

May 1, 2016

Shared Risk Plan for Academic Employees of the University of New Brunswick

To: All Plan Members

From: The Board of Trustees

Subject: Cost of Living Adjustment (COLA) for January 1, 2016

Each year after the actuarial valuation of the Plan is completed, the Board of Trustees has to determine if any actions on their part are necessary under the Plan's Funding Policy. One of the most important decision to be made by the Board of Trustees is whether a Cost of Living Adjustment (COLA) will be granted for the year.

Based on the results of the most recent actuarial valuation as at July 1, 2015, it has been determined that the following COLA will be granted for 2016:

Effective Date	Consumer Price Index	Maximum COLA	% of Maximum COLA granted
January 1, 2016	1.49%	For active members	1.49%
		For terminated and retired members	
		▪ Pension accrued before July 1, 2004	1.49%
		▪ Pension accrued after June 30, 2004	1.29%
			100%

The increase in the monthly pension to retired members will start on the payment of May 20, 2016.

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 new approach under a shared risk plan to carefully manage risks and ensure the ongoing financial health of the Plan.

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

Criteria	Trigger or threshold	Current measure over last year	Met
Funding level	Greater than 105%	July 1, 2015: 118.9% July 1, 2014: 114.8%	✓
Primary risk management goal	Probability that base benefits will not need to be reduced in the next 20 years is at least 97.5%	July 1, 2015: 98.1% July 1, 2014: 98.2%	✓

The July 1, 2015 actuarial valuation disclosed that since the previous valuation, the funding level improved and the primary risk management measure remained relatively stable. As the two criteria are met, COLA can be granted on January 1, 2016.

Given the current funding level of the Plan, the Board of Trustees was able to fully grant the maximum eligible COLA for the year.

What should be expected in the future?

The next actuarial valuation will be performed as of July 1, 2016, and the results will determine whether COLA can be granted by the Board of Trustees for January 1, 2017, based on the same two criteria.

Questions?

If you have questions about this letter or any aspect of your pension benefits, please contact Kevin Ring, HR Consultant (Benefits & Pensions), at (506) 453-4648, or by email at kring@unb.ca.

Yours truly,



Larry J. Guitard
Co-Chair

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

Appendix A – COLA rules

The Cost of Living Adjustment (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. **Primary risk management goal:** the Plan must still meet the *primary risk management goal* after COLA has been granted. This goal is 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.

Within the Funding Policy, other COLA adjustments may be provided in situations where the funding level is in excess of 140%

Official Plan text

This document defines how to calculate the maximum COLA that can be applied for each category of members.

For active members

COLA 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%, plusII. 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%; andb) 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: www.unb.ca/hr/academicpensionplan.

Appendix B – COLA history

Effective Date	Consumer Price Index	Maximum COLA that could be granted in accordance with the Official Plan text		% of Maximum 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 0.96% 0.50%	100% 100%
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% 1.43% 1.34%	100% 100% 100%
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% 1.49% 1.29%	100% 100% 100%