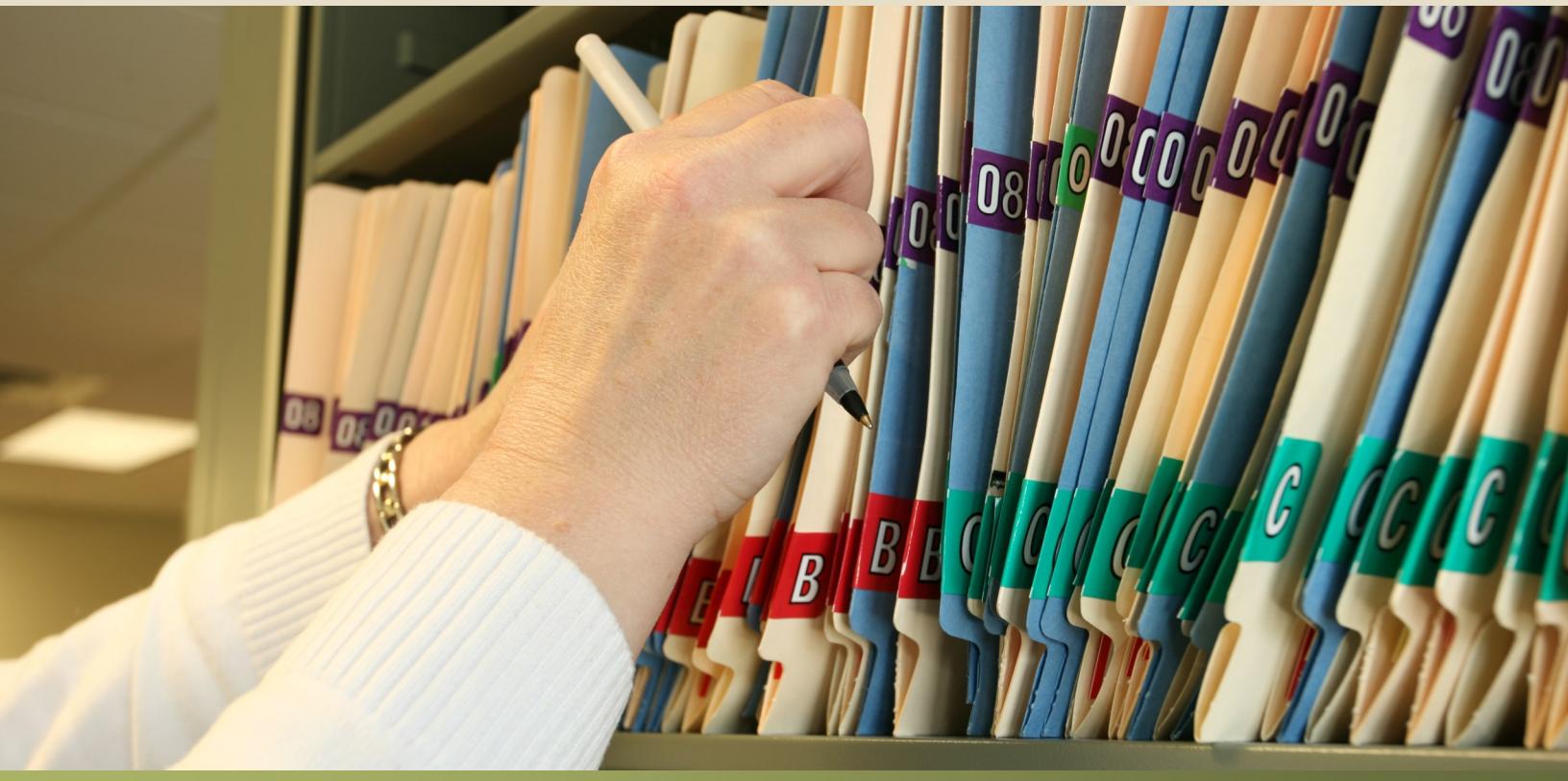


PENSION NEWS

Fall 2016



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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 provide the Fall 2016 CUPE Hospitals SRP newsletter.

As detailed within this edition of the newsletter, I am pleased to report that the Board of Trustees has been able to approve not only the full cost of living increase to plan members on January 1, 2017 (detailed in the 2017 Cost of Living Adjustment section), but also a number of additional member benefit increases following a cost analysis of the December 31, 2014 actuarial valuation (detailed in the Steps 3, 4, and 5 Increases of Funding Policy section).

Information is also provided within this newsletter which provides details regarding progressive changes which have occurred to the organization that conducts the day-to-day administration of your pension plan.

As always, your Board of Trustees encourages you to provide any comments or feedback that you may have regarding the newsletter or any other questions related to your pension plan (address information is provided under the "Contact Information" section).

Sincerely,
David Matthews
Chairperson, CUPE Hospitals SRP Board of Trustees

YOUR BOARD OF TRUSTEES

NBCHU/
CUPE Local 1252

David Matthews
(Chairperson)
Brian Poirier
Brenda Vienneau
Bernard Brun



Renée Laforest
(Vice-Chairperson)
Luc J. Sirois
Jean-Claude Pelletier
Larry Guitard

Province of NB

CONTACT INFORMATION

CUPE Hospitals SRP Board of Trustees
c/o Vestcor Pension Services Corporation
PO Box 6000
Fredericton, NB E3B 5H1

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

2017 COST OF LIVING ADJUSTMENT (COLA)



1.40%

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 1.40% and is based on the increase in the average Consumer Price Index (Canada) for the 12-month period ending June 30, 2016.

As a result of the most recent actuarial valuation as of December 31, 2015, the Board of Trustees **recently approved the full cost of living increase of 1.40% effective January 1, 2017.**

In accordance with the Plan's Funding Policy, the 1.40% 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, 2015. For retirees, the increase will be applied to their monthly pension benefit and will be effective January 1, 2017. As in the past, retirees will receive formal notification of the increase in their pension benefit in December 2016.

ACTUARIAL VALUATION REPORT AS OF DECEMBER 31, 2015

VALUATION AS A SHARED RISK PLAN

The actuarial valuation report for the CUPE Hospitals SRP was completed as of December 31, 2015, and filed with the Superintendent of Pensions on September 30, 2016.

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, 2015:

REQUIREMENT	Result as of December 31, 2015	Result as of December 31, 2014
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)
1 st Secondary Risk Management Goal — Provide indexing in excess of 75% of CPI to members and retirees over the next 20 years.	91.3% of CPI (Passed)	93.9% of CPI (Passed)
2 nd 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 *Pension Benefits Act* requires that the funding status of the pension plan be measured on two separate bases as part of the valuation:

1) Termination Funded Ratio

- ◊ As of December 31, 2015, the Plan had \$718.1 million in assets and \$891.5 million in liabilities for a termination value funded ratio of 80.5%.

2) 15-Year Open Group Funded Ratio

- ◊ As of December 31, 2015, the Plan's open group funded ratio is 120.7%.

STEP 3, 4, AND 5 INCREASES 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 can provide further benefit increases.

As was indicated in our previous newsletter, a "Step 2 Increase" was provided following the results of the December 31, 2014 actuarial valuation. The Step 2 Increase is the second step of the Funding Policy that the Board of Trustees was able to provide, as there were surplus funds still available following payment of the 2016 COLA of 1.49% (Step 1 of the Funding Policy).

Based on the results of the December 31, 2014 actuarial valuation, it was determined that there were enough surplus funds available (following payment of the 2016 COLA and the Step 2 Increase) to provide further increases as detailed under the Funding Policy. Based on this information, the Board of Trustees approved the following increases:

"Step 3 and 4 Increase"

For all members who retired between July 1, 2012 and December 31, 2014, a calculation was conducted to compare 1) the pension benefit at retirement based on the CUPE Hospitals SRP benefit formula to 2) the pension benefit calculated based on a best five year average salary up to the retirement date (disregarding any COLA payable prior to the retirement date). If the recalculation test resulted in an increase to the pension benefit of the retiree at January 1, 2015, 100% of the increase (the "Step 3 Increase") was able to be applied to the retiree's pension benefit effective January 1, 2016.

For all retirees who received a Step 3 Increase as detailed above, a calculation was also conducted to determine the lump sum pension payable to these retirees in order to retroactively award the Step 3 Increase from December 31, 2015 back to their date of retirement (the "Step 4 Increase").

Retirees whose benefit increased as a result of the Step 3 and Step 4 Increase recalculation tests will be notified when the increases have been applied to their monthly pension benefit. Additionally, in no instance was any retiree's pension benefit reduced as a result of the Step 3 or Step 4 Increase recalculation test.

"Step 5 Increase"

This recalculation test was done for all members who had not retired before December 31, 2014. The "Step 5 Increase" was calculated by determining the applicable rate of increase in the "Average Wage"^{*} less any Step 2 Increase that was granted from the December 31, 2013 and December 31, 2014 actuarial valuation. If the calculation resulted in an increase to the pension benefit of the member at January 1, 2015, 100% of the increase was able to be applied to the member's pension benefit effective January 1, 2016. As with all of the other step increases, in no instance was any member's pension benefit reduced by the recalculation test.

Members whose benefit increased as a result of the Step 5 recalculation test will be notified when the increase has been applied. Impacted members who retired after December 31, 2014 will be notified when the increase has been applied to their monthly pension benefit retroactive to January 2016 or their pension commencement date if it occurred after January 2016.

* The term "Average Wage" is used under the Income Tax Act to increase various maximums and also to increase earnings for the purpose of calculating the maximum pension payable under a pension plan under Regulation 8504. The Wage measure is a figure that is calculated monthly and published by Statistics Canada under the Statistics Act as the Industrial Aggregate in Canada.

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 NB Teachers' pension plans. It is designed to continue providing high quality, cost-effective services to all of its clients, which includes the CUPE Hospitals Shared Risk Plan.

Further information regarding the Vestcor Pension Services Corporation can be found at the following address:
www.gnb.ca/pensions



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.) by the Vestcor Pension Services Corporation. The purpose of these surveys will be to determine where improvements in service delivery can potentially be applied; this initiative is consistent with Vestcor's ongoing objective to further provide accurate, reliable, and clear information in a timely manner.

PLAN TEXT AMENDMENTS

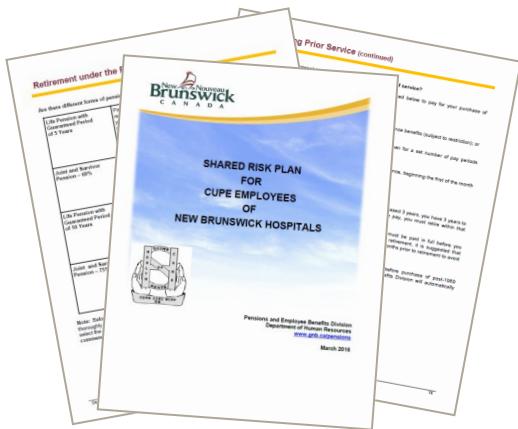
The New Brunswick *Pension Benefits Act (PBA)* requires that Plan members be provided with an update of any Plan amendments. As such, the Board of Trustees would like to inform you of the following Plan Text amendments which have recently been filed with the Superintendent of Pensions:

- An amendment was filed on May 11, 2016 to include details regarding the benefit increase associated with the Step 3 Increase of the Funding Policy (effective January 1, 2016);
- An amendment was filed on August 3, 2016 to include details regarding the benefit increase associated with the Step 4 and Step 5 Increase of the Funding Policy (effective January 1, 2016); and
- An amendment was filed on September 28, 2016 to include details regarding the benefit increase associated with the COLA Increase of the Funding Policy (effective January 1, 2017).

The updated version of the CUPE Hospitals SRP Plan Text is available at the following website:
www.gnb.ca/cupe1252

DID YOU KNOW?

EMPLOYEE BOOKLET



The CUPE Hospitals SRP Booklet provides a comprehensive, yet easy-to-read overview of important pension plan information. Key items covered in the booklet include the various pension provisions, purchase of service rules, a glossary of terms, and contact information.

The CUPE Hospitals SRP Booklet is available at the following website: www.gnb.ca/cupe1252

PLAN MEMBERSHIP

ACTIVE MEMBERS



Average Age: 44.9 years

Average Salary: \$39,375

Average Service: 8.2 years

RETIREES



Average Age: 69.8 years

Average Pension*: \$9,872

*Lifetime benefit only

REMINDER FOR RETIREES

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 1st of each month, unless, the 1st falls on a weekend or holiday (with the exception of January 1st payments). Here are the deposit dates for 2017:

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



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.