measure is therefore the proportion of those 10,000 scenarios that do not lead to a base benefit reduction over a 20-year period. In order to pass the primary risk management goal, at least 9,750 of those 10,000 scenarios must not trigger a "benefit reduction trial" at any point over the 20-year period.

For every year in the 20-year projection, passive investment management and non-investment expenses are deducted from the expected return to account for the payment of expenses from the Plan. We assume the additional cost of any active management activities is expected to be offset by additional returns over the expected returns shown above, and it is therefore not included in the analysis. The amount of annual expenses deducted from the expected return are outlined the following table.

Table C.8 – Annual Expenses Deducted From Projected Stochastic Returns

Expenses type	Annual expense
Passive investment management	0.08% of assets
Non-investment	0.05% of assets

For the purpose of the stochastic analysis, the funding policy valuation discount rate remains fixed at 5.00% per annum throughout the projection period. The funding policy valuation discount rate is used to project the funding policy valuation liability and determine the present value of excess contributions throughout the projection period. The projection of the liability and future cash flows under the stochastic analysis uses the same demographic assumptions as used for the calculation of the funding policy valuation liability, as required under paragraph 15(2)(c) of Regulation 2012-75.

Stochastic Model Projection Outputs

The following tables were prepared using the outputs of the stochastic projection model. They represent key portfolio statistics of return on assets net of investment expenses, total funding policy valuation liabilities, total market value of assets, and open group funded ratio. The distribution of results is summarized by the use of percentiles, mean, standard deviation, and Conditional Tail Expectation ("CTE"). The CTE reflects the average result of the worst-case scenarios for the indicated percentile.

The summary statistics shown in Table C.9 below for the Fund return are shown for each year as well as over a 20-year period.

Table C.9 – Distribution of Projected Fund Return (Net of Investment Expenses)

Plan Year (January 1 / December 31)	2.5% CTE	5% CTE	5th Percentile	25th Percentile	50th Percentile	75th Percentile	95th Percentile	Mean	Standard Deviation
2023	-8.33%	-6.57%	-3.89%	2.93%	7.61%	12.26%	18.55%	7.54%	6.83%
2024	-8.57%	-6.75%	-3.98%	2.85%	7.38%	12.13%	18.71%	7.43%	6.87%
2025	-8.76%	-6.87%	-3.95%	2.88%	7.56%	12.31%	19.11%	7.59%	7.00%
2026	-9.20%	-7.07%	-3.99%	2.79%	7.44%	12.25%	18.92%	7.50%	7.01%
2027	-8.55%	-6.71%	-4.13%	2.75%	7.43%	12.25%	18.96%	7.48%	6.99%
2028	-8.76%	-6.87%	-4.05%	2.78%	7.47%	12.17%	19.04%	7.47%	6.98%
2029	-8.77%	-6.84%	-3.96%	2.66%	7.37%	12.09%	19.15%	7.47%	7.03%
2030	-9.20%	-7.31%	-4.41%	2.72%	7.30%	12.11%	19.08%	7.36%	7.05%
2031	-9.15%	-7.22%	-4.32%	2.64%	7.48%	12.08%	18.80%	7.37%	7.03%
2032	-9.23%	-7.17%	-4.11%	2.73%	7.35%	12.12%	18.85%	7.39%	7.03%
2033	-9.42%	-7.55%	-4.76%	2.19%	6.87%	11.61%	18.60%	6.94%	7.04%
2034	-9.06%	-7.21%	-4.43%	2.36%	6.90%	11.58%	18.51%	6.98%	6.94%
2035	-9.02%	-7.23%	-4.62%	2.29%	7.03%	11.83%	18.77%	7.02%	7.05%
2036	-9.33%	-7.43%	-4.58%	2.15%	6.84%	11.53%	18.36%	6.87%	6.97%
2037	-9.15%	-7.38%	-4.60%	2.24%	7.05%	11.71%	18.51%	6.98%	6.97%
2038	-9.36%	-7.45%	-4.54%	2.32%	7.13%	11.86%	18.70%	7.13%	7.07%
2039	-9.45%	-7.41%	-4.42%	2.41%	6.92%	11.55%	18.30%	6.97%	6.95%
2040	-9.41%	-7.49%	-4.51%	2.42%	7.04%	11.88%	18.80%	7.12%	7.06%
2041	-9.94%	-7.86%	-4.74%	2.18%	6.93%	11.61%	18.62%	6.95%	7.07%
2042	-9.49%	-7.61%	-4.73%	2.29%	7.07%	11.80%	18.49%	7.02%	7.07%
Annualized average over 20 years	3.51%	3.93%	4.57%	6.00%	6.99%	8.01%	9.50%	7.01%	1.50%

The stochastic model projects a distribution of the total funding policy valuation liabilities and assets for the portfolio over the projection period. The liabilities include the value of cost-of-living adjustments granted up to each respective valuation year, and exclude any reduction in past base benefits.

Table C.10 – Distribution of Projected Total Funding Policy Valuation Liability (\$ millions)

Date	2.5% CTE ¹	5% CTE ¹	5th Percentile	25th Percentile	50th Percentile	75th Percentile	95th Percentile	Mean	Standard Deviation
31-Dec-23	7,950	7,952	7,964	8,057	8,118	8,181	8,271	8,119	90
31-Dec-24	8,032	8,054	8,093	8,245	8,357	8,466	8,608	8,355	155
31-Dec-25	8,134	8,171	8,233	8,436	8,588	8,736	8,939	8,587	213
31-Dec-26	8,252	8,300	8,381	8,628	8,813	9,003	9,267	8,819	268
31-Dec-27	8,385	8,444	8,536	8,828	9,047	9,268	9,593	9,053	319
31-Dec-28	8,512	8,583	8,696	9,030	9,281	9,533	9,911	9,289	368
31-Dec-29	8,651	8,730	8,858	9,232	9,517	9,807	10,239	9,527	415
31-Dec-30	8,806	8,893	9,033	9,450	9,757	10,078	10,559	9,773	462
31-Dec-31	8,962	9,059	9,218	9,668	10,000	10,358	10,903	10,023	508
31-Dec-32	9,118	9,224	9,395	9,896	10,255	10,640	11,232	10,280	554
31-Dec-33	9,278	9,397	9,586	10,126	10,518	10,924	11,572	10,541	597
31-Dec-34	9,431	9,570	9,786	10,356	10,775	11,211	11,914	10,801	639
31-Dec-35	9,588	9,741	9,980	10,596	11,039	11,515	12,227	11,065	679
31-Dec-36	9,764	9,931	10,190	10,846	11,315	11,819	12,569	11,339	720
31-Dec-37	9,951	10,131	10,405	11,097	11,587	12,129	12,918	11,621	762
31-Dec-38	10,153	10,342	10,632	11,367	11,878	12,444	13,271	11,914	802
31-Dec-39	10,362	10,562	10,878	11,643	12,179	12,769	13,646	12,218	842
31-Dec-40	10,564	10,780	11,109	11,929	12,493	13,118	14,021	12,529	883
31-Dec-41	10,772	11,004	11,355	12,233	12,820	13,466	14,416	12,851	925
31-Dec-42	10,997	11,248	11,629	12,542	13,154	13,823	14,831	13,187	966

¹ Note that the CTE is calculated on the lowest liability scenarios, since scenarios where the liability is reduced due to the funding deficit recovery plan represent scenarios that have had more negative investment returns.

The stochastic model produces a distribution of the market value of assets over the projection period. The following table shows a summary of the projected distribution for each year.

Table C.11 – Distribution of Projected Market Value of Assets (\$ millions)

Date	2.5% CTE	5% CTE	5th Percentile	25th Percentile	50th Percentile	75th Percentile	95th Percentile	Mean	Standard Deviation
31-Dec-23	7,920	8,075	8,308	8,907	9,317	9,725	10,278	9,312	599
31-Dec-24	7,799	8,013	8,337	9,166	9,739	10,346	11,270	9,767	883
31-Dec-25	7,740	8,011	8,413	9,437	10,223	10,994	12,214	10,249	1,154
31-Dec-26	7,748	8,067	8,536	9,767	10,658	11,646	13,156	10,736	1,400
31-Dec-27	7,763	8,134	8,712	10,107	11,144	12,282	14,074	11,239	1,644
31-Dec-28	7,851	8,253	8,861	10,441	11,658	12,929	15,090	11,759	1,893
31-Dec-29	7,950	8,358	9,012	10,782	12,153	13,622	16,183	12,305	2,178
31-Dec-30	8,027	8,467	9,180	11,153	12,669	14,402	17,179	12,863	2,464
31-Dec-31	8,124	8,611	9,393	11,515	13,173	15,099	18,363	13,448	2,770
31-Dec-32	8,262	8,784	9,585	11,885	13,735	15,882	19,621	14,061	3,075
31-Dec-33	8,373	8,908	9,746	12,244	14,256	16,628	20,837	14,644	3,404
31-Dec-34	8,460	9,020	9,934	12,591	14,804	17,420	22,146	15,259	3,756
31-Dec-35	8,573	9,187	10,176	12,950	15,356	18,277	23,544	15,909	4,138
31-Dec-36	8,692	9,334	10,367	13,355	15,920	19,140	24,953	16,564	4,518
31-Dec-37	8,804	9,497	10,574	13,706	16,545	20,040	26,555	17,277	4,946
31-Dec-38	8,928	9,672	10,831	14,151	17,234	21,032	28,008	18,049	5,400
31-Dec-39	9,120	9,891	11,142	14,606	17,900	22,056	29,682	18,828	5,846
31-Dec-40	9,297	10,104	11,403	15,057	18,629	23,107	31,614	19,679	6,366
31-Dec-41	9,524	10,353	11,728	15,566	19,289	24,255	33,576	20,540	6,909
31-Dec-42	9,756	10,608	11,966	16,111	20,012	25,341	35,582	21,459	7,485

The stochastic model produces a distribution of the open group funded ratio over the projection period. The following table shows a summary of the projected distribution for each year, before any corrective action required under the funding deficit recovery plan of the Funding Policy.

Table C.12 – Distribution of Projected Open Group Funded Ratio

Date	2.5% CTE	5% CTE	5th Percentile	25th Percentile	50th Percentile	75th Percentile	95th Percentile	Mean	Standard Deviation
31-Dec-22	130%	130%	130%	130%	130%	130%	130%	130%	0%
31-Dec-23	114%	116%	119%	127%	132%	138%	145%	132%	8%
31-Dec-24	109%	112%	116%	126%	134%	142%	154%	134%	11%
31-Dec-25	106%	109%	114%	126%	136%	146%	161%	136%	15%
31-Dec-26	105%	108%	113%	126%	137%	149%	169%	138%	17%
31-Dec-27	103%	107%	112%	126%	139%	153%	175%	141%	19%
31-Dec-28	103%	106%	112%	127%	141%	156%	181%	143%	22%
31-Dec-29	102%	105%	111%	128%	143%	160%	190%	145%	24%
31-Dec-30	102%	105%	111%	128%	144%	164%	196%	148%	27%
31-Dec-31	101%	105%	111%	128%	146%	167%	203%	150%	29%
31-Dec-32	101%	105%	111%	129%	148%	171%	211%	153%	31%
31-Dec-33	101%	104%	110%	129%	149%	174%	217%	155%	34%
31-Dec-34	100%	104%	110%	129%	151%	178%	225%	157%	37%
31-Dec-35	100%	103%	109%	130%	153%	181%	233%	159%	39%
31-Dec-36	99%	103%	110%	130%	154%	185%	241%	162%	42%
31-Dec-37	99%	103%	109%	130%	155%	189%	249%	164%	45%
31-Dec-38	98%	103%	109%	131%	157%	193%	256%	167%	47%
31-Dec-39	99%	103%	110%	131%	159%	196%	265%	169%	50%
31-Dec-40	99%	103%	110%	132%	161%	201%	274%	172%	53%
31-Dec-41	99%	103%	110%	133%	163%	205%	284%	175%	56%
31-Dec-42	99%	103%	110%	134%	164%	209%	294%	178%	59%

The following table provides the projected cumulative indexing (or cost-of-living adjustments) granted over the years as a percentage of total cumulative inflation, as produced by the stochastic simulation.

Table C.13 - Projected Cumulative Indexing Granted as a Percentage of Cumulative Inflation

Date	2.5% CTE	5% CTE	5th Percentile	25th Percentile	50th Percentile	75th Percentile	95th Percentile	Mean	Standard Deviation
31-Dec-23	100%	100%	100%	100%	100%	100%	100%	100%	1%
31-Dec-24	74%	82%	93%	100%	100%	100%	100%	99%	5%
31-Dec-25	64%	72%	85%	100%	100%	100%	100%	98%	7%
31-Dec-26	56%	66%	80%	100%	100%	100%	100%	98%	8%
31-Dec-27	52%	61%	77%	100%	100%	100%	100%	97%	9%
31-Dec-28	48%	58%	74%	100%	100%	100%	100%	97%	10%
31-Dec-29	46%	56%	73%	100%	100%	100%	100%	96%	11%
31-Dec-30	43%	54%	71%	100%	100%	100%	100%	96%	11%
31-Dec-31	41%	52%	70%	100%	100%	100%	100%	96%	12%
31-Dec-32	39%	51%	68%	100%	100%	100%	100%	96%	12%
31-Dec-33	38%	50%	68%	100%	100%	100%	100%	96%	12%
31-Dec-34	36%	48%	68%	100%	100%	100%	100%	96%	13%
31-Dec-35	35%	47%	68%	100%	100%	100%	100%	96%	13%
31-Dec-36	34%	47%	66%	100%	100%	100%	100%	96%	13%
31-Dec-37	32%	46%	66%	100%	100%	100%	100%	96%	13%
31-Dec-38	31%	45%	66%	100%	100%	100%	100%	95%	14%
31-Dec-39	30%	44%	65%	100%	100%	100%	100%	95%	14%
31-Dec-40	29%	43%	65%	100%	100%	100%	100%	95%	14%
31-Dec-41	28%	43%	65%	100%	100%	100%	100%	95%	14%
31-Dec-42	27%	43%	65%	100%	100%	100%	100%	95%	14%

The following table is the average correlation matrix for the asset classes outlined in Table C.4. The matrix represents the correlations between asset classes produced by the stochastic simulation.

Table C.14 - Simulation Correlations Among Asset Classes and Fixed Income Yields

Asset Classes	Inflation	Short Term Assets	Real Return Bonds	Government Bonds	Corporate Bonds	Canadian Equities	Canadian Low Vol	Canadian Small Cap	Global Equities	Glob. Equ. Small Cap	Glob. Equ. Low Vol	Global EM	Real Estate	Infra.	Private Equity	Absolute Return	EM Low Vol
Inflation	1.00	0.24	-0.20	-0.26	-0.26	0.03	0.02	-0.05	-0.25	-0.28	-0.25	-0.17	0.25	-0.06	-0.15	0.05	-0.12
Short Term Assets		1.00	0.20	0.37	0.37	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.00
Real Return Bonds			1.00	0.84	0.80	-0.09	-0.06	-0.09	0.04	0.00	0.20	-0.14	-0.02	-0.23	0.05	-0.23	-0.09
Government Bonds				1.00	0.90	-0.26	-0.18	-0.14	-0.08	-0.03	0.08	-0.24	-0.28	-0.19	-0.05	-0.34	-0.17
Corporate Bonds					1.00	0.00	0.00	0.11	0.13	0.21	0.20	0.00	-0.19	-0.22	0.13	-0.05	0.00
Canadian Equities						1.00	0.70	0.82	0.55	0.67	0.27	0.75	0.24	0.08	0.58	0.83	0.53
Canadian Low Vol							1.00	0.58	0.39	0.47	0.19	0.53	0.17	0.05	0.40	0.58	0.37
Canadian Small Cap								1.00	0.40	0.62	0.12	0.67	0.03	0.07	0.49	0.75	0.47
Global Equities									1.00	0.82	0.82	0.43	0.13	-0.05	0.66	0.45	0.30
Global Equities Small Cap										1.00	0.64	0.57	0.12	0.03	0.60	0.60	0.40
Global Equities Low Vol											1.00	0.10	0.23	-0.02	0.48	0.12	0.07
Global EM												1.00	0.11	0.04	0.43	0.83	0.70
Real Estate													1.00	0.08	0.11	0.26	0.08
Infrastructure														1.00	0.01	0.04	0.03
Private Equity															1.00	0.49	0.30
Absolute Return																1.00	0.58
EM Low Vol																	1.00

The disclosures in this report have been prepared in compliance with the Canadian Institute of Actuaries Standard of Practice, subsection 3270 - Disclosure for Stochastic Models Used to Comply with Specific Regulatory Pension Plan Funding Requirements.

Limitations of Analysis for Risk Management Tests

This report contains analyses and results that rely on assumptions about future events. While we believe that the model inputs and assumptions are reasonable at the time this report has been prepared, other reasonable model inputs and assumptions could be used, resulting in potentially very different distributions of forecasted outcomes.

Future events and actual experience will vary from the simulated outcomes produced with this analysis. As these differences arise, contribution levels and benefits payable under the Plan will be adjusted in accordance with the priorities set out under the Funding Policy.

It is not possible or practical to reflect every variable in a model that is based in the real world. Therefore, we use summary information, estimates, and simplifications to facilitate the modeling of future events. We also exclude factors or data that we consider immaterial.

The results presented in this report are not intended nor should they be interpreted to represent a guarantee or warranty with respect to the future financial condition of the Plan. Furthermore, any determination of probabilities based on the model represent simulated outcomes and should not be interpreted as being actual probabilities.

Appendix D – Summary of Plan Provisions

The following is a brief summary of the main provisions of the NBPSPP effective January 1, 2023. For an authoritative statement of the precise provisions of the NBPSPP, reference must be made to the official NBPSPP documents.

Introduction

Various unions, the Province of New Brunswick and the Minister of Finance, in his capacity as plan governor and administrator of the Former PSSA entered into a Memorandum of Understanding pursuant to which they agreed to convert the Former PSSA to the Public Service Shared Risk Plan (“PSSRP”) effective on January 1, 2014. As of that date, the Public Service Superannuation Act (“Former PSSA”) was repealed by An Act Respecting Pensions Under the Public Service Superannuation Act (New Brunswick) which provided that the Former PSSA be converted to a shared risk plan in accordance with Part 2 of the PBA.

Effective January 1, 2014, the PSSRP is administered by an independent Board of Trustees. As of April 2016, the PSSRP has been renamed the New Brunswick Public Service Pension Plan.

Eligibility and Participation

Each Member of the Former PSSA joined the NBPSPP on January 1, 2014. Active members of the Pension Plan for Part-Time and Seasonal Employees of the Province of New Brunswick who were eligible to join the PSSRP ceased active membership in the said plan and were required to join the NBPSPP as of January 1, 2014.

Each employee who commences full-time or part-time employment on or after January 1, 2014 is required to join the NBPSPP upon employment. Most of the other categories of employees must join when they become eligible in accordance with the minimum requirements of the PBA.

Members of the Legislative Assembly on September 23, 2014 and after are required to join the NBPSPP.

Required Contributions

Each member is required to contribute 7.5% of earnings up to the YMPE, plus 10.7% of earnings in excess of the YMPE.

The participating employers are required to contribute 11.25% of earnings. In addition, the employers make temporary contributions of 0.75% of earnings for a 10-year period starting January 1, 2014.

The YMPE is the Year’s Maximum Pensionable Earnings under the Canada Pension Plan, and is equal to \$66,600 in 2023.

Contribution rates are subject to change in accordance with triggers found under the Funding Policy for the NBPSPP.

Normal Retirement

The normal retirement date is the first day of the month following the member's sixty-fifth birthday.

A member's annual normal retirement pension is equal to the sum of:

A. In respect of service before January 1, 2014, the product of:

- i. The number of years of the member's pensionable service before January 1, 2014, and
- ii. 1.3% of the annual average of the best five (5) consecutive years of earnings at January 1, 2014, up to the annual average YMPE for the 3 years prior to January 1, 2014, plus 2.0% of the excess of the annual average of the best five (5) consecutive years of earnings at January 1, 2014 over the annual average YMPE for the 3 years prior to January 1, 2014;

and

B. In respect of service from January 1, 2014, the sum of (i) and (ii) for each calendar year (or pro-rated for a portion thereof):

- i. 1.4% of the Member's annualized earnings for the calendar year, up to the YMPE for the calendar year; and
- ii. 2.0% of the portion of the Member's annualized earnings for the calendar year that are in excess of the YMPE for the calendar year.

Pensions accrued above are subject to cost-of-living adjustments, before and after retirement, every January 1st following January 1, 2014, subject to approval by the Board of Trustees, and in accordance with the trigger requirements found under the Funding Policy for the NBPSPP.

The following cost-of-living adjustments have been granted by the Board of Trustees based on the results of the actuarial valuation preceding the effective date of the adjustment and the terms of the Funding Policy.

Table D.1 – Cost of Living Adjustments

Effective Date	Cost of Living Adjustment
January 1, 2015	1.43%
January 1, 2016	1.49%
January 1, 2017	1.40%
January 1, 2018	1.47%
January 1, 2019	1.88%
January 1, 2020	2.12%
January 1, 2021	1.46%
January 1, 2022	1.46%
January 1, 2023	5.24%

Normal and Optional Forms of Pension

The normal form of pension is a pension payable in equal monthly installments commencing on the member's pension commencement date and continuing thereafter during the lifetime of the member. For a member with a spouse or common-law partner at the time of the member's death, 50% of the member's pension (before application of reductions for early retirement) continues to such spouse or common-law partner in equal monthly installments for the life of the spouse or common-law partner. Should the member have dependent children at the time of his/her death, such dependent children may be entitled to a pension if there is no spouse or common-law partner or after the death of such spouse or common-law partner. A minimum amount of pension equal to the member's own contribution with interest to retirement will be payable in total. Optional forms of pension are also available on an actuarially equivalent basis.

Early Retirement and Bridge Benefit

Early retirement is permitted on or after age 55 if the member has at least 5 years of employment or 2 years of Plan membership.

On early retirement, an annual bridge benefit is payable in addition to the lifetime pension found under "Normal Retirement". The annual bridge benefit is payable to age 65 or to the death of the member, if earlier, and is equal to the sum of:

- A. In respect of service before January 1, 2014, the product of:
 - i. The number of years of the member's pensionable service before January 1, 2014, and
 - ii. 0.7% of the annual average of the best five (5) consecutive years of earnings at January 1, 2014 up to the annual average YMPE for the 3 years prior to January 1, 2014;

and

- B. In respect of service from January 1, 2014, for each calendar year (or pro-rated for a portion thereof), 0.6% of the Member's annualized earnings for the calendar year up to the YMPE for the calendar year.

The portions of the lifetime pension and bridge benefit accrued for service before January 1, 2014 are unreduced if the pension and bridge commence to be paid at age 60 or later. If such pension and bridge commence to be paid before age 60, they are each reduced by 1/4% per month (3% per year) that the pension and bridge commencement date precedes the first day of the month following age 60.

The portions of the lifetime pension and bridge benefit accrued for service on and after January 1, 2014 are reduced by 5/12% for each month (5% per year) that the pension and bridge commencement date precede the first day of the month following age 65.

Benefits on Termination of Employment

If a member terminates employment prior to completing five years of continuous employment and prior to completing two years of Plan membership, the member is entitled to a refund of the total amount of his/her contributions to the NBPSPP and Former PSSA, if any, with interest.

If a member terminates employment before age 55 but after completing at least five years of continuous employment or two years of Plan membership, the member may elect to:

- i. receive a deferred lifetime pension payable from normal retirement date equal to the accrued pension to which the member is entitled as at his/her date of termination in accordance with the formula specified above for the normal retirement pension; or
- ii. transfer the termination value of the deferred lifetime pension calculated in accordance with the PBA, to a registered retirement savings arrangement as allowed under the PBA.

Members electing a deferred lifetime pension will also be entitled to retire early in accordance with the “Early Retirement” section, and will also be eligible for a bridge benefit.

Death Benefits

If a member dies prior to completing five years of continuous employment and prior to completing two years of Plan membership, the benefit payable is a refund of the member’s own contributions to the NBPSPP and Former PSSA, if any, with interest.

If the member dies after completing at least five years of continuous employment or two years of Plan membership, but before pension commencement, the death benefit is as follows:

- i. If there is a spouse or common-law partner:
 - The Termination Value, as defined under the PBA; or
 - Pension of 50% of the accrued lifetime pension;
- ii. If there is no spouse or common-law partner, but there are dependent children designated as beneficiaries:
 - Pension of 50% of the accrued lifetime pension split equally among dependent children until they no longer qualify as dependent;
- iii. If there is no spouse or common-law partner and no dependent children designated as beneficiaries:
 - The Termination Value, as defined under the PBA, payable to the designated beneficiary(ies) or estate.

Any amount by which the Termination Value, as defined under the PBA, exceeds the aggregate of all pension payments made above, shall be paid to the designated beneficiary(ies) or estate.

In the event of death after pension commencement, the benefit payable is determined in accordance with the form of pension selected by the member at retirement.

Primary Purpose, Benefit Security and Cost-of-living Adjustments

The primary purpose of the NBPSPP is to provide pensions to eligible employees after retirement and until death in respect of their service as employees. A further purpose of this NBPSPP is to provide secure pension benefits to members without an absolute guarantee but with a risk-focused management approach delivering a high degree of certainty that full base benefits will be payable in the vast majority of potential future economic scenarios. As a shared risk plan, all future cost-of-living adjustments and other ancillary benefits under the NBPSPP shall be provided only to the extent that funds are available for such benefits, as determined by the Board of Trustees in accordance with applicable laws and the Funding Policy.

Appendix E – Summary of Funding Policy

The following is a brief summary of the main provisions of the Funding Policy for the NBPSPP effective January 1, 2023. For an authoritative statement of the precise provisions of the Funding Policy, reference must be made to the official document.

Purpose of the Plan and Funding Policy

The purpose of the NBPSPP is to provide secure pension benefits to members and former members without an absolute guarantee, but with a risk focused management approach delivering a high degree of certainty that base benefits can be met in the vast majority of potential future economic scenarios.

The primary focus is to provide a highly secure base lifetime pension at normal retirement age. However, the intention is that additional benefits may be provided depending on the financial performance of the NBPSPP.

The Funding Policy is the tool used by the Board of Trustees to manage the risks inherent in a shared risk plan. The Funding Policy provides guidance and rules regarding decisions that must, or may be made by the Board of Trustees around funding levels, contributions and benefits.

Risk Management

In accordance with legislation on shared risk plans, the primary risk management goal is to achieve a 97.5% probability that past base benefits at the end of each year will not be reduced over a 20-year period.

In addition, secondary risk management goals are to provide, on average, contingent indexing on base benefits for service rendered on or before the conversion date in excess of 75% of the indexation provided under the pre-conversion plan over a 20-year period, as well as to provide, on average over a 20-year period, other ancillary benefits that exceed 75% of the value of the ancillary benefits described in the Plan text at conversion.

Contributions

The initial employee contribution rate is equal to 7.5% of earnings up to the YMPE and 10.7% of earnings above the YMPE while the initial employer contribution rate is set at 11.25% of earnings. During the first 5 years after conversion, employers shall make temporary additional contributions at the rate of 0.5% of earnings as well as a further 0.75% of earnings for the first 10 years following conversion. These temporary contributions are to stop if the NBPSPP achieves an open group funded ratio of 140%.

The above-mentioned initial contribution rates may be adjusted by the Board of Trustees. A total contribution increase of up to 3% of earnings (1.5% each for employee and employer contributions) is to be triggered by the Board of Trustees if the open group funded ratio of the NBPSPP, as defined by the PBA, falls below 100% for two successive year ends until such time as the open group funded ratio reaches 110% without considering the effect of the contribution increase and the funding goal under regulation is met.

A reduction in contributions of up to 0.5% of earnings for employees and 3.5% of earnings for the employers can be triggered by the Board of Trustees (subject to employers never contributing less than employees) if the conditions set forth in the funding excess utilization plan are met, and the open group funded ratio is at least 140%.

If, at any time, there is an increase or a decrease in employees employed by the employer of more than 5% in a given year, the initial contribution rates shall be re-calculated.

Finally, effective as of the date 15 years after the conversion, the employee and employer contributions shall be set such that the total initial contributions remitted are shared equally between the employees and employers.

Funding Deficit Recovery Plan

The funding deficit recovery plan must be implemented by the Board of Trustees if the open group funded ratio falls below 100% for two successive plan year-ends and after implementing the 3% maximum total increase in contribution discussed above.

The funding deficit recovery plan consists of the following actions in the order of priority as listed below:

1. Change retirement rules for service on or after the conversion date for non-vested members to a full actuarial reduction for retirement before age 65;
2. Change retirement rules for service prior to the conversion date for non-vested members to a full actuarial reduction for retirement before age 60;
3. Reduce base benefit accrual rates for future service after the date of implementation of the funding deficit recovery plan by not more than 5%;
4. Reduce base benefits on a proportionate basis for all members regardless of membership status for both past and future service in equal proportions.

The above actions shall be taken one by one and when the funding goal under regulation is met, no further actions are required at that time.

The base benefit reduction in point 4, if required, shall be such that the funding goals under the Regulations for such purposes are achieved.

Changes set out under points 1 through 3 shall take effect no later than 12 months following the date of the funding policy valuation report that triggered the need for the changes. Base benefit reductions described in point 4 shall take effect no later than 18 months following the date of the funding policy valuation report that triggered the need for the action.

Funding Excess Utilization Plan

The funding excess utilization plan describes the actions the Board of Trustees must take or consider when the open group funding levels exceeds 105%.

The amount available for utilization is as follows:

- 1/6th of the excess funds that make up the difference between the open group funding level at the valuation date (to a maximum of 140%) and 105% for valuation dates from January 1, 2014 to January 1, 2022 inclusively; or 1/5th of the funds that make up the excess of the open group funded ratio at the valuation date (to a maximum of 140%) over 105% for valuation dates on and after January 1, 2023; plus

- 100% of the excess above 140%, if any.

If base benefits and/or ancillary benefits have been reduced, all excess available for utilization must first be used to reinstate those reductions. Afterwards, the following actions are to be taken in the following order of priority:

1. Provide indexing of base benefits up to the full CPI since the last date where full CPI was achieved.
2. Apply total contribution reduction adjustment of up to 4% of earnings, provided the open group funded ratio is over 140%.
3. Establish a reserve to cover the next 10 years of potential contingent indexing.
4. If steps 1 through 3 have been taken, the Board of Trustees can propose other benefit changes provided such benefit changes meet the criteria outlined in the funding excess utilization plan.

Except for the timing of contribution reductions, the timing of the above actions shall be the first of the year that is 12 months after the date of the funding policy valuation report that triggered the actions.

Actuarial Assumptions

A funding policy actuarial valuation shall be conducted by the Plan's actuary at December 31st of each year. The initial discount rate of 4.75% per annum was to remain in effect for the first two actuarial valuation reports filed following the conversion report hence until the January 1, 2016 actuarial valuation. Effective January 1, 2021, the discount rate was set at 4.50% per annum and remained at this rate for the January 1, 2022 actuarial valuation. Effective January 1, 2023, the discount rate has been set at 5.00% per annum. On the advice of the Plan's actuary, the Board of Trustees may consider a change in the discount rate for subsequent funding policy valuations.

Other assumptions may be changed by the Board of Trustees as experience evolves.

Appendix F – Plan Administrator Confirmation Certificate

With respect to the Actuarial Valuation Report of the Public Service Pension Plan as at January 1, 2023, I hereby confirm that to the best of my knowledge:

- The data regarding Plan members and beneficiaries provided to TELUS Health as at January 1, 2023 constitutes a complete and accurate description of the information contained in the files;
- Copies of the official Plan text, Funding Policy and Statement of Investment Policies of the NBPSPP and all amendments to date were provided to TELUS Health; and
- There are no subsequent events or any extraordinary changes to the Plan membership as at January 1, 2023, which would materially affect the results.

The NBPSPP Board of Trustees



Signature

Katherine Greenbank
Name (printed)

Chair
Title

July 27, 2023
Date