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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www.nbimc.com
www.gnb.ca/0163/pension

New Brunswick Investment Management Corporation

Corporate highlights for fiscal 2006-07

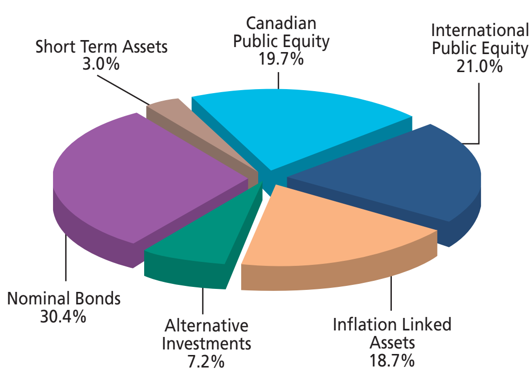
- Surpassed the sponsor's rate of return targets, net of expenses and inflation, which help to meet the projected pension requirements,
- Developed a new five-year Strategic Plan (2007-2012),
- Exceeded the relative value target return for the portfolios through active investment management,
- Conducted an asset-liability review of the Teachers' Pension Plan Fund and have made asset mix adjustments to reflect the updated actuarial valuation and funding profile of the Plan,
- Increased our internal investment management activity by bringing in-house approximately $500 million in European public equity securities.

Plan Investment Highlights – To March 31, 2007

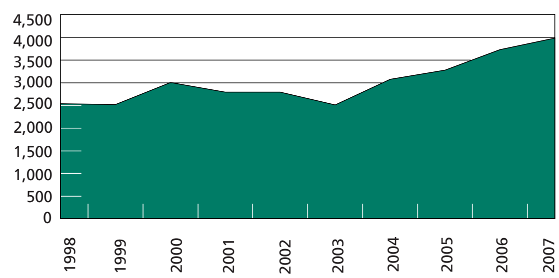
Asset Mix

The asset mix is the proportion of your fund invested in each type of asset on March 31, 2007.

ASSET MIX - as of March 31, 2007



NET ASSETS - as of March 31, 2007
($ millions)



Net Assets at March 31, 2007 stood at $3,978.2 million which is $249.6 million more than the previous year.

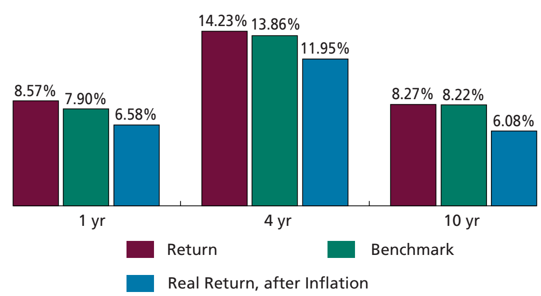
Investment Results to March 31, 2007

The Corporation's two main objectives, in terms of investment performance, focus on the actuarial return requirements of the funds and adding value through active management strategies.

We are pleased to report that we exceeded both our nominal and real return hurdles during the past year and have also continued to exceed these targets over the more important long-term. With regards to our active management strategies, we have continued to add value over benchmarks for the sixth consecutive year.

The most significant contributor to the funds' performance during the year was the strong performance in public equity markets. Canadian and European equity markets both posted strong double digit returns.

INVESTMENT PERFORMANCE
as of March 31, 2007



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Looking to the Future

The primary mission of the Corporation is to increase the long-term value of the pension funds it manages and assist the plan sponsor in meeting the pension promise to its members. In order to accomplish this, and as mentioned earlier, the Corporation finalized a new five-year Strategic Plan to take it through to 2012.

Corporate Mission / Strategic Goals…

The prudent, innovative and cost efficient investment management of New Brunswick based public sector funds to ensure long-term growth that meets client investment challenges.

Key Goals:

- To provide long-term asset growth for client investment funds through prudent asset allocation and risk management strategies.
- To attract, develop, and maintain a highly skilled and experienced team of professionals to support growth and diversity of investment options.
- To enhance information technology systems to support growth and diversity of investment options.
- To enhance governance, management and organizational effectiveness.
- To strengthen and expand stakeholder relations.
- To provide investment fund management services to a growing number of New Brunswick-based public sector investment funds.

Our experience and diversification activity over the last few years should position us to take advantage of good investment opportunities in the future. We remain confident that we have the strategy, people and processes in place to continue to meet the long term goals of our stakeholders and our long term investment success.

Did you know …

Actuary means… the person or entity whose responsibility is to evaluate present and future pension liabilities in order to determine the financial solvency of the pension plan, following recognized actuarial and accounting methods.

Actuarial means… in the case of retirement plans, an estimate made for the purposes of calculating benefits taking into account variables including life expectancy, return on investments, interest rates, and compensation. By calculating the possible payout of benefits, the actuary can determine what premium to charge and what amount the sponsor should set aside as readily available cash.

Actuarial valuation means… a valuation carried out by an actuary on a regular basis, in particular to test future funding or current solvency of the value of the pension fund's assets with its liabilities.

Alternative investments mean… a category of assets that are designed primarily to provide returns that are independent of public market directions.

Asset means… an investment of economic value, owned by the pension plan.

Nominal return means… the return on an investment expressed as a percentage of the total amount invested (also called a rate of return).

Real return means… the return on an investment, deferred by reducing the nominal return by the rate of inflation, observed over the measurement period.

Questions / Inquiries

More information is available on our website at www.nbimc.com or by calling (506) 444-5800 or emailing comments@nbimc.com

New Nouveau Brunswick

Compensation and Employee Benefits Division
Office of Human Resources

What is a 'Reciprocal Pension Transfer Agreement' and how does it work?

A reciprocal agreement is an agreement between pension authorities that enables plan members to transfer their pension credits from one pension plan to the other, thus facilitating the movement of workers between provinces/ territories and/ or the federal government.

The Compensation and Employee Benefits Division is working continually with other pension plan authorities across Canada to ensure pension portability. The NB *TPA* is part of a Reciprocal Transfer Agreement that is currently in effect among twelve (12) Canadian teacher pension authorities. In addition to the New Brunswick Teachers' pension plan, the following are parties to the agreement:

- Alberta Teachers' Retirement Fund Board,
- Commission administrative des régimes de retraite et d'assurances (Québec),
- Ontario Teachers' Pension Plan Board,
- Nova Scotia Pension Agency,
- Saskatchewan Teachers' Federation,
- Saskatchewan Teachers' Superannuation Commission,
- Manitoba Teachers' Retirement Allowance Fund Board,
- Teachers' Superannuation Commission of Prince Edward Island,
- Teachers' Pension Board Trustees of British Columbia,

- Province of Newfoundland and Labrador and,
- Canadian Teachers' Federation Employees' Pension Plan

Transfers under a reciprocal agreement are complex and take several months to complete. To put it simply, two calculations are required to be performed: one from the 'Exporting' plan (if you worked in NB, this would be the NB *TPA*) and one from the 'Importing' plan (the jurisdiction where you have moved to). Each calculation is performed using actuarial assumptions specific to each plan. Where the two plans provide different benefits or one plan contains more generous provisions than the other, then a 'shortfall' occurs as a result of the transfer. A shortfall is the difference between the 'Required Amount' as calculated by the Importing plan and the 'Available Amount' as calculated by the Exporting plan. The Canada Revenue Agency (CRA) imposes certain restrictions on the purchase of a shortfall for service performed after 1991. That is, the applicant must have sufficient RRSP room available to purchase the period covered by the shortfall. There is usually a prescribed time limit imposed as part of the reciprocal agreement for the purchase by the employee.

Once the calculations of the actuarial values have been performed by the respective Plan Authorities, it is up to the employee to decide to proceed or not proceed with the transfer. Funds transferred from another jurisdiction to the NB *TPA* are administered on a 'locked-in' basis which ensures that the funds transferred cannot be removed from the *TPA* in the form of a 'Refund of contributions plus interest' upon the employee's termination of employment. The transferred funds can only be used to provide a monthly pension benefit from the NB *TPA* at retirement or alternatively, the funds could be transferred, under this or another reciprocal agreement, to another plan authority.

To find out if a reciprocal pension transfer agreement exists between the NB *TPA* and another jurisdiction's pension plan or for general inquiries, please contact us by phone at (506) 453 2296 (Fredericton region) or 1 800 561 4012 (toll free in Canada). You can also write to us at: www.gnb.ca/0163/pension

Survivor benefits: What will my spouse receive for a pension upon my death?

If death occurs while actively employed or before pension commences to be paid:

Your spouse is eligible for 50% of your lifetime pension benefit. That is, 50% of the contributor's pension calculated at age 65.

Your eligible spouse at the time of death will qualify for the survivor pension.

If death occurs after retirement:

In the months preceding your retirement you can elect for the following spousal pension benefit:

(A) Normal form of survivor pension:

You can elect for the normal form of survivor pension which is 50% of your lifetime pension benefit. That is, 50% of the contributor's lifetime pension calculated at age 65 or,

(B) Optional forms of survivor pension:

In the months preceding your retirement you can elect, in exchange for a lower pension benefit for yourself, to increase the surviving spouse's pension in an amount that is equal to 60%, 66⅔%, 75% or 100% of your lower lifetime pension benefit. The greater the age difference between you and your spouse, the more this will impact the level of pension you will receive if you elect for an optional form of survivor benefit.

Should you choose one of the optional forms of survivor benefit as described above, you should be aware that only your <u>spouse at the time of your retirement</u> will be eligible for the benefit. Should your spouse predecease you, there will be no pension benefit payable after your death.

<u>Please note:</u> Upon the death of a contributor with less than five (5) years of pensionable service to his or her credit, a refund of the member's contributions accumulated with interest will be paid.

Annual rate of indexation to TPA pensions for the last three years:

- 2005 = 1.72%
- 2006 = 2.08%
- 2007 = 2.48%

<u>Note:</u> Maximum indexation (according to the average of the Consumer Price Index) for the TPA is 4.75 percent per year.

TPA Facts…

- At March 31, 2007, a total of 9,672 employees were *TPA* participants (exclusive of retirees).
- In this fiscal year (2006-07), a total of 384 new pensioners were added to the payroll (includes survivor and dependant pensions as well as previously deferred pensioners).
- At March 31, 2007, a total of 7,554 retirees were drawing their pension from the *TPA*.
- Pensions paid under the *TPA* for the <u>month</u> of March 2007 alone totaled $18 million. Pensions are paid every 24th of the month (except for the month of December when the benefit is paid earlier).
- A total of 7,992 'Employee Statement of Benefits' were issued to *TPA* participants in 2007 for the period from September 1, 2006 to August 31, 2007 (Statements of benefits are issued to plan members who have paid pension contributions during the statement period).