

PSERS –COLA History (Pennsylvania)

Annuitant members of the Public School Employees' Retirement System have been granted Cost of Living Adjustments (COLAs), on a periodic basis, through legislative approval of the Pennsylvania General Assembly. In years past, the General Assembly established a tradition of statutorily providing COLA's on a cycle of every four to six years. These COLAs are permanent supplemental increases to the member's annuity, providing an increased annuity that then becomes the base amount on which future COLAs are calculated. Each new COLA, therefore, is compounded upon all previously granted COLAs. This type of permanent, pension-integrated COLA has been permitted only since adoption of amending language to the Constitution of Pennsylvania "authorizing the increase of retirement allowances or pensions of members" of governmental pension systems (Article III, §26; approved by referendum May 16, 1967).

From 1919 through 1959, PSERS annuitants were simply guaranteed a minimum pension amount, which was occasionally increased through legislative action (i.e., \$20/month in 1935; \$50/month in 1959; \$150/month in 1965). During the early 1960's, temporary (January 1, 1960 through June 30, 1963), straight-dollar amount (\$60 per year of credited service) supplemental annuities were legislated.

Since 1967, subsequent to approval by the electorate of the amendment to the Constitution of Pennsylvania, permanent supplemental increases were granted ten times: 1967, 1969, 1971, 1974, 1979, 1984, 1989, 1994, 1998 and 2002/03. Each of the COLAs applied a different formula for calculation of the supplemental increase.

The most recent COLA, provided under Act 1998–88, was specifically designed to ensure that the annuities of all PSERS members who retired prior July 1, 1997 were provided an increase that replaced, at minimum, one-half of the loss in purchasing power experienced through inflation since the member's year of retirement.

Beneficiaries and surviving spouses of deceased PSERS annuitants are not eligible to receive COLA increases. The Constitution restricts COLAs to "members" of the retirement system. A previous attempt to amend the Constitution to allow supplemental increases for PSERS beneficiaries and surviving spouses failed approval by the electorate. Legislation was approved during two consecutive Legislative Sessions, 1979-1980 and 1981-1982, as is required for constitutional amendments. In the Commonwealth-wide referendum of November 3, 1981, however, the measure was soundly defeated by a 40% to 60% ratio.

The following provides an overview of the various permanent COLAs that have been granted in the past.

1967 Cost of Living Adjustment (Act 1967 – 34)

- Effective Date: 7/1/1967
- Range of Benefit Increase: 6% to 150%
- Benefit Calculation:

<u>Year of Retirement</u>	<u>Percentage</u>	<u>Year of Retirement</u>	<u>Percentage</u>	<u>Year of Retirement</u>	<u>Percentage</u>
1933 and Earlier	150%	1943	89%	1954	23%
1934	145%	1944	86%	1955	22%
1935	139%	1945	82%	1956	20%
1936	138%	1946	68%	1957	16%
1937	137%	1947	47%	1958	14%
1938	136%	1948	37%	1959	12%
1939	135%	1949	37%	1960	10%
1940	134%	1950	36%	1961	9%
1941	122%	1951	26%	1962	8%
1942	100%	1952	24%	1963	7%
		1953	23%	1964	6%

- Members Eligible:

Members had to have retired prior to January 1, 1965.

This supplemental annuity was granted to all annuitants who were on superannuation or disability retirement. Withdrawal annuitants (on early retirement) were not eligible for the supplemental increase.

The supplemental increase was determined by the application of a percentage factor to the member's maximum benefit. A table of graduated percentage factors, ranging from 6% to 150%, with the applicable percentage rate corresponding to the year in which the member retired, was established for calculation of the supplemental increase.

The maximum amount of supplemental annuity that a member could receive was capped, using a post-retirement income ceiling of \$2,600.00 per year. Regardless of the applicable percentage increase in the table provided, a member's supplemental increase was limited to the difference between the member's annuity and an amount

equivalent to \$65 for each year of credited service, not exceeding 40 years ($\$65 \times 40$ years = \$2,600.00). Restrictive language in the act further stipulated that the sum of the member's retirement annuity, prior to optional modification, plus any social security old age or disability insurance benefit attributable to service as a school employee, plus the supplemental annuity amount, could not exceed \$2,600.00.

1969 Cost of Living Allowance (Act 1970 – 143)

- Effective Date: January 1, 1969
- Range of Benefit Increase: 1% and 4%
- Benefit Calculation:

<u>Year of Retirement</u>	<u>Percentage Increase</u>
1965	4%
1966	1%

- Members Eligible:

Members had to have retired prior to January 1, 1967. This COLA applied only to annuitants receiving a superannuation or disability annuity who retired during calendar years 1964 and 1965, thereby providing a post-retirement increase to those annuitants who retired since passage of the last COLA legislation (Act 1967–34). Withdrawal annuitants (on early retirement) were not eligible for the supplemental increase.

The supplemental increase was determined by the application of a percentage increase to the member's maximum benefit established at the time of retirement. The parameters and limitations relative to the \$2,600 cap on a member's annual annuity remained in effect for this COLA.

1971 Cost of Living Allowance (Act 1971-106)

- Effective Date: July 1, 1971
- Range of Benefit Increase: Potential for increase of \$35 per year of credited service, per eligible member.
- Benefit Calculation: Annuity increase in an amount reflecting the difference between the member's maximum annuity and one-hundred dollars (\$100) for each year of credited service.
- Members Eligible:

Members had to have retired prior to July 1, 1967. Except for members who retired during the six-month period between January 1, 1967 and June 30, 1967, this Act directed changes and a re-computation of COLA benefits previously provided to members under the provisions of Act 1970 – 143 and Act 1967 – 34.

A re-computation of annuities was directed to provide a supplemental increase equivalent to the amount by which the member's maximum retirement annuity, prior to any optional modification, was less than one-hundred dollars (\$100) for each year of credited service (previously set at \$65 per year of credited service).

Application of the COLA was expanded to include, for the first time, members receiving a withdrawal annuity because of retirement before reaching superannuation age.

The 1971 legislation also deleted all restrictive language in the Code that capped COLA increases at a maximum annual annuity amount (previously set at \$2,600), as well as the use of social security old age or disability benefits to offset COLA increases.

1974 Cost of Living Allowance (Act 1975-96)

- Effective Date: 7/1/74
- Range of Benefit Increase: 5% to 30%
- Benefit Calculation:

<u>Effective Date of Retirement</u>	<u>Percentage</u>
On or after 7/2/1973, but before 3/1/1974	5%
7/2/1971 – 7/1/1973	5%
7/2/1970 – 7/1/1971	10%
7/2/1969 – 7/1/1970	15%
7/2/1968 – 7/1/1969	20%
7/2/1967 – 7/1/1968	25%
Before & Including 7/1/1967	30%

- Members Eligible:

Members had to have retired prior to March 1, 1974.

The supplemental increase was determined by the application of a percentage factor to the member's maximum benefit. A table of graduated percentage factors, ranging from 5% to 30%, with the applicable percentage rate corresponding to the member's effective date of retirement, was established for calculation of the supplemental increase.

This supplemental annuity was granted to all annuitants. Early retirement annuitants were entitled to receive the COLA beginning the July after having attained superannuation. Disability annuitants received a supplemental annuity that was equivalent to a 20% increase of their annuity at the time of retirement, less amounts provided under the statutory amendments of 1970 and 1971 that addressed disability retirements.

1979 Cost of Living Adjustment (Act 1979-130)

- Effective Date: 7/1/1979
- Range of Benefit Increase: 5% to 31%
- Benefit Calculation:

Effective Date of Retirement	Percentage
7/2/1977 – 7/1/1978	5%
7/2/1976 – 7/1/1977	10%
7/2/1975 – 7/1/1976	13%
7/2/1974 – 7/1/1975	20%
7/2/1973 – 7/1/1974	27%
Before & Including 7/1/1973	31%

- Members Eligible:

Members had to have retired prior to 7/2/1978. This increase was granted to all superannuated annuitants. Early retirement annuitants receive this increase on the July following the attainment of superannuation age. Disability annuitants were entitled to the increase regardless of age or service. The increase consisted of a percentage factor applied to the first \$1,000 of the monthly benefit, based on the effective date of retirement.

1984 Cost of Living Allowance (Act 1984-95)

- Effective Date: 7/1/1984
- Benefit Calculation - The amount of the additional monthly supplemental annuity was the total amount resulting from application of the following:
 1. \$1.00 multiplied by the number of whole years of credited service, plus
 2. \$2.00 multiplied by the number of whole years on retirement as of 7/1/1983, plus
 3. 2% of the monthly annuity being received on 7/1/1984, not to exceed \$20.00.
- Members Eligible:

Members had to have retired prior to 7/1/1982. This increase was granted to all superannuated annuitants. Early retirement annuitants receive this increase on the July following the attainment of superannuation age. Disability annuitants were entitled to the increase regardless of age or service.

1989 Cost of Living Allowance (Act 1988 – 112)

- Effective Date: 1/1/1989
- Benefit Calculation:

The amount of the additional monthly supplemental annuity was the total resulting from application of the following:

- 1) Two dollars multiplied by the number of whole years of credited service, plus
- 2) Fifty cents multiplied by the number of whole years on retirement, as of July 1, 1988.

- Members Eligible:

Members had to have retired prior to 7/2/1987. This increase was granted to all superannuated annuitants. Disability annuitants were entitled to the increase regardless of age or years of service. Early retirement annuitants received this increase on July following the attainment of superannuation age.

1994 Cost of Living Allowance (Act 1994-29)

- Effective Date: 7/1/1994
- Range of Benefit Increase: 1.5% to 26.4%
- Benefit Calculation:

Provided both an "additional monthly supplemental annuity" and a "monthly longevity supplemental annuity."

Supplemental Annuity - the additional monthly supplemental annuity was determined by multiplying a percentage factor, ranging from 1.5% to 7.9%, by the member's first \$3,000 of monthly annuity. Annuitant members who had less than 20 years of service credit, or whose effective date of retirement was subsequent to July 1, 1984, were entitled to this percentage increase only. The applicable percentage factors, specific to annuitants' most recent effective date of retirement, are as follows:

<u>Effective Date of Retirement</u>	<u>Percentage Factor</u>
July 1, 1991 through June 30, 1992	1.5%
July 1, 1990 through June 30, 1991	2.8%
July 1, 1989 through June 30, 1990	5.3%
On or prior to June 30, 1989	7.9%

Longevity Supplemental Annuity – the monthly longevity supplemental annuity applied only to those annuitants who had 20 or more years of service credit and had retired prior to July 2, 1984. These annuitants were entitled to receive the maximum percentage increase of 7.9% on the first \$3,000 of monthly annuity as a supplemental annuity, plus a longevity supplement based upon a formula that increased in conjunction with the number of years on retirement. The attached chart displays the total percentage increases to which these members were entitled:

<u>Effective Date of Retirement</u>	<u>From</u>	<u>Through</u>	<u>Total Increase in Annuity</u>
	7/2/84	6/30/89	7.90%
	7/2/83	7/1/84	9.15%
	7/2/82	7/1/83	9.40%
	7/2/81	7/1/82	9.65%

7/2/80	7/1/81	9.90%
7/2/79	7/1/80	10.15%
7/2/78	7/1/79	10.40%
7/2/77	7/1/78	10.65%
7/2/76	7/1/77	10.90%
7/2/75	7/1/76	11.15%
7/2/74	7/1/75	11.40%
7/2/73	7/1/74	11.65%
7/2/72	7/1/73	11.90%
7/2/71	7/1/72	12.15%
7/2/70	7/1/71	12.40%
7/2/69	7/1/70	12.65%
7/2/68	7/1/69	12.90%
7/2/67	7/1/68	13.40%
7/2/66	7/1/67	13.90%
7/2/65	7/1/66	14.40%
7/2/64	7/1/65	14.90%
7/2/63	7/1/64	15.40%
7/2/62	7/1/63	15.90%
7/2/61	7/1/62	16.40%
7/2/60	7/1/61	16.90%
7/2/59	7/1/60	17.40%
7/2/58	7/1/59	17.90%
7/2/57	7/1/58	18.40%
7/2/56	7/1/57	18.90%
7/2/55	7/1/56	19.40%
7/2/54	7/1/55	19.90%
7/2/53	7/1/54	20.40%
7/2/52	7/1/53	20.90%
7/2/51	7/1/52	21.40%
7/2/50	7/1/51	21.90%
7/2/49	7/1/50	22.40%
7/2/48	7/1/49	22.90%
7/2/47	7/1/48	23.40%
7/2/46	7/1/47	23.90%
7/2/45	7/1/46	24.40%

7/2/44	7/1/45	24.90%
7/2/43	7/2/44	25.40%
7/2/42	7/1/43	25.90%

Escalates at the rate of .50%
for each additional year on
retirement

- Members Eligible:

Members had to have retired prior to 7/1/1992. This increase was granted to all superannuated annuitants. For early retirement annuitants, the COLA becomes effective the July following the date on which normal retirement age is reached. Disability annuitants were entitled to the increase regardless of age or years of service.

- Members **NOT** Eligible:

Members who retired during the period of May 15, 1992 through August 13, 1993 and who received the 10% additional service credit retirement incentive under Act 1992-186 and Act 1994-29, commonly referred to as the Mellow Bill.

1998 Cost of Living Allowance (Act 1998-88)

- Effective Date: July 1, 1998
- Range of Benefit Increase: 1.86% to 25%
- Benefit Calculation:

Effective Date of Retirement Percentage

July 1, 1996 to June 30, 1997	1.86%
July 1, 1995 to June 30, 1996	3.59%
July 1, 1994 to June 30, 1995	4.95%
July 1, 1993 to June 30, 1994	6.42%
July 1, 1992 to June 30, 1993	7.97%
July 1, 1979 to June 30, 1992	10.0%
July 1, 1969 to June 30, 1979	20.0%
On or before June 30, 1969	25.0%

- Members Eligible:

This increase was granted to all superannuated annuitants. For early retirement annuitants, the COLA becomes effective the July following the date on which normal retirement age is reached. Disability annuitants were entitled to the increase regardless of age or years of service.

Years 2002 and 2003 Cost Of Living Allowances (Act 2002-38)

- Effective Dates: July 1, 2002 and July 1, 2003.
- Range of Benefit Increase: 2.27% to 25.0%.
- Benefit Calculation: Rate of increase determined from graduated percentages, with specific rate applicable according to annuitants' year of retirement.

See respective charts below.

Provides separate COLAs for two groups of retirees, effective in successive years.

Annuitants retiring before July 2, 1990 will receive a COLA beginning July 1, 2002; annuitants retiring on or after July 2, 1990, and on or before July 1, 2002, will receive a COLA beginning July 1, 2003.

Table 1 shows the authorized COLA increases for members who retired on or before July 1, 1990.

Table 1
COLA Increases
Effective July 1, 2002

<u>Date of Retirement</u>	<u>Proposed COLA</u>
Before July 2, 1980	25.00%
July 2, 1980 – July 1, 1983	15.00%
July 2, 1983 – July 1, 1988	10.00%
July 2, 1988 – July 1, 1990	8.00%

Table 2 shows the authorized COLA increases for members who retired after July 1, 1990 and on or before July 1, 2002.

Table 2
COLA Increases
Effective July 1, 2003

<u>Date of Retirement</u>	<u>Proposed COLA</u>
July 2, 1990 – July 1, 1994	9.00%
July 2, 1994 – July 1, 1998	7.50%
July 2, 1998 – July 1, 1999	6.35%
July 2, 1999 – July 1, 2000	4.87%
July 2, 2000 – July 1, 2001	3.08%

July 2, 2001 – July 1, 2002 2.27%

The design of the COLA authorized under Act 2002-38, as well as the previous COLA authorized under Act 1998-88, was adopted with the policy intent of ensuring that the annuities of all PSERS members were provided an increase in an amount that replaced, at minimum, one-half of the loss in purchasing power experienced through inflation since the member's year of retirement.

- Members Eligible:

The COLA increases authorized under Act 2002-38 were granted to all superannuated annuitants. For early retirement annuitants, the COLA becomes effective the July following the date on which normal retirement age is reached. Disability annuitants were entitled to the increase regardless of age or years of service.

- Members **NOT** Eligible:

PSERS members who retired during the period of July 2, 2001 through July 1, 2002 are precluded from benefiting from this COLA if they had elected to convert their service credit from Class T-C to Class T-D.

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