



## Cost of Living Increase – January 1, 2021

### New Brunswick Public Service Pension Plan

#### Determining annual cost of living increases under the New Brunswick Public Service Pension Plan (NBPSPP)

- Each year, the NBPSPP Board of Trustees will determine if the funding level within the NBPSPP will allow for an annual cost of living increase.
- The decision will be based on a financial report prepared by the pension plan’s actuary, and the pension plan’s Funding Policy.
- Each year, one of three outcomes can occur as a result of the financial report:
  - There is a large enough surplus to provide a full cost of living increase;
  - There is only enough surplus to pay a portion of the cost of living increase; or
  - There is not enough of an available surplus, or there is a deficit, and no cost of living increase will be provided.

#### Important information to understand

- According to the NBPSPP Funding Policy, if in a given year, the full cost of living increase is not provided, the remainder may be provided in subsequent years if the pension plan has a large enough surplus.
- Inflation is based on the average change in the Consumer Price Index (CPI) over the 12 months prior to the previous June 30 (i.e., July 1, 2019 to June 30, 2020).
- Although cost of living increases are not automatic, the Plan is designed in such a way that the likelihood of providing annual cost of living increases is very high.

#### Cost of living increase for January 1, 2021: the calculation

The January 1, 2021 cost of living adjustment (COLA) was calculated by comparing the average Consumer Price Index (CPI)\* for the period of July 2019 to June 2020 with the average CPI for the period of July 2018 to June 2019, as follows:

Month Year	July 2019	Aug 2019	Sept 2019	Oct 2019	Nov 2019	Dec 2019	Jan 2020	Feb 2020	Mar 2020	Apr 2020	May 2020	June 2020	Avg.
CPI	137.0	136.8	136.2	136.6	136.4	136.4	136.8	137.4	136.6	135.7	136.1	137.2	<b>136.60</b>

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	<b>134.63</b>

Here’s how the increase is calculated:  $(136.60 - 134.63) / 134.63 = 1.46\%$

The methodology used for calculating the NBPSPP COLA is the same that was used under the former *Public Service Superannuation Act* (PSSA) pension plan. It is also consistent with how other pension plans, including the Canada Pension Plan, calculate COLA.

\*CPI figures are drawn from the Bank of Canada. They can be found at [www.bankofcanada.ca/rates/price-indexes/cpi/](http://www.bankofcanada.ca/rates/price-indexes/cpi/).