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Highlights

- Open Group Funded Ratio:
 - o 114.0% as of July 1, 2012
 - o 114.8% as of December 31, 2012
- Plan Assets:
 - o \$466.9 million at July 1, 2012
 - o \$503.3 million at December 31, 2012
- COLA granted



Message from the Chairperson

On behalf of the Shared Risk Plan for Canadian Union of Public Employees (CUPE) of NB Hospitals (the "CUPE Hospitals SRP") Board of Trustees, I am pleased to present the inaugural newsletter of your Shared Risk Pension Plan. Furthermore, I am pleased to report that the Plan is in a solid financial position.

Moving forward, we plan to provide information to you on a semi-annual basis; one newsletter in the spring and one in the fall. These newsletters will typically provide highlights from the Board of Trustees meetings, an update on the results of the annual actuarial

valuation report, a year-end investment management performance report, as well as any other pertinent information related to the Plan.

Please note that we are interested in your feedback and questions. We have provided the contact information for reaching us at the end of the newsletter.

Sincerely,

Renée Laforest
Chairperson, CUPE Hospitals SRP
Board of Trustees

Cost of Living Adjustment (COLA)

Each year, based on the funding level of the CUPE Hospitals SRP, it will be determined whether the Plan is able to provide COLA (also known as "conditional indexing").

If the funding level of the CUPE Hospitals SRP does not allow for any or a portion of COLA to be granted in a given year, the increases are carried forward to future years and may be paid if the funding level of the Plan allows for it at that time.

The CUPE Hospitals SRP's Funding Policy will outline how much COLA could be provided (up to average change in Consumer Price Index (CPI)).

When COLA is provided, it will be provided to active employees, retirees and deferred members.

January 1, 2013 COLA:

At the November 23, 2012 CUPE Hospitals SRP Board of Trustees meeting, the Board, in accordance with the Funding Policy, granted COLA of 2% effective January 1, 2013 (the applicable CPI increase was 2.4%). The unpaid COLA of 0.4% was carried forward to be reviewed again in 2013.

January 1, 2014 COLA:

At the November 4, 2013 CUPE Hospitals SRP Board of Trustees meeting, the Board, in accordance with the Funding Policy, granted effective January 1, 2014 COLA of 0.96% (the applicable CPI increase was 0.96%) PLUS the unpaid COLA of 0.4% from 2013.



Did you know?

- The CUPE Hospitals SRP Booklet has been updated and is now available online at www.gnb.ca/cupe1252
- If you are a retiree, you can receive future communiqués from the Board of Trustees via email. Simply call the Pensions and Employee Benefits Division toll free at 1-800-561-4012 or 453-2296 (Fredericton) and provide them with your email address.

Plan Governance

Purpose of the Pension Plan

The sole purpose of the CUPE Hospitals SRP is to provide retirement benefits to Plan members, retirees and their beneficiaries in accordance with the Plan Text, Funding Policy and the *New Brunswick Pension Benefits Act* (the “PBA”).

Board of Trustees

A Board of Trustees (the “Board”) has been appointed to administer the CUPE Hospitals SRP. It consists of eight Trustees, including four Trustees appointed by CUPE Local 1252, and four Trustees appointed by the Secretary of the Board of Management of the Province.

Your current Board of Trustees:

- *Renée Laforest, Chair* – Appointed by the Secretary of the Board of Management of the Province*
- *David Matthews, Vice-Chair* – Appointed by CUPE Local 1252*
- *Bernard Brun – Appointed by CUPE Local 1252*
- *Brenda Vienneau – Appointed by CUPE Local 1252*
- *Brian Poirier – Appointed by CUPE Local 1252*
- *Andrew Beckett – Appointed by the Secretary of the Board of Management of the Province*
- *Jean-Claude Pelletier – Appointed by the Secretary of the Board of Management of the Province*
- *Luc J. Sirois – Appointed by the Secretary of the Board of Management of the Province*

*The Trustees select from among themselves a chair and a vice-chair. The position of the chair and vice-chair may be held for up to four years. If the chairperson is a representative of the Union, the vice-chair shall be a representative of the Province or vice versa.

Trustees must act independently of the party that appointed them and in the best interest of all Plan members, retirees and their beneficiaries. Trustees cannot be removed before their term expires by the party that appointed them, but they can be removed by the New Brunswick Superintendent of Pensions for failure to perform their duties as outlined in the PBA.

Duties of the Board of Trustees

The Board is responsible for the administration of the Pension Plan including oversight of the investments. The Plan Text, Declaration of Trust, Investment Policy and the Funding Policy are all important documents in guiding the Board in carrying out its duties. The Board has entered into service level agreements with the Pensions and Employee Benefits Division to provide pension administration services, and with the following investment managers to provide investment management services:

- Franklin Templeton Advisers
- Franklin Templeton Investments Corp.
- MFS Investment Management
- Leith Wheeler Investment Counsel Ltd.
- Bentall Kennedy (Canada) LP
- IFM Investors

The Board has been focusing its efforts on establishing governance policies, establishing sub-committees along with receiving ongoing updates from the investment managers and Pension Plan administrator. The Board shall meet as frequently as it determines necessary, but not fewer than three times per year at such time and place as the Trustees may agree upon.

Conversion Plan and Initial Actuarial Valuation Report as at July 1, 2012

Valuation as a Shared Risk Plan

The initial actuarial valuation report for the CUPE Hospitals SRP was completed as of July 1, 2012 and filed with the Superintendent of Pensions on November 29, 2013. As a Shared Risk Pension Plan, the CUPE Hospitals SRP is subject to new requirements under the *PBA* when completing an annual valuation, which includes the requirement for risk management testing and for reporting on risk management goals.

Risk Management Testing

Shared Risk Pension Plans are required to undergo a series of annual risk management tests to ensure their security and ability to provide long-term benefits to their members. The results of these tests may cause the need for shorter-term adjustments, as outlined in the *PBA* and the CUPE Hospitals SRP Funding Policy, in any one year to help preserve the long-term financial health of the Plan.

The Plan's actuary has confirmed that the CUPE Hospitals SRP has successfully passed these tests as part of their annual actuarial report as of July 1, 2012:

- The CUPE Hospitals SRP passed the primary risk management goal with a 99.9% 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 88.3% of CPI over the next 20 years.
- The CUPE Hospitals SRP passed the second secondary risk management goal with the projection that 99.9% or above of ancillary benefits (i.e., early retirement subsidy) will be provided over the next 20 years.



Funding Status of the Plan

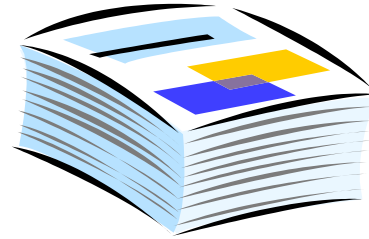
The *PBA* requires that the funding status of the Pension Plan be measured on two separate bases as part of the valuation:

- Termination Funding Ratio
 - This ratio compares the fair market value of the Plan's assets to the Plan's liabilities as of July 1, 2012 and is used in the calculation of a member's benefits on termination of employment, death, marriage breakdown or retirement.
 - As at July 1, 2012 the Plan had \$466.9 million in assets and \$721.4 million in liabilities for a termination value funded ratio of 64.7%.
- 15-Year Open Group Funded Ratio
 - This is a very important ratio as it measures the Plan's ability to provide the benefits earned to date. It is also used to determine the actions (e.g. annual cost of living adjustment) to be taken by the Board of Trustees under the Plan's Funding Policy.
 - This ratio compares the fair market value of the Plan's assets plus the present value of contributions over the next 15 years to the Plan's liabilities as of July 1, 2012.
 - As at July 1, 2012 the Plan's open group funded ratio is 114.0%.

Actuarial Valuation Report as at December 31, 2012

Valuation as a Shared Risk Plan

The actuarial valuation report for the CUPE Hospitals SRP was completed as of December 31, 2012 and filed with the Superintendent of Pensions on April 11, 2014.



Risk Management Testing

The Plan's actuary has confirmed that the CUPE Hospitals SRP has successfully passed these tests as part of their annual actuarial report as of December 31, 2012:

- The CUPE Hospitals SRP passed the primary risk management goal with a 99.9% 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 85.6% of CPI over the next 20 years.
- The CUPE Hospitals SRP passed the second secondary risk management goal with the projection that 99.9% 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, 2012 the Plan had \$503.3 million in assets and \$743.4 million in liabilities for a termination value funded ratio of 67.7%.
- 15-Year Open Group Funded Ratio
 - As at December 31, 2012 the Plan's open group funded ratio is 114.8%.

Contact

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

A team of Benefit Counselors at the Pensions and Employee Benefits Division are available to answer any questions regarding the Pension Plan, insured benefits, planning for retirement, etc. Please do not hesitate to contact them at 453-2296 (Fredericton area) or toll free at 1-800-561-4012.

Contact information

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c/o Pensions and Employee Benefits Division
P.O. Box 6000
Fredericton, NB
E3B 5H1