

## **Termination Value Funded Ratio & Open Group Funded Ratio**

As members of the NB Pipe Trades Shared Risk Plan (the "Plan"), the purpose of this communication is to provide you with information with respect to the Plan's Termination Value Funded Ratio and the Plan's Open Group Funded Ratio. A background explanation of each of these ratios, along with the history of these ratios since the Plan was converted to a Shared Risk Plan, is provided to you as follows:

### **Termination Value Funded Ratio**

The Termination Value Funded Ratio is used in the calculation of the "termination value" of your pension benefits. This includes pension benefits paid out at termination of employment, death, marriage breakdown, or retirement (small amounts only), as the case may be, in accordance with the New Brunswick *Pension Benefits Act*. The purpose of the Termination Value Fund Ratio being used is to help ensure that remaining Plan members benefits do not have a reduction in benefit security as a result of a payout. Should you receive such a payout, you forego any Plan enhancements that may occur in the future.

The Termination Value Funded Ratio is calculated as the ratio of the Market Value of Assets to the Funding Policy Actuarial Liabilities at a given valuation date. The Market Value of Assets is considered to be the fair market value of the assets of the Plan. Funding Policy Actuarial Liabilities are considered to be the present value of expected future benefit payments accrued to such valuation date, including liabilities for active members, retired members and beneficiaries, terminated vested members and outstanding refunds.

A history of the Termination Value Funded Ratios is provided as follows:

December 31, 2012: 84.1%

December 31, 2013: 84.8%

December 31, 2014: 89.3%

December 31, 2015: 91.5%

December 31, 2016: 93.0%

### **Open Group Funded Ratio**

The Open Group Funded Ratio is used extensively in the Funding Policy to determine the actions to be undertaken by The Board of Trustees under the funding policy deficit recovery plan and the funding policy excess utilization plan. The Open Group Funded Ratio is identical to the Termination Value Funded Ratio except that the present value of contributions over the next fifteen years that are in excess of the Funding Policy current service cost is added to the Market Value of Assets.

A history of the Open Group Funded Ratios is provided as follows:

December 31, 2012: 105.6%

December 31, 2013: 105.6%

December 31, 2014: 109.3%

December 31, 2015: 113.0%

December 31, 2016: 114.7%

The above ratios are updated in annual actuarial valuations. The next actuarial valuation as at December 31, 2017 is scheduled to be completed later this year. Once this actuarial valuation is finalized, the above ratios will be updated to reflect actual results as at December 31, 2017.