



# How the Uniform Plan 1 COLA Works



**EXAMPLE: a Plan 1 retiree who was age 66 by 7/1/95 with 30 years of service**

| Year        | Annual Increase | Cumulative Annual Increase | Cumulative \$ Benefit Per Month | Total \$ Benefit Per Period         |
|-------------|-----------------|----------------------------|---------------------------------|-------------------------------------|
| 7/1/95      | .59             | .59                        | <b>17.70</b>                    | <b>212.40</b>                       |
| 7/1/96      | .61             | 1.20                       | 17.70 + 18.30 = <b>36.00</b>    | 212.40 + 219.60 = <b>432.00</b>     |
| 7/1/97      | .63             | 1.83                       | 36.00 + 18.90 = <b>54.90</b>    | 432.00 + 226.80 = <b>658.80</b>     |
| * 7/1/98    | ** .74          | 2.57                       | 54.90 + 22.20 = <b>77.10</b>    | 658.80 + 266.40 = <b>925.20</b>     |
| 7/1/99      | .77             | 3.34                       | 77.10 + 23.10 = <b>100.20</b>   | 462.60 + 138.60 = <b>601.20</b>     |
| * 1/1/00    | .28             | 3.62                       | 100.20 + 8.40 = <b>108.60</b>   | 601.20 + 50.40 = <b>651.60</b>      |
| 7/1/00      | *** 1.08        | 4.70                       | 108.60 + 32.40 = <b>141.00</b>  | 1,303.20 + 388.80 = <b>1,692.00</b> |
| 7/1/01      | 1.11            | 5.81                       | 141.00 + 33.30 = <b>174.30</b>  | 1,692.00 + 399.60 = <b>2,091.60</b> |
| 7/1/02      | 1.14            | 6.95                       | 174.30 + 34.20 = <b>208.50</b>  | 2,091.60 + 410.40 = <b>2,502.00</b> |
| 7/1/03      | 1.18            | 8.13                       | 208.50 + 35.40 = <b>243.90</b>  | 2,502.00 + 424.80 = <b>2,926.80</b> |
| 7/1/04      | 1.21            | 9.34                       | 243.90 + 36.30 = <b>280.20</b>  | 2,926.80 + 435.60 = <b>3,362.40</b> |
| 7/1/05      | 1.25            | 10.59                      | 280.20 + 37.50 = <b>317.70</b>  | 3,362.40 + 450.00 = <b>3,812.40</b> |
| 7/1/06      | 1.29            | 11.88                      | 317.70 + 38.70 = <b>356.40</b>  | 3,812.40 + 464.40 = <b>4,276.80</b> |
| 7/1/07      | 1.33            | 13.21                      | 356.40 + 39.90 = <b>396.30</b>  | 4,276.80 + 478.80 = <b>4,755.60</b> |
| *** 1/1/08  | .35             | 13.56                      | 396.30 + 10.50 = <b>406.80</b>  | 4,755.60 + 126.00 = <b>4,881.16</b> |
| 7/1/08      | 1.73            | 15.29                      | 406.80 + 51.90 = <b>458.70</b>  | 4,881.16 + 622.80 = <b>5,503.96</b> |
| **** 7/1/09 | 1.83            | 17.12                      | 458.70 + 54.90 = <b>513.60</b>  | 5,503.96 + 513.60 = <b>6,017.56</b> |
| 7/1/10      | 1.88            | 19.00                      | 513.60 + 56.40 = <b>570.00</b>  | 6,017.56 + 570.00 = <b>6,587.56</b> |

And so on... exact dollar amounts of 3% annual Automatic Increases to be determined.

- \* Gain Sharing distributions occurred.
- \*\* 7/1/98 ~ **\$.74** amount = **\$.63** Annual Increase from 7/1/97 + **\$.10** from 7/1/98 Gain Sharing + 3% increase of **\$.01** from 7/1/98.
- \*\*\* 7/1/00 ~ **\$.08** amount = **\$.77** Annual 3% Increase from 7/1/99 + **\$.28** from 1/1/00 Gain Sharing + 3% increase of **\$.03** for 7/1/00.
- \*\*\*\* 1/1/08 ~ **\$.35** amount = Initial distribution of Plan 1 Gain Sharing "Trade-off" benefits.
- \*\*\*\*\* 7/1/09 ~ **\$.83** amount = **\$.05** + Annual 3% Increase from 7/1/09 + **\$.05** from remaining Plan 1 Gain Sharing "Trade-off" benefit.

### FYI

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| <p>The <b>Uniform Plan 1 COLA</b> is based on a dollars/per month/per years of service formula. The <b>Annual Increase</b>:</p> <ol style="list-style-type: none"> <li>started at \$.59 per month per year of service, effective 7/1/95;</li> <li>increases each year by 3% (\$.63 as of 7/1/97)<br/>[EXAMPLE: a retiree who is age 66 by 7/1/98 will began receiving the COLA at the rate of \$.74/per month/per years of service]; and</li> <li>benefit is cumulative upon eligibility. Each annual statement indicates the COLA increase being provided in addition to past COLAs – see chart above.</li> </ol> <p>EXAMPLE: a retiree who was age 66 by 7/1/95 with 30 years of service and a base pension of \$1,000.00 / per month would have had their pension benefit increase as follows <math>\$.59 \times 12 \text{ months} = \\$7.08 \times 30 \text{ years of service} = \\$212.40/\text{yr.}</math> or <math>\\$17.70/\text{mo.}</math> In July of '95 DRS provided that retiree with a pension statement indicating their <b>benefit is increased by \$17.70</b> = total pension check of \$1,017.70. In 7/1/96 that retiree received a DRS pension statement indicates <b>benefit is increased by \$18.30</b> = total pension check of \$1,036.00 (<math>\\$1,000.00 + \\$17.70 + \\$18.30</math>).</p> | <p>In 1995, when the Uniform COLA was established, a <b>One-time Adjustment</b> to the COLA was granted to certain retirees as follows:</p> <ol style="list-style-type: none"> <li>the Age 70 COLA was made permanent (\$3/per month/per years of service for those age 70 by 7/1/93)</li> <li>those age 70 or older who are not on the Age 70 COLA and those 79 or older who are on the Minimum Benefit received a one-time increase as follows:<br/>Age 70     \$.39 per month/per years of service<br/>Age 71     \$.79 per month/per years of service<br/>Age 72+    \$1.18 per month/per years of service</li> <li>those on the "89 COLA" received \$1.18 per month/per years of service.</li> </ol> <p>EXAMPLE: a retiree who was on the "89 COLA" on 7/1/95 began receiving the COLA at the rate of \$1.77 per month/per years of service ~ (<math>\$.59 + \\$1.18 = \\$1.77</math>)</p> |
| <p><b>Gain Sharing:</b><br/>Under the 1998 Gain Sharing statute, on January 1st of even-numbered years thereafter, extraordinary investment gains were shared with retirees when the State Investment Board earns an average of 10% or more on the assets of the TRS/PERS 1 funds over a period of 4 fiscal years.</p> <p>Gain Sharing was repealed in 2007 via what is known as Gain Sharing "Trade-off" legislation. For TRS/PERS 1, the trade-off is \$.40 increase to the Uniform COLA's Annual Increase amount. The \$.40 will be incorporated into the Annual Increase in two distributions: a final normal Gain Sharing distribution in January 2008, and the balance amounting to a total of \$.40 in July 2009 (\$.35 in 1/08 and \$.05 in 7/09). As with previous Gain Sharing distributions, the Gain Sharing trade-off increases to the Annual Increase will be subject to the 3% per year automatic increases.</p>                                                                                                                                                                                                                                                                                                                                                                                        | <p><b>For Illustrative &amp; Example Purposes:</b></p> <p>Gain-sharing increased the Plan 1 Uniform COLA in 1998 and 2000, and by 35 cents in 2008</p> <p>Source: Office of the State Actuary 2008</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |