



SHARED RISK PLAN FOR CERTAIN
BARGAINING EMPLOYEES OF NB HOSPITALS

PENSION NEWS

SPRING 2022

VOLUME 7



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OF RETIREMENT
PLANNING

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THREE PILLARS OF RETIREMENT PLANNING

In Canada, we have three pillars that hold up our retirement goals: Old Age Security (OAS) & Guaranteed Income Supplement (GIS); Canada Pension Plan (CPP)/Quebec Pension Plan (QPP); and employer pensions & personal savings.

Ensuring that you'll have the income required to enjoy your retirement takes some planning. Many financial planners recommend that you should aim for a replacement ratio of 70% of your pre-retirement income; while this is just a guideline, your actual retirement income needs are going to be unique to you, and there are some important questions you should be asking yourself:

- Will you continue working part-time?
- Will your expenses increase or decrease in retirement?
- Do you plan on traveling?
- How do you plan on spending your days?
- Will you still have debts to be paid off?

Some of these questions may be difficult to answer depending on what stage you are in your career, but understanding your pre- and post-retirement financial goals will help you plan your sources of retirement income.

 <p>CBE SRP & OTHER SAVINGS Your CBE SRP benefit and other savings will likely make up the largest portion of your retirement income. Use the pension estimate calculator frequently throughout your career and adjust your personal savings accordingly to ensure that you will have sufficient income to sustain your retirement goals.</p> <p>What's the CBE SRP Pension Estimate Calculator? The calculator is an easy-to-use tool that can quickly calculate an estimate of your future pension using any retirement date. The calculator uses data provided from your annual CBE SRP Employee Statement of Pension Benefits; while your most recent statement will provide the most accurate results, older statements may be used. You can find the calculator and an instructional video at vestcor.org/cbe-calculator.</p>	 <p>CPP/QPP The Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) are compulsory pension programs based on your salary and years you've been contributing to the plan. There is a maximum amount receivable, and you can start receiving these benefits as soon as age 60 or as late as age 70. These options will impact your monthly amount.</p> <p>Because these two plans have maximum amounts, they may not give you a high replacement ratio.</p> <p>Depending on your foreseen retirement expenses like traveling or debts, you are likely going to need income from a pension and/or retirement savings as well.</p> <p>You can find more information on CPP at canada.ca/cpp.</p>	 <p>OAS & GIS Old Age Security (OAS) is a federal program that gives Canadians aged 65 or older a monthly payment.</p> <p>Guaranteed Income Supplement (GIS) is for low-income OAS pensioners and is calculated based on income.</p> <p>This pillar is the smallest of the three, designed to give retiring Canadians basic income support.</p> <p>You can find more information on OAS and GIS at canada.ca/oas and canada.ca/gis.</p> <p>Interested in watching a video about the Three Pillars? Visit cbenb.ca/3pillars or open your mobile device's camera and scan the code to the right.</p> 
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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.



YOUR RETIREMENT CHECKLIST



If you have a smart mobile device (Apple iPhone or Android for example), open the camera and point it at this code to scan it. A link to the video will appear.



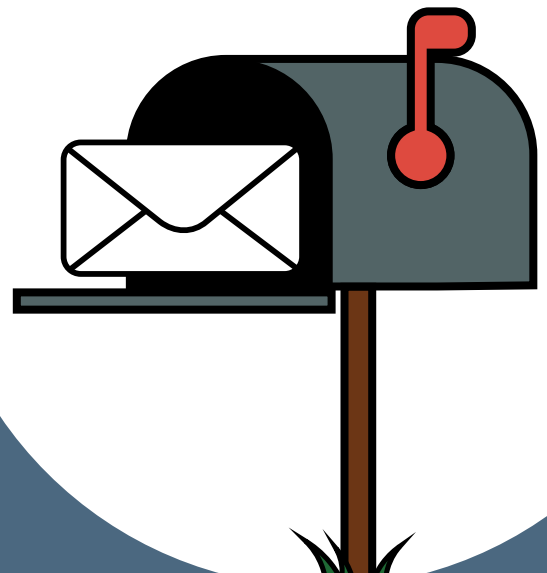
Are you close to retirement, or do you just have questions about what the process will be once the time comes? Our plan administrator, Vestcor, has recently released a short video explaining the steps you'll need to take to apply for your pension.

You can watch the video by scanning the code above with your mobile device, or by visiting vestcor.org/checklist.

YOUR EMPLOYEE STATEMENT OF PENSION BENEFITS

If you were an active member of the CBE SRP in 2021, your 2021 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, 2021. Your statement also includes the information you need to use Vestcor's pension estimate calculator, found at vestcor.org/cbe-calculator. Find out what your pension could look like based on your years of service and the earnings you've accumulated to date. Best of all, in just a few minutes you can get a snapshot of your future pension at a variety of different ages, starting as early as age 55. There's even an instructional video to guide you!

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-statement under "Booklets".



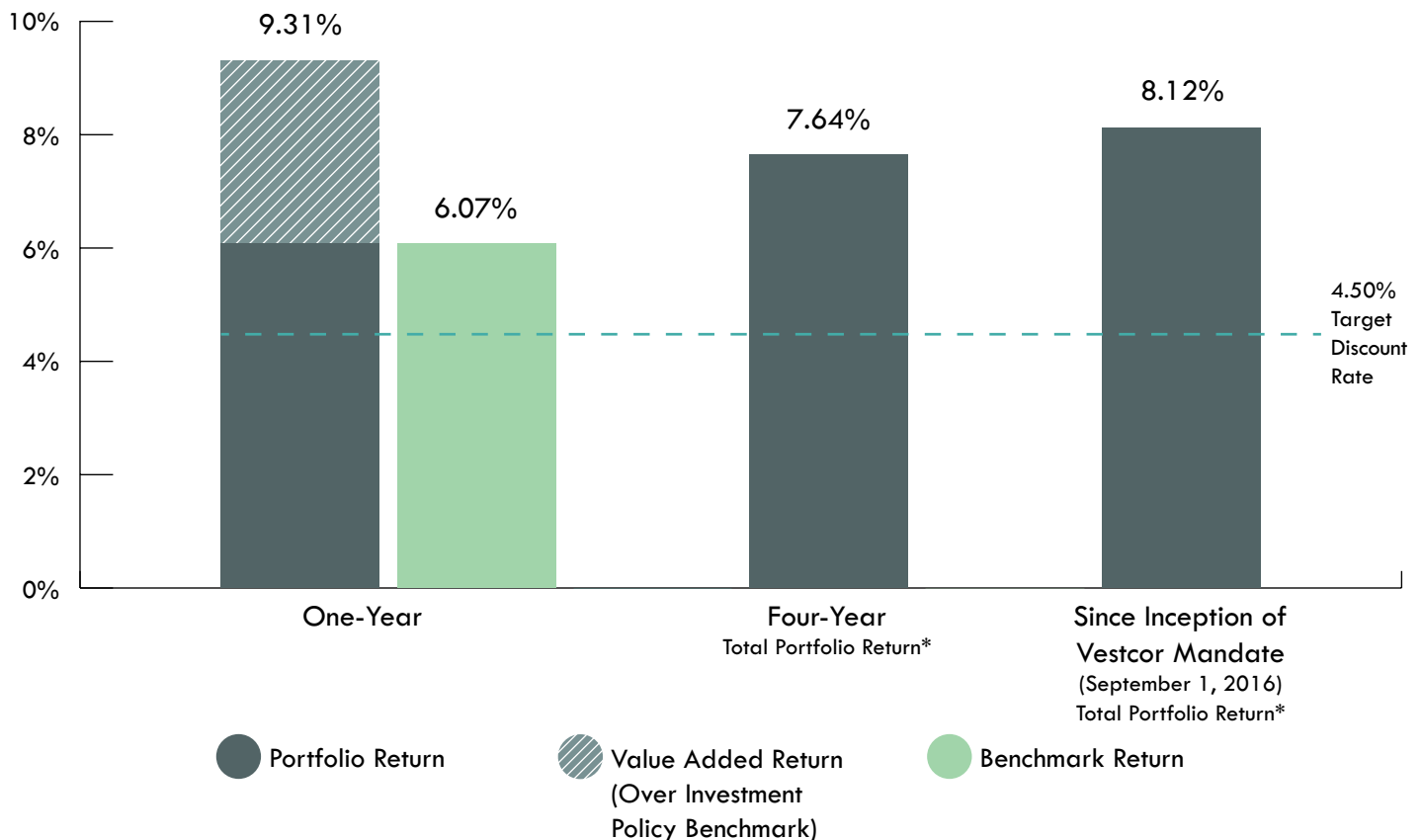
A SNAPSHOT OF WHERE YOUR PENSION FUND STANDS AS AT DECEMBER 31, 2021

2021 GROSS INVESTMENT RETURN
9.31%

NET INCREASE OF
\$232 MILLION

INVESTMENT ASSETS
\$2.793 BILLION

INVESTMENT RETURNS (AS AT DECEMBER 31, 2021)



Overall, 2021 continued the rebound from the COVID-19 shutdowns in 2020, and the so-called “reopening trade” proceeded almost uninterrupted to year end. Global equity markets gained about 18% for the year, although returns were quite differentiated across countries, with North America performing particularly well compared to certain international markets. After several years of approximate 2% increases, inflation moved significantly higher in the second half of 2021, nearing a 5% rate of year-over-year changes by year end.

In this past year’s market environment, the investment program earned a positive return of 9.31% for 2021 with a strong 5.73% return over the second half of the year. Over the longer term, both the four-year annualized return of 7.64%, and the return since the inception of Vestcor’s management in 2016 of 8.12%, remain greater than the 4.50% discount rate set by the independent actuary.

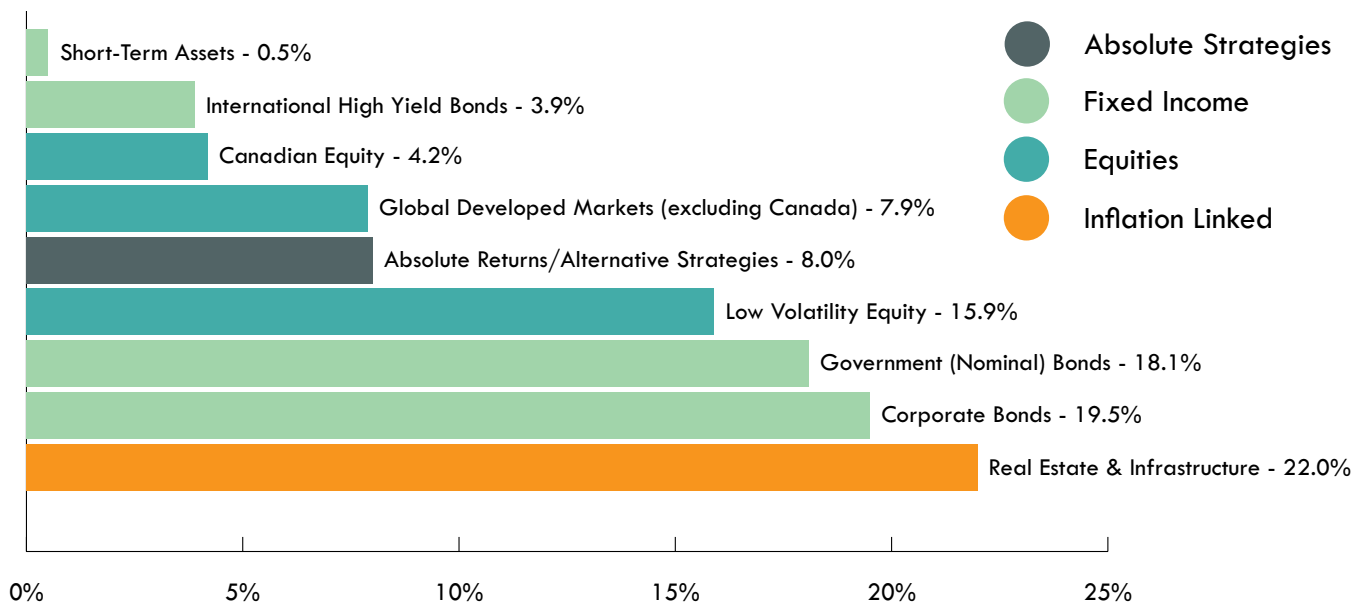
INVESTMENT ASSETS

The fair value of the CBE SRP’s investment assets on December 31, 2021 was \$2.793 billion, an increase of \$232 million from the investment assets at December 31, 2020.

*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

Going forward, continued periods of short-term volatility combined with relatively modest medium-term returns could be expected. While recovery from the COVID-19 pandemic will continue to be of concern for investors, more significantly the Russian invasion of Ukraine has caused a large spike in market volatility across the globe. While the CBE SRP portfolio does not have direct exposure to Russian assets in its portfolio, indirect effects of instability in the region will cause heightened risk for essentially all asset classes in 2022. For equities, most valuation measures (dividend yield, price-earnings ratios) are at significantly above normal levels, while interest rates on both government and corporate bonds remain low. All in, the medium-term expected return on a generic 60/40 stock bond portfolio is likely to be modestly below its long run average level.

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

DIVIDEND (YIELD): A stock (bond) payment paid by a company to its shareholders.

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 Board of Trustees after consulting with the Plan's independent actuary. The rate at which a fund's expected benefit 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).

VALUATION: The process of determining the value of an asset or security. This may involve the use of the most recent price of a publicly traded security, or a more subjective methodology used for private assets.



For even more helpful definitions, you can find a glossary of terms relevant to the CBE SRP by scanning the code above with your mobile device, or at vestcor.org/glossary.

CBE SRP QUICK FACTS

Your contribution rate is currently

7.8%

Your employer matches your contributions to the Plan

As of the most recent Actuarial Valuation* the CBE SRP had

8,762
ACTIVE
MEMBERS

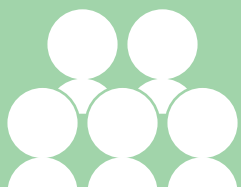
3,695
RETIREES &
SURVIVORS

2,636
DEFERRED
MEMBERS

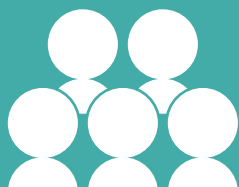
*Note: The most recent Actuarial Valuation was completed prior to paramedics and licensed practical nurses (LPNs) joining the Plan.

Your Plan is governed by a Board of Trustees.

Half of your Board was appointed by the Province of NB



Half of your Board was appointed by one of your unions (NBNU, NBU)



Regardless of which entity appointed them, all Board members have a fiduciary duty to act independently, and always in the best interests of the Plan.

THE CBE SRP'S EXTERNAL SERVICE PROVIDERS ARE

Vestcor is the day-to-day administrator and investment manager for the Plan.

Grant Thornton is the auditor of the Plan, providing financial oversight.

LifeWorks is the actuary of the Plan, and prepares the Actuarial Valuation Report.

A video explaining more about the basics of the CBE SRP can be found at cbenb.ca/basics or by scanning the code to the right with your mobile device.



HOW ARE COST OF LIVING ADJUSTMENTS CALCULATED FOR THE CBE SRP?

The methodology used to determine the Cost of Living Adjustment (COLA) is provided in the CBE SRP's Plan Text, which can be found at cbenb.ca. Based on the Plan Text, COLA is calculated by the CBE SRP's independent actuary, LifeWorks, based on inflation figures provided by Statistics Canada. It is calculated annually by comparing the average Consumer Price Index (CPI) year-over-year for the period of July to June. Using CPI figures to determine COLA is consistent with how many plans across Canada, including the Canada Pension Plan, calculate the increase. More information on CBE SRP benefit increases for all members can be found on the next page.

Here's how the most recent COLA was calculated:

Month Year	July 2020	Aug 2020	Sept 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	June 2021	Avg.
CPI	137.2	137.0	136.9	137.5	137.7	137.4	138.2	138.9	139.6	140.3	141.0	141.4	138.59

Month Year	July 2019	Aug 2019	Sept 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	June 2020	Avg.
CPI	137.0	136.8	136.2	136.6	136.4	136.4	136.8	137.4	136.6	135.7	136.1	137.2	136.60

138.59

(average CPI for 12-months ending June 30, 2021)

136.60

(average CPI for 12-months ending June 30, 2020)

136.60

(average CPI for 12-months ending June 30, 2020)

= 1.46%

Still have questions about how COLA is calculated? A video is available at cbenb.ca or by scanning the code to the right with your mobile device.



While the recent inflation rates in the latter half of 2021 were in excess of 4%, they were not captured within the average CPI periods used to calculate the most recent Cost of Living Adjustment; these inflation rates will be reflected in the average CPI calculation for the period of July 2021 to June 2022 that will be used to determine the potential COLA for January 1, 2023.

MORE 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 report 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, 2020 (see the Fall 2021 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), 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 cbenb.ca/sfp.

STEP 1

A Cost of Living Adjustment (or “COLA”) is provided to **active, deferred, and retired members**. Active members are employees who are currently contributing to the CBE SRP. Deferred members are those who are no longer contributing to the CBE SRP but still have funds in the Plan (for example, former employees) and are not yet receiving a CBE SRP retirement benefit.

The CBE SRP has been able to grant full COLA to all members every year since the Plan’s conversion. **THE MOST RECENT COLA INCREASE WAS 1.46%.**

———— 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 valuation period end date.

STEP 3

All members who retired prior to the valuation 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 accrued pension, which they will benefit from upon retirement. Members who benefit from these increases 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.



MONEY MATTERS

We are happy to provide you resources to help you build the knowledge and skills to confidently make financial decisions.

By knowing what day-to-day and long-term financial decisions are best for you, you can reduce your overall stress and better support your general well-being. We've recently launched, in partnership with Vestcor, a new resource dedicated to helping you strengthen your financial know-how.* You can find these resources at vestcor.org/cbe-moneymatters.

**Note: These resources are provided for reference only. The CBE SRP Board of Trustees and Vestcor do not provide financial advice to members.*

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 amendments which were filed with the Superintendent of Pensions:

- The Plan Text was amended to include permanent and temporary reduction service accrual provisions currently provided for under the applicable CBE SRP collective agreements. The amendment was filed with the Superintendent of Pensions on November 17, 2021.
- The Funding Policy was amended to reflect a revised discount rate of 4.50% per annum and mortality adjustment rate of 115% for both males and females. The amendment was filed with the Superintendent of Pensions on January 19, 2022.
- The Plan Text was amended in order to document the Cost of Living Adjustment (COLA, also known as indexation) and the benefit increases associated with Steps 2-4 of the Funding Excess Utilization Plan as at January 1, 2022. The amendment was filed with the Superintendent of Pensions on February 16, 2022.
- The Statement of Investment Policies was amended to reflect the changes to the investment management strategy that resulted from an Asset Liability Management (ALM) Study which was completed in 2021. The amendment was filed with the Superintendent of Pensions on February 25, 2022.

The updated versions of the governing documents are available at cbenb.ca, and include:

- **The Funding Policy:** the tool used by the Board of Trustees to manage the inherent risks of the Plan. It is a document that provides guidance and rules regarding decisions that must, or may, as applicable, be made by the Board of Trustees around funding levels, contributions and benefits. The Funding Policy is accessible at cbenb.ca/fp.
- **The Summary of the Funding Policy:** a quick summary of some of the main provisions of the Funding Policy of the CBE SRP, which is available at cbenb.ca/sfp.

QUICK LINKS

Use the camera on your mobile device to scan the codes to the right and access the resources referenced in this newsletter.

Three Pillars
Video



[cbenb.ca/
3pillars](https://cbenb.ca/3pillars)

Retirement
Checklist Video



[vestcor.org/
checklist](https://vestcor.org/checklist)

Investment
Glossary



[vestcor.org/
glossary](https://vestcor.org/glossary)

CBE Basics
Video



[cbenb.ca/
basics](https://cbenb.ca/basics)

COLA
Video



cbenb.ca