September, 2021

The City of Saint John Shared Risk Plan

Plan Highlights and Information

The Trustees of The City of Saint John Shared Risk Plan are pleased to provide the highlights of the January 1, 2021 actuarial valuation, certain details on your shared risk pension plan, and a summary of the funding policy. The actuarial valuation will be available at www.sjsrp.ca subsequent to filing, along the funding policy and certain other plan related documents. This notice is intended to comply with the disclosure requirements under the *Shared Risk Plans Regulation – Pension Benefits Act* (the "Shared Risk Regulations")

This notice provides a description of certain information contained in the pension plan text, the funding policy, the actuarial valuation and other plan documents (the "Plan Documents"). This notice does not confer any legal rights. **In the event of any discrepancy between this notice and the Plan Documents, the Plan Documents will prevail.**

Main highlights – as at January 1, 2021

- The Termination Value Funded Ratio was 102.3% and the 15-Year Open Group Funded Ratio was 123.4%.
- The 2020 rate of return net of investment management fees and other expenses charged to the fund was 9.8%.
- The market value of assets was $719.6M and the Funding Policy Actuarial Liabilities were $703.4M.
- The plan passed the various risk management goals described in the summary of the funding policy in this notice, and in the funding policy available at www.sjsrp.ca. A description of the risk management goals is contained in the actuarial valuation, and the funding policy available on the website.

Based on the results of the January 1, 2021 valuation, the Board was in a position to approve various improvements to the Plan, in accordance with the terms of the Funding Policy, which will all come in effect on January 1, 2022, as follows:

- All retirees, active and deferred vested members will receive a one-time increase of .74% in base benefits effective January 1, 2021. This one-time increase in base benefits was provided at a cost of $4.9M.

- In addition, an amount of $12.8M was used by the Trustees to provide for an additional one-time increase in the amount of accrued base benefits of active members of 6.03% effective January 1, 2021. This additional one-time increase in accrued base benefits of active members is provided to recognize increases in average wages that are in excess of inflation over the last year.

If the plan is terminated before January 1, 2023, the Superintendent of Pensions may order that the conversion of the plan be void and benefits revert to those provided by the pension plan before its conversion.

Since March 2020, the COVID-19 pandemic has caused a significant economic and social disruptions worldwide. The COVID-19 pandemic is resulting in higher deaths for the population in general as measured by public health officials. The effect of the outbreak on mortality incidence for the Plan is unknown at this time. Furthermore, economic conditions have also changed with a significant reduction in asset values and strained liquidity occurring in the month of March 2020. However, the assets of the Plan had substantially recovered by August 31, 2020, returning to a positive investment return for the year, and ending the year 2020 with a positive return of 9.8%. The pandemic is still causing disruptions, and therefore is resulting in heightened volatility in the financial markets which are expected to continue. In the meantime, rest assured that pensions payable from the Plan can continue to be provided without disruption. The Board is confident that the Plan can weather this uncertainty as is evidenced by its ability to continue to provide for benefit improvements effective January 1, 2022 to all members of the Plan.

Highlights of your shared risk pension plan - from the actuarial valuation

THE PENSION FUND'S INVESTMENT PERFORMANCE	2020 ($M)
Market value of assets (beginning of year)	**663.9**
Receipts	
Members' contributions	6.6
City contributions	19.4
Disbursements	
Pensions paid, transfers and refunds	(34.7)
Fees	(2.5)
Investment income	66.9
Market value of assets (end of year)	**719.6**
2020 NET INVESTMENT RETURN	**9.8%**

TERMINATION VALUE FUNDED RATIO AND 15-YEAR OPEN GROUP FUNDED RATIO	January 1, 2021 ($M)
A. Market value of assets	719.6
B. Funding policy liabilities	703.4
C. Excess (Unfunded Liability) [A. - B.]	16.2
D. Termination Value Funded Ratio [A. / B.]	**102.3%**
E. Present Value of 15 years of Excess Contributions	148.1
F. Open Group Funding Excess (Unfunded Liability) [C. + E.]	164.3
G. Open Group Funded Ratio [(A. + E.) / B.]	**123.4%**

RESULTS OF THE VARIOUS RISK MANAGEMENT GOALS	Minimum requirement	Results as at January 1, 2020
Primary goal	97.5%	97.8% PASSED
Secondary goal 1	75%	85.8% of the assumed increase in the Consumer Price Index PASSED
Secondary goal 2	75%	At or above 95.6% PASSED

Summary of the Funding Policy

I Purpose of the Plan

The main objective of the City of Saint John Shared Risk Plan is to provide future pension benefits to members and former members, without an absolute guarantee, but with a risk management approach. The latter will help in delivering a high degree of certainty that base benefits can be met in the future.

II Benefit Objectives

The conversion of your pension plan to a shared risk plan means that benefits have now become conditional upon meeting certain financial parameters. It is also possible that in limited circumstances, base benefits may be reduced.

The benefits available to members for service before conversion and after conversion are as set out in the pension plan text. Generally, before conversion, pension benefits were based on an accrual rate of 2% per year of service and the average best 3 consecutive years of earnings, including overtime. An unreduced early retirement pension was payable when the member's age and service equaled or exceeded 85. The pension paid to retirees was indexed on January 1st of each year by the amounts set out in the pre-conversion pension plan.

Post conversion, the amount of pension accrued since January 1, 2013 is based on an accrual rate of 1.8% multiplied by the salary each year (not the three year average, and excluding overtime) and is payable without reduction for early retirement when the employee reaches:

- 60 years of age, for Public Safety employees;
- 65 years of age, for all other employees.

The annual earnings amount used in the post conversion formula may be indexed. The indexing of retiree pension amounts, average earnings at the time of conversion, and annual earnings post conversion is now conditional on the factors set out in the funding policy.

III Risk Management

The plan was designed to achieve or exceed certain risk management goals, at the time of conversion, as prescribed in the Shared Risk Regulations. The risk management goals must also be met after the conversion date in certain circumstances defined in the legislation.

Primary goal

There is at least a 97.5% probability that base benefits will not be reduced over the following 20 years.

Secondary goal 1

On average, provide contingent indexing of active members' base benefits that is in excess of 75% of CPI over the next 20 years and contingent indexing of retirees and deferred vested terminated members that is in excess of 75% of the indexing provided under the plan prior to conversion.

Secondary goal 2

Achieve at least a 75% probability that the ancillary benefits described in the plan text at conversion can be provided over the next 20 years.

IV Contributions

The employer and employees both contribute to the new plan at fixed rates. The rates are as follows:

	Member initial contributions	City of Saint John contributions	
		Initial	**Temporary**
Public Safety employees	**12%**	**15.2%**	17% for a minimum 10-year period and a maximum 15-year period, according to certain assumptions
All other employees	**9%**	**11.4%**	

Please note:

1. The funding policy allows for an increase in initial employer and member contributions of 25% (maximum 2.75%) if the open group funded ratio falls below 100% in two successive actuarial valuations.
2. The initial contribution rates increase shall be removed no later than 12 months following a funding policy valuation date that reveals an open group funded ratio of at least 105% without considering the effect of the contribution increase, and the primary risk management goal is met.
3. The funding policy allows for a decrease in employer and member contributions by a maximum of 1.5% each if the open group funded ratio exceeds 150%.

V Funding Deficit Recovery Plan

If the open group funded ratio falls below 100% in two successive actuarial valuations, a funding deficit recovery plan will be implemented. This plan will proceed through the following steps in sequence until the ratio is back to 100%:

1. Increase initial contribution rate in accordance with the contribution adjustments allowed under the funding policy;
2. Change early retirement rules for post conversion service for employees that are not yet eligible to retire and receive an immediate pension under the terms of the plan;
3. Reduce base benefit rates for future service after the date of implementation of the deficit recovery plan by not more than 5%;
4. Reduce base benefits on a proportionate basis for all members for past and future service in equal proportions.

VI Funding Excess Utilization Plan

This plan describes the actions taken by the Board of Trustees, when the open group funded ratio exceeds 105%. If this ratio is above 105% and an increase in initial contribution rates is still in effect, no action will be taken under this plan.

Upon the Board of Trustees' discretion, the following rules may apply, and the amount for utilization, as of the valuation date, is as follows:

1. 1/5th of the excess of the open group funded ratio between 105% and 140%; plus
2. 100% of the excess of the open group funded ratio above 140%, if any.

The actions that may be taken depend on whether the base benefits or ancillary benefits have ever been reduced, with such reduction not subsequently reversed, and on the priority set out below.

If base benefits or ancillary benefits have been reduced, all amounts available for utilization must first be used to reverse the effects of steps 2 to 4 of the funding deficit recovery plan. Benefit reductions must be reversed with respect to future payments, starting with step 4, 3 and then 2 until all such reductions to base and/or ancillary benefits have been reversed.

If base benefits and ancillary benefits have never been reduced or after all previous reductions have been reversed for future payments, the amounts available for utilization may be used in the following order of priority:

1. Provide indexing of base benefit for all members up to the increase in the average CPI for the 12-month period preceding the date of the funding policy valuation report over the average of the CPI for the immediately preceding 12-month period;
2. Provide indexing of the base benefit for all members for all years that were missed or partially indexed, starting with the oldest period in which less than the increase in the average CPI was provided;
3. Subject to limits in the funding policy, provide a further increase to benefits for members for a period they were not receiving a pension, up to the rate of increase in the average wage;
4. Provide for unreduced early retirement benefits not more generous than what they were prior to the conversion;
5. Provide for other ancillary benefits up to a level similar to what they were prior to the conversion;
6. Establish a reserve to cover the next 10 years of potential indexing based on CPI; and
7. Apply contribution adjustments up to 3%, subject to the limits in the funding policy.

If all of the actions above have been taken, other actions such as a permanent benefit change or a reduction in contributions may be considered by the Board of Trustees.

VII Actuarial Assumptions

The discount rate was maintained at 4.5% per annum for the January 1, 2016 and subsequent actuarial valuations. This rate may be changed by the Board of Trustees, if:

1. The probability of meeting or exceeding the discount rate over the next 20 years based on the target asset mix in the investment policy falls below 90%; and
2. There is at least a 97.5% probability that past base benefits at the end of each year will not be reduced over a 20-year period.

In addition, the mortality table, the retirement rate and the termination of employment rate must be aligned with the assumptions stated in the funding policy.

Annual Review

Every year, the Board of Trustees must review the funding policy. Certain changes must be approved by the City of Saint John, the unions and the Superintendent of Pensions.

Board of Trustees Composition

Members of the Board of Trustees and alternates for the Trustees are as follows:

Contact Information

If you have any questions or comments arising from this notice, please contact the Pension Office:

Andrea Kane
Pension Plan Administrator
City of Saint John
15 Market Square
PO Box 1971
Saint John, NB
E2L 4L1

Tel: 506-658-4010
Fax: 506-658-4463

Email: andrea.kane@saintjohn.ca