

Cost of Living Increase – January 1, 2024

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, 2024

The maximum cost of living adjustment (COLA) that could be awarded on January 1, 2024 was calculated by first comparing the average national Canadian Consumer Price Index (CPI) for the period of July 2022 to June 2023 with the average national Consumer Price Index for the period of July 2021 to June 2022, as follows.

Month Year	July 2022	Aug 2022	Sept 2022	Oct 2022	Nov 2022	Dec 2022	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	June 2023	Avg.
Canadian CPI	153.1	152.6	152.7	153.8	154.0	153.1	153.9	154.5	155.3	156.4	157.0	157.2	154.47

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

The change in the national Consumer Price Index is calculated as follows: $(154.47 - 146.29) / 146.29 = 5.59\%$.

COST OF LIVING INCREASE FOR MEMBERS OF CUPE HOSPITALS SRP FOR JANUARY 1, 2024 = 3.60%

Based on the above calculation, the maximum COLA that could be provided to all members of the CUPE Hospitals SRP for 2024, before taking the financial health of the plan into consideration, was 5.59%. 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 3.60% COLA for January 1, 2024, with the unawarded portion of COLA to be paid in future years if the financial health of the Plan allows.**