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ACTIVE MEMBER EDITION

# NBPSP UPDATE

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# YOUR COST OF LIVING ADJUSTMENT

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

This year’s COLA granted to all NBPSPP members is:

# 5.32%

This is the highest COLA provided by the NBPSPP to date. For active or deferred members, the increase will be applied to the benefits you’ve earned up to December 31, 2022. Each increase you receive will continue to compound until you retire. Retirees will have this applied to their pension as of January 1, 2024.

## Cost of Living Adjustment (COLA) Awarded Since Plan Conversion

Year	Awarded (January 1 <sup>st</sup> )	NBPSPP COLA	Canadian CPI*
2024		5.32% <sup>†</sup>	5.59%
2023		5.24% <sup>††</sup>	5.56%
2022		1.46%	1.46%
2021		1.46%	1.46%
2020		2.12%	2.12%
2019		1.88%	1.88%
2018		1.47%	1.47%
2017		1.40%	1.40%
2016		1.49%	1.49%
2015		1.43%	1.43%
2014		0.96%	0.96%

\*Maximum COLA that can be granted based on the percentage change in the average Canadian CPI.

†The remaining 0.27% that is not awarded for this year may be awarded in future years when the Plan is in a position to do so, in addition to the remaining portion noted in 2023.

†† The remaining 0.32% may be awarded in future years, as noted above.

## COLA RESOURCES

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

Video: How COLA is Calculated  
[nbpspp.ca/colavideo](https://nbpspp.ca/colavideo)



Information Sheet: Explaining COLA  
[nbpspp.ca/cola](https://nbpspp.ca/cola)



Statistics Canada Consumer Price Index Chart  
[nbpspp.ca/statscan](https://nbpspp.ca/statscan)



NBPSPP 2022 Actuarial Valuation  
[nbpspp.ca/valuation](https://nbpspp.ca/valuation)



Much more information, including a “Cost of Living Adjustments” section, is available at [nbpspp.ca](https://nbpspp.ca).

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

# WHAT WERE THE FUNDING RESULTS IN 2022?

To determine the funding levels of the NBPSPP, the Plan's actuary prepares an Actuarial Valuation Report. This report contains a comparison of the Plan's assets with its liabilities. The primary results of the Actuarial Valuation Report are outlined below.

Want to know more about these results and what they mean? The Plan's Actuary, TELUS Health, presented the results at this year's NBPSPP Annual Information Meeting. The video is available at [nbpspp.ca/2023AIM](https://nbpspp.ca/2023AIM).



15-Year Open Group  
Funded Ratio  
**130.1%**

Used to determine how well-funded the Plan is and the actions that can be taken by the Board of Trustees per the NBPSPP Funding Policy, such as granting COLA.

Termination Value  
Funded Ratio  
**112.4%**

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

## Risk Management Results

### Primary Risk Management Goal

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

99.4%



### 1<sup>st</sup> Secondary Risk Management Goal

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

95.5%  
of CPI



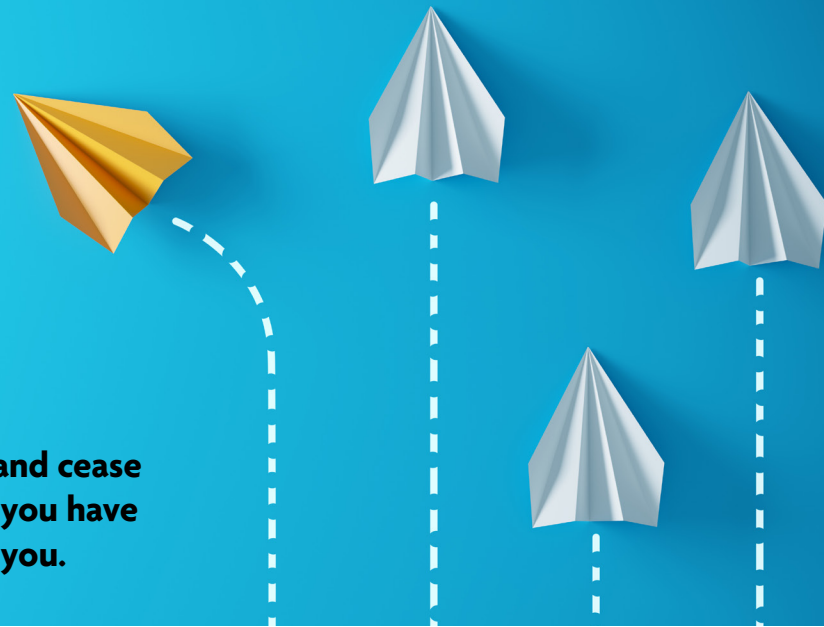
### 2<sup>nd</sup> Secondary Risk Management Goal

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

98.9%



# CHANGING COURSE: LEAVING YOUR EMPLOYMENT BEFORE RETIREMENT



**If you are a vested\* member of the NBPSPP and cease your employment, the pension benefits that you have earned in the Plan do not need to leave with you.**

For many members of the NBPSPP, the pension benefits they have earned is the most valuable asset they have for their retirement. If you are leaving your employment, you may be concerned about what will happen to the benefits you have earned. The good news is that you can opt to receive a **deferred pension**.

If you are under the age of 55, your deferred pension can be started as early as age 55 (reduced pension) or as late as age 65 (unreduced pension). When you leave your employment, you will receive a statement which details what your monthly deferred pension benefits will be. If you are age 55 or older, you can take an immediate reduced pension, or defer it up to age 65.

## BENEFITS OF DEFERRING YOUR PENSION

### • TAKE SOME STRESS OUT OF YOUR RETIREMENT

The goal of the NBPSPP is to provide you with an income for the rest of your life. Choosing a deferred pension means you can enjoy the security that, upon retirement, you will have a monthly pension paid from an investment portfolio you do not have to manage. Your pension funds will be cost-effectively managed by experienced investment professionals.

### • YOUR BENEFITS CAN CONTINUE TO GROW

Even after you leave your employment, your deferred pension benefits can continue to grow. Every year, your benefits will be eligible for increases through cost of living adjustments. These cost of living adjustments are based on the financial health of the Plan and Canada's Consumer Price Index. Keep this in mind when referring to the monthly benefit amount on your termination statement. By the time you retire, that amount may have increased. For more information on the cost of living adjustment that was most recently awarded, please see page 1 of this newsletter!

### • PLANNING FOR YOUR SPOUSE OR BENEFICIARIES

A deferred pension includes survivor benefit options. During your retirement, if you pre-decease your spouse (or beneficiary/beneficiaries as applicable), they may be eligible to receive a portion of your pension benefits for the rest of their life (or for a guaranteed period as applicable). This gives an added layer of security for those you care most about as you move through the phases of your life.



## VESTED MEANS YOU HAVE:

- two or more years of pensionable service in the Plan; or
- two or more years of membership in the Plan; or
- five or more years of continuous employment.

# CHANGING COURSE (CONTINUED)

## YOUR OTHER OPTION - ACCEPTING A TERMINATION VALUE PAYOUT

- Instead of a deferred pension, you can also opt to accept a termination value payout.
- Your termination value payout is a one-time only, lump sum payment based on the value of your pension on the date you cease your employment.
- By accepting the termination value you will no longer be eligible for a NBPSPP pension when you retire.
- The termination value payout you receive has a number of restrictions on it. The funds must be transferred into a locked-in retirement planning vehicle, such as a Locked-In Retirement Account (LIRA). It cannot be used to pay down mortgages or any other expenses that you may have. It is set aside specifically to provide for your retirement.
- You will be responsible for managing your funds and ensuring that they assist in providing you with enough income in your retirement to last you the rest of your life. This includes responsibility for paying any costs you incur from investment advisors.
- You won't be eligible for future increases through cost of living adjustments awarded by the NBPSPP.
- The termination value payout is available if you are under the age of 55 and must be elected within 90 days of receiving your termination package from Vestcor.

## SUMMING IT ALL UP

There are a number of benefits that you can reap by leaving your assets in the Plan if you cease your employment. The first priority of your pension plan is to provide secure pension benefits to members after their retirement. Ultimately, the choice is up to you. Make sure you consider your options carefully and make an informed decision. Your choice will affect you throughout your retirement.

NEW BRUNSWICK PUBLIC SERVICE  
**PENSION PLAN**  
ANNUAL INFORMATION MEETING



**Is my  
retirement  
protected?**

**Are my  
contributions  
invested  
responsibly?**

**Does financial  
market  
volatility affect  
my pension?**

**Find answers to your questions.**

Watch the NBPSPP 2023 Annual Information Meeting,  
available now at [nbpspp.ca/2023aim](https://nbpspp.ca/2023aim)

# 2023 MID-YEAR INVESTMENT REPORT

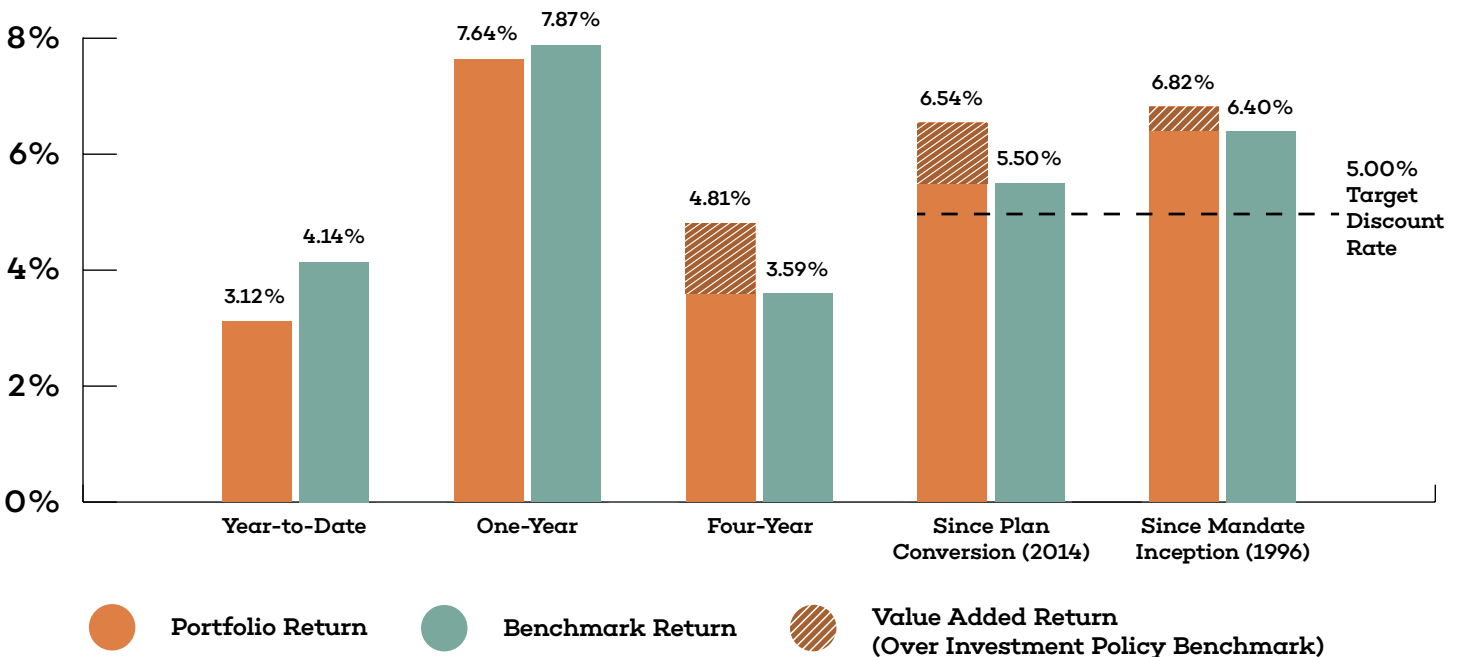
## A SNAPSHOT OF YOUR PENSION FUND AT JUNE 30, 2023

NBPSPP RETURN (GROSS) <h3 style="margin: 0;">3.12%</h3> AT JUNE 30, 2023	NET INCREASE OF <h3 style="margin: 0;">\$168.4 million</h3> SINCE DEC. 31, 2022	INVESTMENT ASSETS <h3 style="margin: 0;">\$8.988 billion</h3>
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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 NBPSPP 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 3.12% in the first six months of 2023. Both the annualized return of 6.54% since the conversion of the NBPSPP and the annualized return of 6.82% since the fund inception remain in excess of the 5.00% target discount rate set by the independent actuary in January 2023.

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.

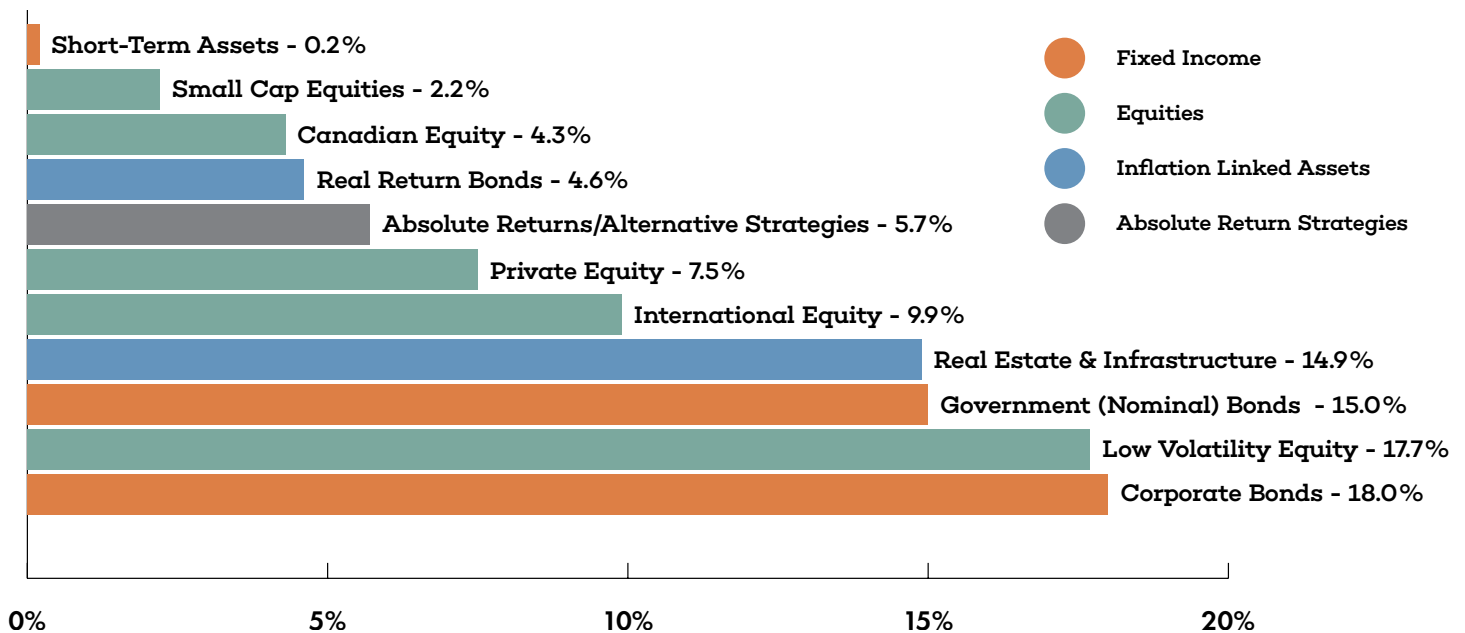
### INVESTMENT ASSETS

The fair value of the NBPSPP investment assets on June 30, 2023 was \$8.988 billion, an increase of \$168.4 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).

### Asset Mix Breakdown as at June 30, 2023



As a result of the Board's annual review of the investment policy, the NBPSPP's investments are being transitioned to a new asset mix over the next 6 months. More information on the Board's policies can be found in the [Statement of Investment Policies](#) available at [nbpspp.ca](https://nbpspp.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](https://vestcor.org/marketupdates).

# WHAT IS A POWER OF ATTORNEY?

A Power of Attorney (POA) is a legal document that you sign to give one or more people the authority to manage your personal affairs on your behalf. In most of Canada, the person you name is called an attorney (please note that this person does not need to be a lawyer).

## WHY GRANT A POA?

Developing or dealing with an illness or disability can be difficult for you and your family. To minimize any risks associated with how your affairs are managed (including your pension or health care needs) should you unfortunately become ill or disabled and no longer able to manage them yourself, you may want to consider naming an attorney under a POA. With a POA, you can choose ahead of time who will manage your personal affairs if the need arises. Without a POA, someone will be appointed for you by the courts, and it may not be the person you would choose for yourself.

Your personal circumstances can affect who you select to be your attorney, and the powers you choose to grant that person. The legal requirements for a valid POA may vary from jurisdiction to jurisdiction, so it is recommended to seek legal and estate planning advice. It is also important to review your POA from time-to-time to ensure it meets your needs.

If authorized to do so under the POA, the person you name will be able to communicate with our pension administrator's Member Services team to request general or specific information concerning you.

## Who can certify a Power of Attorney?

In order to be considered valid, your Power of Attorney needs to be certified by one of the following professionals:

- lawyer
- notary
- commissioner of oaths
- justice of the peace

## If you grant someone a Power of Attorney, you should provide that person with:

- an original, notarized or a certified true copy of the Power of Attorney bearing the original signature of the lawyer, notary, commissioner of oaths or justice of the peace; and
- Vestcor's contact information in the event they need to contact them regarding your pension:

PO Box 6000  
Fredericton, NB E3B 5H1

1 800 561 4012 (toll free)  
or 506 453 2296 (Fredericton)

[info@vestcor.org](mailto:info@vestcor.org)

## AMENDMENTS TO GOVERNING DOCUMENTS

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

- The Funding Policy was amended to reflect a change to the discount rate to 5.00% per annum, and changes to the funding excess utilization plan to change the amount available for utilization from 1/6<sup>th</sup> to 1/5<sup>th</sup> 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. This amendment, which aligns with the *Pension Benefits Act*, received approval of the Plan's Sponsoring Parties and was filed with the Superintendent of Pensions on July 25, 2023.
- 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 25, 2023.

To view the current NBPSPP governing documents, please visit [nbpspp.ca](http://nbpspp.ca).

## PREFER TO GET THIS NEWSLETTER IN PAPER FORMAT?

Contact us at [info@nbpspp.ca](mailto:info@nbpspp.ca) or by calling 1 800 561 4012.