



WATER AND POWER EMPLOYEES' RETIREMENT PLAN

Retiree Cost of Living Adjustment

Date: January 26, 2023

The Water and Power Employees' Retirement Plan (Plan) provides for an annual Cost of Living Adjustment (COLA) to our eligible payees (Retirees, Eligible Spouses, Permanent Total Disability, and Survivors) based on changes in the Consumer Price Index (CPI). For Tier 1, the maximum annual COLA increase permitted by the Plan is 3.0% with banking of any amount above 3.0%. For Tier 2, the maximum annual COLA increase permitted by the Plan is 2.0% without banking.

Banking is an important feature for Tier 1 members in future years when the CPI is less than 3%. The Plan will draw down on the bank, to the extent available, to give our eligible members the highest COLA possible in a given year, up to the maximum 3.0% allowed by the Plan.

The CPI increase for the one-year ended December 31, 2022 was 7.4%. As such, the Retirement Board has approved a COLA increase for eligible payees effective July 1, 2023 as follows:

- Tier 1: COLA of 3.0% with banking of 4.4%
- Tier 2: COLA of 2.0% with no banking.

For **Tier 1 members**, if you are eligible to retire and planning to retire this year, the banked amount of 4.4% will apply to you if you **retire on or before July 1, 2023**. If you wait to retire in August or later, you will get a pro-rated amount of the 3.0%, but you will not receive the 4.4% banking.

Ultimately, your retirement decision should be based on when you are ready to retire and whether the monthly amount at retirement is sufficient for your expenses. If you are eligible to retire and your only uncertainty is the month to choose, given the high banking this year, you should also consider whether to retire on or before July 1.

If you have questions about COLA banking, please see the examples attached at the end of this announcement. If you have additional questions, please join us for a Q&A session via WebEx at lunch on **February 15, 2023 from 11:30am to 12:30pm**. To log into the session, please click on the following link 15 minutes prior to the start of the session:

<https://ladwp.webex.com/ladwp/j.php?MTID=m7f10c6ebbf763954bda19e1b493f501>

If you are planning your retirement, please remember that retirement applications are due in the Retirement Plan Office at least 30-days in advance of your retirement date. **This is a requirement of the Charter and we will not be able to waive it.**

- For employees under age 60, your application must be on Department letterhead, signed by you and signed by your Director. Your Division administrative support staff will deliver the completed application to our office. To ensure that your Director has signed the letterhead, we will not accept the application directly from you.
- For employees age 60 or older, your application may be submitted on any paper, but it must be signed by you. It does not need to be on letterhead nor signed by your Director. We will accept the application directly from you.

For a complete list of our retirement application deadlines or other information about Plan benefits, please visit our website at <https://retirement.ladwp.com>. Below are the deadlines for the upcoming retirement dates from now until July:

Retirement Date	Application Must Be Received By
3/1/2023	1/30/2023
4/1/2023	3/2/2023
5/1/2023	3/31/2023
6/1/2023	5/2/2023
7/1/2023	6/1/2023



Linda P. Le
Retirement Plan Manager

COLA BANKING EXAMPLES

Tom is a Tier 1 member. He is 55 years old, has 35 years of Service Credit, and his highest average one year salary (HAOYS) is \$10,000. He is ready for retirement but unsure what month to pick. If Tom retires on **May 1, 2023**, he will get a pro-rata of the COLA effective last July 2022. He will also get the 3.0% COLA effective this July 2023 and the 4.4% banking for future years.

$$\$10,000 \quad \times \quad 35 \text{ years} \quad \times \quad 2.30\% \quad = \quad \$8,050.00$$

	Pro-rata COLA from July 2022:	x 0.5%
	Gross amount payable for month of May and June 2023:	\$8,090.25
	COLA Effective July 2023:	x 3.0%
	Gross amount payable starting July 2023:	\$8,332.96

Suppose the COLA next July 2024 is 1.7%. Because of his COLA bank, Tom will get the full 3.0% COLA. His remaining COLA bank after the adjustment will be 3.1% (4.4% - 1.3%).

	Gross amount payable from July 2023 thru June 2024:	\$8,332.96
	COLA Effective July 2024:	x 3.0%
	Gross amount payable starting July 2024:	\$8,582.95

Mary is a Tier 1 member. She is 60 years old, has 25 years of Service Credit, and her HAOYS is \$10,000. She is ready for retirement but unsure what month to pick. If Mary retires on **July 1, 2023**, she will get the full 3.0% COLA effective this July 2023 and the 4.4% banking for future years.

$$\$10,000 \quad \times \quad 25 \text{ years} \quad \times \quad 2.10\% \quad = \quad \$5,250.00$$

	COLA Effective July 2023:	x 3.0%
	Gross amount payable starting July 2023:	\$5,407.50

Suppose the COLA next July 2024 is 1.7%. Because of her COLA bank, Mary will get the full 3.0% COLA. Her remaining COLA bank after the adjustment will be 3.1% (4.4% - 1.3%).

	Gross amount payable from July 2023 thru June 2024:	\$5,407.50
	COLA Effective July 2024:	x 3.0%
	Gross amount payable starting July 2024:	\$5,569.73

Henrietta is a Tier 1 member. She is 60 years old, has 30 years of Service Credit, and her HAOYS in \$10,000. She has been planning her retirement but unsure what month to pick. If Henrietta retires on **August 1, 2023**, she will get a pro-rata of the 3.0% COLA effective this July 2023 and none of the 4.4% banking.

$$\$10,000 \quad \times \quad 30 \text{ yrs} \quad \times \quad 2.30\% \quad = \quad \$6,900.00$$

	Pro-rata COLA from July 2023:	x 2.8%
	Gross amount payable starting August 2023:	\$7,093.20

Suppose the COLA next July 2024 is 1.7%. Because she has no COLA bank, Henrietta will only get 1.7%.

	Gross amount payable from August 2023 thru June 2024:	\$7,093.20
	COLA Effective July 2024:	x 1.7%
	Gross amount payable starting July 2024:	\$7,213.78