

Cost-of-living adjustments

Who this document is for:

- Union representatives
- Human Resources
- Active plan members
- Retired plan members
- Anyone who wants to learn more about COLA

The Municipal Pension Board of Trustees (board) may grant retired plan members or their beneficiaries cost-of-living adjustments (COLA) to their pensions. COLA helps to protect the purchasing power of pensions. Learn how COLA works today!

Defining COLA

COLA is an inflation adjustment to a plan member’s monthly pension payment. COLA is also applied to the bridge and the temporary annuity portions of a pension while in payment. Any COLA granted is applied in January.

COLA is a contingent benefit

COLA is not guaranteed. However, once COLA is granted, it will be added to each component of the pension for as long as a plan member is to receive them.

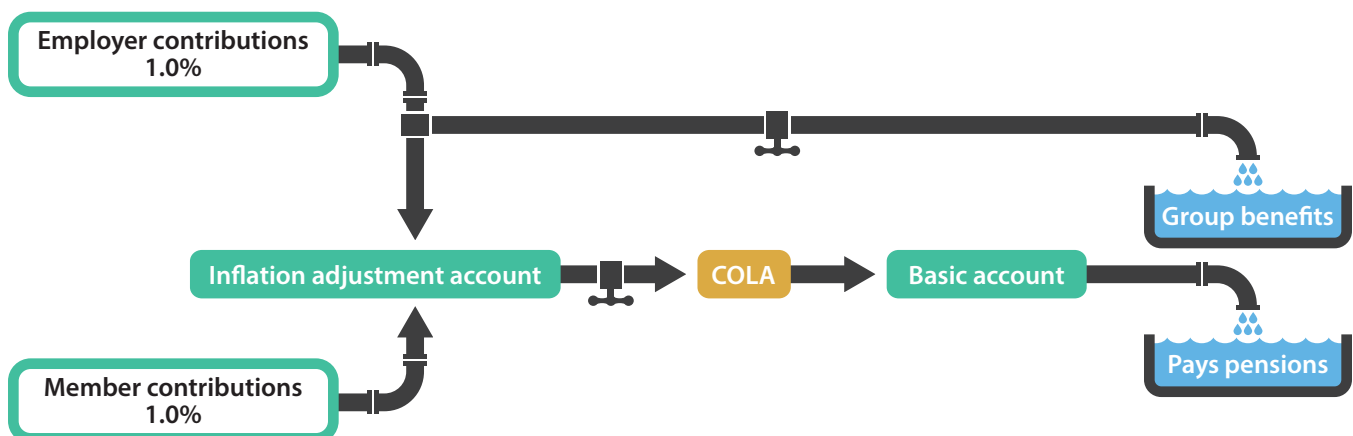
How COLA is determined

COLA is based on three things:

1. The amount of COLA cannot be higher than the increase in the Canadian consumer price index (CPI);
2. The maximum COLA amount that can be granted cannot be greater than the COLA cap; and
3. The cost of providing COLA cannot exceed the funds in the inflation adjustment account.

Where funding for COLA comes from

Funds for COLA come from the plan’s inflation adjustment account. This account holds a portion of member and employer contributions, and earns investment income. The inflation adjustment account funds COLA that may be granted to help offset the effects of inflation.



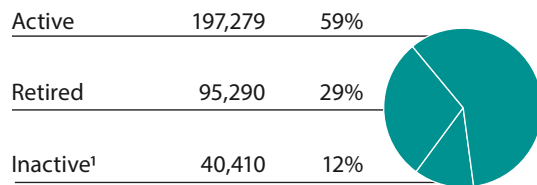
Why there's a cap on COLA

Capping the amount of COLA provided to retired members helps to maintain the long-term sustainability of funds in the inflation adjustment account so they are not used up faster than they can be replaced. Plan demographics, funding limits and investment performance all impact COLA funding. The two main pressures are increasing retiree lifespans and the changing ratio of active to retired members.

FAST FACTS

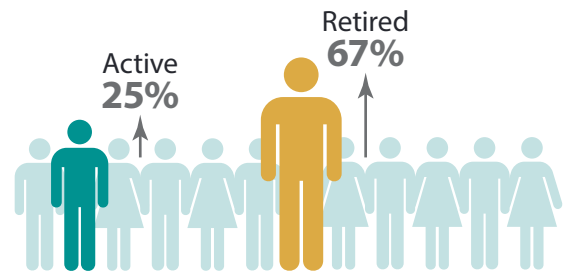
COLA cap for 2017–2019: 2.1%

Membership profile (total: 332,979)
as at December 31, 2017

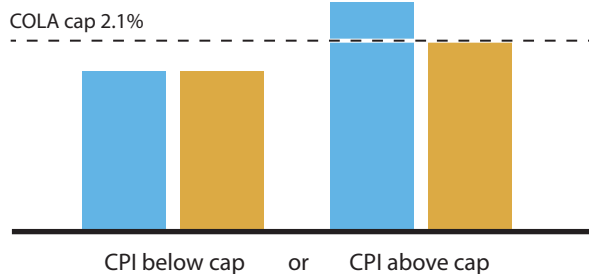


¹ Members no longer employed by a plan employer but with money in the plan.

Membership growth rates
increase over 2008 to 2017



Examples of possible cost-of-living adjustments²

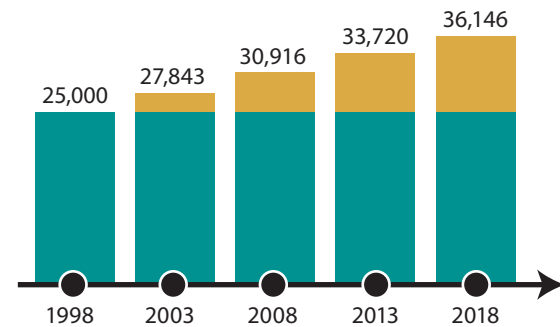


Change in Consumer Price Index (CPI) September–September

Maximum level of cost-of-living adjustment (COLA)

² The Municipal Pension Board of Trustees retains discretion to grant COLA and the amount of that COLA up to the increase in the CPI or the cap, whichever is lower.

Basic pensions plus cost-of-living adjustments³



Basic annual pension (\$20,000)

Cost-of-living adjustments granted

³ This is an illustration of the value of COLA historically.

The Municipal Pension Board of Trustees are appointed by plan employers, unions and associations from across British Columbia.

Who decides the amount of COLA

COLA is granted at the discretion of the board. The plan's rules and funding policy give the board the authority to grant COLA within three limits:

- The cost of providing COLA cannot exceed the funds in the inflation adjustment account
- The amount of COLA cannot be higher than the increase in the Canadian consumer price index (CPI)
- The maximum COLA amount that can be granted cannot be greater than the COLA cap

The board retains the authority to choose the amount of COLA granted, up to the level of the cap.

For example, if the increase in the CPI is less than the cap, a COLA of up to the increase in the CPI may be granted. If the increase in the CPI is greater than the cap, any COLA granted cannot exceed the cap.

There is no explicit provision in place for handling the impact of negative CPI on COLA. Deflationary years are dealt with by the trustees on a case-by-case basis.

Where to find more information about COLA

Learn more about COLA and other plan features today: register for a free pension workshop on the website. Workshops are held throughout British Columbia.

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