



NJMPF

Fund Insight

Your news update - November 2022

MARKET VOLATILITY AND YOUR BENEFITS

For many of us, investing and retirement planning are not our area of expertise. The market and world events sometimes make us question whether we need to be doing something to safeguard our retirement savings. A retirement fund can therefore be very valuable to assist members, as here the investments are chosen and managed by the Trustees based on advice from specialists to give the best outcome on retirement.

You are investing for your future retirement by virtue of your participation in the NJMPF Pension/Provident Funds. You and your employer each pay a monthly contribution to your fund, which is invested for your retirement. It is important to understand: the investments are made with your future retirement in mind and as such the Trustees are most concerned about the performance of the investments over the future working lifetime of its members.

Short term fluctuations in the market are expected, in efforts to ensure that members are not negatively impacted in times of market volatility, the Fund uses a smoothing approach. The "Smooth Bonuses" approach provides a cushion against volatility in the investment markets, Trustees declare investment earnings on a quarterly basis as "Bonuses" thus hold on an Investment Reserve. This smooths out the times when returns are low.

Defined benefit funds – how does the market affect your benefits?

The benefit values of Members of the Superannuation and Retirement Funds are set out in its regulations. The benefits payable are calculated based on a formula that looks at the Annual Pensionable Salary, Continuous Service and a Factor. The benefits are not impacted by investment performance. Investment performance does however have an impact on any surcharges that the local authorities must pay to these funds, as they are essentially the party that must make good any losses to ensure that benefits can be paid as set out in the regulations. Equally they are also the party that will share in any surplus if the market outperforms expectations.

Defined contribution fund – impact of the market on your benefits

In the Provident Fund, the benefits are directly linked to market performance and here we recognize that market volatility may cause anxiety for you as a member as you see your fund value going up and down with the market. Here again it is important to understand that you are investing for your retirement and the short-term volatility does not automatically mean a change in your long-term targeted returns. The investment strategy chosen by the Trustees is well diversified and aim to achieve superior returns over the longer term. Trustees regularly review the investment managers and take advice from investment specialists in this area. Members of the Provident Fund can therefore have piece of mind knowing that their retirement benefits are in good hands and that NJMPF's current investment methodology and strategy will ultimately be advantageous to members.

It is also important to remember that Provident Fund members are protected from the negative impact of market volatility through the Smoothing approach by Trustees. Investment returns are credited to members' benefits as monthly bonus declarations. These are smoothed from quarter to quarter to prevent members from experiencing the roller-coaster ride that investors in market-linked portfolios could encounter. Small moves in the market are absorbed and negative bonuses are only declared if the market falls significantly.





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To enable the smoothing of bonuses, the Trustees make use of an Investment Reserve. In times when the investment markets perform better than expected, the bonuses are limited to the expected return. This reserve is then utilized to cushion the impact during difficult periods, such as during the market fall as a result of the pandemic in 2020. It is important to note that the member receives his/her full share of the Investment Reserve on exit from the Fund. The NJMPF Provident Fund's monthly investment declarations are shown in the following table:

Date	Bonus Rate	Investment Reserve
31/01/2022-31/01/2022	1.0% per month	7.00%
28/02/2022 – 30/04/2022	3.0% per month	7.00%
31/05/2022 – 31/07/2022	0.0% per month	7.00%
31/08/2022-31/10/2022	0.0% per month	2.00%
30/11/2022	0.0% per month	1.00%

