



Retirement News Highlights

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Several States Approve COLA Increases for Pension Funds, Other States Still Considering

COLA boosts to pension distributions have been proposed in Pennsylvania and Texas, while they have already been announced in Maryland and Rhode Island.

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Across the U.S., some state pension plans have announced cost-of-living-adjustment increases to retirees' and beneficiaries' monthly benefits, while other state lawmakers have introduced bills that would boost pension benefits for teachers, government employees and more.

These COLA increases come on the heels of the Social Security Administration's announcement at the end of 2022 that its COLA for 2023 is 8.7%, up from 5.9% in 2022. The back-to-back years are the first of at least 5% since the COLA was 5.8% in 2008. The recent increase is largely due to the high inflation rate the U.S. economy experienced in 2022.

State Adjustments

The Maryland State Retirement and Pension System announced Tuesday that eligible retirees and beneficiaries will receive more in their monthly pension payments beginning in July, as the new COLA rate of 8.003% takes effect. That rate exceeds the statutory COLA rate caps that apply to all or a portion of the allowance payable to many payees.

Because the pension system's total investment performance for the 2022 calendar year did not equal or exceed the 6.8% assumed rate of investment return established by the Board of Trustees, the statutory rate cap for the portion of an allowance based on creditable service earned on or after July 1, 2011, is 1% for many payees, according to a press release.

Payees of Maryland's Correctional Officers' Retirement System, Employees' and Teachers' Pension Systems, Law Enforcement Officers' Pension System, Local Fire and Police System and State Police Retirement System will all receive a boost in benefits due to the COLA increase.

In order to be qualified to receive the COLA on Pennsylvania payouts this July, a payee must be receiving a benefit based upon a retirement that was effective on or before July 1, 2022. Those receiving a benefit based on a retirement that was effective after July 1, 2022 will receive their first COLA increase in July 2024.

In Rhode Island, members of 76 municipal pension plans will also receive a COLA increase of 3.11% in 2023. The full list of plans can be viewed [here](#).

To be eligible for the annual COLA, members who meet age and length of retirement requirements must also be retirees of a plan that offers COLA and has a funding level that exceeds 80%. For retirees of COLA-eligible plans that are less than 80% funded, a COLA is paid every four years.

Current eligible beneficiaries of the Employees' Retirement System of Rhode Island's Teachers' Survivor Benefit also receive the same COLA increase of 8.7% that is granted to members of Social Security.

Lawmakers Propose Bills

Plenty of other states do not habitually make COLA adjustments. Democrats in both houses of the Pennsylvania General Assembly held a hearing on March 21 to discuss legislation that would provide a COLA for retirees in the Pennsylvania State Employees' Retirement System and the Pennsylvania Public School Employees' Retirement System.

No cost-of-living adjustment has been approved in Pennsylvania for 20 years. But according to statistics provided by the Pennsylvania Association of School Retirees, inflation has reduced purchasing power by more than 50% since the last COLA was enacted.

"It is time that our legislature stands up for public school employees and our state employees—and it is time that PSERS and SERS prioritize the retirement security of their annuitants over high-priced investment managers and risky private equity investments," Katie Muth, a Democrat Pennsylvania state senator, said at the hearing. "I look forward to working with my colleagues in the House and Senate on our legislation to enact a COLA and to allow our retirees to live with dignity."

Muth and John Kane, also a Democrat state senator, have introduced two bills that would give annuitants their first COLA in more than 20 years. Pennsylvania law requires the General Assembly to enact legislation to grant COLA increases to teachers and retired state workers. Democratic representatives Steven Malagari and Dan Deasy are also working on similar legislation to enact a COLA for PSERS and SERS annuitants.

Similarly, in Texas, two different Texas Senate bills would increase teacher pensions across the state.

Senate Bill 10 would create a COLA at 4% for retirees who have been retired for more than 10 years. For teachers and school workers who have been retired anywhere from two to nine years, the COLA would be adjusted to 2%.

In addition, the bill would give retired teachers above the age of 75 a 13th annual check of \$7,500. The bill states that this group of retired educators have struggled financially for many years due to fixed lower retirement benefits. State Senator Joan Huffman, a Republican, is the author of the bill, which was approved by all 31 senators signing on as joint authors.

The Texas House proposal for a COLA is built into a supplemental budget bill, House Bill 600, which seeks to create a COLA based on how many years former teachers have been retired. HB 600 states that for those who have been retired for 20 or more years, there would be a 6% COLA. For those who have been retired for more than 10 years, but fewer than 20, a 4% COLA, and so on.

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