

NASRA Issue Brief: Cost-of-Living Adjustments

May 2024



Periodic adjustments in some form, generally referred to as cost-of-living adjustments (COLAs), are provided on most state and local government pensions. The purpose of a COLA is to offset, to some extent, the effect of inflation on retirement income. Considerable variation exists in the way COLAs are designed, and in many cases they are determined or affected by other factors, such as the actual rate of inflation or the financial condition of the plan. COLAs add both value and cost to a pension benefit. Public pension COLAs have received increased attention in recent years amid two competing factors: first, in the wake of the Great Recession, many states reduced benefits; and second, inflation spiked since 2021 and has remained higher than in recent preceding years. This brief presents a discussion about the purpose of COLAs, the different types of COLAs provided by government pension plans, and an overview of recent state changes to COLA provisions.

Figure 1: Impact of 20 years of inflation on purchasing power of \$25,000, 2004-2023



COLA Purpose

A COLA is provided to offset or reduce the effects of inflation on retirement benefits. Figure 1 illustrates the effect of inflation eroding the purchasing power¹ of retirement income. The real (inflation-adjusted) pension benefit in this example of \$25,000 falls to \$16,690 (67 percent of its original value) under a static rate of inflation of 2 percent. Under a scenario reflecting the actual rates of inflation for the past 20 years, through the end of 2022, the purchasing power of \$25,000 declines to \$15,638 (63 percent of its original value). As the chart shows, during this period, inflation was relatively low for several years before spiking higher recently.

Such depreciation can affect the sufficiency of retirement benefits, particularly for certain groups: those who are unable to supplement their income by working, due to disability or advanced age; those who receive little or no Social Security benefit; and those whose public pension accounts for a large portion of their income.

Social Security beneficiaries receive an annual COLA to maintain recipients' purchasing power, tied to a measure of inflation.² Many state and local governments also provide an adjustment to their retirees' pension benefit that is intended to offset the effects of inflation. This adjustment is particularly important for those public employees – including nearly half of retired public school teachers and many retired public safety workers – who do not participate in Social Security. Unlike Social Security, however, many state and local retirement plans pre-fund the cost of a COLA over the working life of an employee, to be distributed annually over the course of his or her retired lifetime.

¹ Purchasing power refers to the effect of inflation on the value of currency over time, calculated to determine the amount of goods or services a unit of currency can buy at different points in time.

² Social Security Administration, Latest Cost-of-Living Adjustment, <https://www.ssa.gov/OACT/COLA/latestCOLA.html>

Common COLA Types and Features

The way in which public pension COLAs are calculated and approved varies considerably. Appendix A presents a listing of COLA provisions for many state retirement plans, illustrating the variety that exists in COLA plan designs. In general, COLA types and features are differentiated in the following ways:

Automatic vs. Ad hoc

An overarching distinction among COLAs is whether they are provided automatically or on an ad hoc basis. An ad hoc COLA requires a governing body to actively approve a postretirement benefit increase. By contrast, an automatic COLA occurs without action, and is typically predetermined by a set rate or formula. In some cases, ad hoc COLAs are contingent on other factors, such as a maximum unfunded liability amortization period or minimum actuarial funding level.

Simple vs. Compound

Another distinction between COLA types is whether the increase is applied in a simple or compound manner. Under a simple COLA arrangement, each year's benefit increase is calculated based upon the employee's original benefit at the time of his or her retirement. A simple COLA produces a smaller benefit over time, and at a lower cost. Under a compound COLA arrangement, the annual benefit increase is calculated based upon the original benefit plus any prior benefit increases. Some COLAs contain both features, i.e., they may be "simple" until the retiree reaches a certain age or year retired, at which point COLA benefits are calculated using a compound method.

Inflation-based

Consistent with the original purpose for providing a COLA, many state and local governments provide a post-retirement COLA based on a consumer price index (CPI), which is a measure of inflation. Most provisions like this restrict the size of the adjustment, such as by "one-half of the CPI" and/or "not to exceed three percent." The most recognized CPI measures are calculated and published by the U.S. Bureau of Labor Statistics (BLS); the CPI measures used by most public pension plans are either the CPI-U (based on all urban consumers) or the CPI-W (urban wage earners and clerical workers). Some states use state- or region-specific inflation measures to determine the amount of the COLA.

Performance-based

Some public pension plans tie their COLA to the plan's funding level or investment performance. In the latest tier for the Arizona Public Safety Personnel Retirement System, for example, the COLA falls within a percentage range specified in statute and tied to CPI, based on the funding level of the plan. Annuitants with the Arizona State Retirement System hired before September 2013 receive a permanent benefit increase tied to their length of service when the fund's actuarial investment return exceeds the assumed rate of investment return. Depending on the method of calculation, a performance-based COLA can potentially result in a COLA that is higher than inflation or that offsets only a portion of the loss of purchasing power.

Delayed-onset or Minimum Age

Another characteristic contained in some automatic COLAs is to delay its onset, either by a specified timeframe or until attainment of a designated age. A COLA with this feature may also take on any of the characteristics stated above, becoming available to a retiree once they meet the designated waiting period or age requirement.

Limited Benefit Basis

Some plans award a COLA calculated on a portion of a retiree's annual benefit, rather than the entire amount. For example, the COLA provided to retirees of the Massachusetts SERS and TRS of up to three percent applies to only the

Table 1: Select public plans by COLA type

	Linked to inflation	Linked to investment or funding factors	Linked to CPI and investment or funding factors	Fixed percentage or other factor	Total
Automatic	40	6	11	15	74
Ad-hoc	3	8	0	18	27
Total	43	14	11	33	101

Notes: COLAs for some employees of local governments who participate in statewide systems are discretionary based on the decision of individual local government. COLAs for some plans have been eliminated for the foreseeable future. These plans are not included in the table counts. See Appendix A for more details.

first \$13,000 of annual benefit. In such cases, the COLA can also be tied to an external indicator, such as CPI. Other factors, such as delayed onset, may also be in place.

Self-funded Annuity Option

Retirement plans in Kansas and Louisiana, for example, offer self-funded post-retirement benefit increases. Under this design, a member effectively self-funds their own COLA by choosing to receive a lower monthly benefit in exchange for a fixed rate COLA to be paid annually upon retirement.

Reserve Account

Other public pension plans, pay COLAs from a pre-funded reserve account. This is a variation on the COLA tied to investment performance, since the reserve account is funded with excess investment earnings. Under this scenario, a COLA is provided from the funds set aside in the reserve account. Sometimes a stipulation is attached that the fund must reach a certain size for any COLA to be granted in a given year.

COLA Costs

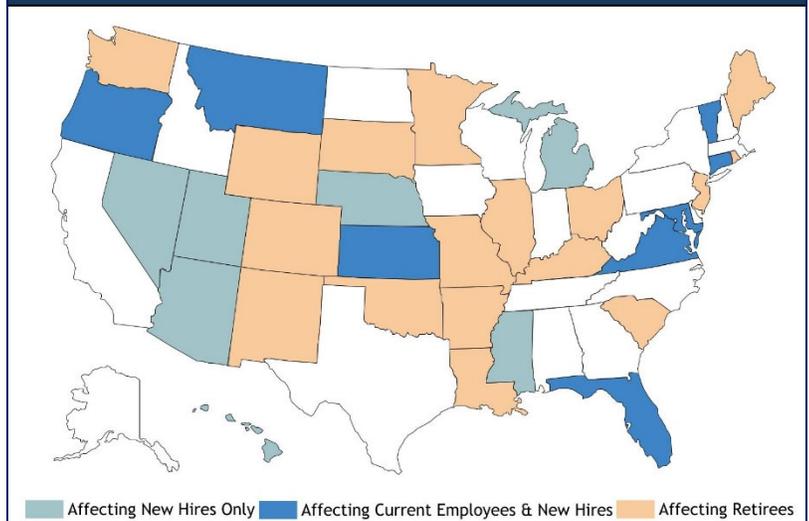
The cost of a COLA predictably depends on the characteristics of the COLA benefit. Such factors as its size; the portion of the benefit to which the COLA applies; whether the COLA is paid annually or irregularly; whether the adjustment is simple or compounded, and other features, all affect its cost. It has been estimated that an automatic COLA of one-half of an assumed CPI of three percent, compounded, will add 11 percent to the cost of the retirement benefit. An automatic COLA of three percent, compounded, is estimated to add 26 percent to the cost of the benefit.³

The Governmental Accounting Standards Board (GASB) requires public pension plans to disclose assumptions regarding COLAs, including whether the COLA is automatic or ad hoc, and to include the cost of COLAs in projections of pension benefit payments. GASB considers an ad hoc COLA to be “substantively automatic” when a historical pattern exists of granting ad hoc COLAs or when there is consistency in the amount of changes to a benefit relative to an inflation index.⁴

Recent Changes to COLAs

As part of efforts to contain costs and to ensure the sustainability of public pension plans, and in response to a period of historically low rates of inflation that lasted for over a decade during and after the Great Recession, many states made changes to COLA provisions by adjusting one or more of the COLA design elements mentioned above⁵ (see Figure 2). As described in Appendix A, since 2009, 17 states have changed COLAs affecting current retirees, eight states have addressed current employees’ benefits, and seven states have changed the COLA structure only for future employees. The legality of these modifications in several states has been challenged in court, as noted in Appendix A.

Figure 2: State retirement systems undergoing COLA legislative changes, 2009-2024



In most cases, changes to COLA provisions require an act of the legislature and approval of the governor. However, in some cases retirement boards have been vested with the authority to enact COLA reforms; this authority has been exercised in three states – Maine, Missouri, and Ohio – since 2016. As noted above, most COLA changes affecting current retirees were subjected to legal challenge. Legal rulings issued in recent years upheld COLA reductions passed in New

³ Gabriel, Roeder, Smith & Company, “[Postemployment Cost-of-Living Adjustments: Concepts and Recent Trends](#),” April 2011

⁴ Governmental Accounting Standards Board Statement No. 67, Financial Reporting for Pension Plans

⁵ [National Conference of State Legislatures](#)

Jersey among others, and fully or partially rejected COLA reductions approved in Illinois, Montana, and Oregon. A 2015 legal settlement pronounced material changes to COLA provisions for public employees in Rhode Island.

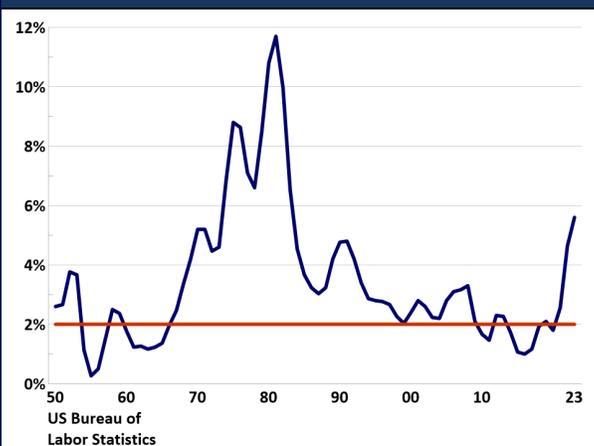
Some states that do not provide an automatic COLA have responded to recent higher rates of inflation by granting an ad hoc COLA for most retirees. Prior to granting their most recent COLA, some of these states, which includes Alabama, Georgia, New Hampshire, Oklahoma, Texas, and others, had not granted a COLA for several years, when inflation was lower.

Impact of Inflation on COLA Changes

The impact on beneficiaries and pension plans of changes to COLA provisions is largely determined by actual levels of price inflation. For the first time since before the Great Recession, the rate of inflation since early 2021 has exceeded the automatic COLA caps in place for most public pension plans that have a cap. This development, which follows a lengthy period of low inflation (as shown in Figure 3 by the average of the prior three years' increase in CPI-U at or below 2 percent from 2010 through 2021), is driven by a spike in inflation that began in 2021. This recent experience demonstrates the effect on retirees of the COLA cap: when inflation exceeds the maximum COLA payable, retirees' purchasing power declines. By contrast, if inflation is low, retirees are less affected by inflation, and may not be impacted at all.

Actuaries typically make assumptions about future COLA levels, based on the plan's COLA provisions. Such assumptions include a rate of inflation if inflation is a factor in the plan's determination of COLA increases. If actual inflation is lower than the plan's assumed rate of inflation, the plan will experience an actuarial gain. All else equal, a reduction in a plan's COLA assumption will cause a decline in the plan's liabilities and cost.

Figure 3: Three-year rolling average change in CPI-U, 1950-2023



Conclusion

The effects of a COLA can be consequential both in protecting the purchasing power of beneficiaries and in adding costs to a plan. Policymakers and public pension plan sponsors are challenged to balance three key variables: benefit adequacy, plan sustainability, and affordability. Amid the recent spike in inflation, policymakers continue to reexamine all aspects of benefit design and financing, including the way COLAs are determined and funded. Just as the period of low inflation that occurred during and after the Great Recession, combined with rising pension plan costs, led several states to reduce, suspend, or eliminate their automatic COLA, so also has the recent spike in inflation led some states that do not provide an automatic COLA to grant an ad hoc COLA for the first time in several years.

See also

1. Gary Findlay, "[Addressing Inflation in the Design of Defined Benefit Pension Plans](#)"
2. Gabriel, Roeder, Smith & Company, "[Postemployment Cost-of-Living Adjustments: Concepts and Recent Trends](#)," April 2011
3. [Cost-of-Living Adjustments @NASRA.org](#)

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Appendix A: COLA Provisions by State-Level Plan and Recent Changes

Plan	COLA Provision	2009-2024 Changes
Alaska PERS and TRS	Automatic, lesser of 75% of CPI or 9%, simple, for those age 65 and above; lesser of 50% of CPI or 6% for those age 60 or having received benefits for at least 5 years; An additional in-state COLA is provided to beneficiaries who reside in Alaska. Members are eligible if they entered the plan before 7/1/86 or entered after 6/30/86 and have attained at least age 65. The Alaska COLA is equal to the greater of 10% of their base benefits or \$50.	
Alabama ERS and TRS	Ad hoc as approved by the legislature.	The Legislature in 2018 and 2022 approved one-time lump sum payments based on annuitants' length of service. The 2022 legislation provided a one-time lump-sum payment equal to \$2 per month for each year of accrued service.
Arkansas PERS	Automatic 3% compounded for those hired before 7/1/22; for those hired after 6/30/22, lesser of 3% or CPI-U.	2021 legislation amended the COLA for those hired after 6/30/22
Arkansas State Highway Employees	Automatic, lesser of 3% or CPI, compounded.	Prior to legislation approved in 2017, an annual automatic COLA of 3% was granted.
Arkansas Teachers	Automatic 3% simple; compounded on an ad hoc basis as determined by the Board.	2017 legislation gives the TRS board the authority to reverse a compound COLA granted in 2009 if necessary to maintain the actuarial soundness of the system.
Arizona Public Safety Personnel	Automatic, based on CPI for the Phoenix region, up to 2.0%. For new hires on or after 7/1/17, the cap is lowered to 1.5% if the system falls below 90% funded; 1.0% if below 80% funded; and the COLA is eliminated if below 70% funded.	Legislation approved in February 2016 replaces the Permanent Benefit Increase (PBI) with a traditional COLA for current and future retirees that is tied to CPI. For new hires on or after 7/1/17, the COLA is restricted or eliminated when the plan falls below 90% funded. The changes were affirmed by an amendment to the Arizona Constitution via voter referendum in May 2016.
Arizona SRS	For participants hired before 9/13/13, up to 4.0% annually, contingent on earnings associated with an actuarial investment return above 8%. For those hired thereafter, ad hoc as approved by the legislature.	2013 legislation eliminated the permanent benefit increase for members hired on or after 9/13/13.
California PERS	Automatic after two calendar years of receiving benefits and the lesser of CPI for the prior year or the employer elected COLA. Typically, State retirees receive a 2% provision, while Public Agencies and Schools may have 2%, 3%, 4% or 5% COLA provisions, depending on employer election.	

Plan	COLA Provision	2009-2024 Changes
California Teachers	Automatic 2% simple, plus adjustments designed to maintain retirees' purchasing power up to 85% of their original benefit, made through a "supplemental benefits maintenance account" financed with a state contribution of about 2.5% of total creditable compensation.	Members who performed creditable service on or after 1/1/14 will have their existing improvement factor guaranteed in exchange for contribution increases. The improvement factor cannot be reduced for these members. For members who retired prior to 1/1/14, the Legislature will continue to reserve the right to reduce the improvement factor, a right that has never been exercised.
University of California	Automatic, equal to the full increase in CPI up to 2%, plus 75% of the increase in CPI over 4%. Maximum COLA is 3.5%. Ad-Hoc COLAs may be authorized at the discretion of the Regents of the University of California.	
Colorado Affiliated Local	Based on election of individual participating employers.	
Colorado Fire & Police Statewide	Ad hoc as approved by board.	The FPPA Board approved a COLA of 0.15% plus a one-time lump sum equal to 8.35% of their annual benefit for retirees of the statewide DB and hybrid plans, effective 10/1/2023.
Colorado Local Government, School, and State	For active employees and retirees who did not receive a COLA as of 5/01/18, COLAs are paid after three years of retirement. The COLA cap, currently 1.50%, may be changed through the provisions of an auto-adjust mechanism which is triggered dependent upon the ratio of total contributions made to the determination of total required contributions (based on a layered, 30-year amortization approach). If this ratio falls below 98% or above 120%, the COLA cap may be reduced or increased by up to 0.25% in any year but may not fall below 0.50% or exceed 2.0%. COLA provisions vary by date of hire: those hired before 1/1/07, have an automatic increase equal to the COLA cap. Those hired on or after 1/1/07, are awarded the lesser of the effective COLA Cap and the average of the monthly CPI-W amounts for the prior calendar year, provided the cost of the COLA does not exceed 10% of each division's annual increase reserve.	2018 legislation suspended the COLA for two years, increased the waiting period for new hires to receive a COLA from one year to three, and thereafter reduced the automatic COLA cap from 2.0% to 1.5%, and tied payment of future COLAs to the length of the plan's amortization period. 2010 legislation reduced the COLA from automatic 3.5%. The law was challenged and upheld by the CO Supreme Court in 2014.
Connecticut SERS	Minimum of 2.0% up to a maximum 7.5% calculated based on the following formula: 60% of the annual increase in the CPI-W up to 6.0% and 75% of the annual increase in the CPI-W over 6.0%. For employees who retire after 6/30/22, the minimum COLA is reduced to the actual change in CPI-W, if the change is <2.0%. The previous formula applies if the change in CPI-W is >2.0%.	A 2011 agreement between the state and public-sector unions reduced the minimum COLA for employees who retire after 10/1/11. A 2017 agreement made further changes for employees who retire after 6/30/22.
	For those hired on or after 7/1/07, COLA equal to Social Security COLA, with a maximum of 1.0% if investment return is <6.9%; a maximum of 3.0% if return is 6.9%-9.9%;	Legislation approved in 2021 adjusted COLA thresholds from 8.5% to new investment return assumption of 6.9% (added here 9/28/21).

Plan	COLA Provision	2009-2024 Changes
Connecticut Teachers	and limited to 5.0% if return is >9.9%. For those who retired before 9/92, automatic, based on CPI, with 3% minimum and 5% maximum, compounded; for those who retired after 9/92, COLA is equal to the Social Security COLA, with a maximum of 1.5% if investment return is <6.9% and a maximum of 6.0% if returns are at least 6.9%.	
DC Police & Fire and Teachers	Automatic based on CPI, up to 3%, compounded, for members hired on or after 11/10/96. For members hired before 11/10/96, automatic, based on CPI, compounded (uncapped).	
Delaware State Employees	Ad hoc as approved by the general assembly.	In 2022 the General Assembly approved a one-time increase for most retirees, with the amount depending on effective date of retirement as follows: Prior to 7/1/92, 3%; 7/1/92-6/30/17, 2%. The legislation also included a one-time supplement of \$500 for those who retired prior to 10/21/22.
Florida RS	Automatic 3%, compounded. No COLA is applied to service credits earned after 7/1/11.	2011 legislation terminated the automatic 3% compounded COLA for all service credits earned after 7/1/11. The Governor's recommendation in the FY 25 budget includes a \$26.75 million supplemental appropriation to support one-time benefit adjustments for eligible ERS retirees as authorized by the Board of Trustees.
Georgia ERS	Ad hoc as approved by the ERS board.	Action taken by the ERS Board and the FY 23 state budget approved by the General Assembly create a pathway to future COLAs for ERS retirees. ERS created a model for determining annual COLAs, which would depend on the system funding ratio and actuarial rate of investment return compared to a hurdle rate of 6%. The maximum COLA will be the lesser of the change in CPI or 3%. A COLA will be payable on the later of the retiree's actual retirement date or projected normal retirement date, if retired early. The ERS Board retains the authority to approve future COLAs and is not bound by the methodology described above. The ERS Board also approved a 1.5% COLA for most retirees.
Georgia Teachers	Automatic 1.5% every 6 months as long as CPI increases, compounded.	
Hawaii ERS	Automatic, 1.5% simple, for those hired on or after 7/1/12; 2.5% simple for those hired before 7/1/12.	The automatic COLA was reduced from 2.5% to 1.5%, simple, for those who become members of the system after 6/30/2012.

Plan	COLA Provision	2009-2024 Changes
Iowa Municipal Fire & Police	Automatic, 1.5% compounded. An additional fixed COLA is provided based on length of retirement. For members retired fewer than 5 years, an additional \$15 is applied. For members retired 5-10 years, \$20. For members retired 10-15 years, \$25. For members retired 15-20 years, \$30. For members retired more than 20 years, \$35. No COLA is provided to members who terminate prior to becoming eligible for retirement.	
Iowa PERS	No COLA-type payments for members retiring after 6/30/90. Those who retired prior to 7/1/90 are eligible for a "thirteenth check" that may be adjusted annually by the lesser of CPI or 3%.	
Idaho PERS	Automatic 1% compounded (as long as CPI rises at least 1%), plus discretionary COLA if the CPI is greater than 1%. Total COLA (mandatory plus discretionary) cannot exceed 6%. The Board also has the discretion to award a retroactive COLA to make up for prior years when the full CPI was not awarded.	In December 2021 the PERSI Board granted a 2.5% discretionary COLA, in addition to the automatic 1% COLA.
Illinois Municipal	Automatic 3%, simple, for those hired before 1/1/11; for those hired after 12/31/10, lesser of 3% or half of CPI, simple, upon attainment of the later of age 67 or one year after retirement.	2010 legislation reduced the COLA for new hires on or after 1/1/11 from automatic 3%, simple.
Illinois State Employees, Teachers, and State Universities	Those hired before 1/1/11 receive an automatic COLA of 3%, compounded, upon attainment of the latter of age 61 or one year after retirement. Those hired after 12/31/10 receive a COLA of the lesser of 3% or one-half of the CPI, not compounded, upon attainment of the later of age 67 or one year after retirement.	2018 legislation directs the system to offer, from 1/1/19 until 6/30/21, a COLA buyout for retiring members hired before 1/1/11. These members may elect to forfeit their rights to the current 3% annual compound COLA in exchange for a 1.5% simple COLA and a lump sum payment equal to 70% of the difference between the estimated present value of the 3% COLA and the estimated present value of the 1.5% COLA. 2010 legislation reduced the COLA for new hires from automatic, 3% compounded. 2013 legislation reduced the COLA formula for current workers and new hires. The law was challenged and rejected by the IL Supreme Court in 2015.
Indiana PERF and TRS	Participants retired before July 1, 2025 receive an annual 13 th check. Those retired thereafter receive 1% COLAs. The Indiana PERS board may raise surcharge rates annually up to 0.1% of payroll from the previous year to fund the COLAs.	The Indiana Legislature approved legislation in 2023 establishing this bifurcated structure of a 13 th check and a COLA.
Kansas PERS	Ad hoc as approved by the legislature; the cash balance for employees hired after 12/31/14 provides for an optional self-funded COLA as an annuity payment option at retirement.	2012 legislation removed automatic 2% COLA originally provided for those hired after 6/30/09;

Plan	COLA Provision	2009-2024 Changes
Kentucky County and ERS	Automatic, tied to CPI, not to exceed 1.5% after 12 months of retirement, compounded. Because of legislation described in the right-hand column, payment of COLA is unlikely in the foreseeable future.	also created optional self-funded COLA in cash balance plan for new hires after 12/31/14. ⁴ 2011 legislation suspended retiree COLAs for 2012 and 2013; 2013 legislation mandates that a COLA be granted only if the system is over 100% funded or if the legislature prefunds the COLA. A challenge to the 2013 law was dismissed in 2014.
Kentucky Teachers	Automatic 1.5% compounded.	
Louisiana SERS and TRS	Retiree permanent benefit increases of up to 2.0% on the first \$60,000 of benefits, contingent on adequate funding in the PBI/COLA account and legislative approval. Retiring participants also may elect a self-funded COLA: the retiring participant's benefit is actuarially reduced and the retiree receives an annual automatic 2.5 percent benefit adjustment. Retirees must be age 55 and retired for one year to qualify for the increase.	2023 legislation effective in FY 24 established the new PBI arrangement. The new arrangement is expected to generate enough funds to grant a COLA every two to three years, subject to legislative approval.
Massachusetts SERS and TRS	Ad hoc, typically based on CPI up to 3% applied to first \$13,000 of benefit, subject to legislative approval and enactment. Must be retired one full fiscal year before being eligible for COLA.	Effective 2011, increased benefit to which COLA applies from first \$12,000 of benefit to \$13,000.
Maryland PERS and Teachers	For service earned after 6/30/11, automatic based on CPI, capped at 2.5% or the increase in CPI if the recent calendar year market value rate of return was greater than or equal to the assumed actuarial investment return of 6.80%. If that threshold is not met, COLA is the lesser of 1.0% or the increase in CPI. COLA on service prior to 7/1/2011 is automatic based on CPI, capped at 3.0%.	For service earned after 6/30/2011, COLA was lowered from CPI up to 3%, compounded, to CPI capped at 2.5%, or 1%, depending on investment return.
Maine Local	Based on individual employer election. If provided, based on CPI up to 2.5%. Those who retire on or after 9/1/2019	In 2018 the board approved a reduction to the maximum COLA from 3.0% to 2.5% for current

⁴ Legislation creating Kansas PERS Tier 3 passed in 2012 eliminated the Tier 2 COLA. The only employees eligible to receive the Tier 2 COLA are those who were retired and returned to work on or after 6/30/09 and who will retire before 7/1/12.

Plan	COLA Provision	2009-2024 Changes
	<p>qualify for a COLA after 24 months of retirement and may have their COLA reduced or frozen if the plan’s costs exceed established member and employer contribution rate caps of 9.0% and 12.5%, respectively.</p>	<p>retirees and extended the COLA waiting period from 12 to 24 months, and provided for the possible reduction or freezing of future COLA if the plan’s cost exceed established member and employer contribution rate caps. Effective 7/1/2014, the COLA of CPI up to 4% compounded, was reduced to up to 3%. Members who retire on or after 9/1/2015 qualify for a COLA after twelve months of retirement rather than 6 months, as previously in effect.</p> <p>Effective 7/1/2011, the COLA of CPI up to 4% compounded, was suspended for three years, after which the cap and portion of the benefit to which the COLA applies was reduced. A legal challenge to the law was dismissed in 2014. 2015 legislation provided a minimum COLA of 2.55% for FY 16 and FY 17. Beginning in FY 18 the CPI-based COLA was reinstated. Legislation was approved in 2023 providing a one-time COLA payment to retired state employees and teachers of 1.0% above the 3.0% maximum COLA.</p>
Maine State and Teacher	COLA is based on the CPI up to 3% applicable to the first \$20,000 of benefit, indexed for inflation beginning in 2011.	
Michigan Municipal	Employers may elect to provide a COLA, on a one-time basis or as an automatic adjustment.	
Michigan Public Schools	Automatic 3% simple; those hired after 6/30/10 are not eligible for a COLA.	Employees hired after 6/30/10 participate in a hybrid plan that does not provide a COLA.
Michigan SERS	Automatic 3% simple up to \$300 annually.	
Minnesota PERF	Automatic, compounded, 1.5%	
Minnesota State Employees	Automatic, compounded 1.5%	<p>2023 legislation provided a one-time COLA for all statewide public pension retirees and retirees of the St. Paul teacher plan who had been receiving 12 months of benefits as of 6/30/23. The COLA is equal to the difference between the rate in effect in current law on January 1, 2024, and either 2.5% for coordinated members and members of the Legislators Plan, or 4% for basic members. All members of the MSRS State Patrol Plan and PERA Police and Fire Plan are basic members, and a subset of the members of the PERA General Plan, Teachers Retirement Association (TRA), and St. Paul Teachers are basic members.</p> <p>2018 legislation replaced the previous COLA, which was tied to the plan’s funding level, with an inflation-based COLA.</p>
Minnesota Teachers	Automatic, 1.0% compounded, increasing by 0.1% from FY 24-28, until reaching 1.5%.	

Plan	COLA Provision	2009-2024 Changes
		<p>2010 legislation reduced the auto-COLA from 2.5%. The law was challenged and upheld in a final ruling issued in 2011.</p>
Missouri DOT and Highway Patrol	<p>80% of CPI up to 5% compounded; those hired before 8/28/97 receive a min. of 4% and a max. of 5% compounded, up to 65% of original benefit, and then 80% of CPI up to 5% thereafter.</p>	
Missouri Local	<p>Contingent upon investment return, with a max of the lower of 4% or cumulative CPI since retirement.</p>	
Missouri Teachers and PEERS	<p>When the Consumer Price Index for Urban Consumers (CPI-U) for the previous fiscal year is between 0% and 2%, no COLA is provided when the CPI-U is cumulatively below 2%. A 2% COLA is provided when the cumulative CPI-U reaches 2% or more. The cumulative calculation resets to zero and restarts after a COLA is provided. A COLA of 2% is paid when the change in CPI-U is between 2% and 5%; and a COLA of 5% is paid when the CPI is 5% or greater, subject to a lifetime cap of 80% of the original benefit.</p>	<p>In 2011 the Board changed the auto, compounded COLA from 2% if CPI-U is between 0% and 5%; 5% if CPI-U is 5% or higher, and no COLA is given if CPI-U is less than 0%; subject to a lifetime cap. In 2017 the Board again changed the COLA policy to add a cumulative calculation to the formula.</p>
Missouri State Employees	<p>80% of CPI up to 5% compounded; those hired before 8/28/97 receive a min. of 4% and a max of 5% compounded, up to 65% of original benefit, and then 80% of CPI up to 5% thereafter.</p>	<p>Per 2017 legislation, the COLA for members hired on or after 1/1/11 who terminate employment before becoming eligible for retirement is delayed until the second anniversary of the member's annuity start date.</p>
Mississippi PERS	<p>Automatic, 3% simple, until age 60, then compounded thereafter, for those hired on or after 7/1/11; automatic, 3% simple, until age 55, then compounded thereafter, for those hired before 7/1/11.</p>	<p>2011 legislation increased the age at which COLA compounding begins from 55 to 60.</p>
Montana PERS	<p>Automatic, ranging from zero to 1.5% compounded, depending on the plan's funded status, beginning 12 months after onset of annuity, for those hired on or after 7/1/13; 1.5% for those hired between 7/1/07 and 6/30/13; 3.0% compounded for those hired before 7/1/07.</p>	<p>2011 legislation reduced the automatic guaranteed annual benefit adjustment (GABA) for retired, active and newly hired members from 1.5% compounded and tied its provision to PERS' funding ratio. The law was challenged in court, and a 2015 ruling reversed the changes for retired and active members and upheld for new hires.</p>
Montana Teachers	<p>Automatic, ranging from 0.5% to a maximum of 1.5%, compounded, depending on the plan's funded status, beginning 36 months after onset of annuity, for those hired on or after 7/1/13; 1.5% for those hired before 7/1/13. Automatic 1.5% compounded beginning 3 years after onset of annuity.</p>	<p>2011 legislation reduced the automatic guaranteed annual benefit adjustment (GABA) for retired, active and newly hired members from 1.5% compounded and tied its provision to TRS' funding ratio. The law was challenged in court, and a 2015 ruling reversed the changes for retired and active members and upheld for new hires.</p>
North Carolina Local Government	<p>Ad hoc as approved by the Board, with certain limitations. The Board may grant COLAs up to a maximum of 4%, provided that the COLA does not exceed the year-over-year increase in the CPI and that the cost of the increase is paid</p>	<p>In 2022 the NC LGERS Board granted a one-time supplement of 2.0%.</p>

Plan	COLA Provision	2009-2024 Changes
	for with investment gains. COLAs in excess of these provisions must be approved by the legislature.	
North Carolina Teachers and State Employees	Ad hoc as approved by the legislature.	In 2023, retired state employees and teachers received a one-time supplement of 4.0%.
North Dakota PERS	Ad hoc as approved by the legislature.	The most recent COLA increase was 6.0% paid 8/1/2001 for annuitants receiving benefits as of that date.
North Dakota Teachers	Ad hoc as approved by the legislature.	The most recent COLA increase, approved in 2009, was a supplemental payment based on the annuitant's length of service and length of time since retirement.
Nebraska Schools	Based on CPI, up to 1% compounded for employees hired on or after 7/1/13; for other members, based on CPI, up to 2.5%, compounded.	2013 legislation created a new tier for those hired on or after 7/1/13. This tier features a reduced maximum COLA.
Nebraska State and County Cash Balance	Participants may elect at retirement to convert their cash balance account to a monthly annuity with a built-in annual COLA of 2.5%.	
New Hampshire Retirement System	Ad hoc as approved by the legislature.	Retirees who were retired five years and longer as of 7/1/22 and whose annual retirement benefit is less than \$30,000 were granted a one-time supplemental payment of \$500 in 2022.
New Jersey PERS, Police & Fire, and Teachers	COLA suspended until the plan funding level reaches 80%, after which a panel will assess the prudence of paying a COLA.	2011 legislation suspended the automatic COLA that was based on 60% of CPI. The law was challenged and upheld in a final ruling issued in 2016.
New Mexico PERA	2.0%, simple, through FY 23. Effective FY 24, the annual COLA is determined by the difference between the fund's smoothed investment return and an actuarially determined COLA hurdle rate (i.e., the investment return required to fund a COLA of greater than 0.5%), with a minimum of 0.5% and a maximum of 3.0% if the system is less than 100% funded, or 5.0% if the system is funded at 100% or greater. An annual COLA of 2.5% will be provided to those who retire with at least 25 years of service and an annual pension benefit below \$25,000, retirees who have attained at least 75 years of age as of 7/1/20, and disability retirees.	2020 legislation repealed the compounding element of the COLA for the period FY 2021 through FY 2023, and effective FY 2024, implemented a shared-risk COLA based on the system's funding ratio and smoothed investment rate of return. 2013 legislation reduced the automatic compounded COLA from 3% to 2%.
New Mexico Teachers	COLA is based on the change in CPI. If the change in CPI is less than 2.0%, the COLA is equal to the change in CPI. If the change in CPI is greater than 2.0%, the COLA is equal to one-half of the change in CPI, but not less than 2.0% nor more than 4.0%. In 2013, COLAs for all current and future retirees were reduced until ERB is 100% funded. When the funded ratio is 90% or less, the COLA for retirees whose annuity is at or below the median retirement benefit and	2013 legislation reduced the COLA depending on retiree length of service and size of benefit. All COLA reductions cease upon ERB's attainment of a 100% funding level. The law was challenged and upheld by the NM Supreme Court in 2013.

Plan	COLA Provision	2009-2024 Changes
	<p>who have 25 or more years of service credit at retirement will be reduced by 10%. For all other retirees, the reduction is 20%.</p> <p>When the funded ratio exceeds 90% and is less than 100%, the COLA for retirees who have 25 or more years of service credit at retirement and whose annuity is at or below the median retirement benefit will be reduced by 5%. For all other retirees, the reduction is 10%.</p>	
Nevada Police Officer and Firefighter and Regular Employees	After 3 years of receiving benefits, automatic COLA of 2% annually, rising gradually to 5% annually, compounded, after 14 years of benefits; the compounded COLA is capped by the lifetime CPI for the period of retirement, i.e., it may not exceed inflation.	2015 legislation reduced the COLA for employees hired on or after 7/1/15. Newly hired workers will receive a COLA of 2% after 3 years of receiving benefits, 2.5% after 6 years, and the lesser of 3% or the preceding year's increase in CPI after 9 years and thereafter.
New York State Teachers	Automatic, based on one-half of the increase in the annual CPI, applied to first \$18,000 of annual pension, compounded; must be 62 and retired for 5 years, or 55 and retired for 10 years, to receive COLA; COLA is a minimum of 1% and a maximum of 3%.	
New York State & Local ERS and Police & Fire	Automatic, based on one-half of the increase in the annual CPI, applied to first \$18,000 of annual pension, compounded: must be 62 and retired for 5 years, or 55 and retired for 10 years, to receive COLA; COLA is a minimum of 1% and a maximum of 3%.	
Ohio PERS	For those who retired on or before 1/1/13, automatic, 3%, simple. Retirees receive a COLA beginning 12 months after their effective date of retirement. Beginning in 2019, the COLA for those who retired on or after 2/1/13 is based on CPI with a cap of 3.0%, simple. The first COLA is paid 12 months after their effective date of retirement.	2012 legislation tied COLA to CPI, up to 3% for all active members. Legislation includes a five-year transition period. Members retiring within the first five years after 1/7/13 are eligible for a simple 3% COLA until 12/31/18. OPERS currently is pursuing legislation that would suspend the COLA for all retirees in 2022 and 2023 and extend the COLA waiting period from 12 to 24 months for future retirees beginning in 2022. Changes are subject to approval by the Ohio Legislature.
Ohio Police & Fire	Lesser of 3% or the CPI, automatic, simple; COLA delayed until age 55 for all members except survivors and those receiving permanent disability benefits.	Per 2012 legislation, COLA reduced and tied to CPI; onset delayed for nearly all members.
Ohio School Employees	As of 1/1/18, COLA no longer statutorily guaranteed, but is discretionary, based on board approval. If the board chooses to provide a COLA, the COLA is tied to the change in CPI-W and is capped at 2.5%, though the board may approve a COLA above 2.5% if the board's actuary is in agreement. Board may also lower COLA below CPI-W upon actuary's recommendation. COLA onset for new benefit recipients is delayed until 4 th benefit anniversary.	Per legislation effective September 2017, the automatic, 3% simple retiree COLA was replaced with a discretionary COLA tied to CPI-W. As a result of this authority, the board suspended COLAs for three years (from 1/1/18 until 1/1/21). Per March 2018 legislation, board determines COLA onset for new benefit recipients.

Plan	COLA Provision	2009-2024 Changes
Ohio Teachers	COLAs are provided on an ad hoc basis as approved by the STRS OH board if the board’s actuary determines that a COLA will not materially impair the fiscal integrity of the system. (ORC 3307.67)	<p>Individuals who retired on or after 8/1/13 may receive a COLA beginning on the fifth anniversary of their retirement. The STRS board is authorized to adjust the COLA if the board’s actuary determines that an adjustment does not materially impair the fiscal integrity of the retirement system or is necessary to preserve the fiscal integrity of the system. Pursuant to this authority, the STRS board voted in 2017 to reduce the COLA to 0% to preserve the fiscal integrity of the system. In March 2022, the STRS Board approved a 3% COLA. In May 2023, the STRS Board approved a 1.0% COLA.</p>
Oklahoma PERS and TRS	Ad hoc as approved by the legislature; subject to required funding.	<p>2020 legislation approved the first retiree COLA since 2008, which was exempted from the 2011 funding requirement. The COLA approved in 2020 increased benefits on a sliding scale based on retirees’ length of retirement. The Legislature approved a provision in 2011 requiring future COLAs to be funded. Prior to this legislative action, a 2% COLA had regularly been approved.</p>
Oregon PERS	Automatic, based on CPI, up to 2.0%, compounded, for benefits earned as of 10/1/13 or earlier. Automatic, based on CPI up to 1.25% on the first \$60,000 in benefits and 0.15% on amounts above \$60,000 for benefits earned after 10/1/13.	<p>2013 legislation lowered the maximum COLA applied to future benefit accruals for retired members as well as current employees and new hires from 2% to 1.25% on the first \$60,000 in benefits, and 0.15% on amounts above \$60,000. The law also provided for supplementary COLA payments depending on benefit levels over six years. The law was challenged and partially rejected as an unconstitutional adjustment to COLA as it pertains to benefits earned prior to the law’s effective date. The court also invalidated the supplementary payments.</p>
Pennsylvania School Employees and SERS	Ad hoc as approved by the general assembly. The most recent COLA was approved in 2002. The amount of the COLA was a sliding scale based on the annuitant’s date of retirement.	<p>For members not eligible to retire as of 9/30/09, the law changed the COLA for all members from 3% compounded annually to the COLA provided under a 2005 reform, applicable to non-vested members, which is the lower of either the CPI or 3% and requires a full 3-year anniversary from the date of retirement for receipt of the COLA. The Rhode Island Legislature again in 2011 revised the COLA provisions, effective 7/1/12. A challenge to the law was settled in mediation in 2015.</p>
Rhode Island ERS	Effective 7/1/15, annual COLA is comprised of the sum of two elements; 1) 50% of the 5-year average investment return of the retirement system, less 5.5%, with a floor of 0% and a cap of 4%, and 2) the lesser of 3% or the increase in CPI for the previous year. The COLA produced by the sum of these elements is subject to a floor of 0% and a cap of 3.5% and is applied to the first \$25,855 of retirement benefit; such amount is indexed annually in the same percentage as determined above. The COLA commences upon the later of the third anniversary of the date of	<p>For members not eligible to retire as of 9/30/09, the law changed the COLA for all members from 3% compounded annually to the COLA provided under a 2005 reform, applicable to non-vested members, which is the lower of either the CPI or 3% and requires a full 3-year anniversary from the date of retirement for receipt of the COLA. The Rhode Island Legislature again in 2011 revised the COLA provisions, effective 7/1/12. A challenge to the law was settled in mediation in 2015.</p>

Plan	COLA Provision	2009-2024 Changes
Rhode Island Municipal	<p>retirement or the date on which the retiree reaches his or her Social Security retirement age, whichever is later. A COLA is granted annually if the plan is at least 80% funded. If the plan funding is below 80%, the COLA is granted every four years until 80% funding is reached.</p> <p>Effective 7/1/15, annual COLA is comprised of the sum of two elements; 1) 50% of the 5-year average investment return of the retirement system, less 5.5%, with a floor of 0% and a cap of 4%, and 2) the lesser of 3% or the increase in CPI for the previous year. The COLA produced by the sum of these elements is subject to a floor of 0% and a cap of 3.5% and is applied to the first \$25,855 of retirement benefit, with such amount indexed annually in the same percentage as determined above. The COLA commences upon the third anniversary of the date of retirement or the date on which the retiree reaches his or her Social Security retirement age, whichever is later. A COLA is granted annually as long as the plan is at least 80% funded. If the plan funding is below 80% the COLA is granted every four years until 80% funding is reached.</p>	<p>The Rhode Island Legislature in 2011 revised COLA provisions from automatic 3% non-compounded, effective 7/1/12. A challenge to the law was settled in mediation in 2015.</p>
South Carolina Police	<p>Automatic, based on CPI up to 1% annually, subject to an annual cap of \$500.</p>	<p>Per 2012 legislation, COLA is subject to an annual cap.</p>
South Carolina RS	<p>Automatic, 1% annually, subject to an annual cap of \$500.</p>	<p>Per 2012 legislation, COLA is subject to an annual cap.</p>
South Dakota RS	<p>If the system is fully funded or greater, COLA is equal to CPI-W with a minimum of 0.0% and a maximum of 3.5%. If the system is less than fully funded, COLA is equal to CPI-W with a minimum of 0.0% and a maximum equal to a “restricted COLA maximum” which is to be calculated at a level necessary to restore the system to full funding.</p>	<p>2021 legislation reduced the minimum COLA payable from 0.5% to 0.0%. 2017 legislation modified the COLA formula, effective 7/1/18, to equal CPI-W with a minimum of 0.5%, and a maximum depending on the system’s funded status.</p>
TN Political Subdivisions	<p>Participating employers may choose from 1 of 2 options: a) no COLA; b) automatic based on CPI, up to 3%, compounded.</p>	
TN State and Teachers	<p>Automatic based on CPI, up to 3% compounded.</p>	<p>2013 legislation provides for the potential reduction or suspension of the COLA if employer cost or unfunded liability thresholds are exceeded.</p>
Texas County & District	<p>Ad hoc, approved by individual employers. Employers can choose no COLA, a flat % COLA (limited based on CPI), or a CPI-based COLA (10% - 100% of CPI), compounded.</p>	
Texas ERS and LECOS	<p>Ad hoc as approved by the legislature; per state law, the plan’s amortization period must be less than 31 years for legislature to approve a COLA. A COLA was last granted in 2001.</p>	

Plan	COLA Provision	2009-2024 Changes
Texas Municipal	Based on individual employer election; employers may choose no COLA or one based on 30%, 50%, or 70% of CPI, compounded.	
Texas Teachers	Ad hoc, as approved by the legislature; per state law, the plan's amortization period must be less than 31 years for legislature to approve a COLA.	In 2023, the Legislature approved COLAs of 2% for those retired by 8/31/20 and after 8/31/13; 4% for those retired by 8/31/13 and after 8/31/01; and 6% for those retired before 8/31/01. These COLAs are payable in January 2024 and are contingent on voter approval in November 2023 of a constitutional amendment to avoid violating state spending limitations. Also approved one-time payments of \$7500 for those age 75 and \$2400 for those age 70 and below 75 as of 8/31/23, payable in September 2023. The Legislature in 2021 approved a 13 th check in the amount of the lesser of each retiree's gross monthly annuity or \$2400.
Utah Noncontributory	For those hired before 7/1/11, automatic based on CPI up to 4.0%, simple; for those hired after 6/30/11, based on CPI up to 2.5%, simple.	Legislature reduced maximum COLA for those hired after 6/30/11 from 4% to 2.5%.
Virginia Retirement System	Automatic based on CPI for the first 3%, and one-half of the next 4% of CPI, with an annual cap of 5%, compounded; effective 1/1/13, COLAs for non-vested active members are based on the first 2% of CPI and one-half of the next 1%, with an annual cap of 3%, compounded.	Effective 1/1/2013, COLAs for non-vested members are capped at 3% rather than 5%; for early retirees, COLA onset is delayed until July 1 one year following retirement.
Vermont State Employees	For those eligible for normal retirement before 7/1/22 and who have been retired for 12 months, automatic based on CPI, with a minimum of 1% and a maximum of 5%, compounded. For those eligible for normal retirement after 6/30/22 who have been retired for 24 months, automatic based on CPI, with a minimum of zero and a maximum of 4%, compounded.	2022 legislation reduced the COLA range from 1-5% to 0-4% and lengthened the COLA waiting period from 12 to 24 months. 2014 legislation increased the COLA for those retiring after 6/30/08, from one-half of CPI to the full CPI.
Vermont Teachers	For those eligible for normal retirement before 7/1/22 and who have been retired for 12 months, automatic based on one-half of CPI, up to 5%, compounded. For those eligible for normal retirement after 6/30/22 who have been retired for 24 months, automatic, based on one-half of CPI, with a minimum of zero and a maximum of 4%, compounded.	2022 legislation reduced the COLA range from 1-5% to 0-4% and lengthened the COLA waiting period from 12 to 24 months. The law expresses the General Assembly's intent to consider a path to a higher COLA benefit for teachers once the plan's actuarial funding level reaches 80%.
Washington LEOFF Plan 1	Automatic, full CPI, compounded.	
Washington LEOFF Plan 2	Automatic based on CPI, up to 3% compounded.	
Washington PERS and Teachers Plan 1	Ad hoc as approved by the legislature	2024 legislation provided a one-time COLA of 3% to those with retirement dates prior to 7/1/23, not to exceed \$110/month. 2011 legislation

Plan	COLA Provision	2009-2024 Changes
Washington PERS, School Employees, and Teachers Plan 2/3	Automatic, based on CPI, up to 3%, compounded.	eliminated the automatic COLA which provided a postretirement benefit increase based on a \$/years of service calculation. The law was challenged and upheld by the WA Supreme Court in 2014.
Wisconsin Retirement System	Dividend adjustment provided based on investment returns, and can increase or decrease, but not below base benefit.	
West Virginia PERS and TRS	Ad hoc as approved by the legislature.	The Legislature in 2011 provided a 13 th check of \$1200 for all retirees with 20 or more years of service and an annual benefit of \$7200 or less. In 2019, all current retirees with 25 or more years of service were guaranteed a minimum annuity of \$750/month. For existing beneficiaries, if the retiree has 25 years of service, is deceased and originally elected a joint & survivor 50% annuity, the minimum monthly annuity is \$375/month.
Wyoming Public Employees	Effective 7/1/12, the COLA is removed until the actuarial funded ratio reaches 100 percent "plus the additional percentage the retirement board determines is reasonably necessary to withstand market fluctuations."	Prior to 7/1/12, COLAs were ad hoc and linked to perceived affordability.

COLA provisions listed above are in effect as of May 2024