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PENSION NEWS

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SPECIAL
COST OF LIVING
EDITION

Shared Risk Plan for
CUPE Employees of
NB Hospitals
(CUPE Hospitals SRP)
cupeh.ca

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Rising inflation has been top of mind for everyone lately, and your CUPE Hospitals 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 retired, these COLA increases are applied to your future pension to make sure it has kept pace with inflation when you reach your retirement.

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

- how the governing documents of the CUPE Hospitals SRP guide how COLA is awarded (see below);
- how the actuarial valuation of the CUPE Hospitals SRP informs the Board as to what funds are available for pension benefit improvements (see page 2);
- how the CUPE Hospitals 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 ABOUT COLA?

Your CUPE Hospitals 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 CUPE Hospitals 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 1st of each year;
- any increase in base benefits is also applied to the early retirement benefit (also known as the bridge benefit) provided to CUPE Hospitals SRP members who retire before age 65; and
- once COLA is awarded it is considered part of the members' base benefits.

The CUPE Hospitals SRP Plan Text can be found at cupeh.ca/plantext. If you're looking for information on COLA, it is discussed in the section called "Article VI - COLA and Other Ancillary Benefits".

The **Consumer Price Index (CPI)** is used by the CUPE Hospitals SRP to determine how much the cost of living for its members has increased. The Consumer Price Index, provided by Statistics Canada, measures the average change in prices paid by consumers across Canada, and includes housing, food, gas, and many other consumer goods.

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 Consumer Price Index provided by Statistics Canada in the 12-month period ending June 30 (see page 3);
- when the 15-Year Open Group Funded Ratio is over 105%, the Board can use 1/6 of the excess funds over the 105% threshold up to a maximum of 140% (see next bullet). For the most recent COLA, as the Funded Ratio is currently 120.6%, the amount available to be used was \$31.1 million (see page 2);
- in addition, when the 15-Year Open Group Funded Ratio is over 140%, the Board can use 100% of the excess funds over the 140% threshold; and
- in any year that full COLA is not granted, it may be granted later, if and when the CUPE Hospitals SRP's funding level allows for it.

The CUPE Hospitals SRP Funding Policy can be found at cupeh.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 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.

CUPE HOSPITALS 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 CUPE Hospitals 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 a full cost of living increase;
2. There is only enough excess surplus to provide a portion of the cost of living increase; or
3. There is not enough of excess surplus available, or there is a deficit, and no cost of living increase will be provided.

For the 2023 COLA, we are in the second scenario. The CUPE Hospitals SRP had the funds to award a portion of the cost of living increase (see page 4). Per the CUPE Hospitals SRP Funding Policy, the remainder may be provided in future years if the Plan has a large enough surplus (see page 1).

WHAT WERE THE FUNDING RESULTS IN 2021?

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

Termination Value Funded Ratio 98.6%

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

15-Year Open Group Funded Ratio 120.6%

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

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.

99.35%



Passed

1st Secondary Risk

Management Goal

Provide indexing in excess of 75% of Consumer Price Index (CPI) to members and retirees over the next 20 years.

88.20%
of CPI



Passed

2nd Secondary Risk

Management Goal

Achieve at least 75% probability that ancillary benefits (i.e., early retirement benefit) can be provided over the next 20 years.

99.35%



Passed



HOW DOES THE CUPE HOSPITALS SRP CALCULATE COLA?

COLA for the CUPE Hospitals 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 Consumer Price Index by looking at the change in prices for a number of different kinds of goods across Canada, from food and shelter to clothing and recreational products.

WHAT?

COLA is measured by determining the change in the 12-month average of the Consumer Price Index level for the most recent July 1st to June 30th period by comparing it 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 CUPE Hospitals 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 Consumer Price Index for the period of July 2021 to June 2022 with the average Consumer Price Index for the period of July 2020 to June 2021.
- The Consumer Price Index from each month was added together, and then divided by 12 for the 12 months of the year, to obtain the average monthly Consumer Price Index. 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 Consumer Price Index 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 Consumer Price Index 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.

$$\frac{\begin{array}{c} \mathbf{146.29} \\ \text{(average Consumer Price Index for} \\ \text{12-months ending June 30, 2022)} \end{array} - \begin{array}{c} \mathbf{138.59} \\ \text{(average Consumer Price Index for} \\ \text{12-months ending June 30, 2021)} \end{array}}{\begin{array}{c} \mathbf{138.59} \\ \text{(average Consumer Price Index for 12-months ending June 30, 2021)} \end{array}} = \mathbf{5.56\%} \quad \left| \begin{array}{l} \text{Maximum COLA} \\ \text{that could be awarded} \\ \text{for 2023} \end{array} \right.$$

ACTUAL COLA TO BE AWARDED BASED ON AVAILABLE SURPLUS IS 2.74%

Based on the calculation, the **maximum** COLA that could be provided to all members of the CUPE Hospitals 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 2.74% this year**, and the rest in future years if possible.

WHY ISN'T A HIGHER COLA BEING AWARDED?

Since the previous valuation, the Plan experienced a loss of 27% in its active members due to the reclassification of certain groups, which resulted in a change in their union membership. The resulting reduction in additional employee and employer contributions over the next 15 years resulted in a reduction in the Plan's Open Group Funded Ratio, and a reduction in the amount of surplus available to fund COLA. Had these groups continued as active plan members, the COLA granted as at January 1, 2023 under the Funding Policy would have been significantly higher.

YOUR COST OF LIVING ADJUSTMENT

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

2.74%

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.

Cost of Living Adjustment (COLA) Awarded Since Plan Conversion

Year Awarded (January 1 st)	COLA	Canadian Consumer Price Index
2023	2.74%*	5.56%
2022	1.46%	1.46%
2021	1.46%	1.46%
2020	2.12%	2.12%
2019	1.88%	1.88%
2018	1.47%	1.47%
2017	1.40%	1.40%
2016	1.49%	1.49%
2015	1.43%	1.43%
2014	1.36%**	0.96%
2013	2.00%*	2.40%

*Partial COLA awarded

**Includes 0.96% increase in the Canadian Consumer Price Index, plus 0.40% that was not paid for January 1, 2013

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
cupeh.ca/colavideo



Information Sheet: Explaining COLA
cupeh.ca/cola



Statistics Canada Consumer Price Index chart
cupeh.ca/statscan



CUPE Hospitals SRP 2021 Actuarial Valuation
cupeh.ca/valuation



Much more information, including a "Cost of Living Adjustments" section is available at cupeh.ca.



MONEY MATTERS

November is Financial Literacy Month. Did you know that the Vestcor website has a number of resources to help you boost your financial know-how? Visit vestcor.org/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 CUPE Hospitals 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.

Choosing the Right Pension Option for You

There are five different forms of pension available to you when you retire. **With all options, you will receive your pension benefit to the end of your life.** However, the optional forms differ in how any survivor benefits are paid.

Normal Form of Pension (for members without a spouse)

Life Pension with 5 Year Guarantee

If you die before receiving 60 monthly payments, the remaining lifetime payments continue to be paid to your designated beneficiary, or paid in a lump sum (actuarial equivalent value) to your estate. The benefits described that are payable after your death do not include the bridge benefit.

Normal Form of Pension (for members with a spouse)

60% Joint and Survivor

If you die and your spouse (spouse at the time of your retirement) is still living, your spouse will receive 60% of your lifetime pension for the remainder of their life. The benefits described that are payable after your death do not include the bridge benefit.



Optional Forms of Pension

Life Pension with 10 Year Guarantee

If you die before receiving 120 monthly payments, the remaining lifetime payments continue to be paid to your designated beneficiary, or paid in a lump sum (actuarial equivalent value) to your estate. The benefits described that are payable after your death do not include the bridge benefit.

75% Joint and Survivor

If you die and your spouse (spouse at the time of your retirement) is still living, your spouse will receive 75% of your lifetime pension for the remainder of their life. The benefits described that are payable after your death do not include the bridge benefit.

100% Joint and Survivor

If you die and your spouse (spouse at the time of your retirement) is still living, your spouse will receive 100% of your lifetime pension for the remainder of their life. The benefits described that are payable after your death do not include the bridge benefit.

Remember



Choosing the right form of pension at retirement based on your individual circumstances is extremely important. Once you start receiving your pension, you cannot change the option you have selected.

To ensure you understand what the different options mean to you (and your loved ones) upon retirement, please contact Vestcor's Member Services team at 1-800-561-4012.

An adjustment will be made to your monthly pension if you choose an option other than the Life Pension with 5 Years of Guaranteed Payments. The adjustment takes into account whether the pension plan may end up paying a benefit upon your death, and the possible size of any such benefit.



2023 CUPE HOSPITALS SRP PENSION PAYMENT DATES

JANUARY 1	FEBRUARY 1	MARCH 1	MARCH 31 (FOR APRIL)	MAY 1	JUNE 1
JUNE 30 (FOR JULY)	AUGUST 1	SEPTEMBER 1	SEPTEMBER 29 (FOR OCTOBER)	NOVEMBER 1	DECEMBER 1



AMENDMENTS TO GOVERNING DOCUMENTS

The New Brunswick *Pension Benefits Act* (PBA) requires that members be provided with an update on any amendments to the CUPE SRP governing documents. As such, the Board of Trustees would like to inform you of the following amendment which was filed with the Superintendent of Pensions:

- The Statement of Investment Policy and Goals was amended and filed with the Superintendent of Pensions on September 24, 2022 in order to update dates, 2021 valuation year and related data, as well as the termination of Franklin Templeton’s global government bond mandate.

To view the current CUPE Hospitals SRP governing documents please visit cupeh.ca.

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Contact us at info@vestcor.org or by calling 1 800 561 4012.