

# 2015

ANNUAL REPORT

The Board of Trustees for the Pension Plan for General and Service Employees of New Brunswick Nursing Homes (the Plan) is pleased to provide you with this annual update on the financial position and governance of the Plan.



## Highlights

Here is an overview of the Plan's main financial indicators for the year ending December 31, 2015 and for comparison purposes, for the year ending December 31, 2014. Please read the following pages for more details and explanations.

	December 31, 2015	December 31, 2014	Comments
<b>INVESTMENT PERFORMANCE</b> (last 12 months)	7.3%	11.1%	In 2015, market benchmark return was 5.4%
<b>CONTRIBUTIONS</b> (last 12 months)			
By the members	\$12,234,000	\$12,157,000	Regular contributions by the members and the employers are currently set at 8.125% of pay. The Province also makes an annual special payment of \$2,759,000 towards the deficit.
By the employers	\$12,100,000	\$12,077,000	
By the Province	\$2,759,000	\$2,759,000	
<b>PENSION FUND ASSETS</b>	\$428,867,000	\$399,368,000	Assets increased by \$29,499,000
<b>FINANCIAL POSITION</b>			
Funding ratio	91.9%	94.1%	Financial position assuming the Plan continues indefinitely.
Wind-up ratio	52.5%	53.0%	Financial position assuming the Plan is terminated.
<b>PENSION INDEXING</b>	1.5%	1.4%	Increase in the Consumer Price Index in Canada, up to a maximum of 2%. Applied to accrued pensions and pensions paid to retirees and beneficiaries.

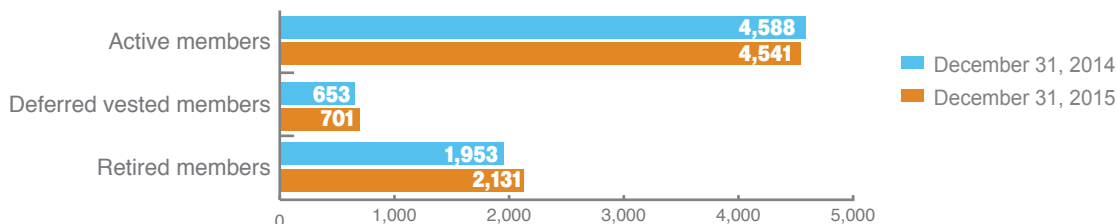
The Plan's investment performance for 2015 was better than the market benchmark return for the same period. The funding ratio for the Plan, slightly deteriorated in 2015. This is mainly due to an increase in the Plan's liabilities caused by lower interest rates.

In 2016, regular contributions from the members and the employers will remain at the same level and the Province will continue to make annual special payments of \$2,759,000 to assist in reducing the Plan's deficit.



## Membership

From December 31, 2014 to December 31, 2015, the number of members changed as follows:



On December 31, 2015, the average age of active members was 44.7 and the average age of retired members was 68.8.



## Changes in assets

Here is an overview of the changes in assets for the year ended December 31, 2015 and 2014 from the audited financial statements:

	2015	2014
Net assets, beginning of year	\$399,368,007	\$356,776,275
<b>INCREASE IN ASSETS</b>		
Total contributions (members, employers and the Province)	\$27,093,004	\$26,993,974
Interest and dividends	\$13,350,824	\$11,989,544
Change in investment value	\$14,913,714	\$26,487,086
<b>Total</b>	<b>\$55,357,542</b>	<b>\$65,470,604</b>
<b>DECREASE IN ASSETS</b>		
Benefit payments	(\$23,770,400)	(\$21,018,240)
Administrative and investment management expenses	(\$2,087,861)	(\$1,860,632)
<b>Total</b>	<b>(\$25,858,261)</b>	<b>(\$22,878,872)</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$428,867,288</b>	<b>\$399,368,007</b>

In 2015, the Audit Oversight Committee met twice with Ernst & Young to review the audit findings and process.



## Investments

### INVESTMENT RETURN

The Plan assets are part of a Master Trust combining the assets of the three Nursing Homes pension plans. This allows the Plan to invest the assets at a lower cost. The Plan's investment return for 2015, 2014, and the last 4 years are as follows:

	2015	2014	Last 4 years (annualized)
<b>PENSION PLAN</b>	7.3%	11.1%	11.9%
<b>MARKET BENCHMARK</b>	5.4%	11.1%	8.8%

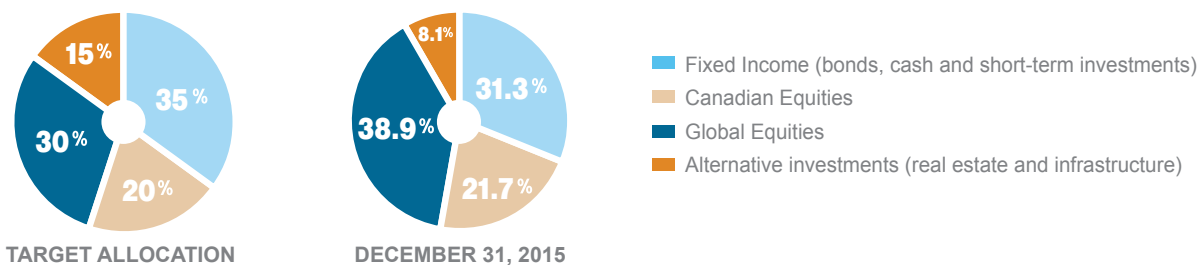
The market benchmark is the average of market index returns for the Plan. It is a measure used to evaluate the performance of the investment managers for the year.

The Board of Trustees regularly reviews and evaluates the performance of the Plan's investment managers. In 2015, Morneau Shepell provided the Board with analysis of the performance of the investment managers at each of their quarterly meetings. In addition, Gryphon Investment Counsel and UBS Global Asset Management met with the Sub Committee and Joint Committee to provide updates on their investment performance and strategy.



## Asset allocation

Here is how the pension fund assets were invested as at December 31, 2015, compared to the target asset allocation set by the investment policy approved by the Board of Trustees.



Over time, more assets will be directed towards alternative investments in order to meet the target allocation. In the meantime, those assets are mainly held in global equities.



## Financial position

As required by legislation, the Plan actuary appointed by the Board of Trustees must perform an actuarial valuation of the Plan every year to closely monitor its financial position. The valuation consists of comparing Plan assets with its liabilities to determine if there is enough money in the fund to pay all benefits, now and in the future, and how much the members and the employers must contribute to the Plan. The last valuation was done as at December 31, 2015.

### Funding and wind-up ratios

	Funding Ratio	Wind-up Ratio
<b>VALUE OF ASSETS</b>	\$442,688,000	\$427,567,300
<b>LIABILITIES</b>	\$481,604,600	\$814,056,500
<b>SURPLUS (DEFICIT)</b>	(\$38,916,600)	(\$386,489,200)
<b>RATIO</b>	<b>91.9%</b>	<b>52.5%</b>
<b>PREVIOUS YEAR (DECEMBER 31, 2014)</b>	94.1%	53.0%

Note: The value of the assets to determine the Funding Ratio includes the present value of the future special payments to be made by the Province to the Plan.

The **Funding Ratio** is based on the assumption that the Plan will continue indefinitely into the future. It indicates the long-term financial health of the Plan. Every year, the ratio will fluctuate depending on the economic and demographic experience of the Plan and the level of contributions being made to the Plan. On-going funding for the Plan is subject to a maximum contribution of 8.125% of pay from the members and from the employers alike, plus a special payment of \$2,759,000 per year by the Province until 2022.

The **Wind-up Ratio** is based on the assumption that the Plan is terminated at the valuation date and that benefits are settled through annuity purchases from insurance companies. The value of assets and the liabilities are estimated on the valuation date based on different methods and assumptions than those used to calculate the Funding Ratio. **By law, the members and the employers were exempted from any requirement to fund the Plan on this basis.**



## Governance

### BOARD OF TRUSTEES

The Board of Trustees is responsible for administering the Plan in accordance with the Federal *Income Tax Act*, the New Brunswick *Pension Benefits Act*, the *Nursing Homes Pension Plans Act* and the official Plan text. Current members of the Board are as follows:

NAME	ROLE	NAME	ROLE
<b>Odette Snow</b>	Chair, appointed by Government in June 2015	<b>Wayne Brown</b>	CUPE representative
<b>Roland Cormier</b>	CUPE representative and Vice-Chair	<b>Minerva Porelle</b>	CUPE representative
<b>Leo Burns</b>	Employer representative and Vice-Chair	<b>Sharon Teare</b>	Alternate CUPE representative
<b>Ruth Lyons</b>	Employer representative	<b>Patrick Roy</b>	CUPE observer
<b>Justin Wies</b>	Employer representative		

The Board of Trustees meets quarterly and follows strict governance rules. These rules outline all the tasks that the Board must perform, including the frequency and target date for completion for each task.

Board members must have sufficient knowledge of pension and investment related issues. In 2015, the entire Board participated in a session about pension communication best practices and three members participated in two national pension conferences.

### COMMITTEES

The Boards for the three Nursing Homes pension plans have created three committees. The role of the Standing Sub Committee and the Joint Committee is to make informed recommendations to the Boards to help them fulfill their responsibilities in the most effective way possible. The role of the Audit Oversight Committee is to oversee the Plans' financial reporting and the way the Boards monitor compliance, risk management and the audit process.

### ADVISORS AND SERVICE PROVIDERS

Actuary and Investment Consultant	Morneau Shepell
Custodian	CIBC Mellon
Auditor	Ernst & Young
Pension Administration	Morneau Shepell
Investment Managers	Gryphon Investment Counsel, Letko Brosseau, Jarislowsky Fraser, Fiera Capital, UBS Global Asset Management.



## For more information

Active employees can visit the Plan website at [nbnh.pension.hroffice.com](http://nbnh.pension.hroffice.com) to have access to the personalized pension projection tool. The website also contains a variety of information and documentation relating to the Plan.

### CONTACT INFORMATION FOR RETIREES

For changes of address, banking information or tax deductions, contact CIBC Mellon, the pension custodian at 1-800-565-0479

For information related specifically to pension and survivor benefits, contact Morneau Shepell at 1-506-458-9081