



# EPP

## Report to Members 2017

CUPE EMPLOYEES' PENSION PLAN

**JBT**

Joint Board of Trustees of the CUPE Employees' Pension Plan  
Le Conseil de fiducie mixte du régime de retraite des employé(e)s du SCFP

**CFM**



“Our Mission is to ensure the timely and accurate delivery of benefits to CEPP members and their beneficiaries in accordance with the CEPP terms and conditions by ensuring the proper funding and investment of the Pension Fund and the implementation of effective administrative procedures.”

## CONTENTS

Trustees’ Message .....	2
At a Glance .....	4
Members’ Profile .....	6
Did You Know? .....	8
Financial Status of the CEPP .....	9
2017 Plan Amendments.....	15
Pre-Retirement Seminars .....	15
Pre-Retirement Counselling.....	15
2017 Retirees.....	16
2017 Remembrance.....	16
Joint Board of Trustees (JBT) .....	17
Administration Team .....	19

# TRUSTEES' MESSAGE

Change is immanent in every aspect of life, whether it is a person, a business or a pension plan like ours. In the context of a pension plan, change is a slow-moving process that will inevitably impact its management and investment of assets. As the plan administrator, the JBT's role, with the support of its service providers, is to identify any potential change, assess any required adjustments to current strategies and implement a solution centered on our mission statement. Over the past decade, the JBT has faced several changes pertaining to the administration of the Plan, including the challenges posed by the solvency funding requirements and the evolution of the investment landscape. This year is no different as the Ontario government has finalized its important reform of funding rules for defined benefit pension plans, effective May 1, 2018.

Our investment strategy and the fund managers that we hired have continued to deliver positive investment returns, surpassing the actuary's valuation assumption. We are therefore pleased to report that the CEPP fund has grown from \$752M at the end of last year to \$794M at the end of 2017, just shy of the \$800M mark. The total-fund gross return for 2017 was 7.22% and is in large part the result of the global equity markets' strong performance and the value added by two of our managers, Letko Brosseau & Associates and Barrantagh Investment Management.

In this challenging and changing investment environment, we strive to investigate additional and complementary investment opportunities with the goal of maintaining, and hopefully improve, the already favorable financial health of the CEPP. With this objective in mind, the JBT hired Invesco at the end of 2017 to manage 6% of the CEPP assets through a global real estate mandate. This will further diversify the CEPP's investments, enhance the return potential of the fund and provide additional protection against inflation.

Our Plan maturity is a change that we continue to track as it progresses. At January 1, 2018, there were 907 active members for 810 retirees, a ratio of active/retiree of 1.12. We will continue to monitor the evolution of the Plan maturity and adjust our investment strategy as needed to ensure that there are available liquid assets in the Fund for the timely payment of benefits and to avoid the undesired effect of selling illiquid assets at the wrong time.





The year 2017 was marked with a significant change in the pension landscape, with the adoption of a whole new set of funding rules applicable to pension plans like the CEPP. On April 20, 2018, the Ontario government finalized its funding reform. Highlights of the new rules are:

- Elimination of the requirement to fund solvency deficiencies during the life of the plan when the solvency ratio is above 85%. Any solvency deficiency at plan termination must still be funded in full.
- In exchange for the elimination of the ongoing funding of solvency deficiencies, the employer needs to fund a new reserve, called the provision for adverse deviations (PfAD), which will serve as a margin to increase benefit security and to reduce risks related to economic and demographic fluctuations.
- When compared to the previous funding rules, this will result in lower contributions for the CEPP in the short term when solvency ratio is below 100% and slightly higher contributions in the long term.

The most significant impact of the funding reform will be a shift to a long-term focus for the management and the investment of plan assets, as contributions volatility will no longer be the focus point.

With a vision of keeping our Plan in place for a very long time, the CEPP is favourably healthy compared to other plans. The solvency funded position has improved by 1.7% in 2017 (solvency ratio of 93.0% compared to 91.3% last year), resulting from good fund performance and stable interest rates. On a going concern basis, the future is bright. In 2017, the funded position of the Plan has improved from 122.7% to 129.7%, with a surplus of \$177.7M. The new margin required to be funded is equivalent to \$59.3M, which is more than fully funded.

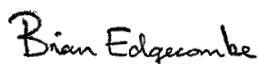
The Ontario new funding rules introduced a different funding framework and Settlers will be looking at possible ways within these rules to provide inflation protection under the Plan in the future.

On a final note, we are saddened by the passing, on May 10, 2018, of Brother Raymond Arsenault who served as Retiree Alternate Trustee on the JBT. We would also like to welcome Sister Sherry Hillier as CUPE Alternate Trustee early in 2018.

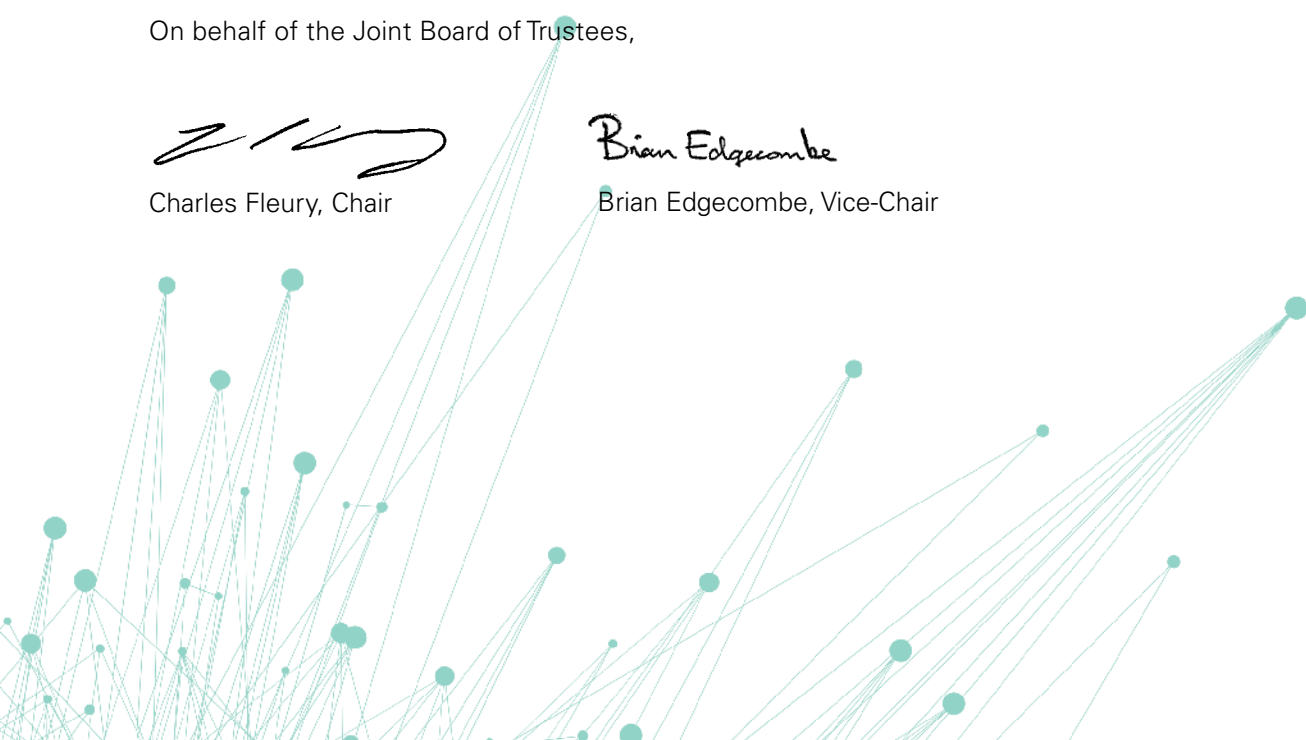
On behalf of the Joint Board of Trustees,



Charles Fleury, Chair

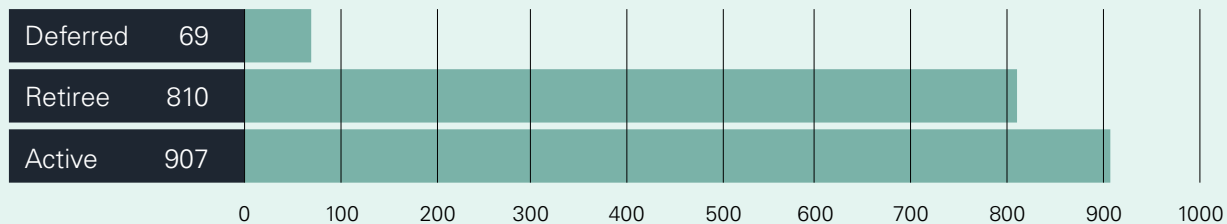


Brian Edgecombe, Vice-Chair



# AT A GLANCE

## MEMBERSHIP ON JANUARY 1, 2018



**Total of 1,786 members**

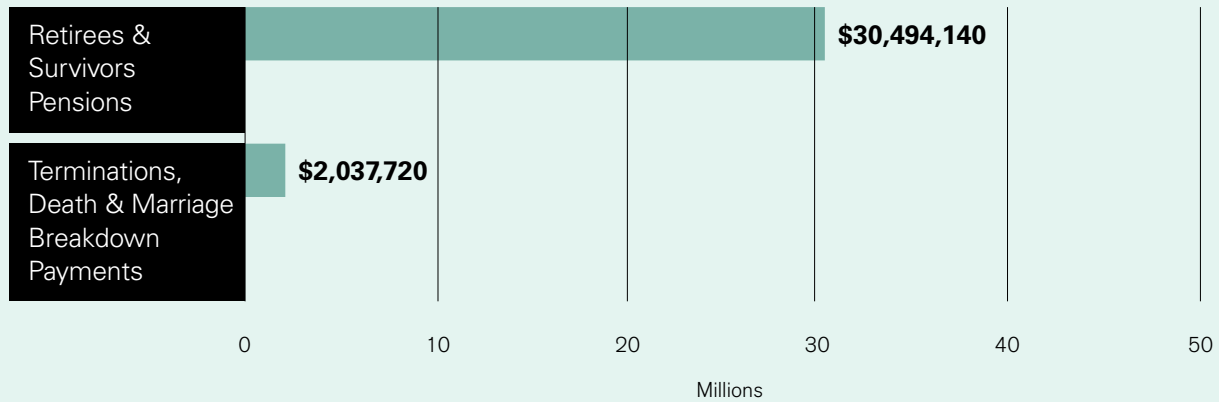
## 2017 EMPLOYEE AND EMPLOYER CONTRIBUTIONS



In accordance with the CEPP plan text, the employer is required to contribute as per the Actuary's recommendations of the last filed actuarial valuation. However, as applicable under the collective agreements between CUPE and the unions, the employer's contributions shall be at least equal to 12.2% of members' pensionable earnings, less applicable expenses.

In 2017, the employer was required to put an additional 2.15% of members' pensionable earnings into the Trust Fund to cover past services, for a total employer contribution of 14.35%. The employee contribution rate remains unchanged at 9.7%.

## 2017 PENSION PAYMENTS



In 2017, the CEPP paid a total of \$32.5M in pension benefits. Of this amount, 94% was paid in monthly pensions to retirees and surviving spouses (\$30.5M) and 6% was paid in terminations from the Plan, deaths and marriage breakdown pension benefits (\$2M).

# MEMBERS' PROFILE

All data in the following tables is from the January 1, 2018 and the January 1, 2017 actuarial valuations.

## Active Members

	2018	2017
Total Active Members	907	885
Females	589	575
Males	318	310
Average Age	49.1	49.3
Average Salary	\$99,300	\$95,800
Average Current Service	11.6	11.8

## Retirees

	2018	2017
Total Retirees	810	775
Average Age	68.7	68.3
Average Annual Pension	\$38,184	\$38,556

## Deferred Members

	2018	2017
Total Deferred Members	69	70
Average Annual Pension Liability	\$4,908	\$5,232

All data in the following table is from December 31<sup>st</sup>.

## Membership Changes

	2017	2016
New Entrants	73	58
Terminations, Vested & Deferred	9	14
New Retirees	47	52
Deaths	17	12

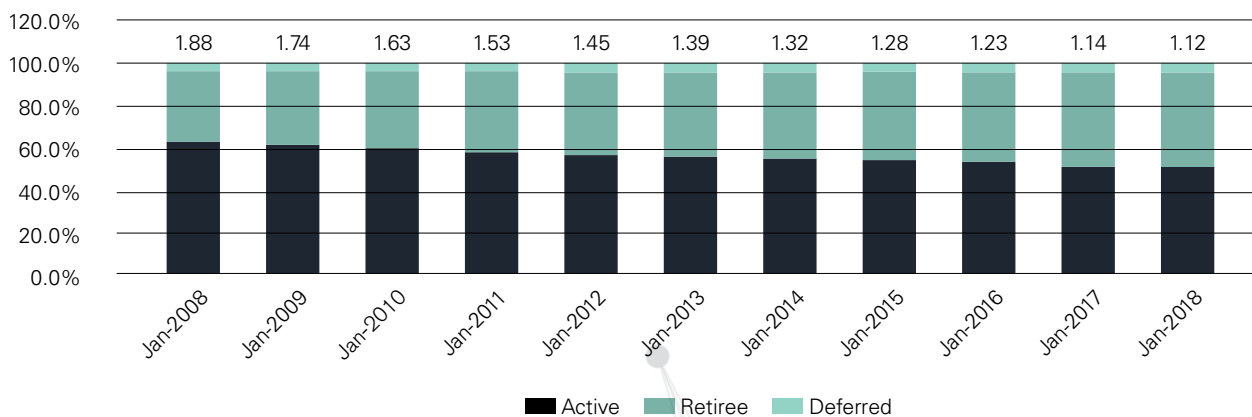
In 2017, 73 new members joined the plan and a total of 9 members terminated from the plan. Sadly, 17 members passed away, and of those who passed away, 3 were active members and 14 were retirees. In addition, 47 members retired in 2017. The new retirees average age is 60.3 years and remains very close to the "expected" average age at retirement.

## Ratio of Actives/Retirees

	2018	2017
Ratio of Actives/Retirees	1.12	1.14



## MEMBERSHIP RECONCILIATION



A pension plan is a “mature plan” when the number of retirees is equal to the number of active members. Ten years ago, in 2008, the Actives to Retirees ratio was 1.88, compared to 1.12 in 2018.

The graph above illustrates the evolution of membership over the past 10 years. It can be noted that the proportion of retirees has been constantly increasing over time and that the active to retiree ratio, indicated on top of each column, continues to gradually converge towards 1.0.

# DID YOU KNOW ?

## YOUR CEPP PENSION

The CUPE Employees' Pension Plan (CEPP) is a contributory defined benefit plan, which provides you with a guaranteed lifetime retirement benefit. Your basic annual pension benefit at your normal retirement date is calculated as follows:

2% X years of credited service  
X average pensionable service  
of your best 3 years

In addition, you may be entitled to a bridge benefit.

Your basic pension and your bridge benefit (if applicable) are subject to the maximum life retirement benefit as defined under the Income Tax Act. In addition, you can accrue a maximum of 35 years of credited service under the plan provisions.

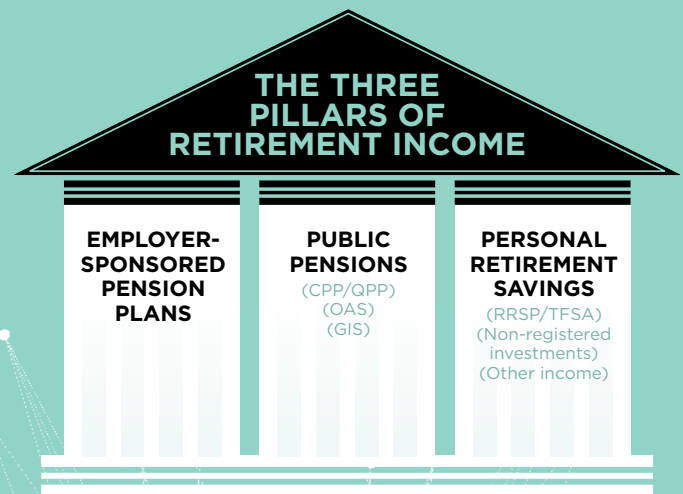
You may retire early (if eligible), in which case your basic pension and your bridge benefit (if applicable) will be reduced according to the plan provisions.

## PENSION STATISTICS IN CANADA:

- 80% of public servants have a pension plan
- 23% of private sector have a pension plan
- 30% of all Canadians have a pension plan
- 50% of Canadian couples between 55 and 64 have no employer pension between them, and of those less than 20% of middle-income families have saved enough to adequately supplement public government pensions
- 20% of the population will be older than 65 within the next 10 years

## CANADA'S RETIREMENT INCOME SYSTEM

Canada's retirement income system is composed of three main pillars: Employer sponsored pension plans such as the CEPP, Public pensions such as the Canada/Quebec Pension Plan (CPP/QPP), Old Age Security (OAS) and Guaranteed Income Supplement (GIS) and finally your Personal retirement savings such as Registered Retirement Savings Plans (RRSPs), Tax Free Savings Accounts (TFSAs) and Non-registered investments. Other possible sources of retirement income are home equity, insurance payouts collectibles, equity in a business, inheritances, etc.



# FINANCIAL STATUS OF THE CEPP

## Audited Financial Statements (as at December 31, 2017)

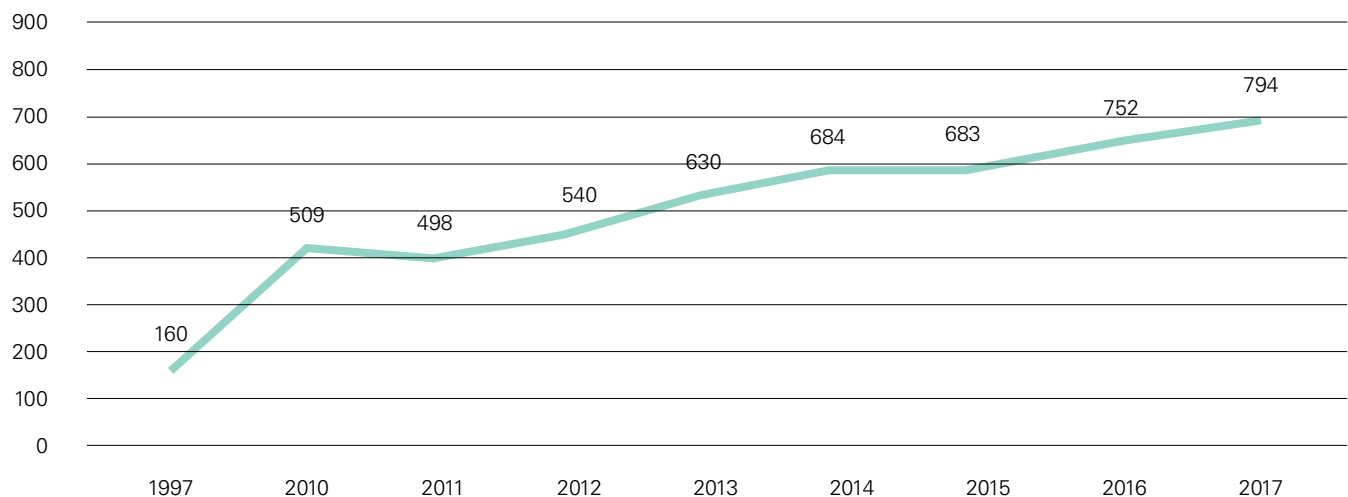
As required under the applicable pension legislation, an audit of the statement of financial position, statement of changes in net assets available for benefits and statement of changes in pension obligations must be carried out every year by an independent auditor.

At the end of the year, \$794M of net assets were available for benefits (compared to \$752M in 2016), representing a net increase of \$42M. You will find more information on the investment performance in further sections of this report.

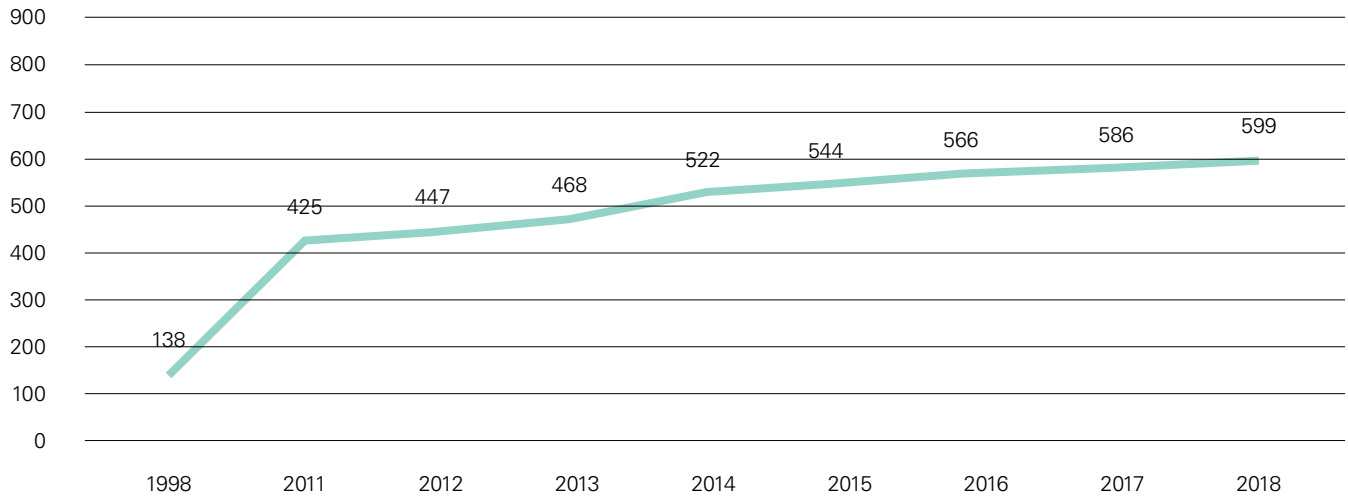
The plan's obligations to its members assuming the plan continued to operate in the future, also called Going Concern Liabilities were \$599M as at January 1, 2018. The plan's obligations based on the assumption that the plan is terminated on January 1, 2018, also called solvency liabilities, are valued at \$854M.

The Audited Financial Statements for the year ending on December 31, 2017 and the most recent Statement of Investment Policies and Procedures (SIP&P) are available on the CEPP website.

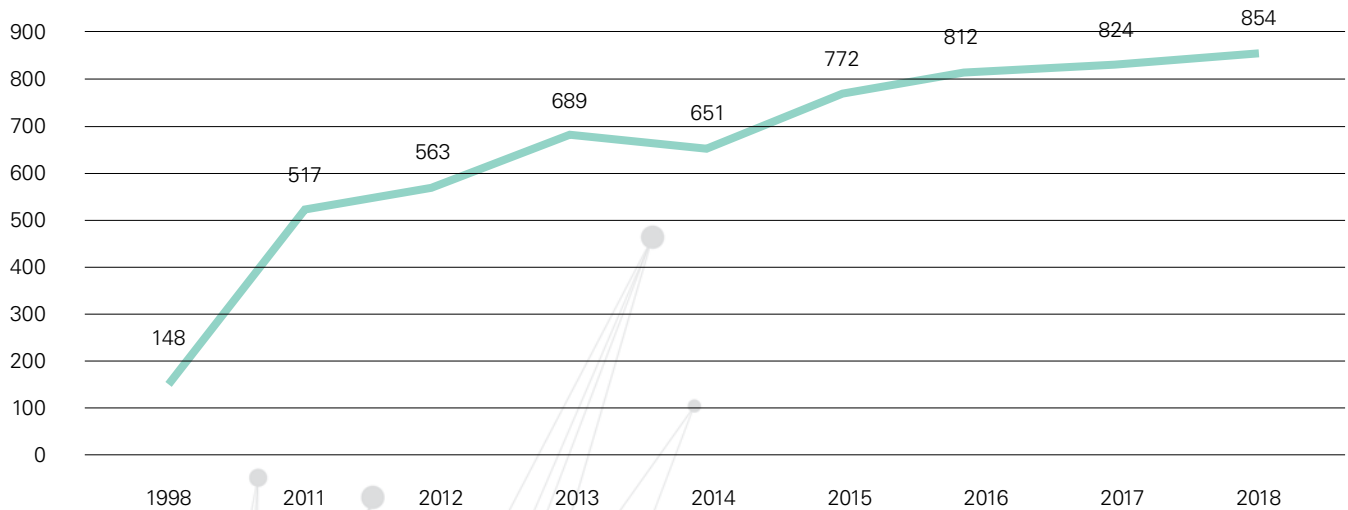
## MARKET VALUE OF ASSETS AS AT DECEMBER 31<sup>ST</sup> (IN MILLION \$)



## GOING CONCERN LIABILITIES AS AT JANUARY 1<sup>ST</sup> (IN MILLION \$)



## SOLVENCY LIABILITIES AS AT JANUARY 1<sup>ST</sup> (IN MILLION \$)





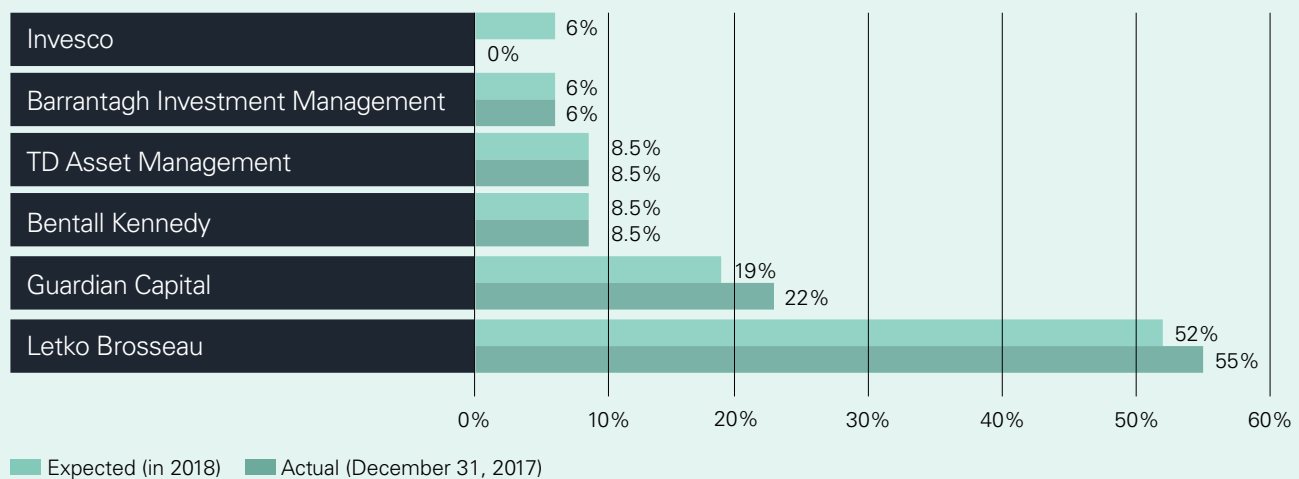
# OUR INVESTMENTS

As at December 31, 2017, the CEPP Fund portfolio was invested with the same five investment managers as last year. As part of the JBT's mandate to actively monitor and manage the growing pension Fund, the Board approved, at the end of 2017, to allocate 6% of the CEPP fund to global real estate and hired Invesco to manage these funds.

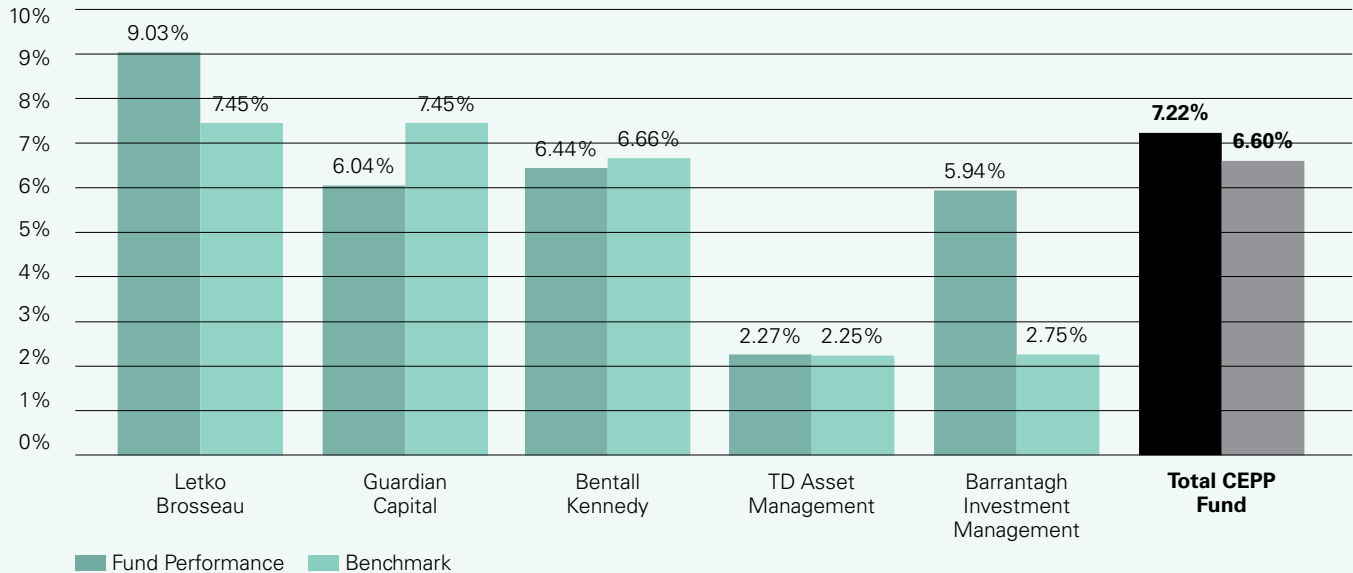
Accordingly, in 2018, 6% of the CEPP assets will be withdrawn proportionally from the fixed income portion of our two balanced funds managers (Guardian and Letko Brosseau) and reinvested with the new global real estate fund manager.

The first chart illustrates the proportion of pension fund's assets invested with each fund manager as at December 31, 2017 and the expected proportions after the transfer of funds to Invesco. The total portfolio amount invested with our fund managers at the end of the year is \$794 Million.

## INVESTMENT MANAGERS



## INVESTMENT PERFORMANCE IN 2017



The chart above displays the investment performance of our five Fund managers in 2017, compared to the Benchmark. Overall, the total CEPP Fund performed well for the year with a gross rate of return of 7.22%. The amount represents a value added of 0.62% from active management for year 2017.

Under the provisions of the plan's Statement of Investment Policies and Procedures (SIP&P), the CEPP Fund has an investment performance objective of 5.35% (CPI + 3.75%) over a 10-year moving average period. As at December 31, 2017, the Fund performed well above that objective with an investment return of 7.40%, measured over a 10-year moving average period.

# ACTUARIAL VALUATION REPORTS RESULTS

An actuarial valuation is conducted as at January 1 of each year to establish the financial position of the CEPP Fund. An Actuarial Valuation Report (AVR) must be filed with the Financial Services Commission of Ontario (FSCO) and the Canada Revenue Agency (CRA) at least once every three years.

As required under the applicable legislation, the AVR as at January 1, 2017 was filed with the plan regulators in September 2017. Further to the Ontario new funding rules, and under the recommendations of the plan's Actuary, the JBT approved the filing of an AVR as at January 1, 2018, which was filed with the plan regulators on June 11, 2018.

The following tables show the summary of results of the last two filed AVRs, i.e. the AVR as at January 1, 2018 and the AVR as at January 1, 2017.

**ONTARIO REGULATION 250/18 WAS FILED ON APRIL 20, 2018 AND NEW FUNDING RULES APPLICABLE TO DEFINED BENEFIT (DB) PENSION PLANS BECAME EFFECTIVE ON MAY 1, 2018. THESE RULES APPLY TO ACTUARIAL VALUATIONS FILED WITH A VALUATION DATE ON OR AFTER DECEMBER 31, 2017 AND FILED WITH THE REGULATORS AFTER APRIL 30, 2018.**

## FUNDING (GOING CONCERN) VALUATION

	Draft Actuarial Valuation Report January 1, 2018	Filed Actuarial Valuation Report January 1, 2017
Actuarial Value of Assets	<b>\$776,439,900</b>	<b>\$719,375,400</b>
<b>Funding Liabilities</b>		
Active	\$249,840,100	\$243,723,400
Deferred	\$3,298,900	\$4,076,800
Pensioners	\$345,631,700	\$338,601,000
Total Funding Liabilities	<b>\$598,770,700</b>	<b>\$586,401,200</b>
PfAD on Funding Liabilities	\$59,278,300	n/a
Funding Surplus before PfAD	<b>\$177,669,200</b>	<b>\$132,974,200</b>
Funding Surplus with PfAD	\$118,390,900	n/a
Funding Ratio before PfAD	<b>129.7%</b>	<b>122.7%</b>

Under the new funding rules, a plan is required to fund a reserve within the plan, called Provision for Adverse Deviation (PfAD), to reduce the risk of unfavorable economic and demographic fluctuations and ensure greater benefits security to plan members.

On a going concern basis (i.e. assuming the plan continues to operate in the future), our plan is in a surplus position as at January 1, 2018, which means that there are sufficient funds in the CEPP to pay the members pension benefits, pursuant to the terms of the plan text.

Under the new funding rules, the level of PfAD required on the funding liabilities is 9.9% (\$59M) as at January 1, 2018. As it can be noted in the table above, the CEPP's funding ratio is at 129.7% and well above the required level of 109.9%. Accordingly, no additional funding is required on a going concern basis.

## SOLVENCY VALUATION

	Filed Actuarial Valuation Report January 1, 2018	Filed Actuarial Valuation Report January 1, 2017
Assets (Market Value)	<b>\$794,268,000</b>	<b>\$752,000,000</b>
<b>Liabilities (Market Value)</b>		
Active	\$376,565,300	\$364,497,300
Deferred	\$5,161,600	\$5,672,400
Pensioners	\$472,586,100	\$453,538,800
Total Liabilities	<b>\$854,313,000</b>	<b>\$823,708,500</b>
Solvency Deficiency	<b>(\$60,045,000)</b>	<b>(\$71,708,500)</b>
Solvency Ratio	<b>93.0%</b>	<b>91.3%</b>
Under the new funding rules, solvency special payments are only required for plans that are less than 85% funded on a solvency basis. If the solvency ratio falls below 85%, only the portion of the deficiency that falls below the 85% threshold needs to be funded over a 5-year period.		

The last filed AVR as at January 1, 2018 shows favorable results compared to last year's figures. Furthermore, while the solvency ratio is still below 100%, it is above the 85% threshold required for solvency funding under the new rules. Accordingly, no additional funding is required on a solvency basis.

To obtain a copy of the last filed actuarial valuation report and more details on the actuarial process visit the CEPP website.



## 2017 PLAN AMENDMENTS

### *Plan Text - Amendment No. 77:*

This amendment effective April 12, 2017, implements the Memorandum of Agreement amongst the Settlers and Unifor Local Union 2013 and Unifor Local Union 2023.

### *Trust Agreement - Amendment No. 3:*

This amendment effective April 12, 2017, implements the Memorandum of Agreement last signed on March 2, 2017 between the Settlers and Unifor Local Union 2013 and Unifor Local Union 2023.

To obtain a copy of the above noted amendments visit the CEPP website.

## PRE-RETIREMENT COUNSELLING

In addition to the Pre-Retirement Seminars, the CEPP offers a one-on-one counselling session to plan members near retirement. Spouses are welcome to attend the session. The one-on-one counselling is very informative and will review the members' pension benefits at retirement. In 2017, a total of 40 CEPP members attended the one-on-one counselling sessions.

To obtain a copy of the policy and more details on the pre-retirement seminar and the counselling sessions visit the CEPP website.

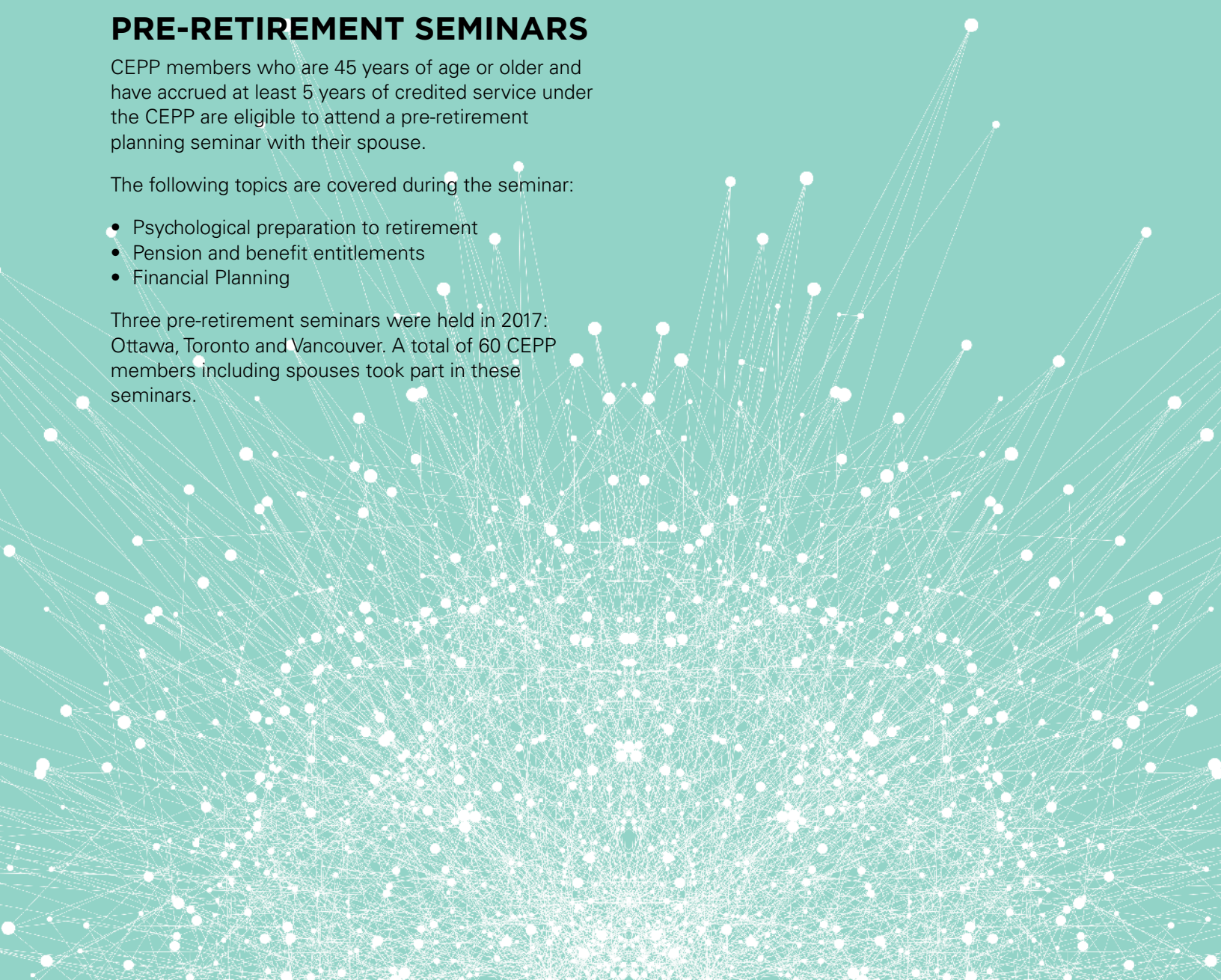
## PRE-RETIREMENT SEMINARS

CEPP members who are 45 years of age or older and have accrued at least 5 years of credited service under the CEPP are eligible to attend a pre-retirement planning seminar with their spouse.

The following topics are covered during the seminar:

- Psychological preparation to retirement
- Pension and benefit entitlements
- Financial Planning

Three pre-retirement seminars were held in 2017: Ottawa, Toronto and Vancouver. A total of 60 CEPP members including spouses took part in these seminars.





## 2017 RETIREES

We congratulate the following Sisters and Brothers who retired in 2017 and wish them a long and healthy retirement.

Richard Alexander • Sharon Elizabeth Angel • Thomas Baker • James Murray • Mark Kernaghan • Lori Baldock • Pamela Beattie • Elaine Blais • Bernadette Boland • Duncan Bronson • Linda Carey • Anne-Marie Caron-Côté • Maxine Copeland • Doris Daigle • Anne Didier • Pierre-Luc Dufort • Suzanne Duguay • Susan Fridriksson • Marcel Girard • Diane Glazer • Christina Hansford • Catherine Hinton • John Horsfield • Erika Iliant • Eddy Jomphe • Carol Judges • Aina Kagis • Jennifer Kaufmann • Josée Lafond • Hélène Lahaie • Selena Lashley • Gisele Laviolette • Steve Lillico • Lucie Marengère • Kathy Maxon • William Mugford • Victorien Pilote • Julie Prévost • Colleen Quintal • André Racette • Ravinder Sandhu • Glenda Smith • Pamela Smith • Raymond Smith • Donald Wallace • Danielle Wright • Margot Young

## 2017 REMEMBRANCE

In 2017, the JBT was saddened to hear of the passing of:

### ACTIVE MEMBERS, SISTER AND BROTHERS:

Jean-Marc Bézaire • Véronique Dubé • Jeffrey Lawson

### SPOUSE OF ACTIVE MEMBER:

Lawrence Joseph McCaffrey, spouse of Sister Kim McCaffrey

### RETIRED MEMBERS, SISTERS AND BROTHERS:

James Beattie • Suzanne Beaudry • Mildred Beckstead • Anne-Marie Churchill • Kealey Cummings • Joseph Denofreo • James Dowell • Stephen Edwards • Judith Gordon • Clarence Lacombe • Shirley Montgomery • Dorothy Olson • Antonette Roberts • Margaret Joan Smith

### SPOUSES OF RETIRED MEMBERS:

Catherine Boyle, spouse of Brother Stephen Boyle  
Felicita D'Souza, spouse of Brother Denzil D'Souza  
Denis Parent, spouse of Sister Carol Robertson  
Harold Robert White, spouse of Sister Marilyn White

### SURVIVING SPOUSES OF RETIRED MEMBERS:

Maureen Bourque, spouse of the late Normand Bourque  
Robert Roy, spouse of the late Sheila Roy





## THE JOINT BOARD OF TRUSTEES (JBT)

### JBT TRUSTEES

JBT members and their affiliations as at December 31, 2017 are listed below.

Trustee	Affiliation
Susan Arab	CSU Trustee
Raymond Arsenault	Retiree Alternate Trustee
Benoît Bouchard	CUPE Alternate Trustee
Marie-Andrée Bourgouin	CUPE Alternate Trustee
Jim Costescu	CUPE Trustee
Trevor Davies	CUPE Alternate Trustee
Heather Dillabaugh	COPE Trustee
Linda Duchesne	Unifor Local 2023 Alternate Trustee
Brian Edgecombe	CSU Trustee
Charles Fleury	CUPE Trustee
Amessan Gnawa	CSU Alternate Trustee
Tammy Greaves	CUPE Trustee
Judy Henley	CUPE Trustee
D'Arcy Lanovaz	CUPE Alternate Trustee
John Lepine	CUPE Trustee
Wendy Lyon	COPE Alternate Trustee
Candace Rennick	CUPE Alternate Trustee
Pierre-Guy Sylvestre	Unifor Local 2013 Trustee
Barry Thorsteinson	Retiree Trustee
Gary Yee	CSU Alternate Trustee

We want to take this opportunity to thank all those trustees who have left the Board in 2017 for their hard work and commitment to the CEPP.



# JBT SUB-COMMITTEE MEMBERS AND MANDATES

Over the years the JBT has determined that the most efficient way to manage some of the tasks and workload that is done each and every year is to create a series of sub-committees. These sub-committees are not decision makers with some very controlled exceptions. Their job is to undertake preliminary work and bring it back to the JBT for decisions. The 2017 sub-committees are:

## **FINANCE AND AUDIT - CHAIR TAMMY GREAVES**

Ensures that the JBT's finances, accounting practices and staffing needs are reviewed and reported on annually.

## **BENEFITS AND MEMBER COMMUNICATIONS - CHAIR MARIE-ANDRÉE BOURGOUIN**

Provides member education (i.e. pre-retirement seminars), communications with plan members (Report to Members, Website, Member Booklet, Pension Connection newsletter); monitors and reports to the JBT on benefit related issues as they arise

## **INVESTMENT - CHAIR JUDY HENLEY**

Reviews and oversees the investment policies, performance of fund managers, overall performance of the JBT investments, reviews and updates the list of foreign eligible companies, and oversees the performance of our proxy voting service as well as the responsible investing policy.

## **GOVERNANCE - CHAIR BARRY THORSTEINSON**

Undertakes annually a review of Trustee/Board performance; sub-committee structure including mandates and performance; governance policies of the JBT; performance of legal counsel. Reviews Plan text amendments. Works with legal counsel and the actuary on legal and legislative issues or updates. Addresses pension plan administrative issues and recommends and arranges Trustees' education.

Each Trustee and Alternate Trustee is assigned by the JBT to these sub-committees.



## ADMINISTRATION TEAM

CUPE is the Administrative Agent of the CEPP and has appointed Sister Sylvie Ouellet and her team to provide pension services to members.

If you are a member and need help with any of these matters:

- Plan enrolment
- Past service transfers, buy-backs, etc.
- Pension retirement estimates
- Calculations for purposes of marriage breakdown
- Retirement, termination, death benefits
- Individual pre-retirement counseling session

*For active plan members in the provinces of Alberta, British Columbia, Manitoba, Newfoundland and Labrador, Nova Scotia, Ontario, Prince-Edward-Island and Saskatchewan contact:*

### **Carole Lachance**

Administrative Assistant  
clachance@cupe.ca

*For active plan members in the provinces of New Brunswick, Ontario (National Office only) Quebec and all retirees across Canada contact:*

### **Louise Payette**

Administrative Assistant  
lpayette@cupe.ca

*For pre-retirement seminar registration contact:*

### **Mélissa Leroux**

Clerk-Typist  
mleroux@cupe.ca

## FOR QUESTIONS ABOUT:

- Administration of pension fund
- Negotiation and administration of Reciprocal Transfer Agreements (RTAs)
- Administration of policies and procedures
- Arrangement of pre-retirement seminars
- Preparation and filing of annual financial statements
- Preparation and filing of pension plan amendments
- Financial reconciliation of all pension plan transactions

## CONTACT:

### **Sylvie Ouellet**

Pension Administrative Officer  
syouellet@cupe.ca

or

### **Nadine Atallah**

Pension Analyst  
natallah@cupe.ca

## TO CONTACT THE JOINT BOARD OF TRUSTEES (JBT):

### **Caroline Perron**

Recording Secretary to the JBT  
pension-jbt@cupe.ca

The Administration Team mailing address, telephone and fax numbers:

### **CUPE NATIONAL**

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