



Member Matters

CITY OF FREDERICTON SHARED RISK PLAN MEMBER NEWSLETTER

Introducing Member Matters

The Board of Trustees is excited to launch the first issue of *Member Matters* – a newsletter published exclusively for members of the City of Fredericton Shared Risk Pension Plan (“Plan”).

Member Matters covers useful and important information on how the Plan works, governance and the Plan’s financial position – *because members matter.*



Your Board of Trustees

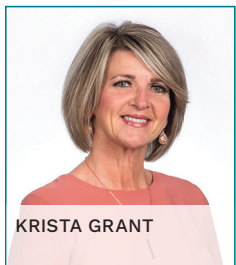
An independent Board of Trustees is responsible for overseeing the Plan and operating in the best interest of plan members and beneficiaries. Responsibilities include plan administration, risk management, investment management and selecting service providers.

The Trustees do not answer to the City or the CUPE locals, but maintain open and ongoing communication with them to ensure your concerns are addressed. Member matters are the Trustees’ matters. The Board recently initiated an in-depth governance review project to make sure all the appropriate processes are in place.

Trustees appointed by the CUPE locals (3864, 1709, 1783, 508)



RICHARD DIGIACINTO
CHAIR



KRISTA GRANT



DON KELLY



MIKE LEE

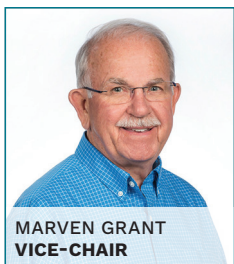
Trustees appointed by the City (one of whom must be a retiree)



MICHAEL BALDWIN



GREG ERICSON



MARVEN GRANT
VICE-CHAIR



CANDICE MCINTYRE

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Our SRP Plan and COVID-19

In 2013, our pension plan converted to a shared risk plan (SRP). This type of plan is built to be robust and sustainable over the long-term. Under a shared risk plan, benefits are not guaranteed and indexation is conditional, but the goal is to provide a pension with a high level of security over time.

The Trustees understand that the ongoing global pandemic can cause a lot of worry about financial security. However, the Plan is also designed to help withstand the most difficult economic situations. There is still a great deal of uncertainty in the markets but recent results show the Plan is sustainable. Day to day operations have not been disrupted by the pandemic. The Trustees are monitoring the situation very closely.



Funding level

In a shared risk plan, contributions, indexation and benefits are linked to the financial position of the Plan. As required by legislation, the Plan actuary appointed by the Board of Trustees must perform an actuarial valuation of the Plan every year to monitor its financial status. The valuation compares Plan assets with liabilities to determine the funding level, and also includes risk management tests. The last valuation was completed as at March 31, 2020. The two funding level ratios have decreased slightly compared to last year.

The **Termination Value Funded Ratio** is used to calculate benefits when a member ends employment, dies, has a marriage breakdown, or retires, in accordance with the terms of the Plan and the **New Brunswick Pension Benefits Act**.

2020	2019
89.2%	97.5%

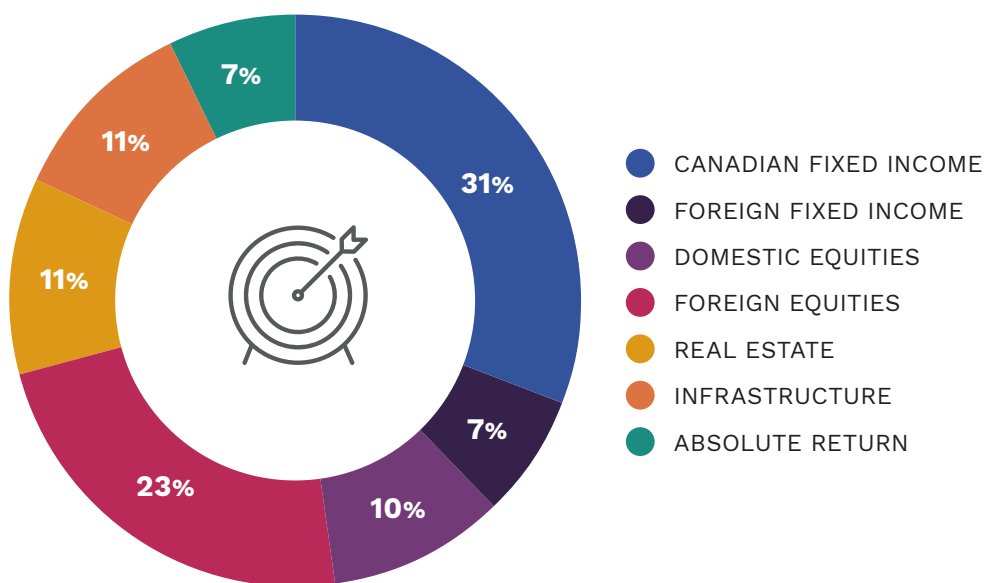
The **Open Group Funded Ratio** indicates the long-term financial health of the Plan and influences decisions on indexation and deficit recovery. As the ratio is above 100%, there is no need to trigger the deficit recovery plan in the Funding Policy.

2020	2019
105.9%	115.1%

Investment at-a-glance

Target asset allocation

The pension fund grows with contributions and investment returns. The Board of Trustees is responsible for all decisions related to the investment policy for the Plan, subject to specific risk management constraints set out in the Funding Policy and the **New Brunswick Pension Benefits Act**. The Plans' Investment Policy determines the target asset allocation, i.e., how funds should be invested. The policy is revised regularly.



Investment return

The net rate of return earned on the market value of assets was:

April 1, 2019 to March 31, 2020

Our plan
-3.8%

Market benchmark
-1.2%

Last four years (annualized)

Our plan
4.4%

Market benchmark
4.22%

Indexation

The Board of Trustees is responsible for granting indexation, or Cost of Living Adjustment (COLA), on accrued pensions of active members and pensions paid to retirees. Indexation is subject to the following risk management tests outlined in the Funding Policy:

- The *primary risk management goal* is the likelihood that that base benefits will not need to be reduced in any year over the next 20 years

- The secondary risk management goal is the average expected level of indexation over the next 20 years, for both active members and retirees.

The Board can only grant COLA in a given calendar year if the primary risk management goal is met at the valuation date of the previous year. The Board can only grant COLA for missed years or introduce other benefit improvements if both the primary and secondary risk management goal are met.

Here are the results from the last actuarial valuation:

Risk management goal:

Primary

Target

97.5%

Result as at March 31, 2020

97.0%

Pass or failed

Failed

Indexation for 2021

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Indexation applied to prior years

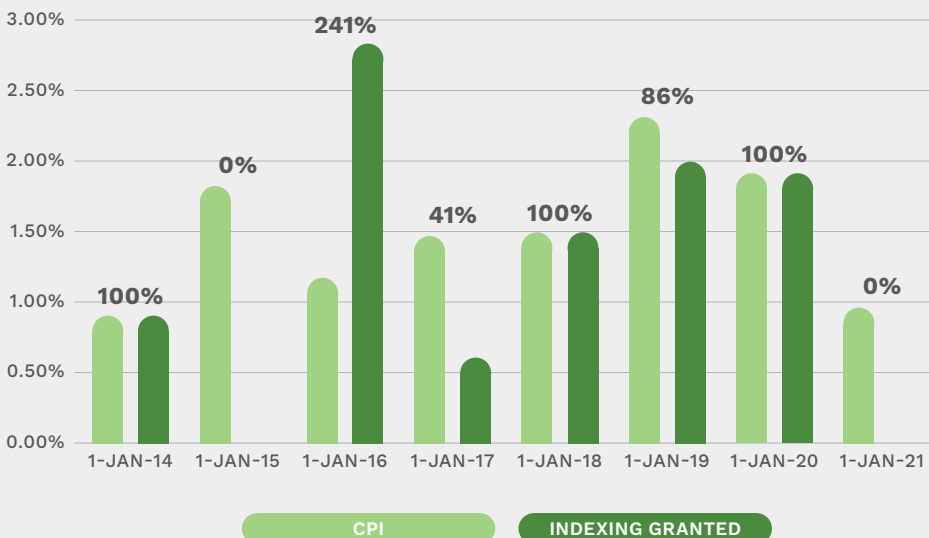
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Message to retirees

The past months have been challenging for everyone. The Trustees have made thoughtful decisions to ensure the Plan is in a good position to continue making pension payments at their current level.

The Board is fully aware that pension indexation is very important to retirees. Although indexation will not be granted in January 2021, this does not mean it will not be granted in future years. If the Plan sufficiently recovers and can meet its risk management goals, it is possible to award missed indexation in future years.

In the last eight years, from 2014 to 2021, indexation was granted every year except 2015 and 2021. 91% of CPI in 2015 was later awarded in 2016. To date 80% of CPI has been awarded, which is above the 75% target. The following graph illustrates the 8-year trend of indexing.



Risk management goal:

Secondary

Target

75% of CPI

Result as at March 31, 2020

61.9% of CPI

Pass or failed

Failed

Indexation for 2021

N/A

Indexation applied to prior years

—

Our partners



The Trustees operate within a *members first* framework, with all decisions made in the best interest of members. This includes selecting professionals as needed to provide advice and to ensure members are served effectively and efficiently.



Morneau Shepell

Morneau Shepell provides administration services, including benefits calculations and annual member statements. Morneau Shepell also provides actuarial services, including the annual actuarial valuation of funding and risk management, as well as investment and governance consulting services.

Osler, Oskin & Harcourt

Osler, Oskin & Harcourt is the Plan's legal counsel.

CIBC Mellon

CIBC Mellon acts as the pension payroll provider of the pension fund, and collaborates with Morneau Shepell to ensure our retired members receive their pension payments.

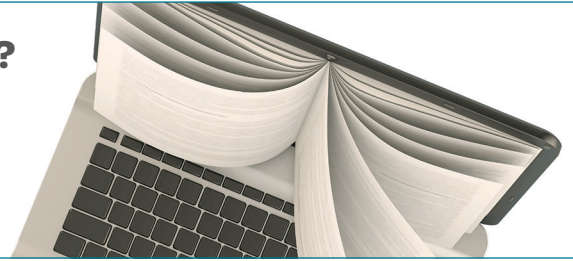
Vestcor

The Trustees work in partnership with Vestcor to oversee the Plan's investment management and to maintain cost-effective and sustainable investments. Vestcor is also the Plan custodian.

Looking for more information or resources?

Visit our website at <http://www.frederictonsrp.org>

It offers a wealth of information and resources including a pension projection tool, your annual pension statements, official documents and links to other sources of information.



Questions?

If you have questions about the Plan and your benefits/statements, please contact Morneau Shepell:



Phone: 1-855-201-7830 between 9:00 a.m. and 4:00 p.m. (AT), Monday through Friday (excluding statutory holidays).



E-mail: info@frederictonsrp.org



Mail: 40 Crowther Lane, Suite 300 Knowledge Park, Fredericton, New Brunswick E3C 0J1

If you are a retired member or a beneficiary of a retired member and have questions regarding pension payments, please contact CIBC Mellon:



Phone: 1-800-565-0479 between 9:30 a.m. and 7:00 p.m. (AT), Monday through Friday.

