

NEW BRUNSWICK

# Teachers'

PENSION PLAN

## IN THIS ISSUE

- 1 | THE FINANCIAL HEALTH OF YOUR PLAN
- 2 | WANT TO LEARN MORE? -  
NBTPP ANNUAL INFORMATION  
MEETING & 2022 ANNUAL REPORT
- 2 | WHAT IS RESPONSIBLE INVESTING?
- 3 | YOUR 2024 INDEXING  
ADJUSTMENT BENEFIT
- 4 | HOW DOES THE NBTPP  
CALCULATE THE IAB?
- 5 | MID-YEAR INVESTMENT REPORT
- 7 | NBTPP 2024 PENSION PAYMENT DATES
- 7 | AMENDMENTS TO  
GOVERNING DOCUMENTS



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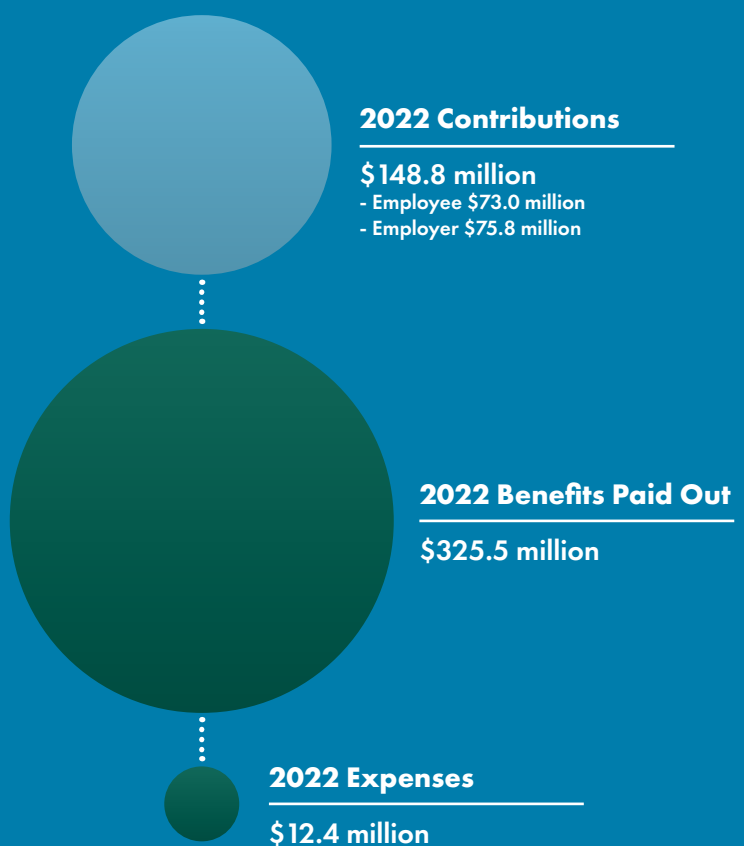
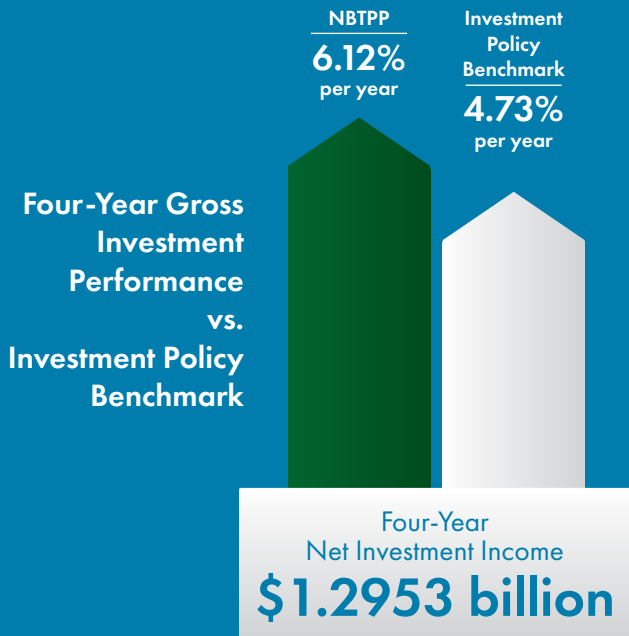
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# THE FINANCIAL HEALTH OF YOUR PLAN



**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 11<sup>th</sup>, 2023 for our 3<sup>rd</sup> 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 [nbttp.ca/2023aim](https://nbttp.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.

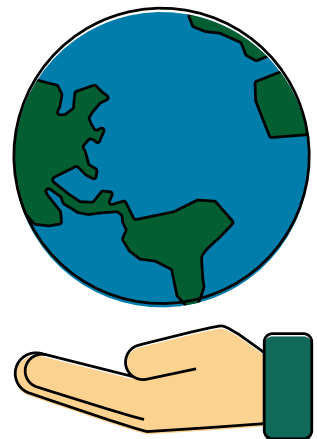
Find it on your Plan webpage at [nbttp.ca](https://nbttp.ca).

# 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](https://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 retired members, the increase that will be applied to the pension benefits you've earned up to December 31, 2022 is:

# 3.56%

These adjustments are designed to help your pension keep up with inflation.

For retired and deferred members, your adjustment is based on 75% of the increase in the Consumer Price Index (CPI), up to a maximum of 3.56% (see page 4). 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 <sup>st</sup> )	NBTPP IAB*
<b>2024</b>	<b>3.56%</b>
2023	3.56%
2022	1.10%
2021	1.10%
2020	1.59%
2019	1.41%
2018	1.10%
2017	1.05%
2016	1.12%
2015	1.07%

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

## IAB RESOURCES

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



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



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



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

# HOW DOES THE NBTPP CALCULATE THE IAB?

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

## WHAT?

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

## WHO?

Your Plan's actuary, TELUS Health, completes this calculation.

## HOW?

For the IAB awarded on January 1, 2024 your Plan's actuary:

- Compared the average CPI for the period of July 2022 to June 2023 with the average CPI for the period of July 2021 to June 2022.
- The CPI from each month was added together, and then divided by 12 for the 12 months of the year, to obtain the average monthly CPI. For the period of July 2022 to June 2023 it was 154.47.

Month Year	July 2022	Aug 2022	Sept 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	June 2023	Avg.
CPI Level	153.1	152.6	152.7	153.8	154.0	153.1	153.9	154.5	155.3	156.4	157.0	157.2	154.47
Inflation %	7.6%	7.0%	6.9%	6.9%	6.8%	6.3%	5.9%	5.2%	4.3%	4.4%	3.4%	2.8%	

- Then the same calculation was done for the previous year. For the period of July 2021 to June 2022 the average CPI was 146.29.

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

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

$$\frac{154.47 \text{ (average CPI for 12-months ending June 30, 2023)} - 146.29 \text{ (average CPI for 12-months ending June 30, 2022)}}{146.29 \text{ (average CPI for 12-months ending June 30, 2022)}} = 5.59\% \text{ Increase in the Consumer Price Index (CPI)}$$

## WILL THE IAB AWARDED BE 5.59%?

Based on the calculation above, the increase in the CPI was 5.59%. However, CPI and the IAB do not always match. For retired and deferred members of the NBTPP, the IAB is based on 75% of the increase in CPI, up to a maximum of 3.56%. This limitation is in place to allow the Plan to offer other important benefits to its members.

# MID-YEAR INVESTMENT REPORT

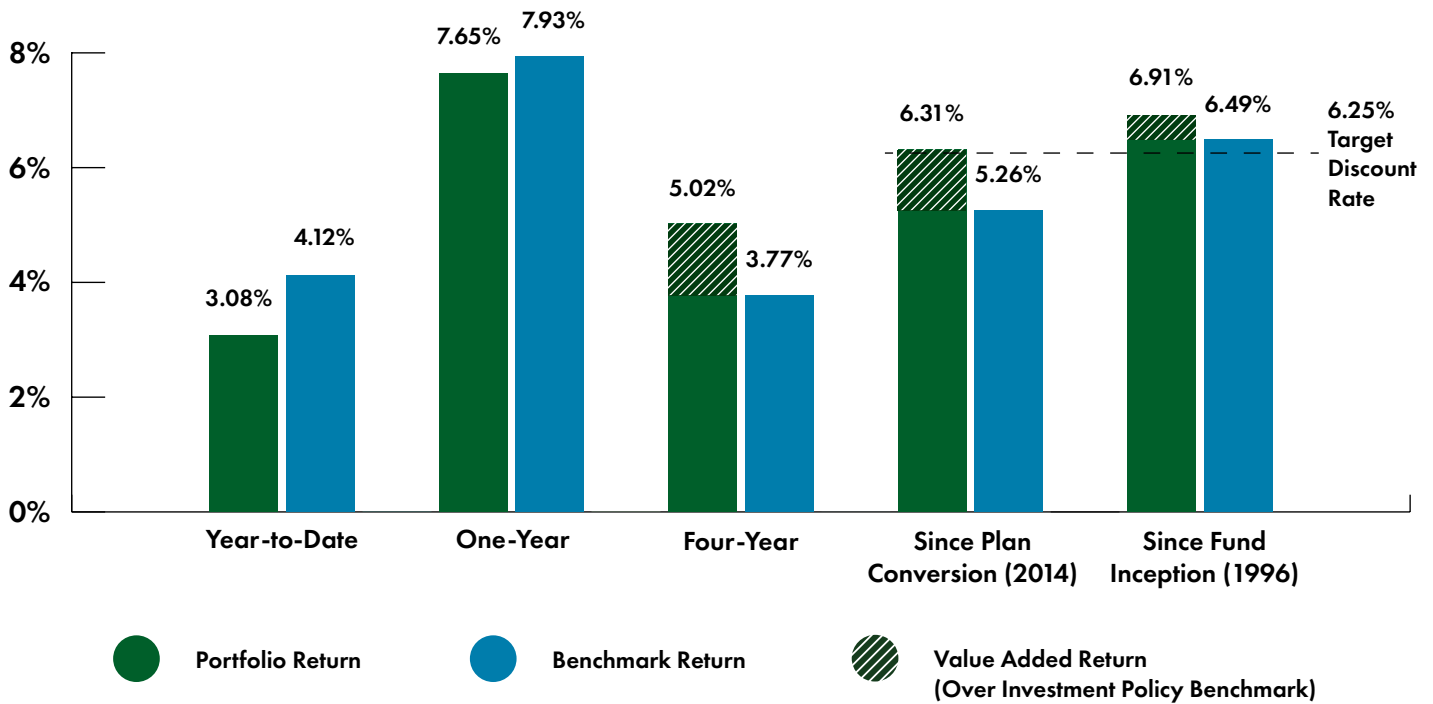
## A SNAPSHOT OF WHERE YOUR PENSION FUND STANDS AS AT JUNE 30, 2023

<b>GROSS INVESTMENT RETURN</b> <b>3.08%</b>	<b>NET INCREASE OF</b> <b>\$100.8 MILLION</b>	<b>INVESTMENT ASSETS</b> <b>\$6.629 BILLION</b>
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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](https://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.

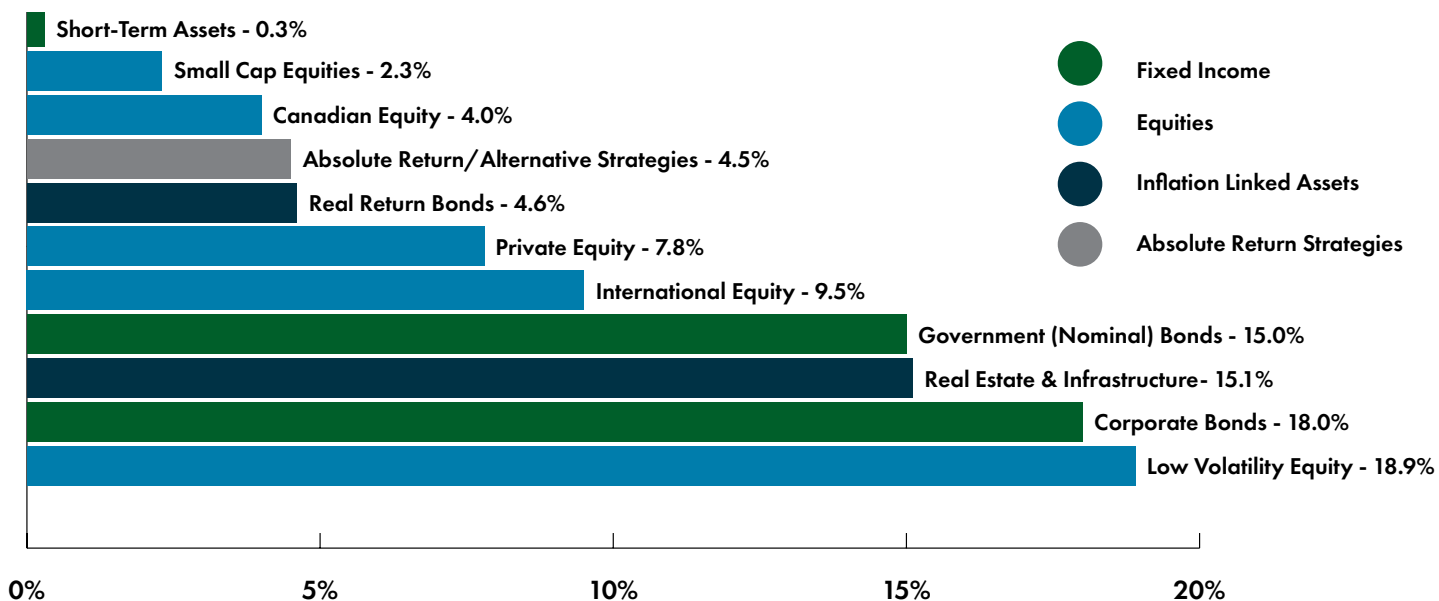
In a strong reversal of what happened in 2022, the stock markets have rallied in the first half of 2023. The defensive positioning of the invested assets and timing of the valuation for private markets meant the portfolio earned less return than the benchmark for 2023 year-to-date, although the return 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](http://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](http://vestcor.org/marketupdates).

# NBTPP 2024 PENSION PAYMENT DATES

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



## AMENDMENTS TO GOVERNING DOCUMENTS

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

- The 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 [nbtpp.ca](https://nbtpp.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 [nbtpp.ca/fp](https://nbtpp.ca/fp). A quick summary of some of the main provisions of the Funding Policy of the NBTPP is available at [nbtpp.ca/sfp](https://nbtpp.ca/sfp).

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