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Highlights

- COLA of 1.43% to be granted, effective January 1, 2015
- Open Group Funded Ratio:
 - o 119.20% as at December 31, 2013
- Plan Assets:
 - o \$598.6 million at December 31, 2013



Message from the Chairperson

On behalf of the Shared Risk Plan for the Canadian Union of Public Employees (CUPE) of NB Hospitals (the “CUPE Hospitals SRP”) Board of Trustees, I am pleased to report that the financial position of your Pension Plan has further improved in 2013. This was primarily as a result of strong investment returns.

These returns translated into the Plan’s open group funded ratio improving to 119.2% in 2013 (from 114.8% in 2012), which will allow the Plan to provide the full cost of living increase to Plan members on January 1, 2015 (detailed in the *2015 Cost of Living Adjustment* section below).

It is important to note that the Board of Trustees administers the CUPE Hospitals SRP in accordance with a number of governing documents, which include the Plan’s Funding Policy. Please be advised that these documents will be available on the CUPE Hospitals SRP website in the near future.

We are very interested in your feedback. Please contact us if you have questions or comments.

Sincerely,

Renée Laforest
Chairperson, CUPE Hospitals SRP
Board of Trustees

2015 Cost of Living Adjustment (COLA)

The CUPE Hospitals SRP provides for a cost of living adjustment (COLA, also known as indexation) each year if 1) there is a large enough surplus in the Pension Plan and 2) the Pension Plan passes its risk management tests. The maximum COLA that can be provided this year is 1.43% and is based on the increase in the average Consumer Price Index (Canada) for the 12 month period ending June 30, 2014.

As a result of the most recent actuarial valuation as of December 31, 2013 (see Page 3 of the newsletter), the Board of Trustees **recently approved the full cost of living increase of 1.43%** effective January 1, 2015.

In accordance with the Plan’s Funding Policy, the 1.43% COLA will apply to all Plan members. For active and deferred Plan members, the increase will be applied to the benefit that they have earned up to December 31, 2013. For retirees, the increase will be applied to their monthly pension benefit and will be effective January 1, 2015. As in the past, retirees will receive formal notification of the increase in their pension benefit in December 2014.



Did you know?

- If you are interested in purchasing service, you can contact your Human Resources office in order to complete a purchase of service application form. The form would then be forwarded to the Pensions and Employee Benefits Division, who will verify eligibility and notify you of the cost to purchase the service.
- Although employer pension contributions no longer appear on your pay stub, please note that the Trustees ensure that employer contributions of 10.1% of annual earnings are submitted monthly to the Plan.

Eligibility for Participation – Rules for Employees who are not regular Full-Time or Part-Time Employees

Effective July 1, 2014, casual, temporary, and term employees are required to join the CUPE Hospitals SRP once they meet the following criteria:

- they have attained at least 24 months of continuous employment; and
- they have earned at least 35% of the Year's Maximum Pensionable Earnings (YMPE) in each of the prior two consecutive calendar years (\$17,885 in 2013 and \$17,535 in 2012)

As before, regular full-time and part-time employees are immediately required to participate in the CUPE Hospitals SRP once they attain regular full-time or part-time status.

Contributions to the CUPE Hospitals SRP for all active Plan members are as follows:

- Employee contributions - 9.0% of earnings
- Employer contributions - 10.1% of earnings

Additional information can be found in the Employee Booklet at the following website: www.gnb.ca/cupe1252.

Pension Terminology Explained

As Termination Value and Adjusted Termination Value are new concepts under the Shared Risk Plan model, the information below will provide you with a better understanding of these new concepts:

Termination Value: This is an actuarial calculation that provides the lump sum value of a member's pension benefit at age 65 based on a number of plan assumptions. A member's age and salary at the date of calculation are important factors in the calculation. The amount cannot be less than the member's contributions to the plan plus interest. It should be noted that the amount is not necessarily a minimum of the employee and employer contributions plus interest.

The Termination Value is an option available to vested plan members who terminate employment prior to age 55. It is also calculated when there is a marriage breakdown or a small pension.

Adjusted Termination Value: This is an actuarial calculation that produces the maximum value for the associated service based on a number of plan assumptions. This is the true cost to the pension plan of providing the service. A member's age and salary at the date of calculation are important factors in the calculation. An Adjusted Termination Value is calculated when a member wishes to purchase service or transfer service under a reciprocal transfer agreement.

Actuarial Valuation Report as at December 31, 2013

Valuation as a Shared Risk Plan

The actuarial valuation report for the CUPE Hospitals SRP was completed as at December 31, 2013 and filed with the Superintendent of Pensions on September 30, 2014.

Risk Management Testing

The Plan's actuary has confirmed that the CUPE Hospitals SRP has successfully passed the following tests as part of their annual actuarial report as at December 31, 2013:

- The CUPE Hospitals SRP passed the primary risk management goal with a 99.85% probability that base benefits earned would not be reduced over the next 20 years.
- The CUPE Hospitals SRP passed the first secondary risk management goal with the projection that CUPE Hospitals SRP Plan members and retirees will receive 94.9% of CPI over the next 20 years.
- The CUPE Hospitals SRP passed the second secondary risk management goal with the projection that 99.85% or above of ancillary benefits (i.e., early retirement subsidy) will be provided 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 Funding Ratio
 - As at December 31, 2013 the Plan had \$598.6 million in assets and \$786.5 million in liabilities for a termination value funded ratio of 76.1%.
- 15-Year Open Group Funded Ratio
 - As at December 31, 2013 the Plan's open group funded ratio is 119.2%.

Pension Plan Text – Amendments

The *New Brunswick Pension Benefits Act (PBA)* requires that Plan members be provided with an update on any Plan amendments. On June 23, 2014, the Board of Trustees filed a revised and restated Plan Document to clarify the terms of the Plan in accordance with the Shared Risk Plan Regulations and administration of the Plan. This was necessary as Regulation 2012-75 under the *PBA* had not been adopted as of the conversion date.

In addition, wording in subsection 19.1 was changed from “shall” to “may” which has the effect of allowing members with little service at termination the option to draw a small pension as opposed to having to take a Termination Value refund. This change was made in consultation with the Office of the Superintendent of Pensions.

The complete version of the CUPE Hospitals SRP Plan Text will soon be available at www.gnb.ca/cupe1252.

Contact

More information on your Pension Plan can be found at: www.gnb.ca/cupe1252.

Please do not hesitate to contact a Benefits Counselor at 453-2296 (Fredericton area) or toll free at 1-800-561-4012.

CUPE Hospitals SRP Board of Trustees
 c/o Pensions and Employee Benefits Division
 P.O. Box 6000
 Fredericton, NB E3B 5H1

Your Board of Trustees

Province of NB	NBCHU/CUPE Local 1252
– Renée Laforest (Chair)	– David Matthews (Vice Chair)
– Luc J. Sirois	– Brian Poirier
– Jean-Claude Pelletier	– Brenda Vienneau
– Vacant	– Bernard Brun

Investment Report as at December 31, 2013

The Board of Trustees for the CUPE Hospitals SRP is responsible for all decisions related to the investment policy for the Plan, subject to specific risk management constraints set out in their Funding Policy and the PBA.

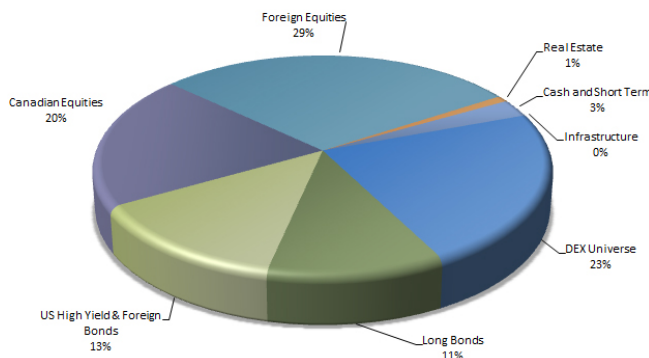
Asset Mix

The development of the asset mix for the CUPE Hospitals SRP is dependent on the actuarial liability of the Pension Plan and the Pension Plan’s ability to pass the risk management tests under the Funding Policy and requirements of the PBA.

To ensure the long-term security and stability of the CUPE Hospitals SRP, the asset mix is being transitioned to a lower risk portfolio.

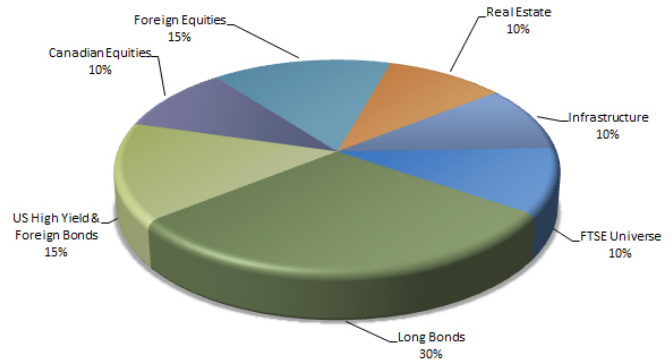
Total assets under management as at December 31, 2013 stood at \$589.7 million and the current asset mix is shown in the following chart.

CUPE Hospitals SRP Asset Mix (December 31, 2013)



The following target asset mix has been approved by the Trustees as part of their Investment Policy and has been filed with the Superintendent of Pensions.

CUPE Hospitals SRP Target Asset Mix

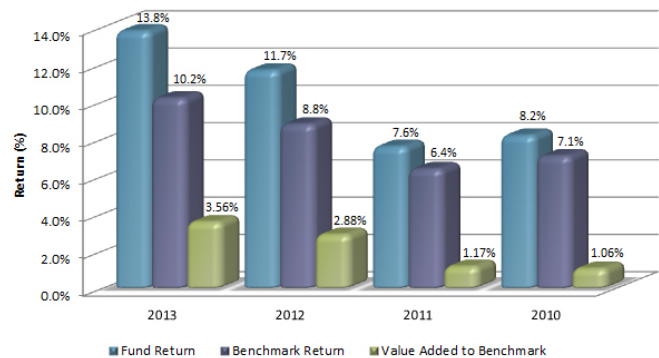


Investment Performance (as at December 31, 2013)

In terms of the investment performance, the objective of the CUPE Hospitals SRP is to add value above investment benchmarks through active management strategies.

The overall year-ended December 31, 2013 rate of return of 13.8% is in excess of the benchmark rate of return of 10.2%. Investment returns are reported gross of investment management fees.

Investment Performance (as of December 31, 2013)



Your Plan Agents

Plan Administrator	NB Pension and Employee Benefits
Investment Managers	<ul style="list-style-type: none"> – Franklin Templeton Advisers – Franklin Templeton Investments Corp. – MFS Investment Management – Leith Wheeler Investment Counsel Ltd. – Bentall Kennedy (Canada) LP – IFM Investors

Auditor	Grant Thornton
Actuary / Consultant	Morneau Shepell
Performance Measurement	API Asset Performance Inc.
Custodian	RBC Investor and Treasury Services