

## **SFPP COLA Frequently Asked Questions**

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### **What is a Cost-of-Living Adjustment (COLA)?**

COLA is an increase to pension payment amounts to offset a change in inflation or purchasing power, as measured by the *Alberta Consumer Price Index (ACPI)*.

### **What is the COLA for 2012?**

COLA was granted as a 1.2 per cent increase, or 60 per cent of *ACPI*, on pensionable service before January 1, 2001 (“pre-2001”), and a 0.60 per cent increase, or 30 per cent of *ACPI*, on service after December 31, 2000 (“post-2000”).

### **How is COLA granted?**

According to pension plan legislation, members who have pre-2001 service will receive an annual COLA increase of 60 per cent of *ACPI* on that portion of service. For post-2000 service, the Board is responsible for setting the COLA based on affordability.

In prior years, contributions and investment income would go into an Indexing Fund, and when this fund had sufficient assets or the Plan had a surplus, the Board would grant COLA on service periods. While the Board has always been in a position to grant COLA on post-2000 service based on affordability, the funds in the Indexing Fund have been insufficient to consistently grant COLA at 60 per cent of the *ACPI*.

Under a policy adopted in 2010, the Board will target an annual COLA of 30 per cent of the *ACPI* to pensioners and deferred members with service after 2000; however the Board will continue to base its decision on the Plan’s financial affordability each year. The method of granting COLA for service before 2000 remains unchanged.

### **How is COLA calculated?**

COLA is determined by taking the sum of the 12 most recent *ACPI* values (leading months ending October 2011) and dividing by the sum of the previous 12 months (trailing months ending October 2010). The rounded result, less one, and multiplied by 60 per cent yields the COLA for pre-2001 service, and the rounded result less one multiplied by 30 per cent yields the COLA for post-2000 service.

For 2012, COLA has been calculated as follows:

Pre-2001 service:  $[(1,500.4 / 1,470.9)^* - 1] \times 60\% = 1.2\%$

Post-2000 service:  $[(1500.4/1470.9 \text{ rounded}) - 1] \times 30\% = 0.6\%$

\*Result is rounded to three decimals.

Members who retired in 2011 will receive a prorated portion of the increase, and members whose pensions are not yet finalized will receive COLA retroactively once calculations are complete.

**What is the *Consumer Price Index*, and how is it determined?**

Statistics Canada uses the *Consumer Price Index (CPI)* to measure the retail prices of goods and services including food, housing, transportation, clothing, energy, and recreation. The index is “weighted,” meaning that it gives greater importance to price changes for some products than others – more to housing, for example, than to entertainment – in an effort to reflect typical spending patterns. Increases in the *CPI* are also referred to as increases in the cost of living.

**What is the *CPI* for other provinces?**

*CPI* by province can be found on the Statistics Canada website: [www.statcan.gc.ca](http://www.statcan.gc.ca)

**Why is the COLA based on Alberta *CPI*?**

The pension plan legislation (plan rules) for each plan indicates how COLA is to be calculated. In particular, the plan rules specify that the *Alberta Consumer Price Index* is used to determine COLA. This is true for all public sector pension plans in Alberta.

**Do I have to apply for the COLA?**

No. COLA is automatically applied to your pension, if granted.

**Will I get COLA every year?**

You will receive an annual COLA increase for your service before January 1, 2001 of 60 per cent of *ACPI*. For service after December 31, 2000, the Special Forces Pension Board will grant COLA on an ad hoc basis. A decision must be made annually as to whether there is sufficient funding to grant COLA for service after December 31, 2000.

**If COLA is below zero, what happens?**

No adjustment is given and pensions will not be reduced.

**How do I update my personal information?**

Please mail or fax your new information to:

Mail: SFPP c/o Alberta Pensions Services Corporation  
5103 Windermere Blvd. SW  
Edmonton AB T6W 0S9

Fax: 780-415-8792