

Eligible retirees to receive cost-of-living adjustment in July
April 20, 2017

Retired Maryland teachers, state and municipal employees, correctional officers and police will notice an increase to their monthly retirement benefit in July as the annual cost-of-living adjustment (COLA) takes effect.

To receive the COLA, eligible retirees must have been retired at least one full year as of July 1, 2017.

For retirees from the Employees' or Teachers' Retirement System OR persons who retired on or before July 1, 2011, the COLA rate is 1.262%.

For persons who retired after July 2011 under the Employees' or Teachers' Pension System, Law Enforcement Officers' Pension System, Maryland State Police Retirement System or Correctional Officers' Retirement System, a two-part COLA applies. These retirees will receive the full COLA of 1.262 % for service credit earned *prior* to July 1, 2011. For service earned *on or after* July 1, 2011, the COLA is capped at 1%.

This cap, part of sweeping pension reforms enacted by the Maryland General Assembly in 2011, applies only to service credit earned on or after July 1, 2011. It limits the COLA to 2.5% if the system's investment fund meets or exceeds its assumed rate of return during the preceding year. The cap is 1% if this target is not met. The system's 5.98% investment return for calendar year 2016 did not meet the assumed rate of 7.55%.

The COLA does not apply to legislative and judicial retirees. Retirees from these systems receive adjustments based on the increases received by active legislators and judges.

Eligible retirees' increased monthly benefit will be shown on the Automatic Deposit Advice mailed to the homes of all retirees on July 31.

Frequently asked questions

Q. Who qualifies to receive the COLA this July?

A. A retiree who has completed at least one year of retirement as of July 1, 2017 qualifies for this year's COLA. Those who retired after July 2016 (August 2016 or later) will receive their first COLA increase in July 2018.

Q. How is the annual COLA increase applied?

A. A retiree's benefit system determines how the annual increase is calculated for his or her payment. Eligible retirees receive either a compound rate or a simple rate. For retirees 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 retiree's initial retirement allowance.

The compound rate applies for eligible retirees of all systems except the Employees' Non-Contributory Pension System and the Local Fire and Police System. (For retirees who transferred into the Local Fire and Police System from the Employees' Retirement System, the compound rate applies.)

Q. How is the rate determined?

A. To calculate the annual COLA rate, the Consumer Price Index for the calendar year ending December 31 in the second preceding fiscal year is subtracted from the CPI for the calendar year ending the same date in the preceding fiscal year. This difference is then divided by the CPI for the calendar year ending December 31 in the second preceding fiscal year.

The COLA rate is subject to the investment return-based caps described above.