Cost of Living Adjustments for Retirees

Phone: 512.476.7577 • Fax: 512.476.5576
Email: *help@tmrs.com* • Website: *www.tmrs.com*
Mailing address: P.O. Box 149153 • Austin, TX 78714-9153

Toll free:
800.924.8677
Hablamos Español.

What Are COLAs?

A COLA (Cost of Living Adjustment) is an optional benefit a TMRS city may choose to provide its retirees. COLAs help protect your benefit from the effects of inflation. After you retire, if you receive a COLA, your annuity benefit may increase based on changes in the Consumer Price Index (CPI; see description below). A COLA is permanently applied to your monthly annuity on January 1 of each year that the city has adopted the option. A city my choose one of three COLA amounts: 30%, 50%, or 70% of the CPI change.

A city may choose to change, adopt, or rescind COLAs at any time by city ordinance. Any change a city makes to its COLA option (whether adopting, rescinding, changing the percentage of CPI, changing to annually repeating, or changing to ad hoc) goes into effect on the January 1 after adoption. A city may choose to discontinue COLAs at any time; future year COLAs are not guaranteed.

If you worked for more than one city that offers a COLA, your increase (if any) will be calculated using the amounts each city grants, added to your benefit from that city.

Who Is Eligible for a COLA?

To receive a COLA, you must meet these two criteria:

- A city from which you are retired must have adopted the COLA benefit
- You must have been retired for at least 13 months prior to the COLA effective date of January 1.

What Is the Consumer Price Index (CPI)?

TMRS uses the Consumer Price Index for All Urban Consumers (CPI-U) that is provided by the United States Bureau of Labor Statistics. A TMRS COLA is “retroactive” — the COLA is based on the change in the CPI-U since retirement, less any previous COLAs granted.

When Are COLAs Received?

COLAs are applied to every eligible retiree’s (or beneficiary’s) annuity payment starting with the January 31 payment for that year. Retirement benefit recipients will receive a Retirement Account Statement (RAS) in February that confirms if your city or cities provide a COLA for that year and the dollar amount of the increase. If you retired from more than one city, the total COLA amount will be noted in your RAS. These statements also may be accessed through MyTMRS®.

Decreasing or Eliminating COLAs

A city ordinance is required for a city to discontinue the annually repeating COLA. A city cannot provide a COLA without also providing some level of Updated Service Credit (USC) to

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Example COLA Calculation

John Doe retired in October 1985 with an annuity of $324.98. Due to past COLA adoption(s) by the city, Mr. Doe’s December 2016 annuity was $600.97. Assuming his only city of employment adopted a 70% increase effective January 2017, we would have calculated Mr. Doe’s increase as follows:

CPI -U Value for December 2015 (13 months prior to the date of the increase):	**236.525**
CPI-U Value for December 1984 (December before effective retirement date):	**105.300**
Calculated cumulative change in the CPI-U : (236.525 – 105.3) / 105.3 =	**1.2462**
Increase over original annuity: (1.2462 x 70%) x 324.98 =	**$283.49**

Mr. Doe’s new annuity will be the **larger** of:

Original annuity	+	calculated increase	
$324.98	+	$283.49 =	**$608.47**

OR

His current annuity	**$600.97**

If Mr. Doe was drawing an annuity from multiple cities, this calculation would be performed separately for each city’s component of his total annuity, for each city that had adopted a cost of living adjustment.

Special Note: Once a retiree’s annuity is increased, it will never drop below that new amount in the future, even if a city eliminates the COLA option.

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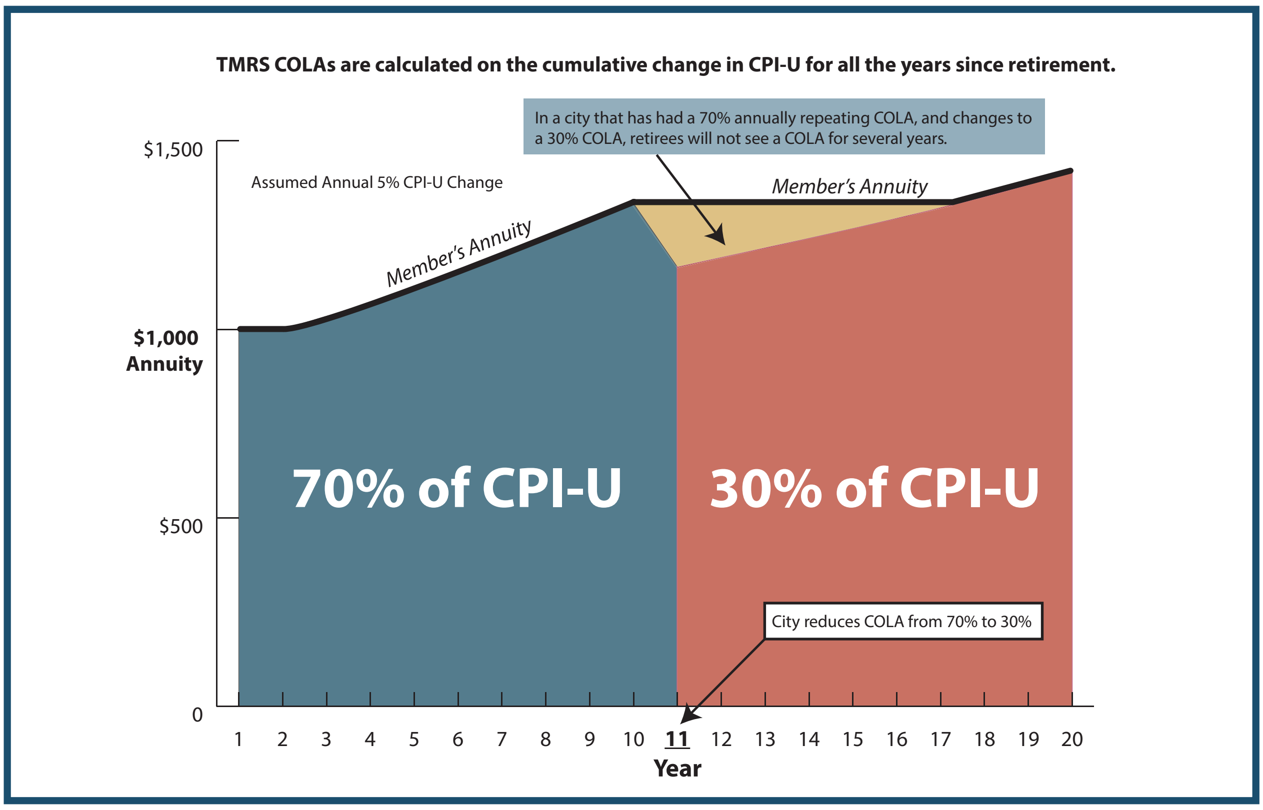
active employees. If a city chooses to eliminate the USC, then the COLAs will automatically be eliminated as well. If a city chooses to eliminate its annually repeating COLA, TMRS will notify the city's retirees by letter.

When a city discontinues the COLA option, a retiree's current annuity is not affected. Any previous COLAs that were granted are all retained by the retiree. Only future COLAs are eliminated when a city elects to discontinue the COLA. If a city chooses to reduce the COLA amount from 70% to 50% or 30%, or from 50% down to 30%, then it is likely that a current retiree will not receive a COLA for the next several years. See the chart below for an example.



Effect of reduction in COLA percentage.

Other Important Questions about COLAs

Q. Why didn't I receive a COLA even though my city has adopted the COLA option?

A. This can be a result of the city decreasing the percentage of COLA that they provide (see "Effect of Reduction..." chart above). Also, a retiree who has not been retired for at least 13 months prior to the COLA effective date is ineligible for a COLA. Or if inflation is 0% or negative, no COLA will be granted.

Q. Why is my COLA small, and can it ever be negative?

A. A retiree's COLA could be a very small amount in years of low inflation rates. If the economy ever enters a true period of "deflation," which happens when the CPI changes in a negative direction, a retiree's annuity will not be decreased. Once a COLA is earned, it can never be taken away.

Q. If I retired from multiple cities, do they all need to have the COLA option adopted?

A. Your COLA is based on the provisions adopted by the cities for which you worked. For example, if you worked for four different cities in TMRS, and only two of them have adopted COLAs, you would only receive the increase from the two adopting cities on the portion of your benefit from those cities.

Q. Is a COLA tied to current city employee pay increases?

A. No. If a city decides to give a pay increase to its current employees, this will have no impact on the current retirees for that city. A city can only grant a COLA to retirees by adopting an ordinance to provide the COLA through TMRS. ●

Version 1.0, March 2017. Texas Municipal Retirement System.