



SHARED RISK PLAN FOR CERTAIN  
BARGAINING EMPLOYEES OF NB HOSPITALS

# PENSION NEWS

FALL 2021

VOLUME 6



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# YOUR PENSION BENEFITS CONTINUE TO GROW

Your Board of Trustees is 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”) effective January 1, 2022. Due to the level of positive returns of the Plan, the Board was able to approve the full COLA permissible by the Plan, matching the increase in Canada’s Consumer Price Index (CPI). Similar to last year, for the 12-month period ending June 30, 2021, the increase in the average CPI was 1.46%

If you’re an active or deferred member, the increase will be applied to the benefits you’ve earned up to December 31, 2020, positively impacting your future pension. If you’re a retiree, the increase will be applied to your monthly pension benefit as of January 1, 2022. You’ll receive notification of this increase in writing in December 2021.

To learn how COLA was calculated, view the COLA fact sheet at [vestcor.org/cbe-cola](https://vestcor.org/cbe-cola).

Cost of Living Adjustment (COLA)  
Awarded Since Plan Conversion  
(Awarded January 1<sup>st</sup> of each year)

2013  
2.40%

2014  
0.96%

2015  
1.43%

2016  
1.49%

2017  
1.40%

2018  
1.47%

2019  
1.88%

2020  
2.12%

2021  
1.46%

2022  
1.46%



**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.

# FREQUENTLY ASKED QUESTIONS

YOUR BOARD REGULARLY RECEIVES QUESTIONS FROM MEMBERS.

HERE ARE ANSWERS TO SOME OF THE MOST COMMON QUESTIONS.

## IS THE CBE SRP SECURE?

The CBE SRP and its shared risk structure was created because the prior plan, the Pension Plan for Certain Bargaining Employees of New Brunswick Hospitals, was no longer sustainable. To secure the retirement income of all members, from retirees to young members just starting out in the profession, changes had to be made.

With this history in mind, the highest priority of the CBE SRP is the **long-term security, sustainability and affordability** of the Plan. Part of this involved a lower-risk investment strategy, with strict risk management goals. The assets that the Plan is allowed to invest in are laid out in the Statement of Investment Policies, which can be found at [vestcor.org/cbe](https://vestcor.org/cbe) under “Governing Documents”. This lower-risk approach means that when stock markets perform well the returns of the CBE SRP may be lower than other pension plans, but when markets are weaker the Plan tends to outperform other pension plans. This can be seen as recently as 2018 when the average Canadian pension plan lost money, while the CBE SRP continued to see positive returns. You can learn more about the investment asset mix of the Plan in the Mid-Year Investment Report on pages 3 and 4.



Additionally, the CBE SRP is required by law to undergo a series of annual risk management tests to monitor its financial health, and to permit various financial decisions to be made by the Board. The results of these risk management tests are included in the actuarial valuation report. The actuarial valuation is prepared by the Plan’s independent actuary and determines the Plan’s ability to pay base benefits, as well as Cost of Living Adjustments and other ancillary benefits into the future. More information on the actuarial valuation and how it helps the Plan can be found on page 6.

## ARE THE INVESTMENTS OF THE PLAN WELL-MANAGED?

Our investment manager, Vestcor, is bound by the CBE SRP’s Statement of Investment Policies and other governing documents when it comes to how the assets of the Plan are invested. While Vestcor must follow the CBE SRP’s Statement of Investment Policies, they do have a mandate to add value to the Plan within these constraints through their expertise and active management of the investment assets. The CBE SRP remains well-funded and longer-term returns of the Plan continue to exceed the rate of return the Plan requires to remain funded, called the **discount rate**. The discount rate is recommended by the Plan’s actuary. The financial health of the Plan means that your Board has been able to grant Cost of Living Adjustments every year since the conversion to a shared risk model. Your Board of Trustees is confident in how the assets are being managed by Vestcor.

The CBE SRP also benefits from Vestcor’s cost-effective, not-for-profit structure. The Plan saves considerable money by using Vestcor as opposed to other investment managers. This is money that can stay in the Plan for the benefit of our members. The Plan also benefits by having a New Brunswick-based investment manager, allowing easy access to their expertise.

If you have further questions about your Plan, we welcome you to email them to [cbe-ces@vestcor.org](mailto:cbe-ces@vestcor.org), or call Vestcor’s Member Services team at 1-800-561-4012.

# MID-YEAR INVESTMENT REPORT

## A SNAPSHOT OF WHERE YOUR PENSION FUND STANDS AS AT JUNE 30, 2021

GROSS INVESTMENT RETURN

**3.39%**

AT JUNE 30, 2021

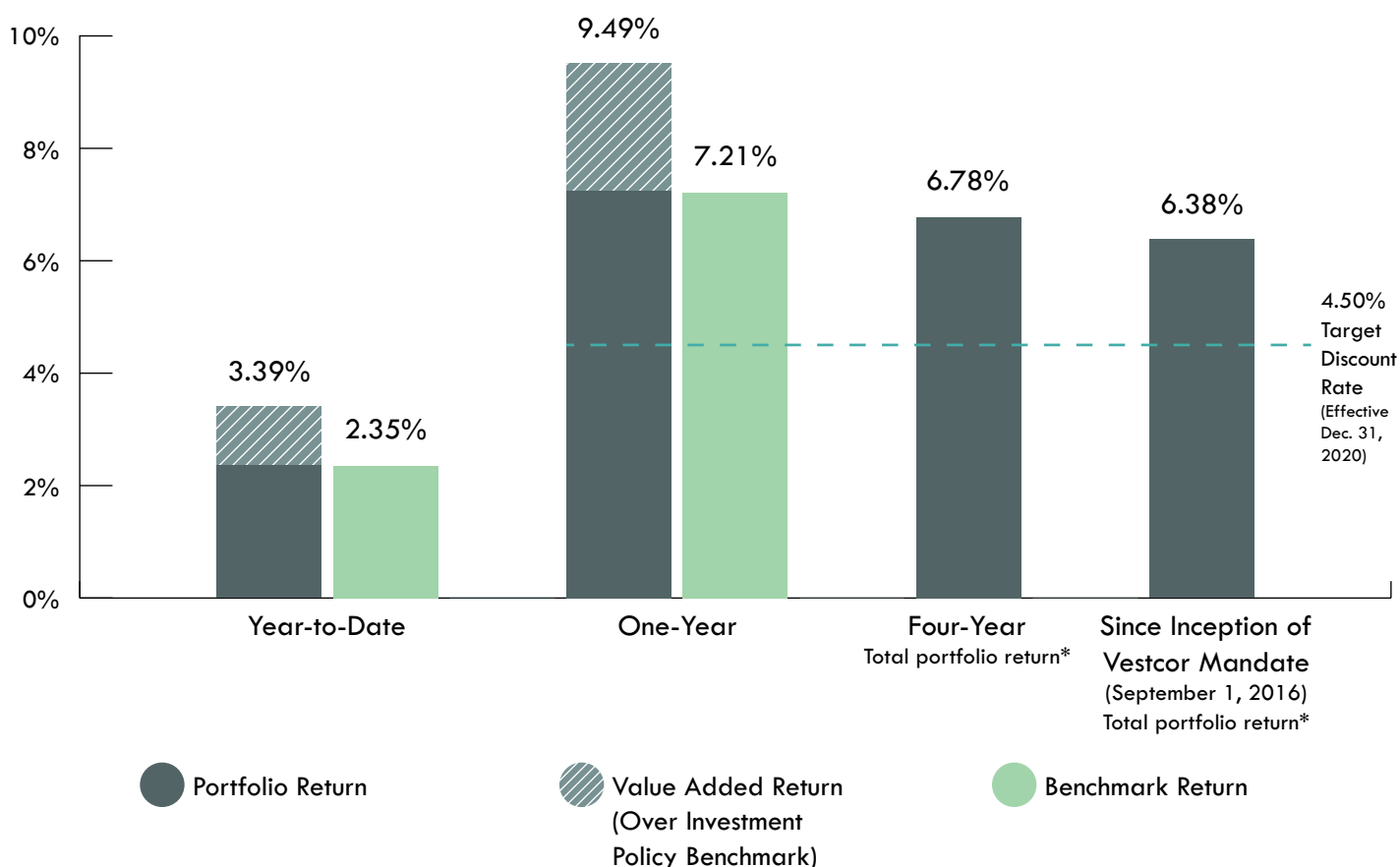
NET INCREASE OF

**\$84.7 MILLION**

INVESTMENT ASSETS

**\$2.646 BILLION**

## INVESTMENT RETURNS (AS AT JUNE 30, 2021)



The first half of 2021 saw a continuation of the strong global financial markets' recovery experienced in the latter half of 2020. Equity markets led the rebound with Canadian markets advancing the gains in the January-June period, with the TSX Composite Index at 17%, comparing favourably with the rest of the developed world markets (+9.6%) as well as emerging markets (+4.4%).

The well diversified CBE SRP investment program experienced a positive return of 3.39% for the year-to-date as of June 30<sup>th</sup>, 2021. More importantly, the longer-term annualized return since the inception of Vestcor's management in 2016 of 6.38% remains in excess of the Fund's 4.50% discount rate as set by the Plan's independent actuary.

## INVESTMENT ASSETS

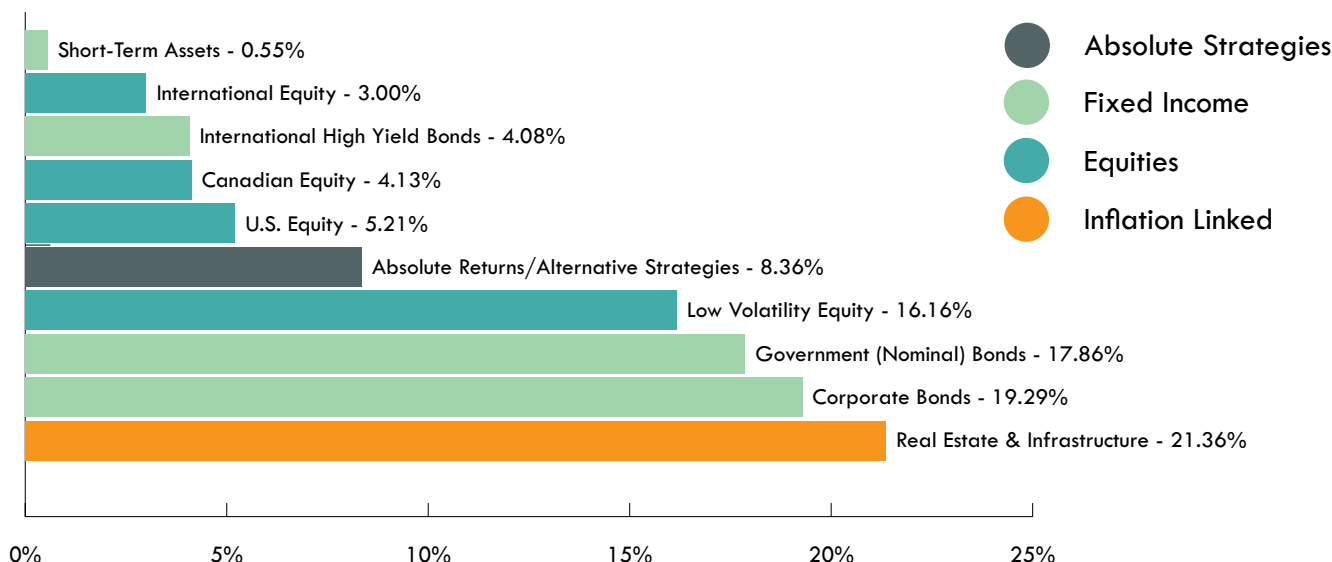
The fair value of the CBE SRP's investment assets on June 30, 2021 was \$2.646 billion, an increase of \$84.7 million from the investment assets at December 31, 2020.

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



## ASSET MIX

CBE SRP investment asset mix weights were held close to investment policy targets during the year. The chart below outlines the portfolio asset mix on June 30, 2021 and illustrates how well-diversified the Plan's investment assets are.



## MARKET SNAPSHOT

While overall the economic and market recovery from the depths of the COVID-19 pandemic and its associated recession has continued to advance thus far in 2021, there are several warning signs on the horizon that suggest continued caution is warranted. The U.S. Federal Reserve Board has strongly indicated that the current inflation spike is expected to be transitory, and markets will likely react sharply to any perceived changes in the path of interest rates from the current expectations. In addition, the ongoing COVID-19 vaccination effort continues to be the primary driver of economic reopening, with regional differences in vaccination rates indicating the global recovery will continue to be uneven in the near term.

Looking forward, investors are facing similar conditions as described in our prior reports, with stretched valuations, continued economic uncertainty in certain segments of the economy, and a significant disparity in the success of vaccination programs globally.

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](https://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.

**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.

**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).

For even more helpful definitions, you can find a glossary of terms relevant to the CBE SRP at [vestcor.org/glossary](https://vestcor.org/glossary).

# LIFE EVENTS:

## DEATH OF A MEMBER

As you are a member of the CBE SRP, your spouse or beneficiary may be eligible for survivor benefits when you pass away.

The death of a loved one can be overwhelming, and at these times it can be very difficult to keep track of everything that needs to be done. Our pension administrator, Vestcor, is committed to helping your loved ones through the process of applying for a survivor benefit and making it as easy as possible.

The process differs based on whether you are an active, deferred, or retired member.

### ACTIVE MEMBER

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For active members (employed or on sick leave), the employer will notify Vestcor of their passing. Vestcor will provide the member's applicable survivor with documentation to be completed in order to receive the applicable survivor benefit.

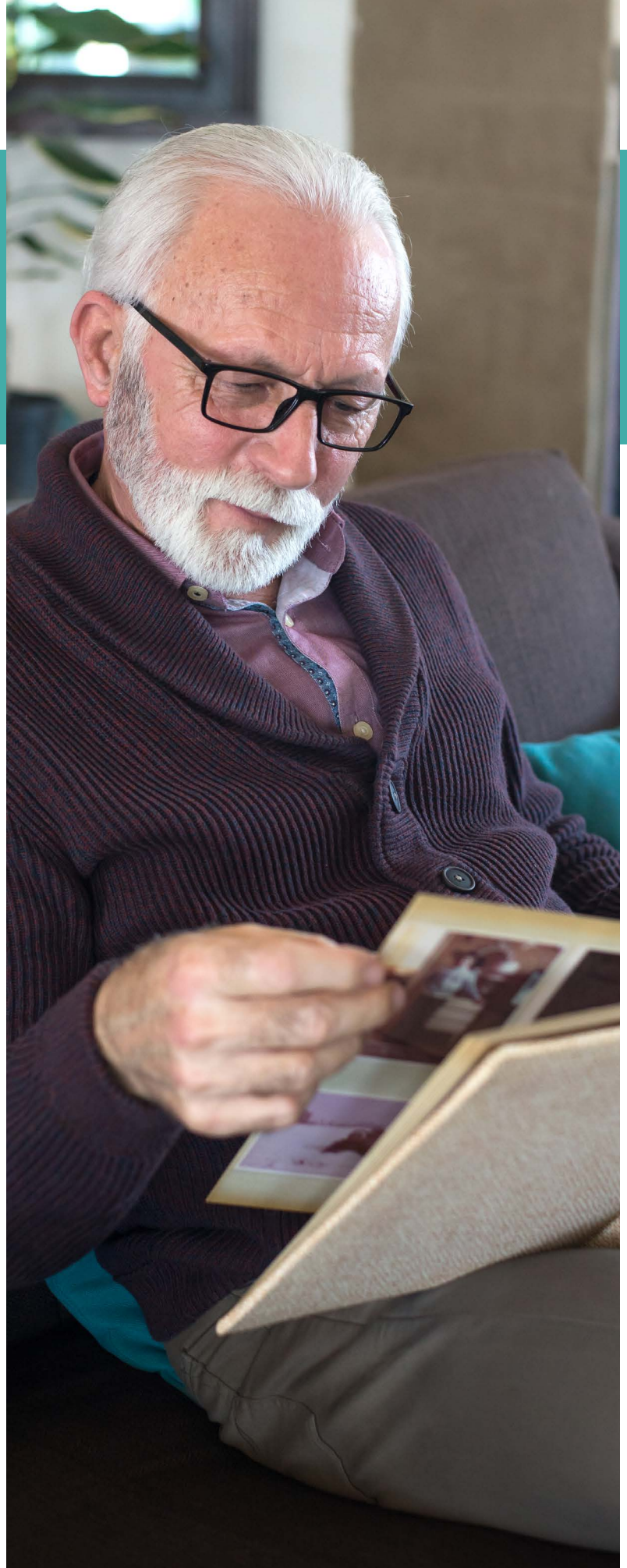
If you have any questions about this process, contact Vestcor's Member Services team by telephone at 1-800-561-4012 or in writing at [info@vestcor.org](mailto:info@vestcor.org).

### DEFERRED AND RETIRED MEMBERS

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For retired and deferred members, the spouse or beneficiary will need to contact Vestcor's Member Services team at 1-800-561-4012 to notify them of the member's passing and begin the process of applying for survivor benefits as soon as possible.

For information on other life events that may affect your pension visit [vestcor.org/life-events](https://vestcor.org/life-events).



# ACTUARIAL VALUATION UPDATE

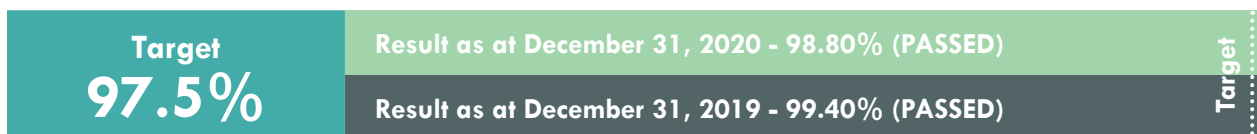
The actuarial valuation report is a vital tool to assess the CBE SRP's ability to provide long-term benefits to members and helps guide the Board of Trustees in making decisions regarding the finances of the Plan, such as granting COLA (see page 1). As a shared risk plan, the CBE SRP is subject to requirements 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, 2020 can be found below.\*

## RISK MANAGEMENT RESULTS

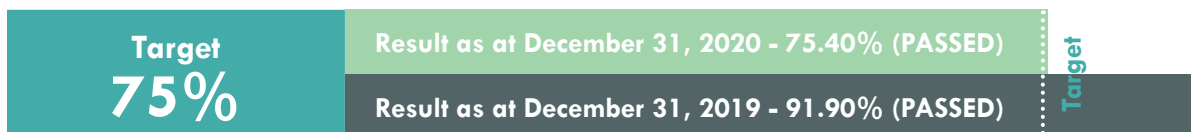
### Primary Risk Management Goal

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 109.5% as at December 31, 2020. 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, 2020, is 124.6%. This ratio is used to determine the actions, such as granting COLA, to be taken by the Board under the Plan's Funding Policy.

\* The declines seen in the Actuarial Valuation Report are primarily due to an increase in the estimated liability from a reduction in the discount rate from 4.75% to 4.50% to better reflect lower expected long-term financial market returns. The discount rate is the required rate of return the Plan needs, and is recommended by the Plan's independent actuary.

# INFORMATION FOR RETIREES - T4As

As a retiree drawing your pension, you'll receive a T4A reporting your annual pension income to file your annual income tax return. The T4A is similar to the T4 you would have received as an active employee reporting employment income. Depending on your personal situation, you may see amounts reported in other boxes such as income tax deductions and health/dental premium deductions.

If you are a non-resident of Canada, you will receive a NR4 instead of a T4A to report your pension income.

Vestcor will mail your T4A by February 28<sup>th</sup> of each year, and it is very important to ensure that they have your current mailing address. If your mailing address has recently changed, complete the Change of Address form at [vestcor.org/address](https://vestcor.org/address) or contact Vestcor at 1-800-561-4012.

If you lose or do not receive your T4A, requests for duplicate T4As can be made by calling Vestcor at 1-800-561-4012. Please note that a duplicate T4A cannot be sent to a new mailing address until a change of address form is provided and processed by Vestcor.



## 2022 CBE SRP PENSION PAYMENT DATES

JANUARY <b>1</b>	FEBRUARY <b>1</b>	MARCH <b>1</b>	APRIL <b>1</b>	APRIL <b>29</b> (FOR MAY)	JUNE <b>1</b>
JUNE <b>30</b> (FOR JULY)	JULY <b>29</b> (FOR AUGUST)	SEPTEMBER <b>1</b>	SEPTEMBER <b>30</b> (FOR OCTOBER)	NOVEMBER <b>1</b>	DECEMBER <b>1</b>



## AMENDMENTS TO GOVERNING DOCUMENTS

The New Brunswick *Pension Benefits Act* (PBA) 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 CBE SRP Agreement and Declaration of Trust was amended to permit an employee of one of the appointing unions to serve as a Trustee. The amendment was filed with the Superintendent of Pensions on April 15, 2021.
- The Actuarial Valuation Report as at December 31, 2020 and Financial Statements as at December 31, 2020 were filed with the Superintendent of Pensions on September 30, 2021.

The updated versions of the Governing Documents are available at [vestcor.org/cbe](https://vestcor.org/cbe).