

## 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 COLAs

The Municipal Pension Board of Trustees may grant cost-of-living adjustments (COLAs) to the pensions of members or their beneficiaries. COLAs help to protect the purchasing power of pensions. Learn how COLAs work today!

### Defining COLA

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

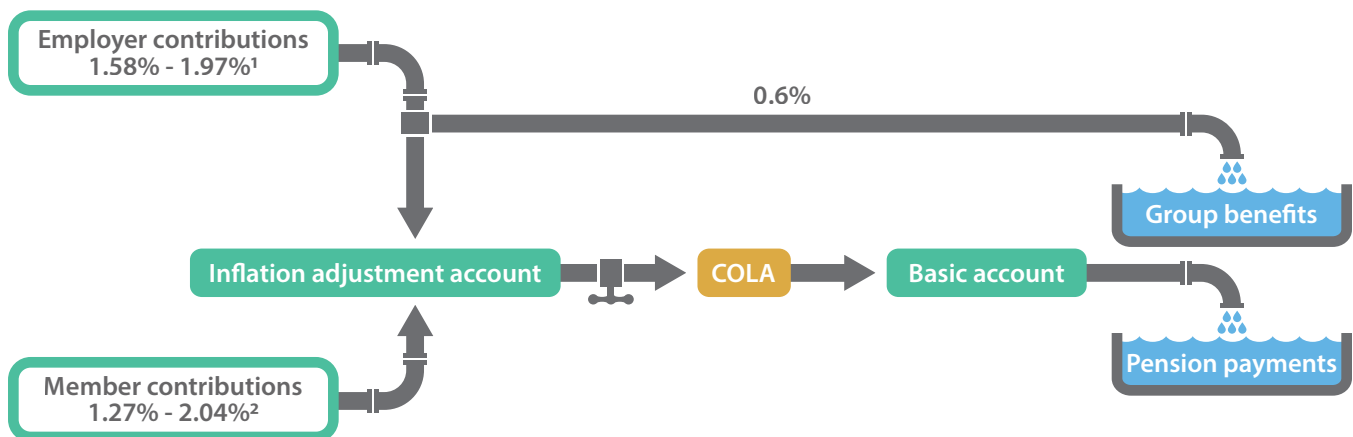
A COLA is not guaranteed. However, once a COLA is granted, it will be added to each component of the pension for as long as a plan member or beneficiary is to receive them.

### Where funding for COLAs comes from

Funds for COLAs 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 COLAs that may be granted to help offset the effects of inflation.

### Keeping COLAs sustainable

Capping the amount of a COLA provided to retired members helps 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.



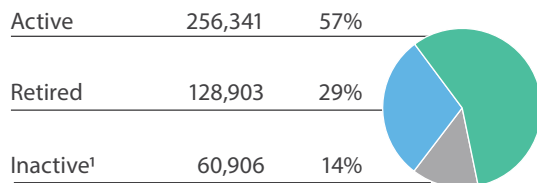
1 Percentage based on member group: group 1: 1.97%; group 2: 1.58%; group 5: 1.88%

2 Percentage based on member group: group 1: 1.27%; group 2: 1.78%; group 5: 2.04%

## FAST FACTS

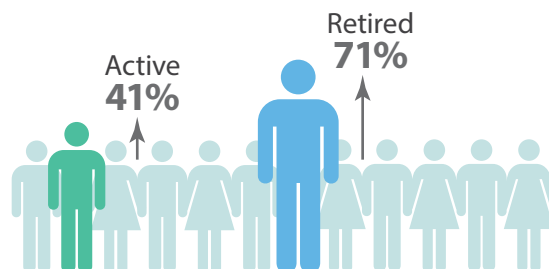
### No COLA cap for 2023-2025

#### Membership profile (total: 446,150) as at December 31, 2023

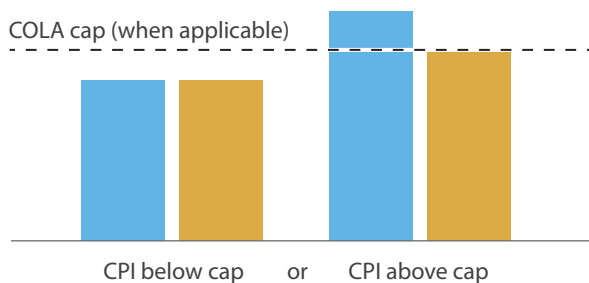


<sup>1</sup> Members no longer employed by a plan employer but with money in the plan.

#### Membership growth rates increase over 2013 to 2023



#### Examples of possible cost-of-living adjustments<sup>2</sup>

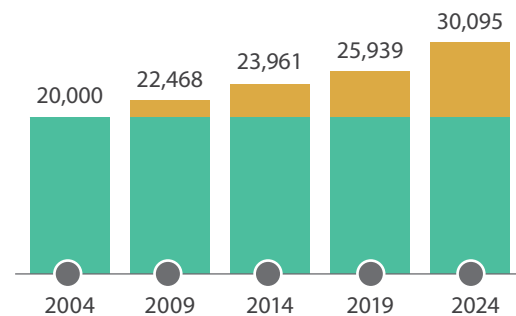


Change in consumer price index (CPI) September–September

Maximum level of COLA

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

#### Basic pensions plus cost-of-living adjustments<sup>3</sup>



Basic annual pension (\$20,000)

COLAs granted

<sup>3</sup> This is an illustration of the value of COLAs historically.

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

### Who decides the amount of a COLA

COLAs are granted at the discretion of the board. The plan's rules and funding policy give the board the authority to grant a 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 (when applicable).

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

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 (when applicable), 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 COLAs

Learn more about COLAs and other plan features by registering for a free pension workshop on the website: [mpp.pensionsbc.ca](http://mpp.pensionsbc.ca)

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