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A New COLA Option: What You Need to Know

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What Is a COLA?

- A COLA is a cost-of-living adjustment that increases a retiree’s or beneficiary’s monthly benefit to help offset inflation
- The Consumer Price Index (CPI) is used to measure inflation
- Cities can provide a COLA that is 30%, 50%, or 70% of the change in the CPI

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TMRS' Current COLAs

- TMRS' traditional COLA is calculated by multiplying the cumulative change in the CPI since retirement by the COLA percentage (30%, 50%, 70%) adopted.
- That percentage increase is applied to the original annuity in determining the new annuity.

New COLA Option

- Simpler, less expensive and more equitable
- Removes “catch up” for cities without a COLA
- All retirees receive the same COLA percentage

New COLA Option

- TMRS' new COLA is calculated by multiplying the change in the CPI for the one-year period ending 12 months before the COLA effective date by the COLA percentage (30%, 50%, 70%) adopted.
- That percentage increase is applied to the current annuity in determining the new annuity.

New COLA Features

- Only available as a repeating COLA
- Cities cannot adopt a lower CPI percentage than they currently offer
- Can be adopted to take effect January 1, 2024, 2025, or 2026

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Who’s Eligible to Adopt the New COLA?

Answer: All cities!

- Cities without repeating COLAs as of January 1, 2023
- Cities that have repeating COLAs as of January 1, 2023 and want to maintain or increase CPI percentage

New COLA is Optional

No action is required if want to keep your current COLA

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Questions?

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