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PENSION NEWS



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Shared Risk Plan for
CUPE Employees of
NB Hospitals
(CUPE Hospitals SRP)

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COST OF LIVING ADJUSTMENT AWARDED TO MEMBERS

Your Board of Trustees is very pleased to announce that it has once again been able to provide all Plan members with a cost of living adjustment (COLA) this year. Due to positive returns of the Plan, the Board was able to apply the full COLA, matching Canada's Consumer Price Index (CPI) of 2.12%.

If you're an active or deferred member, the increase will be applied to the benefits you've earned up to December 31, 2018, positively impacting your future pension.

If you're a retiree, the increase will be applied to your monthly pension benefit as of January 1, 2020. You'll receive notification of this increase in writing in December 2019.



UNDERSTANDING YOUR SHARED RISK PLAN

Did you know that there is a helpful video to assist you, as a member of the CUPE Hospitals SRP, to better understand what a shared risk plan is?

Visit www.vestcor.org/CUPE-H to watch the video, available on the right hand side of the page, under "Shared Risk Video". It covers topics such as:

- The role of the Board of Trustees;
- Contributions to the Plan;
- Early Retirement Options; and
- Cost of Living Adjustments.

In just a few minutes, you'll get a general overview of how your Plan works.



DISCLAIMER: This newsletter is a publication on behalf of the Board of Trustees of the CUPE Hospitals SRP. 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.

CHANGING COURSE: LEAVING YOUR EMPLOYMENT BEFORE RETIREMENT

If you are a vested* member of the CUPE Hospitals SRP and cease your employment, the pension benefits that you have earned in the Plan do not need to leave with you.

For many members of the CUPE Hospitals SRP, the pension benefits they have earned is the most valuable asset they have for their retirement. If you are leaving your employment, you may be concerned about what will happen to the benefits you have earned. The good news is that you can opt to receive a **deferred pension**.

If you are under the age of 55, your deferred pension can be started as early as age 55 (reduced pension) or as late as age 65 (unreduced pension). When you leave your employment, you will receive a statement which details what your monthly deferred pension benefits will be. If you are age 55 or older, you can take an immediate reduced pension, or defer it up to age 65.

BENEFITS OF DEFERRING YOUR PENSION

• TAKE SOME STRESS OUT OF YOUR RETIREMENT

The goal of the CUPE Hospitals SRP is to provide you with an income for the rest of your life. Choosing a deferred pension means you can enjoy the security that, upon retirement, you will have a monthly pension paid from an investment portfolio you do not have to manage. Your pension funds will be managed by experienced investment professionals.

• YOUR BENEFITS CAN CONTINUE TO GROW

Even after you leave your employment, your deferred pension benefits can continue to grow. Every year, your benefits will be eligible for increases through cost of living adjustments. These cost of living adjustments are based on the financial health of the Plan and Canada's Consumer Price Index. Keep this in mind when referring to the monthly benefit amount on your termination statement. By the time you retire, that amount may have increased. For more information on the cost of living adjustment that was most recently awarded, please see page 1 of this newsletter!

• PLANNING FOR YOUR SPOUSE OR BENEFICIARIES

A deferred pension includes survivor benefit options. During your retirement, if you pre-decease your spouse (or beneficiary/beneficiaries as applicable), they may be eligible to receive a portion of your pension benefits for the rest of their life (or for a guarantee period as applicable). This gives an added layer of security for those you care most about as you move through the phases of your life.



VESTED MEANS YOU HAVE:

- two or more years of pensionable service in the Plan; or
- two or more years of membership in the Plan; or
- five or more years of continuous employment.

CHANGING COURSE (CONT.)

SUMMING IT ALL UP

There are a number of benefits that you can reap by leaving your assets in the Plan if you cease your employment. The first priority of your pension plan is to provide secure pension benefits to members after their retirement. Ultimately, the choice is up to you. Make sure you consider your options carefully and make an informed decision. Your choice will affect you throughout your retirement.

YOUR OTHER OPTION - ACCEPTING A TERMINATION VALUE

- Instead of a deferred pension, you can also opt to accept a termination value payout.
- Your termination value is a one-time only, lump sum payment based on the value of your pension on the date you cease your employment.
- By accepting the termination value you will no longer be eligible for a CUPE Hospitals SRP pension when you retire.
- The termination value you receive has a number of restrictions on it. The funds must be transferred into a locked-in retirement planning vehicle, such as a Locked-In Retirement Account (LIRA). It cannot be used to pay down mortgages or any other expenses that you may have. It is set aside specifically to provide for your retirement.
- You will be responsible for managing your funds and ensuring that they provide you with enough income in your retirement to last you the rest of your life. This includes responsibility for paying any costs you incur from investment advisors.
- You won't be eligible for future increases through cost of living adjustments.
- Please note, the termination value payout is only available if you are under the age of 55.

LOOKING FOR MORE INFORMATION ABOUT YOUR PLAN?

Did you know that your Plan's website, www.vestcor.org/CUPE-H, contains several useful resources relating to your plan? These include:

- previous CUPE Hospitals SRP Newsletters;
- applications forms relating to your pension;
- helpful documents, including a summary of your plan and its provisions (named "CUPE-H At-A-Glance"), your member booklet, a guide to understanding your Employee Statement of Pension Benefits, additional details relating to purchasing service, and a one-pager summarizing pre-retirement death benefits; and
- a link to the Pension Estimate Calculator.

In addition, if you have any questions about your CUPE Hospitals SRP, contact Vestcor's Member Services team between 8:15 am and 5:00 pm, Monday to Friday, at 506 453 2296 or toll-free at 1 800 561 4012.

CUPE HOSPITALS SRP'S ACTUARIAL VALUATION REPORT

The actuarial valuation report is a vital tool to assess the CUPE Hospitals SRP's ability to provide long-term benefits to members and helps guide the Board in making decisions regarding the finances of the Plan, such as granting COLA (see page 1). As a shared risk plan, the CUPE Hospitals SRP is subject to requirements under the provincially legislated *Pension Benefits Act* (PBA) to complete an annual actuarial valuation. This valuation includes risk management testing and reporting on risk management goals. These tests are meant to ensure the Plan's security, and the results may cause the need for short-term adjustments, as outlined in the PBA and the CUPE Hospitals SRP Funding Policy.

The actuarial valuation report is a complex assessment completed using models developed by the actuary which examines the Plan's assets and liabilities as at December 31 of a given year; membership information; and investment, economic and demographic assumptions. The key results of the actuarial valuation report as at December 31, 2018 can be found below.

RISK MANAGEMENT RESULTS

Primary Risk Management Goal

Achieve 97.5% probability that past **base benefits earned will not be reduced** over the next 20 years.

Target 97.5%	Result as at December 31, 2018 - 99.85% (PASSED)	Target
	Result as at December 31, 2017 - 99.60% (PASSED)	

1st Secondary Risk Management Goal

Ability to **provide cost of living adjustments (indexing) in excess of 75% of the Consumer Price Index to members and retirees** over the next 20 years.

Target 75%	Result as at December 31, 2018 - 94.80% (PASSED)	Target
	Result as at December 31, 2017 - 91.80% (PASSED)	

2nd Secondary Risk Management Goal

Achieve at least 75% probability that **ancillary benefits (i.e., early retirement subsidy) can be provided** over the next 20 years.

Target 75%	Result as at December 31, 2018 - 99.85% (PASSED)	Target
	Result as at December 31, 2017 - 99.60% (PASSED)	

FUNDING STATUS OF THE PLAN

- **The Termination Value Funded Ratio** is 88.1% as at December 31, 2018. This ratio is used in the calculation of a member's benefits on termination of employment, death or marriage breakdown.
- **The 15-year Open Group Funded Ratio**, as at December 31, 2018, is 122.9%. This ratio is used to determine the actions, such as granting COLA, to be taken by the Board under the Plan's Funding Policy.



TIPS FOR RETIREES

YOUR CUPE HOSPITALS SRP PENSION & THE CANADA PENSION PLAN (CPP)

If you choose to retire before the age of 65, in addition to your CUPE Hospitals SRP lifetime pension, your monthly benefit will include additional funds in the form of a **CUPE Hospitals SRP bridge benefit**. This temporary benefit is designed to assist you financially until you are eligible for an unreduced CPP benefit beginning at age 65.

Your pension payments from the CPP do not have to start at the same time as your CUPE Hospitals SRP pension. You may choose to take a reduced CPP benefit if you retire early, or wait as late as age 70 to receive an increased CPP benefit. Regardless of when you choose to start receiving your CPP benefit, the bridge benefit paid from your CUPE Hospitals SRP pension only ends when you reach the age of 65.

Some members/retirees are surprised at the financial impact on their CUPE Hospitals SRP pension when their bridge benefit ends. For a more in-depth explanation of how your pension is calculated, please refer to your Member Booklet or the CUPE Hospitals At-A-Glance document, both available at www.vestcor.org/CUPE-H.

January 1

January 31 (for February)

February 28 (for March)

April 1

May 1

June 1

June 30 (for July)

July 31 (for August)

September 1

October 1

October 30 (for November)

December 1

INCOME TAX IN RETIREMENT

Do you have more than one retirement income? Do you find yourself owing taxes every year? You may wonder why this is happening, and more importantly, if it may be possible to solve this problem.

WHY DO YOU OWE TAXES EACH YEAR?

When taxes are deducted from your CUPE Hospitals SRP pension, they are deducted as if the CUPE Hospitals SRP pension is your only income; however for many members, this isn't the case. Additional incomes that you may receive include, but are not limited to, the Canada Pension Plan, Old Age Security, RRSPs, other pension plans you benefit from, or employment income. Much like your CUPE Hospitals SRP pension, any taxes that are automatically deducted from these other incomes are likely to be calculated as if they are your only source of income. The problem arises because for tax purposes, you pay income tax on your total income. When all of your sources of income are totalled, you may find yourself taxed at a higher rate.

WHAT CAN YOU DO?

When it comes to your CUPE Hospitals SRP pension, there is an easy solution. By going to www.vestcor.org/incometax, you can download a simple, one page form to request that Vestcor deduct additional taxes from your pension. The form allows you to specify exactly how much you would like to increase your deductions, and can be filled out at any time of the year. By paying more taxes upfront, you can decrease the amount you owe at the end of the year (you may even avoid owing when tax time comes). If you need additional help with the process, contact the Vestcor Member Services Team at 1 800 561 4012.