

# SHARED RISK PLAN FOR CERTAIN BARGAINING EMPLOYEES OF NB HOSPITALS



## PENSION NEWS

### IN THIS ISSUE

- 2 CBE SRP GOVERNANCE
- 3 ACTUARIAL REPORT
- 4 COST OF LIVING ADJUSTMENT
- 4 VESTCOR PENSION SERVICES CORPORATION
- 5 A LOOK AT CBE SRP
- 6 WHAT IS A BRIDGE BENEFIT?
- 6 REMINDER FOR RETIREES

### CONTACT INFORMATION



CBE SRP Board of Trustees  
c/o Vestcor Pension Services Corporation  
P.O. BOX 6000, Fredericton, NB E3B 5H1

1 (800) 561-4012 (Toll free) or  
(506) 453-2296

Email: [pensions@gnb.ca](mailto:pensions@gnb.ca)

More information on your pension plan  
can be found at [www.vestcor.org/cbe](http://www.vestcor.org/cbe)

### HIGHLIGHTS

Full cost of living  
adjustment of **1.40%**  
to be awarded on  
January 1, 2017  
*(see page 4)*

Termination Value  
Funded ratio of  
**104.0%** at  
December 31, 2015  
*(see page 3)*

All risk management  
tests were **passed** as  
of December 31, 2015  
*(see page 3)*

Pension Fund grew by  
\$123.2 million in 2015  
to end the year at  
**\$1.79 billion**  
*(see page 3)*

# CBE SRP GOVERNANCE

## BOARD OF TRUSTEES

The CBE SRP Board of Trustees is responsible for the overall governance and administration of the CBE SRP in accordance with the *Pension Benefits Act (PBA)* and the governing documents. These duties include setting the levels of contributions and benefits in accordance with the Funding Policy, granting indexation on benefits (cost of living adjustments, or “COLA”), pension benefits administration, and investment oversight.

The Board is composed of an equal number of employee and employer representatives. Five trustees are appointed by the provincial government, three are appointed by the New Brunswick Nurses’ Union and two are appointed by the New Brunswick Union as follows:

<b>Marilyn Quinn</b> Chairperson	<b>Matt Hiltz</b> Trustee Governance Committee	<b>Susie Proulx-Daigle</b> Trustee Chair of the Governance Committee
<b>Tom Maston</b> Vice-Chairperson Chair of the Audit Committee Investment Committee	<b>Richard Luton</b> Trustee Chair of Investment Committee	<b>Vicki Squires</b> Trustee Governance Committee
<b>Lisa Watters</b> Trustee Investment Committee	<b>Shelley Duggan</b> Trustee Investment Committee	<b>Vacant</b> Trustee
<b>Mark Thompson</b> Trustee Audit Committee		

 A short bio on each board member is available online at: [www.vestcor.org/cbe](http://www.vestcor.org/cbe)

## FIDUCIARY DUTY

The trustees appointed to this board hold a fiduciary duty towards the Plan, meaning they do not represent the party who appointed them; rather, they must act in the best interest of the CBE SRP and its members at all times when administering the affairs of the Plan.

Trustees are entrusted with the property of another person; in this case, it consists of the pensions and related benefits of the Plan’s members. Trustees are required by law to place the interests of the Plan and its members above their own, and conduct themselves with the highest standards of integrity, honesty, independence, fairness, openness and competence.

Failure by any of the trustees to properly exercise their fiduciary duty (e.g., not disclosing or addressing conflicts of interest), can result in disciplinary actions, revocation of the trustee appointment, or even civil or criminal prosecution.

## BOARD EDUCATION

Members of the CBE SRP Board of Trustees are required to regularly participate in continuing education programs in order to be effective in their trustee work and make the best decisions for the Plan and its members. The continuing education is designed to enhance their knowledge and understanding of pension governance, administration and investments.

## BOARD EXPENSES

Members of the CBE SRP Board of Trustees who are not otherwise paid by their sponsoring party to participate in meetings and educational activities receive a per diem of \$250. In addition, all reasonable expenses incurred by the trustees in order to attend meetings and participate in educational activities are reimbursed. In 2015, two trustees were eligible to receive per diems. Total board expenses for 2015 were \$49,349.

# ACTUARIAL REPORT AS OF DECEMBER 31, 2015

## VALUATION AS A SHARED RISK PLAN

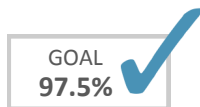
The actuarial valuation report for the CBE SRP was completed as of December 31, 2015, and filed with the New Brunswick Superintendent of Pensions. As a shared risk pension plan, the CBE SRP is subject to requirements under the *PBA* when completing an annual valuation, which includes the requirement for risk management testing and for reporting on risk management goals.

The decline in interest rates in recent years has resulted in extra investment gains for pension funds invested with a long-term view like your pension plan. However, lower interest rates today mean that investment returns in the future may well be lower. Given this, the Board felt it was prudent to reduce the rate it expects the plan to earn in the future (i.e., the discount rate). Despite the impact of a lower discount rate on results, the plan was still in a very good funding position at January 1, 2016.

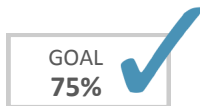
## RISK MANAGEMENT TESTING

Shared risk pension plans are required to undergo a series of annual risk management tests to ensure their security and ability to provide long-term benefits to their members.

We are pleased to report that the pension plan's actuary has confirmed that the CBE SRP has successfully passed these tests as part of their annual actuarial valuation report as of December 31, 2015:



The CBE SRP passed the primary risk management goal with a 98.45% probability (99.15% in 2014) that base benefits earned would not be reduced over the next 20 years.



The CBE SRP passed the first secondary risk management goal with the projection that members, retirees and their beneficiaries will receive on average 79.9% (83.7% in 2014) of the Consumer Price Index (CPI) increase over the next 20 years.

## FUNDING STATUS OF THE PLAN

The *PBA* requires that the funding status of the pension plan be measured on two separate bases as part of the valuation:

### TERMINATION VALUE FUNDED RATIO

- This ratio compares the fair market value of the pension plan's assets to the pension plan's liabilities as of December 31, 2015, and is used in the calculation of a member's benefits on termination of employment, death, marriage breakdown or retirement.
- As of December 31, 2015, the pension plan had \$1.79 billion in assets and \$1.72 billion in liabilities for a termination value funded ratio of 104.0% (117.7% in 2014).

### 15-YEAR OPEN GROUP FUNDED RATIO

- This ratio measures the pension plan's ability to provide the benefits earned to date. It is also used to determine the actions to be taken by the Board of Trustees under the pension plan's Funding Policy.
- This ratio compares the fair market value of the Plan's assets, plus the present value of excess contributions over the next 15 years to the Plan's liabilities at January 1<sup>st</sup> of every year.
- As of December 31, 2015, the pension plan's open group funded ratio was 122.7% (145.2% in 2014). Cost of living adjustment can be provided if this ratio exceeds 105.0%.

# COST OF LIVING ADJUSTMENT



The CBE SRP provides for a cost of living adjustment (“COLA”, also known as “Indexation”) each year if there is a large enough surplus in the pension plan. If the funding level of the CBE SRP does not allow for any or a portion of COLA to be granted in a given year, the increases are carried forward to future years and may be paid if the funding level of the pension plan allows for it at that time. When COLA is provided, it is provided to active employees, retirees and deferred members.

The 2017 adjustment is 1.40%, and is based on the increase in the average of the Consumer Price Index (Canada) for the 12-month period ending the preceding June. It will be applied on January 1, 2017.

Active members will have the increase applied to the benefit that they have earned up to December 31, 2015. Retirees will have this amount applied to their monthly pension benefit and will receive notification in December outlining the increase they will receive in their monthly benefit starting in January 2017.

## VESTCOR PENSION SERVICES CORPORATION

The current day-to-day administrator of your pension plan, the Pensions and Employee Benefits Division of the Department of Human Resources, became Vestcor Pension Services Corporation on October 1, 2016. Pension administration services continue to be provided under a renewable five-year service level agreement with your Board of Trustees. The corporation consists of the same expert team that has been providing services to your plan for years. These services include benefits counseling services, pension and purchase of service calculations, the payment of monthly pensions, etc.

Vestcor Pension Services Corporation was created by the trustee boards of the New Brunswick Public Service and New Brunswick Teachers’ pension plans. It is designed to continue providing high quality, cost-effective services to all of its clients, which includes the CBE Shared Risk Plan.

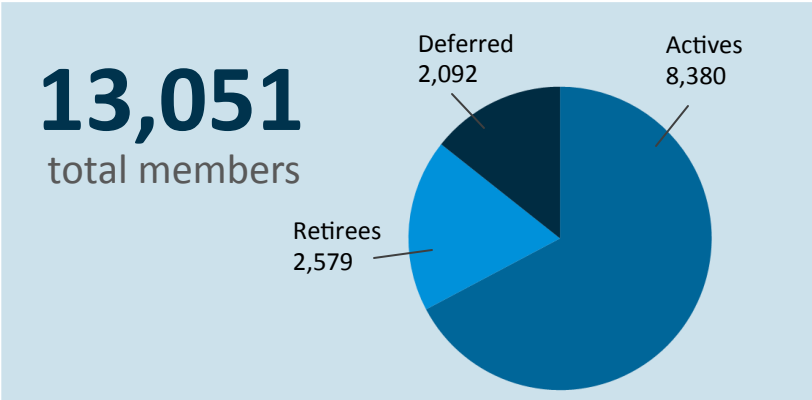
Further information regarding the Vestcor Pension Services Corporation can be found at the following address: [www.vestcor.org/pensions](http://www.vestcor.org/pensions)

## AMENDMENT TO THE FUNDING POLICY


New Brunswick’s *Pension Benefits Act (PBA)* requires that members be provided with an update on any amendments to the CBE SRP Plan Text or related documents. Please note the following amendment was filed on July 27, 2016:

The CBE SRP Funding Policy was amended to implement a discount rate of 4.75% as of December 31, 2015, and to transition the authority to consider future changes to the discount rate on the advice of the actuary to the CBE SRP Board of Trustees.


# A LOOK AT CBE SRP AS OF DECEMBER 31, 2015



BENEFITS PAID  
OUT IN 2015  
**\$55.7**  
million



**ACTIVE MEMBERS**




Average Age: 43.1 years  
Average Salary: \$66,657  
Average Service: 10.7 years

CONTRIBUTIONS  
Active Members  
**\$44.0**  
million



**RETIREEES**



Average Age: 67.6 years  
Average Pension: \$18,553

CONTRIBUTIONS  
Employers  
**\$42.2**  
million



**PLAN ADMINISTRATOR SERVICES SURVEYS**

Over the coming months, satisfaction surveys will be developed and provided to a sample of active plan members and retirees who have recently received services (e.g. request for pension estimates, purchases of service, etc.) from Vestcor Pension Services Corporation (VPSC). The purpose of these surveys will be to determine where improvements in service delivery can potentially be applied; this initiative is consistent with VPSC's ongoing objective to further provide accurate, reliable, and clear information in a timely manner.

# WHAT IS A BRIDGE BENEFIT?

If you retire and choose to begin receiving your CBE SRP pension payments prior to age 65, a bridge benefit is paid in addition to your lifetime pension benefit until age 65 (or upon your death, whichever is earlier).

The purpose of the bridge benefit is to “bridge” members’ pensions to age 65, when an unreduced Canada Pension Plan (CPP) pension is available. That being said, a member can elect to begin receiving their CPP pension before or after age 65 and the CBE SRP bridge benefit, upon retirement, will still be paid until age 65.

The monthly bridge benefit is equal to:

$$\left[ \$27 \times \text{Number of years of pensionable service prior to July 1, 2012} \right] + \left[ \$27 \times \text{Number of years you are a contributor to the Plan on and after July 1, 2012*} \right]$$

The bridge benefit is subject to any cost of living adjustments granted by the Board of Trustees.

\* Regardless of whether you work 100% of full-time employment or less.

## REMINDER FOR RETIREES

### DID YOU KNOW?

If you are a retiree, you can receive future communiqués from the Board of Trustees via email. Simply call Vestcor Pension Services Corporation toll free at 1 (800) 561-4012 or 453-2296 (Fredericton) and provide them with your email address.

Your pension is deposited on the 1<sup>st</sup> of each month, unless, the 1<sup>st</sup> falls on a weekend or holiday (with the exception of January 1<sup>st</sup> payments). Here are the deposit dates for 2017:

<b>January</b> 1 <sup>st</sup>	<b>March</b> 31 <sup>st</sup> (For April)	<b>June</b> 30 <sup>th</sup> (For July)	<b>September</b> 29 <sup>th</sup> (For October)
<b>February</b> 1 <sup>st</sup>	<b>May</b> 1 <sup>st</sup>	<b>August</b> 1 <sup>st</sup>	<b>November</b> 1 <sup>st</sup>
<b>March</b> 1 <sup>st</sup>	<b>June</b> 1 <sup>st</sup>	<b>September</b> 1 <sup>st</sup>	<b>December</b> 1 <sup>st</sup>



For questions, please contact Vestcor Pension Services Corporation toll free at 1 (800) 561-4012 or 453-2296 (Fredericton).

DISCLAIMER: This publication is intended to provide information about the Shared Risk Plan for Certain Bargaining Employees of New Brunswick Hospitals (CBE SRP). If there is a discrepancy between the information contained herein and the CBE SRP Text, the latter will prevail.