



Pension Airwaves

Episode 7 - COLA/Indexing (*Transcript*)

Hi there and thanks for joining us for today's episode about COLA - Cost of Living Adjustments. Today I have a guest to help discuss those details, I'd like to welcome Margaret Leathley, our SPP Pension Administrator, to the podcast. Thanks for joining me, Margaret!

Margaret: Thanks for having me, Chelsey!

Chelsey: So, tell us about COLA.

Margaret: COLA stands for "Cost of Living Adjustment", also called "post-retirement indexing", or often just referred to as "indexing." COLA, or indexing, is an adjustment that we apply to pensions that are in payment, so for those that are receiving a pension benefit already from us. COLA is intended to be an annual increase to pension payments, to help members cope with the cost of living, inflation, cost of food prices, etc. COLA isn't guaranteed in our Plan -- it's always subject to the Plan's ability to pay for it. But so far, we have always been able to give some kind of COLA each year, and we hope to continue to do that.

Chelsey: Can you give an example of what a COLA might look like?

Margaret: Sure - so let's take an example of someone who retires at age 65 and they have a monthly pension payment of \$1000. The hope is that with indexing, there will be small increases over the lifetime of that pension, so that by the time that member reaches age 70, their monthly pension payment might now be, say, \$1050, so it's gone up \$50 in 5 years. This is just an example to illustrate the concept of what COLA does to hopefully allow the member to have more than what they originally retired with, as they age.

Chelsey: Are annual cost of living adjustments a unique practice for the Staff Pension Plan? Or do we see this happen in other pension plans too?

Margaret: COLA is not unique to this Plan. Some other employer pension plans may offer COLA and some may not. Giving a COLA is an individual plan decision - we are lucky to have COLA in the Staff Pension Plan.

Chelsey: So how is it calculated? Like what factors would affect that adjustment amount?

Margaret: COLA is based on the CPI, which stands for Consumer Price Index. This is a figure that the Canadian government determines, and it's a widely-used measure of inflation. We use this figure as well, to help determine what kind of COLA we can give. The calculations we use are detailed, but generally we try to follow what the Canada Pension Plan gives their pensioners, and it's based on the CPI.

Chelsey: How do pensioners know if they're entitled to have COLA applied to their pension payment, and when would that happen?

Margaret: If the Plan is giving out a COLA, anyone who is receiving a pension from the Plan would be entitled to receive that COLA. The exception is that if someone has just retired within the year prior to that COLA, they may only be entitled to a prorated amount based on when they actually retired. So, for

example, if a member retires on December 1st, and we are giving a COLA as of the coming January 1st, but because that person hasn't been retired for a whole year prior to that January 1st and they've only been retired for one month, they're only going to get 1/12th of whatever COLA we're giving, because they haven't been retired for a whole year.

COLA happens annually on January 1st, and we notify pensioners of their adjustment amount in the December prior to that adjustment. We call this our retiree annual statement, and it contains all the information about how much COLA is being given, what percentage, and what their new pension numbers will be. This is available in [myPension](#), our secure member website.

In myPension, members can decide how they want to be notified of their annual statement – either electronically, or with paper. If pensioners have chosen to be notified electronically, we send them an email and guide them to myPension where they can log in with their CWL information, and there they can see their annual statement. If pensioners have chosen to be notified with paper, we send a paper annual statement to their home, and will often send a courtesy email as well.

Either way, it's very important for pensioners to let us know when any of their contact information changes, including their email addresses, phone numbers, mailing address, etc. so that we can always make sure they get the information that they're entitled to.

Chelsey: Yes, this is a good opportunity to encourage all members to make sure that they keep their email address updated with us. And we encourage them to opt in to electronic communications for their annual statement in myPension if they haven't already, because it does reduce costs for the Plan, and it's a faster delivery of their information.

So if people want to learn more about COLA or indexing, where should they look?

Margaret: I would encourage them to go and take a look at our website, staff.pensions.ubc.ca. In the search box at the top, you just have to type in "COLA" "Cost of Living" "Indexing" or something like that, and you'll see the information we have about it. Once the COLA amount has been determined for the coming year, you'll see that figure posted. We also have the 10-year average of what members have received with indexing over the last 10 years.

If you're looking at more about what the Government of Canada says about CPP and OAS, regarding their COLAs, I would encourage you to go to Service Canada's website, canada.ca. CPP is adjusted annually on January 1st as well, and I believe OAS is adjusted more regularly than that, like every 3 or 4 months – but yes please take a look at Service Canada's website to look at their COLA information.

Chelsey: I think that's a great place to wrap up, it's great to know that COLA exists and I appreciate having the discussion of what it is and what it can mean for our pensioners. Thanks very much, Margaret, for talking to us about this.

Margaret: You're very welcome, my pleasure.

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If you have questions about the UBC Staff Pension Plan or your personal situation, you can reach out to SPP Member Services at spp@hr.ubc.ca, or visit staff.pensions.ubc.ca/contact.