

The background of the entire page is a photograph of several hot air balloons in flight against a clear, light blue sky. The balloons are in various colors and patterns, including orange and red, yellow and purple, and blue and green. They are positioned at different heights and angles, creating a sense of depth and movement.

# Report to members

# 20 19

**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**

## Mission Statement

“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](http://www.cepp.ca)**

Ce rapport est aussi disponible en français



Photo credit: Nicole Geri

# CONTENTS

2	Trustees' Message
4	At a Glance
6	Members' Profile
8	Financial Status of the CEPP
15	2019 Plan Amendments
15	Pre-Retirement Seminars
15	Pre-Retirement Counselling
16	2019 Retirees
17	2019 Remembrance
18	Joint Board of Trustees (JBT)
19	JBT Sub-Committee Members and Mandates
20	Administration Team





# **TRUSTEES' MESSAGE**

We are pleased to present to you the 2019 Report to Members. As much as 2018 was challenging for the financial markets, 2019 was highlighted by a strong financial performance.

This was the premise for one of the main priorities in 2019 for the JBT. In 2018, an assessment of the investment risks faced by the CEPP was conducted. The goal was to determine the steps to enhance and optimize the risk-return profile of the CEPP fund, as the last update to the Plan was recently completed with the addition of the Global Real Estate mandate. In 2019, the JBT met with several fund managers specializing in Global Equities and two new fund managers were hired to help improve the value-added potential of the CEPP by decreasing the assets allocated to our two Balanced managers.

Early in 2020, preliminary actuarial valuation results as at January 1, 2020 were provided to the JBT showing a decrease of the funding ratio from 124.6% to 120.0% compared to the last filed cost certificate in 2018. Most importantly, the solvency ratio had decreased from 89.5% to 82.6% during the same timeframe. When a solvency ratio falls below the 85% threshold, special solvency payments must be made to bring back the solvency ratio to 85%.

Coincidentally, the world has been witnessing extremely volatile financial markets resulting from the COVID-19 pandemic. This could significantly further affect the solvency position during 2020. In fact, as at May 1, 2020, the solvency ratio of the Plan was estimated at 69.4%. Should the JBT choose not to file the January 1, 2020 actuarial valuation, the next required actuarial valuation to be filed with government authorities would need to be performed no later than January 1, 2021.

To ensure the ongoing financial health of the CEPP and be able to lock in healthy pre-coronavirus funding and solvency ratios, the employer decided to make a one-time special contribution of \$24.3M payable for 2019. That substantial sum brings the solvency position of the Plan to 85.2% and puts the Plan in a much-improved financial position as at January 1, 2020. The JBT has therefore approved the filing of an early actuarial valuation effective January 1, 2020.

Moreover, the employer regular contributions made in 2019 were at a rate of 13.63% of members' pensionable earnings. That is an increase from the 12.2% that was contributed in 2018. The employee contributions remained at the same level as for 2018, at 9.7%.

Overall, this represents for the CEPP a net increase of \$70M in assets for 2019, along with a fund gross rate of return of 11.34%. The January 1, 2020 actuarial valuation also shows a funding ratio of 122.3%, along with the solvency ratio of 85.2%. Despite these drops compared to 2018, the Plan remains more than fully funded, which means the CEPP has sufficient assets to meet its future obligations.

We are also pleased to report that indexation has been applied to pension benefits payable from the CEPP effective January 1, 2020. The rate of increase was 1.98% for all members that retired by January 1, 2019 and adjusted proportionally for those who retired in 2019.

Finally, we want to welcome Sister Nancy Parker and Brother Pierre-Alexandre Prigent as new Trustees in 2019 and thank Pierre-Guy Sylvestre who left the JBT.

We hope this report reassures you that your pension benefits continue to remain secure and that as always, the Joint Board of Trustees continue their diligent work in the best interest of the CEPP's beneficiaries.

On behalf of the Joint Board of Trustees,



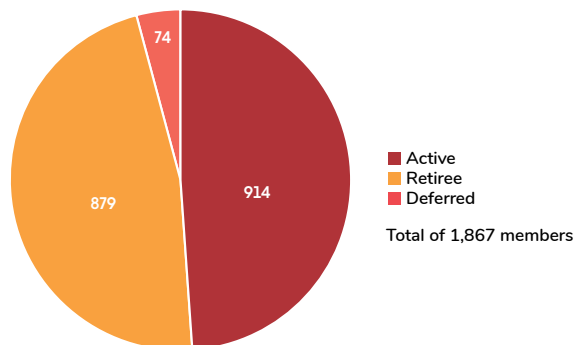
Charles Fleury, Chair



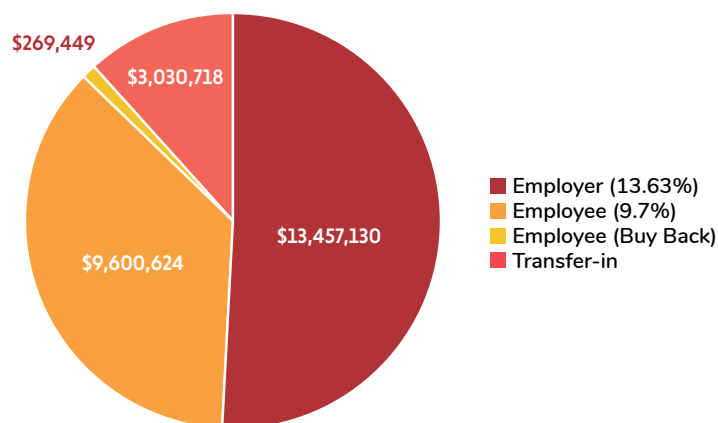
Brian Edgecombe, Vice-Chair

# AT A GLANCE

## Membership on January 1, 2020



## 2019 Employee and Employer Contributions and Transfer-In



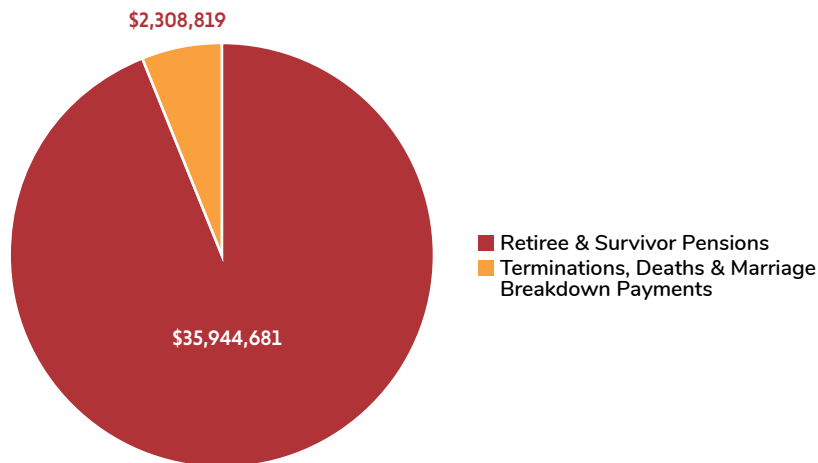
According to the CEPP provisions, the employer is required to contribute as per the Actuary's recommendations of the last filed actuarial valuation. For 2019, this represents an employer contribution rate of 12.53% as per the January 1, 2018 cost certificate.

A minimum employer contribution rate of 12.2% of members' pensionable earnings, less applicable expenses, is then compared to the actuary's recommendation as applicable under the collective agreements between CUPE and the unions. In addition, effective January 1, 2019, a provision was added to the plan text to increase by 1% the rate of required employer contributions or the rate of minimum employer contributions whenever the Plan's going concern funded ratio is not greater than 130% at its latest measurement date.



Considering a provision of 0.10% for expenses, the 2019 employer contribution rate amounted to 13.63%, which represented an increase from its previous value of 12.2% in 2018. As for the 2019 employee contribution rate, it remained unchanged at 9.7%.

## 2019 Pension Payments



In 2019, the CEPP paid a total of \$38.3M in pension benefits. \$35.9M of this amount were paid in monthly pensions to retirees and surviving spouses, which represents 94% of all pension benefits. Similarly, \$2.3M were paid in terminations from the Plan, deaths and marriage breakdown pension benefits. This represents 6% of all pension benefits.

# MEMBERS' PROFILE

All data in the following tables is from the January 1, 2020 and the January 1, 2019 actuarial valuations.

## Active Members

	2020	2019
Total Active Members	914	917
Females	580	590
Males	334	327
Average Age	49.2	49.0
Average Salary	\$108,100	\$104,500
Average Current Service	11.7	11.6

## Retirees

	2020	2019
Total Retirees	879	846
Average Age	69.3	69.0
Average Annual Pension	\$41,496	\$40,704

## Deferred Members

	2020	2019
Total Deferred Members	74	67
Average Annual Pension Liability	\$5,040	\$4,764

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

## Membership Changes

	2019	2018
New Entrants	64	65
Terminations, Vested & Deferred	24	12
New Retirees	46	43
Deaths	24	20

64 new members joined the CEPP in 2019 while 24 members left it following their termination of employment. There were also 46 new retirees in 2019, with a retiring average age of 61.2 years, which is slightly higher but consistent with the increase in recent years. Sadly, 24 plan members passed away in 2019, including 1 active member and 23 retirees.



All data in the following tables is from the January 1, 2020 and the January 1, 2019 actuarial valuations.

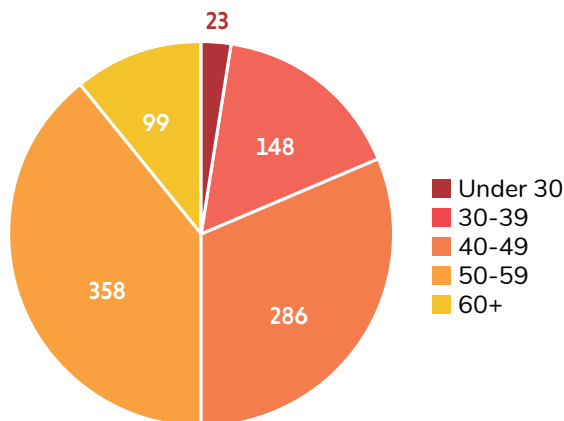
## Ratio of Actives/Retirees

	2020	2019
Ratio of Actives/Retirees	1.04	1.08

A pension plan is a “mature plan” when the number of retirees is equal to the number of active members. As at January 1, 2020, the active to retiree ratio continues to gradually converge towards 1.0.

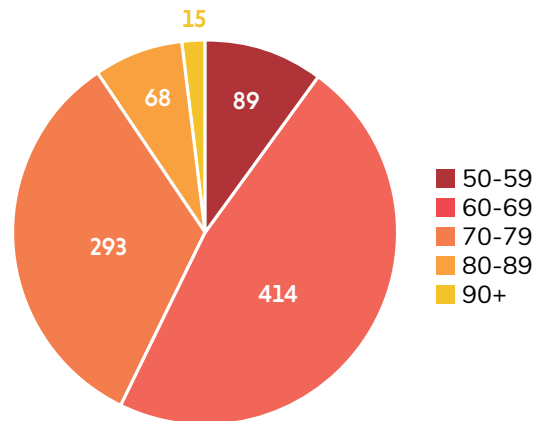
## Active Members by Age

As at January 1, 2020, there are 914 active members in the Plan. Exactly half of the active members are now at least 50 years of age, and therefore eligible for retirement. Members can retire as early as 50 years of age, with a reduction if the 80 Factor is not attained.



## Retired Members by Age

There were 879 retired members as at January 1, 2020.



## Fun Facts

As at July 1, 2019 in Canada, as per Statistics Canada...

There were  
**10,795**  
centenarians!

Life expectancy  
at 65 was  
**19.4 years**  
for males and  
22.1 years for  
females.

**6,592,611**  
persons were aged  
65 years and older  
(46% males, 54% females).

The median age of the  
population was  
**40.8 years**,  
meaning there are as many  
persons with ages above  
the median age as there are  
with ages below.

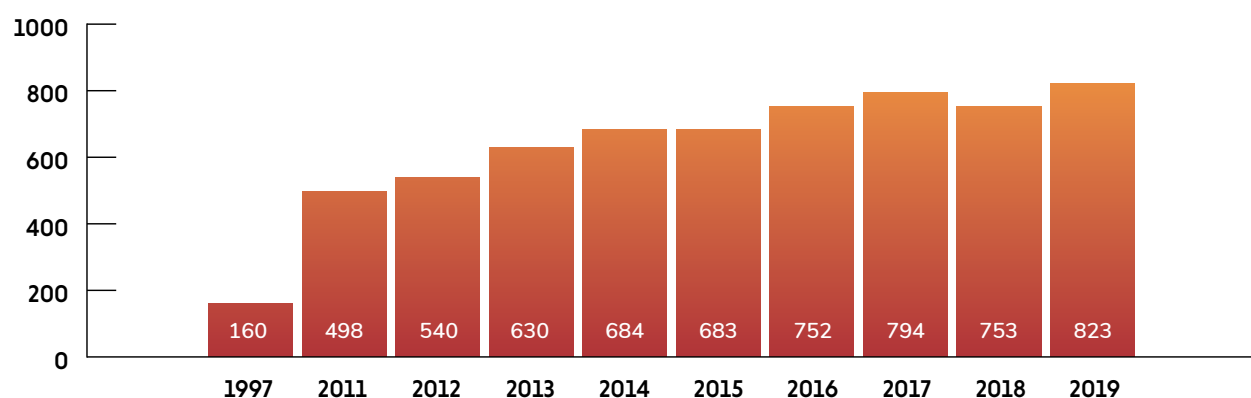
## **Audited Financial Statements (as at December 31, 2019)**

Pension plans with more than \$10 millions in assets as at their plan's year-end date are required to file annually with the Financial Services Regulatory Authority of Ontario pension fund audited financial statements.

As summarized in the chart on page 9, the Plan's investment assets increased by \$70M in the past year, attaining \$823M as at December 31, 2019. You will find more information on the investment performance in further sections of this report.

The CEPP Audited Financial Statements for the year ending on December 31, 2019 and the most recent Statement of Investment Policies and Procedures (SIP&P) are available on the CEPP website.

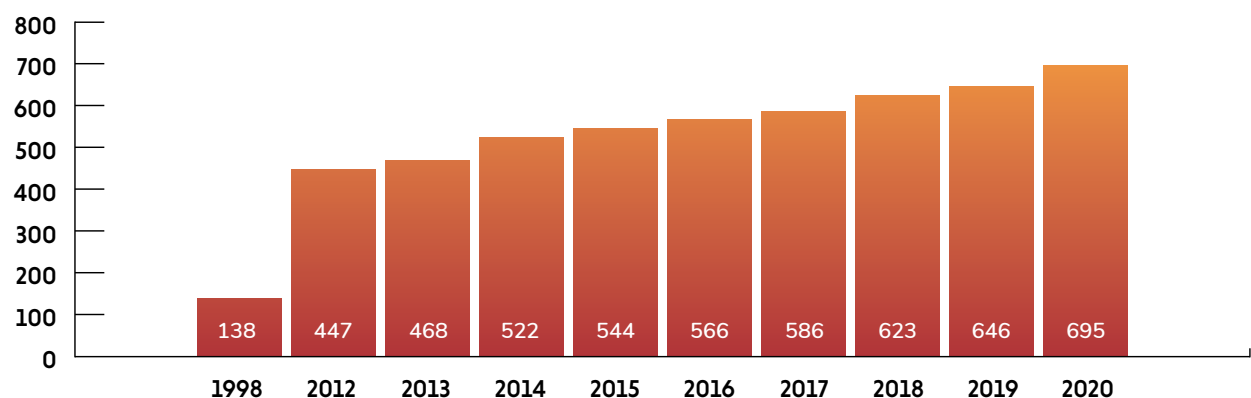
## Market Value of Assets as at December 31<sup>st</sup> (in Million \$)



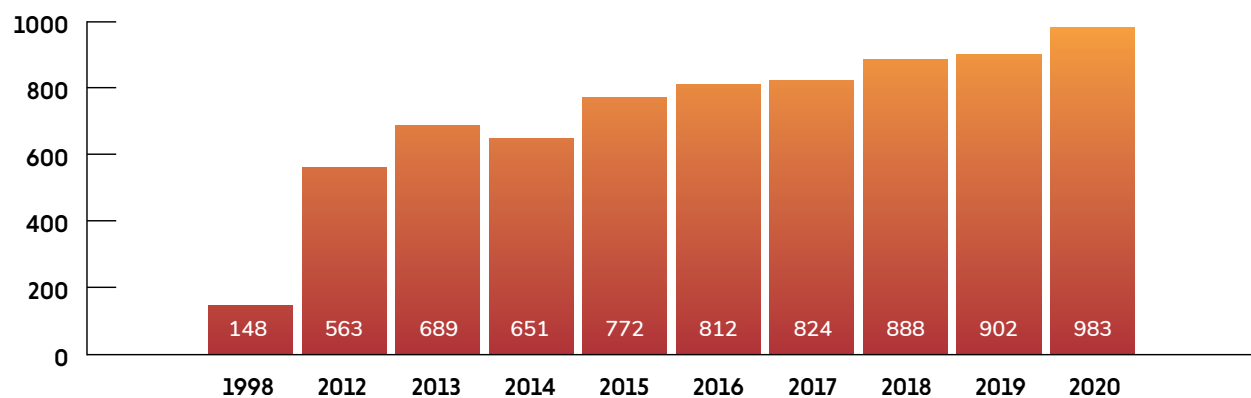
An actuarial valuation is conducted every year to assess the financial health of the CEPP at a defined date. The funded status of the Plan is determined by comparing pension fund assets to liabilities using a set of long-term assumptions. A valuation can be done on a going-concern basis, which assumes the pension plan will carry on indefinitely, or on a solvency basis, which evaluates the Plan on the assumption that it would be terminated on the valuation date.

As at January 1, 2020, the going-concern liabilities amount to \$695M while the solvency liabilities are valued at \$983M.

## Going Concern Liabilities as at January 1<sup>st</sup> (in Million \$)



## Solvency Liabilities as at January 1<sup>st</sup> (in Million \$)



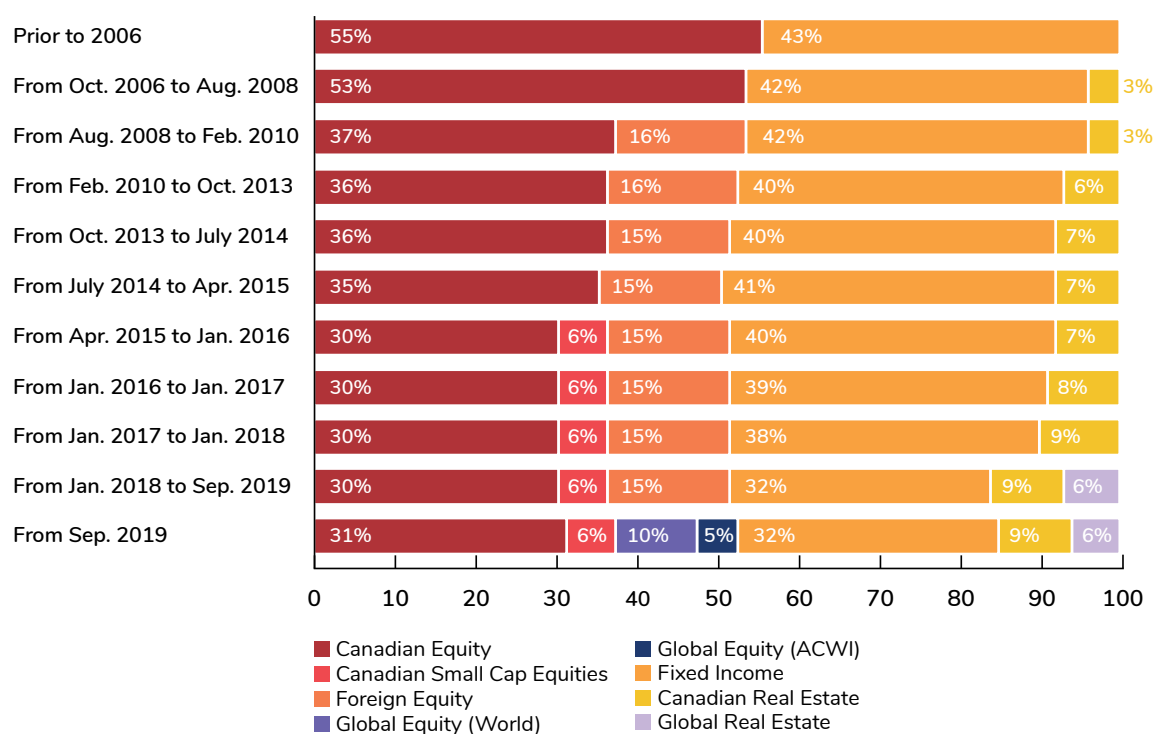
## Our Investments

Asset classes available for pension plans became more and more diversified over the last 15 years, while access to managers specialising in specific asset classes have become more widespread. Consequently, it has proven to be difficult for managers to perform well in multiple asset classes. The JBT has undertaken a review of its Balanced fund mandates to assess their investment risk.

As of September 30, 2019, a change in the target asset allocation of the pension Plan has been approved by the JBT. Both Balanced mandates, managed respectively by Letko Brosseau and Guardian Capital, no longer allocate a part of their assets to Foreign Equities. Instead, the foreign equities have been incorporated in a specific mandate called Global Equities. Fiera Capital and Baillie Gifford are the Fund managers that have been retained for this mandate since November 2019.

The following chart demonstrates the evolution of the CEPP's investment structure throughout the history of the Plan.

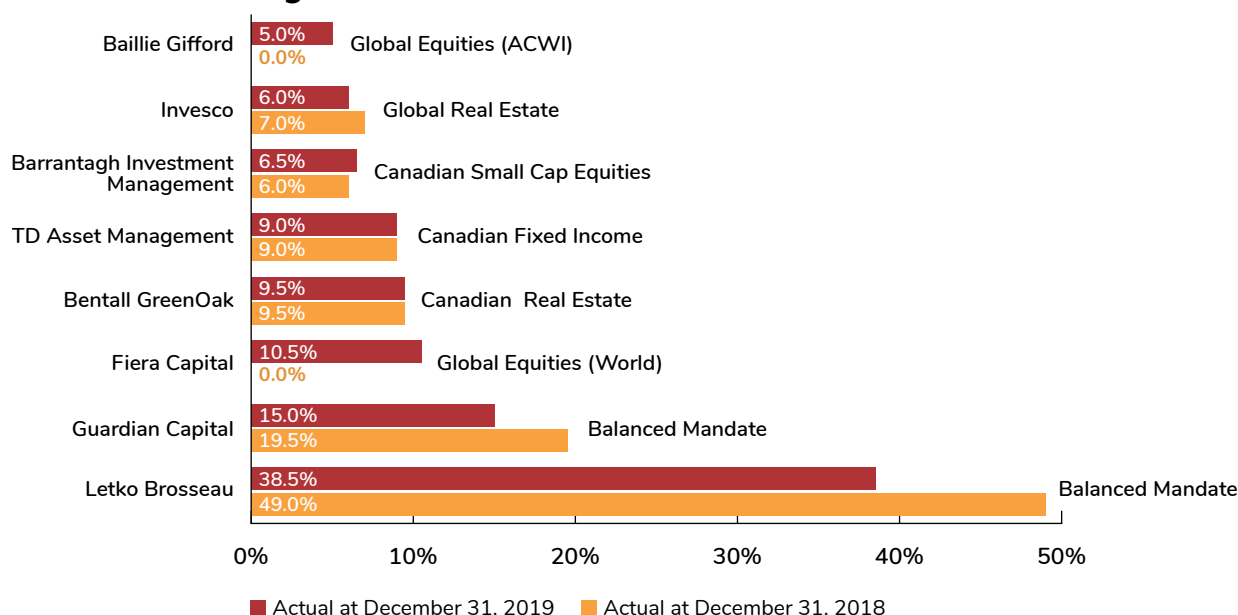
## Investment Portfolio



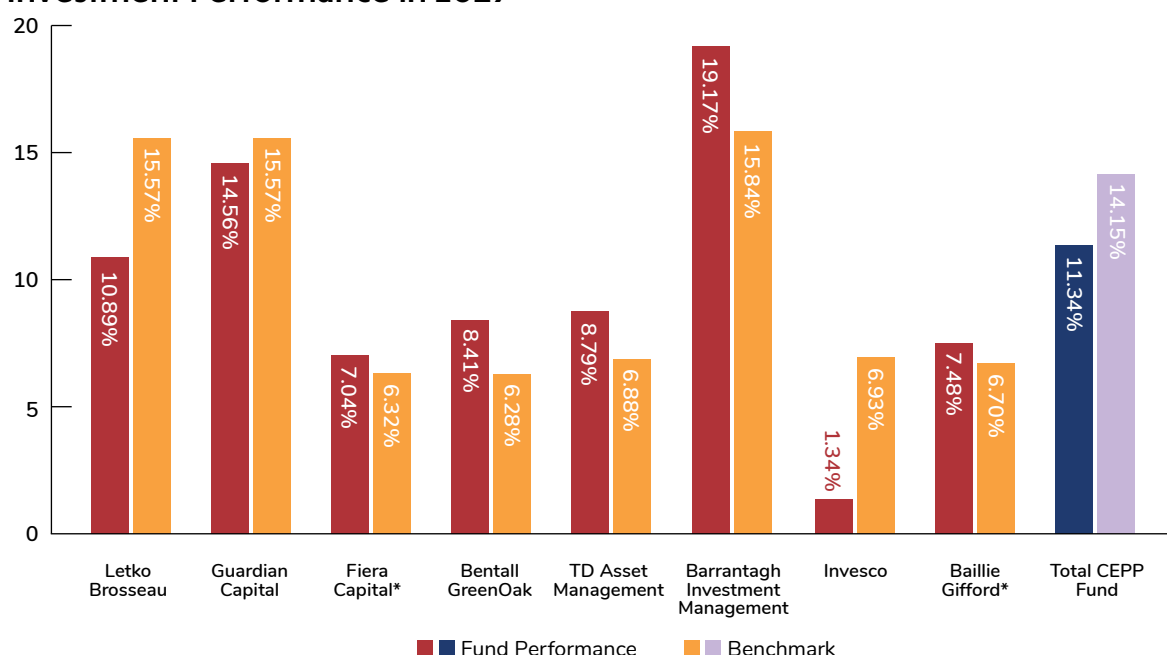
The pension fund's assets allocation has been adjusted following the implementation of the new Global Equities mandate. The proportion invested with each fund manager as at December 31, 2019 and as at December 31, 2018 is illustrated in the following chart. The total portfolio amount invested with our fund managers as at December 31, 2019 is \$823M.



## Investment Managers



## Investment Performance in 2019



\* Reflects Q4 2019 results only.

There are now eight Fund managers making investments on behalf of the CEPP. The chart above displays the investment performance of these managers in 2019 compared to their Benchmark. Over the last year, returns have been very positive. All asset classes have performed extremely well, with U.S. and Canadian Equity leading the way. This resulted in a gross rate of return of 11.34% for the CEPP Fund in 2019.

In 2019, the CEPP's investment portfolio achieved a net investment return of 7.61%, measured over a 10-year moving average period. The CEPP Fund's objective as per the provisions of the Plan's Statement of Investment Policies and Procedures (SIP&P) for the same period was 5.49% (CPI + 3.75%).

# Actuarial Valuation Reports Results

An actuarial valuation is conducted every year to establish the financial position of the CEPP Fund. In addition, an Actuarial Valuation Report (AVR) must be filed with the Financial Services Regulatory Authority (FSRA) and the Canada Revenue Agency (CRA) at least once every three years.

The actuarial valuation of the CEPP as at January 1, 2018 was filed with government authorities in June 2018. It was supplemented by a cost certificate filed with the plan regulators in November 2018, along with the filing of Amendment No. 78.

The next required actuarial valuation to be filed with government authorities should have been performed no later than January 1, 2021. However, the recent market volatility resulting from the Covid-19 containment measures brought the JBT to reassess the solvency position of the Plan as at January 1, 2020.

As per the Ontario pension legislation, the preliminary results of the Actuarial Valuation Report conducted as at January 1, 2020 revealed a reduced solvency deficiency, meaning the solvency ratio of the CEPP was below 85%. To eliminate this reduced solvency deficiency and bring the solvency ratio from 82.6% to 85%, the employer has accepted to make a one-time contribution of \$24.3M in June 2020, receivable as at December 31, 2019. Therefore, the JBT approved the filing of the AVR as at January 1, 2020, updated to consider the substantial additional employer contribution. It was filed in September 2020.

The following tables summarize the results of the AVR that was filed effective January 1, 2020 and of the filed cost certificate as at January 1, 2018.

## Funding (Going Concern) Valuation

	Actuarial Valuation Report January 1, 2020 *	Filed Cost Certificate January 1, 2018
Actuarial Value of Assets	<b>\$859,278,900</b>	<b>\$776,439,900</b>
Funding Liabilities		
Active	\$276,543,300	\$251,086,300
Deferred	\$4,128,200	\$3,487,200
Pensioners	\$422,049,700	\$368,565,400
Total Funding Liabilities	<b>\$702,721,200</b>	<b>\$623,138,900</b>
Funding Surplus before PfAD	<b>\$156,557,700</b>	<b>\$153,301,000</b>
Funding Ratio before PfAD	<b>122.3%</b>	<b>124.6%</b>

\* The next required actuarial valuation to be filed with government authorities should be performed no later than January 1, 2023.

*Funding (going concern) valuation:* provides an assessment of a plan's financial position at a valuation date assuming the plan will continue in the future indefinitely. The goal is to assess its long-term sustainability.

The Provision for Adverse Deviation (PfAD) is a prescribed additional level of funding by which a pension plan will fund a reserve to protect against future adverse plan experiences, therefore ensuring greater benefits security to plan members.

The Plan's funding ratio is a key measure of the health of the Plan. As at January 1, 2020, it is valued at 122.3%. This means the Plan is in a surplus position and that the CEPP's assets are adequate to fund all pensions accrued or payable pursuant to the provisions of the plan text. The Plan's actuarial surplus corresponds to \$139M.

The level of PfAD required on the funding liabilities is 13.1% (\$92.1M) as at January 1, 2020. No additional funding is required on a going concern basis as the CEPP's funding ratio is above the required level of 113.1%.

Pursuant to the provisions of the Plan, and since the Plan has a going concern surplus exceeding 100% plus PfAD, indexation adjustments to pensions shall be granted effective January 1, 2020 based on the annual rate of increase of the Consumer Price Index (CPI). Such increase is tested to ensure it is sustainable for the future lifetime of all existing pensioners, deferred vested members and active members in respect of their accrued pensionable service.

### New Ontario Pension Regulator

As of June 8, 2019, the Ontario has a new provincial pension regulator. The Financial Services Regulatory Authority (FSRA) is now assuming the regulatory functions of the Financial Services Commission of Ontario (FSCO).

## Solvency Valuation

	Actuarial Valuation Report January 1, 2020 *	Filed Cost Certificate January 1, 2018
Assets (Market Value)	<b>\$846,759,500</b>	<b>\$794,268,000</b>
Liabilities (Market Value)		
Active	\$421,039,100	\$378,637,700
Deferred	\$6,398,600	\$5,464,400
Pensioners	\$566,765,100	\$503,643,100
Total Liabilities	<b>\$994,202,800</b>	<b>\$887,745,200</b>
Solvency Deficiency	<b>(\$147,443,300)</b>	<b>(\$93,477,200)</b>
Solvency Ratio	<b>85.2%</b>	<b>89.5%</b>

*Solvency valuation:* assumes a plan is discontinued on the date of the valuation 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. Since the employer made a special contribution of \$24.3M to bring the solvency ratio to 85.2% in the AVR that was filed effective January 1, 2020, no additional 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.



# 2019 PLAN AMENDMENTS

No amendments were made to the CEPP plan text in 2019.

The plan text was however restated as at December 31, 2019 to include amendments 76 to 79 inclusively.

## 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

Two pre-retirement seminars were held in 2019: Vancouver and Ottawa. A total of 45 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 2019, a total of 33 CEPP members attended the one-on-one counselling sessions.

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



# 2019 RETIREES

We congratulate the following Sisters and Brothers who retired in 2019 and wish them a long and healthy retirement.

Peter Allibone  
Dominique Barrette  
Madeleine Bélanger-Hudon  
Sylvie Bergeron  
Janet Blake  
Marie-Andrée Bourgouin  
Patty Brockman  
Corinne Budgell  
Dennis Burke  
Jackie Cherry  
Jeanette Dombroskie  
Brian Farewell  
Julie Fenton  
James (Jim) Flynn  
Sharon Fraser  
Gina Gignac  
Shelly Gordon  
Benoit Gosselin  
Anne Gregory  
Wendy Hill  
Brian Humphrey  
Kathy Johnson  
Wendy Johnston  
Jean-Charles Lavigne  
Anu Lawson  
Patricia Lemire  
Ginette Lessard  
Susan Lott  
Patricia Mack  
Lynn MacKenzie  
Muriel Masse  
Timothy McCoy  
Eva McKaeff  
Mary (Murdell) Moore  
Roseanne Moran  
Terry Parker  
Nancy Patchell  
David Perkins  
Pierrette Perras  
Suzanne Posyniak  
Cathy Sculland  
Jill Smyth  
Cheryl Stadnichuk  
Lyn Thrasher  
Daniel Weiman  
Ellen Williams

# 2019 REMEMBRANCE

In 2019, the JBT was saddened to hear of the passing of:

## **Active member, Brother:**

Lorne Trevors

## **Retired members, Sisters and Brothers:**

Thérèse Ringuet  
Jean-Pierre Cabana  
Kelly Murray  
Edward Haggan  
Paul Gervais  
Lynda Neville  
Clive Derham  
Renée Courville  
Margaret Rose  
Lynn MacKenzie  
Jean-Marie Beaudry  
Robert Gingras  
Melanie Medlicott  
Michel Sauvé  
Evelyn Wilson  
Léopold Arseneault  
Stanley Marshall  
Francis (Alex) Somerville  
Lorne Saunders

## **Spouses of retired members:**

Elizabeth Anderson, spouse of Brother Ronald Anderson  
Margaret Heap, spouse of Brother Serge Lalonde  
William Lawson, spouse of Sister Anu Lawson  
Robert Kimura, spouse of Sister Ellen Kimura  
Thomas O. Jolly, spouse of Sister Diane Jolly  
André Dubois, spouse of Sister Louiselle Luneau  
Robert Bastien, spouse of Sister Diane Des Marais  
Charles Ford, spouse of Sister Louise Ford  
Gerald Moore, spouse of Sister Laurette Wilson  
Donald Bélanger, spouse of Sister Hélène Bélanger

## **Surviving spouses of retired members:**

Florence Senay, spouse of the late Paul Senay  
Fleurette Larocque Chassé, spouse of the late Maurice Chassé  
Lucille Milroy, spouse of the late Andrew "Nap" Milroy  
Ivy Kitchen, spouse of the late Charles Frank Kitchen

# THE JOINT BOARD OF TRUSTEES (JBT)

## JBT Trustees

JBT members and their affiliations as at December 31, 2019 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 Griffin	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
Nancy Parker	Retiree Trustee
Pierre-Alexandre Prigent	Unifor Local 2013 Trustee
Candace Rennick	CUPE Trustee
Barry Thorsteinson	Alternate Retiree Trustee
Gary Yee	CSU Alternate Trustee

We want to take this opportunity to thank all those Trustees who have left the Board 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 2019 sub-committees are:

## *Finance and Audit – Chair: Tammy Griffin*

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, 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](mailto: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](mailto:lpayette@cupe.ca)

*For pre-retirement seminar registration contact:*

**Vacant**

Clerk-Typist



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](mailto:syouellet@cupe.ca)


*or*

**Myrienne Sellier**  
Pension Analyst  
[msellier@cupe.ca](mailto:msellier@cupe.ca)

*To contact the Joint Board of Trustees (JBT):*

**Caroline Perron**  
Recording Secretary to the JBT  
[pension-jbt@cupe.ca](mailto: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

