

NEW BRUNSWICK

Teachers'

PENSION PLAN

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ACTIVE MEMBER EDITION

FALL 2023

VOLUME 8

ISBN 978-1-4605-3552-3

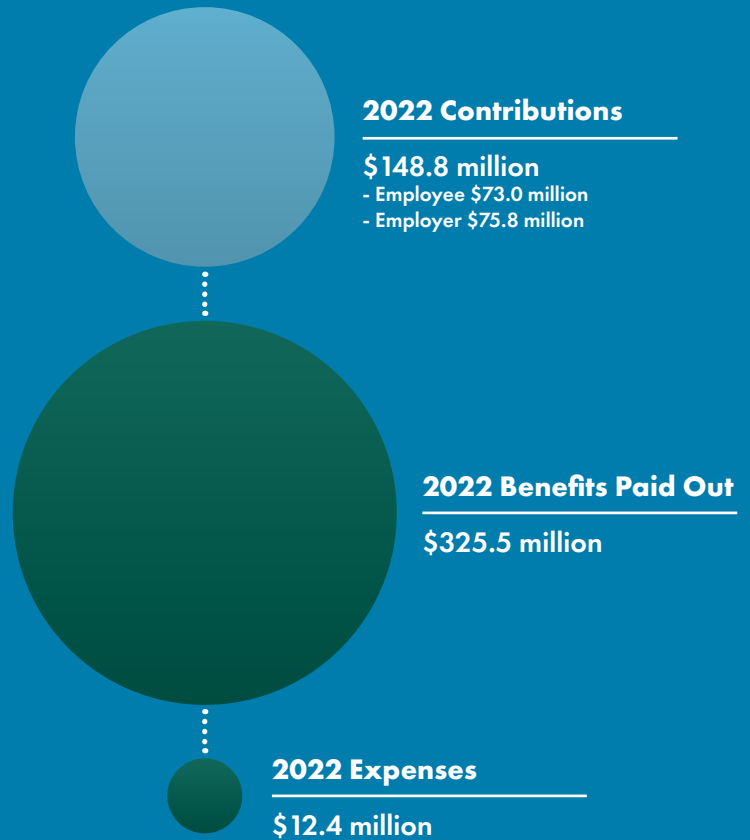
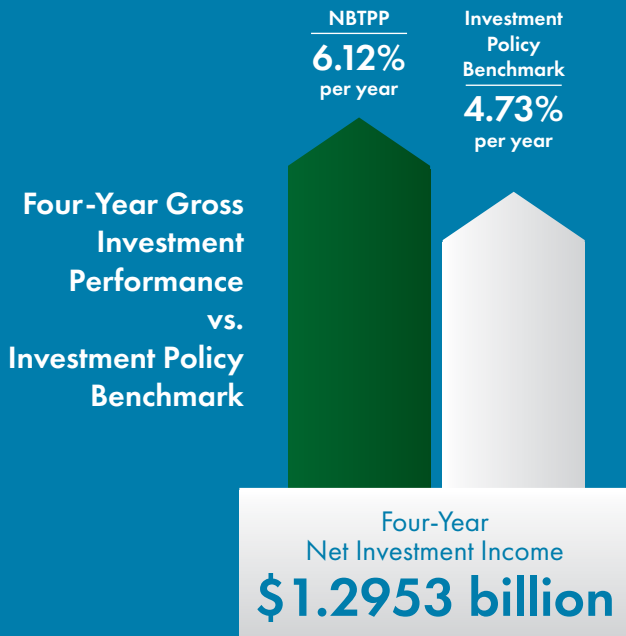
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THE FINANCIAL HEALTH OF YOUR PLAN



Long-Term Returns Exceeded Benchmarks.

Even after facing historically challenging financial markets in 2022, the NBTPP's four-year return is 6.12% per year. The investment policy benchmark was 4.73% per year.

Funding Status: Fully Funded

Per the Actuarial Valuation Report at August 31, 2022, the Funding Valuation Ratio is 112.4%. The Plan is considered fully funded at 100%



The Plan is Sustainable.

According to the most recent calculation by the Plan's actuary, the NBTPP has a 99.90% probability that past base benefits earned will not be reduced over the next 20 years. This is a measure of whether the Plan is expected to be sustainable for current and future retirees.



WANT TO LEARN MORE?

We believe an educated membership makes for a stronger NBTPP. Beyond this newsletter, your Board is happy to provide you with additional educational opportunities.

NBTPP ANNUAL INFORMATION MEETING

Join us virtually on October 11th, 2023 for our 3rd Annual Information Meeting.

It's your opportunity to learn more about:

- the financial health of your Plan, including financial results and sustainability;
- the basics of your Plan; and
- your Board of Trustees and service providers, and their respective roles.

Sign up for updates and stream it live at nbtp.ca/2023aim. A recording of the meeting will also be made available for those who are unable to attend.

NBTPP ANNUAL REPORT

Featuring a full account of the NBTPP in 2022. In it you'll find information on the finances of the Plan, Board activities, membership information, and so much more.

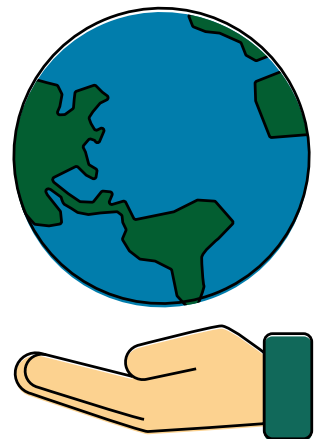
Find it on your Plan webpage at nbtp.ca.

WHAT IS RESPONSIBLE INVESTING?

Responsible Investing is an investment approach that encourages stable, **sustainable** long-term returns by focusing on companies with strong governance and environmental records, among other considerations. You may have heard the related term, ESG (short for Environmental, Social, and Governance). The NBTPP portfolio, managed by Vestcor, the NBTPP's investment manager, incorporates these ESG-related factors through Vestcor's Responsible Investing Guidelines.

While each investor has their own approach to Responsible Investing, Vestcor's approach, on behalf of the NBTPP, focuses on using high quality sources of information to measure and manage risks. This is particularly true in the areas of governance and carbon exposure. While research into how Responsible Investing impacts the performance of investment portfolios is still early, there is increasing evidence of the positive relationship between these factors and investment risk. This makes it a good fit for the stable growth objectives of the NBTPP. As companies and economies transition to a more sustainable future, the NBTPP portfolio will also achieve benefits in the form of reduced risk and more stable long-term results.

Vestcor published its Responsible Investment Report last year. It illustrates their approach to Responsible Investing and details their progress in implementing these principles in the management of our portfolio. Members of the NBTPP can read the report by visiting vestcor.org/responsible.



DISCLAIMER: This newsletter is a publication on behalf of the Board of Trustees of the New Brunswick Teachers' Pension Plan. This publication is intended to provide information about the New Brunswick Teachers' Pension Plan. If there is a discrepancy between the information contained herein and the pension plan text or other appropriate governing documents, the latter will prevail.

YOUR 2024 INDEXING ADJUSTMENT BENEFIT

For active members, the increase that will be applied to the pension benefits you've earned up to December 31, 2022 is:

4.75%

These adjustments are designed to help your pension keep up with inflation. Each increase you receive will continue to compound until you retire.

For retired and deferred members, the adjustment is based on 75% of the increase in the Consumer Price Index (CPI), up to a maximum of 3.56%. Retired and deferred members will receive 3.56% as of January 1, 2024. Members who retire in 2023 will receive a blended indexing adjustment benefit (IAB).

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

Indexing Adjustment Benefit (IAB) Awarded Since Plan Conversion

Year Awarded (January 1 st)	NBTPP IAB*	Canadian CPI**
2024	4.75%	5.59%
2023	4.75%	5.56%
2022	1.46%	1.46%
2021	1.46%	1.46%
2020	2.12%	2.12%
2019	1.88%	1.88%
2018	1.47%	1.47%
2017	1.40%	1.40%
2016	1.49%	1.49%
2015	1.43%	1.43%

*IAB: Indexing Adjustment Benefit to active NBTPP members.

**CPI: Percentage change in Canada's average Consumer Price Index

IAB RESOURCES

Video:
How the IAB is Calculated
nbtp.ca/IABvideo



Information Sheet:
Explaining the IAB
nbtp.ca/IAB



Statistics Canada
Consumer Price Index chart
nbtp.ca/statscan



Much more information, including a "Cost of Living Increase/Indexing Adjustment Benefit" section is available at nbtp.ca.

YOUR FORMAL PENSION ESTIMATE

Throughout your career, you can obtain an estimate of your future pension benefit through:

- The Employee Statement of Pension Benefits that is mailed to you annually,
- The Online Pension Estimate Calculator provided by Vestcor on our behalf, and
- The NBTA Teacher Welfare Services team.

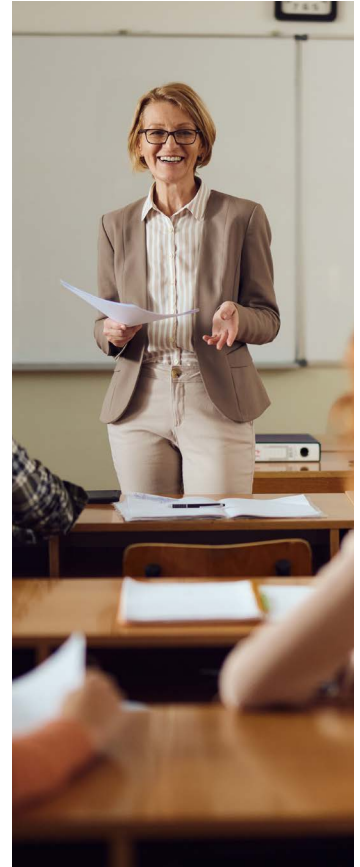
If you are within two years of retirement, one of the first steps you'll need to take is to apply for a formal estimate of your pension benefit through Vestcor. Using your formal estimate, you can choose your official retirement date. You can then apply for a retirement package which will include the pension options available to you, based on your chosen retirement date.

The lifetime pension amounts within your formal estimate and retirement package from Vestcor, on behalf of the NBTPP, may differ a bit from the estimates you received in the past on your annual statement or when using the pension estimate calculator. This difference is due to a provision within the NBTPP Plan Text: Section 5.6.

WHAT IS SECTION 5.6, AND WHY IS IT IMPORTANT TO YOU?

Simply put, Section 5.6 ensures that the lifetime pension benefit payable to a member of the NBTPP isn't higher than the benefits they would have received under the former *Teachers' Pension Act*, before the Plan was converted. It was put into place to protect the sustainability of the Plan for all members – current and future.

HOW IS YOUR PENSION BENEFIT CALCULATED?



STEP ONE

Generally speaking, the calculation of pension benefits under the NBTPP is based on an *Enhanced Career Average* method. A sample of this calculation is included in the NBTPP At-A-Glance document at nbtpp.ca. It is also the calculation done by the Pension Estimate Calculator (nbtpp.ca/calculator).

STEP TWO

Section 5.6 of the NBTPP Plan Text involves a second pension benefit calculation which determines what your lifetime pension benefit would be if it were based on the pre-conversion (pre-NBTPP) method of calculating your entire pension benefit, which was based on your best 5-year average salary.

STEP THREE

If the *Enhanced Career Average* calculation is higher than the pre-conversion method (best 5-year average salary), your lifetime pension benefit is limited to what you would have received based on the pre-conversion method.

This plan provision applies to all members of the NBTPP, without exception.

Whether or not Section 5.6 impacts your pension calculation can only be determined once you select a retirement date and apply for your formal pension estimates through Vestcor. Unfortunately, the level of detail required in calculating Section 5.6 can't be accounted for when calculating the estimate provided on your annual Employee Statement of Pension Benefits, using the Online Pension Calculator Tool, or by the NBTA Teacher Welfare Services team. This can lead to lower pension amounts when formal pension estimates are conducted.

It's important for you to be aware of this so you are not surprised if your formal estimate looks a bit different than what you expected.

Section 5.6 was put into place to protect the sustainability of the Plan for all members – current and future.

MID-YEAR INVESTMENT REPORT

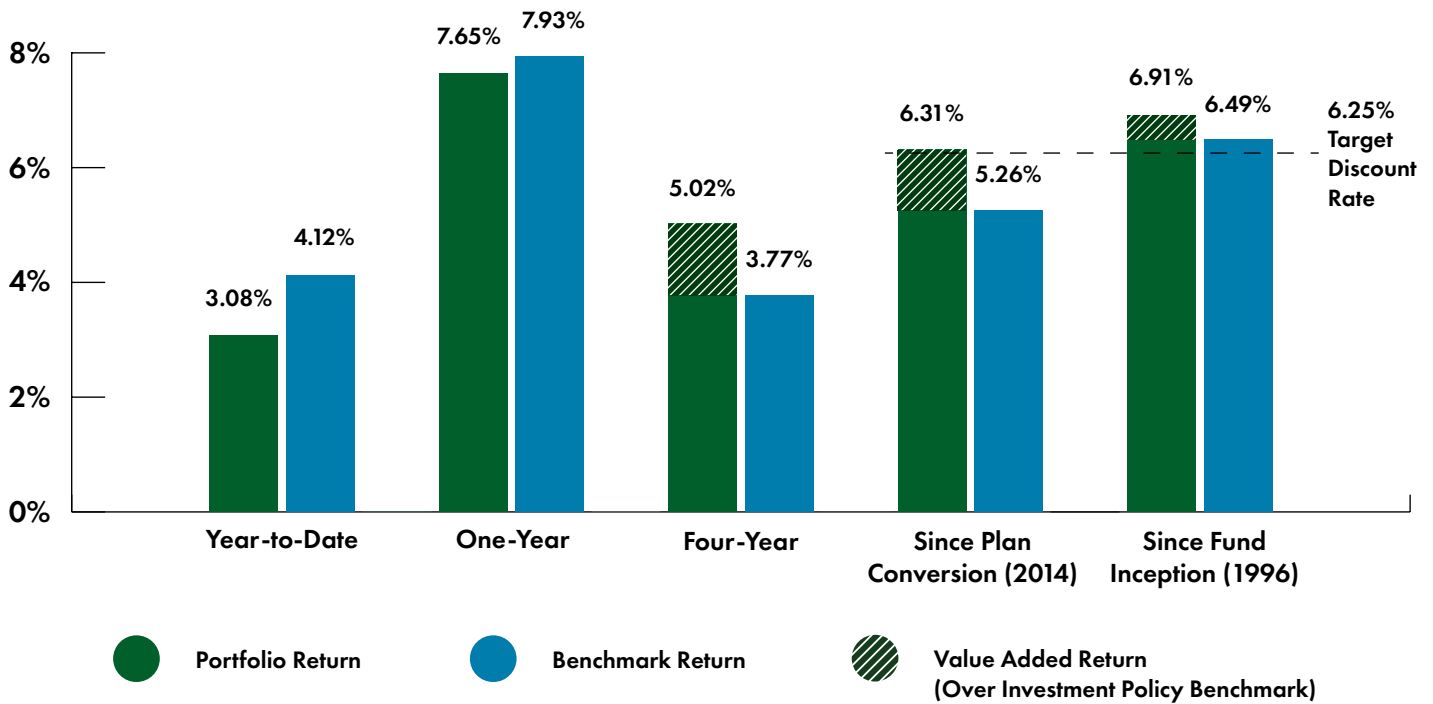
A SNAPSHOT OF WHERE YOUR PENSION FUND STANDS AS AT JUNE 30, 2023

GROSS INVESTMENT RETURN 3.08%	NET INCREASE OF \$100.8 MILLION	INVESTMENT ASSETS \$6.629 BILLION
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Look for terms with a dotted underline in this Investment Report. You can find definitions of these terms and others relevant to the NBTPP by scanning the code to the right with your mobile device, or by visiting vestcor.org/glossary.



INVESTMENT RETURNS (AS AT JUNE 30, 2023)



We are pleased to report that the overall investment program earned a positive return of 3.08% in the first six months of 2023. Both the annualized return of 6.31% since the conversion of the NBTPP and the annualized return of 6.91% since the fund inception remain in excess of the 6.25% target discount rate set by the independent actuary in August 2022.

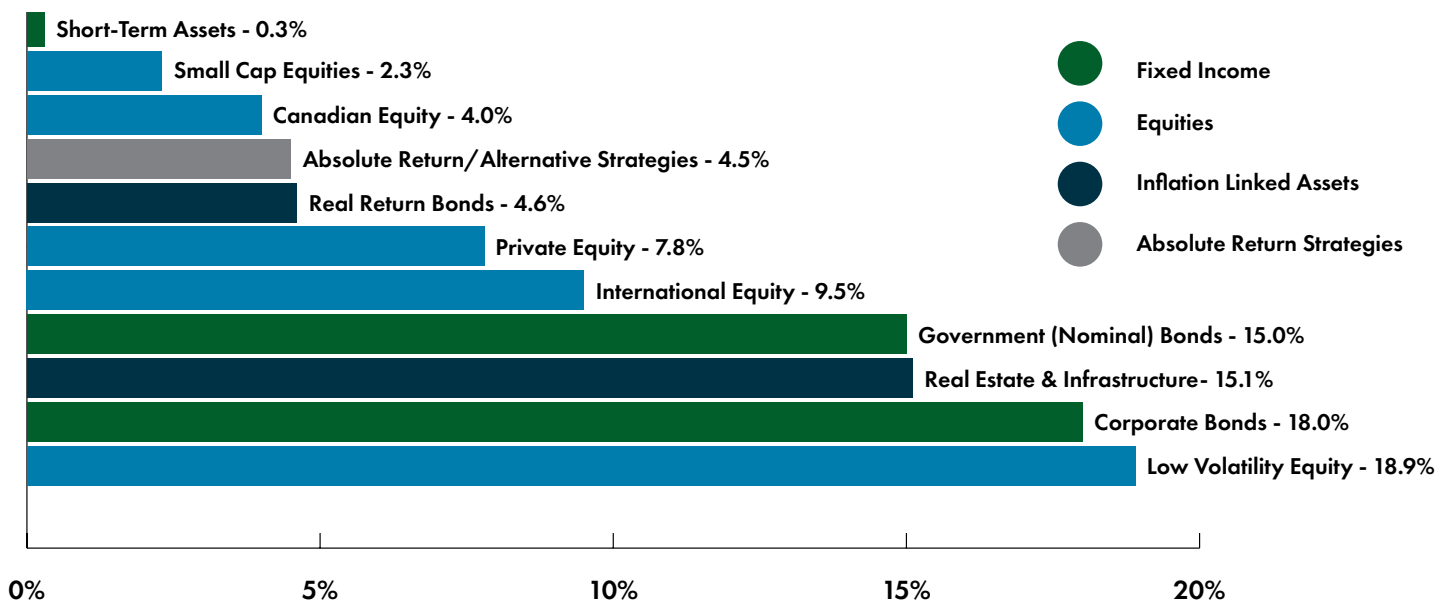
In a strong reversal of what happened in 2022, the stock markets have rallied in the first half of 2023. The defensive positioning of the invested assets and timing of the valuation for private markets meant the portfolio earned less return than the benchmark for 2023 year-to-date, although the return was still strongly positive. Over longer-term periods the portfolio has continued to add value in excess of benchmark returns.

INVESTMENT ASSETS

The fair value of the NBTPP investment assets on June 30, 2023 was \$6.629 billion, an increase of \$100.8 million from the fair value on December 31, 2022.

ASSET MIX

The chart below outlines the portfolio asset mix on June 30, 2023 and illustrates how well-diversified the Plan's investment assets are (see "diversification" in the glossary).



As a result of the Board's annual review of the investment policy, the NBTPP's investments are being transitioned to a new asset mix over the next 6 months. More information on the Board's policies can be found in the [Statement of Investment Policies](#) available at nbtp.ca, under "Plan Governance" then "Governing Documents."

MARKET SNAPSHOT

Despite ongoing geopolitical noise and the turmoil experienced in the banking industry earlier in 2023, the global economy has appeared to remain quite resilient with continued growth, low unemployment, and gradually moderating inflation.

Market gains have continued through the first half of 2023, although a significant amount of the outperformance has been concentrated in a few larger U.S. based technology companies resulting in a highly bifurcated market. Central banks have continued to tighten monetary policy in the form of higher short-term interest rates and there is some evidence to suggest the tighter policy framework is starting to influence the underlying economy. Slower growth should be expected in the coming quarters as central banks work to continue to bring inflation down to their long-term target.

Looking forward, while the short-term outlook remains uncertain and requires careful management, our portfolio continues to be well positioned to fund the obligations of the plan.

More information, including a summary of the market outlook for this period, is available in the Quarterly Market Updates provided by Vestcor at vestcor.org/marketupdates.



AMENDMENTS TO GOVERNING DOCUMENTS

The *Pension Benefits Act* (New Brunswick) requires that Plan members be provided with an update on any Plan amendments. As such, the Board of Trustees would like to inform you of the following amendments which were filed with the Superintendent of Pensions:

- The Statement of Investment Policies was amended to reflect changes to the investment strategy to provide flexibility in adding exposure to longer-term money market securities as well as bonds with a maturity of less than two years, and the removal of inactive benchmarks and revisions to language for clarity. The amendment was filed with the Superintendent of Pensions on September 18, 2023.

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

- The Funding Policy: the tool used by the Board of Trustees to manage the inherent risks of the Plan. It is a document that provides guidance and rules regarding decisions that must, or may, as applicable, be made by the Board of Trustees around funding levels, contributions and benefits. The Funding Policy is accessible at nbtp.ca/fp. A quick summary of some of the main provisions of the Funding Policy of the NBTPP is available at nbtp.ca/sfp.

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Update your preference at nbtp.ca/newsletters, or contact us at info@nbtp.ca or by calling 1 800 561 4012.

