

Volume 7 | Spring 2021

# PENSION NEWS

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Shared Risk Plan for  
CUPE Employees of  
NB Hospitals  
(CUPE Hospitals SRP)  
[vestcor.org/cupe-h](http://vestcor.org/cupe-h)

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# INCREASES TO YOUR BENEFITS

Your Board of Trustees (the Board) is pleased to announce that due to the strong financial position of the CUPE Hospitals 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/cupe-h](http://vestcor.org/cupe-h).

## 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.

**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.

# 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, but work continues diligently to solve these outstanding issues.

## WHAT DOES THIS MEAN FOR YOU?

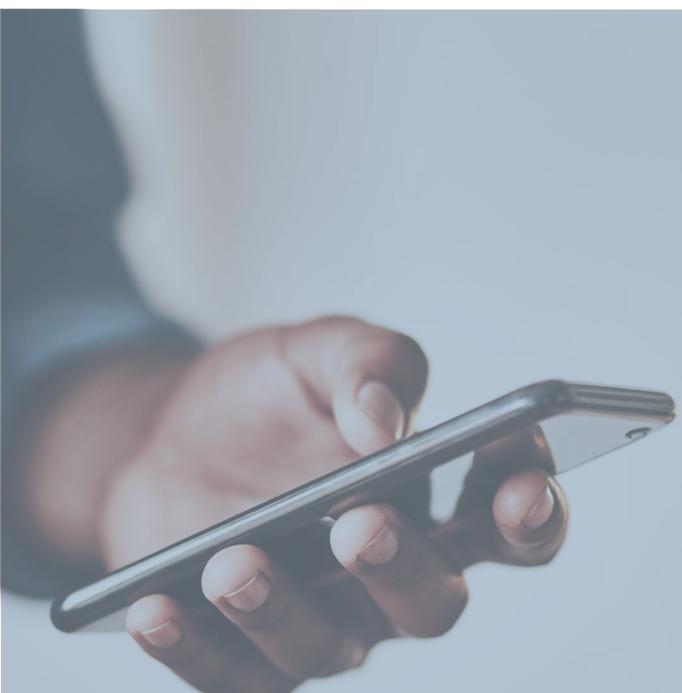
The new system will allow our pension administrator to service all members more efficiently. In any interactions with Vestcor, you will notice little to no difference, aside from the look of some documents such as your Employee Statement of Pension Benefits having been refreshed from previous years.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



## 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 CUPE Hospitals SRP (see page 5), as well as general information to help them get the most out of their Plan.

We understand that not every member of the CUPE Hospitals 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 recommend you sign up to receive the newsletter electronically by filling out the short form found at [vestcor.org/newsletters](https://vestcor.org/newsletters).



# INVESTMENT UPDATE

The CUPE Hospitals SRP Board of Trustees is responsible for all decisions related to the investment policy for the Plan, subject to specific risk management constraints set out in their Funding Policy and the *Pension Benefits Act (PBA)*.

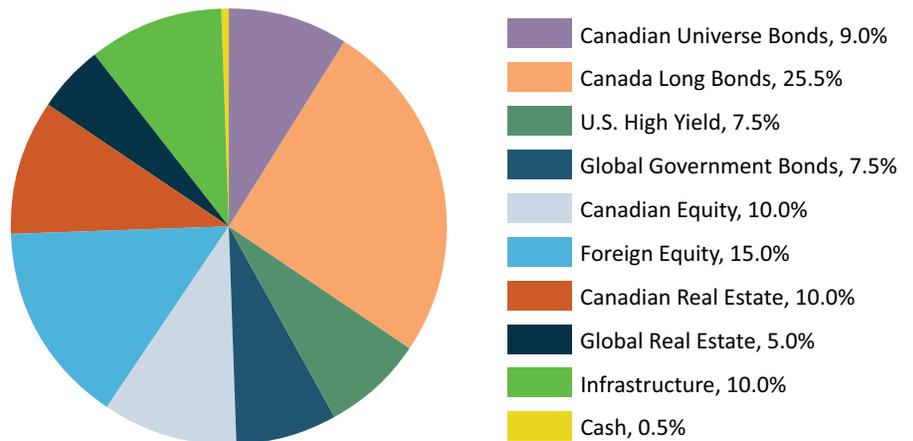
## ASSET MIX

The development of the asset mix for the CUPE Hospitals SRP is dependent on the actuarial liability of the Pension Plan and the Pension Plan's ability to pass the risk management tests under the Funding Policy and requirements of the PBA.

Total assets under management as at December 31, 2020 stood at \$1.1 billion and the current target asset mix is shown in the chart to the right.

The portfolio is in the process of adding infrastructure debt to the portfolio. Allocations to infrastructure debt will be made in 2021.

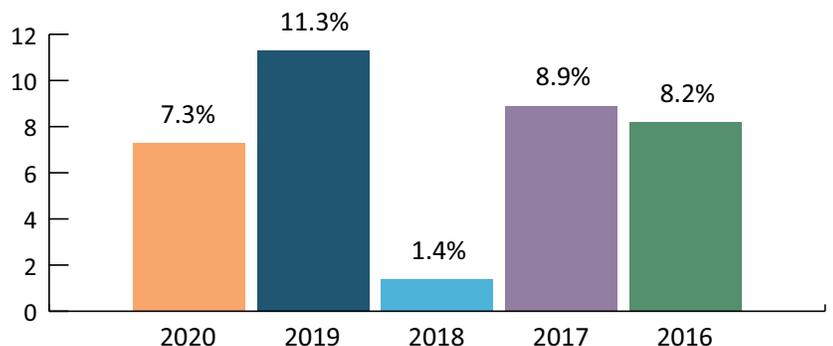
### CUPE HOSPITALS SRP CURRENT TARGET ASSET MIX (AS AT DEC. 31, 2020)



## INVESTMENT PERFORMANCE (AS AT DEC. 31, 2020)

In terms of the investment performance, the objective of the CUPE Hospitals SRP is to follow investment principles and guidelines which are appropriate to the needs and objectives of the plan.

The overall year ended December 31, 2020 rate of return was 7.3%. Investment returns are reported gross of investment management fees. The annual returns over the past 5 years were as follows:



## NOTE REGARDING YOUR MOST RECENT EMPLOYEE STATEMENT OF PENSION BENEFITS

Some members may have noticed that the opening balance of their 2019 Employee Statement was slightly lower than the closing balance on their 2018 statement. If this is the case, **we want to assure you that you have not lost any employee contributions.** This is only due to a slight change in how your annual employee pension contributions are allocated.

This change would have affected you if your first bi-weekly pay period in 2019 spanned from the end of December 2018 into January 2019. Previously, your pension contributions for this pay period would have been split between 2018 and 2019, based on the time you worked in each calendar year. Under the new methodology, all contributions are based on the date you received your pay, meaning they were all allocated to your 2019 contributions. As a result, any contributions from the first 2019 bi-weekly payroll which fell in December 2018 are now captured in the "Your Contributions in 2019" amount on your statement.

# LIFE EVENTS:

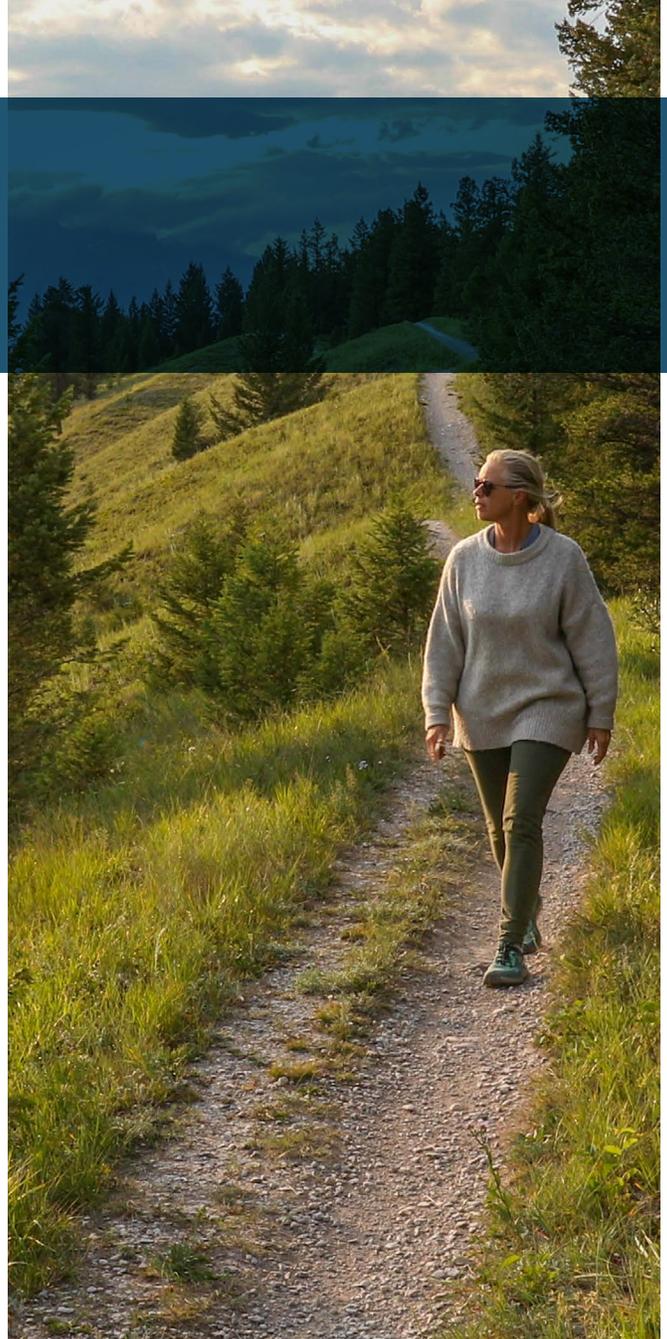
## ENDING A SPOUSAL RELATIONSHIP

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 CUPE Hospitals 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.

Visit [vestcor.org/life-events](https://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 CUPE Hospitals 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](mailto:info@vestcor.org) today. Make sure to reference the CUPE Hospitals SRP Newsletter in the subject line.

# 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 owed 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 CUPE Hospitals SRP pension, they are automatically deducted as if the CUPE Hospitals 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 CUPE Hospitals 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](https://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 New Brunswick *Pension Benefits Act* 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 amendments which were filed with the Superintendent of Pensions:

- The CUPE SRP Plan Text was updated and filed with the Superintendent of Pensions on January 21, 2021 in order to include details regarding the benefit increase associated with Steps 1-4 of the Funding Policy (effective January 1, 2021).
- The CUPE SRP Statement of Investment Policy and Goals was updated and filed with the Superintendent of Pensions on December 15, 2020 in order to enhance governance and add infrastructure debt and commercial short term mortgages to the portfolio.

The updated versions of the governing documents are available at [vestcor.org/cupe-h](https://vestcor.org/cupe-h).