TVARS Tennessee Valley Authority Retirement System

COST-OF-LIVING ADJUSTMENTS

Frequently Asked Questions

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

A COLA is an increase in benefits for eligible retirees and beneficiaries based on a formula in the TVARS Rules and Regulations to help maintain the purchasing power of benefits relative to inflation. TVARS has provided COLA benefits since 1968.

2 **Who is eligible for the COLA?**

If you first became a TVARS member before 07/01/2014 and elect a continuing monthly pension benefit, you are eligible for a COLA based on the following criteria:

- If you retired prior to 01/01/2010, you are eligible to receive any COLA the January after reaching age 55.
- If you retired on or after 01/01/2010 and were age 50 or older as of 10/01/2016, you are eligible to receive any COLA the January after reaching actual age 60.
- If you retired on or after 01/01/2010 and were under age 50 as of 10/01/2016, you are eligible to receive any COLA the January after reaching actual age 65.

Please note: Employees with a cash balance account who meet the age requirements above must separate employment on or before December 30 in order to be eligible for the COLA the following 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 used in the TVARS COLA formula is the CPI for All Urban Consumers (CPI-U).

4 **How is the COLA calculated?**

A COLA is applied whenever the 12-month average of the CPI-U for any year exceeds by as much as one percent the average for the prior year for which an adjustment was made. The COLA formula is equal to the percentage change in the average CPI-U for the current 12-month period November-October compared to the average CPI-U for the previous 12-month period November-October, minus 0.25%. The maximum COLA is 6%.

5 **What benefits are subject to the COLA?**

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

6 **What month is the COLA applied for eligible retirees?**

The COLA is applied to the January 31 payment.

7 **What are the historical COLAs for the last 30 years?**

1995	2.62%	2010	0.00%	2025	2.77%
1996	2.82%	2011	1.15%		
1997	2.82%	2012	0.00%		
1998	2.58%	2013	2.30%		
1999	1.59%	2014	1.53%		
2000	2.01%	2015	1.68%		
2001	3.24%	2016	0.00%		
2002	3.11%	2017	0.99%		
2003	1.49%	2018	1.84%		
2004	2.36%	2019	2.21%		
2005	2.42%	2020	1.54%		
2006	3.37%	2021	1.13%		
2007	3.43%	2022	3.50%		
2008	2.53%	2023	6.00%		
2009	4.45%	2024	4.44%		

8 **Why is there a cap on the COLA?**

Caps are common for the few retirement systems and pension plans that provide automatic COLAs. The COLA formula in the TVARS Rules has always included a maximum amount for the benefit. The 6% maximum in the TVARS Rules provides a high level of COLA benefit during periods of higher inflation while also helping to protect TVARS' ability to pay all retirement benefits to retirees and beneficiaries over the life of the System. In the past 30 years, the only time the cap applied was in 2023.

9 **What changes have been made to the COLA?**

Prior to 2016, the COLA formula was equal to the percentage change in the average CPI-U with a maximum of 5%. Following the changes to plan benefits in October 2016, the base COLA formula changed to the percentage increase in the average CPI-U minus 0.25%. However, the maximum available COLA was increased from 5% to 6% to provide a greater benefit in years of higher inflation, and the COLA benefit was vested, meaning it must be funded and provided to eligible retirees and beneficiaries in the future and cannot be taken away.

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.

TVA Retirement System
400 West Summit Hill Drive
Knoxville, TN 37902

Phone: 800-824-3870
Fax: 865-632-8591

E-mail: tvars@tva.gov
Website: www.tvars.com

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