

Cost of Living Increase – January 1, 2023

Shared Risk Plan for CUPE Employees of NB Hospitals

DETERMINING ANNUAL COST OF LIVING INCREASES under the Shared Risk Plan for CUPE Employees of NB Hospitals (CUPE Hospitals SRP)

- Each year, the CUPE Hospitals SRP Board of Trustees determine if the funding level of the Plan allows for an annual cost of living increase to be awarded to members.
- The decision is based on a financial report (Actuarial Valuation Report) prepared by the CUPE Hospitals SRP's actuary, and the CUPE Hospitals SRP Funding Policy (a governing document of the Plan).
- One of three outcomes can occur as a result:
 1. There is a large enough surplus to provide a full cost of living increase;
 2. There is only enough surplus to pay a portion of the cost of living increase; or
 3. There is not enough of an available surplus, or there is a deficit, and no cost of living increase will be provided.
- 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.
- As per the CUPE Hospitals SRP 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 enough surplus.

DETERMINING THE MAXIMUM COST OF LIVING INCREASE THRESHOLD FOR JANUARY 1, 2023

The maximum cost of living adjustment (COLA) that could be awarded on January 1, 2023 was calculated by first comparing the average national Canadian Consumer Price Index (CPI) for the period of July 2021 to June 2022 with the average national Consumer Price Index 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.
Canadian 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.
Canadian 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

The change in the national Consumer Price Index is calculated as follows: $(146.29 - 138.59) / 138.59 = 5.56\%$.

COST OF LIVING INCREASE FOR MEMBERS OF CUPE HOSPITALS SRP FOR JANUARY 1, 2023 = 2.74%

Based on the above calculation, the maximum COLA that could be provided to all members of the CUPE Hospitals SRP for 2023, before taking the financial health of the plan into consideration, was 5.56%. The methodology used for calculating this, as shown above, is consistent with how other pension plans (including the Canada Pension Plan) calculate the maximum COLA that can be awarded.

Following a review of the financial health of the Plan, using the Actuarial Valuation Report and the rules laid out in the Plan's Funding Policy, **the Board was in a position to award a 2.74% COLA for January 1, 2023, with the unawarded portion of COLA to be paid in future years if the financial health of the Plan allows.**

Why isn't the COLA higher? Since the previous valuation, the Plan experienced a loss of 27% of its active members due to the reclassification of certain groups, which resulted in a change in their union membership. The resulting reduction in additional employee and employer contributions over the next 15 years resulted in a reduction in the Plan's Open Group Funded Ratio, and a reduction in the amount of excess funds available to fund COLA. Had these groups continued as active plan members, the COLA granted as at January 1, 2023 under the Funding Policy would have been significantly higher.