



# PLAN UPDATE

## 2025 Ad-Hoc Cost-of-Living Adjustment (COLA)

### Ad-Hoc Cost-of-Living Adjustment (COLA) Granted for Eligible SHEPP Retirees

SHEPP's Board of Trustees has approved using the surplus identified in the Plan's December 31, 2023, actuarial valuation to fund an ad-hoc cost-of-living adjustment (**COLA**) for retirees receiving a pension as of December 31, 2023. This COLA took effect on January 1, 2025.

This adjustment reflects the Board's commitment to supporting our retirees by addressing the impact of inflation.

Details of this COLA, including eligibility criteria, how the adjustment is applied, and background information regarding its relationship to the Plan's funded status, are outlined in this document.

### Details of the 2025 COLA

#### What is the 2025 COLA being granted?

The Board has approved the one-time COLA equal to 50% of the increase in the Consumer Price Index (CPI) since each eligible retiree's pension commenced, up to a maximum increase of 5.25%.

#### Who is eligible?

Retirees in receipt of a pension on December 31, 2023, are eligible to receive the COLA.

#### When will eligible pensions be adjusted?

The COLA took effect on January 1, 2025. Eligible retirees will see an increase to their basic lifetime pension (and bridge benefit if they are receiving one) reflected on their Pension Payment Confirmation Statement. The new pension amount will apply to the January 2025 payment and will continue monthly thereafter.

#### How will the adjustment be applied to a monthly pension?

Based on the COLA formula and historical CPI figures, members who retired prior to February 1, 2022, will hit the maximum and receive an increase of 5.25%. Approximately 91% of eligible retirees will receive the maximum adjustment.

Those who have retired more recently will receive an adjustment less than the maximum 5.25%, equal to 50% of the CPI increase from their pension commencement date to September 30, 2024—the date selected by the Board to use as a reference point for calculating the increase in the CPI.



# 2025 Ad-Hoc COLA



## EXAMPLES

### Maximum Increase

Kim retired with a monthly pension of \$2,000, which commenced on August 1, 2021. Based on the COLA formula, 50% of the increase in the CPI from August 2021 to September 2024 is equal to 6.49%. Kim's pension will therefore increase by the allowable maximum of 5.25%, resulting in an adjusted monthly pension amount of \$2,105.

### Increase Less Than the Maximum

Chris retired with a monthly pension of \$2,000, which commenced on September 1, 2022. Based on the COLA formula, 50% of the increase in the CPI from September 2022 to September 2024 is equal to 2.75%. Chris's pension will therefore increase by 2.75%, resulting in an adjusted monthly pension amount of \$2,055.

### No Increase

Trudy retired on January 1, 2024. Since her pension commenced after December 31, 2023, she is not eligible for the COLA.

## What is the Consumer Price Index (CPI)?

The Consumer Price Index (CPI) measures changes in the cost of living by tracking the average prices of a fixed basket of goods and services over time. It reflects inflation and is used to calculate cost-of-living adjustments. For more information on the CPI, visit the [Consumer Price Index Portal](https://www150.statcan.gc.ca/n1/pub/2642701/2023001/article/00001-eng.htm) at [statcan.gc.ca](https://www150.statcan.gc.ca).

## People. Pensions. Results.

## Key Background Information

### What is an “ad-hoc” COLA and how does it differ from indexation?

An “ad-hoc” COLA is a pension adjustment that is not a feature of the Plan, nor is it guaranteed to occur on a regular basis, whether annually or otherwise.

While SHEPP's Plan design does not include indexation or any conditional COLA provisions, an ad-hoc COLA may be granted at the discretion of the Board if the Plan has surplus assets.

Indexation, by contrast, is a guaranteed annual adjustment to the pensions payable under a plan, designed to offset the impact of inflation.

### Why is an ad-hoc COLA being granted now?

Following years of focused efforts to eliminate the Plan's deficit incurred in 2010, the December 31, 2023, actuarial valuation of the Plan confirmed that SHEPP is fully funded on a going-concern basis, with surplus funds available.

The Board concluded that using the surplus to fund a one-time enhancement to the Plan's past service benefits (ad-hoc COLA), with no ongoing impact on the Plan's costs, was the best use of the surplus at this time.

### Will ad-hoc COLAs be granted again in the future?

By definition, an ad-hoc COLA does not set a precedent or create a commitment to grant one again in the future. The Board's decision to use surplus funds for granting the COLA is based on current circumstances. If surpluses become available in the future, the Board will carefully evaluate how best to use them, considering the Plan's Trust Agreement, its Surplus Utilization Policy, and the needs of the Plan and its stakeholders at that time.



# 2025 Ad-Hoc COLA



## What are the Board's options for using a surplus?

The Trust Agreement requires the Board to use surplus funds on contingency reserve creation, future service enhancements, shared contribution reductions or past service enhancements. The Trust Agreement also gives the Board discretion to choose among those options and decide which use is most appropriate in accordance with its fiduciary duties. The Board carefully and thoroughly considered each of these possible uses before making its decision to grant an ad-hoc COLA.

## Has SHEPP granted ad-hoc COLAs in the past?

Yes, prior to the Plan incurring a deficit and facing funding challenges, it granted 17 ad-hoc COLAs, 15 of which occurred over an 18-year period starting in 1986. The last ad-hoc COLA was provided in 2003, just after the Plan became jointly trustee more than 20 years ago. This is the first ad-hoc COLA granted since then.

## SHEPP's Funded Status

### What are the results of SHEPP's 2023 valuation?

SHEPP's 2023 actuarial valuation confirms the Plan has achieved fully funded status. As at December 31, 2023, SHEPP is 102% funded on a going-concern basis, with assets totaling \$9.97 billion and a surplus of \$228 million.

This marks a significant milestone for the financial health and long-term sustainability of your pension plan. Achieving full funding enhances pension security by ensuring the Plan has sufficient assets to meet current and future obligations, with margins in place to support stability and protect against market fluctuations.

## Will granting this ad-hoc COLA impact SHEPP's financial health?

The adjustment is funded from surplus funds. One of the Board's primary funding objectives is to secure existing benefits. Only when the Plan has accumulated sufficient surplus to meet its funding objectives is the Board able to consider using that surplus.

## More Information

For additional information about this ad-hoc COLA, please refer to the Retired Member Newsletter included with your Pension Payment Confirmation Statement.

To learn more about Plan funding and SHEPP's 2023 valuation results, please review SHEPP's [2023 Valuation Summary](#).

## Questions?

If you have any questions, please feel free to contact us by email at [sheppinfo@shepp.ca](mailto:sheppinfo@shepp.ca) or call 1.866.394.4440.