



SHARED RISK PLAN FOR CERTAIN  
BARGAINING EMPLOYEES OF NB HOSPITALS

# PENSION NEWS

FALL 2022

VOLUME 7



SPECIAL  
**COST OF  
LIVING**  
EDITION

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Rising inflation has been top of mind for everyone lately, and your CBE SRP Board of Trustees is no exception. With this newsletter we wanted to take the opportunity for an in-depth look at how your Plan handles cost of living adjustments (COLA). COLA is provided to help your pension keep up with inflation. Even if you're not yet retired, these COLA increases are applied to your future pension to assist it in keeping pace with inflation. You will benefit from these increases when you reach your retirement.

The COLA-related topics you'll find in this newsletter include:

- how the governing documents of the CBE SRP guide how COLA is awarded (see below);
- how the actuarial valuation of the CBE SRP informs the Board as to what funds are available for pension benefit improvements (see page 2);
- how the CBE SRP uses figures provided by Statistics Canada to calculate COLA (see page 3); and
- further resources available to you to get a firmer understanding of COLA.

## WHAT GUIDES THE BOARD IN DECISIONS SURROUNDING COLA?

Your CBE SRP Board of Trustees is required to follow the rules laid out in the governing documents of the Plan when making any decision. These rules and governing documents were agreed to and defined by the parties when the Plan was designed. When it comes to COLA they look to two documents: the **Plan Text** and the **Funding Policy**.

### PLAN TEXT

The Plan Text lays out the basic rules of the CBE SRP. When it comes to COLA, the Plan Text specifies that:

- COLA is granted on a conditional basis based on the funding level of the Plan;
- when COLA is awarded, it is to be granted on January 1<sup>st</sup> of each year;
- any increase in base benefits is also applied to the early retirement benefit (also known as the bridge benefit) provided to CBE SRP members who retire before age 65; and
- once COLA is awarded it is considered part of the members' base benefits.

The CBE SRP Plan Text can be found at [cbenb.ca/plantext](https://cbenb.ca/plantext). If you're looking for information on COLA, it is discussed in the section called "Article VI - COLA and Other Ancillary Benefits".

### FUNDING POLICY

The Funding Policy spells out rules that are specific to the funds of the Plan. This includes sections on contributions, risk management, and what actions are to be taken when the Plan is in a surplus or deficit. When it comes to COLA, the Funding Policy specifies that:

- COLA is based on the average increase in the CPI provided by Statistics Canada in the 12-month period ending June 30 (see page 3);
- the Board can use up to 1/6 of the surplus funds when the 15-Year Open Group Funded Ratio is over 105%, up to a maximum of 140%. For the most recent COLA, as the Funded Ratio is currently 139.1% (see page 2) the amount available to be used was \$136.3 million;
- when the 15-Year Open Group Funded Ratio is over 140% the Board can use 100% of the surplus funds over the 140% threshold; and
- in any year that full COLA is not granted, it may be granted later if and when the CBE SRP's funding level allows for it.

The CBE SRP Funding Policy can be found at [cbenb.ca/fp](https://cbenb.ca/fp). If you're looking for information on COLA, it is discussed in the section called "Funding Excess Utilization Plan".

**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.

# CBE SRP'S ACTUARIAL VALUATION & COLA

As required by the *Pension Benefits Act*, your Board of Trustees and the Plan's independent actuary review the funding level and risk management of the Plan annually to determine if the Plan is in a position to award COLA as per the guidelines in the CBE SRP Funding Policy (see page 1). This review is summarized in the actuarial valuation report.

One of three outcomes can occur as a result of this review:

1. There is a large enough excess surplus to provide full COLA;
2. There is only enough excess surplus to provide a portion of COLA; or
3. There is not enough of an excess surplus available, or there is a deficit, and no COLA will be provided.

For the 2023 COLA, we are in the first scenario. We are very pleased to be able to provide a full cost of living adjustment this year (see page 4). There is no guarantee the CBE SRP will be in a position to do so every year. As noted above, the Plan's ability to provide COLA is reviewed on an annual basis, and many factors have to be considered.

## WHAT WERE THE FUNDING RESULTS IN 2021?

To determine the funding levels of the CBE SRP, the Plan's actuary, LifeWorks, compares the Plan's assets to its liabilities. The results are below.




Termination Value  
Funded Ratio  
**117.4%**

Used in calculating a member's benefits upon termination of employment, death or marriage breakdown.

15-Year Open Group  
Funded Ratio  
**139.1%**

Used to determine the actions to be taken by the Board of Trustees per the CBE SRP Funding Policy, such as granting COLA.

## RISK MANAGEMENT RESULTS

<b>Primary Risk Management Goal</b> Achieve 97.5% probability that past base benefits earned will not be reduced over the next 20 years.	<b>99.50%</b>  <b>Passed</b>
<b>1st Secondary Risk Management Goal</b> Provide indexing in excess of 75% of CPI to members and retirees over the next 20 years.	<b>100.00% of CPI</b>  <b>Passed</b>
<b>2nd Secondary Risk Management Goal</b> Achieve at least 75% probability that ancillary benefits (i.e., early retirement benefit) can be provided over the next 20 years.	<b>98.75%</b>  <b>Passed</b>



# HOW DOES THE CBE SRP CALCULATE COLA?

COLA for the CBE SRP is calculated using a similar method as that used by the Canada Pension Plan (CPP) and other pension plans, which base their calculations on the average annual change in the Consumer Price Index (CPI) provided by Statistics Canada. Statistics Canada measures the change in CPI by looking at the change in prices for a number of different kinds of goods, from food and shelter to clothing and recreational products.

## WHAT?

COLA is measured by determining the 12-month average of the CPI level for the most recent July 1<sup>st</sup> to June 30<sup>th</sup> period and comparing that figure to the average of the same period for the previous year.

## WHO?

Your Plan's actuary, LifeWorks, completes this calculation. The Board then compares the results with the CBE SRP Funding Policy to decide if COLA can be awarded (see page 1).

## HOW?

For COLA awarded on January 1, 2023 your Plan's actuary:

- Compared the average CPI for the period of July 2021 to June 2022 with the average CPI for the period of July 2020 to June 2021.
- The CPI from each month was added together, and then divided by 12 for the 12 months of the year, to obtain the average monthly CPI. For the period of July 2021 to June 2022 it was 146.29.

Month Year	July 2021	Aug 2021	Sept 2021	Oct 2021	Nov 2021	Dec 2021	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	June 2022	Avg.
CPI Level	142.3	142.6	142.9	143.9	144.2	144.0	145.3	146.8	148.9	149.8	151.9	152.9	146.29
Inflation %	3.7%	4.1%	4.4%	4.7%	4.7%	4.8%	5.1%	5.7%	6.7%	6.8%	7.7%	8.1%	5.56%

- Then the same calculation was done for the previous year. For the period of July 2020 to June 2021 the average CPI was 138.59.

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 Level	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
Inflation %	0.1%	0.1%	0.5%	0.7%	1.0%	0.7%	1.0%	1.1%	2.2%	3.4%	3.6%	3.1%	1.46%

The rate available for COLA was then calculated by determining the percentage change in the average CPI for those two periods using the calculation you see below. It is important to note that a negative COLA rate would never be applied under the Plan.

$$\frac{146.29 - 138.59}{138.59} = 5.56\%$$

(average CPI for 12-months ending June 30, 2022)      (average CPI for 12-months ending June 30, 2021)

**Maximum COLA that could be awarded for 2023**

## WILL THE COLA AWARDED BE 5.56%?

Based on the calculation, the **maximum** COLA that could be provided to all members of the CBE SRP for 2023 was 5.56%. Looking at the financial health of the Plan, using the actuarial valuation report, and following the rules laid out in the Funding Policy, the Board is awarding the full COLA of 5.56%.

We hope that the information within this newsletter provides you with a clearer picture of what is taken into account when COLA for your Plan is determined.



# YOUR COST OF LIVING ADJUSTMENT

This year's COLA granted to all CBE SRP members is:

## 5.56%

If you're an active or deferred member, the increase will be applied to the benefits you've earned up to December 31, 2021, positively impacting your future pension. If you're a retiree, the increase will be applied to your monthly pension benefit as of January 1, 2023. You'll receive notification of this increase in writing in December 2022.

The COLA awarded to CBE SRP members will differ from the amount you may see awarded by other pension plans to their members. Although COLA is calculated in a similar way for many pension plans (see page 3), every plan is unique in their design, with different advantages and disadvantages above and beyond COLA. One advantage of your pension plan is that there is no cap on the amount of COLA that can be granted, provided the funding is available. Although the CBE SRP has been in a position to grant full COLA since conversion, as noted on the table to the right, the Plan may not be able to grant full COLA every year. In any given year that full COLA is not awarded, the remainder may be granted in future years when the Plan is in a financial position to do so.

## Cost of Living Adjustment (COLA) Awarded Since Plan Conversion

Year Awarded (January 1 <sup>st</sup> )	COLA	CPI
<b>2023</b>	<b>5.56%</b>	<b>5.56%</b>
<b>2022</b>	<b>1.46%</b>	<b>1.46%</b>
<b>2021</b>	<b>1.46%</b>	<b>1.46%</b>
<b>2020</b>	<b>2.12%</b>	<b>2.12%</b>
<b>2019</b>	<b>1.88%</b>	<b>1.88%</b>
<b>2018</b>	<b>1.47%</b>	<b>1.47%</b>
<b>2017</b>	<b>1.40%</b>	<b>1.40%</b>
<b>2016</b>	<b>1.49%</b>	<b>1.49%</b>
<b>2015</b>	<b>1.43%</b>	<b>1.43%</b>
<b>2014</b>	<b>0.96%</b>	<b>0.96%</b>
<b>2013</b>	<b>2.40%</b>	<b>2.40%</b>

## COLA RESOURCES

Follow the links below or scan the QR codes with your mobile device to access more COLA-related resources.

Video: How COLA is  
Calculated  
[cbenb.ca/colavideo](https://cbenb.ca/colavideo)



Information Sheet:  
Explaining COLA  
[cbenb.ca/cola](https://cbenb.ca/cola)



Statistics Canada Consumer  
Price Index chart  
[cbenb.ca/statscan](https://cbenb.ca/statscan)



CBE SRP 2021  
Actuarial Valuation  
[cbenb.ca/valuation](https://cbenb.ca/valuation)



Much more information, including a "Cost of Living Adjustments" section is available at [cbenb.ca](https://cbenb.ca).

# MID-YEAR INVESTMENT REPORT

## A SNAPSHOT OF WHERE YOUR PENSION FUND STANDS AS AT JUNE 30, 2022

GROSS INVESTMENT RETURN

**-6.59%**

AT JUNE 30, 2022

NET DECREASE OF

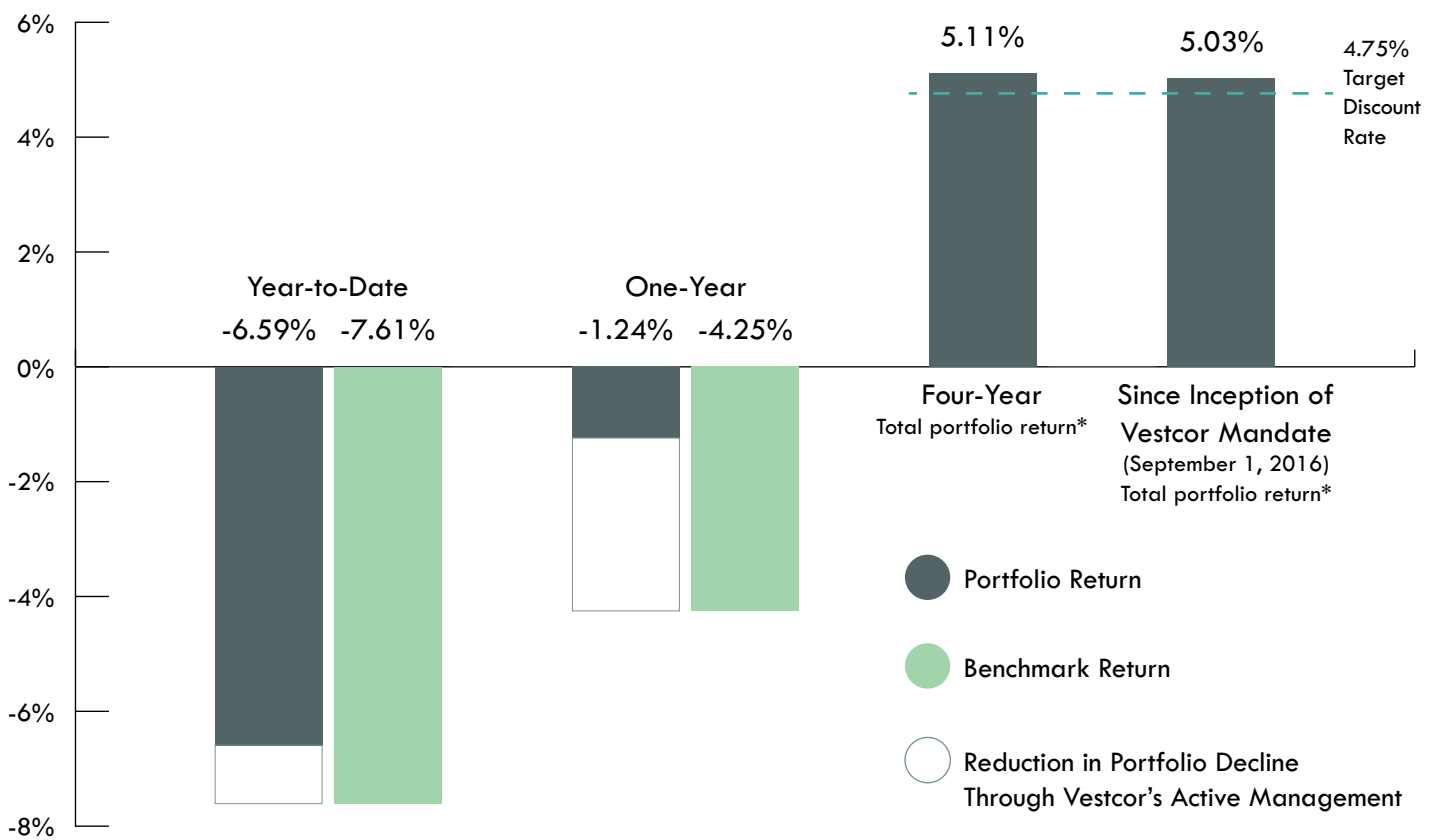
**\$0.171 BILLION**

SINCE DECEMBER 31, 2021

INVESTMENT ASSETS

**\$2.623 BILLION**

### INVESTMENT RETURNS (AS AT JUNE 30, 2022)



Global financial market performance during the first half of 2022 was the worst in recent history for diversified investors, with significantly negative performance for both stocks and bonds on the back of economic volatility and rising inflation. The defensive positioning of the invested assets provided some protection against broader declines and active investment management provided strong added value in excess of benchmarks with 1.02% of active return during the first half of 2022. However, the overall investment program still earned a negative return of -6.59% in the first six months of 2022.

While recent atypical weakness in both equity and fixed income markets have resulted in a weaker year-to-date performance, both the longer-term four-year annualized return of 5.11% and the annualized return since inception of 5.03% continue to exceed the 4.75% discount rate set for the Fund.

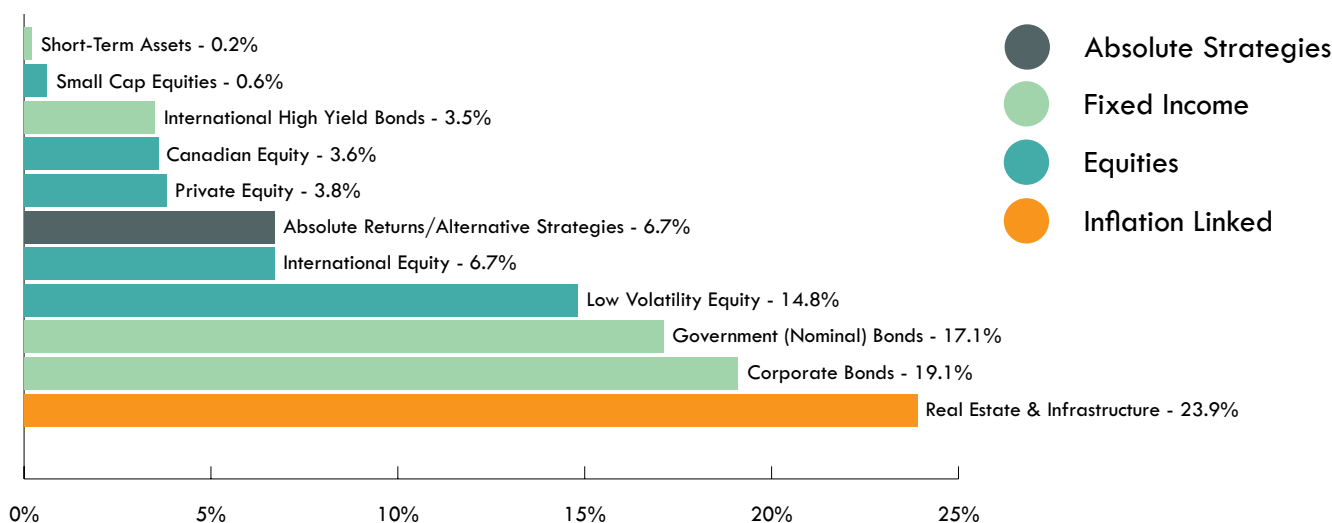
### INVESTMENT ASSETS

The fair value of the CBE SRP investment assets on June 30, 2022 was \$2.623 billion, a decrease of \$0.171 billion from the fair value on December 31, 2021. This decrease was due to a combination of declines in investment asset values, Plan expenses, and pension benefits payments, which were partially offset by employer and member contributions.

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

## ASSET MIX

The chart below outlines the portfolio asset mix on June 30, 2022 and illustrates how well-diversified the Plan's investment assets are.



As a result of the Board's annual review of the investment policy, the CBE SRP's investments are being transitioned to a new asset mix over the next 12 months. More information on the Board's policies can be found in the Statement of Investment Policies available at [cbe-nb.ca](https://cbe-nb.ca), under "Plan Governance" then "Governing Documents."

## MARKET SNAPSHOT

With geopolitical, economic, and market noise at the forefront, market volatility has been significantly above normal so far in 2022, and a prudent outlook would expect higher than normal volatility to continue for quite some time as markets continue to digest news about ongoing conflict in Ukraine, COVID and supply chain issues, and the impact of higher interest rates on economic activity.

Inflation has continued to increase throughout 2022 reaching levels not seen in decades despite recent attempts by both US and Canadian central banks to slow it down. Looking forward, while the short-term outlook is obviously cloudy and requires careful management of the portfolio, the longer-term outlook has improved somewhat for investors, at least in terms of nominal returns.

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

**ACTIVE MANAGEMENT:** An investment strategy used by management with the goal of outperforming an industry benchmark or index.

**BENCHMARK:** An industry standard against which rates of return can be measured, such as equity and bond market indices developed by stock exchanges and investment dealers.

**BONDS:** Debt security that pays the investor a fixed rate of interest during the term of the loan and to return the principal or face value when the loan matures. Bonds belong to an asset class known as **Fixed Income**.

**DISCOUNT RATE:** Set by the Board of Trustees after consulting with the Plan's independent actuary. The assumed net investment rate of return that the pension fund needs to conservatively earn over the long-term to maintain the base benefit.

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



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



# MONEY MATTERS

November is Financial Literacy Month. Did you know that we have partnered with our pension administrator, Vestcor, to offer you a number of resources to help you boost your financial know-how? Visit [cbenb.ca/moneymatters](https://cbenb.ca/moneymatters) where you'll find a financial knowledge self-assessment, tips on planning for retirement, and more.

*Note: These resources are provided for reference only. The CBE SRP Board of Trustees and Vestcor do not provide financial advice to members. We recommend that readers consult a professional advisor with respect to their own specific financial matters.*



## 2023 CBE SRP PENSION PAYMENT DATES

JANUARY <b>1</b>	FEBRUARY <b>1</b>	MARCH <b>1</b>	MARCH <b>31</b> (FOR APRIL)	MAY <b>1</b>	JUNE <b>1</b>
JUNE <b>30</b> (FOR JULY)	AUGUST <b>1</b>	SEPTEMBER <b>1</b>	SEPTEMBER <b>29</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:

- No amendments have been made to the Plan's Governing Documents since the Spring 2022 newsletter. However, the Actuarial Valuation Report as at December 31, 2021 and Financial Statements as at December 31, 2021 were filed with the Superintendent of Pensions on September 30, 2022.

The current versions of the Governing Documents are available at [cbenb.ca](https://cbenb.ca).

### PREFER TO GET THIS NEWSLETTER IN PAPER FORMAT?

Contact us at [info@vestcor.org](mailto:info@vestcor.org) or by calling 1 800 561 4012.