

Cost of Living Increase – January 1, 2020

New Brunswick Teachers' Pension Plan

Determining annual cost of living increases under the New Brunswick Teachers' Pension Plan (NBTPP)

The NBTPP provides for an *Indexing Adjustment Benefit* (IAB, also known as “indexation”) each year (on January 1st) if there is a large enough surplus in the pension plan, up to a maximum Consumer Price Index (CPI) increase of 4.75% as follows:

- For active members, the pension benefits accumulated up to December 31, 2018 (including pre-conversion benefits earned up to July 1, 2014) will be adjusted based on 100% of the increase in the CPI.
- For retired members, deferred members and any surviving spouses or dependent children receiving a pension benefit under the NBTPP, pension benefits will be adjusted based on 75% of the increase in the CPI.
- For retired or deferred members of the NBTPP who terminated during 2019, a blended rate (as shown in the example below) is calculated based on the number of months the member was active and the number of months the member was retired.

Example of blended rate:

Terminated employment August 31, 2019:

- $(100\% \times 2.12\%) \times 8/12$ = 1.41%
- $(75\% \times 2.12\%) \times 4/12$ = 0.53%
- Total indexation applied to the benefit accrued to Dec 31, 2018 = **1.94%**

Cost of living increase for January 1, 2020: The Calculation

The January 1, 2020 cost of living adjustment (COLA) was calculated by comparing the average Consumer Price Index (CPI)* for the period of July 2018 to June 2019 with the average CPI for the period of July 2017 to June 2018, as follows:

Month Year	July 2018	Aug 2018	Sept 2018	Oct 2018	Nov 2018	Dec 2018	Jan 2019	Feb 2019	Mar 2019	Apr 2019	May 2019	June 2019	Avg.
CPI	134.3	134.2	133.7	134.1	133.5	133.4	133.6	134.5	135.4	136.0	136.6	136.3	134.63

Month Year	July 2017	Aug 2017	Sept 2017	Oct 2017	Nov 2017	Dec 2017	Jan 2018	Feb 2018	Mar 2018	Apr 2018	May 2018	June 2018	Avg.
CPI	130.4	130.5	130.8	130.9	131.3	130.8	131.7	132.5	132.9	133.3	133.4	133.6	131.84

Here's how the increase is calculated: $(134.63 - 131.84) / 131.84 = 2.12\%$

*CPI figures are drawn from the Bank of Canada. They can be found at www.bankofcanada.ca/rates/price-indexes/cpi/.