

Date: February 8, 2024

To: All Members of the Shared Risk Plan for Academic Employees of the University of New Brunswick (“AESRP” or the “Plan”)

From: The Board of Trustees

Subject: Cost of Living Adjustment (COLA) for January 1, 2024

We are pleased to inform you that the Board of Trustees is able to grant COLA based on the results of the most recent actuarial valuation as at July 1, 2023.

If you are an active member, an increase of 3.16% will be applied to the pension you have earned up to June 30, 2023.

If you are a retiree or surviving spouse currently receiving a pension, or a terminated vested member, an increase of:

- 3.16% will be applied to the pension you earned prior to July 1, 2003;
- 2.71% will be applied to the pension you earned from July 1, 2003 to June 30, 2004; and
- 0.47% will be applied to the pension you earned after June 30, 2004.

The increase is effective January 1, 2024. If you are currently receiving a pension, you should see this change reflected in your August 2024 pension payment. This allows sufficient time for administrative processing. Your August payment will include the first adjusted payment as well as a one-time retroactive adjustment for the payments from January 1, 2024.

Note: Your COLA may vary from the above if you have been hired, terminated employment or retired between July 1, 2015 and June 30, 2023.

What are the criteria to determine if a COLA can be granted?

Since the Plan converted to a shared risk plan on July 1, 2013, COLA is conditional. This means it is not automatic but rather provided only when certain financial criteria are met. This is part of the approach under a shared risk plan to carefully manage risks and ensure the ongoing financial health of the Plan.

Each year, an actuarial valuation of the Plan is completed to assess the financial health of the Plan and the Board of Trustees must determine if any actions on their part are necessary, including whether a COLA will be granted for the year.

Under the Funding Policy, two main criteria must be met to grant COLA in a given year (see Appendix A for more details).

Criteria	Requirement	Results <i>(before granting COLA)</i>	Met
Funding level	Greater than 105%	July 1, 2023: 121.4%	✓
Primary Risk management goal	Probability that base benefits will not need to be reduced in the next 20 years is at least 95% (97.5% prior to January 1, 2018)	July 1, 2023: 99.2%	✓

The Plan's funding level increased from 108.4% as of July 1, 2022 to 121.4% as of July 1, 2023, before granting any COLA, due to investment returns which were higher than anticipated and an increase in the liability discount rate from 4.00% to 4.50%. The improvement in funding level and the strong investment outlook had a positive effect on the risk management goal. Since both criteria are met as of July 1, 2023, a portion of the funding surplus can be used to grant 20.87% of the COLA that was not yet granted since January 1, 2017 (see Appendix B for a history of COLA amounts since conversion of the Plan and what percentage of those COLA amounts have been granted to date).

What should be expected in the future?

The Board of Trustees is hopeful that by focusing on risk management, the Plan will continue to have a strong funding level and continue to meet its risk management goal, which would mean the COLA will continue to be granted.

The next actuarial valuation will be performed as of July 1, 2024, and the results will determine whether COLA can be granted by the Board of Trustees for January 1, 2025, based on the same two criteria (the amounts not granted since January 1, 2017 will be considered in determining the COLA to be granted at that time).

Questions?

If you have questions about this letter or any aspect of your pension benefits, please contact Mary Lou Doucette, HR Consultant (Benefits & Pensions), at (506) 458-7679, or by email at marylou.doucette@unb.ca.

Yours truly,


Jennifer Morrison
Co-Chair


Norm Betts
Co-Chair

Board of Trustees - Shared Risk Plan for Academic Employees of the University of New Brunswick

Appendix A – Cost of Living Adjustment (“COLA”) rules

The COLA is determined annually based on the rules set in the two following official Plan documents.

Funding Policy

The Funding Policy sets the criteria that must be met in order for COLA to be granted, and it also sets the amount that can be spent on COLA.

Two criteria that must be met for COLA to be granted:

1. **Funding level:** COLA can be granted only when the funding level of the Plan is greater than **105%** (before granting the COLA), as determined by the latest actuarial valuation.
2. **Risk management goal:** the Plan must still meet a risk management goal after COLA has been granted. This goal is defined as a probability of at least **95%** that base benefits will **not** need to be reduced in any year over the next 20 years.

Prior to January 1, 2018, this goal was defined as a probability of at least **97.5%** that base benefits will **not** need to be reduced in any year over the next 20 years.

Amount that can be spent: If the two criteria are met, an amount equal to 17% of the portion of the funding level between 105% and 140% plus all excess above 140% can be spent on COLA.

Official Plan text

This document defines how to calculate the maximum COLA that can be applied for each category of members (also referred to as Eligible Base COLA)

For active members

COLA granted in respect of a particular plan year cannot exceed the increase in the Consumer Price Index (CPI) for the year. COLA is applied to Pensionable salary earned during prior years that are in turn used to calculate the accrued pension payable at retirement.

For terminated members with a deferred pension and retirees

COLA is based on the increase in the Consumer Price Index (CPI), with different formula applying to pension earned during different periods, as follows:

Pension accrued before July 1, 2004	CPI up to maximum of 4.5% or 6% depending on the period
Pension accrued after June 30, 2004	The sum of: <ol style="list-style-type: none"> I. the increase in the CPI, subject to a maximum increase of 0.5%, plus II. the lesser of: <ol style="list-style-type: none"> a) the excess, if any, of the 3-year average annual investment return of the pension fund over 7.75%; and b) the excess, if any, of the 3-year average annual increase in CPI over the increase in (I) above.

COLA must be approved by the Board of Trustees, made up of five trustees appointed by the Association of University of New Brunswick Teachers and five trustees appointed by the University.

When COLA is granted, the Board must provide COLA for the current year and for any past year for which it was missed or partially granted, up to the amount available to spend for the year.

Both the Funding Policy and the Official Plan text were established by the University and the Association of University of New Brunswick Teachers in accordance with the *Pension Benefits Act* and the shared risk plans regulations.

You can consult both documents on the following website: <https://www.unb.ca/hr/pension/index.html>.

Appendix B – COLA history

Effective Date	Consumer Price Index	Maximum COLA that could be granted in accordance with the Official Plan text (also referred to as Eligible Base COLA)	% of Eligible Base COLA granted
January 1, 2014	0.96%	For active members: For terminated and retired members: <ul style="list-style-type: none"> ▪ Pension accrued before July 1, 2004: ▪ Pension accrued after June 30, 2004: 	n/a 100% 0.96% 0.50%
January 1, 2015	1.43%	For active members: For terminated and retired members: <ul style="list-style-type: none"> ▪ Pension accrued before July 1, 2004: ▪ Pension accrued after June 30, 2004: 	1.43% 100% 1.43% 1.34%
January 1, 2016	1.49%	For active members: For terminated and retired members: <ul style="list-style-type: none"> ▪ Pension accrued before July 1, 2004: ▪ Pension accrued after June 30, 2004: 	1.49% 100% 1.49% 1.29%
January 1, 2017	1.40%	For active members: For terminated and retired members: <ul style="list-style-type: none"> ▪ Pension accrued before July 1, 2004: ▪ Pension accrued after June 30, 2004: 	1.40% 74.47% 1.40% 0.50%
January 1, 2018	1.46%	For active members: For terminated and retired members: <ul style="list-style-type: none"> ▪ Pension accrued before July 1, 2004: ▪ Pension accrued after June 30, 2004: 	1.46% 74.47% 1.46% 0.50%
January 1, 2019	1.88%	For active members: For terminated and retired members: <ul style="list-style-type: none"> ▪ Pension accrued before July 1, 2004: ▪ Pension accrued after June 30, 2004: 	1.88% 74.47% 1.88% 0.50%
January 1, 2020	2.12%	For active members: For terminated and retired members: <ul style="list-style-type: none"> ▪ Pension accrued before July 1, 2004: ▪ Pension accrued after June 30, 2004: 	2.12% 66.47% 2.12% 0.50%
January 1, 2021	1.46%	For active members: For terminated and retired members: <ul style="list-style-type: none"> ▪ Pension accrued before July 1, 2004: ▪ Pension accrued after June 30, 2004: 	1.46% 51.69% 1.46% 0.50%
January 1, 2022	1.46%	For active members: For terminated and retired members: <ul style="list-style-type: none"> ▪ Pension accrued before July 1, 2004: ▪ Pension accrued after June 30, 2004: 	1.46% 51.69% 1.46% 0.50%
January 1, 2023	5.56%	For active members: For terminated and retired members: <ul style="list-style-type: none"> ▪ Pension accrued before July 1, 2003: ▪ Pension accrued between July 1, 2003 and June 30, 2004: ▪ Pension accrued after June 30, 2004: 	5.56% 26.73% 5.56% 4.50% 0.50%
January 1, 2024	5.59%	For active members: For terminated and retired members: <ul style="list-style-type: none"> ▪ Pension accrued before July 1, 2003: ▪ Pension accrued between July 1, 2003 and June 30, 2004: ▪ Pension accrued after June 30, 2004: 	5.59% 20.87% 5.59% 4.50% 0.50%