

## **Pension and Retirement Income Committee**

### **Appendix A - Survey of Cost-of-living arrangements – February 2023**

#### **BC**

While COLAs are not guaranteed, the Teachers Pension Plan has always paid full cost-of-living adjustments. Increases are based on:

- Changes in the Canadian consumer price index (CPI) over a 12-month period from September to September. Increase awarded each January.
- The funds available in the plan's inflation adjustment account (IAA). The basic fund was in a surplus position at the last valuation and the IAA is well funded.

#### **Alberta**

For pensionable service prior to 1993, 60% of the Alberta Consumer Price Index (ACPI).

For pensionable service after 1992 70% of ACPI.

#### **Saskatchewan**

There are two different teacher pension plans for teachers in Saskatchewan, the Teachers Superannuation Plan (closed in 1980) and the Saskatchewan Teachers Retirement Plan (for any teachers beginning teaching after July 1, 1980).

Teachers Superannuation Plan: Allowances are adjusted each January 1, by 80% of the percentage increase of the monthly averages of CPI increases in the last year ending October 31st. No cap to these increases.

Saskatchewan Teachers Retirement Plan: Benefit increases are divided into 2 portions depending on when the original service occurred:

Service Before 2015: Allowances are adjusted each January 1, by 80% of the percentage increase of the monthly averages of CPI increases in the last year ending October 31st capped at 3%.

Service After 2015: Allowances are adjusted on an ad hoc basis by the STF Pension and Benefits Board depending on the funding of the Plan.

#### **Manitoba**

The independent plan actuary prepares an actuarial valuation as at December 31 of each year to determine the maximum COLA the PAA can support. The actuarial valuation compares the PAA assets to the liabilities for all prior COLA. The COLA is the lesser of CPI and what the PAA can support. It is never negative.

## Ontario

### Step 1: Calculate inflation factor

We compare the average monthly CPI for the 12 months ending in September to the 12-month average a year earlier. We then divide the two averages to get the inflation factor.

Here's how the factor was determined for the 2023 baseline cost-of-living adjustment:

$$\begin{array}{r} 148.8 \\ \text{Average monthly CPI for 12 months ending in September 2022} \\ \div \\ 140.0 \\ \text{Average monthly CPI for 12 months ending in September 2021} \\ = \\ 1.063 \\ \text{Inflation factor} \end{array}$$

### Step 2: Convert factor to a percentage

To communicate the size of the adjustment, we convert the factor to a percentage. Here's how the factor is expressed as a percentage, using the 2023 inflation adjustment:  $(1.063 - 1) \times 100 = 6.3\%$

### Step 3: Convert percentage to reflect conditional inflation protection for service after 2009

For pension credit earned after 2009, inflation protection is conditional based on the plan's funding status. For pension credit earned during 2010 to 2013, it can range from 50% to 100% of the inflation rate. For pension credit earned after 2013, it can range from 0% to 100%. For 2023, the conditional inflation level is 100% for both periods.

## Quebec

Teachers:

Contributions before July 1st, 1982 : Indexed 100% according to inflation

Contributions between July 1st 1982 and December 31, 1999 : Indexed inflation minus 3% (note that inflation is usually around 2%, therefore very few years were indexed)

Contributions since January 1st 2000: Indexed 50% of inflation or inflation minus 3%, whichever is more advantageous.

The indexation occurs on January 1st of every year. The 2023 indexation is 6.8%. So each member will have to see where they contributed and calculate their total indexation. See: <https://areq.lacsq.org/retraite-quebec-taux-dindexation-au-montant-de-la-rente-du-regime-de-rentes-du-quebec-rrq-pour-2023/2022/11/>

Administrators:

The administrators are in a different plan, and they are in the fifth year of a six year freeze.

### **New Brunswick**

The New Brunswick Teachers' Pension Plan provides for an Indexing Adjustment Benefit (IAB, also known as "indexation") each year (on January 1st) as long as there is a large enough surplus in the pension plan, up to a maximum Consumer Price Index (CPI) increase of 4.75% as follows:

- For active members, the pension benefits accumulated (including benefits earned up to July 1, 2014) will be adjusted on the basis of 100% of the increase in the CPI.
- For retired members, deferred members and any surviving spouses or dependent children receiving a pension benefit under the New Brunswick Teachers' Pension Plan, pension benefits will be adjusted on the basis of 75% of the increase in the CPI.

If the funding status of the New Brunswick Teachers' Pension Plan does not allow for indexing to be granted in a given year, the increases are carried forward to future years and may be paid if the funding status of the New Brunswick Teachers' Pension Plan allows for it at that time.

### **Nova Scotia**

The NSTPP has a two-tier aspect to their plan as it relates to Indexing. For pensions with an effective date before August 1st, 2006, the rate is equal to the increase in the 12 month average Consumer Price Index (CPI) for Canada, less 1 percent, to a maximum of 6 percent.

Indexing in a given year for pensions with an effective date after August 1, 2006, as well as those of existing pensioners who opted for the new indexing arrangement, depends on the funding level of the plan. If the funding level as of December 31st of the preceding fiscal year is less than 90 percent, no indexing will be provided. At a funding level of between 90 percent and 100 percent indexing will be granted at 50% of the increase in the 12 month average CPI up to a maximum of 6%, at the discretion of the Board of Trustees.

If the funding level is greater than 100%, indexing will be provided at 100% of the increase in the 12 month average of CPI up to a maximum of 6%, to the extent that it does not reduce the funding level to below 100%; however, pensions will be increased by at least 50% of the increase in the 12 month average CPI up to a maximum of 6%. For the purpose of the valuation, it was assumed that indexing would not be paid in years in which it is discretionary.

In 2022, those teachers in the first group (pension effective before August 1st, 2006) received indexing of 3.8% on August 1st.

Indexing for 2023 at this time has not been determined. Any indexing will take place on August 1st, 2023.

As of December 31st, 2021 there were 7884 retirees in the pre 2006 group who received CPI minus 1% indexing and 6169 in the second group who received no indexing.

The NS Government pays to the Pension an amount equal to the amount of increase the CPI-1 that the post August 1st 2006 would have received if they were in the same section as the pre 2006 retirees.

I would add that the NSTU and the NS Government are currently reviewing the NSTPP and the Pension Review Panel has submitted its Report to the Sponsors of the Plan (NSTU and the NS Government). Any recommendations made in the Report are non binding to the parties. The RTO is waiting to see the possible implications of this review on its membership.

## **PEI**

Our indexing is based on the month to month change in the Canadian consumer price index between February 1 to January 31 each year but it is not awarded until January 1st the next year. For example, on January 1, 2023 our pension was increased by 3.74 %. It was based on the consumer price index change between February 1, 2021 to January 31, 2022. so there is a lag of a year. Based on this calculation the increase on January 1 2024 should be around 6.85 if the plan is funded over 110% on March 31, 2023. Funding is only available if the basic plan is 110% funded – currently it is 125% funded.

## **Newfoundland and Labrador**

A partial indexer became available in September 2002 only for those pensioners whose pension benefits are integrated with CPP. Integration is applicable to all members contributing to the Teachers' Pension Plan since 1998. Each September following the member's 65th birthday, the annual pension will be increased by 60 percent of the Consumer Price Index (CPI), to a maximum of 1.2 percent, for all pensioners and survivors whose benefits are integrated with CPP on all service accrued prior to September 1, 2015. Future indexing accrual is suspended effective September 1, 2015.

<https://www.nlta.nl.ca/infosheet-3/>