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SHARED RISK PLAN FOR CERTAIN BARGAINING EMPLOYEES OF NB HOSPITALS

PENSION NEWS

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More information on your pension plan can be found at www.gnb.ca/cbe or by contacting the Pensions and Employee Benefits Division toll free at 1-800-561-4012 or 453-2296 (Fredericton).

YOUR BOARD OF TRUSTEES

NEW SHARED RISK PLAN VIDEO

The CBE Shared Risk Plan Board of Trustees, in collaboration with the Boards of Trustees for the Public Service Shared Risk Plan and the Shared Risk Plan for CUPE Employees of New Brunswick Hospitals, have developed a new video which provides a general overview of how your pension plan works.

Whether you are a new employee or a long-time participant of the plan, this four-minute video is designed to provide you with a general introduction to your plan, highlighting its most important aspects.

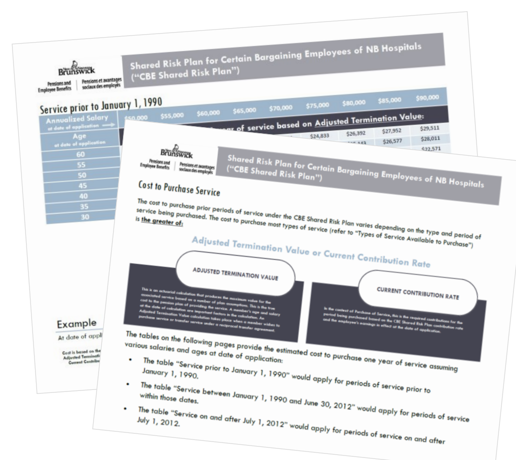
If you are viewing this newsletter electronically, click on the "Shared Risk Plan" image to directly access the video. Otherwise, this video can be accessed through your internal employer website, or through the Pensions and Employee Benefits Division (PEBD) website at the following address: www.gnb.ca/cbe.

NEW PURCHASE OF SERVICE DOCUMENT

To assist members interested in obtaining information regarding the option to purchase past service and the potential cost, a comprehensive new Purchase of Service document is available on the PEBD website: www.gnb.ca/cbe.

The document provides the following information:

- details regarding the various types of service available for purchase and the costing methodology associated with each type;
- details regarding the two costing methodologies; and
- tables comparing the two costing methods, with estimated costs of purchasing one year of service based on various ages and salary levels at the date of application. An estimate of the annual pension benefit associated with the purchase of one year of service is also provided.



EMPLOYEE STATEMENT OF PENSION BENEFITS

The 2015 Employee Statement of Pension Benefits are being prepared and will be mailed directly to plan members. The target date for delivery is July 2016.

UNDERSTANDING YOUR PLAN
RETIRING BEFORE OR AFTER AGE 65

The rules that apply to members who retire either before or after age 65 are often misunderstood. The following information is intended to clarify the issue by answering some of the most commonly asked questions.

WHEN IS THE EARLIEST AGE THAT I CAN RETIRE? 55.

WOULD MY PENSION BE REDUCED IF I RETIRE BEFORE 65?

Yes, however, it is important to note that the reduction would be different for service earned <u>before</u> July 1, 2012, compared to service earned <u>on or after</u> July 1, 2012:

ALL SERVICE EARNED <u>BEFORE</u> JULY 1, 2012

3% reduction per year pension starts prior to <u>age 60</u>
No reduction if retirement at <u>age 60</u> or after

ALL SERVICE EARNED <u>ON OR AFTER</u> JULY 1, 2012

5% reduction per year pension starts prior to <u>age 65</u>
No reduction if retirement at <u>age 65</u> or after

WHAT ARE THE SPECIFIC REDUCTIONS THAT WOULD BE APPLIED IF I RETIRE BEFORE 65?

The table below shows the reductions that, depending on the member's age at retirement, would be applied to the service earned <u>before</u> July 1, 2012; and the service earned <u>on or after</u> July 1, 2012:

Age at Pension Start Date	Reduction applied to all service earned before July 1, 2012	Reduction applied to all service earned on or after July 1, 2012
55	- 15%	- 50%
56	- 12%	- 45%
57	- 9%	- 40%
58	- 6%	- 35%
59	- 3%	- 30%
60	-	- 25%
61	-	- 20%
62	-	- 15%
63	-	- 10%
64	-	- 5%
65	-	-

EXAMPLE

A member retires at 58 with:

25 years of pensionable service earned <u>before</u> July 1, 2012; and

4 years of pensionable service earned <u>after</u> July 1, 2012.

Permanent reduction applied:

6% (2 years x 3%) reduction to the 25 years of service earned <u>before</u> July 1, 2012; and

35% (7 years x 5%) reduction to the 4 years of service earned <u>after</u> July 1, 2012

WHY ARE MY PENSION PAYMENTS REDUCED IF I RETIRE BEFORE 65?

Your pension would have an early retirement reduction applied if you retire before 65 because your pension payments start earlier and you would receive them for a longer period. Similarly, a late retirement adjustment (increase) would be applied if you retire after 65 because your pension payments would start at a later date.

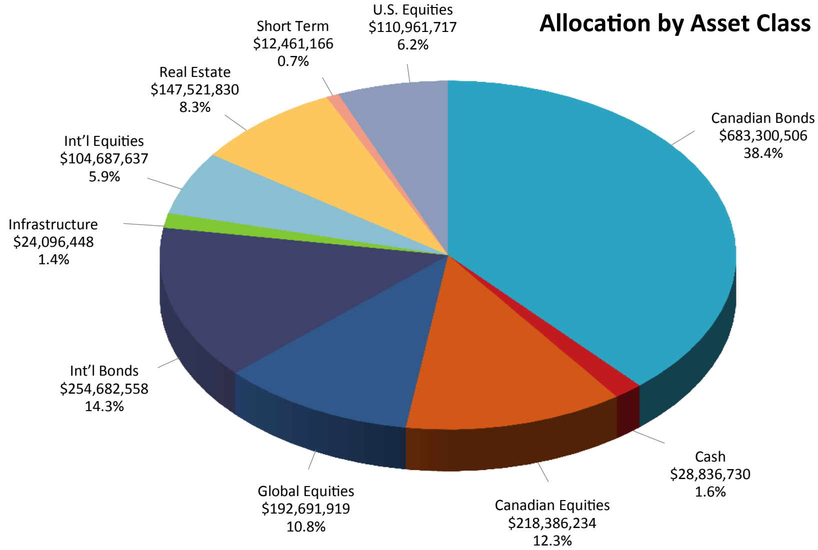
WHAT HAPPENS IF I RETIRE AFTER 65?

At 65, plan members stop contributing and do not accrue pensionable service. However, if the member **continues to work** beyond 65, a late retirement adjustment (increase) of 7.2% would be applied <u>to their entire pension benefit</u> for each year that their retirement starts after age 65.

INVESTMENT ASSETS

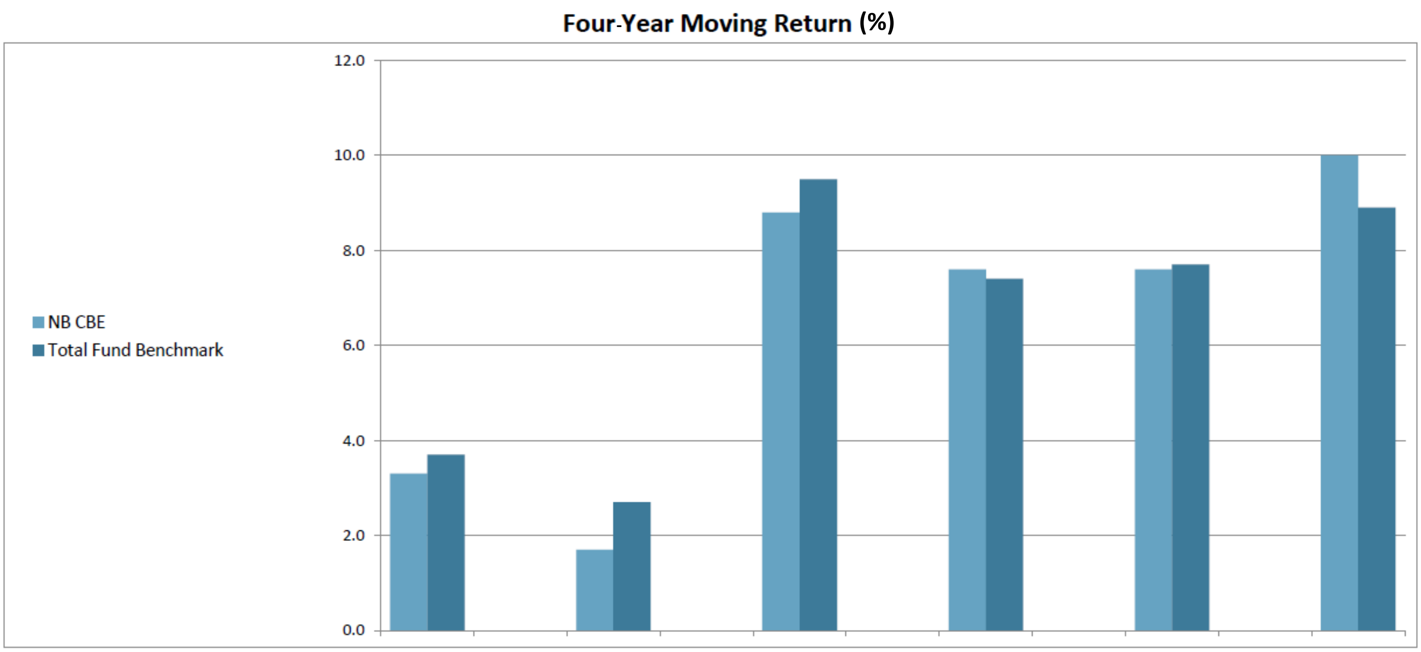
The value of the Shared Risk Plan for Certain Bargaining Employees of New Brunswick Hospitals at December 31, 2015, was $1.78 billion. The asset mix finished the year with a similar asset mix to last year but with a small increase to infrastructure and international equity while slightly reducing exposure to Canadian Equities.

This pie chart outlines the asset mix at December 31, 2015.



INVESTMENT RETURNS

The plan returned 5.8% for the year which is above the benchmark of 5.2%. The annualized four-year return for the plan is 10.0% which is ahead of the benchmark return of 8.9%. The plan's global equity assets performed well during the year posting a return of 19.0% while Canadian Equities struggled posting a return of -5.3% for 2015. Both fixed income and real estate investments also performed quite well throughout 2015. The plan's rolling four-year moving returns can be seen in the chart below.



	4 Yr Ending Dec-2010	4 Yr Ending Dec-2011	4 Yr Ending Dec-2012	4 Yr Ending Dec-2013	4 Yr Ending Dec-2014	4 Yr Ending Dec-2015
NB CBE	3.3	1.7	8.8	7.6	7.6	10.0
Total Fund Benchmark	3.7	2.7	9.5	7.4	7.7	8.9

2015 INVESTMENT REVIEW

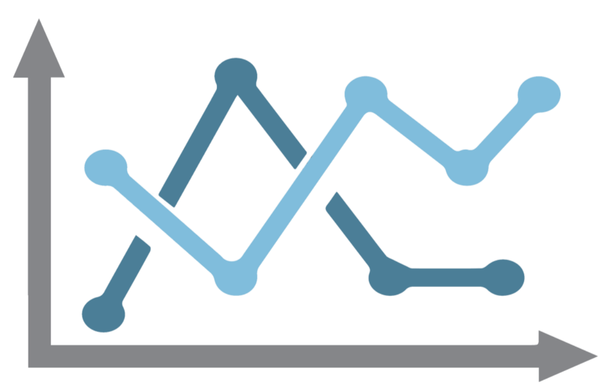
The Canadian stock market fell in 2015 as the S&P/TSX Composite posted a return of -8.32%. Financials, which is Canada's largest sector (37.75% of the index) had a relatively flat year, returning -1.85% amidst another year of low interest rates. The Energy sector had a terrible year, dropping 23.27% in 2015 as the price of oil fell to historic lows. Low oil prices were caused by a combination of decreased global demand (from China in particular), increased shale oil production and the Organization of the Petroleum Exporting Countries (OPEC) decision not to decrease production. Decreased global demand also caused commodity prices to fall dramatically as the Materials sector returned -21.38% this year. Overall, seven of the ten GICS sectors produced negative returns and the economy struggled to find growth throughout the year.

Fixed income markets were up in 2015 as the FTSE TMX Canada Bond Index was up 3.52% for the year. Bond yields remain at historic lows as the Bank of Canada continues to keep the overnight interest rate very low. In a somewhat surprising move, the Bank of Canada lowered its target for the overnight rate by 0.25% to 0.50% in July 2015. At the end of 2015, the rate remains at 0.50%. The Canadian dollar depreciated against most major currencies in 2015, falling more than 16% against the US dollar. The loonie's decline in value was linked to falling oil prices and the impact of low interest rates.

The S&P 500 (C$) posted a strong return of 21.59% in 2015. The strong US returns were almost exclusively due to the impact of a rising US dollar as after removing the effects of foreign exchange, the S&P 500 only returned 1.38%. Consumer Discretionary, Consumer Staples, and Health Care sectors performed the best while Energy and Materials sectors performed the worst. The US economy had a healthy 2015 causing the US Federal Reserve to raise interest rates for the first time in nearly a decade.

The MSCI EAFE (C$) Index ended 2015 up 18.95%. The index was supported by aggressive stimulus measures from both the European Central Bank (ECB) and the Bank of Japan. The ECB announced an expanded asset purchasing program in January while the Bank of Japan has maintained its existing stimulus policy from 2014. Consumer Staples was the best performing sector, up 31.14% for the year while the only negative performing sector was Energy, down 1.67% for the year due to low oil prices. The indices two largest countries; Japan and the United Kingdom both performed very well, up 31.84% and 11.26% respectively. Nine of the ten GICS sectors posted positive returns and returns were enhanced by the depreciation of the Canadian dollar compared to other currencies.

The MSCI EM (C$) Index posted a small positive gain, increasing 2.42% during 2015. China, the index's largest country (23.79% of the index) saw a slowdown in economic growth during 2015 but despite that, still generated an equity return of 13.16%. Five of the ten GICS sectors had positive growth in 2015, led by the Information Technology, and Health Care sectors. The worst performing sector was Materials, down 6.94% in 2015 as world commodity prices continued to plummet.



PLAN TEXT AMENDMENT

The New Brunswick *Pension and Benefits Act* (PBA) requires that members be provided with an update on any amendments to the CBE SRP Plan Text. The following amendment was filed in 2016:

To be consistent with the wording in the *Pension Benefits Act,* subsection 11.4(ii) and 11.4(iii) of the Plan text have been amended to now read "Joint and Survivor Pension" rather than "Joint and Last Survivor Pension".

SPOTLIGHT ON PHASED-IN RETIREMENT

As retirement approaches, people often wonder if they can afford to work their last few years on a part-time basis. For some, part-time income is not sufficient to cover their day-to-day expenses. The Phased-In Retirement Program offers employees an alternative way to end their career working part-time by using their future pension benefit (pension pre-payment) to top-up their monthly income.

PHASED-IN RETIREMENT EXAMPLE		
Part-Time Work Options	Pension Pre-Payment	Total Gross Income
50%	35%	85%
60%	25%	85%

$50,000 ANNUAL INCOME EXAMPLE		
Part-Time Annual Income	Pension Pre-Payment	Total Gross Annual Income
$25,000 (50%)	$17,500 (35%)	$42,500 (85%)
$30,000 (60%)	$12,500 (25%)	$42,500 (85%)

WHO CAN APPLY?

Full-time Plan members who are at least 55 and who have 5 or more years of pensionable service. Eligibility is subject to employer approval and cannot exceed certain *Income Tax Act* limits.

WHAT IS THE LENGTH OF THE PHASED-IN PERIOD?

1-5 years.

HOW DOES THIS IMPACT MY PENSIONABLE SERVICE?

You continue to earn full-time pension credit with no requirement to make pension contributions.

HOW DOES THIS IMPACT MY PENSION AT RETIREMENT?

At the end of the phase-in period, an offset (reduction) is permanently applied to your pension.

HOW DO I KNOW IF THIS PLAN IS RIGHT FOR ME?

Contact the PEBD to receive a Phased-In Retirement Estimate by calling 1-800-561-4012 or 453-2296.

WHERE CAN I GET MORE INFORMATION?

The Phased-In Retirement booklet is available online at www.gnb.ca/cbe under Active Employees - Booklets.