



SHARED RISK PLAN FOR CERTAIN
BARGAINING EMPLOYEES OF NB HOSPITALS

PENSION NEWS

SPRING 2021

VOLUME 6



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UPDATE FROM YOUR BOARD

A lot changed in the world in 2020. We have all been touched, personally and professionally by the COVID-19 pandemic. This is particularly true of the members of the CBE SRP. Know that we all deeply appreciate all that you do to keep the whole province safe and healthy.

Despite all this upheaval, we are pleased to reassure you that your Plan has remained resilient. Funds of the CBE SRP were able to weather the market volatility that was seen earlier in the year. This was due in part to the less risky approach that your Plan employs compared to other pension funds. A strong market recovery in the latter half of the year helped the CBE SRP see its investment assets grow by \$166 million in 2020. Most importantly, the long-term returns of the Plan continue to exceed what is needed to keep the fund healthy and well-funded. More information can be found in the Investment Report on page 3.

UPDATED PENSION ADMINISTRATION SYSTEM

Our pension administrator, Vestcor, has recently modernized their pension administration system. The legacy system that had been in place had become outdated when compared to other modern operating systems; in the interest of data security and ongoing efficiency improvements, it was determined that an upgrade was warranted.

The implementation of a system of this size brought challenges, and the COVID-19 pandemic added to the complexity of the situation. Despite this, Vestcor successfully transitioned to the new system in the latter half of 2020. There are still process refinements being identified which may cause delays to some services. Work continues diligently to solve outstanding issues.

WHAT DOES THIS MEAN FOR YOU?

The new system will allow our pension administrator to service all members more efficiently. In any interactions with Vestcor, you will notice little to no difference, aside from the look of some documents such as your Employee Statement of Pension Benefits having been refreshed from previous years. Rest assured, the decision to upgrade the system was made with the long-term benefit of all members in mind.

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.

INCREASES TO YOUR BENEFITS

Your Board of Trustees (the Board) is pleased to announce that due to the financial health of the CBE SRP (the Plan), once again, a number of benefit increases, also known as Step increases, have been approved. Every year, an actuarial valuation report is prepared for the Plan. This actuarial valuation determines the financial ability of the Plan to provide benefits to members. Based on the actuarial valuation for the period end date of December 31, 2019 (see the Fall 2020 Newsletter for more information), the Plan is in a surplus, with enough funds to allow the Board to increase the pension benefits for members in the form of Steps 1 through 4 in accordance with the Funding Policy.

Step 1 is awarding a full Cost of Living Adjustment (COLA) of 1.46%, which was mentioned in the last newsletter. Steps 1 through 4 of the Funding Policy are briefly summarized below. A more detailed Summary of the Funding Policy can be found at vestcor.org/cbe.

STEP 1

A Cost of Living Adjustment (or “COLA”) is provided to active, deferred, and retired members.

— If there is still a surplus available after providing the full COLA, the Board can consider additional Steps. —

STEP 2

All active members are brought up to a highest five-year average salary pension benefit calculation for the period end date.

STEP 3

All members who retired prior to the period end date are brought up to a highest five-year average salary pension benefit calculation.

STEP 4

A lump sum payment is provided to retirees representing a reasonable estimate of missed past payment increases, up to the levels arising from Steps 2 and 3.

WHO IS ELIGIBLE?

To start, the current pension benefit of every Plan member is recalculated to determine if the Step increases will increase their pension benefit. This recalculation is done for all active, deferred, and retired members. If increases do apply, retired members would see this increase applied to their monthly pension benefit. Active and deferred members would have this increase applied to their pension, which they will benefit from upon retirement. Members who benefit from these increases have been or will be notified in writing from Vestcor on behalf of the Board.

The purpose of the Step increase process is to grow members’ pension benefits. If, after recalculation, the Step increases don’t result in a higher benefit for a member, their accrued pension benefit remains unchanged.

A SNAPSHOT OF WHERE YOUR PENSION FUND STANDS AS AT DECEMBER 31, 2020

2020 GROSS INVESTMENT RETURN

6.78%

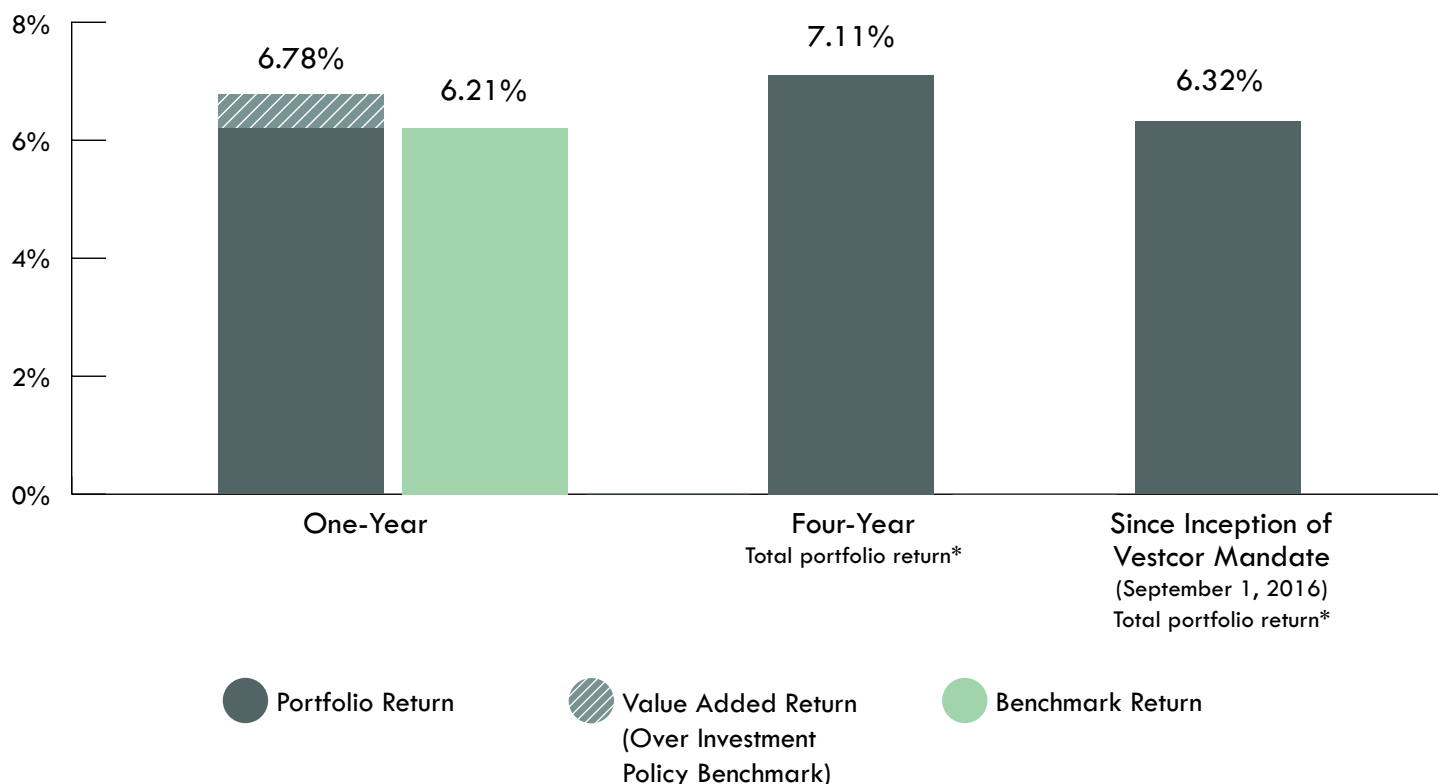
NET INCREASE OF

\$166 MILLION

INVESTMENT ASSETS

\$2.561 BILLION

INVESTMENT RETURNS (AS AT DECEMBER 31, 2020)



With global financial markets experiencing a volatile first half year in 2020, the second half of the year witnessed a strong rebound from the significant initial negative reaction to the outbreak of the COVID-19 pandemic. While financial markets have continued to strengthen since the November 3rd U.S. elections based on positive expectations from a global COVID vaccine program, significant market uncertainties and challenges remain.

We are pleased to report that the investment program earned a positive return of 6.78% in 2020 with a strong 5.90% return over the second half of the year. Over the longer term, both the four-year annualized return of 7.11%, and the return since the inception of Vestcor's management in 2016 of 6.32%, remain in excess of the 4.75% employed by the independent actuary.

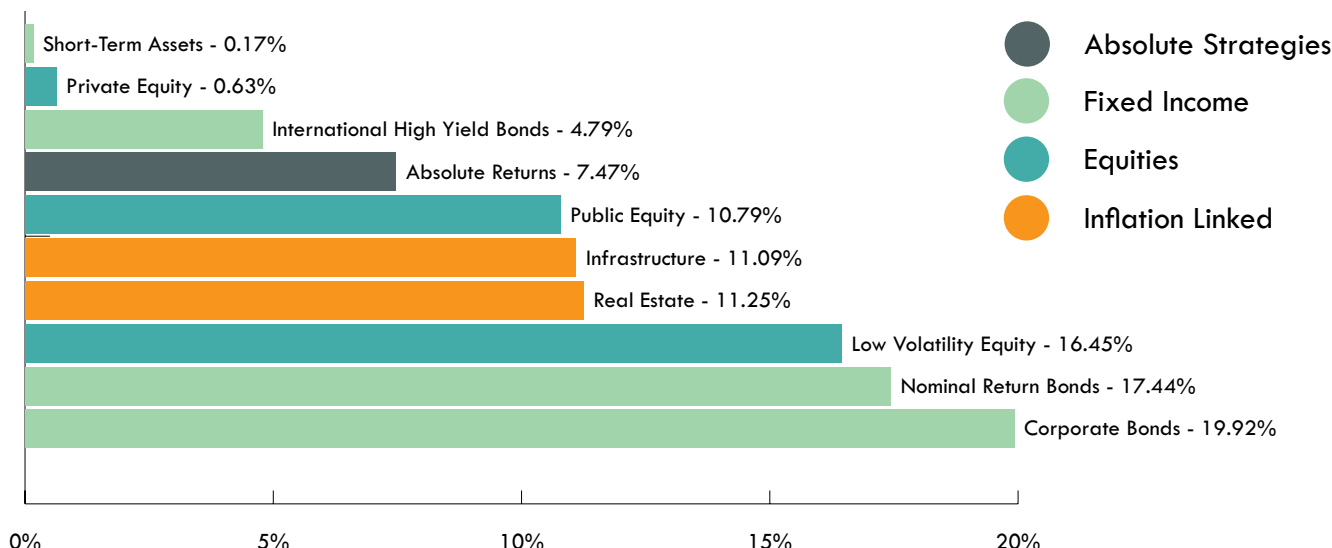
INVESTMENT ASSETS

The fair value of the CBE SRP's investment assets on December 31, 2020 was \$2.561 billion, an increase of \$166 million from the fair value on December 31, 2019.

*Including assets that had yet to be transitioned to Vestcor's management.

ASSET MIX

An outline of the asset mix, the breakdown of where the Pension Fund is invested, is included below.



MARKET SNAPSHOT

Despite the significant and ongoing economic upheaval due to the COVID-19 pandemic, equity markets began their strong recovery in late March. By December 31, despite at one point experiencing a year-to-date position of -30%, the S&P 500 index had generated an annual return for investors of over 18% in USD terms.

Given the current economic situation and market status, the outlook remains cloudy for investors. As has been the case with previous updates, valuations remain at the high end of historical ranges – equities are priced at levels not observed since the 1999-2000 tech bubble, and although bond yields have increased off the lows of 2020, forward looking returns for bond investors globally remain significantly below long-term averages. Standard 60% Equity / 40% Fixed Income weighted portfolios appear unlikely to produce returns close to their long-term averages when measured from a starting point of January 2021. Focusing on diversified, low risk sources of enhanced returns while structuring portfolios that maximize diversification and minimize downside risk will remain essential to long run success.

For more information, including a summary of the market outlook for this period, visit the Quarterly Market Updates provided by Vestcor at vestcor.org/marketupdates.

HELPFUL DEFINITIONS

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

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

Equities: Investment securities that represent an ownership interest in an asset such as shares in a company or real estate.

Discount Rate: Set by the Plan's independent actuary. The rate at which a Plan's expected benefits cash flows to members are discounted to determine its present value. In a Pension Fund, the assumed, net investment rate of return that the Pension Fund needs to conservatively earn over the long-term.

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

Statement of Investment Policies: A legal document that outlines the investment policies and procedures of a fund.

For even more helpful definitions, you can find a glossary of terms relevant to the CBE SRP at vestcor.org/glossary.

PAPERLESS NEWSLETTERS

Your pension plan newsletter is an important tool for your Board of Trustees to communicate updates about the Plan. Our aim is to provide members with information that is valuable to them, including Investment Reports (see page 3) and updates to the governing documents of the CBE SRP (see page 7), as well as general information to help them get the most out of their Plan.

We understand that not every member of the CBE SRP has a desire to receive the newsletter; however, the *Pension Benefits Act* (New Brunswick) requires that members be provided with this information. Although you are unable to opt out of receiving the newsletter, for those members who currently are receiving a paper copy, we encourage you to sign up to receive the newsletter electronically by filling out the short form found at vestcor.org/newsletters.

YOUR EMPLOYEE STATEMENT OF PENSION BENEFITS

If you were an active member of the CBE SRP in 2020, your 2020 Employee Statement of Pension Benefits will arrive in the coming months. This statement will provide you with updated estimated pension amounts as of December 31, 2020. Your statement also includes the information you need to use Vestcor's pension estimate calculator, found at vestcor.org/calculators.

If you need help with your statement, an *Understanding your Employee Statement of Pension Benefits* guide will be included with it. This guide is also available at vestcor.org/cbe under "Booklets".

LIFE EVENTS:

ENDING A SPOUSAL RELATIONSHIP

Over the course of your career you may experience a lot of changes – professionally and personally. If you’re going through a separation or divorce, your pension may be affected.

Your pension is one of the assets available for division as part of a separation or divorce and may be included in the final settlement between you and your former partner.

The CBE SRP allows for the transfer of a portion of pension assets to an ex-spouse following the breakdown of a marriage or common-law partnership. The benefits earned in the pension plan **during the time you were married/cohabitating** can be included in the division of marital assets. For retirees, the portion of the benefit that is transferred to your spouse will directly reduce your monthly pension benefit on a go forward basis.

Visit vestcor.org/life-events. You’ll find important resources including an information booklet which details your Plan’s rules regarding the division of pension benefits upon marriage/common-law partnership breakdown, how the calculations are conducted, and other important factors to consider. You’ll also find other Life Events including *Planning for Retirement*, *Leaving Your Employment*, *Returning from a Leave of Absence*, and more.



WE WANT YOUR QUESTIONS!

This is your newsletter, and we want to make sure that it’s a valuable resource for you. Are there elements of the CBE SRP that are unclear? Is there information related to the Plan that you’ve been impacted by that you think would be valuable to others? We want to hear from you! Contact info@vestcor.org today. Make sure to reference the CBE SRP Newsletter in the subject line.

Keep an eye out for answers to your questions in upcoming newsletters!

TIPS FOR RETIREES: INCOME TAX

One of the most common questions from many of our retired members continues to be why they owe additional taxes each year. Therefore, we thought it would be helpful to let members know that there is an option that may decrease what is payable at the end of each year.

To begin, you may be wondering why you owe additional taxes in the first place. When taxes are deducted from your CBE SRP pension, they are automatically deducted as if the CBE SRP pension is your only income; however, you may have additional sources of income. Other sources of income that you may receive include, but are not limited to, the Canada Pension Plan, Old Age Security, employment income, RRSPs, or other pension plans you receive a benefit from. Just 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 sole 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.

By going to 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 by, and can be filled out at any time of the year. By paying more taxes upfront, you may be able to 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.



AMENDMENTS TO GOVERNING DOCUMENTS

The *Pension Benefits Act* (New Brunswick) requires that Plan members be provided with an update on any Plan amendments. As such, the Board of Trustees would like to inform you of the following amendment which was filed with the Superintendent of Pensions:

- The Plan Text was amended in order to document the awarding of the Cost of Living Adjustment (COLA, also known as indexation) and the benefit increase associated with Steps 2-4 of the Funding Excess Utilization Plan, effective January 1, 2021. The amendment was filed with the Superintendent of Pensions on February 25, 2021.

The updated versions of the governing documents are available at the following website: vestcor.org/cbe.