

July 2016

**Re: 2016 Annual Cost-of-Living Adjustments (COLAs) to Retiree Benefit Payments**

We received a large number of inquiries last year about the annual **Cost-of-Living Adjustment (or "COLA")** most Maine Public Employees Retirement System (MainePERS) retirees receive each year. This letter provides an explanation of how COLAs are determined and awarded.

Hopefully we can answer your questions in advance of this year's COLA information which will be published on our web page (<http://www.maineper.org/>) in late July, and again in our August newsletter.

**Different Retirement Plans Have Different COLAs**

One of the most important pieces of information we can share about your COLA is that it is unique to your employer and their MainePERS retirement plan. MainePERS operates retirement plans for the State of Maine (**State and Teacher, Judicial and Legislative Plans**), and for Participating Local Districts (**PLD Consolidated Plan**), covering municipal and a variety of other public employees. Though similar, MainePERS plans have distinctly different COLA provisions depending on which employer has authority over each plan.

PLD employers (through the PLD Advisory Committee and the MainePERS Board of Trustees) make decisions for and fund the employer portion of the PLD Plan. In contrast, the State of Maine (through the Legislature) makes decisions for all State-sponsored plans and, along with covered school districts, funds the employer portion of the State and Teacher Plan.

**PLD Consolidated Plan COLA**

PLD Plan retirees whose employer elected to provide a COLA and who have been receiving retirement benefits for at least 12 months are eligible for a COLA each September. COLAs are determined based on the annual change in the Consumer Price Index for All Urban Consumers (CPI-U), up to 3.0% effective 2014, as of the twelve months ending June 30<sup>th</sup> of each year. COLAs are cumulative, meaning they add to your benefit payment each year.

The 0.1% change in the CPI-U as of June 30<sup>th</sup>, 2015 resulted in eligible retirees receiving a 0.1% COLA in September, 2015. Eligible PLD Plan retirees previously received COLAs of 2.1% in 2014, 1.8% in 2013, 1.7% in 2012, and 3.2% in 2011.

### **State of Maine Plan COLAs**

Most State of Maine plan retirees who have been receiving retirement benefits for at least 12 months are eligible for a COLA each September. COLAs are determined based on the annual change in the CPI-U at June 30<sup>th</sup>, up to 3.0%, of a statutory maximum or a retiree's current benefit, whichever is lower. The current COLA maximum is \$20,940.71. COLAs are cumulative, meaning the retiree's benefit or the COLA maximum, whichever is lower, increase each year based on the increase in the CPI-U up to 3.0%. COLAs were frozen for this plan for 2011, 2012, and 2013, but retirees did receive fixed, ad hoc payments for each of these years which did not increase their base. The 2014 COLA was 2.1%.

The Legislature approved a one-time, two-year adjustment to the State and Teacher Plan COLA and base in 2015. For a two-year period only, COLAs are based on the annual change in the CPI-U at June 30<sup>th</sup>, up to 3.0%, or 2.55%, whichever is higher. Retirees received a 2.55% COLA in 2015 because the annual change in the CPI-U was 0.1% at June 30<sup>th</sup>. The 2016 COLA will be similarly calculated when the annual change in the CPI-U at June 30<sup>th</sup> is published.

The CPI-U based method will resume in 2017.

### **We Appreciate Your Questions**

We hope this advance information on the COLA process is helpful to you. Please check our website, [www.MainePERS.org](http://www.MainePERS.org), in late July for updated COLA information. If you have any further questions, please feel free to call us at (800) 451-9800, or e-mail us at [Retirement.Services@MainePERS.org](mailto:Retirement.Services@MainePERS.org).

Sincerely,



Sandra J. Matheson  
Executive Director