



COLA

Actuarial Update For Special COLA Commission



John Boorack, Actuary | PERAC
March 10, 2025



Update Prior Analysis

We updated the prior analysis by varying some of the conditions, specifically the benefit level threshold for which a retiree would be eligible for the enhanced benefit.

- a) Benefit below 150% of average benefit for SERS/MTRS.
- b) No benefit limit.
- c) Benefit below poverty level for a household of 2.
- d) Benefit below 150% of poverty level for a household of 2.



Benefits Below the Average Benefit for SERS/MTRS— Baseline:

Years of Service	Years Retired	Annual Increase	Increase in AAL
<ul style="list-style-type: none">At least 20 years	<ul style="list-style-type: none">At least 15 years	<ul style="list-style-type: none">\$100 Annual Increase	<ul style="list-style-type: none">\$96.0 million
<ul style="list-style-type: none">At least 20 years	<ul style="list-style-type: none">At least 20 years	<ul style="list-style-type: none">\$200 Annual Increase	<ul style="list-style-type: none">\$126.0 million
<ul style="list-style-type: none">At least 20 years	<ul style="list-style-type: none">Retired between 15-20 yearsMore than 20 years	<ul style="list-style-type: none">\$100 Annual Increase\$200 Annual Increase	<ul style="list-style-type: none">\$173.8 million



Benefits Below 150% of the Average Benefit for SERS/MTRS:

Years of Service	Years Retired	Annual Increase	Increase in AAL
<ul style="list-style-type: none">At least 20 years	<ul style="list-style-type: none">At least 15 years	<ul style="list-style-type: none">\$100 Annual Increase	<ul style="list-style-type: none">\$202.9 million
<ul style="list-style-type: none">At least 20 years	<ul style="list-style-type: none">At least 20 years	<ul style="list-style-type: none">\$200 Annual Increase	<ul style="list-style-type: none">\$204.7 million
<ul style="list-style-type: none">At least 20 years	<ul style="list-style-type: none">Retired between 15-20 yearsMore than 20 years	<ul style="list-style-type: none">\$100 Annual Increase\$200 Annual Increase	<ul style="list-style-type: none">\$349.8 million



No Benefit Limit SERS/MTRS:

Years of Service	Years Retired	Annual Increase	Increase in AAL
<ul style="list-style-type: none">At least 20 years	<ul style="list-style-type: none">At least 15 years	<ul style="list-style-type: none">\$100 Annual Increase	<ul style="list-style-type: none">\$219.1 million
<ul style="list-style-type: none">At least 20 years	<ul style="list-style-type: none">At least 20 years	<ul style="list-style-type: none">\$200 Annual Increase	<ul style="list-style-type: none">\$215.3 million
<ul style="list-style-type: none">At least 20 years	<ul style="list-style-type: none">Retired between 15-20 yearsMore than 20 years	<ul style="list-style-type: none">\$100 Annual Increase\$200 Annual Increase	<ul style="list-style-type: none">\$375.9 million



Benefits Below Poverty Level For Household of 2 (\$21,150):

Years of Service	Years Retired	Annual Increase	Increase in AAL
<ul style="list-style-type: none">At least 20 years	<ul style="list-style-type: none">At least 15 years	<ul style="list-style-type: none">\$100 Annual Increase	<ul style="list-style-type: none">\$12.4 million
<ul style="list-style-type: none">At least 20 years	<ul style="list-style-type: none">At least 20 years	<ul style="list-style-type: none">\$200 Annual Increase	<ul style="list-style-type: none">\$18.0 million
<ul style="list-style-type: none">At least 20 years	<ul style="list-style-type: none">Retired between 15-20 yearsMore than 20 years	<ul style="list-style-type: none">\$100 Annual Increase\$200 Annual Increase	<ul style="list-style-type: none">\$22.9 million



Benefits Below 150% of Poverty Level For Household of 2 (\$31,725):

Years of Service	Years Retired	Annual Increase	Increase in AAL
<ul style="list-style-type: none">At least 20 years	<ul style="list-style-type: none">At least 15 years	<ul style="list-style-type: none">\$100 Annual Increase	<ul style="list-style-type: none">\$44.0 million
<ul style="list-style-type: none">At least 20 years	<ul style="list-style-type: none">At least 20 years	<ul style="list-style-type: none">\$200 Annual Increase	<ul style="list-style-type: none">\$63.3 million
<ul style="list-style-type: none">At least 20 years	<ul style="list-style-type: none">Retired between 15-20 yearsMore than 20 years	<ul style="list-style-type: none">\$100 Annual Increase\$200 Annual Increase	<ul style="list-style-type: none">\$81.3 million



Methods of Financing (1):

- The costs on the previous slides reflect payment in a lump sum, not an amortized value over a period of years.
- One possibility would be for the Legislature to consider increasing the COLA base if the plan experienced actuarial gains to offset the increase in the AAL. The most likely source of such a gain would be on plan investments.
- One possibility is that there could be a review of the COLA base if actual fund performance exceeds 10% for 2 or 3 consecutive years. This would be 3% more than the assumed rate of return.



Methods of Financing (2):

- Since 1990, there have been **2 consecutive years** of double-digit returns 7 times:
 - 1995-1996
 - 1997-1998
 - 2003-2004
 - 2005-2006
 - 2009-2010
 - 2012-2013
 - 2019-2020
- **Based on 1/24 Commonwealth Valuation results:** if the fund returned 10% for 2 consecutive years, we estimate the actuarial gain on assets to be approximately \$4.6 billion.



Methods of Financing (3):

- Since 1990, there have been **3 consecutive years** of double-digit returns 3 times:
 - 1995-1997
 - 2003-2005
 - 2019-2021
- **Based on 1/24 Commonwealth Valuation results:** If the fund returned 10% for 3 consecutive years, we estimate the actuarial gain on assets to be \$7.0 billion.



Number of Retirees/Survivors With Annual Benefits Greater Than the \$13,000 COLA Base:

■ State:

- 63,397 of 69,750 (93.76%) retirees/beneficiaries are receiving benefits greater than \$13,000.

■ Teachers:

- 69,570 of 71,260 (97.63%) retirees/beneficiaries are receiving benefits greater than \$13,000.



COLA

QUESTIONS?

Cost of living

