



SECURE AND SUSTAINABLE

PENSION NEWS

FALL 2023

VOLUME 8



Learn the facts.
Meet the Board.

**SIGN UP FOR THE
ANNUAL INFORMATION
MEETING**

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All About YOUR BOARD OF TRUSTEES

We regularly refer to the Board of Trustees of the CBE Pension Plan – but do you know who we are and what we do? Here is a quick summary – and an announcement we are excited to share.

WHO WE ARE

Your Board of Trustees has up to 10 members. We are appointed to the Board by the New Brunswick Nurses' Union (3 Trustees), the New Brunswick Union of Public and Private employees (2 Trustees), and the Secretary of the Board of Management of the Province of New Brunswick (5 Trustees).

As Trustees, we must always act in the best interest of the Plan and its members when administering the affairs of the CBE. We do not represent the party who appointed us. To learn more about us, refer to our biographies available at cbenb.ca/board.



WHAT WE DO

We are responsible for the overall governance and administration of the CBE Pension Plan in accordance with the *New Brunswick Pension Benefits Act*, the *Income Tax Act*, and the Plan's governing documents. Our oversight of the CBE is wide-ranging. For example, we:

- Assess the Plan's ability to provide additional pension benefit improvements, such as the cost of living adjustments, to all plan members;
- Review and approve the Statement of Investment Policies, which includes the investment management strategy, annually;
- Review and approve the Funding Policy annually;
- Approve the Plan's budget, financial statements, and Actuarial Valuation Report annually;
- Oversee strategic projects, such as the recent development of a Strategic Plan, Risk Management Framework and establishment of CBE-specific Key Risk Indicators;
- Participate in an ongoing educational program, to help us more effectively carry out our duties; and
- Much more.

More details can be found in the new CBE Pension Plan Annual Report – which we are very proud to share with you this year. We will publish a similar report annually moving forward. Access a copy at cbenb.ca/ar1.

NEW - JOIN US LIVE!

We are very excited to invite you to the Plan's first Annual Information Meeting, held virtually. An option to phone-in will also be available.

Join us **Wednesday, November 29th, 2023**
at **7:00 PM** as we:

- Provide updates on the Plan;
- Introduce some of our key service providers; and
- Answer your questions live.

For more information or to sign up for reminders, visit cbenb.ca/2023aim.

If you are unable to attend live, a recording will be posted on the website, and you will still have the ability to submit your questions, which we will answer directly.

DISCLAIMER: This newsletter is a publication on behalf of the Board of Trustees of the Shared Risk Plan for Certain Bargaining Employees of New Brunswick Hospitals. This publication is intended to provide information about the 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.

YOUR COST OF LIVING ADJUSTMENT

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

5.59%

These adjustments are designed to help your pension keep up with inflation.

If you're an active or deferred member, the increase will be applied to the pension benefits you've earned up to December 31, 2022.

If you're a retiree, the increase will be applied to your monthly lifetime pension benefit as of January 1, 2024. You'll receive notification of this increase in writing in December 2023.

How is the adjustment calculated? See the next page.

Cost of Living Adjustment (COLA) Awarded Since Plan Conversion

Year Awarded (January 1 st)	CBE Pension Plan COLA	Canadian CPI*
2024	5.59%	5.59%
2023	5.56%	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	0.96%	0.96%
2013	2.40%	2.40%

*Maximum COLA that can be granted based on the percentage change in the average Canadian Consumer Price Index (CPI).

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



Information Sheet: Explaining COLA
cbenb.ca/cola



Statistics Canada Consumer Price Index chart
cbenb.ca/statscan



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

HOW DOES THE PLAN CALCULATE COLA?

COLA for the CBE Pension Plan is calculated using a method similar to that used by the Canada Pension Plan (CPP) and other pension plans across Canada. The calculations are based 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. This is often referred to as a measure of inflation.

WHAT?

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

WHO?

Your Plan's actuary, TELUS Health (formerly LifeWorks), completes this calculation. The Board then compares the results with the CBE Pension Plan Funding Policy to decide if COLA can be awarded.

HOW?

For COLA awarded on January 1, 2024 your Plan's actuary:

- Compared the average CPI for the period of July 2022 to June 2023 with the average CPI for the period of July 2021 to June 2022.
- 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 2022 to June 2023 it was 154.47.

Month Year	July 2022	Aug 2022	Sept 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	June 2023	Avg.
CPI Level	153.1	152.6	152.7	153.8	154.0	153.1	153.9	154.5	155.3	156.4	157.0	157.2	154.47
Inflation %	7.6%	7.0%	6.9%	6.9%	6.8%	6.3%	5.9%	5.2%	4.3%	4.4%	3.4%	2.8%	

- Then the same calculation was done for the previous year. For the period of July 2021 to June 2022 the average CPI 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%	

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.

$$\frac{154.47 \text{ (average CPI for 12-months ending June 30, 2023)} - 146.29 \text{ (average CPI for 12-months ending June 30, 2022)}}{146.29 \text{ (average CPI for 12-months ending June 30, 2022)}} = 5.59\%$$

Maximum COLA that can be awarded for 2024

5.59%


Looking at the financial health of the Plan, using results from the Actuarial Valuation Report and following the rules laid out in the Funding Policy, **the Board is in a position to award a full COLA of 5.59% to all members of the Plan.**




THE PLAN'S ACTUARIAL VALUATION

As required by the *Pension Benefits Act*, the Board of Trustees and the Plan's independent actuary review the funding level and risk management of the Plan annually to determine the financial health of the Plan. This review helps us make decisions about the Plan, such as granting cost of living adjustments (see pages 2 and 3) and other benefit improvements for members. This review is summarized in the Actuarial Valuation Report.

RISK MANAGEMENT RESULTS

Primary Risk Management Goal 99.55%
Achieve 97.5% probability that past base benefits earned will not be reduced over the next 20 years. 
Passed

1st Secondary Risk Management Goal 100.00%
Provide indexing in excess of 75% of CPI to members over the next 20 years. 
Passed

2nd Secondary Risk Management Goal 98.75%
Achieve at least 75% probability that ancillary benefits (i.e., early retirement benefit) can be provided over the next 20 years. 
Passed

WHAT WERE THE FUNDING RESULTS IN 2022?

To determine the funding levels of the CBE, the Plan's actuary, TELUS Health (formerly LifeWorks), compares the Plan's assets to its liabilities. The results are below.

**15-Year Open Group
Funded Ratio**
133.6%

Used to determine how well-funded the Plan is, and the actions that can be taken by the Board of Trustees per the CBE Funding Policy, such as granting COLA.

**Termination Value
Funded Ratio**
110.7%

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

MID-YEAR INVESTMENT REPORT

A SNAPSHOT OF WHERE YOUR PENSION FUND STANDS AS AT JUNE 30, 2023

GROSS INVESTMENT RETURN
4.50%
AT JUNE 30, 2023

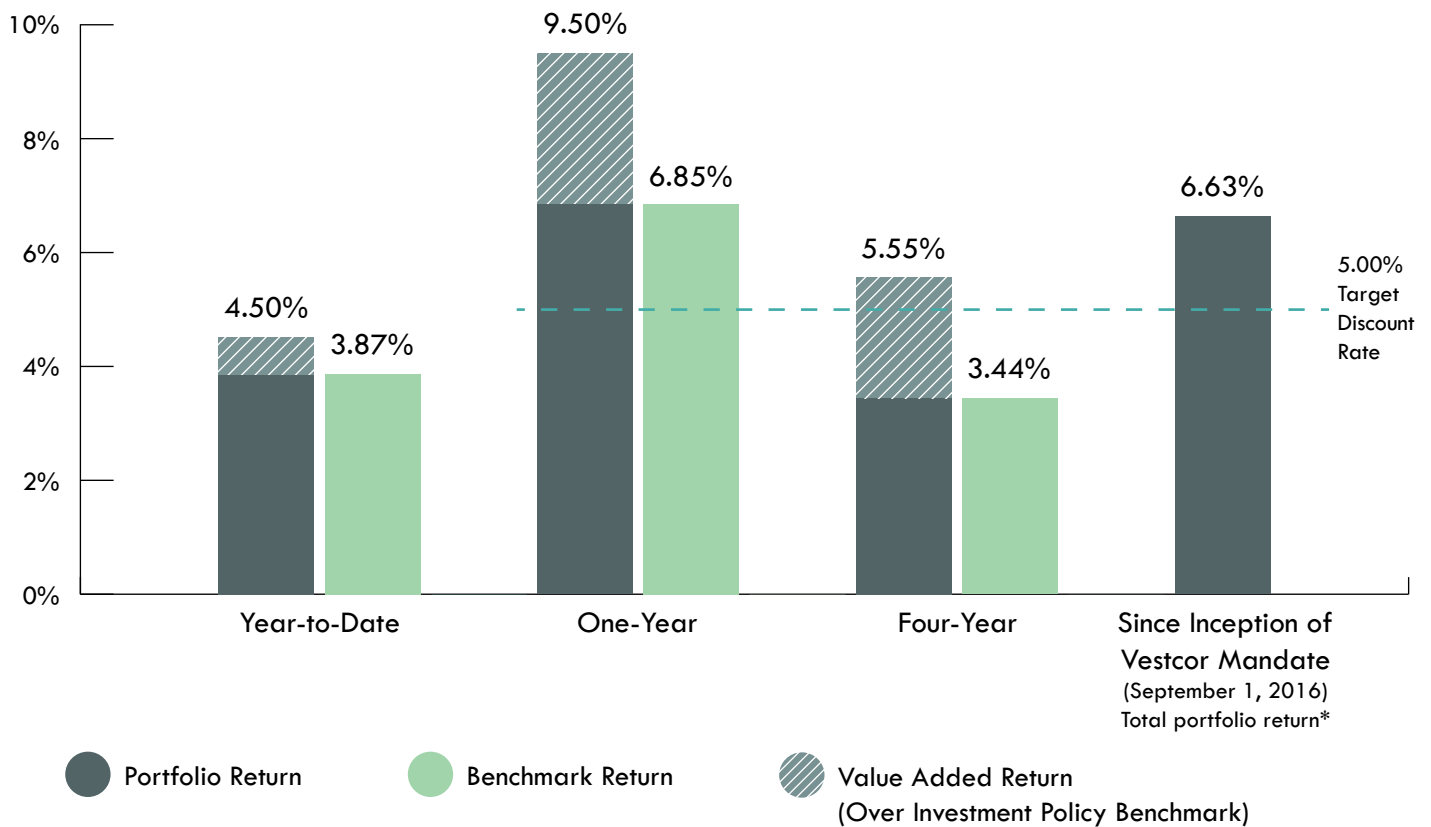
NET INCREASE OF
\$130 MILLION
SINCE DECEMBER 31, 2022

INVESTMENT ASSETS
\$2.881 BILLION

Look for terms with a dotted underline in this Investment Report. You can find definitions of these terms and others relevant to the CBE by scanning the code to the right with your mobile device, or by visiting vestcor.org/glossary.



INVESTMENT RETURNS (AS AT JUNE 30, 2023)



We are pleased to report that the overall investment program earned a positive return of 4.50% in the first six months of 2023. Both the four-year annualized return of 5.55% and the annualized return of 6.63% since the inception of Vestcor's management remain in excess of the 5.00% target discount rate set for the Fund.

In a strong reversal of what happened in 2022, the stock markets have rallied in the first half of 2023. Even with the defensive positioning of the invested assets and timing of the valuation for private markets, the portfolio added an additional return of 0.63% over benchmarks for 2023 year-to-date.

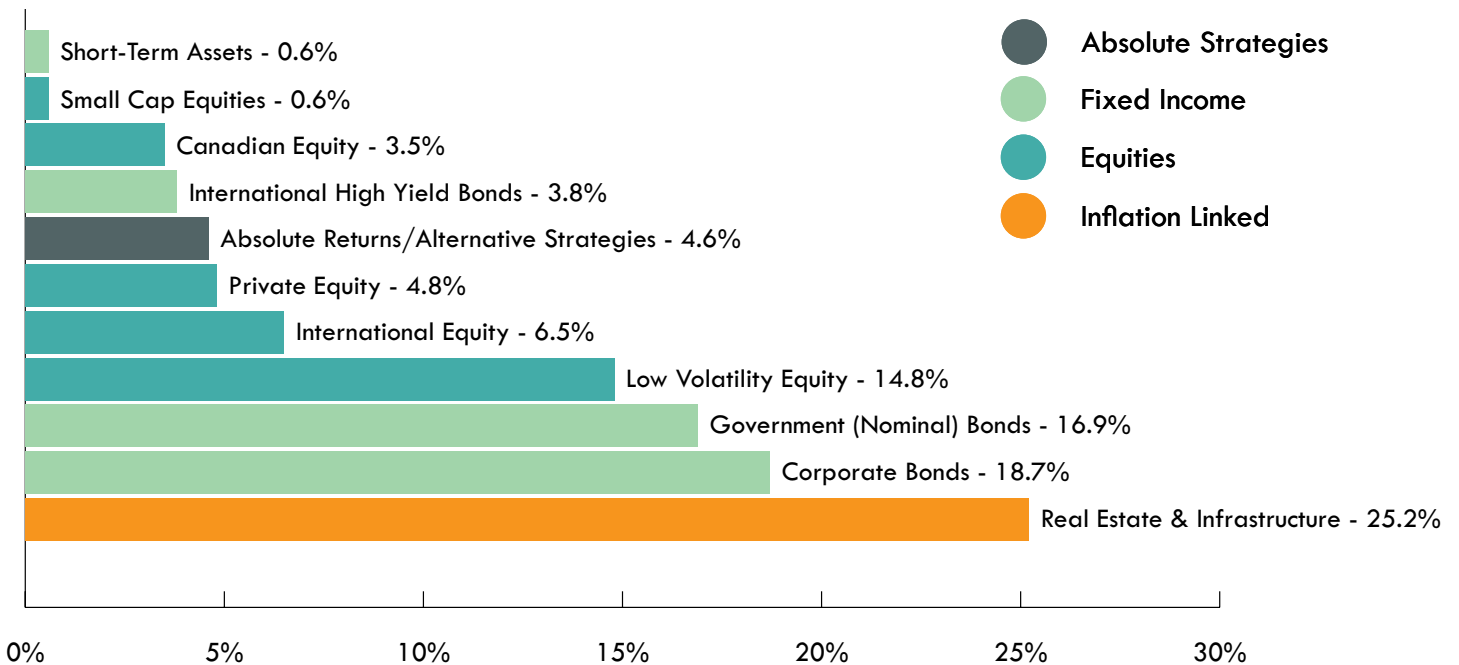
INVESTMENT ASSETS

The fair value of the CBE investment assets on June 30, 2023 was \$2.881 billion, an increase of \$130.0 million from the fair value on December 31, 2022.

*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, 2023 and illustrates how well-diversified the Plan's investment assets are (see "[diversification](#)" in the glossary).



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 six 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

Despite ongoing geopolitical noise and the turmoil experienced in the banking industry earlier in 2023, the global economy has appeared to remain quite resilient with continued growth, low unemployment, and gradually moderating inflation.

Market gains have continued through the first half of 2023, although a significant amount of the outperformance has been concentrated in a few larger U.S. based technology companies resulting in a highly bifurcated market. Central banks have continued to tighten monetary policy in the form of higher short-term interest rates and there is some evidence to suggest the tighter policy framework is starting to influence the underlying economy. Slower growth should be expected in the coming quarters as central banks work to continue to bring inflation down to their long-term target.

Looking forward, while the short-term outlook remains uncertain and requires careful management, our portfolio continues to be well positioned to fund the obligations of the plan.

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.

MONEY MATTERS: WHAT IS RESPONSIBLE INVESTING?

Responsible Investing is an investment approach that encourages stable, sustainable long-term returns by focusing on companies with strong governance and environmental records, among other considerations. You may have heard the related term, ESG (short for Environmental, Social, and Governance). The CBE portfolio, managed by Vestcor, the CBE's investment manager, incorporates these ESG-related factors through Vestcor's Responsible Investing Guidelines.

While each investor has their own approach to Responsible Investing, Vestcor's approach, on behalf of the CBE, focuses on using high quality sources of information to measure and manage risks. This is particularly true in the areas of governance and carbon exposure. While research into how Responsible Investing impacts the performance of investment portfolios is still early, there is increasing evidence of the positive relationship between these factors and investment risk. This makes it a good fit for the stable growth objectives of the CBE. As companies and economies transition to a more sustainable future, the CBE portfolio will also achieve benefits in the form of reduced risk and more stable long-term results.

Vestcor published its Responsible Investment Report last year. It illustrates their approach to Responsible Investing and details their progress in implementing these principles in the management of our portfolio. Members of the CBE can read the report by visiting vestcor.org/responsible.

Did you know that November is National Financial Literacy Month? You can find resources* to boost your financial know-how at cbenb.ca/moneymatters.

** These resources are provided for reference only. The CBE Pension Plan 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.*

2024 CBE PENSION PAYMENT DATES

JANUARY	FEBRUARY	MARCH	MARCH	MAY	MAY	JUNE	AUGUST	AUGUST	OCTOBER	NOVEMBER	NOVEMBER
1	1	1	28 (FOR APRIL)	1	31 (FOR JUNE)	28 (FOR JULY)	1	30 (FOR SEPTEMBER)	1	1	29 (FOR DECEMBER)



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 amendments which were filed with the Superintendent of Pensions:

- The CBE SRP Statement of Investment Policies was amended to add flexibility in the investment strategy for Canadian short-term bonds and a small increase to private equity. The amendments were filed with the Superintendent of Pensions on September 27, 2023.
- The CBE SRP Funding Policy was amended to include a change to the discount rate to 5.00% per annum and to update the Funding Excess Utilization Plan to increase the amount available for utilization from 1/6th of excess funds to 1/5th. The amendments were filed with the Superintendent of Pensions on September 27, 2023.
- The CBE SRP Actuarial Valuation Report as at December 31, 2022 and Financial Statements as at December 31, 2022 were filed with the Superintendent of Pensions on September 29, 2023.

The current versions of the Governing Documents are available at cbenb.ca.



PREFER TO GET THIS NEWSLETTER IN PAPER FORMAT?

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