

**MEMORANDUM OF UNDERSTANDING REGARDING
THE PUBLIC SERVICE SUPERANNUATION PENSION PLAN**

THIS AGREEMENT made the 20th day of November, 2013.

A M O N G:

THE UNIONS LISTED IN APPENDIX C HERETO

(collectively referred to as the “Unions”)

- and -

HER MAJESTY THE QUEEN IN RIGHT OF NEW BRUNSWICK

(the “Province”)

- and -

THE MINISTER OF FINANCE FOR NEW BRUNSWICK, in his capacity as
administrator of the *Public Service Superannuation Act*

(the “Minister”)

(the Unions, the Province and the Minister are hereinafter collectively referred to
as the “Parties”)

- and -

THE PARTIES LISTED IN APPENDIX D HERETO

(The Province and the parties listed in Appendix D hereto, being collectively
referred to as the “Employer”)

WHEREAS the Public Service Superannuation Pension Plan was established pursuant to
the New Brunswick *Public Service Superannuation Act* and the regulations thereunder (the
“PSSA”);

AND WHEREAS on September 15, 2011, the Minister appointed a Task Force
consisting of Pierre-Marcel Desjardins, W. Paul McCrossan and Susan Rowland (the “Task
Force”) to review public sector pension plans by respecting, among other things, the principles
of sustainability, affordability, secure benefits, transparency and inter-generational equity;

AND WHEREAS the Task Force, in consultation with the Parties, has reviewed the
PSSA and has proposed a redesigned pension plan which it recommends be adopted;

AND WHEREAS the Parties have agreed to convert the PSSA to a shared risk plan in accordance with this Memorandum of Understanding and the Pension Benefits Act;

AND WHEREAS the Province will repeal the PSSA and introduce the new Public Service Shared Risk Plan (as defined below);

AND WHEREAS the new Public Service Shared Risk Plan will cover bargaining and non-bargaining employees and former employees currently covered under the PSSA;

NOW THEREFORE the Parties enter into this Memorandum of Understanding in respect of the full-time, casual and part-time members of the Unions who are now, or who will become members of the Public Service Shared Risk Plan (as defined below) under the changes set out hereinafter;

ARTICLE I

1.1 The Parties understand that the repealing of the PSSA will be submitted to the Legislature for its consideration. All parts of this Memorandum of Understanding are conditional on the repealing of the PSSA.

1.2 The Parties will take all such further actions, execute and deliver such further agreements, instruments and documents in writing and do all such other acts and things as may be necessary and/or desirable to achieve the conversion of the PSSA to the Public Service Shared Risk Plan.

ARTICLE II

2.1 Definitions:

“ancillary benefit” has the same meaning as is set out in the Pension Benefits Act, and, for greater certainty, also includes future Cost of Living Adjustments (“COLA”);

“base benefits” means, the amount of pension paid or payable to a member or Claimant at any given time as described under this Memorandum of Understanding. For greater certainty, the amount of pension paid is the amount paid to a retired member or Claimant at the relevant date and the amount of pension payable is the amount accrued to the credit of an active or deferred member for service rendered in the past and includes any COLA granted up to the relevant date and payable in accordance with any vested early retirement provisions at the relevant date;

“Board of Trustees” shall mean the board of trustees for the Public Service Shared Risk Plan, which shall be the administrator of the Public Service Shared Risk Plan;

“**casual**” means employment in the Public Service in a position that has been classed by the Employer as casuals provided that the Employee has earnings of at least 35% of the YMPE in each of the prior two consecutive years, including the period prior to the Conversion Date;

“**children**” means a child or children of the member who are dependent on the member for support, and (i) under 19 years of age and will not attain age 19 in the calendar year, (ii) under 25 years of age and will not attain age 25 in the calendar year and in full-time attendance at an education institution, or (iii) dependent on the member by reason of mental or physical infirmity;

“**Claimant**” means, as the case may be, (i) the eligible spouse, child or estate of the member, (ii) the member’s beneficiary, or (iii) a member who was disabled prior to January 1, 1993 (or was a deferred member as at January 1, 1993 and subsequently qualified for a disability pension) and was in receipt of a disability pension under paragraph 10(1)(b) of the PSSA as at the Effective Date;

“**contribution holidays**” means the full or partial reduction of the contributions normally paid by Employees and the Employer into the Public Service Shared Risk Plan where required under the Income Tax Act, and as defined in the Funding Policy;

“**Conversion Date**” means a date determined by agreement of the Parties;

“**Effective Date**” means a date determined by agreement of the Parties;

“**Employee**” means a full time, part time, or casual employee employed by the Employer who now is, or who will become, a member of the Public Service Shared Risk Plan by virtue of his or her employment with the Employer;

“**Employer**” means the Province and the parties listed in Appendix D hereto, collectively;

“**full time**” means employment in the Public Service requiring continuous service in an office or position, where the Employee is required to work at least twenty-nine hours per week;

“**Funding Policy**” means the funding policy for the Public Service Shared Risk Plan, as amended from time to time, established in accordance with the Pension Benefits Act and the parameters set out in Appendix A;

“**Income Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereto, as it may be amended from time to time;

“**member**” means a member of the PSSA and/or Public Service Shared Risk Plan, as the context requires and, for greater certainty, includes an Employee and a contributor (as defined in the PSSA);

“**part time**” means employment in the Public Service in a position that has been classed by the Employer as part time provided that the Employee has earnings of at least 35% of the YMPE in each of the prior two consecutive years, including the period prior to the Conversion Date;

“**Part-Time Plan**” means the Pension Plan for Part-Time and Seasonal Employees of the Province of New Brunswick;

“**Pension Benefits Act**” means the *Pension Benefits Act* (New Brunswick) and the regulations thereto, as it may be amended from time to time;

“**PSSA**” means the *Public Service Superannuation Act* (New Brunswick) and the regulations thereto, which is attached hereto as Appendix B;

“**PSSA RTAs**” has the meaning set out in section 4.1(f) of this Memorandum of Understanding;

“**Public Service**” means the several positions in or under any department as defined in the *Financial Administration Act* and includes any board, commission, corporation, educational institution or portion of the public service as specified by regulation under the PSSA, as well as positions with an Employer;

“**Public Service Shared Risk Plan**” means the new shared risk plan introduced by the Province upon the repeal of the PSSA, which plan shall be subject to the Pension Benefits Act;

“**Purchase of Service Window**” has the meaning set out in section 4.1(g) of this Memorandum of Understanding;

“**retiree**” means a former member of the PSSA or Public Service Shared Risk Plan, as the case may be, and does not include a deferred vested member of either plan (each as defined under the Pension Benefits Act);

“**spouse**” means a spouse and includes a common-law partner (each as defined under the Pension Benefits Act);

“**Shared Risk Plan**” means a shared risk plan as defined and described in the Pension Benefits Act, and shall have all of the characteristics set out in Article III of this Memorandum of Understanding;

“**Year’s Maximum Pensionable Earnings**” or “**YMPE**” shall have the meaning assigned by section 18 of the *Canada Pension Plan*, R.S. 1985, c. C-8.

ARTICLE III

3.1 The PSSA shall be converted to a Shared Risk Plan, which will have the following characteristics:

Purpose

- (a) The purpose of a shared risk plan is to provide secure pension benefits to members of the plan without an absolute guarantee but with a risk focused management approach delivering a high degree of certainty that base benefits can be met in the vast majority of potential future economic scenarios.
- (b) The Pension Benefits Act will extinguish all accrued rights to automatic future COLA adjustments for all members of the PSSA and the automatic benefit from the effect of future salary increases on the current best average salary formula for all active members of the PSSA. Upon repeal of the PSSA and the establishment of the Public Service Shared Risk Plan, these automatic future adjustments will be replaced by contingent indexing as allowed under the Funding Policy.
- (c) The required funding and risk management framework will be established pursuant to the Pension Benefits Act mandating that an appropriate allocation be made within the required contribution formula to accrue additional funds such that there is a reasonable expectation (not guaranteed) that COLA can be granted.
- (d) The required funding and risk management framework will also be designed to result in a very low probability of base benefits being reduced. The Funding Policy will contain specific steps to recover from unacceptable funding levels that will take priority over any reduction of the base benefits. However, in unlikely circumstances, base benefits may need to be reduced and if this occurs, priority will be given to the recapture of this reduction once funding levels allow, as specified under the Funding Policy.

Benefits

- (e) The base benefit for retired members, eligible Claimants in receipt of a pension and deferred members under the PSSA shall be the amount of pension paid or payable at the Effective Date, plus all COLA adjustments as may be granted by the Board of Trustees from time to time, but at no time will include potential future COLA adjustments.
- (f) The base benefit accrual rate for active PSSA members:
 - (i) shall remain unchanged at 1.3% of average salary (as defined in the PSSA) up to the average maximum salary (as defined in the PSSA) and 2% of average salary (as defined in the PSSA) in excess of the average maximum salary (as defined in the PSSA) for periods of eligible pensionable service (as determined under the PSSA) prior to the Effective Date until a change is required under the Funding Policy or is agreed to between the Unions and the Employer. For greater certainty, only salary prior to the Effective Date is included in this calculation;

- (ii) shall be 1.4% of salary (as defined in the PSSA) up to the YMPE for the year and 2% of salary (as defined in the PSSA) in excess of the YMPE (up to full time equivalent for any part time or casual members) for the year for periods of eligible pensionable service on or after the Effective Date until a change is required under the Funding Policy or is agreed to between the Unions and the Employer.
- (g) With respect to pre-Effective Date and post-Effective Date benefits: the normal form of pension is a life pension with a 50% survivor benefit payable to the spouse or children, as the case may be, of the member at death. Members who retire on or after the Effective Date and who have a spouse at retirement must elect a 60% spousal joint and survivor pension, unless both the member and his or her spouse execute a waiver in the prescribed form. Members at retirement shall also be entitled to the following optional forms of pension: 100% spousal joint and survivor pension, life pension with a five year guarantee and life pension with a 10 year guarantee. In each case, the optional forms of pension shall be actuarially equivalent to the normal form of pension. Where a spousal waiver is required for the optional form of pension, it must be obtained in accordance with the Pension Benefits Act. Once the Board of Trustees has been established, the Board of Trustees may determine the optional forms of pension from time to time, provided that such other optional forms of pension are the actuarial equivalent to the normal form of pension.
- (h) Where applicable, children of members shall be entitled to the benefits set out in the PSSA for pre-Effective Date and post-Effective Date benefits on the death of a member or his or her surviving spouse, as the case may be. Any benefits payable to children shall cease to be payable on the terms set out in the PSSA.
- (i) With respect to pre-Effective Date and post- Effective Date pensionable service, surviving spouses of eligible members who die prior to retirement are entitled to a 50% immediate pension; provided that if there is no surviving spouse, the member's children shall be entitled to the pension on the terms set out in the PSSA, subject to the Pension Benefits Act and the Income Tax Act; provided that the minimum benefit payable to a survivor shall be the termination value of the member's pension.
- (j) The base benefit for each active member shall be calculated as follows:
 - (i) for active members with pensionable service under the PSSA prior to the Effective Date, the base benefit accrual rate as defined in 3.1(f)(i) above multiplied by the best 5 consecutive year average salary (as defined in the PSSA; provided that only salary prior to the Effective Date is included in this calculation) times years and fractions thereof of pensionable service in the PSSA at the Effective Date; provided further that the base benefit amount in respect of each year or fraction thereof cannot exceed the defined benefit limit, as determined under the Income Tax Act, for the applicable year; PLUS

- (ii) for service on or after the Effective Date, the base benefit accrual rate in 3.1(f)(ii) times the salary (as defined in the PSSA) earned during the relevant year (up to full time equivalent for any part time or casual members); provided that the base benefit amount in respect of each year or fraction thereof cannot exceed the defined benefit limit, as determined under the Income Tax Act, for the applicable year; PLUS
- (iii) all COLA adjustments as may be granted by the Board of Trustees from time to time, but at no time will include potential future COLA adjustments.
- (k) The intent is that benefits in excess of the maximums set out in subsection 7(3.1) and 7(3.2) of the PSSA (currently covered under subsection 7(3.3) of the PSSA) will continue to be paid and charged on an annual basis to the Consolidated Fund of the Province; provided that such benefits may also be converted to shared risk benefits (including enhanced career average formula and conditional indexation, and subject to adjustments in accordance with the applicable funding policy).
- (l) The eligibility for an immediate pension (early retirement rules) for members, shall be as follows:
 - (i) for service prior to the Effective Date, an unreduced pension between the ages of 60 and 65 with a reduction of 3% per year for retirements between ages 55 and 60; and
 - (ii) for service on or after the Effective Date, an unreduced pension at age 65 with a reduction of 5% per year for retirements between ages 55 and 65.
- (m) With respect to pre- Effective Date pensionable service, members are entitled to a bridge benefit payable between the member's early retirement date and age 65 equal to 0.7% of the average maximum salary (as defined in the PSSA) at the Effective Date (subject to the maximums under the Income Tax Act). With respect to post- Effective Date pensionable service, members are entitled to a bridge benefit payable between the member's early retirement date and age 65 equal to 0.6% of the YMPE for the year. Where COLA is granted under the Public Service Shared Risk Plan, it shall also apply to the bridge benefit.
- (n) With respect to both pre- Effective Date and post- Effective Date pensionable service, disabled members who are receiving benefits under a long term disability plan approved by the Minister continue to accrue pensionable service under the Public Service Shared Risk Plan for the period during which the member is receiving such long term disability benefits. The member shall be deemed to have received the salary applicable to his or her position during the period of leave.

- (o) In the event a member terminates (includes division of pension on marriage or common law partnership breakdown) from the Public Service Shared Risk Plan prior to reaching eligibility for an immediate pension, the following shall apply:
 - (i) The 100% excess contribution rule shall apply with respect to all service; and
 - (ii) The transfer value of a member or a Claimant will be the termination value as determined in accordance with the Pension Benefits Act.

Unless otherwise elected by the member, the amount shall remain in the Public Service Shared Risk Plan until the retirement, death, or marriage or common law partnership breakdown of the member and the member shall be subject to all future changes, including entitlement to future enhancements, declared by the Board of Trustees.

Funding and Risk Management

- (p) Contributions will be defined at the Effective Date of the Public Service Shared Risk Plan to provide the desired security levels for base and ancillary benefits as required under the Pension Benefits Act.
- (q) As at the Effective Date, the Employer (on its own behalf and on behalf of the Employees) will remit monthly contributions to the Board of Trustees of the Public Service Shared Risk Plan as is required by the Board of Trustees from time to time. The initial contributions as at the Effective Date, and until the date that is fifteen (15) years from the Effective Date, shall be as follows:
 - (i) the aggregate contribution amount shall be 19.5% of pensionable earnings (subject to adjustment by the Board of Trustees from time to time, and to the triggering mechanisms and limitations imposed by the Funding Policy).
 - (ii) The aggregate contribution amount shall be split as follows:
 - A. Subject to the Income Tax Act, the Employee initial contributions required shall consist of a contribution rate of 7.5% of pensionable earnings for pensionable earnings up to the YMPE and a contribution rate of 10.7% of pensionable earnings for pensionable earnings above the YMPE (for an average contribution rate of 8.25% of pensionable earnings, estimated based on the membership demographics at April 1, 2012), and thereafter as may be required from time to time by the Board of Trustees subject to the triggering mechanism and limitations imposed by the Funding Policy; and
 - B. The Employer initial contributions required shall be 11.25% of pensionable earnings and thereafter as may be required from time

to time by the Board of Trustees subject to the triggering mechanism and limitations imposed by the Funding Policy.

These contribution rates are calculated based on tests that are in compliance with the Pension Benefits Act. Notwithstanding the foregoing, if at any time there is an increase or a reduction in Employees employed by the Employer of greater than 5% in a given year, the initial contribution rates shall be re-calculated. Such re-calculation shall be completed by no later than the end of the year following the filing of the next funding policy valuation.

- (r) Effective as of the date that is fifteen (15) years from the Effective Date, Employee initial contributions and Employer initial contributions shall be equal subject to any limits under the Income Tax Act. The initial contributions as at the date that is fifteen (15) years from the Effective Date shall be as follows:
 - (i) The aggregate contribution amount shall be determined as follows:
 - A. The average Employee initial contribution rate produced by the initial Employee contribution formula of 7.5% of pensionable earnings for pensionable earnings up to the YMPE and 10.7% of pensionable earnings above the YMPE shall be determined at such time and 11.25% shall be added to such amount. The sum shall then be divided by two (each a “**Contribution Amount**”).
 - (ii) The aggregate contribution amount shall be split as follows:
 - A. The new initial Employee contribution rate shall be determined by adjusting the Contribution Amount below and above the YMPE as appropriate at that time; and
 - B. The Employer will match Employee contributions.

These contribution rates are subject to adjustment by the Board of Trustees from time to time subject to the triggering mechanism and limitations imposed by the Funding Policy.

- (s) In addition to the initial contributions set out in paragraph 3.1(q), the Employer will make temporary contributions under two schedules as follows:
 - (i) Under the first schedule, the Employer shall make temporary contributions at the rate of 0.5% of pensionable earnings for the first five (5) years following the Effective Date or until the funding level, as defined under Appendix A, reaches 140% (with such funding level including the present value of 15 years of excess contributions, but excluding any such temporary contributions), whichever occurs first; and
 - (ii) Under the second schedule, the Employer shall make temporary contributions at the rate of 0.75% of pensionable earnings for the first ten

(10) years following the Effective Date or until the funding level, as defined under Appendix A, reaches 140% (with such funding level including the present value of 15 years of excess contributions, but excluding any such temporary contributions), whichever occurs first.

- (t) Contribution holidays will only be permitted if required under the Income Tax Act, and will only be applied in the manner allowed under the Funding Policy; provided that if the Employer contribution rate is in excess of the Employee contribution rate at the time of such contribution holiday, any such contribution holidays must be applied first to the Employer's contributions until such time as the Employee and Employer contribution levels are equal. Once such contribution levels are equal, any further contribution decreases shall be applied equally to the Employer and the Employees.
- (u) A Funding Policy must also be established in accordance to the parameters accepted by the Unions and the Province (attached hereto as Appendix A) to provide the rules that shall be followed for determining both the timing and level of contribution rates, the level of COLA that may be allowed depending on the financial position of the plan and the limits under the Income Tax Act, the level of ancillary benefits, the funding deficit recovery plan and reductions in base benefits and the funding excess utilization plan, among the key features.
- (v) The Funding Policy shall at a minimum contain:
 - (i) Definition of the key terms used in the Funding Policy.
 - (ii) A clear statement of the funding goals. Such funding goals shall meet or exceed the minimum set out in the Pension Benefits Act.
 - (iii) A description of the cost sharing between the Employees and Employer.
 - (iv) A description of the required contributions and changes allowed under what conditions. Such changes in contributions shall be at the sole discretion of the Trustees and shall be implemented when required and in the amounts allowed by the Funding Policy.
 - (v) A clear statement as to responsibility for plan expenses. For the Public Service Shared Risk Plan, all expenses are paid by the plan unless otherwise agreed.
 - (vi) A deficit recovery plan that shall contain both the priority order and the level of changes allowed. The deficit recovery plan shall be such that reduction of base benefits would occur as a last step in the deficit recovery plan.
 - (vii) Funding excess rules that specify at what funding level excess funds can be used for improvement of benefits and how much of the excess can be

allocated for that purpose at each of the annual actuarial valuation of the plan.

- (viii) A description of the financial measurement basis adopted by the plan.

Governance

- (w) A Board of Trustees comprised of ten (10) trustees will administer the Public Service Shared Risk Plan. Five (5) trustees shall be appointed by the Province, one of whom shall be a retiree. The other five (5) trustees shall be appointed by the Unions as follows: one (1) trustee shall be appointed by New Brunswick Nurses Union, one (1) trustee shall be appointed by CUPE, one (1) trustee shall be appointed by New Brunswick Union of Public and Private Employees, one (1) trustee shall be appointed by Local 37 of the International Brotherhood of Electrical Workers and one (1) trustee shall be appointed by Professional Institute of Public Service of Canada. In addition, there shall be two observers, one appointed by CUPE and one appointed by New Brunswick Union of Public and Private Employees, who shall have the right to attend all Board meetings, but without a vote. Such observers shall have the same opportunities for education and training as trustees appointed under this section. The Board of Trustees must be established pursuant to a Declaration of Trust by the Conversion Date. In the event that the Board of Trustees has not been established by the Conversion Date, the Minister shall assume the responsibility of the Board of Trustees. Within three (3) months of the establishment of the Board of Trustees, the Board of Trustees shall select a person who shall be called upon to cast the deciding vote in the event that the Board of Trustees is deadlocked. Such person shall not be a member of the Board of Trustees.
- (x) As soon as practicable, the Parties shall establish a working group to address pension governance matters that it considers best practices to support the goals of the Public Service Shared Risk Plan, the Parties and pension reform in the public sector generally as outlined in Appendix F. Such working group shall consist of up to a maximum of ten (10) participants, as determined by the Parties.
- (y) After the Effective Date, the Employer will have no financial obligations or responsibilities for the Public Service Shared Risk Plan save and except for the obligation to make contributions to it as per the terms of this Memorandum of Understanding, and the Funding Policy. For greater certainty, once the plan text and Funding Policy for the Public Service Shared Risk Plan have been adopted, they shall supersede this Memorandum of Understanding.
- (z) The funds held by the New Brunswick Investment Management Corporation in respect of the PSSA are held in trust for the members under the PSSA. Such PSSA members shall become members of the Public Service Shared Risk Plan as of the Conversion Date. Effective the Conversion Date, New Brunswick Investment Management Corporation shall continue to manage the assets of the

Public Service Shared Risk Plan for a minimum period of five (5) years from the Conversion Date. As set out above, the Board of Trustees shall be the administrator of the Public Service Shared Risk Plan as of the Conversion Date. Effective as of the Conversion Date, the Board of Trustees shall enter into a contract with a funding agent, which shall be a trust company, to assume custody of the fund of the Public Service Shared Risk Plan.

- (aa) The current actuaries for the PSSA shall be the interim actuaries for the Public Service Shared Risk Plan. The Board of Trustees once constituted shall determine the actuaries for the Public Service Shared Risk Plan as soon as practicable.
- (bb) The Board of Trustees shall be responsible for:
 - (i) All measurements and reporting required by the Pension Benefits Act including regular actuarial valuations and stochastic modelling of the assets and the liabilities of the Public Service Shared Risk Plan;
 - (ii) Establishing an investment policy subject to annual review for the purpose of ensuring that the desired security for both the base benefits and the ancillary benefits that are expected to be achieved;
 - (iii) Administering the plan in accordance with the Funding Policy and, for greater clarity, this includes the power to increase or decrease contributions and benefits in accordance with the Funding Policy; and
 - (iv) All other requirements of an administrator under the Pension Benefits Act.

ARTICLE IV CONVERSION DETAILS

4.1 The following items describe the key principles of the proposed conversion:

- (a) The Public Service Shared Risk Plan will be effective from and after the Conversion Date. All conversion benefit calculations and contribution calculations will be made as of that date or as of the Effective Date (where so specified herein) without regard to any administrative changes required to effect the conversion.
- (b) The Public Service Shared Risk Plan will be subject to the Pension Benefits Act and the Income Tax Act. For greater certainty, and despite any other provision of this Memorandum of Understanding, any benefits provided for herein to be payable from the Public Service Shared Risk Plan or contributions required to be made hereunder to the Public Service Shared Risk Plan are subject to the maximums permitted under the Income Tax Act.

- (c) The Unions confirm that they do not require membership ratification in order to enter into this Memorandum of Understanding or any subsequent agreement concerning the re-design of the PSSA.
- (d) This Memorandum of Understanding does not affect the terms and conditions of employment established through the collective bargaining process negotiated from time to time between the Unions and the Employer, other than as required to convert the PSSA to the Public Service Shared Risk Plan.
- (e) With respect to pre-Conversion Date service or pre-Effective Date service, as the case may be, provisions of the PSSA not expressly or by necessary implication discontinued or amended by this Memorandum of Understanding are to be preserved in the Public Service Shared Risk Plan. If there is a conflict between the PSSA and the Public Service Shared Risk Plan with respect to pre-Conversion Date service or pre-Effective Date service, as the case may be, the terms of the PSSA shall prevail. With respect to post-Conversion Date service or post-Effective Date service, as the case may be, conditions favourable to PSSA members not expressly or by necessary implication set out in this Memorandum of Understanding are intended to be preserved in the Public Service Shared Risk Plan.
- (f) Reciprocal transfer agreements in effect as at the Conversion Date (“**PSSA RTAs**”) shall continue in force until the Effective Date. The Board of Trustees shall take all steps necessary to suspend or terminate any such PSSA RTAs, effective as of the Effective Date, as soon as practicable. The Board of Trustees shall have the power to enter into reciprocal agreements with the sponsors of other pension plans from time to time and shall take all reasonable steps to implement replacement reciprocal transfer agreements to be in place effective as of the Effective Date. Such reciprocal agreements may provide for the transfer of funds in respect of an Employee who transfers from one pension plan to the other and may also provide for the transfer of some or all, of the Employee’s credited service.
- (g) For a period of one year from the Effective Date, Employees may purchase service under the terms of the PSSA (the “**Purchase of Service Window**”). The Board of Trustees shall establish rules regarding purchases of service under the Public Service Shared Risk Plan to come into effect after the expiry of the Purchase of Service Window, which rules must be based on the principles underlying the Public Service Shared Risk Plan. For greater certainty, where, prior to the expiry of the Purchase of Service Window, a member has elected to pay for any period of service and has undertaken to pay for that service in installments, such member may continue to pay for such purchased service in installments (subject to subsection 5(5) of the PSSA).
- (h) Part time Employees who are participating in the Part-Time Plan as at the Conversion Date may elect to transfer their money purchase account from the Part-Time Plan to the Public Service Shared Risk Plan. Such transferred money

purchase account shall be used to obtain a base benefit in the Public Service Shared Risk Plan calculated subject to such rules and conditions as may be approved by the Board of Trustees from time to time based on the principles underlying the Public Service Shared Risk Plan.

ARTICLE V GENERAL

5.1 Counterparts

This Memorandum of Understanding may be executed in any number of counterparts (including by way of facsimile) and all of such counterparts taken together will be deemed to constitute one and the same instrument.

5.2 Adoption

The unions listed in Appendix C hereto may adopt the terms this Memorandum of Understanding by executing an Adoption of the Terms of Memorandum of Understanding in the form attached hereto as Appendix E.

IN WITNESS WHEREOF, each of the signatories hereto has caused this Memorandum of Understanding to be signed by its respective duly authorized officers or representatives as of the date first above written.

**HER MAJESTY THE QUEEN
IN RIGHT OF THE PROVINCE OF
NEW BRUNSWICK, as represented by the
Minister of Finance**

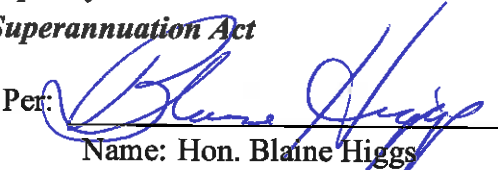
Per:


Name: Hon. Blaine Higgs

Title: Minister of Finance

**THE MINISTER OF FINANCE FOR THE
PROVINCE OF NEW BRUNSWICK, in his
capacity as administrator of the *Public Service
Superannuation Act***

Per:


Name: Hon. Blaine Higgs

Title: Minister of Finance

Appendix "A" – Parameters Used under Risk Management Framework

The risk management framework tests conducted on the Public Service Shared Risk Plan were carried out using the following assumptions and parameters. Any change to these parameters will change the results of the tests and the required contribution rates to meet the funding goals required by the Pension Benefits Act. The adopted Funding Policy shall adhere to these parameters unless changes are agreed to by the Unions and Employer.

- Discount rate: 4.75% per annum with future discount rates to be determined consistent the objectives of the plan
- Mortality basis: UP-94 Generational Table using a projection scale reflecting the most recent life expectancy improvement data. In the future, this assumption will be changed as may be required to reflect latest available information on life expectancy.
- Other assumptions: Current valuation assumptions except that retirement pattern assumptions were adjusted to allow for the anticipated effect of the retirement rules considered in the costing.
- Retirement rules: Unreduced at age 65 with a reduction of 5% per year early, only applicable to service on or after the Effective Date.
- Funding level: Measured using the 15 year open group method. Valuation assets equal to the market value of assets plus the present value of excess contributions over the normal cost for base and ancillary benefits other than potential future COLA divided by the total liabilities, both at the relevant valuation date.
- Initial contributions: As at the Effective Date, the Employer (on its own behalf and on behalf of the Employees) will remit monthly contributions to the Board of Trustees of the Public Service Shared Risk Plan as is required by the Board of Trustees from time to time. The initial contributions as at the Effective Date, and until the date that is fifteen (15) years from the Effective Date, shall be as follows:
- (i) the aggregate contribution amount shall be 19.5% of pensionable earnings (subject to adjustment by the Board of Trustees from time to time, and to the triggering mechanisms and limitations imposed by the Funding Policy).
 - (ii) The aggregate contribution amount shall be split as follows:
 - A. Subject to the Income Tax Act, the Employee initial contributions required shall consist of a contribution rate of 7.5% of pensionable earnings for pensionable earnings up to the YMPE and a

contribution rate of 10.7% of pensionable earnings for pensionable earnings above the YMPE (for an average contribution rate of 8.25% of pensionable earnings, estimated based on the membership demographics at April 1, 2012), and thereafter as may be required from time to time by the Board of Trustees subject to the triggering mechanism and limitations imposed by the Funding Policy; and

- B. The Employer initial contributions required shall be 11.25% of pensionable earnings and thereafter as may be required from time to time by the Board of Trustees subject to the triggering mechanism and limitations imposed by the Funding Policy.

These contribution rates are calculated based on tests that are in compliance with the Pension Benefits Act. Notwithstanding the foregoing, if at any time there is an increase or a reduction in Employees employed by the Employer of greater than 5% in a given year, the initial contribution rates shall be re-calculated. Such re-calculation shall be completed by no later than the end of the year following the filing of the next funding policy valuation.

Effective as of the date that is fifteen (15) years from the Effective Date, Employee initial contributions and Employer initial contributions shall be equal subject to any limits under the Income Tax Act. The initial contributions as at the date that is fifteen (15) years from the Effective Date shall be as follows:

- (i) The aggregate contribution amount shall be determined as follows:
 - A. The average Employee initial contribution rate produced by the initial Employee contribution formula of 7.5% of pensionable earnings up to the YMPE and 10.7% of pensionable earnings above the YMPE shall be determined at such time and 11.25% shall be added to such amount. The sum shall then be divided by two (each a "**Contribution Amount**").
- (ii) The aggregate contribution amount shall be split as follows:
 - A. The new initial Employee contribution rate shall be determined by adjusting the Contribution Amount below and above the YMPE as appropriate at that time; and

B. The Employer will match Employee contributions.

These contribution rates are subject to adjustment by the Board of Trustees from time to time subject to the triggering mechanism and limitations imposed by the Funding Policy.

Temporary contributions: In addition to initial contributions, the Employer will make temporary contributions under two schedules as follows:

- (i) Under the first schedule, the Employer shall make temporary contributions at the rate of 0.5% of pensionable earnings for the first five (5) years following the Effective Date or until the funding level reaches 140% (with such funding level including the present value of 15 years of excess contributions, but excluding any such temporary contributions), whichever occurs first; and
- (ii) Under the second schedule, the Employer shall make temporary contributions at the rate of 0.75% of pensionable earnings for the first ten (10) years following the Effective Date or until the funding level reaches 140% (with such funding level including the present value of 15 years of excess contributions, but excluding any such temporary contributions), whichever occurs first.

Contribution increases: Initial contribution rates are subject to an increase should two future valuations in succession reveal a funding level of less than 100% (with such funding level including the present value of 15 years of excess contributions, but excluding any such increase). Both the Employee contribution rate and the Employer contribution rate will be increased in equal amounts up to 1.5% each. If necessary, the amount may be reduced to obtain the accounting treatment that reflects the substance of the goals of the Public Service Shared Risk Plan by modifying the asset mix. Any increase will be eliminated once a future valuation reveals a funding level greater than 110% (with such funding level including the present value of 15 years of excess contributions, excluding any such contribution increase). During any period where there are increased contributions, indexation shall be suspended.

Contribution decreases: Subject to the priorities established in the funding excess utilization plan in the Funding Policy (discussed below), initial contribution rates are subject to a decrease should a future valuation reveal a funding level of greater than 140% (with such funding level including the present value of 15 years of excess contributions, but excluding any such decrease) on the condition that the funding level immediately following such decrease in

contribution rates remains at least 140%. Should this occur in the first fifteen (15) years following the Effective Date, if the Employer contribution rate is in excess of the Employee contribution rate, the Employee contribution rate may be decreased by up to 0.5% of pensionable earnings and the Employer contribution rate may be decreased by up to 3.5% of pensionable earnings; provided that any such decrease must be applied first to the Employer contribution rate until such time as the Employee and Employer contribution levels are equal. Once such contribution levels are equal, any further contribution decreases shall be applied to both the Employer contribution rate and the Employee contribution rate. Should this occur on or after the date that is fifteen (15) years following the Effective Date, both the Employer contribution rate and the Employee contribution rate will be decreased in equal amounts up to 2% each. Any such decrease will be eliminated once a future valuation reveals a funding level of less than 140% (with such funding level including the present value of 15 years of excess contributions, excluding any such decrease).

COLA

Annual allocation of funding excess for purposes of granting COLA is 1/6th of the excess funds that make up the difference between the open group funding level at the valuation date to a maximum of 140%, and 105%, provided there are no contribution increases in effect. Funding excesses above 140% would first be used to recapture any COLA not previously granted up to the Income Tax Act limits in a manner that, to the extent practical, gives priority to recapturing missed COLA in the order in which it was missed. COLA applies to all members in equal proportion regardless of status at the date COLA is granted.

Target Asset Allocation:

The following asset allocation was used to conduct the initial risk management framework tests: 39% Fixed Income, 41% Equity, 5% Private Equity, 5% Real Estate, 5% Hedge Fund and 5% Infrastructure.

The target asset allocation is currently being reviewed and may be subject to change prior to the Effective Date on the condition that any such changes will not adversely impact the results of the risk management framework tests or result in an increase in the contribution rates necessary to meet the funding goals required by the Pension Benefits Act.

The parties recognize that the Fund manager(s) need to transition assets on a rational basis. Consequently, the target asset allocation shall be attained over a reasonable period, which period shall not exceed two (2) years.

Deficit Recovery Plan: Based on the following steps applied in succession until funding goals are met:

- (1) Increase contributions as allowed under the Funding Policy;
- (2) Change retirement rules for post-conversion service for non-vested members to the equivalent of a full actuarial reduction for retirement before age 65;
- (3) Change retirement rules for pre-conversion service for non-vested members to the equivalent of a full actuarial reduction for retirement before age 60
- (4) Reduce base benefit accrual rate for future service after the date of implementation of the deficit recovery plan by not more than 5%;
- (5) Reduce base benefits on a proportionate basis for all members regardless of membership status for both past and future service in equal proportions.

If any of steps (2) through (5) are implemented, then priority must be given to reversing these changes in reverse order of application before any future COLA is granted.

Excess Utilization Plan: After the required steps under the Pension Benefits Act, if an excess remains the following steps would be taken in the following order of priority: 1. Provide indexing of base benefits up to the full CPI since the last date where full CPI was achieved. The percentage increase shall be the same for all members subject to an individual limit of recovery of full CPI up to January 1 of the year that follows the valuation date or coincides with it if the date of the valuation is January 1st of the same year; 2. Decrease contributions as allowed under the Funding Policy developed from parameters described herein Appendix A; 3. Establish a reserve to cover the next ten (10) years of potential contingent indexing; 4. Once all of the previous steps have been met, the Board of Trustees can propose benefit changes for implementation provided such proposed benefit changes meet the following criteria, as certified by the plan actuary and if necessary, the investment or risk manager, as may be applicable at the time: (i) Include a 50% allocation of excess funds to risk management purposes based on best practices at the time the changes are proposed. (This could include purchasing insured contracts, de-risking of assets or holding additional reserves); (ii) Exceed the primary risk management goal for benefit security under the Pension Benefits

Act by 1.5% (based on current rules under the Pension Benefits Act, this would mean a 99% probability of not having to reduce base benefits); (iii) Do not negatively impact the expected future indexing of the benefits credited up to the date of the proposed change; (iv) Are aligned with the purpose of the shared risk plan; (v) Have broad allocation so as not to be limited to a small subset of the membership; (vi) Provide benefits that are competitive with prevailing pension plan design practices in the public sector of comparably sized provinces at the time the changes are proposed; (vii) Meet with the approval of the Superintendent of Pensions and comply with the Pension Benefits Act and other applicable laws at the time. Such proposed changes must be submitted to the Parties in a report that attests that the foregoing criteria have been met and the Parties shall have the opportunity to have the report peer reviewed by a third party to validate the proposal, within a reasonable time frame, before the proposed changes become effective.

Appendix "B" – PSSA

Appendix “C”

Canadian Union of Public Employees Locals in their own right as follows:

- CUPE Local 1418 – Rehabilitation and Therapy & Recreation and Culture Program Officer
- CUPE Local 1190 – General Labour Trades, Part I
- CUPE Local 1251 – Institutional Services and Care, Part I
- CUPE Local 963 (NB Liquor)
- CUPE Local 1252
- CUPE Local 1866 (WorksafeNB)
- CUPE Local 1840 – Court Stenographers
- CUPE 2745 – Secretarial and Clerical
- CUPE Local 946 (WorksafeNB)
- CUPE Local 5017 – Operational Services (NBCC)
- SCFP Local 5026 – Services de l’exploitation (CCNB)

New Brunswick Union of Public and Private Employees for its components:

- NBU – Administrative Assistants, Clerical and Regulatory, Office, Data Processing and Duplicating Equipment Operation
- NBU – Education (Instructional and non Instructional)
- NBU – Engineering & Field
- NBU – Technical Inspection, Laboratory and Medical
- NBU – Resource Services
- NBU – Specialized Healthcare Professionals
- NBU – Professional Support (Part II)
- NBU – Highway Supervisors
- NBU – Industrial Training and Certification Officers
- NBU Paramedical
- NBU – Admin and Program Support Services (NBCC)
- NBU – Educational Instructional (NBCC)
- NBU – Education Consultation and Development (NBCC)
- Syndicat du Nouveau-Brunswick – services d’administration et de soutien des programmes (CCNB)
- Syndicat du Nouveau-Brunswick – education enseignants (CCNB)
- Syndicat du Nouveau-Brunswick – education consultation et élaboration (CCNB)

New Brunswick Nurses Union for its bargaining units Nurses Part III and Nurse Managers and Nurse Supervisors

Local 37 of International Brotherhood of Electrical Workers

Appendix "D"

As defined under the First Schedule of the *Public Service Labour Relations Act*:

All Part I government departments and agencies
All Part II school districts
All Part III regional health authorities
All Part IV corporations and entities

University of New Brunswick
Conseil Communautaire Beausoleil
Maritime College of Forestry Technology
Maritime Forestry Complex Corporation
NB Insurance Board
Premiers Council on the Status of Disabled Persons
Le Centre Communautaire Sainte-Anne
New Brunswick Energy and Utilities Board
NB Research and Productivity Council
ARCF de Saint-Jean
Labour and Employment Board
Legislative Assembly
Assessment and Planning Appeal Board
Public Service labour Relations Board
Office of the Access to Information and Privacy Commissioner
Office of the Auditor General
Office of the Child and Youth Advocate
Office of the Commissioner of Official Languages
Office of the Consumer Advocate for Insurance
Office of the Ombudsman
Elections New Brunswick

Public Trustee

Appendix "E"

**ADOPTION
OF THE TERMS
OF MEMORANDUM OF UNDERSTANDING**


THE UNDERSIGNED, being a union listed in Appendix "C" to the Memorandum of Understanding regarding the Public Service Superannuation Pension Plan, does hereby accept and approve the terms thereof.

DATED at Fredericton this 12th day of November, 2013

WITNESS:

[Name of Union]


Name: Stephen Hayes
President, IBEW Local 37

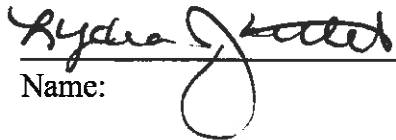
Per: 
Name: Ross Galbraith
Title: Business Manager,
IBEW Local 37

Appendix "E"
ADOPTION
OF THE TERMS
OF MEMORANDUM OF UNDERSTANDING

THE UNDERSIGNED, being a union listed in Appendix "C" to the Memorandum of Understanding regarding the Public Service Superannuation Pension Plan, does hereby accept and approve the terms thereof.

DATED at Fredericton, New Brunswick this 29th day of August, 2013

WITNESS:


Name: _____

New Brunswick Union of Public and Private Employees

Per:



Name: Susie Prout-Daigle
Title: President


**ADOPTION
OF THE TERMS
OF MEMORANDUM OF UNDERSTANDING**

THE UNDERSIGNED, being a union listed in Appendix "C" to the Memorandum of Understanding regarding the Public Service Superannuation Pension Plan, does hereby accept and approve the terms thereof.

DATED at Fredericton this 27 day of June, 2013

WITNESS:


Name: _____


Per: 
Name: _____
Title: Pres. Cupe 5017


**ADOPTION
OF THE TERMS
OF MEMORANDUM OF UNDERSTANDING**

THE UNDERSIGNED, being a union listed in Appendix "C" to the Memorandum of Understanding regarding the Public Service Superannuation Pension Plan, does hereby accept and approve the terms thereof.

DATED at Fredericton this 13 day of November, 2013

WITNESS:


Name: David M. Brown


Per: 
Name: Marilyn D Quinn
Title: President NBNU

**ADOPTION
OF THE TERMS
OF MEMORANDUM OF UNDERSTANDING**

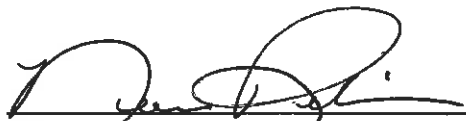
THE UNDERSIGNED, being a union listed in Appendix "C" to the Memorandum of Understanding regarding the Public Service Superannuation Pension Plan, does hereby accept and approve the terms thereof.

DATED at Fredericton this 21 day of June, 2013
N.B.

WITNESS:



Name:

Per: 

Name: Norma Robinson
Title: President NBCHU CUPE Local 1252

**ADOPTION
OF THE TERMS
OF MEMORANDUM OF UNDERSTANDING**

THE UNDERSIGNED, being a union listed in Appendix "C" to the Memorandum of Understanding regarding the Public Service Superannuation Pension Plan, does hereby accept and approve the terms thereof.

DATED at Fredericton this 21st day of June, 2013

WITNESS:



Name:

Per:



Name: CUPE 1840

Title: President

Appendix “F”

Terms of Reference of Working Group (the “Working Group”)

Governance: Review governance of the pension plans that have been or are intended to be converted to shared risk pension plans with a view to adopt best practises which will include but not be limited to the qualifications and training of trustees, the appointment process, the functioning of the Board of Trustees and the role of the current stakeholders in the administration of these plans in the future and the transition process of implementing the Public Service Shared Risk Plan.

Service Provider Efficiencies: Examine efficiencies that can be gained in the short and long-terms through common service providers such as actuarial, accounting, auditing, custodial, investment management, plan administration, operational support to the Board of Trustees and risk management. As part of the review, consideration should be given to business relationships and legal structures of agencies and corporations that may be obligated to provide similar services to the Province.

Amalgamation: Explore the feasibility of the eventual amalgamation of all Provincially funded pension plans.

Other: The Working Group will be mindful of the current accounting requirements of the Province and potential requirements of the Financial and Consumer Services Commission.

Joint Trusteeship: These Terms of Reference are agreed to on the express understanding that governance and administration of public sector plans under the shared risk plan model are within the framework of joint trusteeship between the employers and the public sector unions as bargaining agents for the employee members of these plans as outlined in the Memorandum of Understanding concerning the PSSA conversion to the shared risk plan model.

Notwithstanding the governance requirements under the shared risk plan model, the Working Group shall explore all options to ensure governance best practices are being evaluated and appropriate recommendations are made to and considered by the Joint Trusteeship.