



# Shared Risk Plan for CUPE Employees of New Brunswick Hospitals

Actuarial Valuation as at  
December 31, 2023

Report prepared in September 2024

Registration number:

Canada Revenue Agency #0385849

NB Superintendent of Pensions: NB 0385849

## Table of Contents

Introduction	2
Section 1 – Funding Policy Valuation	5
Section 2 – Risk Management Goals and Procedures	14
Section 3 – Going Concern Valuation	18
Section 4 – Hypothetical Wind-Up Valuation	22
Section 5 – Plausible Adverse Scenarios	27
Appendix A – Assets	33
Appendix B – Membership Data	36
Appendix C – Stochastic Projection Assumptions and Disclosures	41
Appendix D – Summary of Plan Provisions	57
Appendix E – Summary of Funding Policy	64
Appendix F – Plan Administrator Confirmation Certificate	67

# Introduction

The Pension Plan for CUPE Employees of New Brunswick Hospitals (Former CUPE Plan) was converted to the Shared Risk Plan for CUPE Employees of New Brunswick Hospitals (CUPE SRP Plan) effective July 1, 2012.

This valuation is conducted as at December 31, 2023 for the Board of Trustees (Trustees), the Canada Revenue Agency (CRA) and the Superintendent of Pensions (Superintendent) for the following purposes:

- to document the results of a funding policy valuation, as required under subsection 100.61(1) of the New Brunswick *Pension Benefits Act* (PBA) and subsections 14(5) to 14(7) of Regulation 2012-75, and provide the related actuarial opinion;
- to document the results of the risk management procedures as required under paragraph 100.7(1)(e) of the PBA;
- to document the results of a going concern actuarial valuation required under subsection 14(1) of Regulation 2012-75 in order to determine the maximum eligible employer contribution for the CUPE SRP Plan under subsection 147.2(2) of the *Income Tax Act (Canada)* (ITA) and provide the actuarial opinion; and
- to document the results of a hypothetical wind-up valuation of the CUPE SRP Plan as required under the Canadian Institute of Actuaries' Standards of Practice, and provide the related actuarial opinion.

The Board of Trustees is also seeking the approval of the Superintendent for the following items, as required under the PBA and Regulation:

- approval of the generational mortality table used in the funding policy valuation as required under sub-paragraph 14(7)(c)(ii) of Regulation 2012-75;
- approval of the asset liability model used, including the stochastic projection assumptions found under Appendix C, as required under subsection 15(1) of Regulation 2012-75; and
- approval of the economic assumptions used in the asset liability model, as described under Appendix C, as required under subsection 15(3) of Regulation 2012-75.

The Trustees for the CUPE SRP Plan retained the services of TELUS Health to prepare this report.

The last actuarial valuation report prepared for the CUPE SRP Plan was performed as at December 31, 2022.

The hypothetical wind-up basis has been updated to reflect market conditions as at the valuation date.

The next actuarial valuation report for the CUPE SRP Plan will be due no later than one year following the effective date of this report in accordance with the requirements of subsection 100.61(1) of the PBA.

## Subsequent Events

The *Pension Plan Sustainability and Transfer Act (PPSTA)* received royal assent on December 13, 2023. The *PPSTA* provides a framework for transferring assets and liabilities of existing defined benefit pension plans (Exporting Plans) into existing shared risk plans (Importing SRPs), converting the benefits provided under the

Exporting Plans to benefits provided under a shared risk plan. We understand that the CUPE SRP is one of the plans identified to potentially be an Importing SRP under the *PPSTA*. At the time of this report, we are not aware of any Memorandum of Understanding between any parties implicating the CUPE SRP in a transfer under the *PPSTA* and we have therefore made no adjustments to the results of this report for the potential impact of the *PPSTA*. If a transfer does occur in the future under the *PPSTA*, the impact of such a transfer will be revealed in future valuations.

The Canadian Institute of Actuaries recently published a report on mortality improvement trends in Canada. This report suggests that future mortality improvements may be more significant than had previously been assumed. At this time, the CIA has not yet recommended or mandated the use of a mortality improvement assumption to replace the CPM-B tables currently in use for the purpose of the calculation of commuted values in defined benefit pension plans or for funding or hypothetical wind-up valuations. As such, the results of this valuation do not take into account the impact that a change in the mortality improvement assumption would have on the Plan. If a change in the mortality improvement assumption is made in the future, the impact of such a change will be revealed in future valuations.

In 2021, paramedics and licensed practical nurses (“LPNs”) began participating on a go-forward basis in the Shared Risk Plan for Certain Bargaining Employees of New Brunswick Hospitals (CBE SRP Plan). These members continue to be entitled to any benefits accrued in the CUPE SRP prior to the date of transfer. Section 100.61(2) of the PBA requires that, when there is a significant reduction in the number of members of a shared risk plan, the administrator assess the financial impact on the plan and make recommendations on any required corrective measures. On March 25, 2022, the Board of Trustees provided the Department of Finance and Treasury Board, the New Brunswick Council of Hospital Union CUPE Local 1252 and the Superintendent of Pensions, a report outlining the financial impact of this transfer of LPNs on the CUPE SRP Plan and recommending corrective measures in accordance with the requirements of subsection 100.61(2) of the PBA.

On June 30, 2022, the Board of Trustees received a copy of a letter from the Superintendent of Pensions addressed to the Department of Finance and Treasury Board and the New Brunswick Council of Hospital Union CUPE Local 1252 which states that the transfer of paramedics and LPNs to the CBE SRP Plan constitutes a significant reduction in membership, and therefore must be addressed.

On September 21, 2022, the Board of Trustees received a letter from the Department of Finance and Treasury Board, stating that the Province did not agree to an increase in Employer contribution rates as a corrective measure to compensate for the reduction in active members related to the changes in union affiliation. The Board of Trustees responded to this letter in a letter stating their disagreement with the reasons provided by the Province to dismiss the requirement to establish corrective measures.

At the time of this report, we have not been advised of any corrective measures being implemented. As a result, we have made no adjustments for future corrective measures, if any, to the results contained in this report.

To our knowledge, there are no other events subsequent to the valuation date which would materially impact the results of the valuation.

## Changes since last valuation

The following benefit improvements under the Funding Excess Utilization Plan were awarded following the December 31, 2022 valuation, are effective 12 months after the valuation date and are included in this valuation:

- Step 1 – A cost of living increase of 3.60% was applied to all accrued pensions and pensions in payment.

The recommendations and opinions are given exclusively from a financial viewpoint. This valuation report does not constitute a legal opinion on the rights and duties of the Trustees or the members of the plan over the pension fund.

Actuarial valuation results are only estimates. Actuarial valuations are performed based on assumptions and methods that are in accordance with sound actuarial principles. Emerging experience differing from these assumptions will result in gains or losses, which may affect future open group funded ratios of the plan and future risk management procedures results, which in turn will impact the types and timing of any actions to be taken by the Trustees in accordance with the Funding Policy. These gains and losses will be revealed in future actuarial valuations.

## Restriction on use of this report

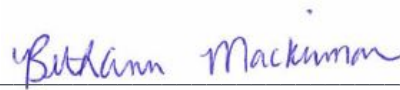
This report was prepared for the Trustees. It will also be filed with the New Brunswick Office of the Superintendent of Pensions and the Canada Revenue Agency. This report and any of its content may not be distributed, published, made available or relied upon by any other person, without the express written permission of TELUS Health, unless and only to the extent otherwise provided by applicable law.

The undersigned are available to provide supplementary information and explanation as appropriate, concerning this report.

Respectfully submitted,



Yves Plourde, FSA, FCIA



Beth Ann MacKinnon, FSA, FCIA

September 23, 2024

Date

September 23, 2024

Date

## Section 1 – Funding Policy Valuation

A funding policy valuation is required annually under subsection 100.61(1) of the PBA and subsections 14(5) to 14(7) of Regulation 2012-75. The results of the funding policy valuation of the CUPE SRP Plan as at December 31, 2023 are found below.

The funding policy valuation results presented in this section are based on asset information found in Appendix A, membership data found in Appendix B, plan provisions summarized in Appendix D, and Funding Policy summarized in Appendix E of this report. The methods and assumptions used in the funding policy actuarial valuation are described later in this section.

### Funding Policy Valuation Funded Status

The funding policy valuation funded status of the CUPE SRP Plan is determined by comparing the fair market value of the assets to the funding policy actuarial liabilities. The funding policy actuarial liabilities are based on the benefits earned up to the valuation date assuming the Plan continues indefinitely. The funding policy valuation funded status of the CUPE SRP Plan as at December 31, 2023, along with the results in the previous valuation as at December 31, 2022 are found below:

**Table 1.1 – Funding Policy Valuation Funded Status**

	December 31, 2023	December 31, 2022
	\$	\$
Market value of assets		
Fair market value of assets (including receivables / payables)	1,154,871,000	1,097,621,000
Funding policy actuarial liabilities		
Active members	299,460,000	289,080,000
Terminated and suspended members	202,694,000	195,729,000
Retired members and beneficiaries	672,435,000	635,558,000
Outstanding refunds	263,000	324,000
Total funding policy valuation actuarial liabilities	1,174,852,000	1,120,691,000
Funding policy valuation excess (unfunded liability)	(19,981,000)	(23,070,000)
Termination value funded ratio [calculated in accordance with paragraph 14(6)(e) of Reg. 2012-75]	98.3%	97.9%

## Funding Policy Valuation Normal Cost and Excess Contributions

The table below provides the funding policy valuation normal cost, being the value of the pension benefits being earned in the twelve-month period after the valuation date. It compares the funding policy valuation normal cost to the level of member and employer contributions in order to determine the level of contributions being made to the Plan in excess of the funding policy valuation normal cost. Results for the year following December 31, 2023 are presented below, along with the results found in the previous valuation as at December 31, 2022.

**Table 1.2 – Funding Policy Valuation Normal Cost and Excess Contributions**

	Year Following December 31, 2023		Year Following December 31, 2022	
	\$	% of payroll	\$	% of payroll
A. Member and employer contributions	57,112,000	19.1%	52,065,000	19.1%
B. Funding policy valuation normal cost	30,070,000	10.0%	27,107,000	9.9%
C. Excess contributions (A. – B.)	27,042,000	9.1%	24,958,000	9.2%
Estimated payroll for year following	299,015,000		272,593,000	

## Determination of 15-Year Open Group Funded Ratio

The table below provides the 15-year open group funded ratio as calculated in accordance with the requirements of paragraph 14(6)(f) of Regulation 2012-75. This ratio is used extensively by the funding policy to determine the actions to be undertaken by the Trustees under the funding policy deficit recovery plan and the funding policy excess utilization plan. The 15-year open group funded ratio is calculated as follows as at December 31, 2023 along with the results found in the previous valuation as at December 31, 2022.

**Table 1.3 – 15-Year Open Group Funded Ratio**

	December 31, 2023	December 31, 2022
A. Market value of assets	1,154,871,000	1,097,621,000
B. Present value of excess contributions over next 15 years [calculated in accordance with Reg. 14(6)(c)]	336,057,000	307,982,000
C. Funding policy valuation actuarial liabilities	1,174,852,000	1,120,691,000
D. 15-year open group funded ratio [(A. + B.) / C.]	126.9%	125.4%

## Reconciliation of Funding Policy Valuation Funded Status with Previous Valuation

The table below describes the change in the Plan's funded status between the last funding policy valuation as at December 31, 2022 and this funding policy valuation as at December 31, 2023.

**Table 1.4 – Reconciliation of Funded Status**

	\$	\$
Funding policy valuation excess (unfunded liability) as at December 31, 2022		(23,070,000)
Expected changes in funded status		
Interest on funding excess (unfunded liability)	(1,154,000)	
Total contributions in excess of normal cost	27,622,000	
Cost of implementation of Step 1 effective January 1, 2024	(40,032,000)	
Total		(13,564,000)
Expected funding policy valuation excess (unfunded liability) as at December 31, 2023		(36,634,000)
Actuarial gains (losses) due to the following factors		
Investment return on the actuarial value of assets	16,754,000	
Retirements	(68,000)	
Terminations	(496,000)	
Mortality	2,563,000	
Administrative expenses more than assumed	(1,009,000)	
Miscellaneous factors	(1,091,000)	
Total		16,653,000
Funding policy valuation excess (unfunded liability) as at December 31, 2023		(19,981,000)

## Reconciliation of Normal Cost

The factors contributing to the change in the normal cost from the last funding policy valuation as at December 31, 2022 to this funding policy valuation as at December 31, 2023 are shown below:

**Table 1.5 – Reconciliation of Normal Cost**

	% of payroll
Normal cost as at December 31, 2022:	9.9%
Impact of other changes in demographics:	(0.20%)
Impact of changes in actuarial assumptions:	0.30%
Normal cost as at December 31, 2023:	10.0%

## Funding Policy Valuation Actuarial Methods

### Asset Valuation Method

The assets used under the funding policy valuation are equal to the fair market value of the assets. This is a requirement of paragraph 14(6)(d) of Regulation 2012-75.

### Actuarial Cost Method

The funding policy valuation actuarial liabilities and total normal cost were calculated using the accrued benefit (or unit credit) actuarial cost method in accordance with the requirement of paragraph 14(7)(a) of Regulation 2012-75.

The funding policy valuation actuarial liabilities are equal to the actuarial present value of benefits earned by members for services prior to the valuation date, taking into account the actuarial assumptions as indicated hereafter. For greater certainty, it does not take into account the impact of any future salary increases, and the impact of any future increases in accrued pensions due to cost-of-living adjustments or other adjustments as may be granted from time to time by the Trustees in accordance with the plan terms and the funding policy.

The funding policy valuation normal cost is equal to the actuarial present value of benefits expected to be earned by members in the year following the valuation date. A salary increase estimate has been made to calculate the estimated normal cost and estimated member and employer contributions for the year following the valuation date.

The ratio of the total normal cost to the covered payroll for the period will tend to stabilize over time if the demographic characteristics of the active and disabled members remain stable. All other things being equal, an increase in the average age of the active and disabled members will result in an increase in this ratio.

For valuation purposes, to determine eligibility for benefits and for any other use, the age used is the age on the date of the nearest birthday.

## Funding Policy Valuation Actuarial Assumptions

The main actuarial assumptions employed for the funding policy actuarial valuation are summarized in the following table. All assumptions remain the same as those used in the previous valuation, with the exception of the administrative expense assumption.

Emerging experience differing from these assumptions will result in gains or losses, which will be revealed in future funding policy actuarial valuations. Experience gains and losses emerging in future funding policy actuarial valuations will impact among other things the open group funded ratio of the plan, which in turn will impact the types and timing of any actions to be taken by the Trustees in accordance with the funding policy. All rates and percentages are annualized unless otherwise noted.

**Table 1.6 – Funding Policy Valuation Actuarial Valuation Assumption**

		<b>December 31, 2023</b>								
Discount rate		5.00% per annum								
Salary increase for year following valuation (for normal cost purposes only, and inclusive of promotional increases)		2.60% per annum								
YMPE increase for year following valuation (for normal cost purposes only)		2.60% per annum								
Mortality		Males: 140% of CPM2014_PUBL with generational improvement using projection scale CPM-B								
		Females: 125% of CPM2014_PUBL with generational improvement using projection scale CPM-B								
<b>Retirement</b>										
		Age at Conversion								
Retirement Age	Under 25 or joined Plan after conversion date	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60+	
55	0%	0%	0%	0%	0%	0%	0%	12.5%	25%	
56	0%	0%	0%	0%	0%	12.5%	25%	15%	5%	
57	0%	0%	0%	12.5%	25%	15%	5%	5%	5%	
58	0%	12.5%	25%	15%	5%	5%	5%	5%	5%	
59	25%	15%	5%	5%	5%	5%	5%	5%	5%	
60	5%	5%	5%	5%	5%	5%	5%	17.5%	30%	
61	5%	5%	5%	5%	5%	17.5%	30%	17.5%	5%	
62	5%	5%	5%	17.5%	30%	17.5%	5%	5%	5%	
63	5%	17.5%	30%	17.5%	5%	5%	5%	5%	5%	
64	30%	17.5%	5%	5%	5%	5%	5%	5%	5%	
65	25%	22.5%	20%	17.5%	15%	12.5%	10%	7.5%	5%	
Termination of employment						Age		Both Genders		
Sample rates of termination other than by death, disability or retirement						20		8.8%		
						25		8.2%		
						30		7.2%		
						35		6.3%		
						40		5.3%		
						45		4.4%		
						50		3.4%		
						55		0%		
		Assume 25% will elect a lump sum payout, 75% will elect a deferred pension								
Interest on member contributions		3.95% per annum								
Expenses		An 8% loading is added to the total normal cost to cover non-investment administration expenses payable from the fund (A 5% loading was used at December 31, 2022)								

## Rationale for Material Actuarial Assumptions

The assumptions have been reviewed in light of current economic and demographic conditions.

### Inflation

Given the historical increases in consumer prices in Canada, the rates expected by the market, the portfolio managers' expectation, the Bank of Canada policy and the long-term forecasts of the Conference Board of Canada, TELUS Health believes that the expected long-term annual rate of inflation should be between 1.75% and 2.25%.

The long-term inflation assumption is 2.10% per annum. Canadian inflation has remained near the Bank of Canada's target during a sustained period of economic growth and stimulus following the 2008 economic downturn which has provided some evidence of the Bank of Canada's ability to manage inflation. Canadian inflation has surpassed the target set by the Bank of Canada and while it is expected to remain above 2% in the short term, we believe that a 2.10% long-term assumption continues to be appropriate. This is the same assumption as the one used in the previous valuation.

### Discount Rate Development

The elements considered in the development of the discount rate assumption for purposes of the funding policy valuation are summarized in the table below.

**Table 1.7 – Development of Funding Policy Valuation Discount Rate**

	%
Expected long-term nominal return based on the results of our stochastic analysis (using long-term target asset mix, and including impact of rebalancing and diversification)	6.12
Value added for active management (not exceeding the additional fees paid for active management [total investment management fees estimated at 0.30%] over passive management [passive management fees estimated at 0.10%])	0.20
Assumed margin for adverse deviation (originally set to achieve a high probability of exceeding the discount rate over the next 20 years)	(1.02)
Expected investment related expenses paid from the fund	(0.30)
<b>Discount rate</b>	<b>5.00</b>

The expected long-term nominal return by asset class is provided in Appendix C. The target asset mix used in the calculations is found in the Statement of Investment Policies adopted by the Trustees, as summarized in Table A.4. It should be noted that the return assumptions for bonds incorporate current market conditions while the return assumptions for equities and alternative investments are based more on long-term expectations.

### Investment Expenses

The allowance for investment management expenses paid from the fund as built into the discount rate is 0.30% of assets based on recent Plan history and our expectation for future investment expenses. This assumption is consistent with the expense assumption used for the previous valuation.

## Rate of Salary Increase

Salary increases consist of a combination of inflation, productivity growth (i.e. real increase in average employment earnings in excess of inflation) and merit and promotional increase.

The basic salary increase assumption is 2.60% per annum (based on assumed inflation of 2.10% per annum and productivity growth, merit and promotion of 0.5% per annum). This is the same salary increase assumption as the one used in the previous valuation. Based on prior studies, merit and promotion increases for this group do not provide for much movement to higher earnings levels over a career.

## Mortality

We used the CPM2014\_PUBL Mortality Table and the CPM-B Improvement Scale, published by the Canadian Institute of Actuaries, which varies by gender, age, and calendar year.

A mortality study was completed in 2021 using Plan experience from 2013 to 2019. The study revealed that Plan mortality rates remained higher than those produced by the above standard mortality table and projection scale with, in particular, male mortality experience being higher than previously assumed. As a result, and after considering the statistical credibility of the experience, adjustment factors of 140% for males and 125% for females are now being used. These adjustments are used for all participants before and after retirement. This is the same mortality assumption as the one used in the previous valuation.

The mortality rates described above result in the following life expectancies for females and males.

**Table 1.8 - Life Expectancy for Females and Males**

<b>Females</b>			<b>Life expectancy by Age in Year...</b>		
<b>Age</b>	<b>2024</b>	<b>2029</b>	<b>2034</b>	<b>2039</b>	<b>2044</b>
55	32.9	33.1	33.4	33.7	33.9
60	28.1	28.3	28.6	28.8	29.0
65	23.4	23.6	23.9	24.1	24.3
70	19.0	19.2	19.4	19.6	19.8
75	14.7	14.9	15.1	15.3	15.5
80	10.8	11.0	11.2	11.3	11.5
<b>Males</b>			<b>Life expectancy by Age in Year...</b>		
<b>Age</b>	<b>2024</b>	<b>2029</b>	<b>2034</b>	<b>2039</b>	<b>2044</b>
55	29.9	30.2	30.4	30.7	31.0
60	25.3	25.6	25.8	26.1	26.3
65	20.8	21.1	21.3	21.6	21.8
70	16.5	16.8	17.0	17.2	17.4
75	12.5	12.7	12.9	13.1	13.3
80	8.9	9.0	9.2	9.3	9.5

## Termination

The termination rates are based on an analysis of the historical plan data from January 1, 2013 to December 31, 2017. Both terminations resulting in payouts and suspended/deferred terminations were considered with the assumption that 25% of terminations will result in lump sum payouts, and the remaining 75% will lead to deferred pensions. The termination assumption is a table of combined male and female rates as shown in Table 1.6 and is the same assumption as was used in the previous valuation.

## Rate of Increase in YMPE

We have continued to assume in this valuation that the YMPE will increase at the same rate as salary. As a result, we have used a rate of 2.60% per annum. The YMPE is automatically updated to its revised base level at each valuation date. This is the same YMPE increase assumption used in the previous valuation.

## Retirement

Given the changing early retirement subsidies for service after the Conversion Date, we estimate that Plan members will slowly start to delay retirement as we move away from the Conversion Date. As a result, we adopted retirement assumptions that vary depending on the member's age at conversion, and an ultimate retirement assumption for new members after conversion. A younger member at the valuation date will be expected to retire later on average than an older worker at the same date. This assumption was adopted at the initial conversion to the shared risk plan and did not change for this valuation. We will continue to monitor this assumption for reasonableness.

## Interest on Member Contributions

The interest rate credited to Plan member required contributions is equal to the annual fund rate of return. At an actual member termination, excess contributions, if any, are determined after conditional indexing has been granted annually. Since the funding policy valuation liability does not reflect future indexing, the assumption for the rate of interest credited on contributions for the purpose of the funding policy valuation is equal to the long term expected rate of return net of the inflation assumption, rounded to 0.05%. This net rate is 3.95% per annum as of December 31, 2023 which is unchanged from December 31, 2022.

## Opinion on Funding Policy Valuation

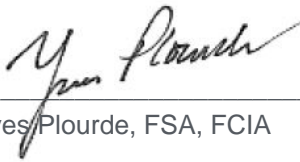
In our opinion, for the purposes of the funding policy valuation section of the report:

- The membership data on which the valuation is based are sufficient and reliable for the purposes of the valuation.
- The assumptions are appropriate for the purposes of the valuation.
- The methods employed in the valuation are appropriate for the purposes of the valuation.

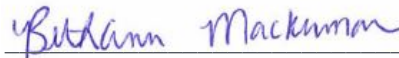
This funding policy valuation report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

The assumptions used under the funding policy valuation of this report were reasonable and consistent with the objectives of the plan at the time this actuarial valuation report was prepared. The funding policy valuation assumptions are consistent with the stochastic model inputs.

Respectfully submitted,



Yves Plourde, FSA, FCIA



Beth Ann MacKinnon FSA, FCIA

September 23, 2024

Date

September 23, 2024

Date

## Section 2 – Risk Management Goals and Procedures

### Meeting Risk Management Goals

The Plan was designed to achieve or exceed the risk management goals prescribed under the PBA and Regulation 2012-75. Certain procedures were developed to test whether these goals can be achieved given the contribution rules and benefits defined in the plan. These goals and procedures are described separately below, along with the results of the stochastic analysis that are relevant under the PBA as at December 31, 2023.

#### Risk Management Goals

The primary risk management goal under the PBA is to achieve a 97.5% probability that base benefits will not be reduced over the 20 years following the valuation.

The goal is measured by taking into account the following funding management plans:

- the funding deficit recovery plan except for reduction in past base benefits, and
- the funding excess utilization plan excluding permanent benefit changes.

The funding deficit recovery plan and the funding excess utilization plan are described in Sections V and VI of the Funding Policy, respectively.

There are two secondary risk management goals under the PBA. These are:

1. On average provide contingent indexing on base benefits (all members) that are in excess of 75% of CPI over the next 20 years.
2. On average be expected to provide at least 75% of the value of the ancillary benefits described in the plan documents at conversion over the next 20 years.

For the purposes of meeting these goals, base benefits include the accrual of extra service of members and any contingent indexing provided based on the financial performance represented by each scenario tested.

If as a result, through the testing process, a scenario allows for indexing in a given future year, then this contingent indexing amount becomes part of the base benefits that is to be protected. In other words, the base benefit is dynamically adjusted based on the stochastic results for each economic scenario tested.

#### Risk Management Procedures

The risk management goals are measured using an asset liability model with future economic scenarios developed using a stochastic process.

The risk management goals were tested as at December 31, 2023, the effective date of this report. The results of these tests combined with the results of the funding policy actuarial valuation at the same date will determine the actions the Board of Trustees is required to take, or can consider, under the terms of the Funding Policy.

The primary risk management goal must be achieved or exceeded:

- At July 1, 2012 (i.e. the Conversion Date), which it was based on the results found in the initial actuarial valuation report as at that date;
- At the date a permanent benefit change as defined in the Regulations is made;
- At the date a benefit improvement as defined in the Regulations is made; or
- At the date the contribution adjustments are fully implemented.

Notwithstanding the above, effective from January 1, 2018, where a benefit improvement relates to contingent indexing, such benefit improvement may be implemented provided there is at least a 95.0% probability that past base benefits will not be reduced over the following 20 years and provided the Board of Trustees confirms that the asset mix of the Plan has not been changed in a manner that increased investment risks in the six-month period before the contingent indexing occurred.

The secondary risk management goals must be achieved or exceeded:

- At July 1, 2012 (i.e. the Conversion Date), which it was based on the results found in the initial actuarial valuation report as at that date; or
- At the date a permanent benefit change as defined in the Regulations is made.

The definitions of permanent benefit change and benefit improvement are as follows:

“permanent benefit change” means a change that is intended to permanently change the formula for the calculation of the base benefits or ancillary benefits after the date of the change, including a change made in accordance with the funding excess utilization plan.

“benefit improvement” means an escalated adjustment for past periods or an increase in other ancillary benefits allowed under the funding policy.

### **Additional Assumptions on a Funding Policy Basis for Purpose of the Stochastic Analysis**

Other assumptions are required for the stochastic analysis under the risk management procedures for the Plan. These additional assumptions are used to establish future Plan membership as well as future earnings, and to determine the level of future cash flows to and from the Plan, such as member and employer contributions, normal costs, benefit payments and expenses for the next 20 years. These cash flows are calculated on a deterministic basis for each year following the valuation date for a period of 20 years, and allow the determination of the funding policy actuarial liability and assets at each future date, as well as the determination of the present value of 15-year excess contributions in accordance with paragraph 14(6)(c) of Regulation 2012-75.

**Table 2.1 – Additional Funding Policy Actuarial Valuation Assumptions for Purposes of Calculating Future Year Cash Flows and Actuarial Liability**

December 31, 2023				December 31, 2022		
New entrants	Every termination and retirement is replaced by a new entrant subject to a net decrease in active membership of 0.5% in the first year, and stable active membership thereafter for the next 19 years. New entrants are assumed to be 70% female, 30% male.			Every termination, death, or retirement is replaced by a new entrant subject to a net decrease in active membership of 0.5% per year for 2 years, and stable active membership thereafter for the next 18 years. New entrants are assumed to be 75% female, 25% male.		
Distribution of new entrants and salary at entry:	Age	Distribution	Average Annualized Salary at Entry	Age	Distribution	Average Annualized Salary at Entry
	25	35%	\$47,000	25	40%	\$45,000
	35	30%	\$47,000	35	25%	\$45,000
	45	20%	\$47,000	45	20%	\$45,000
	55	15%	\$47,000	55	15%	\$45,000
Work percentage				90%		
Inflation	2.10% per annum			2.10% per annum		
Salary increases	2.60% per annum			2.60% per annum		
YMPE increases	2.60% per annum			2.60% per annum		
Interest on member contributions	3.95% per annum			3.95% per annum		

### Results of stochastic analysis as at December 31, 2023

The stochastic analysis undertaken as at December 31, 2023, took into account the main following items:

- Membership Data as at December 31, 2023 summarized in Appendix B;
- Economic and demographic assumptions as at December 31, 2023 for the funding policy valuation summarized in Section 1;
- Pension fund target asset mix as summarized in Table A.4 of Appendix A;
- Stochastic projection assumptions as summarized in Appendix C;
- Risk management procedures described above;
- CUPE SRP Plan provisions as summarized in Appendix D;
- Funding deficit recovery plan found under Section V of the CUPE SRP Plan’s Funding Policy (except for reduction in past or future base benefits); and
- Funding excess utilization plan found under Section VI of the CUPE SRP Plan’s Funding Policy (excluding permanent benefit changes).

Based on the above, the results of the stochastic analysis for the various risk management goals as at December 31, 2023 are as follows:

**Table 2.2 – Results of Stochastic Analysis for the Various Risk Management Goals**

Risk Management Goal	Goal under PBA	Result for CUPE SRP Plan as at December 31, 2023
<b>Primary Goal [Regulation 7(1)] -</b>		
There is at least a 97.5% probability that the past base benefits at the end of each year will not be reduced over a 20-year period	In order to provide “contingent indexing”: <b>95.0%</b> In order to provide “other benefit changes”: <b>97.5%</b>	<b>Above 99.95%</b> <b>PASSED</b>
<b>Secondary Goal 1 [Regulation 7(3)(a)] -</b>		
Expected contingent indexing of base benefits of active members for service before the conversion date shall, on average over the next 20-year period, exceed 75% of the increase in the Consumer Price Index; or Expected contingent indexing of base benefits of retirees and deferred vested members for service rendered before the conversion date shall, on average over the next 20-year period, exceed 75% of the escalated adjustments specified in the pension plan immediately before it was converted to a shared risk plan (i.e. 2.0% per year)	We estimated that the combined impact of the Secondary Goal 1 for active members, retirees and deferred vested members represents an average indexing of 70.0% of the increase in the Consumer Price Index (CPI).  Note: This is the weighted average of 75% of CPI for active members, and 66⅔% of CPI for retirees and deferred vested members (75% of 2.0% over assumed CPI of 2.25%).	<b>97.5%</b> of the assumed increase in CPI <b>PASSED</b>
<b>Secondary Goal 2 [Regulation 7(3)(b)] -</b>		
The amount of ancillary benefits (other than contingent indexing) that are expected to be provided shall, on average over the next 20-year period, exceed 75% of the value of the ancillary benefits specified in the plan text	<b>75%</b> of the value of ancillary benefits will be provided	<b>Above 99.95%</b> of the value of ancillary benefits is expected to be provided (See Note below) <b>PASSED</b>

*Note: The Funding Policy only provides for the reduction of one type of ancillary benefit under the Funding Deficit Recovery Plan at actions 2 and 3. This is the replacement of early retirement reductions for post-conversion service under action 2, and for pre-conversion service at action 3, by a full actuarial reduction for members not yet eligible to receive an immediate pension. In order to simplify the stochastic analysis and remain conservative, every time action is required beyond step 1 (increase in contributions), the model triggers a “benefit reduction scenario” for purpose of meeting the primary risk management goal. Therefore, it is expected that on average the Secondary Goal 2 above will exceed the primary risk management result of above 99.95%, well above the minimum 75% level required under the PBA.*

## Section 3 – Going Concern Valuation

The going concern actuarial valuation is conducted in accordance with subsection 14(1) of Regulation 2012-75 to the New Brunswick *Pension Benefits Act* (PBA) in order to determine the maximum eligible employer contribution for the CUPE SRP Plan under subsection 147.2(2) of the *Income Tax Act (Canada)* (ITA) and provide the required actuarial opinion.

### Going Concern Funded Status

The funded status of the CUPE SRP Plan on the going concern basis is determined by comparing the actuarial value of the assets to the actuarial liabilities. The actuarial liabilities are based on the benefits earned up to the valuation date assuming the Plan continues indefinitely. It also has a provision for future cost-of-living adjustments to be provided by the Trustees in accordance with the plan terms and the funding policy. Such a provision is acceptable under paragraph 147.2(2)(c) of the ITA.

The table below provides the going concern funded status at December 31, 2023 along with the comparative results of the last going concern valuation conducted as at December 31, 2020.

**Table 3.1 – Going Concern Funded Status**

	December 31, 2023	December 31, 2020
	\$	\$
Market value of assets		
Fair market value of assets (including receivables / payables)	1,154,871,000	1,079,999,000
Going concern actuarial liabilities		
Active members	464,347,000	687,819,000
Terminated and suspended members	322,035,000	164,244,000
Retired members and beneficiaries	815,749,000	749,642,000
Outstanding refunds	263,000	299,000
Total going concern valuation actuarial liabilities	1,602,394,000	1,602,004,000
Going concern valuation excess (unfunded liability)	(447,523,000)	(522,005,000)
Going concern funded ratio	72.1%	67.4%

## Going Concern Residual Normal Cost

The table below summarizes the estimated going concern residual normal cost of pension benefits being earned in the twelve-month period after the valuation date (the normal cost), along with the same information as at the date of the last going concern valuation, December 31, 2020.

**Table 3.2 – Going Concern Residual Normal Cost**

	Year Following December 31, 2023		Year Following December 31, 2020	
	\$	% of payroll	\$	% of payroll
Total normal cost	46,503,000	15.6%	61,709,000	18.3%
Less: Member contributions	26,911,000	9.0%	30,341,000	9.0%
Residual normal cost	19,592,000	6.6%	31,368,000	9.3%
Total annualized payroll	299,015,000		337,120,000	

## Maximum Eligible Employer Contribution Under the Income Tax Act

The maximum eligible employer contribution in accordance with the ITA is equal to the residual normal cost, plus the greater of the going concern unfunded liability and the hypothetical wind-up deficiency.

On the basis of the methods and assumptions in this report, the maximum eligible employer contribution for the year following December 31, 2023 is equal to \$1,027,893,000 (representing \$19,592,000 of residual normal cost and \$1,008,301,000 of hypothetical wind-up unfunded liability assuming a purchase of fully indexed annuities).

When spreading the going concern unfunded liability over the next three years (period for which this going concern valuation is valid under the PBA), the maximum eligible employer contribution for the three years following December 31, 2023 (ignoring interest and salary increases) would be as follows:

**Table 3.3 – Maximum Eligible Employer Contributions Spread Over Three Years**

Year Following	Greater of Going Concern and Hypothetical Wind-up Unfunded Liability \$	Residual Normal Cost \$	Total \$	Total % of payroll
31-Dec-23	336,100,000	19,592,000	355,692,000	119.0%
31-Dec-24	336,100,000	19,592,000	355,692,000	119.0%
31-Dec-25	336,100,000	19,592,000	355,692,000	119.0%

Based on the above, the employer contribution requirements under the terms of the Plan of 10.1% of payroll are eligible contributions under the ITA. Furthermore, should employer contributions be increased to 10.6% of payroll as would be required under the Funding Policy if the 15-year open group funded ratio of the plan dropped below

100% for two years in a row, those higher employer contributions would also be eligible contributions under the ITA up to the date of the next going concern valuation scheduled no later than December 31, 2026.

## Going Concern Valuation Actuarial Methods and Assumptions

The asset valuation method and the actuarial cost method under the going concern valuation are identical to the asset valuation method and the actuarial cost method under the funding policy valuation. The going concern valuation assumptions are also identical, except for the addition of a provision for future cost-of-living adjustments.

### Discount Rate

In order to balance the need to fund intended benefits in a secure and responsible manner, while recognising the necessity for CRA to monitor the impact of over-conservatism in assumptions, we developed a methodology to select an appropriate discount rate which we believe will balance those concerns. The discount rate selected is determined by using the nominal investment return that can be expected to be achieved from the long-term asset mix of the CUPE SRP Plan over the next 20 years at least 2/3 of the time, minus 1.0% (to account for inclusion of any margins for adverse deviation and any and all expenses to be paid from the fund), with the caveat that the going concern valuation discount rate cannot be lower than the funding policy valuation discount rate. This leads to a net discount rate of 5.00% per annum, which is the same discount rate as used in the funding policy valuation. In the previous going concern valuation as at December 31, 2020, a discount rate of 4.25% per annum was used when applying the same methodology.

## Assumed Contingent Indexing on Accrued Pensions and Pensions in Payment

A provision for future cost-of-living adjustments on the amount of the accrued pensions of active members, and terminated deferred vested members, and on the amounts of current and future pension payments is made. This provision satisfies the requirements of paragraph 147.2(2)(c) of the ITA.

The funding policy clearly states that the benefit intention (benefit target) is a benefit based on a best 5-year average earnings formula, with post-retirement indexing; similar to what existed prior to the conversion. While this is by no means a guaranteed outcome, the contributions have been set at a level that there is a high likelihood of achieving these benefit intentions (or targets).

As a result, and in accordance with the PBA, we have conducted the going concern valuation based on these benefit intentions, which would provide for indexing of accrued pensions before assumed retirement at 2.60% per year (similar to the long-term salary increase assumption in our funding policy valuation), and indexing of pensions after retirement of 2.10% per year (reflecting the inflation assumption in our funding policy valuation).

## Other Going Concern Actuarial Assumptions

All other assumptions in our going concern valuation are identical to the assumptions used under the funding policy actuarial valuation detailed in Table 1.6 of Section 1 of this report, and the rationale for the choice of those assumptions also applies to the going concern valuation.

The additional assumptions detailed in Table 2.1 of Section 2 are not required under the going concern actuarial valuation and therefore do not apply.

Emerging experience differing from these assumptions will result in gains or losses, which will be revealed in future going concern actuarial valuations.

## Opinion on Going Concern Valuation

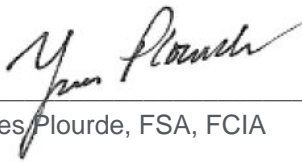
In our opinion, for the purposes of the going concern valuation section of the report:

- The membership data on which the valuation is based are sufficient and reliable for the purposes of the valuation.
- The assumptions are appropriate for the purposes of the valuation.
- The methods employed in the valuation are appropriate for the purposes of the valuation.

This going concern valuation report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

The assumptions used under the going concern valuation of this report were reasonable at the time this actuarial valuation report was prepared.

Respectfully submitted,



Yves Plourde, FSA, FCIA



Beth Ann MacKinnon FSA, FCIA

September 23, 2024

Date

September 23, 2024

Date

## Section 4 – Hypothetical Wind-Up Valuation

A hypothetical wind-up valuation assumes that the Plan is wound-up on the valuation date and members' benefit entitlements are calculated as of that date. Although this type of valuation is not required under Part 2 of the New Brunswick PBA for a shared risk plan, the Standards of Practice of the Canadian Institute of Actuaries (CIA) require that actuarial valuation reports provide information with respect to hypothetical wind-up situations.

Effective December 1, 2022, the CIA revised the standards of practice related to the hypothetical wind-up valuations of target pension arrangements. Section 3570 of the revised Standards define a target pension arrangement as a "pension plan for which the applicable legislation contemplates the reduction to the accrued pensions of plan members and beneficiaries while the plan is ongoing as one of the available options for maintaining the funded status of the pension plan, and where the reduction in accrued pensions is not necessarily caused by the financial distress of the plan sponsor or sponsors". The CUPE SRP is considered a target pension arrangement.

Under the revised Standards of Practice, a hypothetical wind-up valuation for the CUPE SRP must value the target benefits for each member as defined on the funding policy valuation basis. Plan liabilities are to be determined based on the group annuity marketplace at the hypothetical wind-up date. Accordingly, we have followed the CIA's recommendations to determine the estimated cost of non-indexed annuities as at December 31, 2023. We also included the estimated cost of fully indexed annuities for information purposes at the same date. This is the same approach used for the valuation at December 31, 2022.

### Hypothetical Wind-Up Funded Status

The hypothetical wind-up funded status under the scenarios postulated above, including the results of the last hypothetical wind-up valuation, is as follows:

**Table 4.1 – Hypothetical Wind-Up Funded Status**

	December 31, 2023		December 31, 2022	
	Non-indexed \$	Fully Indexed \$	Non-indexed \$	Fully Indexed \$
<b>Assets</b>				
Market value of assets	1,154,871,000	1,154,871,000	1,097,621,000	1,097,621,000
Provision for wind-up expenses	(1,500,000)	(1,500,000)	(1,500,000)	(1,500,000)
<b>Total</b>	<b>1,153,371,000</b>	<b>1,153,371,000</b>	<b>1,096,121,000</b>	<b>1,096,121,000</b>
<b>Hypothetical wind-up liabilities</b>				
Active members	356,414,000	674,033,000	328,298,000	720,824,000
Terminated and suspended members	240,670,000	477,457,000	219,273,000	519,886,000
Retired members and beneficiaries	736,300,000	1,009,919,000	672,825,000	1,001,583,000
Outstanding refunds	263,000	263,000	324,000	324,000
<b>Total hypothetical wind-up liabilities</b>	<b>1,333,647,000</b>	<b>2,161,672,000</b>	<b>1,220,720,000</b>	<b>2,242,617,000</b>
<b>Assets less liabilities on the hypothetical wind-up basis</b>	<b>(180,276,000)</b>	<b>(1,008,301,000)</b>	<b>(124,599,000)</b>	<b>(1,146,496,000)</b>

The hypothetical wind-up funded status is presented for information purposes. There is no requirement under the PBA to fund any hypothetical wind-up deficit of the CUPE SRP while it is not in a wind-up state.

Furthermore, the postulated scenario for the December 31, 2023 hypothetical wind-up valuation under which group annuities would be purchased for all members is a scenario which is mandated by CIA Standards. In an actual wind-up of the Plan, section 100.62 of the PBA and section 16 of Regulation 2012-75 would apply, and as a result, the funding policy valuation basis would be used to allocate a share of the assets of the Plan to every member upon wind-up. Once a share of assets is allocated to each member, such member will be provided with options to settle their entitlement in accordance with the requirements of the PBA on wind-up.

## Incremental Cost on the Hypothetical Wind-Up Basis

The incremental cost on the (non-indexed) hypothetical wind-up basis represents the present value of the expected aggregate change in the actuarial liabilities from December 31, 2023 to December 31, 2024, adjusted for expected benefit payments in the inter-valuation period. This incremental cost is estimated to be \$26,461,000 as at December 31, 2023.

## Hypothetical Wind-Up Asset Valuation Method

Wind-up assets are equal to the market value of assets less an allowance for wind-up expenses. This valuation method is the same as the one used in the last valuation.

## Hypothetical Wind-Up Actuarial Cost Method

The hypothetical wind-up liabilities are determined using the accrued benefit (or unit credit) actuarial cost method. The hypothetical wind-up liabilities are equal to the actuarial present value of all benefits earned by members for services prior to the valuation date assuming the Plan is wound up on the valuation date. This method is the same as the one used in the last valuation.

For valuation purposes, to determine eligibility for benefits and for any other uses, the age used is the age on the date of the nearest birthday. This method is the same as the one used in the last valuation.

## Hypothetical Wind-Up Actuarial Assumptions

The main actuarial assumptions used in the hypothetical wind-up valuation correspond to those prescribed by the Standards of Practice published by the CIA.

The main actuarial assumptions employed for the hypothetical wind-up actuarial valuation as at December 31, 2023 are summarized in the following table. All rates and percentages are annualized unless otherwise noted. The rates below represent the estimated annuity purchase rates.

**Table 4.2 – Hypothetical Wind-Up Actuarial Assumptions**

	December 31, 2023	December 31, 2022
Interest rate		
Interest rate for active members, deferred vested and suspended members under age 55	Non-indexed: 4.53% per annum Fully indexed: 1.40% per annum, rate net of inflation	Non-indexed: 4.90% per annum Fully indexed: 1.00% per annum, rate net of inflation
Interest rate for retirees and survivors and all other members age 55 and over	Non-indexed : 4.53% per annum Fully indexed : 1.40% per annum, rate net of inflation	Non-indexed : 4.90% per annum Fully indexed : 1.00% per annum, rate net of inflation
Salary increases	None	None
Mortality	CPM2014 Composite table projected with Scale CPM-B	CPM2014 Composite table projected with Scale CPM-B
Termination (membership)	None	None
Provision for wind-up expenses	\$1,500,000	\$1,500,000
Retirement	Age that maximizes the value of the pension	Age that maximizes the value of the pension

The CIA collects data annually from insurance companies and annually determines interest rates suitable for estimating the cost of single premium group annuities in hypothetical wind-up valuations. For retirees and survivors and for active members, deferred vested and suspended members eligible for immediate retirement at the valuation date, the interest rate used in the present hypothetical wind-up valuation is an estimate of the rate that would be used by insurance companies in pricing both non-indexed and fully indexed single premium group annuities for annuitants already retired, based on the suggested rates for such annuitants published by the CIA.

The hypothetical wind-up liability is valued under the assumption that accrued benefits at the date of the valuation would be settled by a single annuity purchase agreement, regardless of any capacity constraints in the Canadian group annuity market. However, given the magnitude of the purchase under consideration, it is possible that in reality such a purchase would be difficult to underwrite. In the event of a Plan wind-up, other alternatives may need to be considered, which may require regulatory approval or even legislative change.

The discount rate used for active members and deferred vested and suspended members not eligible for immediate retirement is the rate used for retirees and survivors without adjustment, as suggested by the CIA as an appropriate estimate of the cost of deferred annuities based on their survey data from insurance companies.

Emerging experience differing from these assumptions will result in gains or losses, which will be revealed in future hypothetical wind-up actuarial valuations.

### Termination Scenario

The termination scenario used in the hypothetical wind-up valuation includes the following assumptions:

- Plan wind-up would not result from employer insolvency.
- All assets could be realized at their reported market value.

- Annuities would be purchased for all Plan members.

## Margin for Adverse Deviations

As specified by the Standards of Practice of the Canadian Institute of Actuaries, the hypothetical wind-up assumptions do not include a margin for adverse deviations.

## Provision for Fees

Allowance has been made for administrative, actuarial and legal costs which would be incurred if the Plan were to be wound up, based on sufficient and reliable data. It is assumed that the wind-up date, the calculation date and the settlement date are coincident, and as such, expenses related to investment policy reviews, investment and custodial fees are not included. Expenses related to the resolution of surplus and deficit issues are not taken into account. The amount of expenses is only an approximation and may differ significantly from real expenses incurred on Plan wind-up, for example, in the case of litigation, bankruptcy and eventual replacement by a third-party administrator.

## Hypothetical Wind-Up Incremental Cost

The incremental cost on the hypothetical wind-up basis is based on the actuarial method and assumptions described below.

The method used to calculate the incremental cost may be described as follows:

1. Present value of expected benefit payments between December 31, 2023 and December 31, 2024, discounted to December 31, 2023;

Plus

2. Projected hypothetical wind-up liabilities as at December 31, 2024, discounted to December 31, 2023;

Less

3. Hypothetical wind-up liabilities as at December 31, 2023.

The projected liabilities as at December 31, 2024 take into account:

- accrual of service to December 31, 2024;
- expected changes in benefits to December 31, 2024; and
- projection of pensionable earnings to December 31, 2024.

The actuarial assumptions used to calculate the incremental cost may be described as follows:

- The assumptions used to calculate the expected benefit payments in item 1. above and service accruals, projected changes in benefits and projected changes in the pensionable earnings in item 2. above correspond to those used in the funding policy valuation as at December 31, 2023.

- The assumptions used to calculate the projected hypothetical wind-up liabilities as at December 31, 2024 in item 2. above correspond to those used for the hypothetical wind-up valuation as at December 31, 2023, taking into account the method of settlement applicable to each member as at December 31, 2024.

However, we assume that the discount rates remain at the levels applicable as at December 31, 2023.

We also assume that the guidance for estimated annuity purchase costs in effect as at December 31, 2023 remain in effect as at December 31, 2024.

- The rates used to discount items 1. and 2. above from December 31, 2023 to December 31, 2024 correspond to those used for the hypothetical wind-up valuation as at December 31, 2023. However, these rates are adjusted to take into account the applicable method of settlement applicable to each member as at December 31, 2024.

Note that no new entrants were considered between December 31, 2023 and December 31, 2024 as the impact on the incremental cost is not material.

## Opinion on Hypothetical Wind-Up Valuation


In our opinion, for the purposes of the hypothetical wind-up valuation section of the report:

- The membership data on which the valuation is based are sufficient and reliable for the purposes of the valuation.
- The assumptions are appropriate for the purposes of the valuation.
- The methods employed in the valuation are appropriate for the purposes of the valuation.

This hypothetical wind-up valuation report has been prepared, and our opinions given, in accordance with accepted actuarial practice in Canada.

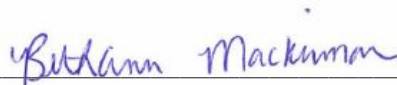
The assumptions used under the hypothetical wind-up valuation of this report were reasonable at the time this actuarial valuation report was prepared.

Respectfully submitted,



---

Yves Plourde, FSA, FCIA



---

Beth Ann MacKinnon, FSA, FCIA

---

September 23, 2024

Date

---

September 23, 2024

Date

## Section 5 – Plausible Adverse Scenarios

Plausible Adverse Scenarios for various risks underlying the Plan must be disclosed in the report along with the impact such scenarios would have on the funded status and risk management test results of the Plan. The results of this analysis are contained in this Section 5.

The Standards of Practice of the CIA continue to require that valuation reports disclose the sensitivity of the liabilities to changes in the discount rate assumption. As these sensitivities are also a form of stress test, we have included them in this Section 5 for completeness.

### Description of the Plausible Adverse Scenarios

A Plausible Adverse Scenario would be a scenario of adverse but plausible assumptions relative to the best estimate assumptions outlined in Section 1 of this report. As a result, these scenarios are stress tests on a selection of risks to which the Plan is subject. This selection is not meant to consider all of the risks to which the Plan is subject.

The following is a description of the four scenarios analyzed.

#### Scenario I - Interest Rate Risk

In this Scenario, we will model the impact of a sudden drop in fixed income yield, which will impact the level of the discount rate, and the value of the fixed income assets in the Fund. The magnitude of the drop will be such that there is a 1 in 10 likelihood of such a reduction happening in accordance with our economic model underlying our stochastic analysis.

Based on the outcome with a 1 in 10 likelihood of occurrence under our economic model, yields on fixed income assets are assumed to decrease by 1.4% immediately, leading to a 0.35% decrease in the expected return of the Plan's investments. We have not reflected any change of the assumed margin for adverse deviation to compensate for the decrease in expected return and have therefore reflected a decrease in the discount rate to 4.65% per annum for this valuation. While the Funding Policy states that the intent of the discount rate is to remain stable over time, we have illustrated the impact should the Board of Trustees change the discount rate.

In valuing the effect of this change on the Plan assets, the impact of the interest rate risk was restricted to the asset classes deemed to be fixed income investments, and results in a 12.8% increase on the market value of the affected asset classes, which translates into a 5.8% increase on the market value of the Fund as a whole.

All other assumptions and methods used for this valuation were maintained, and no other compensating adjustments were made.

#### Scenario II - Deterioration of Asset Values

In this Scenario, we will model the impact of a sudden drop in the value of assets other than fixed income assets, with no change in the level of the discount rate or any other assumptions. The magnitude of the drop will be such that there is a 1 in 10 likelihood of such a reduction happening for such asset classes in accordance with our economic model underlying our stochastic analysis.

Based on the outcome with a 1 in 10 likelihood of occurrence under our economic model, all assets other than fixed income assets were assumed to decrease by 8.2% immediately, resulting in a 4.5% decrease on the market value of the total Fund. No changes to funding valuation actuarial liabilities and normal cost were considered under this scenario. All assumptions and methods used for this valuation were maintained.

### Scenario III - Longevity Risk

In this Scenario, we will model the impact of an increase in the average life expectancy of all plan members relative to our assumption used in our valuation. The magnitude of the increase will be such that the life expectancy is increased by 10% from the underlying mortality table assumption used in our valuation.

To test the impact of an average life expectancy increase of approximately 10% for all ages over the current assumption on the funding policy actuarial liabilities and normal cost, a multiplier of 0.7 was applied to all mortality rates used for this valuation. All other assumptions and methods used for this valuation were maintained.

### Scenario IV - Decrease in Contribution Base

In this Scenario, we will model the impact of a decrease in contribution base, where an undefined event triggers an immediate 10% reduction in active members contributing and accumulating benefits under the plan.

A decrease of 10% in payroll for the year following the valuation date is assumed. We assume that the demographic profile of the active membership is unchanged from the decrease in payroll. For purposes of this scenario, we assume that the market value of assets and funding policy actuarial liabilities are unchanged, and due to the decrease in payroll we assume a 10% reduction in contributions and normal cost for each year following the valuation date. All other assumptions and methods used for this valuation were maintained.

## Plausible Adverse Scenarios - Funding Policy Valuation

The following table illustrates the impact of the above four plausible adverse scenarios on the funding policy liabilities and corresponding funded statuses and legislated risk management tests. The scenarios have been applied and reported on separately.

**Table 5.1 – Plausible Adverse Scenarios Impact on the Funding Policy Valuation Results**

	Funding Policy Valuation Results as at December 31, 2023	Plausible Adverse Scenario Results as at December 31, 2023			
		Scenario I Interest Rate Risk	Scenario II Deterioration of Asset Values	Scenario III Longevity Risk	Scenario IV Decrease in Contribution Base
	\$	\$	\$	\$	\$
Market value of assets	1,154,871,000	1,221,276,000	1,102,902,000	1,154,871,000	1,154,871,000
Funding policy actuarial liabilities	1,174,852,000	1,226,032,000	1,174,852,000	1,249,960,000	1,174,852,000
Funding policy valuation excess (unfunded liability)	(19,981,000)	(4,756,000)	(71,950,000)	(95,089,000)	(19,981,000)
Termination value funded ratio	98.3%	99.6%	93.9%	92.4%	98.3%
Present value of excess contributions over the next 15 years	336,057,000	319,747,000	336,057,000	320,862,000	302,451,000
Open group funded ratio	126.9%	125.7%	122.5%	118.1%	124.0%
Funding policy valuation normal cost	30,070,000	32,161,000	30,070,000	31,477,000	27,063,000
<b>Results of stochastic analysis for risk management goal</b>					
Primary goal [Regulation 7(1)]	Above 99.95% PASS	Above 99.95% PASS	Above 99.95% PASS	99.75% PASS	99.95% PASS
Secondary goal 1 [Regulation 7(3)(a)]	97.5% PASS	97.8% PASS	96.2% PASS	92.4% PASS	96.3% PASS
Secondary goal 2 [Regulation 7(3)(b)]	Above 99.95% PASS	Above 99.95% PASS	Above 99.95% PASS	Above 99.75% PASS	Above 99.95% PASS

## Discount Rate Sensitivity Results

The Standards of the CIA require that valuation reports disclose the sensitivity of the liabilities to changes in the discount rate assumption. The discount rate sensitivity results for the funding policy, going concern and hypothetical wind-up bases are presented below.

### Sensitivity Analysis on the Funding Policy Valuation Basis

The table below illustrates the effect of 1% decrease in the discount rate on the funding policy valuation actuarial liabilities. With the exception of the discount rate, all other assumptions and methods used for this valuation were maintained.

**Table 5.2 – Sensitivity of Actuarial Liabilities on the Funding Policy Valuation Basis**

	December 31, 2023	Discount rate 1% lower
	\$	\$
Actuarial liabilities		
Active members	299,460,000	356,518,000
Terminated and suspended members	202,694,000	243,453,000
Retired members and beneficiaries	672,435,000	732,805,000
Outstanding refunds	263,000	263,000
Total	1,174,852,000	1,333,039,000
Increase in actuarial liabilities		158,187,000

### Sensitivity Analysis on the Funding Policy Valuation Normal Cost

The table below illustrates the effect on the funding policy valuation normal cost of using a discount rate 1% lower than the one used for the funding policy valuation. All other assumptions and methods, as used for this valuation, were maintained.

**Table 5.3 – Sensitivity of Funding Policy Valuation Normal Cost**

	As at December 31, 2023		Discount Rate 1% lower	
	\$	% of payroll	\$	% of payroll
Funding policy valuation normal cost	30,070,000	10.0%	36,912,000	12.3%
Increase in normal cost			6,842,000	2.3%

## Sensitivity Analysis on the Going Concern Basis

The table below illustrates the effect of a 1% decrease in the discount rate on the going concern actuarial liabilities. With the exception of the discount rate, all other assumptions and methods used for this valuation were maintained.

**Table 5.4 – Sensitivity of Actuarial Liabilities on the Going Concern Basis**

	December 31, 2023	Discount rate 1% lower
	\$	\$
Actuarial liabilities		
Active members	464,347,000	579,411,000
Terminated and suspended members	322,035,000	407,217,000
Retired members and beneficiaries	815,749,000	899,252,000
Outstanding refunds	263,000	263,000
Total	1,602,394,000	1,886,143,000
Increase in actuarial liabilities		283,749,000

## Sensitivity Analysis on the Going Concern Residual Normal Cost

The table below illustrates the effect on the residual normal cost of using a discount rate 1% lower than the one used for the going concern valuation. All other assumptions and methods, as used in this valuation, were maintained.

**Table 5.5 – Sensitivity of Going Concern Residual Normal Cost**

	As at December 31, 2023		Discount Rate 1% lower	
	\$	% of payroll	\$	% of payroll
Total normal cost	46,503,000	15.6%	60,801,000	20.3%
Less: Member contributions	26,911,000	9.0%	26,911,000	9.0%
Residual normal cost	19,592,000	6.6%	33,890,000	11.3%
Increase in residual normal cost			14,298,000	4.7%

## Sensitivity Analysis on the Hypothetical Wind-Up Basis

The table below illustrates the effect on the actuarial liabilities of using discount rates 1% lower than those used for the hypothetical wind-up valuation using non-indexed annuities. All other assumptions and methods, as used in this valuation, were maintained.

**Table 5.6 – Sensitivity of Actuarial Liabilities on the Hypothetical Wind-Up Basis (Non-indexed)**

	December 31, 2023	Discount rate 1% lower
	\$	\$
Actuarial liabilities		
Active members	356,414,000	422,852,000
Terminated and suspended members	240,670,000	289,411,000
Retired members and beneficiaries	736,300,000	808,410,000
Outstanding refunds	263,000	263,000
Total	1,333,647,000	1,520,936,000
Increase in actuarial liabilities		187,289,000

## Appendix A – Assets

### Description of Plan Assets

The assets of the plan are held in a trust fund, and RBC Investor & Treasury Services is the custodian for the assets of the pension fund.

### Statement of Market Value

The following table shows the asset mix as at December 31, 2023 based on the audited financial statements issued by Grant Thornton, and for comparison, the asset mix as at December 31, 2022:

**Table A.1 – Assets at Market Value**

	December 31, 2023	December 31, 2022
Invested assets		
Canadian equities	\$166,259,588	\$157,003,511
Foreign equities	\$195,626,492	\$176,327,563
Fixed income	\$381,585,766	\$359,722,909
Real estate	\$169,847,227	\$181,373,482
Infrastructure	\$172,047,145	\$160,505,505
Derivatives	\$846,463	\$581,740
Short term	\$16,109,021	\$10,201,554
Private debt	\$45,259,417	\$42,385,231
Net amount receivable	\$7,289,661	\$9,519,207
Total assets	\$1,154,870,780	\$1,097,620,702

### Changes to Plan Assets

The following table shows changes to the Plan assets held by RBC Investor & Treasury Services (the custodian) during the inter-valuation period, based on market values. The reconciliation from January 1, 2023 to December 31, 2023 is based on the audited financial statements issued by Grant Thornton for the full calendar year 2023.

**Table A.2 – Reconciliation**

	<b>2023</b>
Assets at beginning of year	\$1,097,620,702
Receipts	
Contributions and transfers	53,984,819
Investment income plus realized and unrealized capital appreciation and depreciation	74,517,676
Total receipts	128,502,495
Disbursements	
Pensions paid and refunds	65,674,609
Expenses (fees)	5,577,808
Total disbursements	71,252,417
Assets at end of year	\$1,154,870,780

## Return on Assets

The CUPE SRP Plan assets earned the following rates of return, net of investment related expenses charged to the fund, based on our calculations which assume cash flow occurred in the middle of the period:

**Table A.3 – Investment Return (net of investment related expenses)**

Year	Rate of Return
2023	6.54%
2022	(5.70%)
2021	8.81%
2020	6.99%
2019	10.54%
2018	1.13%
2017	8.45%

## Actuarial Value of Assets

We have used the market value of assets (including receivables / payables). The actuarial value of assets as at December 31, 2023 was \$1,154,871,000.

## Target Asset Mix

The statement of investment policy and goals for the CUPE SRP Plan provides for the long-term target asset mix shown in the table below. The target asset mix below is based on the SIP&G approved by the Board of Trustees and dated September 2023:

**Table A.4 – Target Asset Mix**

	<b>Target</b>
Asset classes	
Fixed income – domestic treasury bills (DTB)	0.5%
Fixed income – domestic universe bonds (DUB)	7.75%
Fixed income – domestic long-term bonds (DLB)	21.75%
Fixed income – US high yield bonds (USHY)	5.0%
Fixed income – global government bonds (GGB)	5.0%
Infrastructure debt (ID)	2.5%
Commercial mortgages (CM)	2.5%
Canadian equities (CE)	5.0%
Canadian low volatility equities (CELV)	5.0%
World equities (WE)	7.5%
World low volatility equities (WELV)	7.5%
Canadian real estate (CRE)	10.0%
Global real estate (GRE)	5.0%
Infrastructure (I)	12.5%
Farmland (F)	2.5%
<b>Total</b>	<b>100.0%</b>

This target asset mix was used to determine the real rate of return assumption under the plan, and to conduct the stochastic analysis required under the PBA to assess the various risk management goals.

## Appendix B – Membership Data

### Description of Membership Data

The data as at December 31, 2023 was provided by Vestcor.

The data was matched and reconciled with the data provided for the previous valuation as at December 31, 2022. Basic data checks were performed to ensure that age, salary, service and accrued pensions data were reasonable for the purposes of the valuation and to ensure that the data was accurate, complete and consistent with previous data.

In very limited cases where the credibility of the data received this year for certain individuals was questioned in light of a comparison with the data received as part of the previous valuation, the data from the previous valuation was used.

### Summary of Membership Data

The following tables were prepared using data provided by Vestcor regarding its active members, retirees and former members. Accrued pensions, in payment or not, for all members reflect all cost-of-living and benefit improvement adjustments granted by the Board of Trustees effective January 1, 2024.

These tables show the following:

- B.1 Summary of Membership Data
- B.2 Changes in Plan Membership
- B.3 Age/Service Distribution for Active Members as at December 31, 2023
- B.4 Distribution of Retired Members and Beneficiaries by Age Groups as at December 31, 2023
- B.5 Distribution of Terminated and Suspended Members by Age Groups as at December 31, 2023

**Table B.1 - Summary of Membership Data**

	December 31, 2023	December 31, 2022
Active members <sup>1</sup>		
Number	6,545	6,077
Total covered payroll <sup>2</sup>	\$299,800,000	\$273,595,000
Average earnings	\$45,812	\$45,021
Average age	44.5 years	45.0 years
Average accrued lifetime pension	\$5,496	\$5,676
Average accrued bridge benefit	\$2,055	\$2,147
Average credited service	8.1 years	8.6 years
Terminated and suspended members		
Number	6,100	6,283
Average annual lifetime pension	\$4,250	\$4,026
Average annual bridge benefit <sup>3</sup>	\$1,559	\$1,473
Average age	43.3 years	42.5 years
Retired members and beneficiaries		
Number	5,136	4,942
Average annual lifetime pension	\$11,286	\$10,955
Average annual bridge benefit <sup>3</sup>	\$4,831	\$4,743
Average age	70.9 years	70.6 years

<sup>1</sup> Includes all actively contributing members at the valuation date. Any non-contributing members, such as on a leave of absence, members who have signed an intra-provincial agreement, or who are suspended, are grouped under Terminated and Suspended members.

<sup>2</sup> Estimated total payroll for actively contributing employees, taking into account work percentage by individual for part-time employees.

<sup>3</sup> Average for those entitled to or receiving a bridging benefit.

There were also 24 other inactive members with outstanding payments as at December 31, 2023, for a total amount owed of \$263,000.

**Table B.2 – Changes in Plan Membership**

	<b>Active Members</b>	<b>Terminated and Suspended Members</b>	<b>Retired Members and Beneficiaries</b>	<b>Total</b>
Members at December 31, 2022	6,077	6,283	4,942	17,302
New members	1,099	-	-	1,099
Returned to active status	298	(297)	(1)	-
Retirements	(157)	(126)	283	-
Terminations:				-
Paid out	(64)	(436)	-	(500)
Outstanding refunds owing	(12)	(6)	-	(18)
Became suspended	(683)	683	-	-
Deaths:				-
with no continuing benefits	(13)	-	(94)	(107)
with survivors	-	(1)	(23)	(24)
New survivor pensions	-	-	34	34
Guarantee period expired	-	-	(6)	(6)
Data adjustments	-	-	1	1
Members at December 31, 2023	6,545	6,100	5,136	17,781

**Table B.3 – Age/Service Distribution for Active Members as at December 31, 2023**

Years of Service	Age									Total	
	Under 24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60 and over		
0 - 4	Num.	409	491	467	402	322	297	268	204	135	2,995
	Avg. Sal.	\$41,858	\$43,568	\$42,599	\$41,964	\$43,001	\$44,036	\$42,052	\$42,006	\$38,624	42,488
	Avg. Pen.	\$790	\$1,244	\$1,187	\$1,129	\$1,096	\$1,224	\$1,276	\$1,288	\$1,583	1,161
5 - 9	Num.	1	75	186	191	176	174	175	196	132	1,306
	Avg. Sal.	*	\$50,622	\$48,772	\$47,664	\$46,534	\$47,349	\$44,950	\$45,171	\$42,853	46,571
	Avg. Pen.	*	\$4,088	\$5,033	\$5,303	\$5,368	\$5,132	\$5,042	\$5,192	\$5,044	5,101
10 - 14	Num.			35	138	175	211	221	177	136	1,093
	Avg. Sal.			\$50,945	\$50,907	\$50,113	\$48,644	\$48,345	\$47,298	\$46,320	48,671
	Avg. Pen.			\$7,849	\$8,482	\$8,636	\$8,309	\$8,146	\$7,980	\$7,854	8,226
15 - 19	Num.				18	105	118	137	133	109	620
	Avg. Sal.				\$53,674	\$52,508	\$51,239	\$50,279	\$49,858	\$49,380	50,689
	Avg. Pen.				\$11,289	\$11,918	\$11,757	\$11,687	\$11,506	\$11,534	11,662
20 - 24	Num.					17	49	85	106	62	319
	Avg. Sal.					\$52,301	\$52,193	\$51,552	\$48,859	\$49,918	50,478
	Avg. Pen.					\$14,520	\$15,466	\$15,068	\$15,015	\$15,141	15,096
25 - 29	Num.						5	22	21	25	73
	Avg. Sal.						\$55,088	\$53,353	\$51,677	\$50,460	51,999
	Avg. Pen.						\$19,678	\$18,987	\$19,092	\$18,259	18,815
30 & over	Num.							8	79	52	139
	Avg. Sal.							\$52,649	\$51,708	\$52,585	52,090
	Avg. Pen.							\$22,643	\$23,952	\$25,927	24,615
Total number	410	566	688	749	795	854	916	916	651	6545	
Average of earnings	\$41,866	\$44,502	\$44,692	\$45,347	\$46,803	\$47,378	\$46,600	\$46,697	\$45,536	\$45,812	
Average of accrued lifetime pension	\$795	\$1,621	\$2,566	\$3,792	\$5,418	\$6,151	\$7,102	\$8,851	\$9,137	\$5,496	

Average age: 44.5 years

Average number of years of service: 8.1 years

Notes:

Age groups are based on exact age.

Years of service means the number of years credited for pension plan purposes, fractional parts being rounded to the nearest integer.

The salary used is the estimated salary rate as of January 1, 2024.

Membership for active members is composed of 1,639 males and 4,906 females.

**Table B.4 – Distribution of Retired Members and Beneficiaries by Age Groups as at December 31, 2023**

Age Group	Number	Total Annual Payments	
		Lifetime	Bridge
Under 60	267	2,226,135	1,015,186
60-64	958	10,864,010	4,637,355
65-69	1,388	16,280,199	-
70-74	1,079	12,588,621	-
75-79	725	8,526,390	-
80-84	415	4,746,192	-
85-89	203	1,917,364	-
90 and over	101	818,228	-
<b>Total</b>	<b>5,136</b>	<b>57,967,139</b>	<b>5,652,541</b>

Average age: 70.9

Notes:

Age groups are based on exact age.

The pension used is the pension payable as at January 1, 2024

Membership for retired members and beneficiaries is composed of 1,217 males and 3,919 females.

Note that as part of the pension payments described above, there are payments continuing to be made to 49 beneficiaries under remaining guarantees after pensioners' deaths for a total of \$406,300 annually.

**Table B.5 – Distribution of Terminated and Suspended Members by Age Groups as at December 31, 2023**

Age Group	Number	Total Accrued Pensions	
		Lifetime	Bridge
Under 25	185	90,103	34,737
25 - 29	736	926,012	356,739
30 - 34	868	1,932,105	726,766
35 - 39	841	2,922,702	1,085,536
40 - 44	787	3,658,419	1,369,674
45 - 49	769	4,140,149	1,519,490
50 - 54	731	4,349,534	1,620,502
55 - 59	635	4,441,416	1,628,421
60 and over	548	3,461,630	1,306,032
<b>Total</b>	<b>6,100</b>	<b>25,922,070</b>	<b>9,647,897</b>

Average age: 43.3 years

Notes:

Age groups are based on exact age.

The pension used is the pension payable as at January 1, 2024.

Membership for terminated and suspended members is composed of 1,534 males and 4,566 females.

## Appendix C – Stochastic Projection Assumptions and Disclosures

The model inputs for our stochastic analysis are built each year using Conference Board of Canada (CBoC) forecasts, internal research, inflation expectations and by surveying the asset manager universe. This ensures we are not using inputs that are out of touch with broader expectations. We strive for accuracy in our assumptions, as high or low expectations can lead to biased results. However, when deciding between equally reasonable modeling choices, we err on the side of conservatism.

The methodology used to develop key assumptions used within the model is described below.

### Economic Assumptions

Economic stochastic projection assumptions are updated annually by TELUS Health Investment and Risk using a multi-stage process.

#### Inflation

We select a long-term inflation rate assumption based primarily on the current Bank of Canada Monetary Policy. Volatility for inflation is based on historical data since the early 1990's when the current monetary policy was introduced. Historical volatility is used to estimate consumer price index volatility for future years. We also develop an assumption for market implied inflation which is used to determine fixed-income yields in any given year. We use current market data for the initial rate and then use an autoregressive time-series model to determine the market implied inflation assumption rates over the first ten projection years, at which point the rate remains stable, such that the long-term implied market inflation is consistent with our assumption for the change in the consumer price index.

**Table C.1 – Market Implied Inflation**

December 31	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033 and after
Market implied inflation (%)	1.58	1.64	1.71	1.77	1.83	1.90	1.96	2.02	2.09	2.15	2.21

#### Interest Rates

We use a building block approach to estimate the long-term interest rates for government bonds and Canadian bond indices. The three components that make up the long-term interest rate estimate are: Inflation, real return, and credit spread. After careful consideration, we assume that both real yields and credit spreads revert to projected long-term rates. Although some research papers suggest that the possibility that interest rates follow a random walk process (that is, they do not mean-revert) cannot be rejected, mean reversion is intuitive and increases the likelihood that rates will remain within a reasonable range. Therefore, we assume each building block moves from the value in the market as of the valuation date towards its long-term level over a projected period of 10 years (and remains at the long-term level thereafter). Each of the building blocks follow a modified discrete version of the Vasicek model, using an instantaneous volatility determined from historical data.

## Canadian Bond Indices

We generate expected return levels and standard deviations for Canadian bond indices in a stochastic simulation approach. We assume that the only components needed to model the returns are: yield and variation of interest rates. We make the assumption that interest rates follow a Vasicek model. To determine the impact of yield variation on return we extract the duration and convexity as of the valuation date for the FTSE Canadian bond indices and assume that it will remain constant in the future. Using the Vasicek model, we simulate 10,000 interest rate paths which we use to create 10,000 return series for various Canadian bond indices. The geometric average of the 10,000 simulated returns is taken as the return level assumption. The mean annual standard deviation of returns is taken as the standard deviation of returns.

Fixed income asset classes that were used in our modeling include, but are not limited to Canadian federal, provincial, and corporate bond indices. The following initial and ultimate average credit spreads and average nominal yields were used as at December 31, 2023.

**Table C.2 – Credit Spreads and Yields by Bond Index**

<b>Asset Class</b>	<b>Initial Credit Spread *</b>	<b>Ultimate Credit Spread *</b>	<b>Initial Yield</b>	<b>Ultimate Yield</b>
FTSE Canada Universe Federal Bonds	n/a	n/a	3.46%	2.65%
FTSE Canada Federal Short Term Bonds	n/a	n/a	3.73%	2.38%
FTSE Canada Federal Mid Term Bonds	n/a	n/a	3.21%	2.83%
FTSE Canada Federal Long Term Bonds	n/a	n/a	3.13%	3.28%
FTSE Canada Universe Corporate Bonds	1.31%	1.25%	4.77%	3.90%
FTSE Canada Short Term Corporate Bonds	1.03%	0.90%	4.76%	3.28%
FTSE Canada Mid Term Corporate Bonds	1.50%	1.33%	4.71%	4.16%
FTSE Canada Long Term Corporate Bonds	1.72%	1.73%	4.84%	5.02%
FTSE Canada Universe Provincial Bonds	0.40%	0.89%	3.86%	3.54%
FTSE Canada Short Term Provincial Bonds	0.10%	0.24%	3.82%	2.62%
FTSE Canada Mid Term Provincial Bonds	0.45%	0.51%	3.66%	3.34%
FTSE Canada Long Term Provincial Bonds	0.88%	0.81%	4.01%	4.10%

\* The credit spread reflects the excess average yield for the index over the federal bond index of similar maturity.

Fixed income asset classes' returns and standard deviations must be consistent. We perform a check on the relationships between indices and sub-indices, and make adjustments if necessary.

## Equity

The process for determining the nominal equity return assumptions uses a forward-looking building block approach. We utilize multiple sources of information, including our inflation assumptions, historical data, GDP and other economic data, growth forecasts and dividend information.

The building blocks are the change in the consumer price index assumptions determined above, the expected dividend yield for the index (adjusted for share issues and buy-backs), and Consensus Economics' GDP forecasts.

The building block approach results in equity return assumptions in the local currency of the asset classes. For foreign equity, we used Consensus Economics' estimates for purchasing power parity between the local currency and the Canadian dollars. We assume that the current exchange rate will trend linearly towards purchasing power parity over a period of 10 years.

Standard deviations and correlations of equity returns are mainly derived from historical data. To ensure consistency between indices covering different regions, we use an iterative calibration process.

We also consider differences in capitalization levels and investment styles. Small-cap equities and large-cap equities have different risk-return profiles. We use historical data to measure the return and volatility spreads between small-cap and large-cap equities.

## Alternative Asset Classes

Alternative asset classes include real estate, infrastructure, hedge funds, private equity, private debt, foreign fixed income and high yield bonds.

Real estate indices do not include leverage; however, some real estate funds and strategies use leverage. Moreover, some real estate indices are only updated quarterly, resulting in an appraisal lag. Other indices are transaction based rather than appraisal based. Therefore, we must exercise some subjective judgement to estimate return levels, standard deviations and correlations.

Hedge fund indices usually include survivorship and backfill biases. Moreover, hedge fund strategies can differ from the index due to their characteristics. Most hedge funds have an absolute return target that can guide in the selection of the assumption.

Private equity may be viewed as public equity, adjusted with a liquidity risk premium. Private equity managers usually target a spread of 3% to 5% over public equities.

Infrastructure return level assumption is based on the 10-year Government of Canada bond returns, plus a spread. The spread varies on whether the investment is in infrastructure debt or in infrastructure equity.

For foreign fixed income, we utilize the same model used for Canadian fixed income except that the credit spread and real yield components are not separated due to a lack of reliable data.

## Correlations & Standard Deviations

Correlations and standard deviations are mainly derived from historical data. However, recent trends and experience can potentially lead us to perform modifications on the historical correlations. Although exchange rates have little impact on long-term equity return levels, they do have an impact on correlations.

Correlations between certain pairs of asset classes are unstable through time, particularly for alternative asset classes. Historical correlations may show a large diversifying advantage for certain assets, which may not be properly supported by theoretical evidence. In cases of a strong negative correlation, we consider whether this correlation should be trended back towards zero.

The correlation matrix must be consistent. Consistency is required for theoretical accuracy and in stochastic simulations. We use an algorithmic approach to ensure consistency of the correlation matrix.

### Returns, Volatility, and Correlations by Asset Class

The following expected return and volatility by asset class were used as at December 31, 2023. For reference, we have also included the return and volatility as at the date of the previous valuation, December 31, 2022.

**Table C.3 – Expected Long-Term Return and Volatility (Standard Deviation) by Asset Class**

	December 31, 2023		December 31, 2022	
	Expected Annualized Long-Term Return	Volatility of Annual Return	Expected Annualized Long-Term Return	Volatility of Annual Return
Inflation (change in consumer price index)	2.10%	1.4%	2.10%	1.4%
<b>Asset Classes</b>				
Fixed income				
Domestic treasury bills (DTB)	2.60%	1.7%	2.25%	1.4%
Domestic universe bonds (DUB)	3.65%	8.1%	3.75%	7.4%
Domestic long-term bonds (DLB)	4.05%	12.3%	4.35%	12.4%
US high yield bonds (USHY)	5.35%	12.2%	6.15%	11.4%
Global government bonds (CGB/BGI)*	3.20%	8.1%	3.33%	9.1%
Equities				
Canadian equities (CE)	7.40%	16.3%	7.25%	16.4%
Canadian low vol equities (CELV)	6.90%	13.1%	6.75%	13.1%
World equities (WE)	6.20%	14.9%	6.60%	15.6%
World low vol equities (WELV)	5.70%	11.6%	6.15%	12.5%
Alternative investments				
Canadian real estate (CRE)	6.80%	9.6%	5.70%	9.0%
Infrastructure (I)	7.85%	12.0%	7.65%	12.2%
Farmland (F)	6.60%	15.0%	6.10%	14.9%
Private debt (PD/CM)	5.33%	4.8%	5.20%	4.4%
Global real estate (GRE)	6.15%	8.2%	5.50%	8.5%

\* Two asset classes were used as a proxy for Global government bonds: Canada government bonds (CGB) and Bloomberg global index (BGI)

\*\* Two asset classes were used as a proxy for Private debt: Canadian corporate private debt (PD) and Canadian residential mortgages (CM)

The following is the correlation among the various asset classes identified in Table C.3 used as at December 31, 2023. For fixed income asset classes, the correlations are based on the real yields of the assets, whereas for non-fixed income asset classes, the correlations are based on the asset returns:

**Table C.4 - Simulation Correlations Among Asset Classes and Fixed Income Yields**

Asset Classes	CPI	DTB	DUB	DLB	CCGB	CM	CE	CELV	WE	WELV	BGI	USHY	CRE	I	F	PD	GRE
CPI	1.00	0.59	0.60	0.39	0.57	0.60	0.02	0.01	-0.15	-0.19	0.54	0.14	0.11	-0.06	-0.13	0.61	0.10
DTB		1.00	0.71	0.32	0.71	0.90	0.17	0.12	0.00	-0.04	0.67	0.04	0.21	0.11	0.12	0.69	0.12
DUB			1.00	0.80	1.00	0.86	0.19	0.13	0.00	-0.14	0.84	0.11	0.21	0.22	0.14	0.96	0.18
DLB				1.00	0.79	0.55	-0.04	-0.03	-0.12	-0.26	0.74	0.31	-0.03	0.26	0.06	0.81	-0.04
CCGB					1.00	0.84	0.25	0.17	0.05	-0.12	0.83	0.04	0.22	0.21	0.14	0.93	0.19
CM						1.00	0.12	0.08	-0.05	-0.16	0.75	0.18	0.18	0.17	0.16	0.86	0.09
CE							1.00	0.70	0.65	0.35	0.02	-0.59	0.27	0.08	0.06	0.02	0.32
CELV								1.00	0.46	0.25	0.02	-0.41	0.19	0.05	0.05	0.01	0.23
WE									1.00	0.80	-0.10	-0.60	0.18	-0.04	0.08	-0.14	0.30
WELV										1.00	-0.17	-0.41	0.28	-0.02	0.16	-0.23	0.43
BGI											1.00	0.17	0.12	0.20	0.20	0.83	0.10
USHY												1.00	-0.14	0.12	0.10	0.32	-0.23
CRE													1.00	0.11	0.49	0.13	0.79
I														1.00	0.05	0.24	0.03
F															1.00	0.14	0.34
PD																1.00	0.07
GRE																	1.00

The correlations are assumed to remain constant over the entire projection period.

### Forecasted Funding Policy Valuation Liabilities

As required under paragraph 15(2)(c) of Regulation 2012-75, the projection of the liability and future cash flows under the stochastic analysis uses the same demographic assumptions as used for the calculation of the funding policy valuation liability. As such, the funding policy valuation assumptions are used to project the demographics of the Plan on a deterministic basis 20 years into the future. Both the economic and demographic assumptions in Table 1.6 and Table 2.1 are used to project the number of members and their salaries.

For purposes of this report, The Plan's contributing member population is assumed to reduce by 0.5% per year for a period of one year following December 31, 2023, and remain stable thereafter in each subsequent year of the projection period. This is to reflect the impact of remaining former FacilicorpNB employees whose replacements

upon termination would be members of the Public Service Pension Plan as a result of Service New Brunswick's restructuring. As such, departures from the Plan, for any reason, are assumed to be replaced by the number of new entrants such that the overall contributing member population reduces by 0.5% per year for a period of one year following December 31, 2023, and remains stable thereafter in each subsequent year of the projection period.

The following table contains the results of the deterministic projection, in particular the number of active members, along with their average pensionable service, average age, and average pensionable earnings for the year for each of the 20 years in the projection period.

**Table C.5 – Projection Statistics for Active Members**

<b>Date</b>	<b>Number of Active Members</b>	<b>Average Age (years)</b>	<b>Average Pensionable Service (years)</b>	<b>Average Salary (\$) *</b>
31-Dec-24	6,545	45.5	10.2	46,338
31-Dec-25	6,512	44.9	9.9	47,494
31-Dec-26	6,512	44.8	9.8	48,460
31-Dec-27	6,512	44.8	9.8	49,478
31-Dec-28	6,512	44.9	9.9	50,542
31-Dec-29	6,512	45.0	10.0	51,654
31-Dec-30	6,512	45.1	10.1	52,792
31-Dec-31	6,512	45.2	10.2	53,985
31-Dec-32	6,512	45.4	10.4	55,209
31-Dec-33	6,512	45.5	10.5	56,479
31-Dec-34	6,512	45.6	10.7	57,781
31-Dec-35	6,512	45.6	10.8	59,102
31-Dec-36	6,512	45.7	10.8	60,469
31-Dec-37	6,512	45.7	10.9	61,895
31-Dec-38	6,512	45.8	11.0	63,350
31-Dec-39	6,512	45.9	11.1	64,858
31-Dec-40	6,512	46.0	11.2	66,413
31-Dec-41	6,512	46.0	11.3	67,999
31-Dec-42	6,512	46.1	11.3	69,660
31-Dec-43	6,512	46.2	11.4	71,370

\* These are average salaries in each year reflecting the expected salary increase.

The following table contains the results of the deterministic projection, in particular the number of inactive members, along with the total expected benefits in payment to inactive members over the projection period. Note that inactive members include all members who are not active members (including but not limited to deferred vested members and pensioners). The benefit payments outlined in the table below do not include any future cost-of-living adjustments which may be granted.

**Table C.6 – Projection Statistics for Inactive Members**

<b>Date</b>	<b>Number of Inactive Members</b>	<b>Inactive Benefits in Payment (\$)</b>
31-Dec-24	11,191	66,904,000
31-Dec-25	11,379	72,717,000
31-Dec-26	11,932	75,427,000
31-Dec-27	12,318	77,710,000
31-Dec-28	12,665	79,233,000
31-Dec-29	12,972	80,605,000
31-Dec-30	13,242	81,565,000
31-Dec-31	13,472	82,563,000
31-Dec-32	13,675	83,386,000
31-Dec-33	13,850	84,189,000
31-Dec-34	13,991	84,876,000
31-Dec-35	14,114	85,727,000
31-Dec-36	14,312	86,744,000
31-Dec-37	14,374	87,667,000
31-Dec-38	14,412	88,354,000
31-Dec-39	14,426	89,066,000
31-Dec-40	14,415	89,768,000
31-Dec-41	14,389	90,428,000
31-Dec-42	14,356	91,265,000
31-Dec-43	14,251	92,012,000

The following table contains the results of the deterministic projection, in particular the total liability at the beginning of each year. The total liability is further split by actives and inactives. The liabilities outlined in the table below are all calculated using the funding policy valuation discount rate and do not include the value of any future cost-of-living adjustments which may be granted.

**Table C.7 – Projection of Funding Policy Actuarial Liabilities**

<b>Date</b>	<b>Total Liability (\$)</b>	<b>Active Liability (\$)</b>	<b>Inactive Liability (\$)</b>
31-Dec-24	1,193,870,000	336,629,000	857,241,000
31-Dec-25	1,207,068,000	316,537,000	890,531,000
31-Dec-26	1,218,540,000	312,553,000	905,987,000
31-Dec-27	1,228,713,000	311,046,000	917,667,000
31-Dec-28	1,238,403,000	314,047,000	924,356,000
31-Dec-29	1,247,791,000	319,588,000	928,203,000
31-Dec-30	1,257,379,000	327,376,000	930,003,000
31-Dec-31	1,267,261,000	335,566,000	931,695,000
31-Dec-32	1,277,713,000	345,782,000	931,931,000
31-Dec-33	1,288,803,000	357,299,000	931,504,000
31-Dec-34	1,300,573,000	368,825,000	931,748,000
31-Dec-35	1,312,805,000	378,815,000	933,990,000
31-Dec-36	1,325,408,000	387,790,000	937,618,000
31-Dec-37	1,338,516,000	397,173,000	941,343,000
31-Dec-38	1,352,566,000	408,929,000	943,637,000
31-Dec-39	1,367,545,000	421,221,000	946,324,000
31-Dec-40	1,383,584,000	434,043,000	949,541,000
31-Dec-41	1,400,808,000	447,694,000	953,114,000
31-Dec-42	1,419,169,000	460,149,000	959,020,000
31-Dec-43	1,438,823,000	474,490,000	964,333,000

## Stochastic Model Projection Methodology

The economic assumptions and forecasted funding policy valuation liabilities outlined above are combined together to form an asset-liability model and used in a Monte Carlo simulation technique to model 10,000 series of alternative economic scenarios over 20 years (this exceeds the minimum requirements under the PBA of 1,000 series of economic scenarios for 20 years). This model is used to measure whether the Plan achieves its risk management goals.

For each of these scenarios and for each year, the financial position of the Plan is measured. For each of these measurements, a decision consistent with the funding deficit recovery plan or the funding excess utilization plan, as applicable, is modeled with the exception of reductions in past or future base benefits and excluding permanent benefit changes. When modeling the funding deficit recovery plan actions over the 20-year period of

each of the 10,000 economic scenarios, each of the five steps identified in the funding deficit recovery plan under Section V of the Funding Policy is implemented in sequence until such time as the open group funded ratio of the plan reaches 100% or higher. A “benefit reduction trial” is recorded (for purposes of the primary risk management goal calculation) when step 5 of the funding deficit recovery plan found in Section V of the Funding Policy is triggered (i.e. a reduction in past base benefits) at any point in the 20-year period of an economic scenario. For conservatism, our stochastic model also recorded a “benefit reduction trial” (for purposes of the primary risk management goal calculation) when any action beyond step 1 was required. The primary risk management measure is therefore the proportion of those 10,000 scenarios that do not lead to a base benefit reduction over a 20-year period. In order to pass the primary risk management goal, at least 9,750 of those 10,000 scenarios must not trigger a “benefit reduction trial” at any point over the 20-year period.

For every year in the 20-year projection, passive investment management and non-investment expenses are deducted from the expected return to account for the payment of expenses from the Plan. We assume the additional cost of any active management activities is expected to be offset by additional returns over the expected returns shown above, and it is therefore not included in the analysis. The amount of annual expenses deducted from the expected return are outlined in the following table.

**Table C.8 – Annual Expenses Deducted From Projected Stochastic Returns**

Expenses Type	Annual Expense
Passive investment management	0.10% of assets
Non-investment	8.0% load added to normal cost (5.0% load added to normal cost at December 31, 2022)

For the purpose of the stochastic analysis, the funding policy valuation discount rate remains fixed at 5.00% per annum throughout the projection period. The funding policy valuation discount rate is used to project the funding policy valuation liability and determine the present value of excess contributions throughout the projection period. The projection of the liability and future cash flows under the stochastic analysis uses the same demographic assumptions as used for the calculation of the funding policy valuation liability, as required under paragraph 15(2)(c) of Regulation 2012-75.

## Stochastic Model Projection Outputs

The following tables were prepared using the outputs of the stochastic projection model. They represent key portfolio statistics of return on assets net of investment expenses, total funding policy valuation liabilities, total market value of assets, and open group funded ratio. The distribution of results is summarized by the use of percentiles, mean, standard deviation, and Conditional Tail Expectation (CTE). The CTE reflects the average result of the worst-case scenarios for the indicated percentile.

The summary statistics shown in Table C.9 below for the Fund return are shown for each year as well as over a 20-year period.

**Table C.9 – Distribution of Projected Fund Return (Net of Passive Investment Expenses)**

Plan Year (January 1 / December 31)	2.5% CTE	5% CTE	5th Percentile	25th Percentile	50th Percentile	75th Percentile	95th Percentile	Mean	Standard Deviation
2024	-5.79%	-4.34%	-2.15%	2.93%	6.32%	9.85%	14.95%	6.38%	5.19%
2025	-6.65%	-5.21%	-2.89%	2.61%	6.25%	9.96%	15.48%	6.26%	5.58%
2026	-6.47%	-5.03%	-2.86%	2.38%	6.26%	10.18%	15.68%	6.32%	5.65%
2027	-6.95%	-5.40%	-3.05%	2.37%	6.21%	9.94%	15.73%	6.23%	5.74%
2028	-6.79%	-5.32%	-3.12%	2.50%	6.21%	10.17%	15.61%	6.30%	5.70%
2029	-6.71%	-5.26%	-2.99%	2.31%	6.22%	10.12%	15.67%	6.25%	5.70%
2030	-7.23%	-5.67%	-3.31%	2.17%	6.16%	10.10%	15.73%	6.18%	5.81%
2031	-6.95%	-5.46%	-3.20%	2.30%	6.11%	9.89%	15.64%	6.13%	5.69%
2032	-6.65%	-5.27%	-3.08%	2.38%	6.20%	10.07%	15.57%	6.24%	5.69%
2033	-6.80%	-5.32%	-2.98%	2.25%	6.13%	10.00%	15.74%	6.17%	5.70%
2034	-7.16%	-5.63%	-3.38%	2.23%	6.02%	9.86%	15.65%	6.06%	5.73%
2035	-7.13%	-5.60%	-3.29%	2.15%	6.04%	9.95%	15.55%	6.07%	5.75%
2036	-6.83%	-5.32%	-3.11%	2.30%	6.13%	9.96%	15.70%	6.19%	5.70%
2037	-7.21%	-5.62%	-3.17%	2.15%	5.98%	9.84%	15.44%	6.01%	5.69%
2038	-7.04%	-5.55%	-3.24%	2.19%	5.93%	9.75%	15.43%	5.98%	5.67%
2039	-6.93%	-5.38%	-3.07%	2.37%	6.12%	9.88%	15.71%	6.19%	5.72%
2040	-7.09%	-5.53%	-3.12%	2.30%	6.10%	9.92%	15.65%	6.15%	5.73%
2041	-6.87%	-5.45%	-3.11%	2.15%	5.87%	9.81%	15.44%	5.99%	5.68%
2042	-7.11%	-5.51%	-3.17%	2.29%	6.07%	9.89%	15.68%	6.12%	5.69%
2043	-6.89%	-5.36%	-3.03%	2.17%	5.90%	9.83%	15.59%	6.05%	5.68%
Annualized average over 20 years	3.89%	4.12%	4.49%	5.40%	6.01%	6.64%	7.51%	6.02%	0.91%

The stochastic model projects a distribution of the total funding policy valuation liabilities and assets for the portfolio over the projection period. The liabilities include the value of cost-of-living adjustments granted up to each respective valuation year, and exclude any reduction in past base benefits.

**Table C.10 – Distribution of Projected Total Funding Policy Valuation Liability (\$ millions)**

Date	2.5% CTE*	5% CTE*	5th Percentile	25th Percentile	50th Percentile	75th Percentile	95th Percentile	Mean	Standard Deviation
31-Dec-24	1,196	1,198	1,201	1,215	1,224	1,234	1,246	1,224	13
31-Dec-25	1,216	1,221	1,228	1,251	1,267	1,283	1,300	1,266	22
31-Dec-26	1,237	1,244	1,254	1,286	1,308	1,329	1,354	1,307	30
31-Dec-27	1,260	1,268	1,281	1,320	1,348	1,374	1,406	1,347	38
31-Dec-28	1,284	1,293	1,308	1,355	1,388	1,418	1,459	1,386	45
31-Dec-29	1,309	1,320	1,337	1,390	1,427	1,462	1,509	1,426	52
31-Dec-30	1,335	1,347	1,367	1,426	1,467	1,506	1,560	1,466	58
31-Dec-31	1,360	1,375	1,397	1,462	1,507	1,550	1,613	1,506	65
31-Dec-32	1,387	1,403	1,429	1,499	1,548	1,595	1,664	1,547	71
31-Dec-33	1,413	1,432	1,461	1,537	1,590	1,642	1,716	1,589	77
31-Dec-34	1,443	1,463	1,494	1,575	1,632	1,690	1,769	1,632	84
31-Dec-35	1,473	1,495	1,527	1,613	1,674	1,735	1,823	1,675	90
31-Dec-36	1,503	1,525	1,560	1,651	1,717	1,782	1,877	1,718	96
31-Dec-37	1,534	1,557	1,594	1,691	1,761	1,830	1,931	1,761	102
31-Dec-38	1,566	1,593	1,632	1,732	1,805	1,878	1,986	1,806	107
31-Dec-39	1,600	1,628	1,670	1,773	1,851	1,928	2,039	1,852	113
31-Dec-40	1,635	1,663	1,708	1,817	1,898	1,977	2,097	1,899	119
31-Dec-41	1,671	1,701	1,747	1,860	1,943	2,030	2,154	1,946	125
31-Dec-42	1,707	1,739	1,787	1,906	1,991	2,082	2,215	1,995	131
31-Dec-24	1,745	1,777	1,829	1,952	2,041	2,136	2,278	2,045	136

*\*Note that the CTE is calculated on the lowest liability scenarios, since scenarios where the liability is reduced due to the funding deficit recovery plan represent scenarios that have had more negative investment returns.*

The stochastic model produces a distribution of the market value of assets over the projection period. The following table shows a summary of the projected distribution for each year.

**Table C.11 – Distribution of Projected Market Value of Assets (\$ millions)**

Date	2.5% CTE*	5% CTE*	5th Percentile	25th Percentile	50th Percentile	75th Percentile	95th Percentile	Mean	Standard Deviation
31-Dec-24	1,074	1,091	1,116	1,175	1,214	1,254	1,313	1,214	60
31-Dec-25	1,084	1,105	1,137	1,212	1,267	1,323	1,408	1,268	82
31-Dec-26	1,104	1,128	1,165	1,253	1,318	1,387	1,494	1,322	100
31-Dec-27	1,124	1,150	1,189	1,292	1,371	1,452	1,579	1,375	118
31-Dec-28	1,140	1,170	1,217	1,333	1,423	1,519	1,662	1,430	136
31-Dec-29	1,160	1,193	1,246	1,377	1,475	1,586	1,750	1,485	154
31-Dec-30	1,175	1,212	1,273	1,420	1,529	1,650	1,833	1,539	172
31-Dec-31	1,196	1,237	1,301	1,462	1,583	1,720	1,919	1,595	190
31-Dec-32	1,223	1,267	1,335	1,503	1,639	1,789	2,022	1,653	210
31-Dec-33	1,236	1,286	1,362	1,548	1,695	1,859	2,117	1,712	230
31-Dec-34	1,257	1,311	1,391	1,593	1,753	1,929	2,208	1,770	252
31-Dec-35	1,278	1,334	1,421	1,638	1,812	2,003	2,307	1,830	272
31-Dec-36	1,304	1,361	1,449	1,685	1,872	2,084	2,411	1,894	295
31-Dec-37	1,329	1,387	1,478	1,728	1,931	2,157	2,510	1,955	317
31-Dec-38	1,354	1,412	1,507	1,774	1,992	2,232	2,620	2,018	341
31-Dec-39	1,383	1,446	1,546	1,821	2,055	2,317	2,739	2,087	367
31-Dec-40	1,409	1,472	1,578	1,869	2,122	2,406	2,875	2,158	396
31-Dec-41	1,434	1,502	1,611	1,918	2,189	2,484	3,001	2,228	425
31-Dec-42	1,463	1,531	1,637	1,973	2,257	2,581	3,123	2,302	455
31-Dec-43	1,488	1,563	1,682	2,027	2,322	2,675	3,264	2,378	486

The stochastic model produces a distribution of the open group funded ratio over the projection period. The following table shows a summary of the projected distribution for each year, before any corrective action required under the funding deficit recovery plan of the Funding Policy.

**Table C.12 – Distribution of Projected Open Group Funded Ratio**

Date	2.5% CTE*	5% CTE*	5th Percentile	25th Percentile	50th Percentile	75th Percentile	95th Percentile	Mean	Standard Deviation
31-Dec-24	115%	116%	118%	124%	127%	131%	137%	127%	6%
31-Dec-25	112%	114%	116%	123%	128%	133%	141%	128%	7%
31-Dec-26	111%	113%	116%	122%	128%	134%	144%	129%	9%
31-Dec-27	110%	112%	115%	122%	129%	136%	147%	129%	10%
31-Dec-28	110%	111%	114%	122%	129%	137%	150%	130%	11%
31-Dec-29	109%	111%	114%	122%	130%	139%	153%	131%	12%
31-Dec-30	108%	110%	113%	122%	130%	140%	156%	132%	13%
31-Dec-31	108%	110%	113%	122%	131%	141%	158%	133%	14%
31-Dec-32	108%	110%	113%	122%	131%	143%	162%	133%	15%
31-Dec-33	107%	109%	113%	122%	132%	144%	164%	134%	16%
31-Dec-34	107%	109%	112%	122%	132%	145%	166%	135%	17%
31-Dec-35	107%	109%	112%	122%	133%	147%	169%	136%	18%
31-Dec-36	107%	109%	112%	122%	133%	148%	172%	137%	19%
31-Dec-37	107%	109%	112%	122%	134%	150%	174%	137%	20%
31-Dec-38	106%	109%	112%	122%	134%	150%	177%	138%	21%
31-Dec-39	107%	109%	112%	122%	135%	152%	180%	139%	22%
31-Dec-40	107%	109%	112%	122%	136%	154%	184%	140%	23%
31-Dec-41	107%	109%	112%	122%	136%	155%	186%	141%	24%
31-Dec-42	107%	109%	112%	122%	137%	156%	188%	142%	25%
31-Dec-43	107%	109%	112%	122%	137%	158%	192%	143%	26%

The following table provides the projected cumulative indexing (or cost-of-living adjustments) granted over the years as a percentage of total cumulative inflation, as produced by the stochastic simulation.

**Table C.13 - Projected Cumulative Indexing Granted as a Percentage of Cumulative Inflation**

Date	2.5% CTE*	5% CTE*	5th Percentile	25th Percentile	50th Percentile	75th Percentile	95th Percentile	Mean	Standard Deviation
31-Dec-24	91%	91%	100%	115%	121%	132%	187%	129%	32%
31-Dec-25	78%	84%	95%	115%	120%	130%	169%	125%	27%
31-Dec-26	73%	79%	90%	114%	120%	128%	158%	122%	23%
31-Dec-27	70%	77%	87%	114%	119%	126%	149%	120%	21%
31-Dec-28	68%	75%	87%	113%	118%	125%	145%	118%	18%
31-Dec-29	67%	74%	85%	113%	118%	124%	140%	117%	17%
31-Dec-30	66%	73%	85%	113%	118%	123%	138%	116%	17%
31-Dec-31	65%	72%	84%	112%	117%	123%	136%	115%	16%
31-Dec-32	64%	71%	83%	112%	117%	122%	134%	115%	16%
31-Dec-33	63%	71%	82%	112%	117%	122%	132%	115%	16%
31-Dec-34	63%	70%	83%	112%	117%	121%	132%	114%	15%
31-Dec-35	62%	70%	82%	112%	117%	121%	131%	114%	15%
31-Dec-36	61%	69%	82%	112%	117%	121%	131%	114%	15%
31-Dec-37	61%	69%	82%	112%	117%	120%	130%	114%	15%
31-Dec-38	61%	69%	81%	112%	117%	120%	129%	113%	15%
31-Dec-39	61%	69%	81%	112%	116%	120%	128%	113%	15%
31-Dec-40	61%	69%	81%	112%	116%	120%	128%	113%	15%
31-Dec-41	61%	69%	81%	112%	116%	120%	128%	113%	15%
31-Dec-42	61%	69%	81%	112%	116%	120%	128%	113%	15%
31-Dec-43	60%	69%	81%	112%	116%	120%	127%	113%	15%

\*Note that this table discloses the cumulative indexing provided throughout the projection period. In table 2.2, the secondary risk management goal 1 is the mean of the cumulative indexing at the end of the projection period with a maximum value of 100% in each trial. Also note that the mean and standard deviation in table C.13 are calculated without including the impact of some of the highest outliers.

The following table is the average correlation matrix for the asset classes outlined in Table C.3. The matrix represents the correlations between asset classes produced by the stochastic simulation.

**Table C.14 – Average Correlation Among Asset Classes**

Asset Classes	DTB	DUB	DLB	CGB	CM	CE	CELV	WE	WELV	BGI	USHY	CRE	I	F	PD	GRE
DTB	1.00	0.37	0.17	0.36	0.66	0.00	0.00	0.00	0.00	0.35	0.02	0.00	0.00	0.00	0.37	0.00
DUB		1.00	0.82	0.99	0.84	-0.18	-0.12	0.00	0.13	0.83	0.11	-0.20	-0.21	-0.14	0.95	-0.17
DLB			1.00	0.81	0.58	0.04	0.03	0.12	0.25	0.77	0.30	0.04	-0.25	-0.05	0.83	0.04
CGB				1.00	0.82	-0.23	-0.16	-0.04	0.11	0.82	0.03	-0.21	-0.20	-0.13	0.92	-0.18
CM					1.00	-0.10	-0.07	0.04	0.13	0.71	0.19	-0.15	-0.14	-0.13	0.84	-0.07
CE						1.00	0.70	0.65	0.35	-0.02	0.52	0.27	0.08	0.06	-0.01	0.32
CELV							1.00	0.46	0.25	-0.01	0.36	0.19	0.05	0.05	-0.01	0.23
WE								1.00	0.80	0.10	0.53	0.18	-0.04	0.08	0.13	0.30
WELV									1.00	0.16	0.36	0.28	-0.02	0.16	0.22	0.43
BGI										1.00	0.17	-0.12	-0.19	-0.19	0.82	-0.09
USHY											1.00	0.12	-0.10	-0.09	0.32	0.21
CRE												1.00	0.11	0.49	-0.12	0.79
I													1.00	0.05	-0.23	0.03
F														1.00	-0.13	0.34
PD															1.00	-0.06
GRE																1.00

The disclosures in this report have been prepared in compliance with the Canadian Institute of Actuaries Standard of Practice, subsection 3270 - Disclosure for Stochastic Models Used to Comply with Specific Regulatory Pension Plan Funding Requirements.

## Limitations of Analysis for Risk Management Tests

This report contains analysis and results that rely on assumptions about future events. While we believe that the model inputs and assumptions are reasonable at the time this report has been prepared, other reasonable model inputs and assumptions could be used, resulting in potentially very different distributions of forecasted outcomes.

Future events and actual experience will vary from the simulated outcomes produced with this analysis. As these differences arise, contribution levels and benefits payable under the Plan will be adjusted in accordance with the priorities set out under the Funding Policy.

It is not possible or practical to reflect every variable in a model that is based in the real world. Therefore, we use summary information, estimates, and simplifications to facilitate the modeling of future events. We also exclude factors or data that we consider immaterial.

The results presented in this report are not intended nor should they be interpreted to represent a guarantee or warranty with respect to the future financial condition of the Plan. Furthermore, any determination of probabilities based on the model represent simulated outcomes and should not be interpreted as being actual probabilities.

## Appendix D – Summary of Plan Provisions

The following is a brief summary of the main provisions of the CUPE SRP Plan effective December 31, 2023. For an authoritative statement of the precise provisions of the CUPE SRP Plan, reference must be made to the official CUPE SRP Plan documents.

### Introduction

The Pension Plan for CUPE Employees of New Brunswick Hospitals (Former CUPE Plan) became effective on January 1, 1975. The Former CUPE Plan was amended at various times throughout its history.

Effective July 1, 2012, the Former CUPE Plan was converted to the CUPE SRP Plan. The administration of the CUPE SRP Plan continues to be the responsibility of an independent Board of Trustees.

### Eligibility and Participation

Each Member of the Former CUPE Plan joined the CUPE SRP Plan on July 1, 2012. Active members of the Pension Plan for Part-Time and Seasonal Employees of the Province of New Brunswick who were eligible to join the CUPE SRP Plan ceased active membership in the said plan and were required to join the CUPE SRP Plan as of July 1, 2012.

Each employee who commences full-time employment on or after July 1, 2012 is required to join the Plan from the first day of the month coincident with or next following the date of employment.

### Required Contributions

Effective July 1, 2012, each member is required to contribute 9.0% of earnings. Participating employers contribute at least 10.1% of earnings from the same date.

Contribution rates are subject to change in accordance with triggers found under the Funding Policy for the CUPE SRP Plan.

### Normal Retirement

The normal retirement date is the first day of the month coincident with or next following the sixty-fifth birthday.

A member's annual normal retirement pension is equal to the sum of:

(A) In respect of service before January 1, 1997, the product of:

- i. the number of years of the member's pensionable service before January 1, 1997, and
- ii. 1.75% of the annual average of the best five (5) consecutive years of earnings at July 1, 2012, up to the annual average YMPE for the same five (5) years, plus 2% of the excess of the annual average of the best five (5) consecutive years of earnings at July 1, 2012 over the annual average YMPE for the same five (5) years;

and

(B) In respect of service from January 1, 1997 to July 1, 2012, the product of:

- i. the number of years of the member's pensionable service during that period, and
- ii. 1.4% of the annual average of the best five (5) consecutive years of earnings at July 1, 2012, up to the annual average YMPE for the same five (5) years, plus 2% of the excess of the annual average of the best five (5) consecutive years of earnings at July 1, 2012 over the annual average YMPE for the same five (5) years;

and

(C) In respect of service from July 1, 2012, the sum of (i) and (ii) for each calendar year (or portion thereof):

- i. 1.4% of the Member's earnings for the calendar year, up to the YMPE for the calendar year; and
- ii. 2.0% of the portion of the Member's earnings for the calendar year that are in excess of the YMPE for the calendar year.

Pensions accrued above are subject to cost-of-living adjustments, before and after retirement, every January 1st following July 1, 2012, subject to approval by the Board of Trustees, and in accordance with the trigger requirements found under the Funding Policy for the CUPE SRP Plan. The following cost-of-living adjustments have been granted by the Board of Trustees based on the results of the actuarial valuation preceding the effective date of the adjustments and the terms of the Funding Policy.

**Table D.1 – Cost of Living Adjustments**

Effective Date	Cost of Living Adjustment
January 1, 2013	2.00% (pro-rated by 50% for active members)
January 1, 2014	0.96% for current year, plus 0.4% for prior year
January 1, 2015	1.43%
January 1, 2016	1.49%
January 1, 2017	1.40%
January 1, 2018	1.47%
January 1, 2019	1.88%
January 1, 2020	2.12%
January 1, 2021	1.46%
January 1, 2022	1.46%
January 1, 2023	2.74%
January 1, 2024	3.60%

Further increases to accrued pensions for active members may be awarded under the terms of the Funding Policy once cost-of-living adjustments have been awarded and the results of the actuarial valuation preceding the effective date of the adjustments allow the Board of Trustees to spend additional funds on pension increases.

The following increases have been granted by the Board of Trustees based on the results of the actuarial valuation preceding the effective date of the adjustments and the terms found under “Other Actions”, Step 2, of the Funding Excess Utilization Plan of the Funding Policy.

**Table D.2 – Step 2 Pension Adjustments**

<b>Effective Date</b>	<b>Step 2 Pension Increase (Active Members Only)</b>
January 1, 2013	n/a
January 1, 2014	n/a
January 1, 2015	95% of additional increase necessary to provide all active members a lifetime benefit calculated using a 5-year final average benefit formula at December 31, 2013
January 1, 2016	100% of additional increase necessary to provide all active members a lifetime benefit calculated using a 5-year final average benefit formula at December 31, 2014
January 1, 2017	100% of additional increase necessary to provide all active members a lifetime benefit calculated using a 5-year final average benefit formula at December 31, 2015
January 1, 2018	100% of additional increase necessary to provide all active members a lifetime benefit calculated using a 5-year final average benefit formula at December 31, 2016
January 1, 2019	100% of additional increase necessary to provide all active members a lifetime benefit calculated using a 5-year final average benefit formula at December 31, 2017
January 1, 2020	100% of additional increase necessary to provide all active members a lifetime benefit calculated using a 5-year final average benefit formula at December 31, 2018
January 1, 2021	100% of additional increase necessary to provide all active members a lifetime benefit calculated using a 5-year final average benefit formula at December 31, 2019
January 1, 2022	100% of additional increase necessary to provide all active members a lifetime benefit calculated using a 5-year final average benefit formula at December 31, 2020
January 1, 2023	n/a
January 1, 2024	n/a

The following increases have been granted by the Board of Trustees based on the results of the actuarial valuation preceding the effective date of the adjustments and the terms found under “Other Actions”, Step 3, of the Funding Excess Utilization Plan of the Funding Policy.

**Table D.3 – Step 3 Pension Adjustments**

<b>Effective Date</b>	<b>Step 3 Pension Increase (pensioners only)</b>
January 1, 2016	100% of additional increase necessary to provide all members receiving a pension at December 31, 2014 a lifetime benefit calculated using a 5-year final average benefit formula at their individual date of retirement
January 1, 2017	100% of additional increase necessary to provide all members receiving a pension at December 31, 2015 a lifetime benefit calculated using a 5-year final average benefit formula at their individual date of retirement. As step 3 was granted a year prior, only members who retired in 2015 are affected.
January 1, 2018	100% of additional increase necessary to provide all members receiving a pension at December 31, 2016 a lifetime benefit calculated using a 5-year final average benefit formula at their individual date of retirement. As step 3 was granted a year prior, only members who retired in 2016 are affected.
January 1, 2019	100% of additional increase necessary to provide all members receiving a pension at December 31, 2017 a lifetime benefit calculated using a 5-year final average benefit formula at their individual date of retirement. As step 3 was granted a year prior, only members who retired in 2017 are affected.
January 1, 2020	100% of additional increase necessary to provide all members receiving a pension at December 31, 2018 a lifetime benefit calculated using a 5-year final average benefit formula at their individual date of retirement. As step 3 was granted a year prior, only members who retired in 2018 are affected.
January 1, 2021	100% of additional increase necessary to provide all members receiving a pension at December 31, 2019 a lifetime benefit calculated using a 5-year final average benefit formula at their individual date of retirement. As step 3 was granted a year prior, only members who retired in 2019 are affected.
January 1, 2022	100% of additional increase necessary to provide all members receiving a pension at December 31, 2020 a lifetime benefit calculated using a 5-year final average benefit formula at their individual date of retirement. As Step 3 was granted a year prior, only members who retired in 2020 are affected
January 1, 2023	n/a
January 1, 2024	n/a

The following increases have been granted by the Board of Trustees based on the results of the actuarial valuation preceding the effective date of the adjustments and the terms found under “Other Actions”, Step 4, of the Funding Excess Utilization Plan of the Funding Policy.

**Table D.4 – Step 4 Pension Adjustments**

<b>Effective Date</b>	<b>Step 4 Pension Increase (Retirees Only)</b>
January 1, 2016	Retroactive lump sum payment necessary to provide all members receiving a pension at December 31, 2014 a lifetime benefit calculated using a 5-year final average benefit formula at their individual date of retirement, retroactive to their pension start date.
January 1, 2017	Retroactive lump sum payment necessary to provide all members receiving a pension at December 31, 2015 a lifetime benefit calculated using a 5-year final average benefit formula at their individual date of retirement, retroactive to their pension start date. As Step 4 was granted a year prior, only members who retired in 2015 are affected.
January 1, 2018	Retroactive lump sum payment necessary to provide all members receiving a pension at December 31, 2016 a lifetime benefit calculated using a 5-year final average benefit formula at their individual date of retirement, retroactive to their pension start date. As Step 4 was granted a year prior, only members who retired in 2016 are affected.
January 1, 2019	Retroactive lump sum payment necessary to provide all members receiving a pension at December 31, 2017 a lifetime benefit calculated using a 5-year final average benefit formula at their individual date of retirement, retroactive to their pension start date. As Step 4 was granted a year prior, only members who retired in 2017 are affected.
January 1, 2020	Retroactive lump sum payment necessary to provide all members receiving a pension at December 31, 2018 a lifetime benefit calculated using a 5-year final average benefit formula at their individual date of retirement, retroactive to their pension start date. As Step 4 was granted a year prior, only members who retired in 2018 are affected.
January 1, 2021	Retroactive lump sum payment necessary to provide all members receiving a pension at December 31, 2019 a lifetime benefit calculated using a 5-year final average benefit formula at their individual date of retirement, retroactive to their pension start date. As Step 4 was granted a year prior, only members who retired in 2019 are affected.
January 1, 2022	Retroactive lump sum payment necessary to provide all members receiving a pension at December 31, 2020 a lifetime benefit calculated using a 5-year final average benefit formula at their individual date of retirement, retroactive to their pension start date. As Step 4 was granted a year prior, only members who retired in 2020 are affected.
January 1, 2023	n/a
January 1, 2024	n/a

The following increases have been granted by the Board of Trustees based on the results of the actuarial valuation preceding the effective date of the adjustments and the terms found under “Other Actions”, Step 5, of the Funding Excess Utilization Plan of the Funding Policy.

**Table D.5 – Step 5 Pension Adjustments**

<b>Effective Date</b>	<b>Step 5 Pension Increase (Active Members Only)</b>
January 1, 2016	100% of additional increase necessary to provide all active members a lifetime accrued benefit escalated at the Average Industrial Wage rather than the Consumer Price Index at December 31, 2014.
January 1, 2017	As the Average Industrial Wage index over the year in question was less than the CPI granted in Step 1, Step 5 did not provide any increases.
January 1, 2018	As the Average Industrial Wage index over the year in question was less than the CPI granted in Step 1, Step 5 did not provide any increases.
January 1, 2019	As the Average Industrial Wage index over the year in question was less than the CPI granted in Step 1, Step 5 did not provide any increases.
January 1, 2020	As the cumulative increase in Average Industrial Wage index since the last time Step 5 was granted was less than the cumulative increase of CPI over the same period, Step 5 did not provide any increases.
January 1, 2021	100% of additional increase necessary to provide all active members a lifetime accrued benefit escalated at the Average Industrial Wage rather than the Consumer Price Index at December 31, 2019.
January 1, 2022	100% of additional increase necessary to provide all active members a lifetime accrued benefit escalated at the Average Industrial Wage rather than the Consumer Price Index at December 31, 2020.
January 1, 2023	n/a
January 1, 2024	n/a

## Normal, Automatic and Optional Forms of Pension

The normal form of pension is a pension payable in equal monthly installments commencing on the member's pension commencement date and continuing thereafter during the lifetime of the member or for sixty months, whichever is the longer. For a member with a spouse or common-law partner, the automatic form of pension is a joint and survivor pension which is payable in equal monthly installments for the life of the member and payable to the member's spouse or common-law partner after the member's death at 60% of the amount paid to the member. Such automatic form of pension is actuarially equivalent to the normal form of pension.

Optional forms of pension are also available on an actuarially equivalent basis.

## Early Retirement and Bridge Benefit

Early retirement is permitted on or after age 55 if the member has at least 5 years of employment or 2 years of plan membership.

On early retirement, a bridge benefit of \$18.00 per month per year of pensionable service is payable in addition to the lifetime pension found under “Normal Retirement”. The bridge benefit is payable to age 65 or to the death of the member, if earlier, and is not reduced for early retirement.

The portion of the lifetime pension accrued for service before July 1, 2012 is unreduced if the pension commences to be paid at age 60 or later. If such lifetime pension commences to be paid before age 60, it is reduced by 1/4% per month (3% per year) that the lifetime pension commencement date precedes age 60.

The portion of the lifetime pension accrued for service on and after July 1, 2012 is reduced by 5/12% per month (5% per year) that the lifetime pension commencement date precedes age 65.

## Benefits on Termination of Employment

If a member terminates employment prior to completing five years of continuous employment and prior to completing two years of plan membership, the member is entitled to a refund of the total amount of his/her contributions to the plan, with interest.

If a member terminates employment before age 55 but after completing at least five years of continuous employment or two years of plan membership, the member may elect to receive:

- (i) a deferred lifetime pension payable from normal retirement date equal to the accrued pension to which the member is entitled as at his/her date of termination in accordance with the formula specified above for the normal retirement pension; or
- (ii) to transfer the termination value of the deferred lifetime pension calculated in accordance with the PBA, to a registered retirement savings arrangement as allowed under the PBA.

Members electing a deferred lifetime pension will also be entitled to retire early in accordance with the “Early Retirement” section, and will also be eligible for a bridge benefit.

## Death Benefits

If a member dies prior to completing five years of continuous employment and prior to completing two years of plan membership, the benefit payable is a refund of the member’s own contributions to the plan, with interest.

If the member dies after completing at least five years of continuous employment or two years of plan membership, but before pension commencement, the death benefit payable is the termination value of the deferred pension determined in accordance with the PBA.

In the event of death after pension commencement, the benefit payable is determined in accordance with the form of pension selected by the member at retirement.

## Appendix E – Summary of Funding Policy

The following is a brief summary of the main provisions of the Funding Policy for the CUPE SRP Plan effective December 31, 2023. For an authoritative statement of the precise provisions of the Funding Policy, reference must be made to the official document.

### Purpose of Plan and Funding Policy

The purpose of the CUPE SRP Plan is to provide secure pension benefits to members and former members without an absolute guarantee, but with a risk focused management approach delivering a high degree of certainty that base benefits can be met in the vast majority of potential future economic scenarios.

The primary focus is to provide a highly secure lifetime pension at normal retirement age. However, the intention is that additional benefits may be provided depending on the financial performance of the Plan.

The Funding Policy is the tool used by the Board of Trustees to manage the risks inherent in a shared risk plan. The Funding Policy provides guidance and rules regarding decisions that must, or can, be made by the Board of Trustees around funding levels, contributions and benefits.

### Benefit Objectives

The primary benefit objective for the Plan is to deliver benefits that closely replicate, to the extent possible, the benefits provided under the Plan prior to the conversion, including inflation protection.

Furthermore, benefit accruals under the Plan after the conversion are based on a normal retirement age of 65 with a 5% per year reduction for early retirement. This change reflects anticipated continued increases in life expectancy. The overall plan design objective with respect to retirement age is to provide each cohort of plan members with about the same expected number of years of pension payments for a similar amount of pension in current dollars at retirement. None of the above are guarantees.

### Risk Management

In accordance with legislation on shared risk plans, the primary risk management goal is to achieve a 97.5% probability that base benefits will not be reduced over the following 20 years.

In addition, secondary risk management goals are to provide, on average, contingent indexing on base benefits (for all members) in excess of 70% of CPI over the next 20 years, and to achieve at least a 75% probability that the ancillary benefits described in the Plan text at conversion can be provided over the next 20 years.

### Contributions

The initial total contribution rate is equal to 19.1% of earnings (members at 9.0% of earnings and employer at 10.1% of earnings).

Contribution adjustments may be made by the Board of Trustees. A total contribution increase of up to 1% of earnings is to be triggered by the Board of Trustees if the open group funded ratio of the Plan, as defined by the

PBA, falls below 100% for two successive year ends until such time as the open group funded ratio reaches 105% without considering the effect of the contribution increase and the primary risk management goal is met.

A reduction in contributions of up to a total of 2% of earnings can be triggered by the Board of Trustees if the conditions set forth in the funding excess utilization plan are met.

## Funding Deficit Recovery Plan

The funding deficit recovery plan must be implemented by the Board of Trustees if the open group funded ratio of the Plan falls below 100% for two successive plan year ends.

The funding deficit recovery plan consists of the following actions in the order of priority as listed below:

1. Increase contributions by up to a total of 1.0% of earnings.
2. Change early retirement rules for post-conversion service for members who are not yet eligible to retire and receive an immediate pension under the terms of the Plan to a full actuarial reduction for retirement before age 65;
3. Change early retirement rules for pre-conversion service for members who are not yet eligible to retire and receive an immediate pension under the terms of the Plan to a full actuarial reduction for retirement before age 60;
4. Reduce base benefit accrual rates for future service after the date of implementation of the deficit recovery plan by not more than 5%;
5. In addition to the reduction in step 4 above, reduce base benefits on a proportionate basis for all members regardless of membership status for both past and future service in equal proportions.

The above actions shall be taken one by one until the funding goal under the Regulations for such action is met.

Steps 1 to 4 shall take effect no later than 12 months following the date of the funding policy valuation report that triggered the need for contribution increases, and Step 5 shall take effect no later than 18 months following the date of the funding policy valuation report that triggered the need for the action.

## Funding Excess Utilization Plan

The funding excess utilization plan describes the actions the Board of Trustees must take or consider when the open group funding levels exceeds 105%. If the open group funding level is at 105% or less, there are no actions that can be taken under the funding excess utilization plan.

The amount available for utilization is as follows:

- 1/6th of the excess funds that make up the difference between the open group funding level at the valuation date to a maximum of 140% and 105% for valuation dates between July 1, 2012 and December 31, 2022 inclusively; or 1/5th of the excess funds that make up the difference between the open group funding level at the valuation date to a maximum of 140%, and 105% for valuation dates on or after December 31, 2023; PLUS
- 100% of the excess above 140%.

If base benefits and/or ancillary benefits have been reduced, all excess available for utilization must first be used to reinstate those reductions. Afterwards, the following actions are to be taken in the following order of priority and no action can be taken until the immediately preceding action in the list below has been fully implemented:

1. Provide indexing of base benefits up to the full CPI since the last date where full CPI was achieved.
2. Provide further increases in base benefits of members not in receipt of a pension such that the base benefits are upgraded to a final five year average.
3. Provide a further increase to retired members such that a final average formula is reasonably replicated for each retired member at their retirement date and indexed to full CPI thereafter.
4. Provide a lump sum payment representing a reasonable estimate of missed past increased payments up to the levels of benefits arising out of steps 2 and 3.
5. Provide a further increase to benefits of members who were not in receipt of a pension at the funding policy valuation date that triggered the action up to the rate of increase in the average wage.
6. Establish a reserve to cover the next 10 years of potential contingent indexing.
7. Apply contribution reduction adjustment of up to 2%.
8. Improve the normal form of pension for all members who are not in receipt of a pension.
9. Improve the bridge pension for all members eligible for a bridge pension whether or not in pay.
10. Improve the early retirement rules for service after June 30, 2012, provided that the Board of Trustees considers life expectancy experience as it develops.

Action 1 can be applied with excess funds available when the open group funded ratio is below 140%, provided the primary risk management test exceeds 95.0% and the asset mix has not been changed in a manner which increases the investment risk in the prior 6-month period. Actions 2 to 5 can be applied with excess funds available when the open group funded ratio is below 140%, provided the primary risk management test exceeds 97.5%. If all improvements from 1 through 5 above have been made and the open group funded ratio is still in excess of 140%, then actions 6 through 10 can be undertaken in sequence. After such actions have been undertaken, the Trustees may consider permanent benefit changes subject to the approval of the Province and Union and subject to most members being able to benefit from the changes.

Except for the timing of contribution reductions, the timing of the above actions shall be the first of the year that is 12 months after the date of the funding policy valuation report that triggered the actions.

## Actuarial Assumptions

A funding policy actuarial valuation shall be conducted by the Plan's actuary at December 31st of each year. The discount rate is 5.00% per annum from December 31, 2022. The intention is to keep the discount rate stable over time, but it may be changed in the future by the Board of Trustees. Other assumptions may be changed as experience evolves.

# Appendix F – Plan Administrator Confirmation Certificate

With respect to the Actuarial Valuation Report of the Shared Risk Plan for CUPE Employees of New Brunswick Hospitals as at December 31, 2023, I hereby confirm that to the best of my knowledge:

- the data regarding Plan members and beneficiaries provided to TELUS Health as at December 31, 2023 constitutes a complete and accurate description of the information contained in the files;
- copies of the official plan text and funding policy of the CUPE SRP Plan and all amendments to date were provided to TELUS Health; and
- there are no subsequent events or any extraordinary changes to the plan membership other than those described in this valuation report from December 31, 2023 to the date of this valuation report, which would materially affect the results.

## Board of Trustees Shared Risk Plan for CUPE Employees of New Brunswick Hospitals



Signature

Brenda Carter Vienneau


Name

Chairperson, Board of Trustees for the Shared Risk Plan for CUPE Employees of New Brunswick Hospitals

Title

September 24, 2024

Date



Signature

Carolyn Roberts

Name

Vice-Chairperson, Board of Trustees for the Shared Risk Plan for CUPE Employees of New Brunswick Hospitals

Title

September 24, 2024

Date

## About TELUS Health

With more than 50 years of experience in helping improve the financial wellbeing of individuals and the organizational resilience of employers and fiduciaries, we are experts in developing dynamic strategies to help our clients balance risk, cost and opportunity over time.

Our integrated, multi-disciplinary and highly experienced team of actuaries and consultants help thousands of organizations with a multitude of financial wellbeing solutions, from actuarial, governance, administration and investment to total rewards and compensation consulting.

For more information please visit:

[www.telushealth.com](http://www.telushealth.com).

