

Washington Metropolitan Area Transit Authority  
**Board Action/Information Summary**

<input checked="" type="radio"/> Action <input type="radio"/> Information	MEAD Number: 100708	Resolution: <input checked="" type="radio"/> Yes <input type="radio"/> No
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**TITLE:**

Amend WMATA Retirement Plan - COLAs

**PURPOSE:**

Request Board approval of the resolution to amend the WMATA Retirement Plan to modify cost of living adjustment (COLA) methodology, if the existing calculation would generate a COLA decrease.

**DESCRIPTION:**

This action supports the following strategic goal:

- 1) Retain, Attract, and Reward the Best and the Brightest by maintaining competitive benefit programs.

Article XX of the WMATA Retirement Plan addresses the calculation of the annual cost of living adjustments for benefits payable to retired participants. The COLA is calculated through the use of a ratio of the previous year's consumer price index (CPI) over the CPI from a year earlier. This calculation typically results in an increase to benefits. However, the recent economic downturn has resulted in a CPI value for the previous year that is less than the value from a year earlier. Thus, applying the ratio defined in Article XX would result in a decrease in benefit.

Article XX of the Plan does not authorize a decrease in the COLA and also does not provide a method to apply an adjustment if the COLA calculation results in a decrease. To address this issue a multi-year approach would be required. This would also allow the COLA decrease to be applied to reduce a future COLA increase. A multi-year approach is currently not permitted under Article XX of the Plan. This approach would bring benefits back in line with the CPI in year 2 and subsequent years.

The existing language in Article XX must be revised to permit the use of a multi-year approach, as needed, for the COLA calculation.

The Project Manager for this activity will be James R. Davis, Manager, Benefits Office.

**FUNDING IMPACT:**

Budget: Operating Budget, Fiscal 2010

Office: Non-Departmental

Account: 50202010

This Action: No impact in 2010

Remarks: The non-represented WMATA Retirement Plan budget will be reduced by 1.7% (\$270,000) in 2011 and beyond.

**RECOMMENDATION:**

Approval to amend the WMATA Retirement Plan to revise the existing language of Article XX, Cost of Living Adjustments, to permit a multi-year approach for the calculation of cost of living adjustments (COLA) when needed to handle a calculated COLA decrease.

**SUBJECT: AMENDMENT OF THE WMATA RETIREMENT PLAN – COST OF LIVING ADJUSTMENTS**

**2010-37**  
RESOLUTION  
OF THE  
BOARD OF DIRECTORS  
OF THE  
WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

WHEREAS, The Washington Metropolitan Area Transit Authority Retirement Plan (“the Plan”) addresses the calculation of annual Cost Of Living Adjustments (COLA) for benefits payable to retired participants under Article XX of the Plan, and the annual COLA is calculated through the use of a ratio of the previous year’s Consumer Price Index (CPI) over the CPI from a year earlier; and

WHEREAS, The calculation under Article XX typically results in an increase to benefits; and

WHEREAS, The recent economic downturn resulted in a decrease to the CPI which in turn would produce a ratio resulting in a decrease to retiree benefits; and

WHEREAS, The Plan Trustees have determined that Article XX contemplates only increasing benefits via COLA, does not authorize a COLA that decreases benefits, and does not authorize accounting for a COLA decrease in subsequent years; and

WHEREAS, Failing to account for a COLA decrease in subsequent years would result in artificially high benefit payments; and

WHEREAS, The Plan Trustees have approved a proposed amendment to Article XX (attached to this Resolution as Attachment A and shown in redline) that permits deferring COLA decreases to subsequent years to offset COLA increases; and

WHEREAS, The Plan § 10.01 requires that all Plan amendments be made by a written Resolution of the Board of Directors; now, therefore be it

*RESOLVED*, That Article XX of the Metropolitan Area Transit Authority Retirement Plan is amended consistent with Attachment A to this Resolution, to permit deferring cost of living adjustments that would result in a decrease in benefits and offsetting those decreases against COLA increases in subsequent years; and be it finally

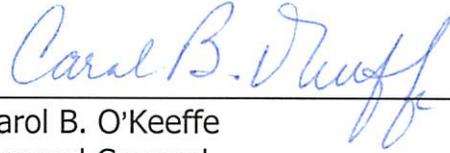
**Motioned by Mrs. Hudgins, seconded by Ms. Hewlett**

**Ayes: 6 - Mrs. Hudgins, Mr. Albert, Ms. Hewlett, Mr. Zimmerman, Mr. Brown and Mr. Downey**

**Abstain: 1- Mr. Benjamin**

*RESOLVED*, That this Resolution shall be effective immediately.

Reviewed as to form and legal sufficiency,



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Carol B. O'Keeffe  
General Counsel

## ARTICLE XX

*Cost of Living Adjustments*

20.01 **Benefits Eligible for Cost of Living Adjustments.** All benefits payable under Articles III, IV, V, VI, VII, VIII, XIV, XV, XVI, or XVII of this Plan shall be eligible for an annual Cost of Living Adjustment as computed under section 20.02 of this Plan.

20.02 **Computation of Annual Cost of Living Adjustment.** The annual benefit adjustment for Participants who retire from the Washington Metropolitan Area Transit Authority shall be computed as set forth in this section. The monthly pension benefit of all parties receiving benefits will be adjusted, as required by this section, effective with the benefit payment to be made January 1st of the following year;

- (a) to be the amount determined by multiplying the benefit payment that would otherwise have been paid on January 1st of the following year by the A ratio shall be determined with a numerator consisting of (1) the Consumer Price Index for the month of September of the latest year, to (2) and a denominator consisting of the Consumer Price Index for the month of September, one year earlier.
- (b) If the ratio determined in part (a) is less than one, then there shall be no annual benefit adjustment that year, except as described in this part (b). The carry-over for such a year is the number resulting when one (1) is subtracted from the ratio, which difference is carried-over to the following year. For example, if the ratio in year A is .98, then the carry-over for the following year B is -.02 (.98-1=-.02).
- (i) During the year following a year (or following two consecutive years) resulting in carry-over, the carry-over shall be added to the ratio. If the resulting sum is not less than one, then the benefit adjustment shall be computed in accordance with part (c). If the resulting sum is less than one, the number resulting when one (1) is subtracted from the sum shall be the carry-over for the following year. For example, if the ratio in year A is .98, in year B is .99 and in year C is 1.03, then there shall be no benefit adjustment in year A (.98-1.0=-.02 carry-over for year B), no benefit adjustment in year B (.99-.02=.97, .97-1.0=-.03 carry-over for year C) and an adjustment computed with a ratio of 1.0 in year C (1.03-.03=1.0), which adjustment shall be computed as set forth in part (c).
- (ii) In the year following two consecutive years with no benefit increase computed under part (c), there shall be a benefit adjustment rather than applying the carry-over to the following year. The sum of the ratio and the carry-over shall be used to compute the adjustment, even if the result is a decrease to monthly benefits. For example, if the ratio in year A is .96, in year B is 1.01 and in year C is 1.02, then there shall be no benefit adjustment in year A (.96-1.0=-.04 carry-over for year B), no adjustment in year B (1.01-.04=.97, .97-1.0=-.03 carry-over for year C), and an adjustment computed with a ratio of .99 in year C (1.02-.03=.99),

which adjustment shall be computed as set forth in part (c).

(c) If the ratio determined in part (a), including any carry-over from part (b), is not less than one, or if the ratio is less than one and there has been no adjustment under this part for the prior two years as described in part (b)(ii), then ~~The~~ the exact portion of the ~~increase adjustment~~ so determined that is ~~payable applied~~ to ~~the each~~ Participant's ~~monthly benefit~~ will be computed as follows:

(a)(i) One hundred percent (100%) of the ~~adjustment computed above~~ ratio ~~(including carry-over from part (b))~~ will be applied to the dollar value of the monthly benefit accrued before July 1, 1997, which is added to

(b)(ii) eighty percent (80%) of the ~~adjustment computed above~~ ratio ~~(including carry-over from part (b))~~, which is applied to the dollar value of the monthly benefit accrued after June 30, 1997.

The resulting number obtained from adding ~~subsections subparts~~ (a) and (b) of this ~~section part~~ will be the adjustment ~~due the for each~~ Participant under this ~~Article part~~.

(d) As used in this Plan the Consumer Price Index will be defined as the total Consumer Price Index (CPI-U) for the greater Washington Metropolitan Area or any other local index which geographically embraces the greater Washington Metropolitan Area. Should the Consumer Price Index no longer report data as of September, then the data for the month closest to September which is reported in the Consumer Price Index will be used.