

Cost-of-Living Adjustments

1 What is the cost-of-living adjustment, or COLA?

COLAs are an increase in benefits for eligible retirees to help maintain the purchasing power of benefits in consumer prices increase.

2 Before 2010, how was the TVA Retirement System (TVARS) COLA determined?

Eligible retirees received a COLA on the pension benefit portion of the monthly retirement benefit in January following any year in which the 12-month average of the Consumer Price Index (CPI) exceeded by as much as 1% the 12-month average of the CPI for the preceding year.

3 What is the Consumer Price Index, or CPI?

The CPI is a tool that measures the average change of prices in consumer goods and services over a period of time. The U.S. Bureau of Labor Statistics maintains several CPIs reflecting different consumer groups. The CPI to which the TVARS COLA is tied is the CPI for All Urban Consumers (CPI-U).

4 When was the first COLA for TVARS retirees approved?

The COLA has been part of the System Rules since 1968.

5 Is there a minimum and maximum TVARS COLA?

Yes, the minimum COLA is 1% and the maximum is 5%. However, the TVARS Board may, with the approval of TVA, apply an increase greater than 5%.

6 What benefits are subject to the TVARS COLA?

Eligible retirees may receive COLAs on the pension benefit portion of their monthly retirement benefit as determined in accordance with the System Rules. The supplemental benefit may also receive COLAs until it reaches the maximum as specified in the Rules.

7 What were the eligibility requirements for the TVARS COLA before the August 2009 Rules amendments?

Eligible retirees and beneficiaries on the retirement payroll on or before January 1 receive a COLA when awarded. Before the August 2009 Rules amendments, the eligibility age requirement was attained age 55 for Original Benefit Structure retirees and actual age 55 for Cash Balance Benefit Structure retirees.

8 How was the COLA calculated prior to the August 2009 Rules amendments?

The TVARS Board approved a COLA based on the increase in the 12-month average of the CPI average (using the November-October time period) from the preceding year since the last adjustment.

9 What were the August 2009 Rules amendments?

For retirements on or after January 1, 2010, the eligibility requirements to receive any COLA became actual age 60. Employees retiring prior to age 60 would become eligible for a COLA the January after reaching age 60.

For calendar year 2010, the COLA will be zero.

For calendar year 2011, the COLA will be the increase in the Consumer Price Index (CPI), capped at 3 percent.

For calendar year 2012, the COLA will be zero.

For calendar year 2013, the COLA will be the increase in the CPI, capped at 2.5 percent.

At the end of this four-year period, the current COLA benefit will be restored (increase in CPI capped at 5 percent).

Also, the language was removed that referred to the *preceding year since the last adjustment* and was stated only as *preceding year*.

10 If I retire prior to age 60, will I be eligible for a COLA when I turn actual age 60?

Yes, you would be eligible for a COLA the January after reaching actual age 60.

11 What were the approved TVARS COLAs for 2011 and 2013?

For calendar year 2011, the COLA was 1.15%.

For calendar year 2013, the COLA was 2.3%

12 What were the December 2010 Rules amendments and how did it change the COLA calculation?

The TVARS Board amended the Rules to clarify the COLA calculation following years of deflation (which occurred during 2009) or years when inflation is less than 1%. This included adding back the language that referred to the *preceding year since the last adjustment* (language that was in the Rules prior to the August 2009 Rules amendments), which is necessary to appropriately calculate the COLA following years of deflation or years when inflation is less than 1%.

13 How is the TVARS COLA calculated now?

The TVARS Board approves a COLA based on the increase in the 12-month CPI average from the *prior year since the last adjustment*.

Should there be any conflict between the information in this document and the provisions of the various plans, the plan provisions and not this document shall be controlling.

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