

**MEMORANDUM OF UNDERSTANDING REGARDING
THE CITY OF SAINT JOHN PENSION PLAN**

THIS AGREEMENT made the 21 day of December, 2012.

AMONG:

**SAINT JOHN FIRE FIGHTERS ASSOCIATION, INTERNATIONAL
ASSOCIATION OF FIRE FIGHTERS, LOCAL 771**

("IAFF")

and

SAINT JOHN POLICE ASSOCIATION

("SJPA")

and

CUPE, LOCAL 18, SAINT JOHN CITY OUTSIDE WORKERS

("CUPE 18")

and

CUPE, LOCAL 486

("CUPE 486")

(IAFF, SJPA, CUPE 18 and CUPE 486 are collectively referred to as the
"Unions")

and

THE CITY OF SAINT JOHN

(the **"Employer"**)

WHEREAS the City of Saint John Pension Plan (the **"City of Saint John Plan"**) was established under The City of Saint John Pension Act, ch. 112, Acts of New Brunswick 1994 (the **"City of Saint John Pension Act"**);

AND WHEREAS the City of Saint John Pension Act was repealed by An Act to Repeal the City of Saint John Pension Act, ch. 41, Acts of New Brunswick 2012 (the **"Repealing Act"**);

AND WHEREAS under the Repealing Act the pension plan established by the City of Saint John Pension Act (as amended) (i.e., the City of Saint John Plan) continues in force until it is amended, replaced or wound up in accordance with the *Pension Benefits Act* (New Brunswick);

AND WHEREAS the *Pension Benefits Act* shall be amended to give the council for the City of Saint John the power to amend by resolution the pension plan established by the City of Saint John Pension Act for the purpose of converting the City of Saint John Plan to a shared risk plan;

AND WHEREAS the City of Saint John Plan is significantly underfunded;

AND WHEREAS on September 15, 2011, the Honourable Blaine Higgs, Minister of Finance, appointed a Task Force consisting of Pierre-Marcel Desjardins, W. Paul McCrossan and Susan Rowland to review public sector pension plans by respecting, among other things, the principles of sustainability, affordability, and secure benefits;

AND WHEREAS the Task Force, in consultation with the Unions, (the bargaining agents) and the Employer to the City of Saint John Plan, has reviewed the City of Saint John Plan and has proposed a redesigned pension plan which it recommends be adopted by the Unions and Employer to this Memorandum of Understanding;

AND WHEREAS the Unions and the Employer have agreed to convert the City of Saint John Plan in accordance with this Memorandum of Understanding and the enabling legislation;

NOW THEREFORE the Unions and Employer enter into this Memorandum of Understanding in respect of the full-time and part-time members of the Unions who are now, or who will become members of the City of Saint John Shared Risk Plan (as defined below) under the changes set out hereinafter;

ARTICLE I

1.1 The Employer and the Unions will take all such further actions, execute and deliver such further agreements, instruments and documents in writing and do all such other acts and things as may be necessary and/or desirable to achieve the conversion of the City of Saint John Plan to the City of Saint John Shared Risk Plan, including amending the relevant Collective Agreements (as defined below).

ARTICLE II

2.1 **Definitions:**

“**ancillary benefit**” has the same meaning as is set out in the enabling legislation, and, for greater certainty, also includes future Cost of Living Adjustments (“**COLA**”);

“**base benefits**” means, the amount of pension paid or payable to a member at any given time as described under this Memorandum of Understanding. For greater

certainly, the amount of pension paid is the amount paid to a retired member or eligible dependent at the relevant date and the amount of pension payable is the amount accrued to the credit of an active or deferred member for service rendered in the past and includes any COLA granted up to the relevant date and payable in accordance with any vested early retirement provisions at the relevant date;

“**Board of Trustees**” shall mean the board of trustees for the City of Saint John Shared Risk Plan, which shall be the plan administrator;

“**City of Saint John Plan**” means the City of Saint John Pension Plan, Registration #026920;

“**City of Saint John Shared Risk Plan**” means the City of Saint John Plan that is converted to a Shared Risk Plan as at the Conversion Date under the enabling legislation;

“**Claimant**” means the spouse or estate of the member, or the member’s beneficiary;

“**Collective Agreements**” means the following collective agreements covering employees represented by the bargaining units of the Unions: Collective Agreement between The City of Saint John, N.B. and the Saint John Fire Fighters’ Association, Local Union No. 771; Working Agreement between The City of Saint John, N.B. and The Canadian Union of Public Employees, Saint John City Hall Employees’ Local Union No. 486, C.L.C.; Working Agreement between The Board of Police Commissioners for the City of Saint John and The Canadian Union of Public Employees, Saint John City Hall Employees’ Local Union No. 486, C.L.C.; Working Agreement between The Saint John Board of Police Commissioners and The Saint John Police Association; and Working Agreement between The City of Saint John, N.B. and The Canadian Union of Public Employees, Local #18 (Outside Workers).

“**contribution holidays**” means the full or partial reduction of the contributions normally paid by Employees and the Employer into the Shared Risk Plan where required under the *Income Tax Act*, and as defined in the Funding Policy;

“**Conversion Date**” means January 1, 2013;

“**Council**” means the Common Council of the Employer;

“**enabling legislation**” means the *Pension Benefits Act* (New Brunswick) and the regulations thereto, as it may be amended from time to time;

“**Employees**” means the relevant full-time and part-time employees covered by the Collective Agreements who now are, or who will become members of the City of Saint John Shared Risk Plan by virtue of their inclusion as full-time and part-time employees in the bargaining units covered by the Collective Agreements;

“**Funding Policy**” means the funding policy for the City of Saint John Shared Risk Plan established in accordance with the enabling legislation and the parameters set out in Appendix A;

“**Income Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereto, as it may be amended from time to time;

“**member**” means a member of the City of Saint John Plan and/or City of Saint John Shared Risk Plan, as the context requires and, for greater certainty, includes an Employee;

“**totally and permanently disabled**” means in relation to a plan member, suffering from a physical or mental impairment that prevents the member from engaging in any employment for which the member is reasonably suited by virtue of the member’s education, training or experience and that can be reasonably expected to last for the remainder of the member’s lifetime;

“**Shared Risk Plan**” means a shared risk plan as defined and described in the enabling legislation, and shall have all of the characteristics set out in Article III of this Memorandum of Understanding;

ARTICLE III

3.1 The City of Saint John Plan shall be converted to a Shared Risk Plan which will have the following characteristics:

Purpose

- (a) The purpose of a shared risk plan is to provide secure pension benefits to members of the plan 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.
- (b) The enabling legislation will extinguish all accrued rights to automatic future COLA adjustments for all members of the City of Saint John Plan and the automatic benefit from the effect of future salary increases on the current best average salary formula for all active members of the City of Saint John Plan. These automatic future adjustments will be replaced by contingent indexing as allowed under the Funding Policy.
- (c) The required funding and risk management framework will be established pursuant to the enabling legislation mandating that an appropriate allocation be made within the required contribution formula to accrue additional funds such that there is a reasonable expectation (not guaranteed) that COLA can be granted.
- (d) The required funding and risk management framework will also be designed to result in a very low probability of base benefits ever being reduced. The Funding Policy will contain specific steps to recover from unacceptable funding levels that

will take priority over any reduction of the base benefits. However, in highly unlikely circumstances, base benefits may need to be reduced and if this occurs, priority will be given to the recapture of this reduction once funding levels allow, as specified under the Funding Policy.

Benefits

- (e) The base benefit for retired members, eligible dependents in receipt of a pension and deferred members (which includes, for greater certainty, former members as defined under the City of Saint John Plan) shall be the amount of pension paid or payable at the Conversion Date, plus all COLA adjustments as may be granted by the Board of Trustees from time to time but at no time will include potential future COLA adjustments.
- (f) The base benefit accrual rate for active members:
 - (i) shall remain unchanged at 2% of salary (including overtime pay) for periods of eligible service prior to the Conversion Date until a change is required under the Funding Policy or is agreed to between the Unions and the Employer;
 - (ii) shall be 1.8% of salary (excluding overtime pay) for periods of eligible service on or after the Conversion Date until a change is required under the Funding Policy or is agreed to between the Unions and the Employer.
- (g) With respect to pre-Conversion Date benefits: (i) The normal form of pension on retirement for a member who does not have a spouse is a life pension. (ii) The normal form of pension on retirement for a member who has a spouse is a life pension with a survivor pension equal to 60% of the pension the member was receiving prior to his/her death.
- (h) With respect to post-Conversion Date benefits: (i) The normal form of pension on retirement for a member who does not have a spouse shall be a life pension. (ii) The normal form of pension on retirement for a member who has a spouse shall be a life pension with a survivor pension equal to 60% of the pension the member was receiving prior to his/her death. Members with a spouse at retirement will be subject to the minimum survivor benefits and spousal waiver rules in the enabling legislation. For greater certainty, members are entitled to elect to receive an actuarially adjusted pension for the member's lifetime and the same pension thereafter for the lifetime of the member's surviving spouse in lieu of the foregoing, as contemplated in section 13 of the City of Saint John Plan.

- (i) With respect to pre-Conversion Date service, members are entitled to the spouse and dependant pension payable on death prior to retirement where death occurs as a result of an accident arising out of or in the course of the member's employment (subject to section 26 of the City of Saint John Plan). With respect to post-Conversion Date service, survivors of members are entitled to the termination value of the member's pension.
- (j) With respect to pre-Conversion Date service, members are entitled to the following death benefits: the surviving spouse of a vested member who dies prior to retirement is entitled to an annual pension equal to 60 per cent of the annual pension that would have been payable to the member had the member been entitled to a normal retirement pension at the time of the member's death. If the member dies with no spouse (or if such spouse dies) but leaves children surviving him or her, such children are entitled to a child's pension in accordance with the provisions of subsections 24(2), (2.1) and (4) of the City of Saint John Plan. If the member dies with no spouse or children, the provisions of subsection 24(4.1) of the City of Saint John Plan, which provide for a discretionary dependent pension, apply. With respect to post-Conversion Date service, survivors of members are entitled to the termination value of the member's pension.
- (k) The minimum benefit set out in section 25 of the City of Saint John Plan shall continue to apply.
- (l) The base benefit for each active member shall be calculated as follows:
 - (i) for active members with credited service under the City of Saint John Plan prior to the Conversion Date, the base benefit accrual rate as defined in 3.1(f)(i) above multiplied by the best 3 consecutive year average salary (including overtime pay) as defined in the City of Saint John Plan at the Conversion Date times years and fractions thereof of credited service in the City of Saint John Plan at the Conversion Date, subject to the maximum set out in section 3.1(m) below; PLUS
 - (ii) for service on or after the Conversion Date, the base benefit accrual rate in 3.1(f)(ii) times the salary (excluding overtime pay) earned during the relevant year; provided that the maximum salary (excluding overtime) for the purposes of this calculation is \$120,000 (excluding overtime) in 2012 (such maximum salary shall be indexed every year after 2012 to the rate used to index the Year's Maximum Pensionable Earnings under the Canada Pension Plan for the year); PLUS
 - (iii) all COLA adjustments as may be granted by the Board of Trustees from time to time, but at no time will include potential future COLA adjustments.

- (m) For the purposes of paragraph 3.1(l)(i), the base benefit amount determined at the Conversion Date cannot exceed the amount determined under subsection 27(1) of the City of Saint John Plan as at the same date.
- (n) The eligibility for an immediate pension (early retirement rules) which is also an ancillary benefit shall be as follows:
 - (i) for service prior to the Conversion Date, an unreduced pension when the total of the member's age and pensionable service (which service shall include service before and after the Conversion Date) equals 85¹. If a member is not entitled to an unreduced pension, but has at least 2 years of service and is within 10 years of normal retirement date (or is retired on the order of the Council), a reduction of 5% per year applicable for the period from pension commencement date to the date at which the member would have reached 85 points had the member continued in employment (or age 65 if earlier).
 - (ii) for service on or after the Conversion Date for IAFF and SJPA members, who are employed in Public Safety Occupations, an unreduced pension at age 60 with a reduction of 6% per year early for retirements between ages 55 and 60. The normal retirement date for IAFF and SJPA members shall be age 65.
 - (iii) for service on or after the Conversion Date for CUPE 18 and CUPE 486 members and any IAFF and SJPA members not covered under (ii) above, an unreduced pension at age 65 with a reduction of 6% per year early for retirements between the ages 55 and 65.
- (o) Section 14 of the City of Saint John Plan, which provides for an unreduced pension for members who have attained age 50 and whose employment is terminated by reason of abolition of the member's position by the Council, shall not be a benefit included under the City of Saint John Shared Risk Plan.
- (p) In the event a member terminates (includes division of pension on marriage breakdown) from the City of Saint John Shared Risk Plan prior to reaching eligibility for an immediate pension, the following shall apply:
 - (i) The current 50% excess contribution rule will be replaced by a 100% excess contribution rule with respect to all service;
 - (ii) The transfer value of a member or a Claimant will be the termination value as determined in accordance with the enabling legislation.

¹ For example, a 54 year old with 29 years of service at the Conversion Date retiring in one year would get an unreduced pension on 29 years of service – the pre-Conversion Date service (he or she would have attained Rule of 85 by the day that is one year from the Conversion Date, taking into account post and pre Conversion Date service) and a reduced pension on 1 year of service because this is post Conversion Date service.

Unless otherwise elected by the member, the amount shall remain in the City of Saint John Shared Risk Plan until the retirement, death or marriage breakdown of the member and the member shall be subject to all future changes, including entitlement to future enhancements, declared by the Board of Trustees.

- (q) Members of the IAFF shall be entitled to the disability and death benefits set out in *An Act Respecting The Saint John Firefighters' Association*, S.N.B. 2010, c.9.
- (r) For members who are totally and permanently disabled and in receipt of an annual disability pension for life (the “**LTD Pension Benefit**”) as of the Conversion Date, the Employer will pay directly such LTD Pension Benefit to each member in accordance with the terms of the City of Saint John Plan until such member attains age 65 or ceases to be totally and permanently disabled, if sooner. For greater certainty, if a member returns to work then subsequently becomes totally and permanently disabled again, the member will be treated as being totally and permanently disabled as of the Conversion Date and the Employer shall pay directly such LTD Pension Benefit to such member in accordance with the terms of the City of Saint John Plan. As of the Conversion Date the LTD Pension Benefit under the City of Saint John Plan shall be terminated. Such members who are totally and permanently disabled as of the Conversion Date shall be reinstated as active members of the City of Saint John Shared Risk Plan and shall continue to accrue pensionable service under such plan until the earlier of (i) attaining age 65, (ii) attaining 30 years of pensionable service, (iii) the date upon which the member reaches the maximum pension under subsection 27(1) of the City of Saint John Plan, or (iv) the date the member ceases to be totally and permanently disabled. Such members shall not be required to make contributions to the City of Saint John Shared Risk Plan during such period. With respect to accrued benefits under the City of Saint John Plan up to the Conversion Date, such members shall be deemed to have accrued pensionable service under the City of Saint John Plan from the time the member became totally and permanently disabled up to the Conversion Date (as if they had contributed to that date while disabled). For greater certainty, such pensionable service shall be pre-Conversion Date service. If such member remains totally and permanently disabled until age 65, the salary used in the calculation of such member’s pension shall be the current salary earned by other Employees covered under the classification in which such member was covered before he or she became totally and permanently disabled or its equivalent.
- (s) Members who become totally and permanently disabled on or after the Conversion Date shall be entitled to continue to accrue pensionable service under the City of Saint John Shared Risk Plan and shall not be required to make contributions to the City of Saint John Shared Risk Plan as long as the member continues to be totally and permanently disabled.
- (t) The Employer shall obtain long term disability insurance for all its Employees effective as of the Conversion Date. Such long term disability insurance must be

covered under an insured policy with a life insurance company on such terms as the Employer and Unions agree upon.

Funding and Risk Management

- (u) The Employer (on its own behalf and on behalf of the Employees) will remit monthly contributions to the Board of Trustees of the City of Saint John Shared Risk Plan as is required by the Board of Trustees from time to time. Initially, subject to the *Income Tax Act*, the contributions required shall be 9% of covered payroll (excluding overtime) from CUPE 18 and CUPE 486 Employees and 12% of covered payroll (excluding overtime) from IAFF and SJPA Employees and thereafter as may be required from time to time by the Board of Trustees subject to the triggering mechanism and limitations imposed by the Funding Policy. Initially, the contributions required from the Employer shall be 11.4% of covered payroll (excluding overtime) on behalf of CUPE 18 and CUPE 486 Employees and 15.2% of covered payroll (excluding overtime) on behalf of IAFF and SJPA Employees, representing an average contribution rate of 13.0% of total covered payroll (excluding overtime) and thereafter as may be required from time to time by the Board of Trustees subject to the triggering mechanism and limitations imposed by the Funding Policy. For greater certainty, Employees who were IAFF or SJPA members employed in Public Safety Occupations before accepting non-unionized positions may elect the Employer and Employee contributions described in 4.1(g) below. Commencing April 1, 2013, the Employer shall also be required to make temporary contributions of 17% of covered payroll (excluding overtime) that will cease in 15 years or when the plan achieves a minimum funding level of 150% of liabilities using a 15 year open group method, if earlier, provided that under no circumstances shall such temporary contributions cease before April 1, 2023, subject to the *Income Tax Act*. In the event that the *Income Tax Act* requires the cessation of such temporary contributions prior to the expiry of the 10 year period, once such contributions are again permissible under the *Income Tax Act*, they shall re-commence until an aggregate 10 years of such temporary contributions have been made. For greater certainty, covered payroll (excluding overtime) for purposes of the temporary contributions shall be in respect of all members of the City of Saint John Shared Risk Plan including non-union members referred to in paragraph 4.1(g). The Employer, in its sole discretion, shall be allowed to contribute temporary contributions in advance. Such advanced temporary contributions shall be credited with the net fund rate of return, and shall be used to satisfy the Employer requirement to make future temporary contributions when they become due, subject to the enabling legislation and the *Income Tax Act*.
- (v) Contributions will be defined at the inception of the City of Saint John Shared Risk Plan to provide the desired security levels for base and ancillary benefits. As such, the standards established by the Task Force and the enabling legislation are such that the required contributions:

- (i) Must result in at least a 97.5% probability that base benefits will not be reduced over the 20 year projection period;
 - (ii) Must result in total expected average COLA adjustments of not less in total than 75% of the Consumer Price Index (CPI) on active member benefits plus 75% of the indexing that would have been provided to pensioners' pensions had the plan not been converted;
 - (iii) Must be sufficient to meet the target funding level established at inception of the City of Saint John Shared Risk Plan over a 15 year open group method;
 - (iv) Must not be increased automatically by more than allowed under the Funding Policy; and
 - (v) Subject to paragraph 3.1(w) below, must not be automatically decreased by more than allowed under the Funding Policy.
- (w) Contribution holidays will only be permitted if required under the *Income Tax Act*, will apply to both Employees and the Employer equally and will only be applied in the manner allowed under the Funding Policy.
- (x) A Funding Policy must also be established in accordance to the parameters accepted by the Unions and Employer (attached hereto as Appendix A) to provide the rules that shall be followed for determining both the timing and level of contribution rates, the level of COLA that may be allowed depending on the financial position of the plan and the limits under the *Income Tax Act*, the level of ancillary benefits, the funding deficit recovery plan and reductions in base benefits and the funding excess utilization plan, among the key features. The Funding Policy must be specifically adopted by the Unions and the Employer.
- (y) The Funding Policy shall at a minimum contain:
- (i) Definition of the key terms used in the Funding Policy.
 - (ii) A clear statement of the funding goals. Such funding goals shall meet or exceed the minimum set out in the legislation.
 - (iii) A description of the cost sharing between the Employees and Employer.
 - (iv) A description of the required contributions and changes allowed under what conditions. Such changes in contributions shall be at the sole discretion of the Trustees and shall be implemented when required and in the amounts allowed by the Funding Policy.
 - (v) A clear statement as to responsibility for plan expenses. For the City of Saint John Shared Risk Plan, all expenses are paid by the plan unless otherwise agreed.

- (vi) A deficit recovery plan that shall contain both the priority order and the level of changes allowed. The deficit recovery plan shall be such that reduction of base benefits would occur as a last step in the deficit recovery plan.
- (vii) Funding excess rules that specify at what funding level excess funds can be used for improvement of benefits and how much of the excess can be allocated for that purpose at each of the annual actuarial valuation of the plan.
- (viii) A description of the financial measurement basis adopted by the plan.

Governance

- (z) A Board of Trustees comprised of 8 trustees will administer the City of Saint John Shared Risk Plan. Four trustees shall be appointed by the Mayor and City Council of the Employer. The other four trustees shall be appointed by the Unions as follows: CUPE 18 shall appoint one trustee, CUPE 486 shall appoint one trustee, SJPA shall appoint one trustee and IAFF shall appoint one trustee. The Board of Trustees must be established by February 1, 2013. In the meantime, the current City of Saint John Plan board of trustees (known as the Pension Board) shall assume the responsibility of the Board of Trustees. At the first meeting of the Board of Trustees, the Board of Trustees shall unanimously select a person who shall be called upon to cast the deciding vote in the event that the Board of Trustees is deadlocked. Such person shall not be a member of the Board of Trustees.
- (aa) After the Conversion Date, the Employer will have no financial obligations or responsibilities for the City of Saint John Shared Risk Plan save and except for the obligation to make contributions to it as per the terms of this Memorandum of Understanding, the Funding Policy, and any past contributions due for the period prior to the Conversion Date.
- (bb) Morneau Shepell shall be the interim actuaries for the City of Saint John Shared Risk Plan. The Board of Trustees once constituted shall determine the actuaries for the City of Saint John Shared Risk Plan as soon as practicable.
- (cc) The Board of Trustees shall be responsible for:
 - (i) All measurements and reporting required by the enabling legislation including regular actuarial valuations and stochastic modelling of the assets and the liabilities of the City of Saint John Shared Risk Plan;
 - (ii) Establishing an investment policy subject to annual review for the purpose of ensuring that the desired security for both the base benefits and the ancillary benefits that are expected to be achieved;

- (iii) Administering the plan in accordance with the Funding Policy and, for greater clarity, this includes the power to increase or decrease contributions and benefits in accordance with the Funding Policy; and
- (iv) All other requirements of an administrator under the enabling legislation.

ARTICLE IV CONVERSION DETAILS

- 4.1 The following items describe the key principles of the proposed conversion:
- (a) The Shared Risk Plan will be effective from and after the Conversion Date. All conversion benefit calculations will be made as of that date without regard to any administrative changes required to effect the conversion.
 - (b) The City of Saint John Shared Risk Plan will be subject to the enabling legislation and the *Income Tax Act*.
 - (c) Pursuant to subsection 100.52(4) of the enabling legislation, the administrator of the City of Saint John Plan shall transfer all of the assets of the plan to the City of Saint John Shared Risk Plan on the Conversion Date.
 - (d) The Unions confirm that they do not require membership ratification in order to enter into this Memorandum of Understanding or any subsequent agreement concerning the re-design of the City of Saint John Plan.
 - (e) This Memorandum of Understanding does not affect the terms and conditions of employment established through the collective bargaining process negotiated from time to time between the Unions and the Employer, other than as required to convert the City of Saint John Plan to the City of Saint John Shared Risk Plan.
 - (f) Conditions favourable to City of Saint John Plan members not expressly or by necessary implication set out in this Memorandum of Understanding are to be preserved in the City of Saint John Shared Risk Plan.
 - (g) Notwithstanding any other provision of this Memorandum of Understanding, the benefits for employees (full time and part time) of the City of Saint John who are not members of any of the Unions, shall be subject to the terms set out in this Memorandum of Understanding. For greater certainty, such employees shall be required to contribute 9% of covered payroll (excluding overtime) and the Employer shall be required to contribute 11.4% of covered payroll (excluding overtime) on behalf of such employees. In addition, where benefits herein are distinguished between (i) CUPE 18 and CUPE 486 members, and (ii) IAFF and SJPA members, such employees shall be entitled to benefits on the same basis as the CUPE 18 and CUPE 486 members. However, any such employees who were IAFF members or SJPA members in Public Safety Occupations before accepting a non union position may elect to contribute 12% of covered payroll (excluding overtime) (and the Employer will contribute 15.2% of covered payroll (excluding

overtime)) and receive early retirement benefits on the same basis as the IAFF and SJPA members in Public Safety Occupations.

- (h) Prior to the Conversion Date, the Employer shall pay any outstanding contributions receivable to the City of Saint John Plan by the Employer, including any unpaid required special payments and employer current service costs up to the Conversion Date.
- (i) Reciprocal transfer agreements in effect as at the Conversion Date shall be suspended as of the Conversion Date. The Board of Trustees shall have the power to enter into reciprocal agreements with the sponsors of other pension plans from time to time. Such agreements may provide for the transfer of funds in respect of an Employee who transfers from one pension plan to the other and may also provide for the transfer of some or all, of the Employee's credited service.
- (j) Prior to the Conversion Date, Employees may purchase service (including past service, refunded service, service in respect of periods of leaves of absence or other leaves) under the terms of the City of Saint John Plan. On and after the Conversion Date, purchases of service (including purchases of past service, refunded service and service in respect of leaves of absence or other leaves) shall be suspended. The Board of Trustees shall have the power to determine rules regarding purchases of service under the City of Saint John Shared Risk Plan, which rules must be based on the principles underlying the City of Saint John Shared Risk Plan. Initial rules regarding purchases of service must be adopted by the Board of Trustees by no later than one year from the Conversion Date.

ARTICLE V GENERAL

5.1 Counterparts

This Memorandum of Understanding may be executed in any number of counterparts (including by way of facsimile) and all of such counterparts taken together will be deemed to constitute one and the same instrument.

IN WITNESS WHEREOF, each of the signatories hereto has caused this Memorandum of Understanding to be signed by its respective duly authorized officers or representatives as of the date first above written.

THE CITY OF SAINT JOHN

Per: _____

Name: *Mel Norton*

Title: *Mayor*



Per: _____

Name: *Elizabeth G...*

Title: *COMMON CLERK*

Council Resolution Date: *Dec 17, 2012*

**SAINT JOHN FIRE FIGHTERS
ASSOCIATION, INTERNATIONAL
ASSOCIATION OF FIRE FIGHTERS,
LOCAL 771**

Per: _____

Name: *Paul Stackhouse*

Title: *President*

WITNESS:

[Signature]

Name:

Peter Alexander

WITNESS:

[Signature]

Name:

Peter Haslett

SAINT JOHN POLICE ASSOCIATION

Per: _____

Name: *Jamie Hachey*

Title: *President*

WITNESS:

[Signature]

Name:

Daniel Grant

**CUPE LOCAL 18, SAINT JOHN CITY
OUTSIDE WORKERS**

Per: _____

Name: *Michael Meahan*

Title: *President*

WITNESS:

Cindy Blizraed
Name: Cindy Blizraed

CUPE, LOCAL 486

Per:


Name: Paul Johnson

Title: President

Appendix A – Parameters Used under Risk Management Framework

The risk management framework tests conducted on the City of Saint John Shared Risk Plan were carried out using the following assumptions and parameters. Any change to these parameters will change the results of the tests and the required contribution rates to meet the funding goals required by the enabling legislation. The adopted Funding Policy shall adhere to these parameters unless changes are agreed to by the Unions and Employer.

Discount rate:	4.5% per annum with future discount rates to be determined consistent the objectives of the plan
Mortality basis:	UP-94 Generational Table using a projection scale reflecting the most recent life expectancy improvement data. In the future, this assumption will be changed as may be required to reflect latest available information on life expectancy.
Other assumptions:	Current valuation assumptions except that retirement pattern assumptions were adjusted to allow for the anticipated effect of the retirement rules considered in the costing.
Retirement rules:	Unreduced at age 60 for IAFF and SJPA members with a reduction of 6% per year early, only applicable to service on or after the Conversion Date. Unreduced at age 65 for CUPE 18 and CUPE 486 members with a reduction of 6% per year early, only applicable to service on or after the Conversion Date.
Funding level:	Measured using the 15 year open group method. Valuation assets equal to the market value of assets plus the present value of excess contributions over the normal cost for base and ancillary benefits other than potential future COLA divided by the total liabilities, both at the relevant valuation date.
Initial contributions:	The level of initial contributions is set at 9% of covered payroll (excluding overtime) for CUPE 18 and CUPE 486 Employees, 12% of covered payroll (excluding overtime) for IAFF and SJPA Employees and Employer contributions shall be 11.4% of covered payroll (excluding overtime) on behalf of CUPE 18 and CUPE 486 Employees and 15.2% of covered payroll (excluding overtime) on behalf of IAFF and SJPA Employees, representing an average Employer contribution rate of 13.0% of total covered payroll (excluding overtime). A different retirement rule or change to other parameters would lead to a different contribution level.
Temporary Contributions:	Commencing April 1, 2013, the Employer shall make temporary contributions of 17% of covered payroll (excluding overtime) that will cease in 15 years or when the plan achieves a minimum funding level of 150% of liabilities using a 15 year open group method, if earlier, provided that under no circumstances shall such

temporary contributions cease before April 1, 2023, subject to the *Income Tax Act*. In the event that the *Income Tax Act* requires the cessation of such temporary contributions prior to the expiry of the 10 year period, once such contributions are again permissible under the *Income Tax Act*, they shall re-commence until an aggregate 10 years of such temporary contributions have been made. The Employer, in its sole discretion, shall be allowed to contribute temporary contributions in advance. Such advanced temporary contributions shall be credited with the net fund rate of return, and shall be used to satisfy the Employer requirement to make future temporary contributions when they become due, subject to the enabling legislation and the *Income Tax Act*.

Contribution increases: Initial contribution rates are subject to an increase should two future valuations in succession reveal a funding level of less than 100% (with such funding level including the present value of 15 years of excess contributions, but excluding any such increase). Should this occur, Employee initial contribution rates will be increased by 25%, with this increase being capped at 2.75% of covered payroll (excluding overtime). Any such increase will be 100% matched by the Employer. Any such increase will be eliminated once a future valuation reveals a funding level greater than 105% (with such funding level including the present value of 15 years of excess contributions, excluding any such contribution increase).

Contribution decreases: Subject to the priorities established in the funding excess utilization plan in the Funding Policy (discussed below), initial contribution rates are subject to a decrease should a future valuation reveal a funding level of 150% or over (with such funding level including the present value of 15 years of excess contribution, but excluding any such decrease). Should this occur, Employee initial contribution rates will be decreased by 1.5% of covered payroll (excluding overtime). Any such decrease will also apply to the Employer initial contribution rates. Any such decrease will be eliminated once a future valuation reveals a funding level of less than 140% (with such funding level including the present value of 15 years of excess contributions, excluding any such decrease).

COLA Annual allocation of funding excess for purposes of granting COLA is 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%, provided there are no contribution increases in effect. Funding excesses above 140% would first be used to recapture any COLA not previously granted up to the *Income Tax Act* limits in a manner that, to the extent practical,

gives priority to recapturing missed COLA in the order in which it was missed. COLA applies to all members in equal proportion regardless of status at the date COLA is granted.

Target Asset Allocation: Initially, 50% Fixed Income, 30% Equity, 10% Real Estate and 10% Infrastructure.

Deficit recovery plan: Based on the following steps applied in succession until funding goals are met:

- (1) Increase contributions as allowed under the Funding Policy;
- (2) Reduce base benefit accrual rate for future service after the date of implementation of the deficit recovery plan by not more than 5%;
- (3) Reduce base benefits on a proportionate basis for all members regardless of membership status for both past and future service in equal proportions.

If steps (2) and (3) are implemented, then priority must be given to reversing these changes in reverse order of application before any future COLA is granted.

Excess Utilization plan: After the priorities set out in the enabling legislation, the first priority shall be COLA on career average and pension benefits for current year. The second priority shall be COLA on career average and pension benefits for any past years that were missed. The third priority shall be improvements in ancillary benefits. The Unions, in their sole discretion, may determine the priorities of ancillary benefit improvements to include in the Funding Policy up to those that are comparable to the ancillary benefits under the City of Saint John Plan. In addition, the Unions may include in the Funding Policy a reserve for future COLA for up to 10 years as permitted under the enabling legislation. As a fourth priority, potential contribution rate decreases for both Employees and the Employer based on the following:

- Contribution rates may decrease only if a valuation reveals a funding ratio of 150% or greater;
- If this occurs, Employee contribution rates will be decreased by 1.5% of pay;
- Any such decrease will be 100% matched by the Employer and shall reduce first the Employer's temporary

contribution rate if temporary contributions are still in effect at the time of the decrease; and

- Any such contribution rate decreases will be eliminated once a future valuation reveals a funding ratio of less than 140%.

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