

2018

Report to Members 2018

CUPE Employees' Pension Plan



2018

“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.”



www.cepp.ca

Ce rapport est aussi disponible en français

Contents

- 3** Trustees' Message
- 4** At a Glance
- 6** Members' Profile
- 9** Financial Status of the CEPP
- 16** 2018 Plan Amendments
- 17** Pre-Retirement Seminars
- 17** Pre-Retirement Counselling
- 18** 2018 Retirees
- 18** 2018 Remembrance
- 19** The Joint Board of Trustees (JBT)
- 20** JBT Sub-Committee Members
and Mandates
- 21** Administration Team



Trustees' Message

2018 was a year highlighted by changes.

The changes which probably had the biggest positive impact on the CEPP were the new defined benefit pension plans funding rules adopted by the Government of Ontario in April 2018 and filed under the general regulations of the Pension Benefits Act.

The JBT together with the Settlers have analyzed the impact of the new Ontario funding rules on the Plan and agreed to file an Actuarial Valuation Report to take advantage of these new rules.

In June 2018, an Actuarial Valuation Report effective January 1, 2018, was filed with the regulators. The Going Concern Valuation, which assumes a plan will continue indefinitely, showed a strong funding ratio of 129.7%. As for the Solvency Valuation, which assumes a plan will stop operating and all benefits will need to be paid out, it disclosed a solvency ratio of 93.0%. Based on these results, the employer required contribution rate decreased from 14.35% to 12.2% of pensionable earnings and the solvency special payments were eliminated, since they are only required when the solvency ratio is less than 85%. An Actuarial Valuation Report must be filed with the regulators every three years. The next report is required to be filed no later than January 1, 2021.

The adoption of the new Ontario funding rules also gave rise to Amendment No. 78, which provides for indexation increases effective January 1, 2018 to all retirees, surviving spouses and deferred members eligible to receive pension benefits. The indexation increases provided were calculated from January 1, 2010, which was the last time the Plan was able to pay indexing to retirees under the old funding rules, and paid going-forward starting January 1, 2018. The indexation increases calculated for the retroactive period were based on an affordability test as per the plan text and pension benefits were indexed by an amount representing between 43.1% and 100% of the Consumer Price Index (CPI) in each given year.

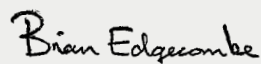
Going forward and subject to an affordability test, pensions in payment and deferred pensions will be indexed in line with the increase of the CPI on January 1st of each year after 2018.

Another major change occurred in the administration team. Sister Pierrette Perras and Sister Lyn Thrasher, who worked in the Pension Administration Department respectively since February 2000 and April 2004 as the Pension Administrative Officer and the JBT Recording Secretary, left on vacation in 2018 preceding their retirement in 2019. We want to take this opportunity to thank them for their excellent work and dedication to the Plan members and JBT members throughout these years. We wish you a long, happy and healthy retirement.

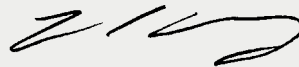
2018 was also an election year for the Retiree and Alternate Retiree Trustee's positions. Sister Nancy Parker was elected as the Retiree Trustee and Brother Barry Thorsteinson as the Alternate Retiree Trustee. Their three-year term started on January 1, 2019.

On a final note, in 2018, the Plan's performance was lower than expected with a gross rate of return of -3.40% and total assets of over \$753 million. However, the plan continues to be well managed by our JBT and remains in a healthy position.

On behalf of the Joint Board of Trustees,



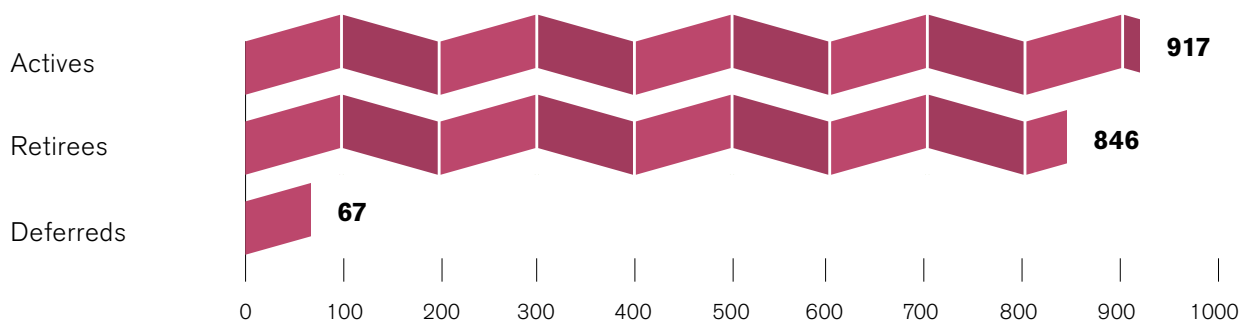
Brian Edgecombe, Chair



Charles Fleury, Vice-Chair

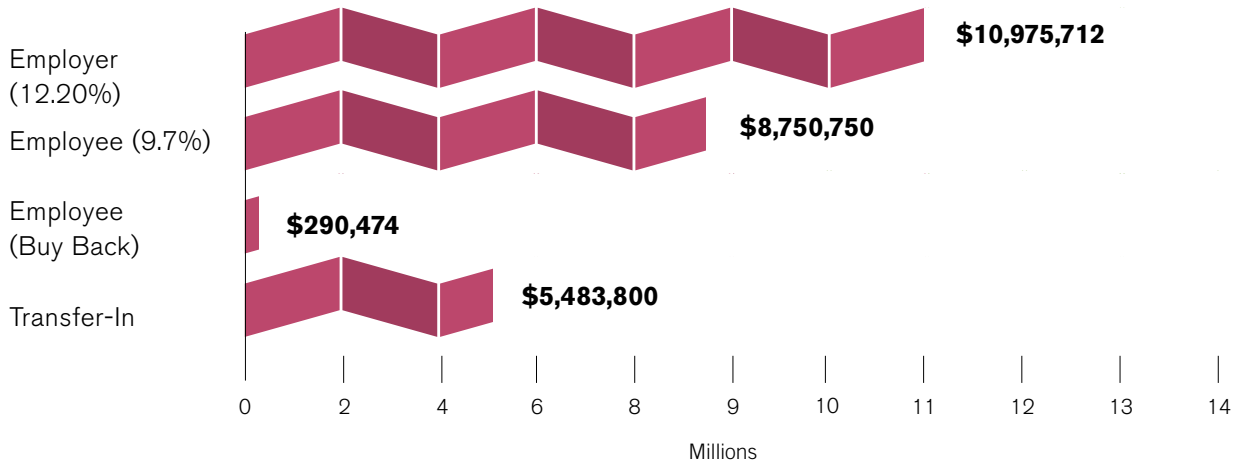
At a glance

Membership on January 1, 2019



Total of 1,830 members

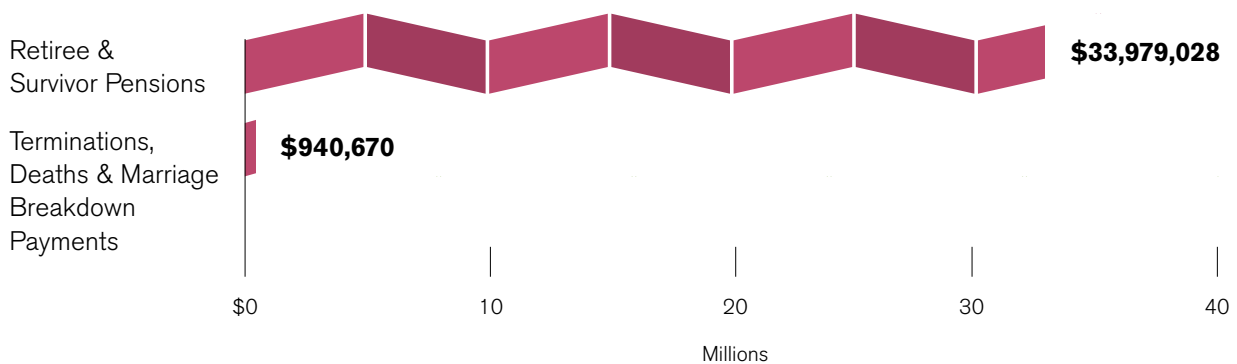
2018 Employee and Employer Contributions and Transfer-In



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, which represents an employer contribution rate of 11.29% as per the January 1, 2018 cost certificate. 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.

Accordingly, in 2018, the employer contribution rate decreased from 14.35% to 12.2% while the employee contribution rate remained unchanged at 9.7%.

2018 Pension Payments



In 2018, the CEPP paid a total of \$34.9M in pension benefits. Of this amount, 97% was paid in monthly pensions to retirees and surviving spouses (\$34.0M) and 3% was paid in terminations from the Plan, deaths and marriage breakdown pension benefits (\$0.9M).

Members' Profile

All data in the following tables is from the January 1, 2019 and the January 1, 2018 actuarial valuations.

Active Members

	2019	2018
Total Active Members	917	907
Females	590	589
Males	327	318
Average Age	49.0	49.1
Average Salary	\$104,500	\$99,300
Average Current Service	11.6	11.6

Retirees

	2019	2018
Total Retirees	846	810
Average Age	69.0	68.7
Average Annual Pension	\$40,704	\$38,184

Deferred Members

	2019	2018
Total Deferred Members	67	69
Average Annual Pension Liability	\$4,764	\$4,908

All data in the following table is as at December 31st.

Membership Changes

	2018	2017
New Entrants	65	73
Terminations, Vested & Deferred	12	9
New Retirees	43	47
Deaths	20	17

In 2018, 65 new members joined the Plan and a total of 12 members terminated from the Plan. Sadly, 20 plan members deceased, and of those who passed away, 1 was a deferred vested member and 19 were retirees. In addition, 43 members retired in 2018. The new retirees average age is 60.7 years, which is slightly higher but consistent with the increase in recent years.

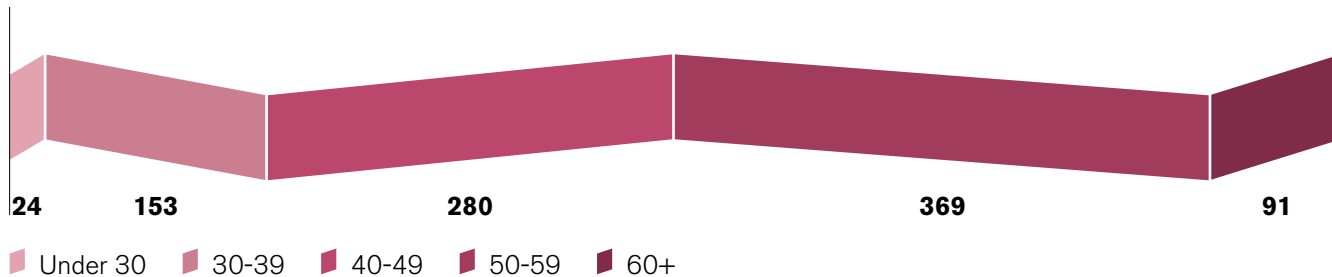
Ratio of Actives/Retirees

	2019	2018
Ratio of Actives/Retirees	1.08	1.12

A pension plan is a “mature plan” when the number of retirees is equal to the number of active members. As at January 1, 2019, the active to retiree ratio continues to gradually converge towards 1.0.

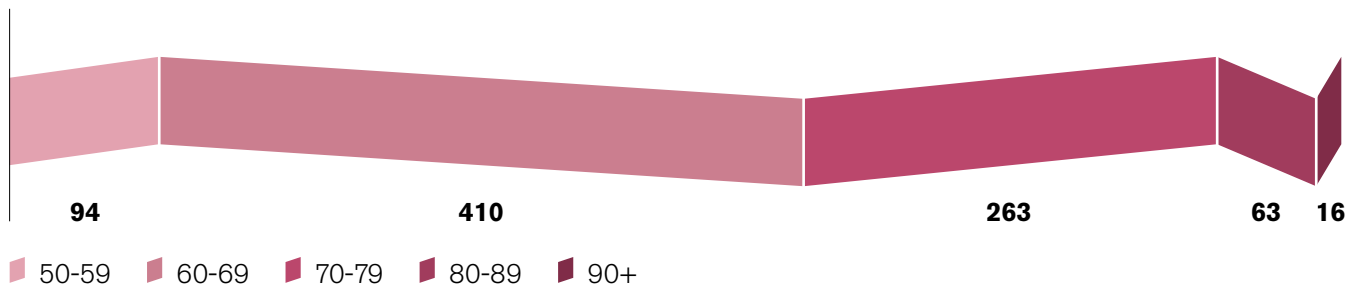
Active Members by Age

As at January 1, 2019, there are 917 active members in the Plan. It can be observed that 457 members are under the age of 50 while 460 members are 50 years of age and over. Given that members can retire as early as 50 years of age, with reduction if the 80 Factor is not attained, approximately 50% of active members are currently eligible for retirement.



Retired Members by Age

There were 846 retired members as at January 1, 2019.



Did you know?

As per Statistics Canada's latest report, a 65-year-old male could expect to live to 84.3 years old while a 65-year-old female could expect to live to 87.1 years old.

Financial Status of the CEPP

Audited Financial Statements (as at December 31, 2018)

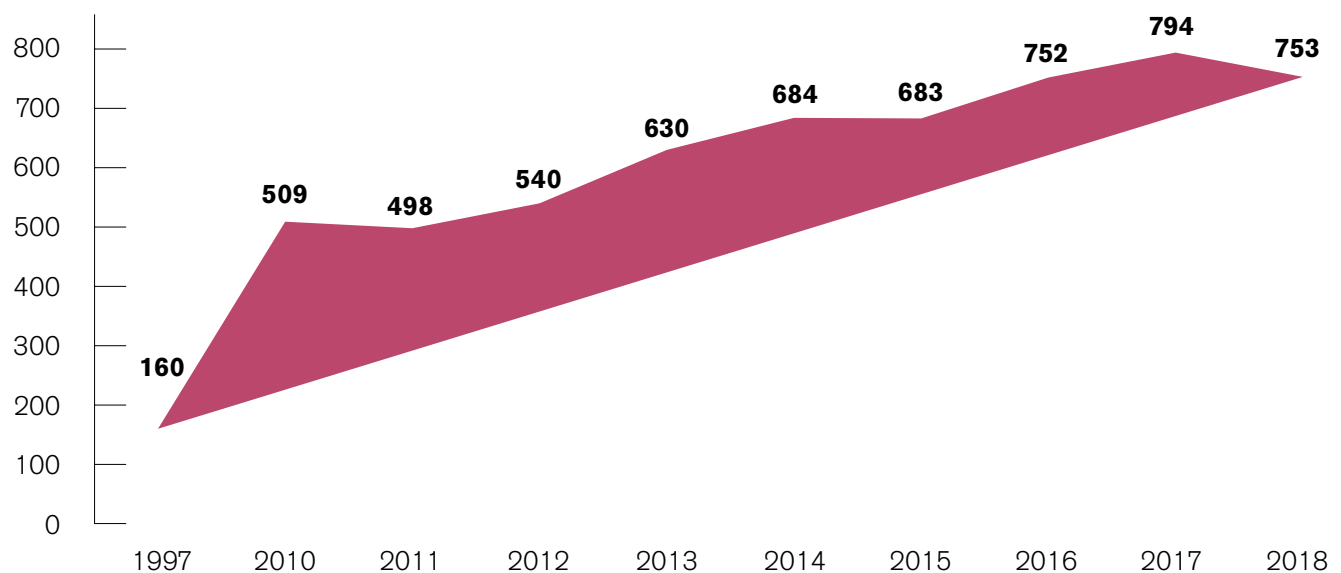
As required under the applicable pension legislation, an audit of the statement of financial position, statement of changes in net assets available for benefits and statement of changes in pension obligations must be carried out every year by an independent auditor.

In the past year, the Plan's investment assets decreased from \$794M as at December 31, 2017 to \$753M as at December 31, 2018. You will find more information on the investment performance in further sections of this report.

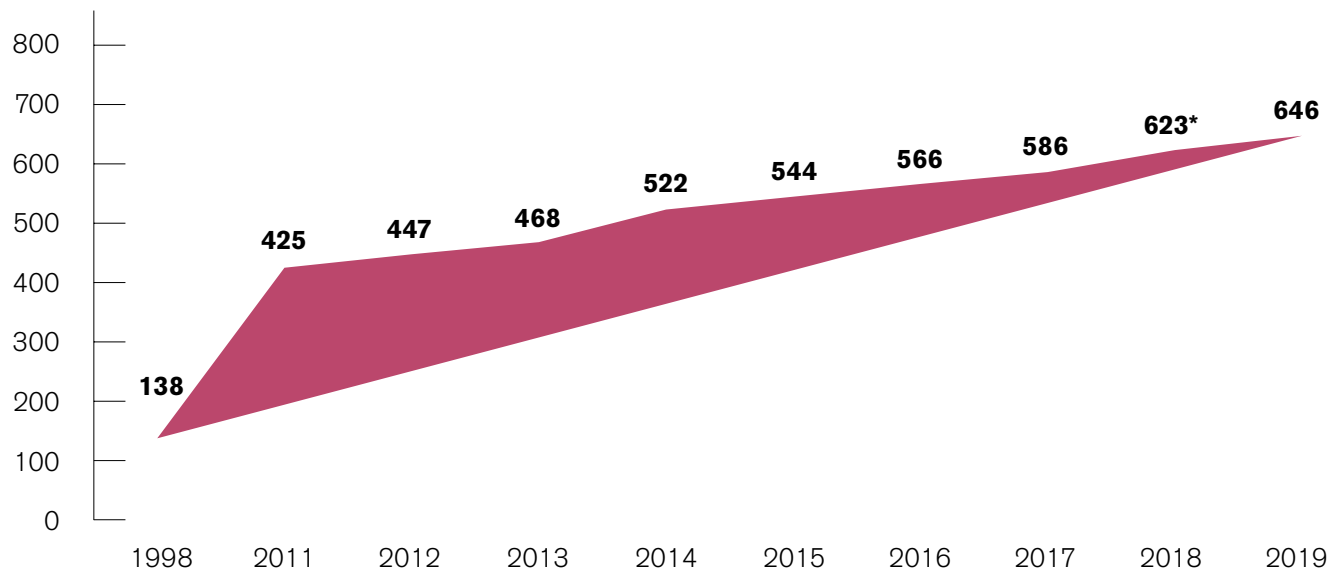
Based on its actuarial valuation as at January 1, 2019, the Plan's obligations to its members on a going-concern basis, which assesses the Plan over the long term on the assumption that it will operate indefinitely, are valued at \$646M. The Plan's obligations on a solvency basis, which evaluates the Plan on the assumption that it would be terminated on January 1, 2019, are valued at \$902M.

The Audited Financial Statements for the year ending on December 31, 2018 and the most recent Statement of Investment Policies and Procedures (SIP&P) are available on the CEPP website.

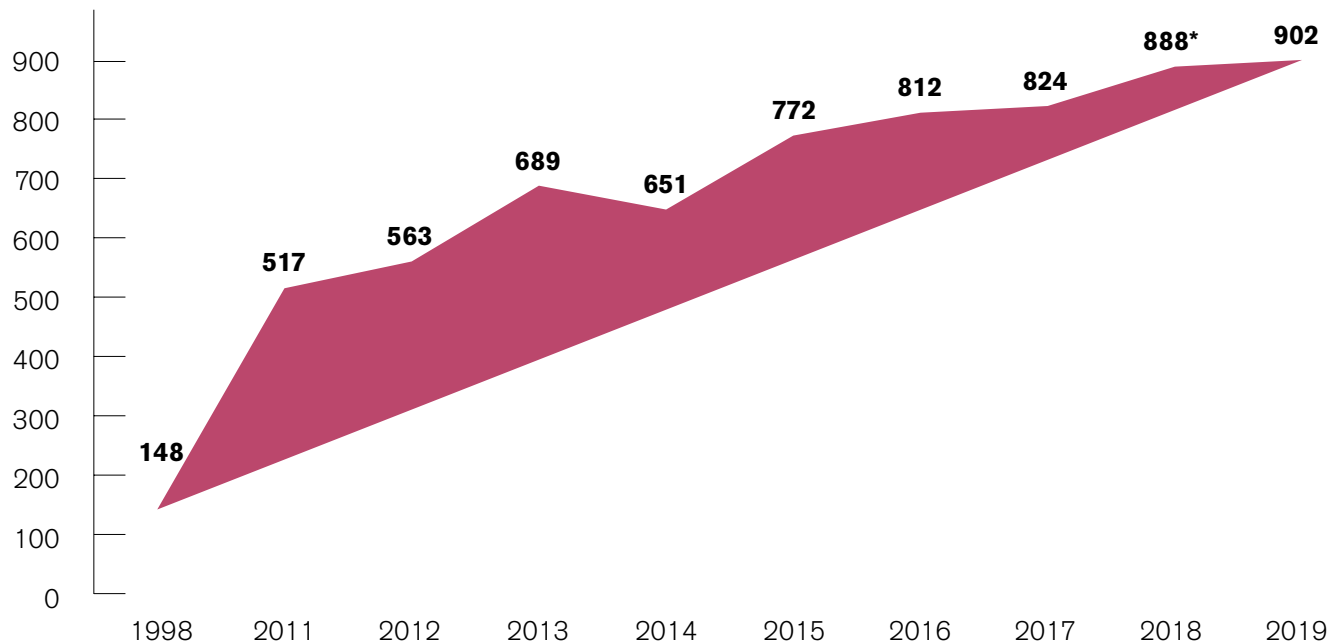
Market Value of Assets as at December 31st (in Million \$)



Going Concern Liabilities as at January 1st (in Million \$)



Solvency Liabilities as at January 1st (in Million \$)



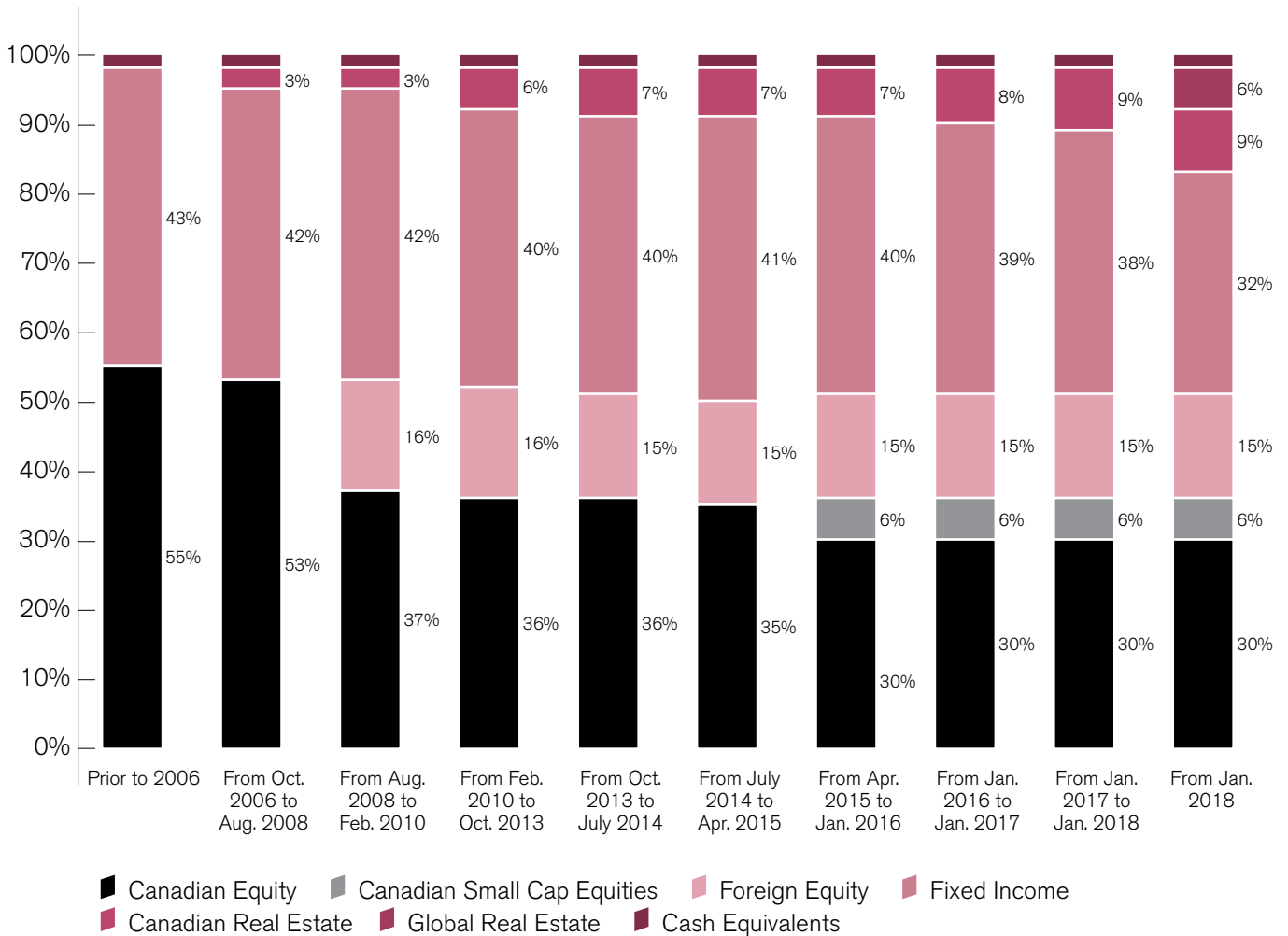
* The above 2018 numbers have been revised in accordance with the actuarial cost certificate as at January 1, 2018, required pursuant to Amendment No. 78.

Our Investments

Effective January 1, 2018, a target amount representing approximately 6.0% of the Fund is allocated to Global real estate investments through a specialized Global Real Estate Investment Mandate. Invesco has been hired to manage these funds.

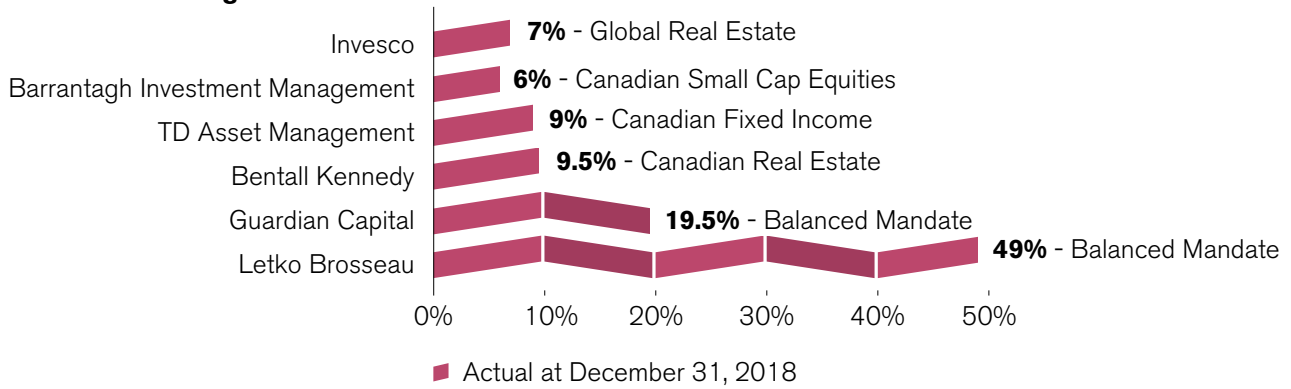
The first chart illustrates the evolution of the CEPP's investment structure throughout time.

Investment Portfolio

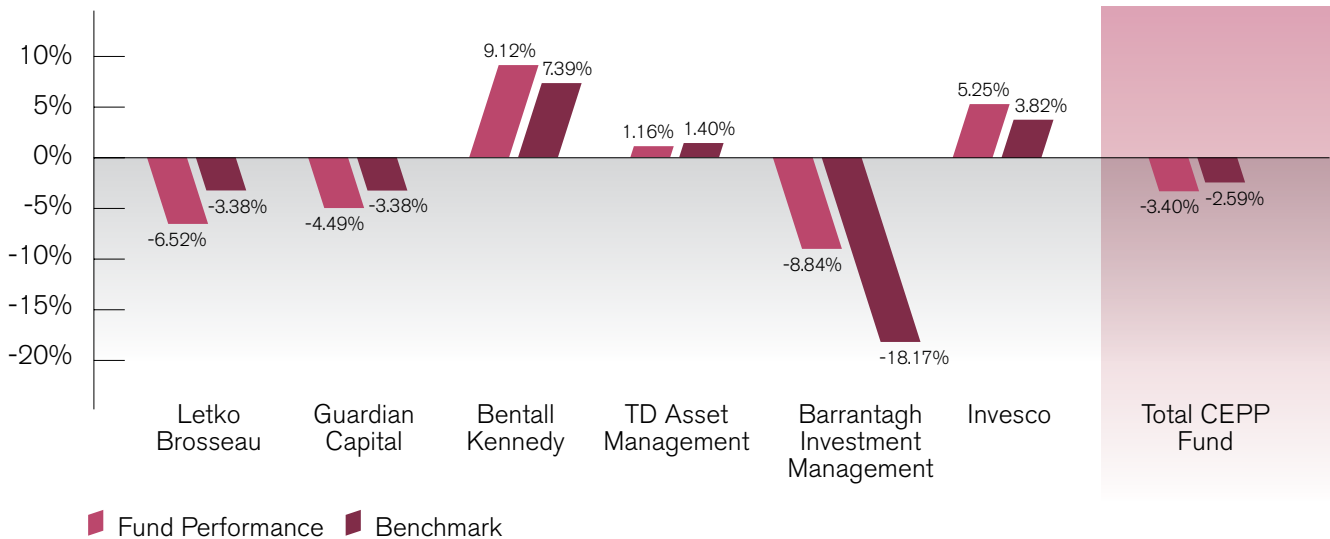


The chart below presents the proportion of pension fund's assets invested with each fund manager as at December 31, 2018. The total portfolio amount invested with our fund managers at the end of the year is \$753M.

Investment Managers



Investment Performance in 2018



The chart above displays the investment performance of our six Fund managers in 2018, compared to the Benchmark. Over the last year, Canadian Real Estate and American Equities had very favorable performances while Canadian Small Cap Equities and Canadian Equities posted the weakest performances over the same period. Markets were struck by a significant period of volatility during the three-month period ending December 31, 2018. The impact for the CEPP Fund for year 2018 is a gross rate of return of -3.40% and a value added of -0.81% from active management.

Under the provisions of the Plan's Statement of Investment Policies and Procedures (SIP&P), the CEPP Fund has an investment performance objective of 5.40% (CPI + 3.75%) over a 10-year moving average period. As at December 31, 2018, the CEPP's investment portfolio earned an investment return of 8.35% net of investment fees, measured over a 10-year moving average period.



A cost certificate or a complete actuarial valuation report is required to be filed when benefits improvements are made through a plan amendment, which was the case with Amendment No. 78.

A funding (going concern) valuation compares the assets and liabilities of a pension plan assuming the plan will continue indefinitely to assess its long-term sustainability.

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.

The JBT approved the filing of an AVR as at January 1, 2018, which was filed with the Plan regulators in June 2018. Along with the filing of Amendment No. 78, a cost certificate as at January 1, 2018 was also filed with government authorities in November 2018.

The following tables show the summary of results of the last undertaken AVR effective January 1, 2019 and the most recent reports filed with government authorities, i.e. the cost certificate as at January 1, 2018 and the AVR as at January 1, 2018.

Funding (Going Concern) Valuation

	Preliminary Actuarial Valuation Report January 1, 2019 * (not filed)	Filed Cost Certificate January 1, 2018	Filed Actuarial Valuation Report January 1, 2018
Actuarial Value of Assets	\$805,189,500	\$776,439,900	\$776,439,900
Funding Liabilities			
Active	\$259,704,600	\$251,086,300	\$249,840,100
Deferred	\$3,141,700	\$3,487,200	\$3,298,900
Pensioners	\$383,644,100	\$368,565,400	\$345,631,700
Total Funding Liabilities	\$646,490,400	\$623,138,900	\$598,770,700
Funding Surplus before PfAD	\$158,699,100	\$153,301,000	\$177,669,200
Funding Ratio before PfAD	124.5%	124.6%	129.7%

* As per the preliminary actuarial valuation results as at January 1, 2019. The next required actuarial valuation to be filed with government authorities should be performed no later than January 1, 2021.



Given that the AVR as at January 1, 2019 is showing a going concern surplus exceeding 100% plus PfAD, indexation adjustments will become payable effective January 1, 2019 in accordance with Amendment No. 78.

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.

Surplus Allocation

	Preliminary Actuarial Valuation Report January 1, 2019 * (not filed)
PfAD on Funding Liabilities	\$71,113,900
Additional Provision for Indexation in Excess of PfAD	\$74,834,800
Provision for Future Indexation	\$145,948,700**
Residual Going Concern Surplus	\$12,750,400
Total Going Concern Surplus	\$158,699,100

** Represents the total cost of indexing pensions at 1.99% effective January 1, 2019 and 2% per annum starting January 1, 2020.

As at January 1, 2019, the Plan had an actuarial surplus of \$159M on a going-concern basis, and a funding ratio of 124.5%. This means that there are sufficient assets in the CEPP to fund all pensions accrued or payable pursuant to the terms of the plan text. This compares to a surplus of \$153M and a funding ratio of 124.6% as at January 1, 2018.

The level of PfAD required on the funding liabilities is 11.0% (\$71M) as at January 1, 2019. No additional funding is required on a going concern basis as the CEPP's funding ratio is well above the required level of 111.0%.

Solvency Valuation

	Preliminary Actuarial Valuation Report January 1, 2019 * (not filed)	Filed Cost Certificate January 1, 2018	Filed Actuarial Valuation Report January 1, 2018
Assets (Market Value)	\$753,147,500	\$794,268,000	\$794,268,000
Liabilities (Market Value)			
Active	\$384,073,300	\$378,637,700	\$376,565,300
Deferred	\$4,964,500	\$5,464,400	\$5,161,600
Pensioners	\$513,208,800	\$503,643,100	\$472,586,100
Total Liabilities	\$902,246,600	\$887,745,200	\$854,313,000
Solvency Deficiency	(\$149,099,100)	(\$93,477,200)	(\$60,045,000)
Solvency Ratio	83.5%	89.5%	93.0%

Since the last filed cost certificate shows a solvency ratio above 85%, no special payments are required.

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



A solvency valuation assumes a plan will stop operating and all benefits will need to be paid out, regardless of how unlikely this is.

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.

2018 Plan Amendments

PLAN TEXT - AMENDMENT NO. 78: This amendment effective January 1, 2018, implements the Memorandum of Agreement amongst the Settlers dated September 14, 2018.

PLAN TEXT - AMENDMENT NO. 79: This amendment effective January 1, 2018, addresses recent guidance from the Ontario regulator, legislative changes to the funding requirements for pension plans and legislative changes to parental leave.

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

Did you know?

An interim actuarial cost certificate has been prepared to report on the financial impact as at January 1, 2018 of the benefit improvements granted under Amendment No. 78 to the CEPP.

Amendment No. 78 modifies the Plan provisions and the following benefit improvements have an impact on its financial situation.

1. Indexation, effective January 1, 2018, of pensions and bridge benefits in course of payment as at January 1, 2018 and accrued deferred pensions as at January 1, 2018 by a percentage based on the date of commencement of the pension or deferred pension in accordance with the following table:

Date of Commencement of Pension or Deferred Pension	Percentage Increase
January 1, 2010 or earlier	9.07%
January 1, 2011	7.30%
January 1, 2012	5.98%
January 1, 2013	5.56%
January 1, 2014	5.00%
January 1, 2015	4.19%
January 1, 2016	3.12%
January 1, 2017	1.87%
January 1, 2018	0.00%

For any pension or deferred pension that commenced in a month other than January of a year, the percentage increase was prorated; and

2. Reduction of the period for full vesting of bridge benefits from 15 to 10 years of credited service for a member who was not accruing benefits under the Plan on May 16, 2007 and who retires on or after October 3, 2018.

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

Four pre-retirement seminars were held in 2018: Ottawa, Toronto, Halifax and Montreal. A total of 55 CEPP members including spouses took part in these seminars.

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 2018, a total of 38 CEPP members attended the one-on-one counselling sessions.

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

2018 Retirees

We congratulate the following Sisters and Brothers who retired in 2018 and wish them a long and healthy retirement.

Francine Bélanger • Nicole Campbell • Donna-Marie Carlaw • Lee Ann Chartrand • Ronald Cloutier • Jeanette Coffen • Patricia DeLeskie • Pauline Désautels • Lucie DesRosiers • Yvonne Fast • Carol Ferguson • Louise Ferland • Louise Fiset • Lise Gauvreau • Deborah Hirdes • Donna Hull • Robin Jones • Janet Kuchta • Michel Latulippe • Herbert Mason • Albéric Mbayahaga • Deborah McDavid • Lynn McDougall • Marthe Messier • David Michor • Betty Morin • Serge Morin • Wanda O'Connor • Paul O'Donnell • Joanne Ouzas • Risa Pancer • Paula Raposo • William Robb • Nancy Rosenberg • Toby Sanger • Grace Scantlebury • Angela Scott • John Sprackett • Betty Jean Sutherland • Sylvie Turcot • Marianne Vinton • Steve Wells • Susan Zander

2018 Remembrance

In 2018, the JBT was saddened to hear of the passing of:

SPOUSE OF ACTIVE MEMBER:

Brian Carter, spouse of Sister Barbara Carter

DEFERRED MEMBER, SISTER:

Laurie Kingston

RETIRED MEMBERS, SISTERS AND BROTHERS:

Raymond Arsenault • Darlene Dick • Denzil D'Souza • Thomas Edwards • Marilyn Griffith • Gilles LeBel • Howard Matthews • Robert Matthews • Darlene Morin • Jean Dianne Murphy • Elias Ouellette • Joseph Shiaro • Georges Williams • George Wilson

SPOUSES OF RETIRED MEMBERS:

Edward Carey, spouse of Sister Linda Carey
Robert François Descary, spouse of Sister Judith Descary
June Edwards, spouse of Brother Thomas Edwards
Margaret Heap, spouse of Brother Serge Lalonde
Richard Hinton, spouse of Sister Catherine Hinton
Frederick James Keep, spouse of Sister Denise Keep

SURVIVING SPOUSES OF RETIRED MEMBERS:

Helen Levine, spouse of the late Gilbert Levine
Muriel Lindsay, spouse of the late Doug Lindsay
Mary Mayo, spouse of the late Thomas Mayo
Geneva Murphy, spouse of the late Richard Murphy
Georges Williams, spouse of the late Jennifer Williams

The Joint Board of Trustees (JBT)

JBT Trustees

JBT members and their affiliations as at December 31, 2018 are listed below.

Trustee	Affiliation
Susan Arab	CSU Trustee
Benoît Bouchard	CUPE Alternate Trustee
Marie-Andrée Bourgouin	CUPE Alternate 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
Sherry Hillier	CUPE Alternate Trustee
D'Arcy Lanovaz	CUPE Alternate Trustee
John Lepine	CUPE Trustee
Lindsay Mills	COPE Alternate Trustee
Candace Rennick	CUPE 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 2018 for their hard work and commitment to the CEPP. Special thanks to Brother Jim Costescu for 20 years of contributions to the Plan. Brother Jim has served on the JBT since the inception of the Trust in 1998 and continued to act as CUPE Trustee past his retirement.

Our thoughts are with the family of Brother Raymond Arsenault, Retiree Alternate Trustee, who passed away in May 2018. Brother Ray served on the JBT on three separate terms and will be missed by his fellow Trustees.

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 2018 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

2018

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

MYRIANNE SELLIER

Pension Analyst
msellier@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
1375 St. Laurent Blvd.
Ottawa, ON K1G 0Z7
Tel: (613) 212-4255
Fax: (613) 237-5508

