



SHARED RISK PLAN FOR CERTAIN  
BARGAINING EMPLOYEES OF NB HOSPITALS

# PENSION NEWS

FALL 2019

VOLUME 4



**1**

**INCREASE IN  
YOUR PENSION  
BENEFITS**

**2**

**ACTUARIAL  
VALUATION  
UPDATE**

**3**

**PURCHASING  
PRIOR SERVICE**

**4**

**YOUR UPDATED  
MEMBER  
BOOKLET  
AMENDMENTS TO  
GOVERNING  
DOCUMENTS**

**5-6**

**INVESTMENT  
REPORT**

**7**

**2020 PENSION  
PAYMENT DATES  
TIPS FOR RETIREES  
INCOME TAX IN  
RETIREMENT**

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# INCREASE IN YOUR PENSION BENEFITS

Your Board of Trustees is very pleased to announce that it has once again been able to provide all CBE SRP members with a cost of living adjustment (COLA, also known as “indexation”) this year. Due to the level of positive returns of the Plan, the Board was able to apply the full indexation, matching Canada’s Consumer Price Index 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.

## BUT THAT’S NOT ALL!

There are increases available for consideration by the Board that every active, deferred, and retired Plan member is eligible for. These increases are known as **Step Increases**. In June 2019, the Board was in a position to approve Steps 2-4 of the Funding Policy, based on the December 31, 2017 actuarial valuation. Step 1 was approved in October 2018. The details of Steps 1 through 4 are laid out in the chart below.



## WHAT HAPPENS NEXT?

The pension benefit of each Plan member as of December 31, 2017 is recalculated to determine if the Step Increases will result in a higher benefit to them. If it does not, their pension benefit remains unchanged. A member’s benefit would never be reduced as a result of this Step process.

If increases do apply, as with COLA, retired members will see this increase applied to their monthly pension benefit. Active and deferred members will have this increase applied to their pension, which they will benefit from upon retirement.

## WANT TO KNOW MORE?

Copies of the 2017 and 2018 actuarial valuations are available at [www.vestcor.org/cbe](http://www.vestcor.org/cbe) under “Plan Governance” and then, “Actuarial Valuations”.

**DISCLAIMER:** This newsletter is a publication on behalf of the Board of Trustees of the Shared Risk Plan for Certain Bargaining Employees of NB Hospitals. This publication is intended to provide information about the Shared Risk Plan for Certain Bargaining Employees 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.

# CBE SRP'S ACTUARIAL VALUATION UPDATE

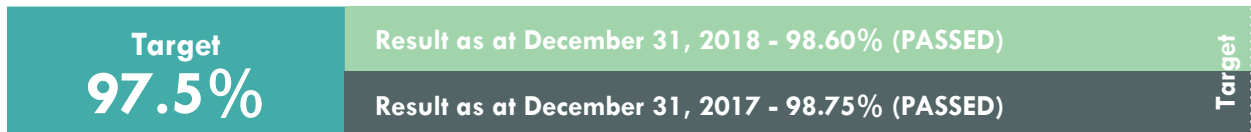
The actuarial valuation report is a vital tool to assess the CBE SRP's ability to provide long-term benefits to members and helps guide the Board of Trustees in making decisions regarding the finances of the Plan, such as granting COLA (see page 1). As a shared risk plan, the CBE SRP is subject to requirements 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 CBE 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

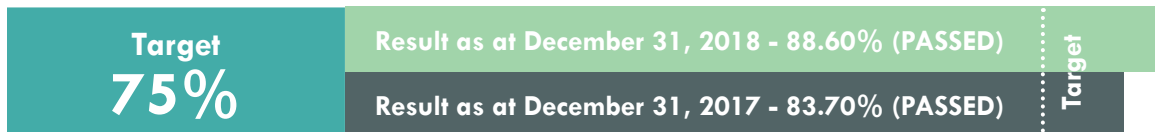
### Primary Risk Management Goal

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



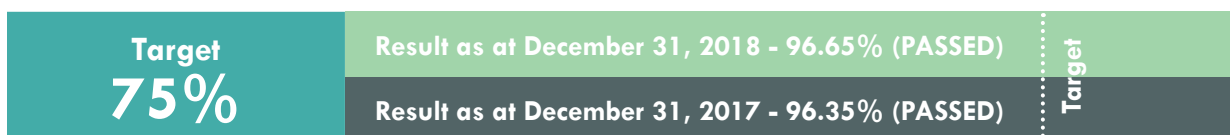
### 1<sup>st</sup> Secondary Risk Management Goal

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.



### 2<sup>nd</sup> 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.



## FUNDING STATUS OF THE PLAN

- **The Termination Value Funded Ratio** is 105.1% 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 123.3%. This ratio is used to determine the actions, such as granting COLA, to be taken by the Board under the Plan's Funding Policy.

# PURCHASING PRIOR SERVICE

Do you have prior periods of service you could purchase? Purchasing this prior service could increase your future pension. It can be useful to learn how the cost of purchasing your service is calculated. It's also important to know how purchasing the service as early as you can will likely benefit you.

## WHAT TYPES OF PAST SERVICE CAN BE PURCHASED?

A full list of the types of service that are eligible for purchase can be found in the CBE SRP Purchase of Service: Additional Information booklet available at [www.vestcor.org/cbe](http://www.vestcor.org/cbe). They fall under the following two categories:

### REFUNDED SERVICE

If you have previously left a position where you contributed to the Plan, received a refund of your contributions (or commuted value/termination value as applicable) when you left, and have returned to a job that allows you to again contribute into the Plan, you can buy back your earlier period of refunded service.

You can also purchase certain periods of refunded service from another pension plan covered by the Intra-Provincial Reciprocal Transfer Agreement.

### OTHER PERIODS OF PAST SERVICE

This includes approved unpaid leaves of absence (e.g., maternity leave), lay-off periods, and prior full-time and part-time service during which you weren't contributing to the Plan (e.g. waiting periods).

## HOW IS THE COST OF MY PURCHASE OF SERVICE CALCULATED?

For most types of purchase of service, the cost to purchase is usually the **greater of** employee pension contributions (based on the current contribution rate and your current salary) and the adjusted termination value\*. For previously refunded service, the cost to purchase is the **greater of** the amount of your refund plus interest, the employee contributions, and the adjusted termination value.

Regardless of the type of service being purchased, the most important thing to remember is that it's often to your advantage to purchase prior service sooner rather than later. The cost typically increases based on your age, salary and cost of living adjustments. No matter when you apply for the purchase of service, there is no processing fee from Vestcor.



### ADJUSTED TERMINATION VALUE:

This actuarial calculation reflects what the true cost will be to the CBE SRP to provide your purchased benefits at retirement. It is based on a number of Plan assumptions and other factors, such as age and salary.

## WHAT IS THE PROCESS?

To apply for a purchase of service, contact your employer and fill out an application form.

Within 60 days of receiving your application, Vestcor will provide you with documents outlining:

- the cost to purchase the service;
- the amount of pension associated with the period of service to be purchased;
- payment options; and
- important deadlines.

You can always learn more about purchasing service by visiting [www.vestcor.org/time-off](http://www.vestcor.org/time-off).



## YOUR UPDATED MEMBER BOOKLET

Your CBE SRP Member Booklet has been updated. These updates were made to further clarify the provisions of the Plan as they stand today.

Some of the topics covered in the Member Booklet include:

- what being a Plan member means;
- retirement under the Plan;
- leaving the Plan before retirement; and
- purchasing prior service.

Have questions about the CBE SRP? Refer to the updated booklet at [www.vestcor.org/cbe](http://www.vestcor.org/cbe) under “Booklets”.

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## AMENDMENTS TO GOVERNING DOCUMENTS

The New Brunswick *Pension Benefits Act* (PBA) requires that Plan members be provided with an update on any Plan amendments.

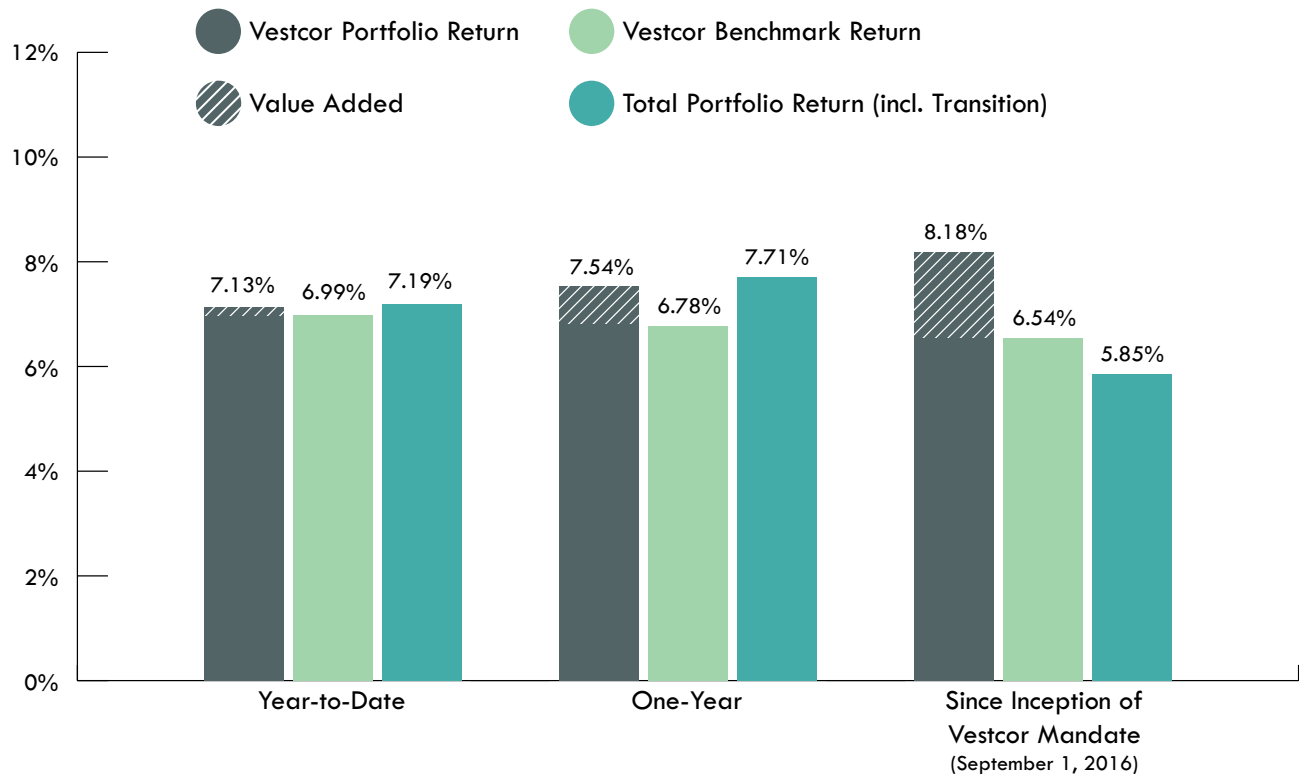
- The Plan Text was amended to reflect the approval of Steps 2-4 of the Funding Policy (based on the actuarial valuation as at December 31, 2017) and was filed with the Superintendent of Pensions on July 3, 2019.
- The Plan Member Booklet review including amendments was filed with the Superintendent of Pensions on June 28, 2019.
- The financial statements and actuarial valuation report, both as at December 31, 2018, were approved by the Board of Trustees and filed with the Superintendent of Pensions on September 30, 2019.

The updated versions of these governing documents are available at [www.vestcor.org/cbe](http://www.vestcor.org/cbe).



## INVESTMENT RETURNS

Financial markets rebounded strongly in the first six months of 2019, recovering from the instability experienced in the 4<sup>th</sup> quarter of 2018. The gross investment return for the CBE SRP for the first half of 2019 was 7.13%. In addition, the one-year and since inception annualized returns all remain in excess of the Fund's 4.75% annual discount rate at 7.54% and 8.18%, respectively.



## INVESTMENT ASSETS

The net assets available for benefits at June 30, 2019 was \$2.315 billion, up \$156 million from the fair value at December 31, 2018. Net investment income contributed \$155 million to this increase, while employee and employer contributions in excess of net benefits paid out and administration expenses added \$1 million to the Fund.

### HELPFUL DEFINITIONS

**Bond Yields:** The current investment return that a bond is expected to provide over its term to maturity.

**Discount Rate:** Set by the Plan's independent actuary, the discount rate is the assumed investment rate of return (net of expenses and margins for security) the Pension Fund can conservatively earn over the long-term given its current investment policy.

**Equity Markets:** The markets used for trading equity securities, also referred to as stock markets.

**Fair Value:** The value of an asset (or liability) based on the market where the funds are traded, on the date reported.

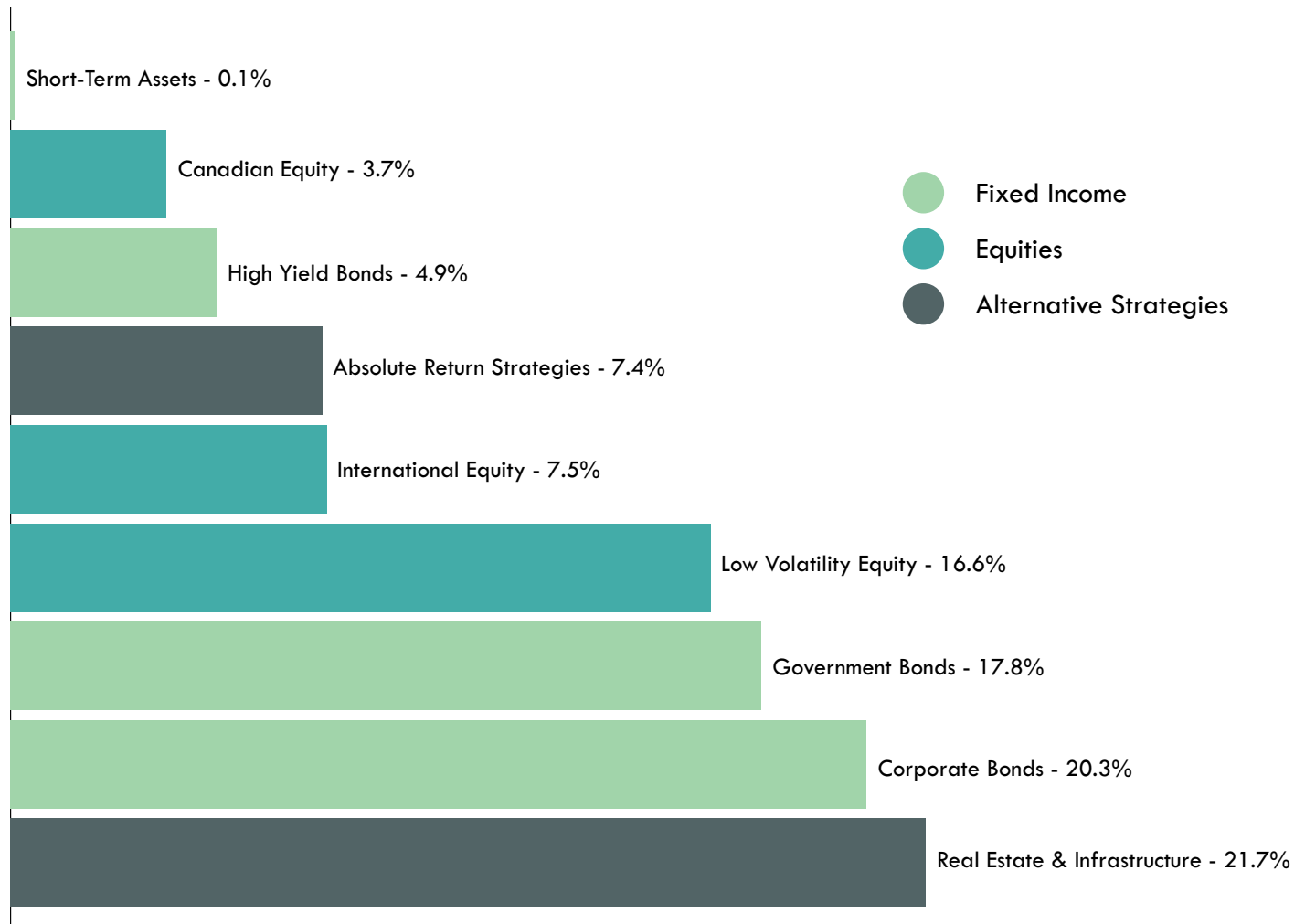
**Gross Investment Return:** Return before fees are deducted (for example, investment management fees).

## ASSET MIX

The breakdown of where the CBE SRP Fund was invested at June 30, 2019, known as the investment asset mix, is displayed below. The weights of each type of investment were held close to the policy targets set by the Board of Trustees. More information on the Board’s policies can be found in the Statement of Investment Policies and Goals available at [www.vestcor.org/cbe](http://www.vestcor.org/cbe), under “Plan Governance”, “Governing Documents”.

A visual outline of the asset mix, which is the breakdown of where the Fund is invested, is included below.

### As at June 30, 2019



## MARKET SNAPSHOT

Investment performance was positive across most asset classes, although the stronger Canadian dollar negatively impacted the returns from foreign currency denominated investments in the first half. Despite strong equity markets, bond yields have remained low and even declined to date in 2019, further contributing to the positive returns. Overall, 2019 appears to be a more challenging time for global investors, with high asset prices and low current bond yields indicating a strong possibility of reduced returns in the future. Adding to this market uncertainty is an elevated level of geopolitical risk.

For more information, please visit [www.vestcor.org/marketupdates](http://www.vestcor.org/marketupdates).

# CBE SRP 2020 PENSION PAYMENT DATES



## TIPS FOR RETIREES

### YOUR CBE SRP PENSION & THE CANADA PENSION PLAN (CPP)

If you choose to retire before the age of 65, in addition to your CBE SRP lifetime pension, your monthly benefit will include additional funds in the form of a **CBE 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 CBE 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 CBE SRP pension only ends when you reach the age of 65.

Some members are surprised at the financial impact on their CBE 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 CBE SRP At-A-Glance document, both available at [www.vestcor.org/cbe](http://www.vestcor.org/cbe).

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 issue.

### WHY DO YOU OWE TAXES EACH YEAR?

When taxes are deducted from your CBE SRP pension, they are deducted as if the CBE 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 CBE 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 issue 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 CBE SRP pension, there is an easy solution. By going to [www.vestcor.org/incometax](http://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.

If you need additional help with the process, contact the Vestcor Member Services Team at 1 800 561 4012.