Cost-of-living adjustment (COLA) payable to eligible payees in July 2023

Baltimore, MD (April 18, 2023)—Eligible payees (retirees and beneficiaries) of the Maryland State Retirement and Pension System will notice an increase in their monthly allowance beginning in July as the 2023 cost-of-living adjustment (COLA) takes effect.

This year’s cost-of-living rate of 8.003% exceeds the statutory COLA rate caps that apply to all or a portion of the allowance payable to many payees. In addition, because the System’s total investment performance for the calendar year ending on December 31, 2022 (-8.94%), 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.

The information below summarizes the COLA that generally applies to payees of the various State systems beginning in July:

**Correctional Officers’ Retirement System**

- 8.003% on the portion of the allowance based on creditable service earned before July 1, 2011, and 1% on the portion earned on or after July 1, 2011.

**Employees’ and Teachers’ Pension Systems**

- 3% on the portion of the allowance based on creditable service earned before July 1, 2011, and 1% on the portion earned on or after July 1, 2011.

**Employees’ and Teachers’ Retirement Systems**

- For payees subject to Selection A (Additional member contributions) or who separated from service on or before June 30, 1984, the COLA is 8.003%.
- For payees subject to Selection B (Limited COLA), the COLA is 5%.
Payees subject to Selection C (Combination formula) are subject to the following COLA rates:

- For payees who were subject to Selection A before electing Selection C, the COLA is 8.003% on the portion of the allowance based upon creditable service earned before electing Selection C and 3% on the portion earned after electing Selection C.
- For payees who were subject to Selection B before electing Selection C, the COLA is 5% on the portion of the allowance based upon creditable service earned before electing Selection C and 3% on the portion earned after electing Selection C.

- See the frequently asked questions below for a description of Selections A, B, and C.

**Law Enforcement Officers’ Pension System**

- 3% on the portion of the allowance based on creditable service earned before July 1, 2011, and 1% on the portion earned on or after July 1, 2011, except for transferees from the Employees’ or Teachers’ Retirement System under Selections A or B who did not elect to participate in the Law Enforcement Modified Pension Benefit, who will receive 8.003% if subject to Selection A, or 5% if subject to Selection B.

**Local Fire and Police System**

- 3% (except for transferees from the Employees’ Retirement System, who will receive 8.003%).

**State Police Retirement System**

- 8.003% on the portion of the allowance based on creditable service earned before July 1, 2011, and 1% on the portion earned on or after July 1, 2011.

This COLA does not apply to most payees of the Legislative Pension Plan and Judges’ Retirement System. The majority of payees from these systems receive adjustments based on the salary increases received by active legislators and judges.

The rules concerning COLAs are set forth in the Md. Code Ann., State Personnel and Pensions Article, Title 29, Subtitle 4. If there are any questions of interpretation, the law will control to resolve them.

**Frequently asked questions**

**Q. Who qualifies to receive the COLA this July?**

A. A payee must be receiving an allowance based upon a retirement that was effective on or before July 1, 2022, to receive this year’s COLA. Those receiving an allowance based on a retirement that was effective after July 1, 2022 (August 2022 or later) will receive their first COLA increase in July 2024.
Q. Which payment will include the new COLA?

A. Qualifying payees will see the adjustment in their July 2023 allowance payments, payable July 31, 2023.

Q. How is the annual COLA increase applied? Is it a simple or compounding COLA?

A. A payee’s benefit system determines how the annual increase is calculated for their payment. Eligible payees receive either a compound rate or a simple rate. For payees receiving the compound rate, the COLA increase is based on their current allowance, allowing COLAs to compound over time. Under the simple rate, the increase is based on the initial allowance.

Q. How is the COLA rate determined?

A. The COLA rate is based upon the calendar year over calendar year change in the annual average Consumer Price Index (all urban consumers – United States city average – all items, not seasonally adjusted, 1967 = 100) as published by the United States Department of Labor, Bureau of Labor Statistics.

Q. What are Selections A, B, and C for the Employees’ and Teachers’ Retirement Systems?

A. Under Selection A, the member elected to pay a higher contribution rate (generally 7% of pay) to maintain all benefits, including unlimited COLA. Under Selection B, the member continued to pay the pre-1984 contribution rate (generally 5% of pay) to maintain all benefits except unlimited COLA. COLA is capped at 5%. Under Selection C, the member chose a combination, or two-part (bifurcated) benefit. The portion of the allowance based on creditable service prior to the election is calculated based on the member’s prior election of Selection A or B, and the portion based on creditable service after electing Selection C is calculated at retirement as a pension system benefit.

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The Maryland State Retirement and Pension System is charged with the fiduciary responsibility for properly administering the retirement and pension allowances of more than 172,000 retirees and beneficiaries as well as the future benefits for more than 241,000 active and former members. These groups include state government employees, teachers, law enforcement personnel, legislators, judges and local government employees and fire fighters whose employers have elected to participate in the system.