

# Plans 1 Ad Hoc COLA

## Issue

Should a one-time Cost-Of-Living Adjustment (COLA) be granted in 2024 to retirees in Plan 1 of the Public Employees' Retirement System (PERS) and Plan 1 of the Teachers' Retirement System (TRS) (Plans 1)?

## Background

Plans 1 currently provide an optional Consumer Price Index-based COLA for purchase, and some members are eligible to receive annual increases through minimum benefits policies (either the Basic Minimum or Alternate Minimum). From 1995 to 2011 the Uniform COLA (UCOLA) provided the primary method for annual increases for Plans 1. Since discontinuation of the UCOLA, the Legislature determines when Plans 1 members will receive pension benefit increases. In recent years, the Committee has recommended, and the Legislature has enacted ad hoc COLAs.

[Senate Bill 5350](#) recommended by the Select Committee on Pension Policy (SCPP) and passed by the 2023 Legislature provided a 3 percent ad hoc COLA with a \$110 monthly benefit cap for Plans 1 annuitants not receiving minimum benefits. It also included a study proviso for the Committee to consider an ongoing COLA as the minimum contribution rates to fund the Unfunded Actuarial Accrued Liability cease. Committee discussion resulted in a briefing on the ongoing COLA study at the July SCPP meeting, a briefing on an ad hoc COLA at the October meeting, and a briefing at the November meeting on two one-time COLA policy options.

## Highlights

- ❖ Current COLA policy in the Plans 1 reflects a balance between various policy concerns including providing some inflation protection to those retirees receiving the lowest pension benefits, rewarding service through the Alternate Minimum benefit, and providing for ad hoc COLAs when funding is available.
- ❖ If policy makers seek any expansion of the COLA policy, key considerations include inflation protection, adequacy of benefits, intergenerational equity, and fiscal constraints.
- ❖ Policy makers seeking to increase the purchasing power of retirees may support an ad hoc COLA option, while some stakeholders interested in an annual, automatic COLA may feel this proposal does not go far enough.
- ❖ Some employers and policy makers may prefer an ad hoc COLA with a lower capped increase amount to minimize the increase in liabilities for Plans 1.
- ❖ However, some policy makers and stakeholders may prefer an ad hoc COLA with a higher capped increase amount than prior COLAs to help address the recent impacts of high inflation and increased property taxes.

## Committee Activity

The Committee received briefings in July, October, and November. At the November meeting the Committee voted to recommend a bill draft.

## Recommendation to the 2024 Legislature

Sponsor a bill that provides on July 1, 2024, a one-time 3 percent benefit increase on the first \$50,000 of pension income (with a capped increase of \$125 per month) to retired members of PERS and TRS Plans 1 who are not receiving a minimum benefit and have been retired at least one year.

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