

July 2021

In response to the investment performance misinformation circulating recently in relation to public sector pension plans administered by Vestcor, please refer to the following statement prepared by the Board of Trustees of the Shared Risk Plan for Certain Bargaining Employees of NB Hospitals (CBE SRP).



The CBE SRP is a shared risk pension plan, designed to be less risky than typical defined benefit pension plans*, in an effort to ensure its long-term sustainability. This structure came into effect on July 1, 2012 and was agreed to by the CBE SRP's Governing Parties: the Province of New Brunswick, the New Brunswick Nurses' Union and the New Brunswick Union of Public and Private Employees.

** The Pension Coalition of NB recently released a statement noting that returns of Vestcor's clients, including the CBE SRP, "ranked among the bottom quarter" for the past two years in Canada, based on a survey published by RBC. It is very important to note that the survey referenced is comprised of Defined Benefit (DB) Pension Plans, and the comparison is inappropriate due to the difference in plan designs between DB plans and Shared Risk Plans.*

The CBE SRP is managed in a way that provides secure pension benefits in the vast majority of economic scenarios. It is also **subject to annual rigorous risk tests conducted by an independent actuarial firm, which observes the financial health of the plan.** The results of these tests are reviewed by the CBE SRP Board of Trustees, and filed and reviewed annually by the Superintendent of Pensions at the New Brunswick Financial and Consumer Services Commission (FCNB). The CBE SRP has successfully passed all annual tests. Results are available at vestcor.org/cbe, under "Plan Governance", "Financial Results".

Due to the above considerations the CBE SRP does not take on as much investment risk in its investment strategy as a typical defined benefit pension plan*. Therefore, annual returns of the CBE SRP, and similar plans managed by Vestcor, tend to lag those other DB types of plans in periods of stronger equity market returns (e.g. 2019 and 2020) and do better in weaker equity market periods (e.g. 2018).

The CBE SRP continues to be in a solid funding position. As recently reported at December 31, 2020, the Plan's longer-term four-year annualized portfolio return was 7.11%, exceeding the 4.75% required by the independent actuary. This equated to \$2.561 billion in investment assets at December 31, 2020. Results as at June 30, 2021 will be released in the Fall 2021 CBE SRP member newsletter. Previous copies of the newsletters, distributed semi-annually, are available at vestcor.org/cbe.

The CBE SRP also benefits from low investment management and administration expense ratios, through a locally accessible team of plan administration and pension fund investment management professionals at Vestcor. The creation of Vestcor has provided for investment returns that have exceeded the long-term return objective of the CBE SRP at a lower risk, as required by the Plan. These returns have improved the funding ratio of the CBE SRP and allowed for the annual indexing benefit (cost of living adjustment) to be provided each year since the CBE SRP's inception in 2012. Vestcor's value-added investment returns and low costs **benefit the members of the CBE SRP.**

Transparency is of utmost importance to your Board of Trustees. Additional information is available to members through the plan's website at vestcor.org/cbe, including financial statements, actuarial valuation reports, and more.

Quick Links:

CBE SRP Website vestcor.org/cbe