



Cost of Living Increase – January 1, 2023

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, 2021 to June 30, 2022).
- 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, 2023: the calculation

The January 1, 2023 cost of living adjustment (COLA) was calculated by comparing the average Consumer Price Index (CPI)* for the period of July 2021 to June 2022 with the average CPI for the period of July 2020 to June 2021, as follows:

Month Year	July 2021	Aug 2021	Sept 2021	Oct 2021	Nov 2021	Dec 2021	Jan 2022	Feb 2022	Mar 2022	Apr 2022	May 2022	June 2022	Avg.
CPI	142.3	142.6	142.9	143.9	144.2	144.0	145.3	146.8	148.9	149.8	151.9	152.9	146.29

Month Year	July 2020	Aug 2020	Sept 2020	Oct 2020	Nov 2020	Dec 2020	Jan 2021	Feb 2021	Mar 2021	Apr 2021	May 2021	June 2021	Avg.
CPI	137.2	137.0	136.9	137.5	137.7	137.4	138.2	138.9	139.6	140.3	141.0	141.4	138.59

Here's how the increase is calculated: $(146.29 - 138.59) / 138.59 = 5.56\%$

With the open group funded ratio at 134.8% as at January 1, 2022, the NBPSPP was in a position to award a 5.24% cost of living adjustment (COLA) to Plan members. The remaining 0.32% may be awarded in the future.

The methodology used for calculating the average change in the national Consumer Price Index 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/.