



NB Investment Management Corp.
Société de gestion des placements NB

New  Nouveau
Brunswick

TPA Echo

(TEACHERS' PENSION ACT)

A joint publication from the NB Investment Management Corporation and the Compensation and Employee Benefits Division, Office of Human Resources

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TPA Facts



New Brunswick Investment Management Corporation

"Did you know that... your pension plan is a defined benefit plan. That means that the pension you will receive on retirement is a function of the years of service you have accumulated under the plan and your highest average salary over a continuous 60 month period during your time as a member of the plan."

Governance of Your Pension Plan

Governance is a term used to describe the roles played by the different stakeholders in a pension plan, in other words, who makes decisions and on what issues.

Who are the stakeholders in your pension plan?

- 1. The plan members** including both actively working and contributing members, deferred plan members and of course retired members who are drawing a pension.
- 2. The plan sponsor / employer(s)** who is (are) responsible for the overall pension plan including benefits policy and the funding of the pension plan.
- 3. The plan administrator** who implements the plan benefits policy, maintains official benefit records and pays eligible pensions and performs the day-to-day communications.
- 4. The fund trustee** who sets the investment policy and oversees the investment of the funds.
- 5. The fund's investment managers** who are responsible for the investment of the pension funds.

The New Brunswick Investment Management Corporation (NBIMC) acts in the capacity of the last two stakeholder roles.

Setting Investment Policy

As trustee, NBIMC is responsible for establishing an appropriate investment policy and strategy to meet the funding goals of the Teachers' Pension Plan (TPP). The investment policy is developed with a long-term focus that is aligned with the long-term nature of the plan's pension obligations. It is interesting to note that some studies have determined that as much as 80% of total payouts from a typical pension plan come from the returns generated from investment activity, with the remaining 20% coming from employee and employer contributions. Remember that employee and employer contributions may take place over a period of close to 40 years, while investment returns may compound for periods of up to twice that long.

Our investment policy is created by reviewing the nature of the pension obligation, reviewing the available investment opportunities, and by incorporating the sponsor's risk tolerance. The first stage of the process involves developing forecasts of both asset class returns and their associated risks. An asset-liability study is then conducted to determine an optimal asset mix that best matches the liability profile that is provided to us by the plan's actuary. A thorough sensitivity analysis is subsequently conducted to ensure that the risk profile of the suggested asset mix is well within acceptable parameters.

The final piece of the investment policy process is the determination of value added strategies that can be conducted by the investment professionals at the corporation. These strategies are used to create value above and beyond the composite benchmark that mirrors the asset mix policy outlined above.

It is important to note that this is not a static process. While the investment policy must technically be reviewed within one year of an actuarial review of the fund, it is monitored much more frequently based on the

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corporation's ongoing risk management analytics, or the anticipation of potential market opportunities. Please note that more information in regards to investment policy can be found on our web site (<http://www.nbimc.com>) or in our Annual Report.

TEACHERS' PENSION PLAN

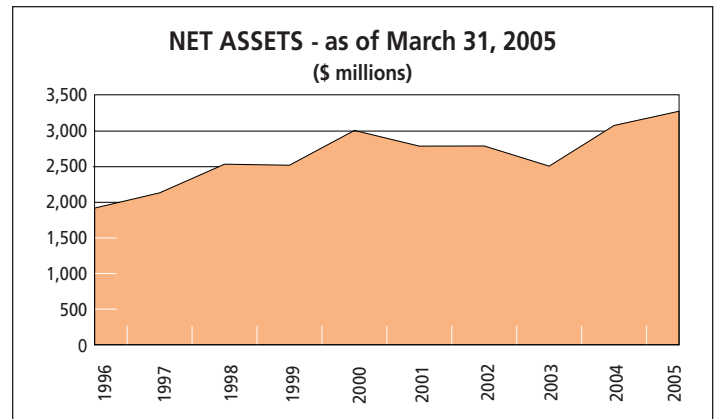
Investment Highlights – To March 31, 2005

Asset Mix

The asset mix is the proportion of your fund invested in each type of asset.

Five main adjustments were made during the past year to each fund's target asset mix:

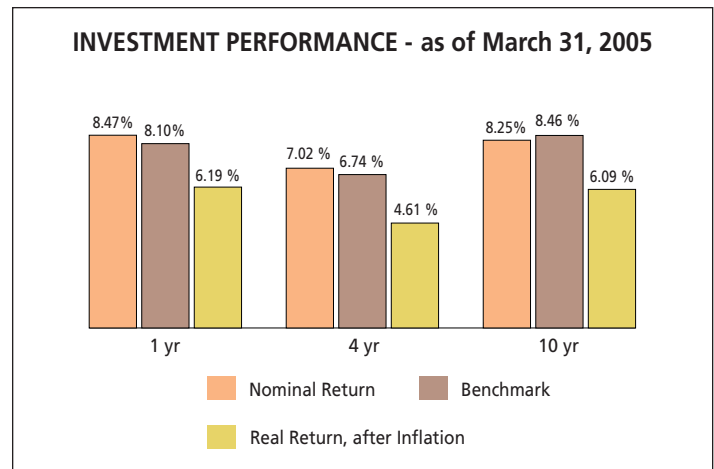
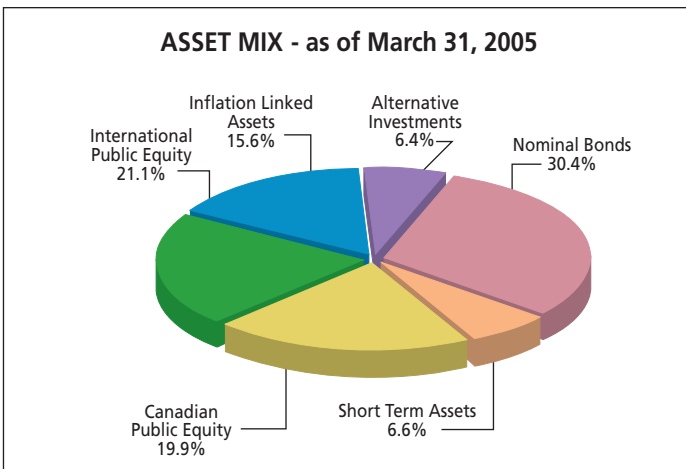
- i) a net reduction in public equity assets,
- ii) a further geographic diversification in public equity assets,
- iii) an increase to fixed income assets,
- iv) an increase in absolute return strategies, and
- v) an increase in real return type investments by adding to our real estate exposure and introducing an allocation to commodity assets.



Net Assets at March 31, 2005 stood at \$3,279 million, an increase of \$201 million over the past year.

Investment Results to March 31, 2005

The time-weighted rate of return for the twelve-month period was 8.47% and the average return for the past 4 years was 7.02% and for the past 10 years was 8.25%. As well, the Real Return after inflation for the past ten years has been 6.09%, well in excess of the rate required in the funding plan.



Compensation and Employee Benefits Division Office of Human Resources

Thinking about early retirement? Important facts you should know...

The decision to retire early hinges on a multitude of factors that should be carefully weighed before making a final decision. Things to consider include the length of your pensionable service, your age, health, work satisfaction, personal finances, whether or not you have a spouse who is approaching retirement and whether you need to support children attending university.

Your pension is designed to provide a monthly pension benefit at retirement. A pension is payable with a minimum of 5 years of pensionable

service. You will be eligible for an unreduced pension with 35 years of service or when your age plus pensionable service totals 87 or at age 60 with 20 years of service. You may choose to retire with a reduced pension when your age plus pensionable service equal at least 80; the reduction is 2.5% per index year for a maximum reduction of 17.5%, or at age 60 with a reduction of 5% per year under age 65. If you do retire early, the total value of your pension will be spread out over a longer period of time. The reduction to your pension is necessary in consideration of the extra monthly payments paid to you at an earlier age.

Another positive feature of the plan is that until your 65th birthday, the pension plan pays a full 2% benefit rate on all pensionable earnings (including earnings below the YMPE as defined by the Canada Pension Plan). That is, you receive a benefit rate of 2% per year of service even if you only paid for a 1.3% benefit rate. This is a plan design feature that often goes unnoticed!

To estimate the amount of pension¹ you will receive from the TPA at retirement, user-friendly self-help tools have been developed by the Compensation & Employee Benefits Division and are available on the Office of Human Resources' website. Depending on the lifestyle you seek in retirement, your benefit from the TPA alone may not suffice. A financial adviser will help you assess your projected income stream at retirement from different sources (TPA, CPP, RRSP, other personal savings/investments) and help you, should a need be identified, save additional funds to achieve the desired lifestyle at retirement.

Are you experiencing a Marriage Breakdown?

The pension benefit is a marital asset and, in many cases, constitutes a significant portion of the marital property. Although the TPA provides for the division of a pension benefit on marriage breakdown, other assets may be used to provide for an equal distribution of marital assets.

When the pension benefit is to be used in the division of marital property, the TPA provides that the pension benefit is to be divided pursuant to a written agreement or court order dated on or after January 1, 1997. However, once the pension benefit is divided and the funds are transferred out of the pension fund on behalf of the non-contributor spouse, there are no provisions for the contributor to repurchase the lost benefit.

Where the court order or written agreement provides for the division of the pension benefit, the maximum amount available for transfer would be 50% of the commuted value² of the pension accumulated during the period of marriage.

Should you require additional information regarding the provisions for **Division of Pension Assets upon Marriage Breakdown**, a booklet is available from the Human Resources office of your employer or from the Compensation & Employee Benefits Division. The booklet is also accessible electronically at www.gnb.ca/0163/pension/

Definition of 'Spouse' in the TPA

Effective January 1, 2001, survivor benefits available to legally married spouses are being extended to common law partners. This means that pension benefits will be available to survivors who have lived in a common law relationship with TPA contributors.

"Common law partner", under the TPA, will be interpreted to mean:

A person, who not being married to the contributor, has lived with the contributor,

- (a) continuously for a period of not less than three years in a conjugal relationship, or
- (b) in a conjugal relationship of some permanence where there is a child born of whom they are the natural parents, and has lived with the contributor in that relationship at the time of the contributor's death.

The Application for Survivor Benefit and the Statutory Declaration of Common-Law Partner are available on our website. You can also contact the toll free line of the Compensation & Employee Benefits Division at 1-800-561-4012 (N.B. only) or 453-2296 (Fredericton area) to obtain a copy of this application.

Schedule of annual COLA increases for the TPA from 1996 to 2005:

1996 = 1.1%	2001 = 2.4%
1997 = 1.8%	2002 = 3.0%
1998 = 1.8%	2003 = 1.7%
1999 = 1.2%	2004 = 3.35%
2000 = 1.1%	2005 = 1.72%

TPA Facts...

- At March 31, 2005, a total of 9,371 employees were TPA participants (exclusive of retirees).
- In this fiscal year, a total of 462 new pensioners were added to the payroll (includes survivor and dependant pensions as well as previously deferred pensioners).
- At March 31, 2005, a total of 7,155 retirees were drawing their pension from the TPA.
- The **monthly** pension payroll for the TPA totaled \$16,034,395 in March of 2005. Pensions are paid every 24th of the month and for the month (except for the month of December when the benefit is paid earlier).
- A total of 7,699 Employee Statement of Benefits were issued to TPA participants in 2005 for the period from September 1, 2004 to August 31, 2005 (Statements of benefits are issued to plan members who have paid pension contributions during the statement period).

¹ e-calculator provides benefit amount (gross amount) before and after age 65 (For more details on CPP integration, please refer to TPA Echo 2003).

² **Committed value:** refers to the amount of money that needs to be set aside today, on average, to provide sufficient funds at retirement age to pay for the pension (based on recommendations of the Canadian Institute of Actuaries)