



COLA Fact Sheet

Cost of living adjustments (COLAs) are reviewed each year, and your COLA is calculated as a percentage of your pension benefit. The COLA percentage is cumulative and continues to increase each time a COLA increase is granted by Richmond City Council. Thus, as your pension increases, your COLA amount will increase. Conversely, should your pension amount decrease, your COLA amount will decrease as well.

For example, assume your cumulative COLA percentage is now 15% and your pension amount was reduced from \$1,000 to \$800 at age 65, based upon the benefit payment option selected at retirement. The dollar amount of your COLA will be reduced from \$150 ($\$1,000 \times 15\%$) to \$120 ($\$800 \times 15\%$), even though the cumulative COLA percentage remained the same.

FAST FACTS ABOUT COLAs:

- COLAs are a percentage of your monthly pension benefit. COLAs are not a flat amount.
- COLAs are reviewed annually by the RRS Board of Trustees. The RRS Board of Trustees will make a recommendation to City Council, but only City Council has the authority to grant a COLA increase, not the RRS Board of Trustees.
- When determining COLA rates, the United States Average Consumer Price Index (CPI) is important. The funded status of the RRS is also important.
- You must be retired for at least one full year to be eligible for a COLA increase, and for this purpose, a member's effective retirement date will determine eligibility.
- The *percentage* of your COLA will not change when you turn 60 or 65; however, the *amount* that you receive may change if you selected a benefit payment option with an adjustment at age 60 or 65.
- The following is an example of how the RRS calculates COLA benefits with an adjustment at age 65. This illustrates that COLAs are a percentage of your monthly pension benefit. This also illustrates that COLAs are "compounded":

A firefighter retires in Year 1. His monthly pension benefit, based off his years of service and salary history, is calculated to be \$2,000 before age 65 and \$1,000 after age 65.

In Year 1, the retired firefighter will receive his monthly pension benefit; the retiree is not eligible for a COLA increase until he has been retired for 1 or more years.

In Year 2, City Council approves a 1% COLA increase. The retired firefighter will receive \$2,020.00 in Year 2. This is $\$2,000 + (\$2,000 \times 1\%)$.

In Year 3, City Council approves a second 1% COLA increase. The retired firefighter will receive \$2,040.20 in Year 3. This is \$2,000 + (\$2,000 × 2.01%).

In Year 4, the retired firefighter turns 65, and their monthly pension benefit, based off their years of service and salary history, reduces to \$1,000. Even if City Council does not approve a COLA increase in Year 4, he will receive the two COLAs that were approved in Year 2 and Year 3. This means that he will receive \$1,020.10 in Year 4. This is \$1,000 + (\$1,000 × 2.01%).

In Year 4, \$1,000 is the value of the retired firefighter’s monthly pension benefit. Likewise, \$20.10 is the value of his two COLA increases.

The cumulative percentage in Year 4 is the same as in Year 3. It is 2.01% of the monthly pension benefit.

YEAR	RRS BENEFIT	ADOPTED COLA	CUMULATIVE COLA PERCENTAGE	PAYCHECK
Year 1	\$2000	-	-	\$2000.00
Year 2	\$2000	1%	1%	\$2020.00
Year 3	\$2000	1%	2.01%	\$2040.20
Year 4	\$1000	-	2.01%	\$1020.10