

The City of Tampa Pension Fund for Firefighters and Police Officers Explanation of COLA increases for 2011

Background on COLA increases

- Every class of retirees is assigned a “permanent divisor” equal to the sum of CPI-U in the 24-month period ending in September of the prior fiscal year
 - Class 1 represents retirees who retired in the FY ending 9/30/1979
 - Class 33 represents retirees who will retire in the FY ending 9/30/2011
- COLA increases are determined by dividing the “permanent divisor” for the current class of retirees (this year, class 33) by the permanent divisor for each previous class, **and rounding to the nearest whole percentage**

Q&A about COLA increases

Why don't all of the COLA classes get the exact same increase?

The actual increase in CPI-U from the prior 24-month period to the current 24-month period is 0.677%, but the COLA applicable in every year is rounded to the nearest full percentage point. The difference in the amount of COLA by Class is arising because of this rounding.

Why do some COLA classes get 2%, some 1% and some 0% this year?

Let's look at three examples, all assuming \$1,000 Base benefit:

- 1- Class 11 had an 86% cumulative COLA factor in 2010; 88% in 2011. Total benefits are \$1,860 in 2010 and \$1,880 in 2011.

Without the rounding, Class 11's cumulative COLA factors would have been 86.475% in 2010 and 87.738% in 2011, and total benefits would have been \$1,864.75 in 2010 and \$1,877.38 in 2011 (0.677% increase).

- 2- Class 16 had a 51% cumulative COLA factor in 2010; 52% in 2011. Total benefits are \$1,510 in 2010 and \$1,520 in 2011.

Without the rounding, Class 16's cumulative COLA factors would have been 51.446% in 2010 and 52.471% in 2011, and total benefits would have been \$1,514.46 in 2010 and \$1,524.71 in 2011 (0.677% increase).

- 3- Class 25 had a 21% cumulative COLA factor in 2010; 21% in 2011. Total benefits are \$1,210 in both 2010 and 2011.

Without the rounding, Class 25's cumulative COLA factors would have been 20.573% in 2010 and 21.390% in 2011, and total benefits would have been \$1,205.73 in 2010 and \$1,213.90 in 2011 (0.677% increase).

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(cont'd)

If inflation keeps going down or goes negative next year (deflation), is it possible that my COLA could go down?

Yes. Assume that inflation is negative 0.6% (that is, deflation is 0.6%), and the permanent divisor for Class 34 is 5142.5. Let's look at two hypothetical examples:

- 1- Class 6 will have a cumulative COLA factor in 2011 of 119%. If inflation goes down by 0.6% next year, the cumulative COLA factor for 2012 for Class 6 will be 117%. Assuming a Base benefit of \$1,000, his total benefits in 2011 will be \$2,190 and will be \$2,170 in 2012.
- 2- Class 25 will have a cumulative COLA factor in 2011 of 21%. If inflation goes down by 1% next year, the cumulative COLA factor for 2012 for Class 25 will be 21%. Assuming a Base benefit of \$1,000, his total benefits in both 2011 and 2012 will be \$1,210.