

# MemberMatters

CITY OF FREDERICTON SHARED RISK PLAN MEMBER NEWSLETTER

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

*Member Matters* keeps you informed on the latest Plan information and what you can expect from your pension in the near future – *because members matter.*



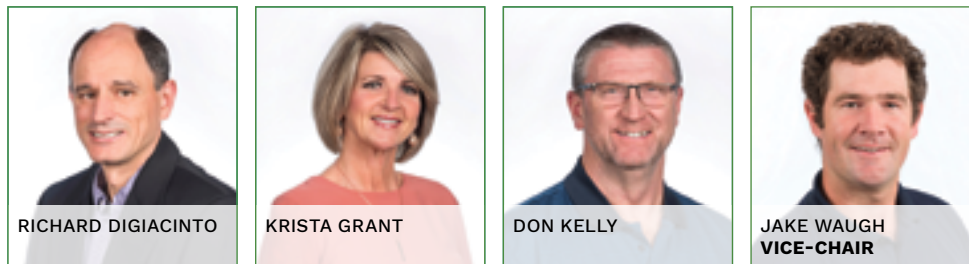
## Your Board of Trustees

The Trustees are responsible for overseeing the Plan. They work independently from the City and CUPE locals, but maintain open and ongoing communication with them to ensure your concerns are addressed.

The Trustees operate in the best interests of Plan members and retirees, and are committed to staying current and up-to-date on all things pension. Over the past year, the Trustees have spent time reviewing the Plan’s governance structure, including defining the Trustees’ sub-committees and updating the Governance Policy, Conflict of Interest Policy, Education Policy, Communication Policy and Risk Management Policy.

Updates on the Plan’s governance structure are detailed in the June 2022 newsletter. Details on the Plan’s latest governance updates and the sub-committees are outlined in the June 2022 newsletter on the Plan’s microsite: [frederictonSRPguide.org](https://frederictonSRPguide.org). Go to **Plan News and Communications > Member Matters Newsletters.**

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



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



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## What have the Trustees been up to?

- ✓ Attended an annual conference hosted by the Canadian Pension & Benefits Institute
- ✓ Participated in an education session on environmental, social and governance (ESG) issues
- ✓ Completed governance training as they continue to increase their involvement with their respective sub-committee responsibilities
- ✓ Conducted a benchmark study and asset mix review
- ✓ Launched the Plan’s microsite: [frederictonSRPguide.org](https://frederictonSRPguide.org)

## Funding level

In a shared risk plan like ours, contributions, indexation and benefits are linked to the financial position of the Plan. The Board of Trustees appoints an actuary who is required by legislation to 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. **Good news!** The last valuation was completed as at March 31, 2022. The two funding level ratios have increased 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**.

**2022** **2021**  
**104.6%** **101.2%**

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

**2022** **2021**  
**122.0%** **116.9%**

## In case you missed it

- Annual pension statements were mailed in September.
- Information sessions on the Plan were held in November. Watch a recording of the session on the member website: [frederictonSRP.org](http://frederictonSRP.org)

## Investment at-a-glance

### Asset mix

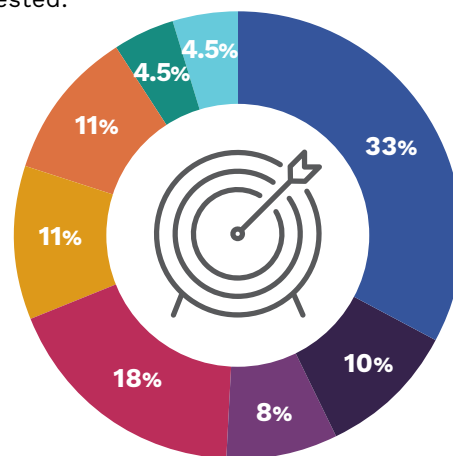
The Plan's investment portfolio is made up of an asset mix – fixed income, equities, real estate, infrastructure and cash and cash equivalents. The asset mix changes based on the Plan's risk tolerance and investment goals.

Effective April 2022, the Board of Trustees adopted a new asset mix based on a review of the Plan's investment portfolio, liabilities and risk tolerance. The new asset mix includes an absolute return overlay strategy, which can provide additional risk-adjusted returns over the long-term.

### Target asset allocation

The Board of Trustees is responsible for all decisions related to the investment policy for the Plan, which is revised regularly and subject to specific risk management constraints set out in the Funding Policy and the **New Brunswick Pension Benefits Act**.

The pension fund grows with contributions and investment returns, and the Plan's investment policy determines the target asset allocation, i.e., how funds in the Plan's asset mix should be invested.



### Investment return

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

**April 1, 2021 to March 31, 2022**

**Our plan** **Market benchmark**  
**5.4%** **3.1%**

**Last 4 years (annualized)**

**Our plan** **Market benchmark**  
**5.7%** **5.4%**

A benchmarking study was conducted earlier this year. Due to the volatile financial markets, the Plan's funds did not surpass the industry median. However, because of our risk-conscious management approach, the Plan's funds did meet the Plan's performance objective.

# Indexation

The Board of Trustees is responsible for granting indexation, or Cost of Living Adjustments (COLA), on accrued pensions of all members. Indexation is subject to two risk management goals outlined in the Funding Policy.

The **primary risk management goal** is the likelihood 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 all members.

Based on the valuation results, the Board can only grant COLA up to the Consumer Price Index (CPI) using up to 1/5 of the surplus in the Plan combined with the following Open Group Funded Ratio (OGFR) requirements: 1) OFGR is above 105% for current COLA year; 2) OGFR is above 115% for missed or partial COLA years.

The Board can only introduce benefit improvements if both the primary and secondary risk management goals are met, the OGFR is above 115% and there is surplus in the Plan remaining after OGFR requirements 1) and 2) are met. This year, due to the high cost of indexation, there was no available surplus left to spend on providing missed indexation.

Here are the results from the last actuarial valuation:

### Primary risk management goal:

Target

**97.5%**

Result as at March 31, 2022

**99.6%**

Pass or fail

**Pass**

Indexation for 2023

**3.41%**

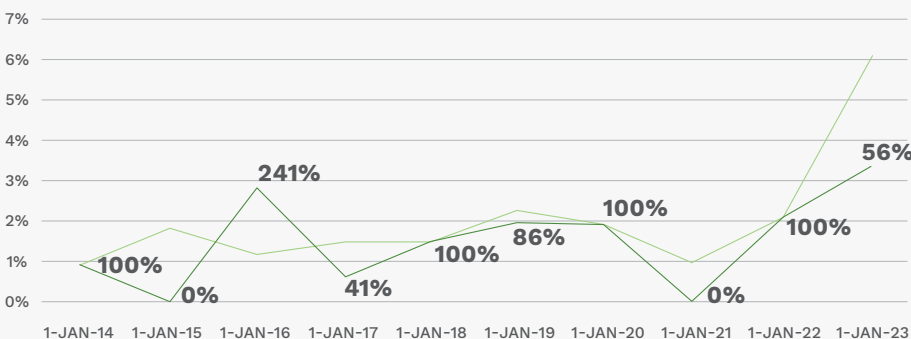
# Message to retirees

The Trustees are fully aware that pension indexation is very important to retirees and have made thoughtful decisions to ensure the Plan is in a good position to continue making pension payments at their current level.

Although inflation increased rapidly in 2022, 56% of indexation will be granted in 2023 – the highest rate since the Plan’s inception. This aligns with the Plan’s Funding Policy that has limits on surplus spending to help ensure the Plan’s financial stability during this volatile economy. Indexation under the Plan also continues to outperform that of the former pre-conversion DB plan.

Full indexation and missed indexation will not be granted for 2023. However, if the Plan has sufficient surplus after providing COLA of full CPI in the current year, it is possible to award missed or partial indexation in future years.

In the last nine years, indexation was granted every year except 2015 and 2021. 91% of the CPI in 2015 was later awarded in 2016. Since the Plan’s inception, 74% of the CPI has been awarded, which is near the 75% target. The following graph illustrates the 9-year trend of indexation.



### Secondary risk management goal:

Target

**75% of CPI**

Result as at March 31, 2022

**88.7% of CPI**

Pass or fail

**Pass**

Indexation applied to prior years

**No change due to insufficient surplus available**

## Reminder!

Pensioner confirmation notices were sent out earlier this year. If you haven't already, review and ensure your beneficiary information is up-to-date, and return the notice when it's complete!

# Contact information and resources



## GO HERE...

### Member website

[frederictonSRP.org](http://frederictonSRP.org)

## TO DO THIS...

- ▶ Use the pension projection tool
- ▶ View your annual pension statements
- ▶ Access official Plan documents
- ▶ Find links to other sources of information
- ▶ Watch the latest member information session

## Get your pension estimate AND avoid wait times on the phone

Get your pension estimate within minutes using the pension projection tool on the member website! Plus, you can:

- Run estimates for different retirement ages
- Compare up to 3 different retirement age estimate scenarios
- Use the tool an unlimited number of times for both estimates and scenario comparisons

**If you are within one year of retirement, please call LifeWorks for your pension estimate.**

## Do you have a question or topic you'd like us to cover in a future issue?



Let us know! Scan the QR code or visit [surveymonkey.com/r/SRPnewsletter](https://surveymonkey.com/r/SRPnewsletter)

## GO HERE...

### Plan microsite

[frederictonSRPguide.org](http://frederictonSRPguide.org)

## TO DO THIS...

- ▶ Learn about your pension through all the stages of your membership
- ▶ Review the Plan's governance structure
- ▶ Access forms, such as the *Request for Change of Information* form
- ▶ Read previous *Member Matters* newsletters

## Questions?

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



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



**E-mail:** [info@frederictonsrp.org](mailto: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 about pension payments, please contact **CIBC Mellon:**



**Phone:** 1-800-565-0479  
9:30 a.m. to 7:00 p.m. (AT)  
Monday through Friday  
(excluding statutory holidays)

