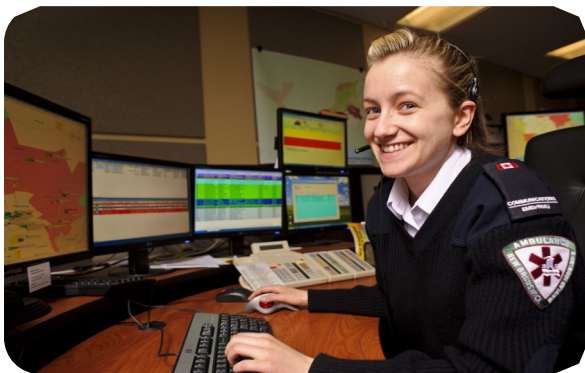


PENSION NEWS



Spring 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 first CUPE Hospitals SRP newsletter of 2016.

Following the strong investment returns in 2014 that were detailed in our previous newsletter, the Board of Trustees was in a position to approve a Step 2 Funding Policy increase to applicable members on January 1, 2016 (detailed in the Step 2 Increase of Funding Policy section of this newsletter). Increased focus has also been devoted to providing our members with resources which provide clear, easy to understand information regarding the Plan. Examples of these efforts include the development of a new Shared Risk Plan Video and Online Purchase of Service Information Document (also detailed in this newsletter).

I am also pleased to report that following a vote at the December 9-10 2015 Board of Trustees meeting, I was elected as the new Chairperson of the Board. Having served as the Vice-Chairperson of this Board since it converted to the shared risk model in 2012, I look forward to continuing the progress that the Board has achieved over the past few years. I would like to thank my predecessor and new Vice-Chairperson of the Board, Renée Laforest, for the important role she has played in successfully guiding the Board to this point.

Your Board of Trustees, as always, welcomes you to contact us with any comments or feedback that you may have (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 Pensions and Employee Benefits Division (PEBD)
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).

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). As was indicated in our previous newsletter, 95% of the Step 2 Increase was provided following the results of the December 31, 2013 actuarial valuation.

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 of 1.49%) to provide 100% of the Step 2 Increase retroactive to January 1, 2016. Based on this information, the Board of Trustees approved 100% of the Step 2 Increase effective January 1, 2016.

The Step 2 Increase for members was determined by comparing 1) the pension benefit at January 1, 2015 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, 2014 (disregarding any COLA payable on January 1, 2013, January 1, 2014, and January 1, 2015). If the recalculation test 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. 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, 2014. Members (active employees, deferred members, and retirees) whose benefit increased as a result of the recalculation test have been formally notified. Impacted retirees 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.

NEW SHARED RISK PLAN VIDEO

The CUPE Hospitals SRP Board of Trustees, in collaboration with the Boards of Trustees for the Public Service Shared Risk Plan (PSSRP) and the Shared Risk Plan for Certain Bargaining Employees of New Brunswick Hospitals (CBE SRP), 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.



Shared Risk Plan Video

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 web address: <http://www.gnb.ca/cupe1252>.

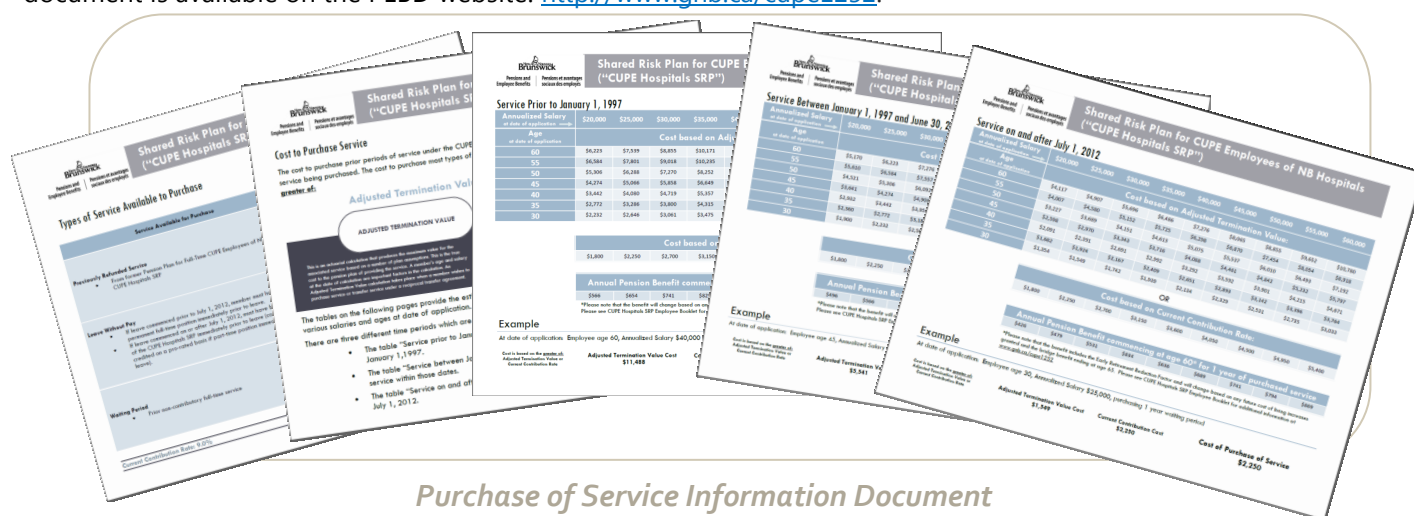
PURCHASE OF SERVICE INFORMATION DOCUMENT

In order to assist members interested in obtaining information regarding the option to purchase past service and the potential cost, a comprehensive Purchase of Service document is available on the Pensions and Employee Benefits Division (PEBD) website.

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 date of application. An estimate of the annual pension benefit associated with the purchase of one year of service is also provided.

Individuals interested in potentially purchasing service are encouraged to review this document as the cost to purchase service typically increases as members get older and their salary increases. The Purchase of Service document is available on the PEBD website: <http://www.gnb.ca/cupe1252>.



Purchase of Service Information Document

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 amendments which have recently been filed with the Superintendent of Pensions.

The Board of Trustees filed the following amendments to the Plan Text:

- An amendment was filed on November 13, 2015 to subsections 2.17 and 2.29 which allows individuals impacted by the transfer of FacilicorpNB to Service NB the opportunity to remain in the CUPE Hospitals SRP; and
- An amendment was filed on April 7, 2016 to include details regarding the benefit increase associated with the COLA and Step 2 Increase of the Funding Policy (both effective January 1, 2016).

The Board of Trustees also filed an amended Statement of Investment Policy and Goals (SIP&G) document on December 23, 2015 to consolidate the investment managers under one policy and to ensure its compliance with the *Pension Benefits Act*.

The updated versions of the CUPE Hospitals SRP Plan Text and SIP&G document will soon be available at the following website: www.gnb.ca/cupe1252.

CUPE HOSPITALS SRP FUNDING POLICY

WHAT IS THE FUNDING POLICY?

The Funding Policy is an important governance tool that is used by the Board of Trustees in managing the ongoing risks associated with operating the pension plan.

The Funding Policy addresses:

- the purpose of the Plan and the Funding Policy;
- the benefit objectives of the Plan;
- risk management goals and procedures;
- initial contribution rates and conditions for contribution adjustments;
- the Funding Deficit Recovery Plan;
- the Funding Excess Utilization Plan;
- the actuarial assumptions used for the Funding Policy valuation; and
- the annual review of the Funding Policy.

In the Spring 2015 CUPE Hospitals SRP newsletter, information was provided regarding what happens if the CUPE Hospitals SRP is less than fully funded (the Funding Deficit Recovery Plan is applied), or has a surplus (the Funding Excess Utilization Plan is applied).

In this edition of the newsletter, we will provide information regarding the Funding Deficit Recovery Plan. Prior to this, however, it is important to understand what the open group funded ratio is.

WHAT IS THE “OPEN GROUP FUNDED RATIO”?

The open group funded ratio is calculated each year by the actuary in accordance with the requirements of the *Pension Benefits Act*. This important computation is used extensively in conjunction with the Funding Policy to determine the actions to be taken by the Board of Trustees.

The CUPE Hospitals SRP open group funded ratio is calculated as follows:

WHAT IS THE “FUNDING DEFICIT RECOVERY PLAN”?

If the plan is less than 100% funded on an open group funded ratio basis for two consecutive years, the actions detailed below from the Funding Deficit Recovery Plan must be taken one by one until the open group funding ratio reaches 105%:

1. Increase contributions up to 1%
2. Change early retirement rules for post-conversion service for members who are not yet eligible to retire and receive an immediate pension under the terms of the Plan to a full actuarial reduction for retirement before age 65
3. Change early retirement rules for pre-conversion service for members who are not yet eligible to retire and receive an immediate pension under the terms of the Plan to a full actuarial reduction for retirement before age 60
4. Reduce base benefit accrual rates for future service after the date of implementation of the deficit recovery plan by not more than 5%
5. In addition to the reduction in Step 4, reduce base benefits on a proportionate basis for all members regardless of membership status for both past and future service in equal proportions

Since July 1, 2012 (the date on which the CUPE Hospitals SRP came into effect), the Plan has not been in a position requiring the implementation of any of the measures detailed within the Funding Deficit Recovery Plan. In fact, the open group funding ratio has been well over 105% since 2012 and has steadily increased year-over-year:

Valuation Year-End	Open Group Funding Ratio
July 1, 2012	114.0%
Dec 1, 2012	114.8%
Dec 1, 2013	119.2%
Dec 1, 2014	122.0%



Assets at
Dec 31, 2014

+

Present Value of
15 Years of Excess
Contributions

÷

Liabilities at
Dec 31, 2014

=

Open Group
Funded Ratio
122.0%
at Dec 31, 2014

INVESTMENT REPORT AS AT DECEMBER 31, 2015 (UNAUDITED)

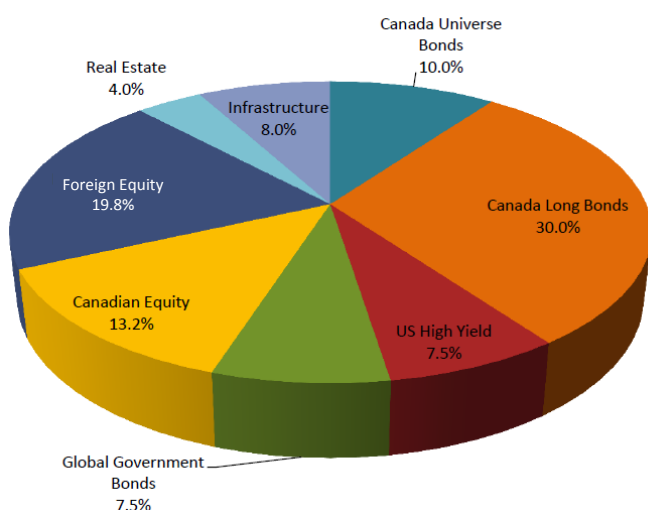
The CUPE Hospitals SRP Board of Trustees is responsible for all decisions related to the investment policy for the Plan, subject to specific risk management constraints set out in their Funding Policy and the *Pension Benefits Act (PBA)*.

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*.

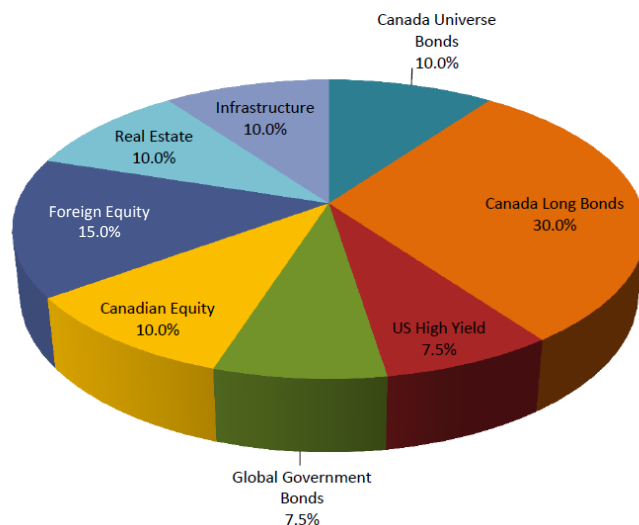
Total assets under management as at December 31, 2015 stood at \$709.6 million and the current asset mix is shown in the following chart.

CUPE Hospitals SRP Benchmark Asset Mix (December 31, 2015)



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

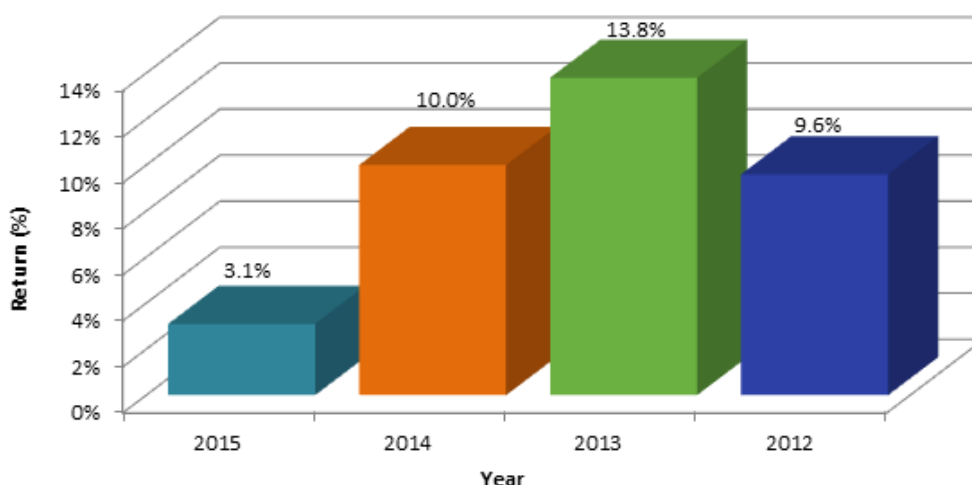


INVESTMENT PERFORMANCE (AS AT DECEMBER 31, 2015)

In terms of the investment performance, the objective of the CUPE Hospitals SRP is to follow investment principles and guidelines which are appropriate to the needs and objectives of the plan.

The overall year-ended December 31, 2015 rate of return was 3.1%. Investment returns are reported gross of investment management fees.

Investment Performance (as at December 31, 2015)



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.