

Making progress

As we begin 2019, the Board of Trustees of the Canadian Energy and Related Industries Pension Plan (the CERi Pension Plan) wanted to begin the year with an update on the changes to the CERi Pension Plan that we are tirelessly working to implement.

This newsletter is designed to answer some of the questions we heard since the last newsletter (August 2018), as well as provide an update on the Board's recent and planned activities for 2019. In addition, we want to inform you of an important change to the investments within the CERi Pension Plan Trust.

This newsletter outlines:

- The progress we've made to transition to a Target Benefit Plan, as described in our **first Newsletter to members**.
- Our lobbying efforts to date, and the significant step forward we've made with the Canada Labour Congress (CLC) in support of our request for a solvency exemption.
- Some of the key features of the *current* CERi Pension Plan, a Defined Contribution (DC) Pension Plan, including important details related to how the Pension Plan Trust assets are invested.
- Administrative house-keeping details that need attention from many of our Plan members.

Finally, we have updated the CERi Pension Plan website so that our Plan members can easily stay informed of progress and topical news about the CERi Pension Plan. We are also scheduling Plan member in-person meetings in the spring.

We are excited to share more details with you in the weeks to come. For now, read on!

In service,



Alex McKinnon, Chair





The CERi Plan and our progress to date

In January 2017, the CERi Pension Plan became a multi-employer Defined Contribution (DC) Pension Plan. However, our goal remains to transition to a multi-employer Target Benefit (TB) Pension Plan.

In our **first Newsletter to members**, issued in August 2018, we explained the many reasons why we have concluded that a TB Pension

Plan is the best type of pension arrangement for our members.

We continue to work on transitioning the Plan to a TB Pension Plan. We've been actively lobbying the federal government since early last year to ensure that the new plan design we intend to implement is accommodated within the pension funding rules, and to

permit a transition to a TB pension arrangement. But, a response has been slower than anticipated.

We remain optimistic about our progress, and eventual success. Therefore, the Board of Trustees continues work to finalize the TB Pension Plan design so that we are ready to implement the new plan design as soon as it's possible to do so.

The CERi Pension Plan Board of Trustees

HOW THE BOARD OF TRUSTEES ARE CHOSEN

The Board is made up of seven Trustees, appointed as follows:

- The Society of Professional Engineers and Associates (SPEA) appoints two Trustees.
- The District 6 Director of the United Steel Workers (USW) appoints two Trustees.
- Two Trustees are appointed from the Professional Institute of the Public Service of Canada (PIPSC) groups – Chalk River Professional Employees Group (CRPEG-PIPSC), the Whiteshell Professional Employees Group (WPEG-PIPSC) and the Whiteshell Technical Employees Group (WTEG-PIPSC).
- A seventh Trustee is appointed by the Board of Trustees, to represent Plan members who are not members of SPEA, USW or PIPSC.

A Trustee, and any successor Trustee, continues to serve on the Board until he or she is unable to do so, resigns or is removed by the party that appointed them. The Board Chairperson is appointed by the Trustees, to preside at meetings.

Trustees are not paid by the CERi Pension Plan for the work and duties they perform. However, they are reimbursed for expenses related to their duties.



TRUSTEES' ROLES AND RESPONSIBILITIES

In general, the Trustees are responsible for overseeing the operation and administration of the CERi Pension Plan, including the CERi Pension Plan Trust Fund. They do this in many ways, some of which include:

- Create a Statement of Investment Policies and Procedures (SIP&P) for the CERi Pension Plan Trust Fund (we provide more details about the CERi Pension Plan Trust Fund later in this Newsletter).
- Appoint, monitor and /or dismiss an Investment Consultant, who provides the Trustees with advice regarding asset allocation, risk tolerance and selection / monitoring of the CERi Pension Plan Trust Fund's investment managers.
- Hire and / or dismiss the Investment Managers who are chosen to implement the investment strategy. The Investment Managers are responsible for the selection of the underlying stock and bond investments. The Trustees do not directly select investments to be held by the CERi Pension Plan Trust Fund.
- Hire, or retain expert advisors, such as legal counsel, administrative, consulting, audit, actuarial, record-keeping, clerical and other assistance necessary to support ongoing Plan administration and governance.
- Approve procedures, policies, rules and regulations to effectively and efficiently run meetings and carry out their duties.
- Review and modify, as needed, the benefits provided under the CERi Pension Plan (for example, to effect the desired change from a DC Pension Plan to a TB Pension Plan).
- Address administrative issues such as duration of service, dates of birth, membership, marital status, retirement dates, computation of pension benefits, and all related matters.

Investment strategy is determined with the support of professional advisors and documented in the SIP&P. An Investment mix is then recommended by the advisors to meet the goals documented in the SIP&P.

In addition to the activities outlined above, and as you know, the Board of Trustees have been very actively involved in lobbying efforts with the federal government over the past 12 months, with the strategic goal to transition the CERi Pension Plan to a multi-employer TB Pension Plan design as soon as it's possible to do so.

MAKING DECISIONS

The Trustees are mandated to meet at least twice each year. However, during the last year the Board has met on an almost monthly basis, either in-person or by conference call, given the complexity of analysis and issues that need to be considered and decided upon to implement a TB Pension Plan design and the related lobbying with the federal government.

Decisions at any meetings of the Board Trustees are determined by a majority vote, with each Trustee having a single vote.

The CERi Pension Plan: a Defined Contribution (DC) Pension Plan

Given all the activity related to implementing a multi-employer TB Pension Plan design, formally known as a multi-employer *Negotiated Contribution Plan* under the federal pension legislation, it's important not to lose sight that the CERi Pension Plan is currently a DC Pension Plan.

Under a DC pension arrangement, the employee and the employer make contributions, that are deposited to an account in the Plan member's name – the amount of money that goes into the Plan (yours and your employer's monthly contribution) is defined, according to your respective bargaining agreement. The assets

within each individual member account are currently invested in the Manulife Balanced Index Portfolio Fund.

Currently, at retirement, your account balance – the total contributions plus investment earnings, less expenses, on those contributions – will be used to provide you with retirement income.

THE CERi PENSION PLAN TRUST: CHANGING THE CURRENT INVESTMENT FUND

Together with ongoing lobbying efforts, the Board has continued to move forward with the foundational analysis, governance and structural work required to ensure that we are ready to implement and manage a multi-employer TB Pension Plan as soon as it is feasible. In addition, we used this opportunity, with guidance from our investment consultant (Eckler Ltd.) to ensure that the CERi Pension Plan Trust includes investments appropriate for both the existing CERi Pension Plan DC arrangement and our future TB Pension Plan arrangement.

As such, in early February 2019, the DC Pension Plan's investments will be changed from the Manulife Balanced Index Portfolio Fund to a blend of investment strategies managed by TD Greystone and Phillips, Hager and North. The goal is to achieve an equal allocation to

both investment managers – i.e., 50% of the Plan assets invested with one, and 50% of the Plan assets invested with the other.

The investment strategy is named the CERi Investment Fund. The new structure was selected for the following reasons:

- After thorough qualitative and quantitative analysis that began in May 2018, it was determined that the two investment managers selected have strong capabilities in managing well-diversified pension funds.
- The current investment option, the Manulife Balanced Index Portfolio Fund, is managed by Manulife in a "passive" style. This means that the fund is designed to provide market-like returns. The new structure will provide "active" management for the Plan's investments, meaning that the new managers we have selected are expected to outperform the market, and therefore outperform the Manulife Balanced Index Portfolio fund over the medium- and longer-term time periods.
- While both fund managers have active management styles,

they also have complimentary investment strategies that contribute to further diversification within the CERi Pension Plan Trust.

- The new fund will access alternative investments including commercial real estate, infrastructure and commercial mortgages – asset classes that typically only much larger pension funds can access. Being well-diversified in volatile markets will temper the impact that volatility has on investment performance.

Our objective for the revised strategy, due to its greater diversification by both Investment Manager and types of investments, is to provide a more stable return with relatively low volatility compared to the equity markets.

Other than learning more about this new investment option, there is nothing that you need to do. The investments are still administered by Manulife, with details continuing to be available online through the Manulife VIP Room. The change will automatically take place early in February 2019, when your account balance to-date will be moved, and contributions will then be made, to the CERi Investment Fund.





A NOTE ABOUT THE CERi PENSION PLAN TRUST'S INVESTMENTS

The CERi Pension Plan Trust is currently invested in the Manulife Balanced Index Fund. This Manulife fund is invested with 40% of its assets in investment-grade government and high-quality corporate bonds – offering safe (lower volatility) but generally lower returns. The remaining 60% is invested in equities (or, stocks), which are expected to generate increased returns and help grow our members' retirement savings over the long-term. This fund was well-suited to the CERi Pension Plan's investment objectives, given the original smaller asset size of the CERi Pension Plan Trust.

As many will acknowledge and appreciate, 2018 was a very challenging year for all investors, including pension funds, as the combination of concerns about rising interest rates, slowing

economies and, of course, politics resulted in significant volatility in equity markets around the world and negative investment returns in 2018.

In January 2019, stock market returns have been very good though, looking forward, volatility is expected to continue. We also expect that this presents opportunities for the "active" fund managers we've selected. The Trustees believe that this supports moving to the new CERi Investment Fund structure described above, while still allocating a sufficient portion of the CERi Investment Fund to equities, to generate the long-term investment performance that will allow our members to save for their retirement.

Further, this volatility referred to above – the poor investment returns in late 2018 and positive investment returns in early 2019 – also

reinforces our intent to transition to a TB Pension Plan as the risk of investment volatility is pooled, or shared, over all members in a TB Pension Plan arrangement instead of being borne by members individually, as in a DC arrangement. Refer to our **first Newsletter to members** for a more detailed explanation.

To learn more about the CERi Pension Plan, and view the investments within your Plan account, simply visit the Manulife VIP Room (viproom.manulife.com) at any time. Haven't registered yet? Call a Manulife representative at **1 800-242-1704, Monday through Friday, 8 a.m. to 8 p.m. ET** – they can help. You'll need to have this pension ID handy when you call: **RS105099/001**.

IMPORTANT! Keep your account information up-to-date

Many of you recently joined the CERi Pension Plan, completing an enrolment form, designating your beneficiary(ies), and returning all documents to Manulife Financial, our Plan administrator.

Manulife has advised that many Plan members have yet to return their completed forms.

To ensure that your information is up-to-date – particularly your beneficiary designations – and we can contact you in the future, please **call a Manulife representative today at 1 800-242-1704, Monday through Friday, 8 a.m. to 8 p.m. ET**. A representative can:

- Confirm whether they have received your completed enrolment form.
- Provide you with help completing your enrolment form.
- Update your personal information (including your contact details!).
- Help you enrol for online access to your Plan account!





Nothing beats an in-person conversation

In person meetings will be scheduled for the spring. During these sessions you can look forward to :

- Updates on progress we've made following the publication of this newsletter,
- Additional information about the new investment managers and the investments in the CERi Investment Fund, and
- An opportunity to ask questions.

Information at your fingertips

To help make it easier to access information related to the CERi Pension Plan, we've started the redesign of our pension website: www.ceripension.ca.

While the website will continue to evolve, you can now access:

- Newsletters published to date
- Frequently Asked Questions and Answers
- A direct link to the Manulife VIP Room so you can quickly and easily login to your account

Bookmark www.ceripension.ca and return often for more information.

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A FINAL WORD

This bulletin has been prepared exclusively for the Canadian Energy and Related Industries (CERi) Pension Plan. It is not intended to be comprehensive or to provide advice. This newsletter describes the CERi Pension Plan as at the date of publication, and the Board of Trustees reserve the right to amend the plan at any time. If there are any differences between the information provided in this bulletin and any legal documents that govern the delivery of benefits, the legal documents will apply.