



SECURE AND SUSTAINABLE

PENSION NEWS

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SPECIAL
**SEPARATING
FACT & FICTION**
EDITION

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WHAT CAN IMPACT YOUR CBE PENSION AMOUNT?

AS AN ACTIVE OR DEFERRED MEMBER OF THE PLAN, YOU SHOULD BE AWARE OF SOME OF THE FACTORS THAT CAN IMPACT THE AMOUNT OF YOUR FUTURE CBE PENSION BENEFIT.

EMPLOYMENT STATUS

Whether you've worked full-time, part-time, or casual through your career will impact your future benefit. Additionally:

- If you're participating in the Permanent Reduction or Phased Retirement programs, these programs can allow you to maintain full-time pensionable service accrual; and
- If you've paid into the Pension Plan for Part-Time and Seasonal Employees of the Province of New Brunswick or the Pension Plan for the Employees of the New Brunswick Union of Public and Private Employees in the past, you may be able to transfer your service from that plan into the CBE Pension Plan through the applicable reciprocal transfer agreement.

WHEN YOU CONTRIBUTED

For the CBE Pension Plan, various formulas are used to calculate your pension benefit depending on the periods that you were working and paying into the Plan. Different formulas apply to the following periods under the CBE Pension Plan:

- Pensionable service before January 1, 1990;
- Pensionable service from January 1, 1990 to June 30, 2012; and
- Pensionable service on or after July 1, 2012 (post-conversion).

The applicable formulas are provided in the CBE At-a-Glance document and CBE Employee Booklet at cbenb.ca.

LEAVES OF ABSENCE AND PREVIOUSLY REFUNDED SERVICE

If there were previous periods that you did not contribute to the CBE Pension Plan (e.g., maternity leaves, waiting periods, etc.), or you previously contributed to the CBE Pension Plan (or another pension plan covered under the Intra-Provincial Reciprocal Transfer Agreement) and took a refund, you may be able to purchase these periods under the CBE Pension Plan. Purchasing service will increase the pension benefit that you will receive at retirement, and these periods will be subject to Cost of Living Adjustments approved by the Board of Trustees.

A SEPARATION OR DIVORCE

If your marriage or common-law partnership ended, you may have undergone a marriage breakdown payout from the Plan, thus reducing your pension benefit payable at retirement to account for the payout.

FUNDING POLICY STEP INCREASES

Every year, your Board of Trustees looks at whether the Plan can provide benefit improvements to members. **These improvements are called "Steps" and are explained on page 3.** Cost of Living Adjustments are Step 1 of these benefit improvements. Step 2 involves a recalculation of the accrued pension benefit of active and deferred members, using their highest five-year salary at the valuation end date. If your salary has significantly increased, this Step 2 calculation could result in an increase to your pension benefit.

RETIREMENT

The form of pension selected (e.g., Joint and Survivor pension payable to your spouse, Life Pension with Guarantee Period payable to your spouse or beneficiary, etc.) and the age you choose to retire will impact your benefit, especially if you opt to retire early (i.e., early retirement factors and applicable bridge benefit) or late (late retirement factors). These options are described in detail in the Plan's At-A-Glance Document and Member Booklet, available at cbenb.ca.

Everyone's situation is unique. If you're a vested* member of the CBE Pension Plan, you can calculate your future pension benefit anytime. Learn how on the next page.

**Vested - You become entitled to a monthly pension benefit (payable when you can retire), upon completion of the earlier of:*

- 5 years of continuous employment;
- 2 years of pensionable service; or
- 2 years of membership in the CBE Shared Risk Plan (including predecessor plans).

For more detail, refer to the CBE Pension Plan Member Booklet, available at cbenb.ca.

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 (also known as the CBE or CBE Pension Plan). If there is a discrepancy between the information contained herein and the pension plan text or other appropriate governing documents, the latter will prevail.

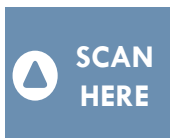
LOOK INTO YOUR FUTURE



If you're a member to the CBE Pension Plan, you can estimate your future CBE Pension Benefit anytime using the custom online calculator. It only takes a few minutes to obtain an estimate, and you can try a variety of retirement dates to know what your future pension could be, whether you choose to retire as early as age 55 or wait until you reach 65 for your unreduced pension.

Using the calculator is simple. All you need is:

- 1. A copy of your Employee Statement of Pension Benefits.** This statement is mailed to you annually in the Summer. If you were an active member of the CBE Pension Plan in 2022, your 2022 Employee Statement of Pension Benefits will arrive soon. If you need a copy after statements are mailed, contact the Member Services team at Vestcor (our pension administrator) at 1 800 561 4012.
- 2. Access to the online Pension Estimate Calculator.** Using a computer, tablet or mobile device, visit cbenb.ca/calculators or scan the QR code to the right. (Instructions for QR: 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.) There, you'll gain access to the calculator and an instructional video to guide you through the process.



Find out what your pension benefit could look like based on your years of service and the earnings you've accumulated to date. For other retirement planning resources, visit cbenb.ca/moneymatters. It's never too early to begin planning your retirement.

It's important to note that there are factors that can help your pension grow – beyond contributions and years of service - which are approved by the Board of Trustees. These include Cost of Living Adjustments (COLA) and Step increases. A summary of these Steps can be found on page 3.

YOUR CBE BENEFITS ARE INCREASING

We are pleased to announce that the solid financial health of the CBE Pension Plan has allowed us to once again approve several benefit increases (also known as Step increases) that will positively impact the pension of current and future retirees.

Every year, an actuarial valuation report is prepared by our independent actuary. This report determines the financial ability of the Plan to provide benefits to members. It helps us, your Board of Trustees, by determining if the Plan is in a surplus, and if it is, if there are enough funds for us to award Steps 1 through 4 in accordance with the Plan's Funding Policy (cbenb.ca/fp).

WHAT ARE THE "STEP INCREASES"?

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. For January 1, 2023, we were able to grant a full COLA of 5.56%.

STEP 2

All active and deferred 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?

The current pension benefit of every Plan member is recalculated based on the applicable Step increase (i.e., all active* and deferred** members' benefits are recalculated for Step 2, all retirees' benefits are recalculated for Step 3, etc.) to determine if it will increase their pension benefit. If increases do apply:

- Active and deferred members have this increase applied to their accrued pension, which they will benefit from upon retirement; and
- Retired members see this increase applied to their monthly pension benefit.

Members who benefit from these increases are notified in writing from Vestcor on behalf of the Board. **The purpose of the Step increase process is to further 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. A pension will never be reduced because of these Steps.

*Active members are employees who are currently contributing to the CBE Pension Plan.

**Deferred members are those who are no longer contributing to the CBE but still have funds in the Plan (for example, former employees) and are not yet receiving a CBE retirement benefit (pension).

YOUR CBE PENSION PLAN AND COST OF LIVING ADJUSTMENTS

We have been in a position to approve a full Cost of Living Adjustment (COLA) every year since the plan converted to the CBE Pension Plan. That said, it is important to understand that the recent unusual spikes in inflation may not allow us to always award full COLA. This doesn't mean that the Plan isn't in a healthy financial situation. On the contrary, the CBE Pension Plan remains well funded and financially healthy, but in order to protect the Plan's sustainability for current and future members, there are rules in the Funding Policy that dictate how much of the Plan's excess funds can be used to pay COLA.

Depending on how much inflation is in the next few years, we may only be able to award a partial COLA in order to follow the rules laid out in the Funding Policy. If we are ever in a situation where we can't award the entire COLA to members, the balance can be awarded in a future year when the Plan has enough excess funds to do so. The COLA for January 1, 2024 will be announced in your Fall 2023 Newsletter and on the cbenb.ca website.



How does the Board know if they can grant COLA?

It all depends on the funding of the Plan.

As per the latest Actuarial Valuation, the 15 Year Open Group Funded Ratio of the CBE at December 31, 2021 was 139.1%.

When the Plan reaches a 15 Year Open Group Funded Ratio of 140%, the Board may use 100% of the excess funding for purposes such as granting COLA.

140%

When the Plan reaches a 15 Year Open Group Funded Ratio of 105%, the Board may use up to 1/6th of the excess funding for purposes such as granting COLA.

105%

100%

When the Plan reaches a 15 Year Open Group Funded Ratio of 100% it is fully funded, meaning it has enough funds to cover all the pensions of its current members (active, deferred and retired).

These rules are in place to help ensure that the CBE remains stable and secure, and that the funds of the Plan are used prudently for the benefit of all current and future members. If in a given year, full COLA is not granted, it does not mean that the Plan is unsustainable.

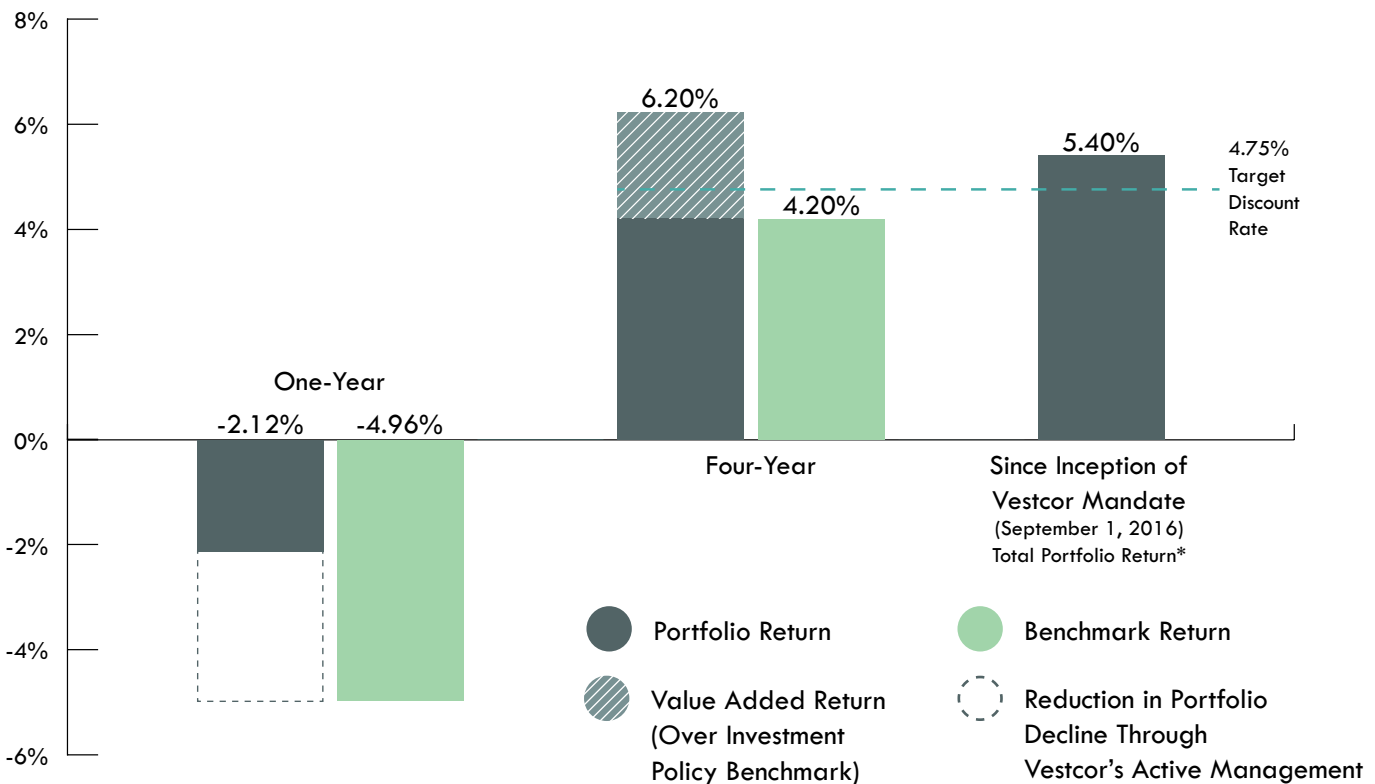
A SNAPSHOT OF WHERE YOUR PENSION FUND STANDS AS AT DECEMBER 31, 2022

2022 GROSS INVESTMENT RETURN -2.12%	NET DECREASE OF \$0.042 BILLION	INVESTMENT ASSETS \$2.751 BILLION	FOUR-YEAR GROSS INVESTMENT RETURN 6.20%
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Look for terms with a dotted underline in this Investment Report. You can find definitions of these terms and others relevant to CBE by scanning the code to the right with your mobile device, or by visiting vestcor.org/glossary.



INVESTMENT RETURNS (AS AT DECEMBER 31, 2022)



2022 was one of the weakest years on record for diversified investors (see “diversification” in the glossary), with significantly negative performance for both stocks and bonds on the back of economic volatility and rising inflation. Given this market environment, the fund earned a return of -2.12% in 2022. This is the first time since the plan’s conversion to a shared risk plan that the fund has earned a negative return for a calendar year. However, the defensive positioning of the invested assets provided significant protection against broader declines and active investment management provided strong added value in excess of benchmarks with 2.84% of active return in 2022.

More importantly, over the longer term, both the four-year annualized return of 6.20% and the annualized return since September 1, 2016 of 5.40% have continued to exceed the target discount rate of 4.75% (the discount rate is the net investment rate of return that the Pension Fund needs to conservatively earn over the long-term).

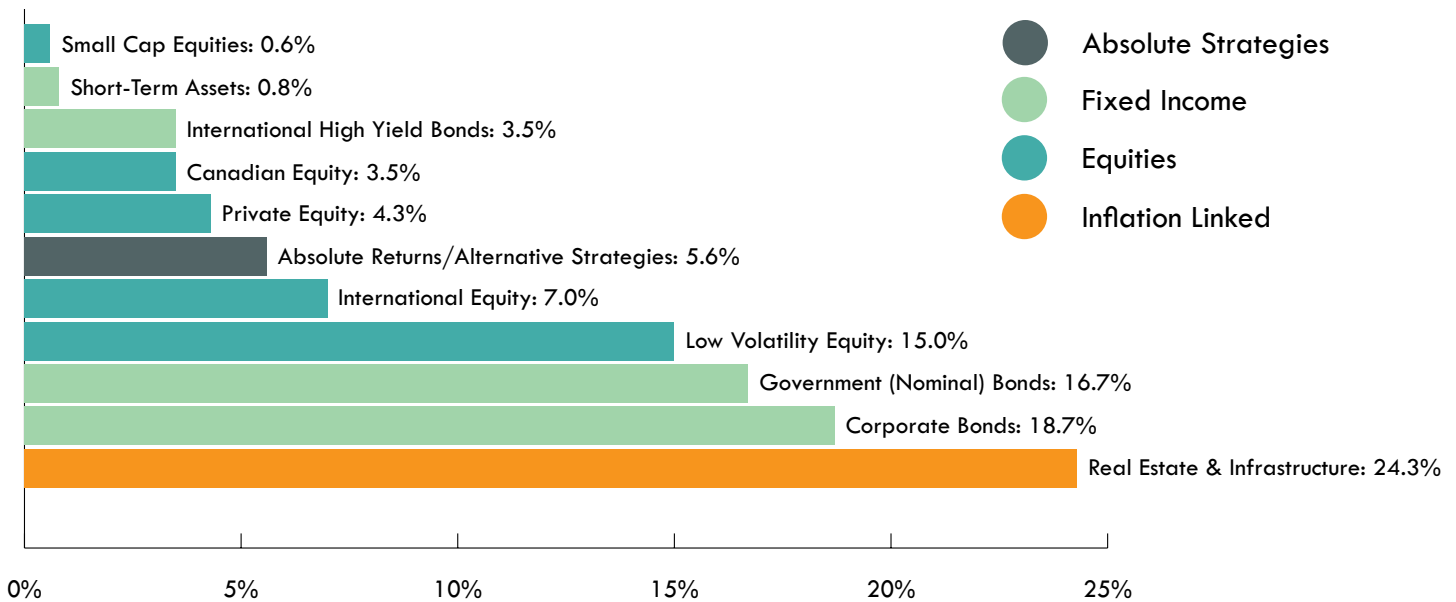
*Including assets that had yet to be transitioned to Vestcor’s management.

INVESTMENT ASSETS

The fair value of the CBE investment assets on December 31, 2022 was \$2.751 billion, a decrease of \$0.042 billion from the fair value on December 31, 2021.

ASSET MIX

The chart below outlines the portfolio asset mix on December 31, 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's investments are being transitioned to a new asset mix over the next 6 to 12 months. More information on the Board's policies can be found in the [Statement of Investment Policies](#) available at cbenb.ca, under "Plan Governance" then "Governing Documents."

MARKET SNAPSHOT

With geopolitical, economic, and increasing interest rate concerns at the forefront, financial market volatility was significantly above normal levels in 2022. Inflation increased throughout 2022 reaching levels not seen in decades. Although inflation remains above central bank targets for both Canada and the US, year-over-year consumer price index (CPI) values appeared to have peaked by mid-year and showed continuing declines toward the end of 2022.

2022 was the worst year on record for Canadian bond market returns as interest rates increased at a record pace. At the same time stock markets also experienced broad declines in 2022 with only private markets and alternative investments providing meaningful diversification.

On a positive note, a diversified portfolio today has a much-improved expected return profile when compared to two years ago, and bonds in general can potentially play an improved role in our portfolio going forward from both a return generating and risk management perspective.

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.

SEPARATING FACT FROM FICTION

I've heard that our investment manager is expensive. Are we paying them too much?

Contrary to what you may have heard, our New Brunswick-based investment manager, Vestcor, is a cost-effective, not-for-profit entity that is closely aligned as a trusted partner. In fact, their expenses are significantly lower than other service providers of their size and expertise.

Before selecting Vestcor as our investment manager in 2016, we, your Board of Trustees, retained an independent third-party consulting firm to review their investment management capabilities with respect to our requirements. Upon receipt of their reassuring review, we retained Vestcor to begin providing their services to the CBE. Prior to that, we worked with a number of for-profit investment managers.

In addition to their cost-effective model, Vestcor has provided additional financial value to the Plan, using their expertise to exceed our Investment Policy benchmark by 2.00% on an annual basis over the past four years (see the Investment Report on page 5). This has added an extra \$193.1 million in net funds to the Plan above the benchmark, while keeping risk to the CBE very low through prudent investment strategies.



Vestcor's investment management currently costs the CBE Pension Plan 14 cents for every \$100 in assets they manage. This is extremely cost-effective compared to the alternatives. In 2021, Vestcor participated in an annual survey of defined benefit pension plans conducted by CEM Benchmarking Inc. Through this benchmarking, it was estimated that the CBE Pension Plan saves around 22 cents per \$100 in assets under management compared to other public sector pension fund managers. The savings are even greater when compared to private sector asset managers.

Prior to September 1, 2016



September 1, 2016 to present

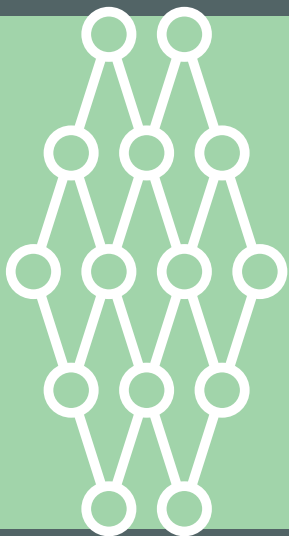


SEPARATING FACT FROM FICTION



Does the CBE Pension Plan investment portfolio take environmental concerns into account?

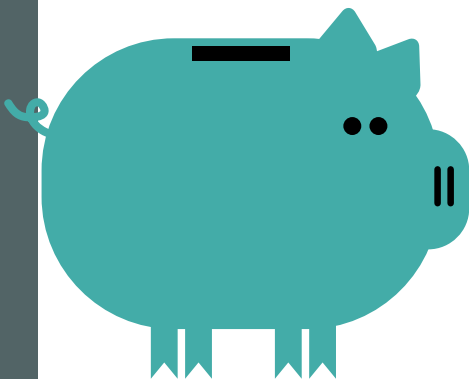
Yes! Environmental, social, and governance (commonly referred to as ESG) risks are top of mind when considering the investments of the Plan. In fact, our investment manager, Vestcor, recently published their Responsible Investment Report, which gives more detail on their considerations of environmental issues. You can find it at vestcor.org/responsible.



How are board members for the CBE Pension Plan chosen?

Your Board is composed of individuals appointed by the New Brunswick Union (NBU), New Brunswick Nurses Union (NBNU), and Province of New Brunswick (the Parties that signed the Memorandum of Understanding that established the CBE Pension Plan). They use a “skills matrix” to help select Trustees of the Board. Each Trustee brings a range of unique skills to the table. This is to make sure that the Board is knowledgeable on a wide range of topics. Several are also members of the Plan - active and retired.

Biographies of your Board of Trustees are posted at cbenb.ca/board.



Will the CBE Pension Plan have enough money to pay my lifetime pension?

At the end of 2022, the CBE Pension Plan had \$2.751 billion in assets. As of the most recent Actuarial Valuation Report, the 15 Year Open Group Funded Ratio of the Plan was 139.1%. The 15 Year Open Group Funded Ratio of the Plan measures the assets and present value of excess contributions over the next 15 years against its liabilities (expenses). These expenses include your pension benefit! The CBE Pension Plan remains stable and well-funded.

You can see the Investment Report on page 5.

SEPARATING FACT FROM FICTION

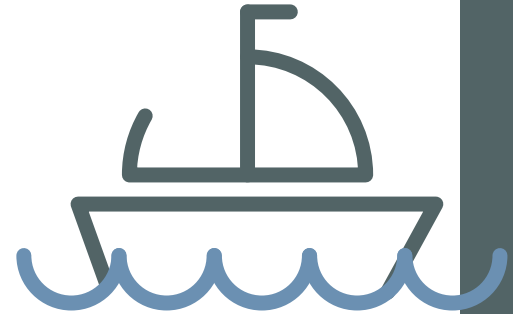
I've been told that the investment returns of our Plan are lower than those of other pension plans. Is this true?

No, this is not true. It's important to remember that the CBE Pension Plan is a Shared Risk Plan with strict risk management rules in place. These risk management rules are vital to the stability of the Plan.

What does this mean for the investments of the Plan?

Generally speaking, when markets are very strong, Shared Risk Plans tend to have lower investment returns than other pension plans. This is because the CBE Pension Plan limits its exposure to riskier assets like technology stocks that often perform well when financial markets are riding high. On the other hand, when financial markets aren't performing well, the CBE Pension Plan generally outperforms other pension plans. That was the case in 2022. While many peer pension plans noted double digit negative returns during 2022, the CBE Pension Plan achieved overall returns of -2.12%. This is particularly significant when compared to the median gross returns (pre-fee) of Canadian defined benefit pension plans, which was -10.3% for the same period, as noted in a recent report by RBC Investor & Treasury Services (RBCITS).

It's important to look at long-term results that account for both the highs and the lows of financial markets. When we look at the long-term, the CBE's 4-year gross annualized pension plan return was 6.20% at year-end, comparing favourably to the 4-year median return also reported by RBCITS of 5.32%.



If I retire early, is there a penalty applied to my pension at age 65?

There is a common misconception that a “penalty” exists for members of the CBE Pension Plan when they reach age 65. In actual fact, if you retire before age 65, the CBE pension benefit that you'll receive will consist of an extra, supplemental amount in addition to the lifetime pension portion. This extra, supplemental amount is called a “bridge benefit” and is intended to help you financially until you're eligible for an unreduced Canada Pension Plan (CPP) pension at age 65, no matter when you decide to receive your CPP pension. This bridge benefit ends when you reach age 65. Much more detail can be found by watching our “CPP Integration and Your CBE Pension” video at cbe.ca/cbenb.ca/integration.



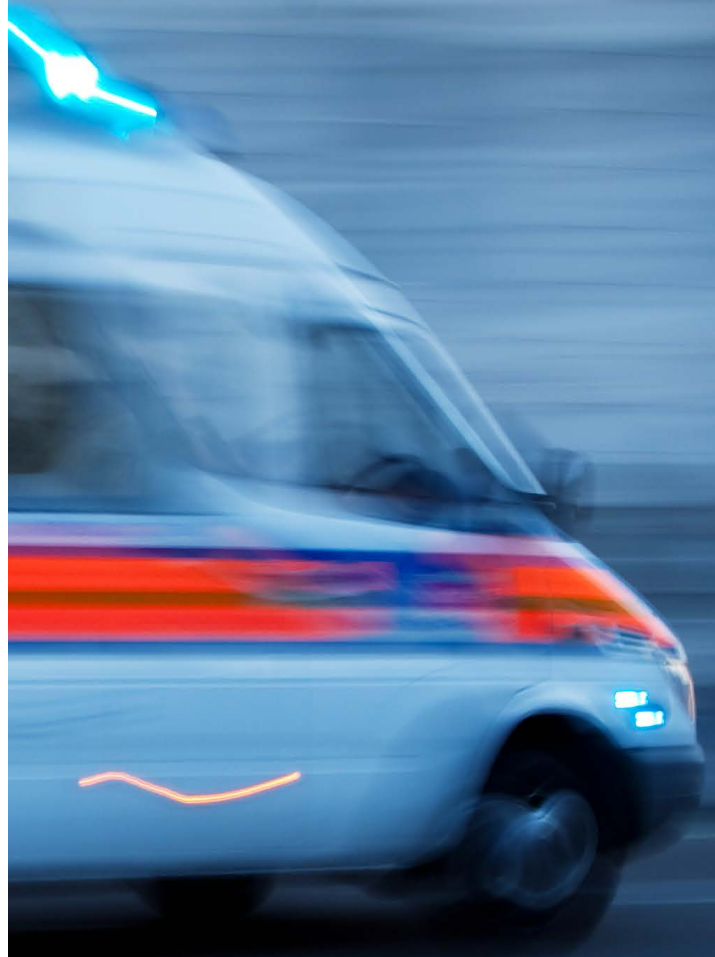
PARAMEDICS AND LICENSED PRACTICAL NURSES: PURCHASING PRIOR SERVICE

We're happy to announce that Paramedics and Licensed Practical Nurses (LPNs) have a new opportunity to increase their future CBE pension benefit! The *Paramedic Transfer Agreement* and *Licensed Practical Nurses Transfer Agreement* have recently been amended so Paramedics and LPNs who were able to purchase periods of service under the Shared Risk Plan for CUPE Employees of NB Hospitals (CUPE Hospitals SRP) prior to the transfers are now permitted to purchase these periods under the CBE Pension Plan.

What does this mean for you? If you are a Paramedic or LPN and there were periods of eligible service that you had the ability to purchase under the CUPE Hospitals SRP but didn't prior to the transfer, you can now purchase that service under your new CBE Pension Plan. Purchasing these periods of eligible service will increase your future CBE pension benefit. Periods employed under the CUPE Hospitals SRP that you can now purchase include maternity leaves and other approved leaves of absence, waiting periods, and previously refunded service.

Obtaining an estimate of how much it will cost to purchase the service in question is simple - complete the *Purchase of Service Form* available under "Application Forms" at cbenb.ca.

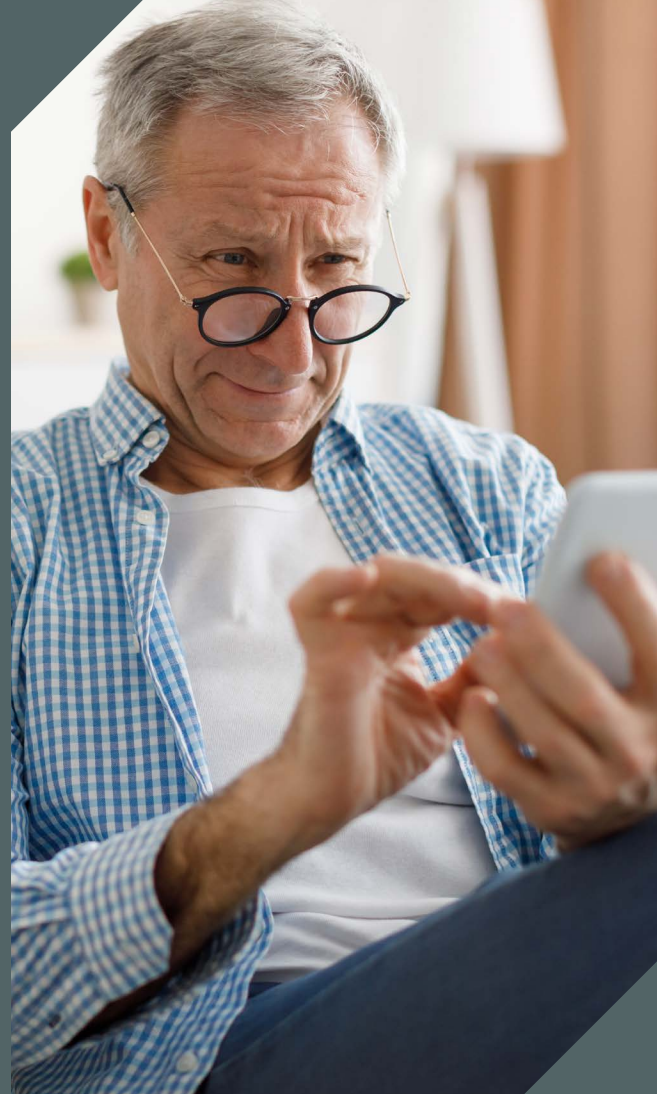
Reminder - The cost to purchase prior service is based on your current salary. As time passes and your salary increases, the cost to purchase service also increases. It is typically favourable to submit an application as soon as possible.



TIPS FOR RETIREES

UPDATING YOUR INFORMATION

- Is a move in your near future? You can update your address with the change of address form available at cbenb.ca/address. If you would rather call, you can also contact Vestcor at 1 800 561 4012.
- If you have owed money after filing your income tax return in the past few years, you may want to consider increasing the amount of tax withheld from your monthly pension payment. By doing so, you can reduce how much money you owe when you file your tax return next year. The form is available at cbenb.ca/incometax. You may want to contact a tax specialist before making any decisions regarding your income tax deductions.
- Have you opened a new bank account? Go to cbenb.ca/banking to find the form you need to update your banking information. You can also contact Vestcor by phone at 1 800 561 4012. Remember to keep your old account open until you've seen a payment deposited in your new account.



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 Funding Policy was amended to reflect a revised discount rate of 4.75% per annum. The amendment was filed with the Superintendent of Pensions on December 19, 2022.
- The Plan Text was amended to reflect changes to the *Pension Benefits Act* with respect to religious exemption from CBE SRP enrollment. The amendment was filed with the Superintendent of Pensions on January 11, 2023.
- The Plan Text was amended to reflect the addition of all New Brunswick Union (NBU) staff under the participating groups of the phased retirement program. The amendment was filed with the Superintendent of Pensions on January 11, 2023.
- 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, 2023. The amendment was filed with the Superintendent of Pensions on January 16, 2023.

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. A quick summary of some of the main provisions of the Funding Policy of the CBE SRP is available at cbenb.ca/sfp.