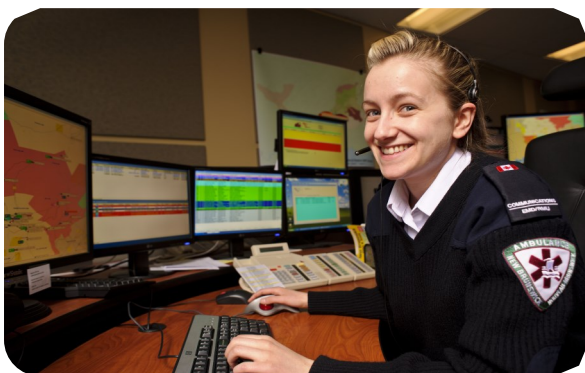


PENSION NEWS



Fall 2015

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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 2014. As was the case for 2013, this was primarily as a result of strong investment returns.

These returns translated into the Plan’s open group funded ratio improving to 122.0% in 2014 (from 119.2% in 2013), which will allow the Plan to provide the full cost of living increase to Plan members on January 1, 2016 (detailed in the 2016 Cost of Living Adjustment section below).

I am also pleased to report that Larry Guitard has been appointed as a Trustee by the Secretary of the Board of Management of the Province, filling the remaining Board vacancy.

As always, your Board of Trustees is interested in receiving any feedback that you may have and encourage you to write to us at the address listed under contact information.

Sincerely,

Renée Laforest

Chairperson, CUPE Hospitals SRP Board of Trustees

YOUR BOARD OF TRUSTEES

Province of NB

Renée Laforest
(Chairperson)

Luc J. Sirois

Jean-Claude Pelletier

Larry Guitard

David Matthews
(Vice-Chairperson)

Brian Poirier

Brenda Vienneau

Bernard Brun

NBCHU/
CUPE Local 1252

CONTACT INFORMATION

CUPE Hospitals SRP Board of Trustees
c/o Pensions and Employee Benefits
PO Box 6000

Fredericton, NB E3B 5H1

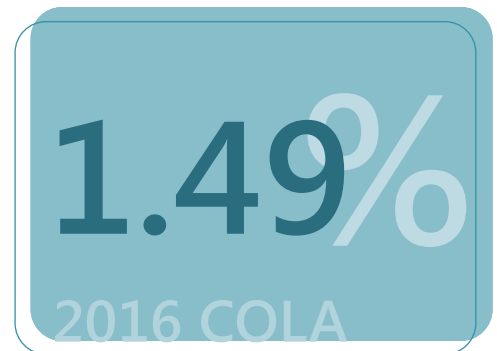
For questions, please contact Pensions and Employee Benefits Division toll free at 1-800-561-4012 or (506) 453-2296 (Fredericton).

2016 COST OF LIVING ADJUSTMENT (COLA)

The CUPE Hospitals SRP provides for a yearly cost of living adjustment (COLA), also known as indexation, 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 1.49% and is based on the increase in the average Consumer Price Index (Canada) for the 12-month period ending June 30, 2015.

As a result of the most recent actuarial valuation as of December 31, 2014 (see Page 2), the Board of Trustees **recently approved the full cost of living increase of 1.49% effective January 1, 2016.**

In accordance with the Plan’s Funding Policy, the 1.49% 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, 2014. For retirees, the increase will be applied to their monthly pension benefit and will be effective January 1, 2016. As in the past, retirees will receive formal notification of the increase in their pension benefit in December 2015.



ACTUARIAL VALUATION REPORT AS OF DECEMBER 31, 2014

VALUATION AS A SHARED RISK PLAN

The actuarial valuation report for the CUPE Hospitals SRP was completed as of December 31, 2014, and filed with the Superintendent of Pensions on September 30, 2015.

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 of December 31, 2014:

Requirement	Result as of December 31, 2014	Result as of December 31, 2013
Primary Risk Management Goal — Achieve 97.5% probability that base benefits earned would not be reduced over the next 20 years.	99.85% (Passed)	99.85% (Passed)
1st Secondary Risk Management Goal — Provide indexing in excess of 75% of CPI to members and retirees over the next 20 years.	93.9% of CPI (Passed)	94.9% of CPI (Passed)
2nd Secondary Risk Management Goal — Achieve at least 75% probability that ancillary benefits (i.e. early retirement subsidy) will be provided over the next 20 years.	99.85% (Passed)	99.85% (Passed)

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:

1) Termination Funding Ratio

- ◇ As of December 31, 2014, the Plan had \$677.7 million in assets and \$838.7 million in liabilities for a termination value funded ratio of 80.8%.

2) 15-Year Open Group Funded Ratio

- ◇ As of December 31, 2014, the Plan's open group funded ratio is 122.0%.

WHAT IS A BRIDGE BENEFIT?

If you retire and choose to begin receiving your CUPE Hospitals 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 CUPE Hospitals SRP bridge benefit, upon retirement, will still be paid until age 65.

The monthly bridge benefit is equal to \$18 multiplied by the number of years of pensionable service prior to July 1, 2012, plus \$18 multiplied by the number of years you are a contributor to the Plan on and after July 1, 2012 (regardless of whether you work 100% of full-time employment or less).

The bridge benefit is subject to any cost of living adjustments granted by the Board of Trustees and, unlike the lifetime pension benefit, is not subject to any early retirement reduction factors.



STEP 2 INCREASE OF FUNDING POLICY

Each year, if the full cost of living adjustment (COLA) is approved and there remains a large enough surplus in the Plan, the CUPE Hospitals SRP provides for a further benefit increase, known as a "Step 2 Increase."

The Step 2 Increase is the second step of the Funding Policy that the Board of Trustees is able to provide if surplus funds are still available following payment of COLA (Step 1 of the Funding Policy).

Based on the results of the December 31, 2013, actuarial valuation, it was determined that there were enough surplus funds available (following payment of the 2015 COLA of 1.43%) to provide 95% of the Step 2 Increase retroactive to January 1, 2015. Based on this information, the Board of Trustees approved 95% of the Step 2 Increase effective January 1, 2015.

The Step 2 Increase for members was determined by comparing 1) the pension benefit at January 1, 2014 based on the CUPE Hospitals SRP benefit formula to 2) the pension benefit calculated based on a best five year average salary up to December 31, 2013 (disregarding any COLA payable on January 1, 2013 and January 1, 2014). If the recalculation test resulted in an increase to the pension benefit of the member at January 1, 2014, 95% of the increase was able to be applied to the member's pension benefit. In no instance was any member's pension benefit reduced by the recalculation test.

This recalculation test was done for all members who had not retired before December 31, 2013. Members (active employees, deferred members, and retirees) whose benefit increased as a result of the recalculation test have been formally notified. Impacted retirees received the increase in their monthly pension benefit retroactive to January 2015 or their pension commencement date, whichever occurred earlier.

PLAN TEXT AND FUNDING POLICY AMENDMENTS

The New Brunswick *Pension Benefits Act (PBA)* requires that Plan members be provided with an update on any Plan amendments. As such, the Board of Trustees would like to inform you of amendments which have been filed thus far with the Superintendent of Pensions in 2015.

On June 22, 2015, the Board of Trustees filed the following amendments to the Plan Text:

- The expansion of the provisions that would allow a member to become entitled to receive a monthly pension benefit under the Plan (become vested) by including two years of pensionable service as a possible criteria;
- The removal of the words "a report containing" from subsection 15.7 in order to not limit the manner in which the Board of Trustees could share various Plan information with its various stakeholders; and
- The inclusion of details regarding the benefit increase associated with the COLA and the Step 2 Increase of the Funding Policy (both effective January 1, 2015).

In addition, the Board of Trustees filed amendments to the Funding Policy on June 22, 2015, for:

- Amended mortality rates to be used in the funding policy actuarial valuation as of December 31, 2013 and beyond; and
- The timing of the changes following the date of the Funding Policy Valuation Report that triggered the need for the action for steps 2 through 4 of the Funding Deficit Recovery Plan to be amended from no later than 18 months to no later than 12 months.

The updated versions of the CUPE Hospitals SRP Plan Text and Funding Policy will soon be available at www.gnb.ca/cupe1252.



DISCLAIMER: This newsletter is a publication by the CUPE Hospitals SRP Board of Trustees. This publication is intended to provide information about the Shared Risk Plan for Canadian Union of Public Employees (CUPE) of NB Hospitals. If there is a discrepancy between the information contained herein and the pension plan text or other appropriate governing documents, the latter will prevail.