



CN Pension Committee / CN Pension Fund Update November 2023

1. The **CN Pension Committee** met **in person** for the first time in 4 years on November 22. With the full committee and alternates attending, there was considerable discussion and lively interaction on the various topics and issues. The Committee reviewed and approved the most recent retirements and discussed some unusual cases. We also received a financial **UPDATE** from the CN Investment Division (CNID). Below are the highlights of the meeting and updates.
2. **Indexation** – (for those eligible) we approved the communications pensioners will receive explaining their 2024 indexation. The Canadian inflation rate last year was **6.8%**, however the CN Pension Plan only allows for **50%** of inflation for the previous year UP TO a maximum of **6%** - **so a 3% increase**. Additionally the 3% increase is only applied to the first \$3250 of your monthly pension. So the **maximum** increase you can receive January 31, is **\$97.50** ($\$3250 \times 3\%$) and a **minimum** of \$9.00 (\$4.50 for spouses). A letter explaining this will be included with the January pension statement. We are also monitoring the health of the Plan **Escalation Account** which is used to pay for these indexation increases. It is tied to the investment gains (and losses) in the Plan and its value has dropped the last couple years.
3. **Future meetings** – The Committee agreed to have the May meeting live in Montreal in addition to the November meeting (March and Sept. are still virtual). There was discussion and will be more review about possibly reinstating the Sept. out of town meetings at some future date.
4. On April 1, the last 1800 CN managers and supervisors will be removed from this Plan and placed in the **CN Defined Contribution Plan (DC)**. This will leave only unionized employees as active participants in our Plan. The impact to Plan finances is negligible and has NO impact to our pensioners.
5. The **CN Unions** on the committee again raised the issue of their **Improvement Account**, and its significant negative financial status, which prevents Plan improvements for their members. Related to this, they also pushed the case for an increase to the maximum pension amount stating that inflation has and will continue to deplete the pension value over time. (the max has been \$60,000 since the 80's). There was no resolution, and no doubt they will have further discussions with CN. The Unions also raised the issue of portability of other pension plans into ours when people are hired at CN.
6. **CNID Investment Update** – Bruno Roy (President) outlined that 2022 was a very poor year financially for our Plan Fund finances when it lost close to 14% of its value. The good news is that in 2023 both the Equity and Bond Markets have recovered most of their 2022 losses. Year to date our Fund return is about 5.1%, which is promising. While the current situation is positive, there is still global uncertainty and economic headwinds, which also includes some 2024 recessionary concerns. The CNID is monitoring these issues and will react as appropriate. Interest rates are still high, which reduces the Plan liabilities. Accordingly, the Plan Solvency and Going Concern ratios continue to be very strong and the Plan is fully funded.

Your CNPA Pension Committee Representatives