Commonwealth of Massachusetts

The Special Commission on Cost-of-Living Adjustments for Members of the State Employees' and Teachers' Retirement Systems

Report

Published: December 31, 2025

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December 31, 2025

Timothy Carroll, House Clerk

Michael D. Hurley, Senate Clerk

Pursuant to Chapter 140 of the Acts of 2024, the Special Commission on Cost-of-Living Adjustments ("COLA's") for members of the State Employees' Retirement System and the Teachers' Retirement System is pleased to provide the following report. This Commission, comprised of members of the Legislature, Administration, Pension Reserve Investment Management Board (PRIM), Massachusetts Taxpayers Foundation, Retired State, County and Municipal Employees Association of Massachusetts (Mass. Retirees), Public Employee Retirement Administration Commission (PERAC) and the State and Teachers' Retirement Boards, was charged with conducting a study to (i) review the feasibility of possible increases in the maximum base amount, on which timely periodic cost-of-living adjustments are calculated; (ii) estimate the fiscal impact of any increases; and (iii) identify sustainable methods of funding COLA increases for members of the State and Teachers' retirement systems.

The Special Commission, chaired by PERAC Executive Director Bill Keefe after a Commission vote, began its work in January of 2025 and met on 11 occasions. In addition to an extensive review of the history of the State and Teachers Retirement Systems COLA provisions, the Commission also reviewed numerous other state's COLA policies. The Commission reviewed a number of proposals relative to increasing the COLA base as well as more targeted COLA increases for long term retirees. The PERAC Actuary presented a number of cost estimates based on varying parameters for the Commission's consideration.

The Special Commission on Cost-of-Living Adjustments

The Commission supports action to address the inflationary impact on State and Teachers' pensions, for which there has been no increase in the COLA base since 2012, resulting in a maximum annual COLA increase of $390 for the past 13 years.

Chapter 17 of the Acts of 1997, established a $12,000 COLA base for the State and Teachers' systems, as well as for the other 102 retirement systems throughout the Commonwealth, which resulted in a maximum $360 annual increase. In 2010, the local and regional systems were allowed to increase the $12,000 base with local legislative approval.

Shortly thereafter, in 2011, the State and Teachers' base was increased to the current $13,000 level, resulting in a maximum $390 annual increase in the COLA benefit. Essentially, there has only been one $30 increase in the State and Teacher COLA benefit in more than 27 years. As a result, retirees of the State and Teachers' systems have amongst the lowest COLA benefit in the state. Currently one system is at $12,000, 14 systems have a base of $13,000 and 87 systems are over $13,000 – with 49 of those at $16,000 or greater.

In addition, the Commission recognizes that the longest retired members of our 104 public retirement systems have been most severely impacted by limits placed on COLA increases. The average benefit for retirees who are 80 or older is less than the average benefit for each system, and for retirees over the age of 90, the average benefit is only $33,359 for state retirees and $30,145 for retired teachers. At the local level, the average benefit is even lower.

Such data reviewed by the Commission for the State and Teachers' systems identified the inflationary deterioration of benefits resulting from the stagnate COLA base in existence since 1997 for State and Teacher long-term retirees. As a result, there has been a significant focus by the Commission to address the need to provide an additional cost-of-living enhancement for that population.

The Commission also recognizes that any action needs to be fiscally responsible for the Commonwealth, local governments, and the health of the retirement systems.

The longstanding concern around this issue has been cost. As of January 1, 2024, each $1,000 increase in the COLA base for the State and Teachers' systems – which would only provide an extra $30 per year to each retiree – increases present value pension obligations by approximately $600 million. Under the current funding schedule, that would represent an increase of $72.7 million in FY25, with this amount increasing 4% each year through FY34 (10 years). Recognizing the cost issue, the Commission's proposals do not require additional Commonwealth contributions as part of the ongoing pension schedule.

The Commission voted without opposition to make three recommendations:

- develop an Enhanced COLA that is targeted to those who have been retired longer and whose benefits are below a designated benchmark;
- institute a COLA base increase process that will ensure such increases can be both responsibly financed and occur on a more regular basis;
- and create a mechanism to sustainably fund COLA base improvements.

The Commission recommends setting aside a fiscally responsible percentage of excess investment gains into a COLA reserve account to fund COLA improvements while causing the least stress on Commonwealth budgetary appropriations and the retirement systems. The Commission recommends that, beginning with the 2025 investment gains and each year thereafter, 10% of the gains in excess of the assumed rate of return should be moved to the reserve.

This reserve account's assets would remain invested with PRIM but would not be attributed to the assets of the State and Teachers' Retirement Systems.

The Special Commission on Cost-of-Living Adjustments

Recognizing the state's fiscal position, the time lapse since the last COLA base increase, inflation since the last COLA base increase, the cost of a $1,000 COLA base increase, the reduced cost of an Enhanced COLA, and the fact that it would provide relief to those who need it most, the Commission recommends instituting an Enhanced COLA as a priority. The Commission recommends instituting an Enhanced COLA with parameters that cost less than a $1,000 COLA base increase. The various parameters the Commission analyzed are attached to this report. There are other possible scenarios based on those presented.

The Commission has also presented an analysis of the cost associated with providing an increased COLA base for all retirees as well as multiple parameters to fund said increase.

For the Commission,

Bill Keefe

Bill Keefe
Chairman
Executive Director, PERAC

Commission Members

Special Commission on Cost-of-Living Adjustments Members

Senator Michael Brady.................................... Senate Chair, Public Service Committee

Representative Daniel Ryan[1] .... House Chair, Public Service Committee

Amelia Marceau ....Asst. Budget Director, Executive Office of Administration and Finance

Bill Keefe, Chairman .... Executive Director, PERAC

Michael Trotsky .... Executive Director and Chief Investment Officer, PRIM

Doug Howgate .... President, Massachusetts Taxpayers Foundation

Frank Valeri..President, Mass. Retirees Association

Kathryn Kougias .... Executive Director, State Retirement Board

Erika Glaster ..... Executive Director Emerita, Massachusetts Teachers' Retirement Board

[1] Representative Ryan began his service on the Commission on March 9, 2025, upon being appointed House Chair of the Public Service Committee. Prior to March 9, Representative Ken Gordon was a member of the Commission while serving as House Public Service Chair.

Enabling Statute

Chapter 140 of the Acts of 2024

SECTION 202. (a) There shall be a special commission to study cost-of-living adjustments for members of the state employees' retirement system and state teachers' retirement system. The study shall include, but shall not be limited to: (i) a review of the feasibility of possible increases in the maximum base amount, on which timely periodic cost-of living adjustments are calculated; (ii) an estimate of the fiscal impact of an increase pursuant to clause (i); and (iii) sustainable methods of funding timely periodic cost-of-living adjustments for members of said systems. The commission may request, and the public employee retirement administration commission and the Massachusetts teachers' retirement board shall provide, actuarial reports and studies relevant to carry out the work of this section.

(b) The commission shall consist of the following members or their designees: the chairs of the joint committee on public service; the secretary of administration and finance; the executive director of the public employee retirement administration commission; a representative of the pension reserves investment management board; a representative of the Massachusetts Taxpayers Foundation, Inc.; and 3 members to be appointed by the governor: 1 of whom shall be a representative appointed by the Retired State, County and Municipal Employees Association of Massachusetts, 1 of whom shall be a representative appointed by the state board of retirement and 1 of whom shall be a representative appointed by the Massachusetts teachers' retirement board. The board shall elect from its members a chair.

c) Not later than February 1, 2025[2], the commission shall file a report with the clerks of the house of representatives and the senate providing the results of its study and its recommendations, if any, together with drafts of proposed legislation necessary to carry its recommendations into effect.

[2] The Special Commission's filing deadline was extended until October 15, 2025, by Chapter 14 of the Acts of 2025. The Commission's deadline was further extended until December 31, 2025, by Chapter 73 of 2025.

Guiding Principles

The Special COLA Commission finds and declares:

- The Massachusetts public retirement system is a co-dependent partnership between the citizens of the Commonwealth, their government, public employees and retirement board members to responsibly fund, administer and protect the system.
- Massachusetts public pensions do not keep pace with inflation as well as Social Security, particularly in high inflationary periods. Unlike Social Security, Massachusetts public pension COLAs are not provided on the full benefit, but a portion of the benefit known as the COLA base. Also, unlike Social Security, the statutory maximum rate of a COLA is 3%. In the case of the State and Teachers' Retirement Systems, which have a COLA base of $13,000, this means the maximum COLA is $390, unchanged since 2011.
- The State and Teachers' COLA bases have been increased once in 28 years and place them in the bottom 15% of the state's 104 public retirement systems. One system has a lower base, 12 systems have the same and 87 systems have a higher base. The State and Teachers' COLA bases can only be increased by an Act of the Legislature whereas the other 102 retirement boards can increase their COLA base with approval of the local legislative body.
- The longer one is retired, the greater the impact of inflation and the greater reduction in buying power of the pension.
- State and local retirees in Massachusetts spur economic output, generating $1.35 in economic activity for each $1 paid out in public pension benefits.[3]
- To increase COLAs to deflect inflationary impact is a desired and just course of action, but one that must be done in a fiscally responsible way for taxpayers, government and the health of the system and in a fair and equitable manner for retirees.
- Responsibly using a share of significant investment gains to fund increased COLAs would have the least impact on the general fund, state budget and retirement system and would generally cover the cost.

[3] Pensionomics 2025: Measuring the Economic Impact of DB Pension Expenditures; National Institute on Retirement Security. https://www.nirsonline.org/wp-content/uploads/2024/12/NIRS-Pensionomics-2025_MA.pdf Retrieved Feb. 26, 2025

Background

Background of the Cost-of-Living Adjustment

The modern Chapter 32 pension system was established with the passage of Chapter 658 of the Acts of 1945. This act switched the pension system from a non-contributory to a contributory pension system, meaning that employees were now required to pay a percentage of their salary as contributions into the system. Until 1966 a standard Cost of Living (COLA) provision was not included in Chapter 32. Chapter 661 of the Acts of 1966 provided for a COLA adjustment of all pensions that were below a certain amount and put in place a $5,000 base amount upon which COLAs would be granted beginning in 1970.

The base amount would be increased multiple times over the next 20 years from $5,000 to $9,000 and would be calculated if the Consumer Price Index (CPI) was at least 3%.[4] The base remained at $9,000 until Chapter 17 of the Acts of 1997 was enacted and raised the base to $12,000 which resulted in a maximum $360 annual increase. The base remained at $12,000 until Chapter 176 of the Acts of 2011 was enacted and raised the base by $1,000 to the current $13,000 base which resulted in a maximum $390 increase.

In 2010, Section 103 of Chapter 32 was amended to permit the local retirement systems to increase their COLA base in $1,000 increments. Local systems are required to get local legislative approval for each base increase. Eighty-five percent of systems have increased their base to a level above the State and Teachers' current $13,000 base. The highest local COLA base is currently set at $30,000 with a further six systems at or above $20,000.

Since the inception of the retirement system the COLA has not kept pace with inflation and consequently public employee retirees' benefits depreciate significantly the longer a member is retired. This special Commission was created to evaluate the current COLA, provide cost estimates for increasing the base and methods of financing any enhancements to the COLA. In just the last 15 years we can see that the COLA has not kept pace with inflation. Had the COLA base increased at the rate of annual inflation the

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[4] Chapter 408 of the Acts of 1968 increased the base to $6,000. Chapter 542 of the Acts of 1980 increased the base to $7,000. Chapter 234 of the Acts of 1984 increased the base to $8,000 and Chapter 517 of the Acts of 1986 increased the base to $9,000.

Background

base would be nearly $19,000 today. The annual COLA increase is not provided on the full retirement allowance but is rather only on the base amount. So not only has the base not kept pace with inflation but consequently all members' retirement allowances fall behind the inflationary rate.

The Pension Reserves Investment Trust (PRIT) fund invests the assets of the State and Teachers' Retirement Systems. The fund performance has been exceptional since its inception in 1985. Currently, the assumed rate of return is 7.00%. As of the January 1, 2024, Commonwealth valuation report, from which the analysis in this report is derived, the five-year PRIT return is 8.16%. Over 10 years, the PRIT fund returned 8.15%. Since inception, 1985-2024, the PRIT fund's return is 9.30%.

Background

Comparison to other State Public Pension Systems

Most State and Local governmental pension plans provide for COLAs. The purpose of a COLA adjustment is to offset the effect of inflation on retirement incomes. Though most plans offer a COLA benefit, there is wide variety in the amount of said benefit as well as the factors used to determine whether a COLA is granted.

Massachusetts is one of the few states that does not have public employees in the Social Security system. For career public employees in Massachusetts the public pension system is the primary source of retirement income. For states that have both a pension plan as well as Social Security coverage, employees receive a COLA at least on their Social Security even if their public pension does not have a COLA. Social Security provides a COLA on the full benefit whereas in Massachusetts a COLA, if granted yearly, is only on a portion of the member's retirement allowance.

There are several types of COLA systems that are utilized throughout the country by state and local public retirement plans. These include automatic or ad hoc increases. If an increase is automatic no further action is needed and an increase is given every year. In an ad hoc situation a governing body needs to affirmatively vote for a COLA increase. For Massachusetts systems, other than the State and Teachers', a yearly COLA is granted by the retirement board and not the legislative body. An inflation-based model provides a COLA increase based on a pre-determined inflation metric such as the Consumer Price Index (CPI) while others provide an increase based on pre-determined investment performance standards. Some systems have a delayed onset, number of years retired, or minimum age that must be obtained before a COLA is provided.

Massachusetts operates under a hybrid COLA system which contains features of an ad hoc system as well as inflation based and limited benefit model. For the State and Teachers' systems the Legislature must approve any COLA increase which is calculated on a limited benefit basis rather than on the full retirement allowance. State and Teachers' retirees are only eligible for a maximum COLA increase of 3% on the first $13,000 of their retirement allowance. Eligibility for the COLA increase begins one full fiscal year after the date of retirement.

Funding COLA benefits also presents multiple options. In some systems members agree to a lesser monthly retirement allowance with the guarantee of fixed rate COLAs during retirement. In essence the member is prefunding their COLA by taking less money up front. Another option is a Reserve Account which sets aside a portion of investment earnings and a COLA is only granted when that account has the necessary funds.[5]

[5] See NASRA Study from August 2025 *Cost-of-living Adjustments; COLA Designs for Many Public Pension Plans are in Transition* https://www.nasra.org/files/Issue%20Briefs/NASRACOLABrief.pdf

Recommendations

Enhanced COLA

The Commission recognizes that the COLA does not provide an annual increase sufficient for a member's retirement allowance to keep pace with inflation. This is felt most by those who have been retired for a long period. The average benefit for retirees who are 80 or older is less than the average benefit for each system, and for retirees over the age of 90, the average benefit is only $33,359 for state retirees and $30,145 for retired teachers. At the local level, the average benefit is even lower.

Such data reviewed by the Commission for the State and Teachers' systems identified the inflationary deterioration of benefits resulting from the stagnate COLA base in existence since 1997 to the present base of $13,000 for State and Teacher long-term retirees. As a result, the Commission focused on addressing the need to provide an additional cost-of-living enhancement for that population.

The Commission also recognizes that any action needs to be fiscally responsible for the Commonwealth, local governments, and the health of the retirement systems.

The Commission looked at numerous ways in which to provide a more targeted approach to providing relief to career public employees who have seen their retirement allowance diminish in value by long duration retirement. Recognizing the cost of increasing the COLA base by $1,000 the Commission began looking at proposals that would provide relief to those retired for extended periods of time while attempting to find a cost point that was fiscally responsible and cost less than a base increase of $1,000.

The Commission began by analyzing what criteria should be in place to provide an Enhanced COLA, outside of the traditional maximum of 3% on a base of $13,000. The Commission felt that an enhanced benefit should be provided to only those members who would be considered career employees. The Commission used 20 years of creditable service as a threshold for a career employee. These career employee retirees are more likely to rely on their retirement allowance rather than private sector benefits and/or Social Security. Establishing this criterion effectively manages the cost of the benefit.

Recommendations

A second criterion is the duration of retirement before the Enhanced COLA would be available. Here, the Commission sought to evaluate the effect of inflation over the period of retirement and determine when the Enhanced COLA should start. It concluded that a member's allowance diminished significantly after 10 years due to inflation and it is then that an Enhanced COLA should be implemented. Even with the Enhanced COLA, a member's benefit will continue to diminish in value due to inflation and therefore, multiple tiers of Enhanced COLA were considered. Increased enhancements after 15 and 20 years were evaluated.

A third criterion discussed and analyzed was a threshold based on the retiree's current retirement allowance. The Commission agreed that creating a threshold would ensure that this enhanced benefit would reach retirees who need it most while also prudently managing the overall cost of this enhancement.

The final criterion for an Enhanced COLA is what enhanced benefit level would be provided. A variety of proposals were analyzed and considered in terms of the dollar value awarded, the timing of the award and the frequency of the award.

The Commission asked the PERAC Actuary to conduct a number of analyses with various variables to determine the cost of an Enhanced COLA. These analyses are included at the back of this report. (See Appendix A: Enhanced COLA Analysis) The analysis considers the number of years of creditable service of a retiree, the number of years one is retired to be eligible for an Enhanced COLA, the number of years retired when an Enhanced COLA benefit would be paid, differing amounts for that payment, and retiree allowance thresholds for eligibility for the Enhanced COLA.

Rather than simply recommend one formula for the Enhanced COLA, the Commission decided it was best to support the concept of the Enhanced COLA while providing options for the Legislature from which to choose. This course of action recognizes the numerous budgetary decisions the Legislature faces and also provides flexibility in avoiding an all-or-nothing scenario of recommending just one option. The Commission does recommend parameters for an Enhanced COLA that have a lower cost than a full $1,000 COLA base increase. With a lower cost than a full COLA base increase and with the relief targeted to those who need it most, the Commission recommends instituting an Enhanced COLA as a priority.

The Commission envisions that the creation of an Enhanced COLA benefit could also apply to the 102 local retirement systems through a local option that would be approved by a vote of the retirement system and the local legislative body similar to how an increased base amount is approved at the local level.

Recommendations

COLA Base Increase

The COLA base has not been increased from the current $13,000 since 2011. Had the base kept pace with inflation, today the current base would be $19,000 ($18,625 rounded up). A base increase of $1,000 as of January 1, 2024, has an estimated cost of nearly $600 million if paid in one lump sum.

Based on the January 1, 2024, actuarial valuation:

- Increasing the COLA base to $14,000 would cost $579 million.
- Increasing the COLA base to $16,000 would cost $1.74 billion.
- Increasing the COLA base to $18,000 would cost approximately $2.9 billion.

These amounts represent a lump-sum payment, not an amortized cost over several years.[6] Under the current funding schedule, the amortized cost in FY 25 for a $14,000 COLA base would be $72.7 million, with this amount increasing 4% each year through FY34 (10 years).

The State and Teachers' COLA base has not kept up with the base level for most of the other 102 retirement systems. Eighty-seven of the other 102 retirement systems (85%) have a higher COLA base, as illustrated in the table below.

COLA Base	Number of Systems
$30,000	1
$22,000	1
$21,000	1
$20,000	4
$18,000	19
$17,000	3
$16,000	20
$15,000	17
$14,000	21
$13,000	14
$12,000	1

[6] This analysis was presented to the COLA Commission at its February 4, 2025, meeting.

Recommendations

The Commission believes that increasing the base, in increments of $1,000, at more regular intervals, should be the goal of the Commonwealth to mitigate the impacts of inflation. While the Commission recognizes that this is a significant cost, it is recommending a mechanism that it believes can fund these enhancements responsibly with the least impact on the general fund, state budget and retirement system, while generally covering the cost.

Recommendations

Funding Mechanism for COLA Base Increase

Since the inception of the Pension Reserves Investment Trust (PRIT) Fund, the performance has been strong. The PRIT fund consistently meets or exceeds the actuarial assumed rate of return and is a leader among comparable funds across the nation. As of the January 1, 2024, Commonwealth valuation report, from which the analysis in this report is derived, the five-year PRIT return is 8.16%. Over 10 years, the PRIT fund returned 8.15%. Since inception, 1985-2024, the PRIT fund's return is 9.30%.

The Commission believes that a share of investment gains above what is expected provides a mechanism for funding future COLA base increases.

In order to fund future COLA base increases, the Commission recommends that when investment gains exceed the actuarial assumed rate of return, a fiscally responsible percentage of those excess gains be set aside in a separate COLA Reserve Fund that can only be used for COLA enhancements. The Commission recommends that excess investment gains are defined as any amount over the assumed rate of return, currently set at 7%. Setting the assumed rate of return as the threshold, as opposed to some margin over the threshold, is recommended to prevent any added expectations, mixed messages or increased stress on PRIM whose mission is to maximize returns while mitigating risk.

This reserve will allow for base increases to be fully paid from the fund without adding to the unfunded liability of the system, costs to the Commonwealth or significantly impacting the funding schedule. The Commission recommends that, beginning with the 2025 investment gains and each year thereafter, 10% of the gains in excess of the assumed rate of return should be moved to the reserve.

Currently, the actuarial assumed rate of return for the Commonwealth is 7.0%. This is the figure used by the Actuary to estimate the liability of the system and is the discount rate used when creating a funding schedule to fully amortize the unfunded liability of the

Recommendations

State and Teachers' retirement systems by the statutory deadline of 2040. If the PRIT fund earns a return in excess of 7% in a year, then the system is said to have achieved an investment gain.

In any year where excess investment gains are realized, the designated portion of the gains would be moved to the COLA Reserve Fund upon final year-end calendar reporting. If the intention of the Reserve Fund is to be able to finance COLA improvements with no further contribution from the Commonwealth, this can only be achieved by creating a reserve fund separate from the assets used to determine the funding status of the plan.

Under this concept, when a COLA base increase is provided, the increase in liability due to the COLA would be fully funded by a transfer from the Reserve Fund into the plan assets; there would be no change to the overall unfunded liability of the plan. If the excess earnings were not separated from the plan assets, the unfunded liability of the plan would be determined at the time of the valuation and the cost of any subsequent COLA increase would then be added on top of the unfunded liability, showing an increase in the unfunded liability. The Commission considered determining any excess investment gains at the end of each three-year funding schedule, but for the reasons stated here, it was not feasible.

When the reserve account has sufficient funds to pay for a COLA enhancement, PERAC will notify the Governor, the Speaker of the House, the Senate President, and the Chairs of the Joint Committee on Ways and Means. Consistent with current statute, the Legislature must pass, and the Governor must approve a COLA increase. If this recommendation is adopted, going forward, the Governor and Legislative leadership would know there are sufficient funds available for a COLA increase without budgetary impact.

Appendix B includes estimates from the Actuary of what deposits and the fund balance would have looked like over a 10-year period using varied parameters including different percentages and thresholds.

Appendices

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Appendix

Appendix A – COLA Proposals

Enhanced COLA Proposals from November 2025 Meeting:

I. *Eligibility*:

a. at least 20 years of service,

b. at least 10 years of retirement,

c. no benefit limit

Estimated Impact:

	Total	10-15 Years ($60)	15-20 Years ($120)	20+ Years ($240)
SRS	**$212.3 M**	$69.4 M	$44.8 M	$98.1 M
MTRS	**$356.5 M**	$82.4 M	$134.7 M	$139.4 M
Total Impact	**$568.8 M**	$151.8 M	$179.5 M	$237.5 M

10-year, 4.0% annually increasing amortization beginning 1/1/25: $69.0 M

II. *Eligibility*:

a. at least 20 years of service,

b. at least 10 years of retirement,

c. no benefit limit

Estimated Impact:

	Total	10-15 Years ($100)	15-20 Years ($200)	20+ Years ($300)
SRS	**$289.5 M**	$103.7 M	$63.2 M	$122.6 M
MTRS	**$488.2 M**	$123.2 M	$190.7 M	$174.3 M
Total Impact	**$777.7 M**	$226.9 M	$253.9 M	$296.9 M

10-year, 4.0% annually increasing amortization beginning 1/1/25: $94.3 M

Appendix

Enhanced COLA Proposals from October 2025 Meeting:

I. *Eligibility*:

a. at least 20 years of service,

b. at least 10 years of retirement,

c. benefit less than 80% of the average salary

Estimated Impact:

	Total	10-15 Years ($60)	15-20 Years ($120)	20+ Years ($240)
SRS	**$180.7 M**	$55.3 M	$39.3 M	$86.0 M
MTRS	**$286.8 M**	$65.4 M	$113.0 M	$108.4 M
Total Impact	**$467.4 M**	$120.7 M	$152.3 M	$194.4 M

10-year, 4.0% annually increasing amortization beginning 1/1/25: $56.7 M

II. *Eligibility*:

a. at least 20 years of service,

b. at least 10 years of retirement,

c. benefit less than 80% of the average salary

Estimated Impact:

	Total	10-15 Years ($100)	15-20 Years ($200)	20+ Years ($300)
SRS	**$245.7 M**	$82.7 M	$55.5 M	$107.5 M
MTRS	**$393.8 M**	$97.8 M	$160.5 M	$135.5 M
Total Impact	**$639.5 M**	$180.5 M	$216.0 M	$243.0 M

10-year, 4.0% annually increasing amortization beginning in 1/1/25: $77.5 M

Appendix

Enhanced COLA Proposals from September 2025 Meeting:

I. *Eligibility*:

a. at least 25 years of service,

b. at least 10 years of retirement,

c. no minimum benefit

Estimated Impact:

	Total	10-15 Years ($120)	15-20 Years ($240)	20-25 Years ($360)	25+ Years ($480)
SRS	**$212.4 M**	$84.3 M	$45.3 M	$64.9 M	$17.9 M
MTRS	**$526.8 M**	$134.3 M	$214.8 M	$133.4 M	$44.4 M
Total Impact	**$739.2 M**	$218.6 M	$260.1 M	$198.3 M	$62.3 M

10-year, 4.0% annually increasing amortization beginning in 1/1/25: $89.6 M

II. *Eligibility*:

a. at least 25 years of service,

b. at least 15 years of retirement,

c. no minimum benefit

Estimated Impact:

	Total	15-20 Years ($120)	20-25 Years ($240)	25+ Years ($360)
SRS	**$86.6 M**	$27.6 M	$45.5 M	$13.5 M
MTRS	**$257.9 M**	$131.0 M	$93.7 M	$33.3 M
Total Impact	**$344.6 M**	$158.6 M	$139.2 M	$46.8 M

10-year, 4.0% annually increasing amortization beginning in 1/1/25: $41.8 M

Appendix

III. *Eligibility*:

a. at least 25 years of service,

b. at least 15 years of retirement,

c. no minimum benefit

Estimated Impact:

	Total	15-20 Years ($120)	20+ Years ($240)
SRS	**$72.0 M**	$25.1 M	$46.9 M
MTRS	**$212.9 M**	$118.9 M	$94.0 M
Total Impact	**$284.9 M**	$144.0 M	$140.9 M

10-year, 4.0% annually increasing amortization beginning 1/1/25: $34.5 M

IV. *Eligibility*:

a. at least 30 years of service,

b. at least 10 years of retirement,

c. no minimum benefit

Estimated Impact:

	Total	10-15 Years ($120)	15-20 Years ($240)	20-25 Years ($360)	25+ Years ($480)
SRS	**$128.2 M**	$54.7 M	$24.6 M	$40.2 M	$8.8 M
MTRS	**$444.6 M**	$107.7 M	$193.7 M	$116.1 M	$27.0 M
Total Impact	**$572.8 M**	$162.4 M	$218.3 M	$156.3 M	$35.8 M

10-year, 4.0% annually increasing amortization beginning 1/1/25: $69.4 M

V. *Eligibility*:

a. at least 30 years of service,

b. at least 15 years of retirement,

c. no minimum benefit

Estimated Impact:

	Total	15-20 Years ($120)	20-25 Years ($240)	25+ Years ($360)
SRS	**$49.6 M**	$14.8 M	$28.2 M	$6.6 M
MTRS	**$219.9 M**	$118.1 M	$81.5 M	$20.3 M
Total Impact	**$269.5 M**	$132.9 M	$109.7 M	$26.9 M

10-year, 4.0% annually increasing amortization beginning 1/1/25: $32.7 M

VI. *Eligibility*:

a. at least 30 years of service,

b. at least 15 years of retirement,

c. no minimum benefit

Estimated Impact:

	Total	15-20 Years ($120)	20+ Years ($240)
SRS	**$41.6 M**	$13.6 M	$27.9 M
MTRS	**$182.7 M**	$107.2 M	$75.4 M
Total Impact	**$224.3 M**	$120.8 M	$103.3 M

10-year, 4.0% annually increasing amortization beginning 1/1/25: $27.2 M

VII. *Eligibility*:

a. at least 20 years of service,

b. at least 15 years of retirement,

c. no minimum benefit

Estimated Impact:

	Total	15-20 Years ($120)	20+ Years ($240)
SRS	**$126.5 M**	$42.4 M	$84.2 M
MTRS	**$240.9 M**	$128.9 M	$112.0 M
Total Impact	**$367.4 M**	$171.3 M	$196.2 M

10-year, 4.0% annually increasing amortization beginning 1/1/25: $44.5 M

Enhanced COLA Proposals from July 2025 Meeting:

I. *Eligibility*

a. at least 20 years of service with an annual retirement allowance less than 150% of the average annual retirement allowance in the most recent actuarial valuation.

Estimated Impact:

	Total	10-15 Years ($120)	15-20 Years ($240)	20-25 Years ($360)	25+ Years ($480)
SRS	**$322.5 M**	$99.3 M	$70.0 M	$106.6 M	$46.6 M
MTRS	**$559.0 M**	$136.3 M	$216.9 M	$144.0 M	$61.8 M
Total Impact	**$881.5 M**	$235.6 M	$286.9 M	$250.6 M	$108.4 M

10-year, 4.0% annually increasing amortization beginning 1/1/25: $106.8 M

Appendix

Enhanced COLA Proposals from March 2025 Meeting:

I. Benefits below 150% of the average benefit for SRS/MTRS:

Criteria	Increase in AAL
• At least 20 years of service, • retired at least 15 years, • benefit below 150% average ($100 annual increase)	**$202.9 million**
• At least 20 years of service, • retired at least 20 years, • benefit below 150% average ($200 annual increase)	**$204.7 million**
• At least 20 years of service, • If retired between 15-20, $100 annual increase, • if retired more than 20 years, $200 annual increase, benefit below 150% of average	**$349.8 million**

II. No benefit limit SRS/MTRS:

Criteria	Increase in AAL
• At least 20 years of service, • retired at least 15 years, ($100 annual increase)	**$219.1 million**
• At least 20 years of service, • retired at least 20 years, ($200 annual increase)	**$215.3 million**
• At least 20 years of service, • if retired between 15-20, $100 annual increase, • if retired more than 20 years, $200 annual increase,	**$375.9 million**

Appendix

III. Benefits below poverty level for household of 2 ($21,150):

Criteria	Increase in AAL
• At least 20 years of service, • retired at least 15 years, • benefit below $21,150 ($100 annual increase)	**$12.4 million**
• At least 20 years of service, • retired at least 20 years, • benefit below $21,150 ($200 annual increase)	**$18.0 million**
• At least 20 years of service, • If retired between 15-20, $100 annual increase, • if retired more than 20 years, $200 annual increase, • benefit below $21,150	**$22.9 million**

IV. Benefits below 150% of poverty level for household of 2 ($31,725):

Criteria	Increase in AAL
• At least 20 years of service, • been retired at least 15 years, • benefit below $31,725 ($100 annual increase)	**$44.0 million**
• At least 20 years of service, • been retired at least 20 years, • benefit below $31,725 ($200 annual increase)	**$63.3 million**
• At least 20 years of service, • if retired between 15-20, $100 annual increase, • if retired more than 20 years, $200 annual increase, • benefit below $31,725	**$81.3 million**

Appendix

Enhanced COLA Proposals from February 2025 Meeting:

Criteria	Prior Analysis	Updated Analysis
• At least 20 years of service, • retired at least 15 years, • benefit below average ($100 annual increase)	$97.1 million	**$96.0 million**
• At least 20 years of service, • retired at least 20 years, • benefit below average ($200 annual increase)	$94.0 million	**$126.0 million**
• At least 20 years of service, • if retired between 15-20, $100 annual increase, • if retired more than 20 years, $200 annual increase	$166.25 million	**$173.8 million**

Appendix

Appendix B – Illustrations of COLA Reserve Fund Balances

The following Percentage of Excess Investment Gains Tables (I-IV) are illustrations of what the proposed COLA Reserve Fund balance would have been over a 10-year period from inception in 2015 through 2024. Each table uses a different percentage of excess investment gains: 5%, 7%, 10% and 15%. All amounts shown in 000's.

Table Legend:

- BOY MVA – Beginning of Year Market Value Assets
- Net CF – Net Cash Flow
- EOY Reserve Balance – End of Year Reserve Balance

I. Percentage of excess investment gains: 5%

Year	BOY MVA	Net CF	Assumption	Actual Return	Investment Gain/Loss.	Hypothetical Reserve Contribution	Interest	EOY Reserve Balance
2015	48,786,179	(1,887,360)	7.75%	1.14%	(3,162,389)	0	0	0
2016	47,485,004	(1,692,706)	7.50%	8.02%	242,521	12,126	973	13,099
2017	49,591,871	(1,953,494)	7.50%	17.69%	4,953,881	247,694	46,134	306,927
2018	56,333,478	(1,903,339)	7.35%	-1.73%	(5,028,668)	0	(5,310)	301,617
2019	53,474,933	(1,849,731)	7.25%	16.71%	4,971,236	248,562	91,935	642,114
2020	60,471,997	(1,814,576)	7.15%	12.53%	3,204,581	160,229	100,534	902,876
2021	66,085,630	(1,644,599)	7.00%	20.54%	8,836,655	441,833	276,203	1,620,912
2022	77,819,530	(1,265,262)	7.00%	-10.80%	(13,739,268)	0	(175,059)	1,445,854
2023	68,058,532	(1,436,641)	7.00%	11.42%	2,976,437	148,822	182,112	1,776,788
2024	74,472,491	(1,053,180)	7.00%	9.57%	1,900,410	95,020	179,132	2,050,940

II. Percentage of excess investment gains: 7%

Year	BOY MVA	Net CF	Assumption	Actual Return	Investment Gain/Loss.	Hypothetical Reserve Contribution	Interest	EOY Reserve Balance
2015	48,786,179	(1,887,360)	7.75%	1.14%	(3,162,389)	0	0	0
2016	47,485,004	(1,692,706)	7.50%	8.02%	242,521	16,976	1,362	18,338
2017	49,591,871	(1,953,494)	7.50%	17.69%	4,953,881	346,772	64,588	429,698
2018	56,333,478	(1,903,339)	7.35%	-1.73%	(5,028,668)	0	(7,434)	422,264
2019	53,474,933	(1,849,731)	7.25%	16.71%	4,971,236	347,987	128,709	898,959
2020	60,471,997	(1,814,576)	7.15%	12.53%	3,204,581	224,321	140,747	1,264,027
2021	66,085,630	(1,644,599)	7.00%	20.54%	8,836,655	618,566	386,685	2,269,277
2022	77,819,530	(1,265,262)	7.00%	-10.80%	(13,739,268)	0	(245,082)	2,024,195
2023	68,058,532	(1,436,641)	7.00%	11.42%	2,976,437	208,351	254,957	2,487,503
2024	74,472,491	(1,053,180)	7.00%	9.57%	1,900,410	133,029	250,785	2,871,316

III. Percentage of excess investment gains: 10%

Year	BOY MVA	Net CF	Assumption	Actual Return	Investment Gain/Loss.	Hypothetical Reserve Contribution	Interest	EOY Reserve Balance
2015	48,786,179	(1,887,360)	7.75%	1.14%	(3,162,389)	0	0	0
2016	47,485,004	(1,692,706)	7.50%	8.02%	242,521	24,252	1,945	26,197
2017	49,591,871	(1,953,494)	7.50%	17.69%	4,953,881	495,388	92,268	613,854
2018	56,333,478	(1,903,339)	7.35%	-1.73%	(5,028,668)	0	(10,620)	603,234
2019	53,474,933	(1,849,731)	7.25%	16.71%	4,971,236	497,124	183,870	1,284,227
2020	60,471,997	(1,814,576)	7.15%	12.53%	3,204,581	320,458	201,067	1,805,753
2021	66,085,630	(1,644,599)	7.00%	20.54%	8,836,655	883,665	552,406	3,241,825
2022	77,819,530	(1,265,262)	7.00%	-10.80%	(13,739,268)	0	(350,117)	2,891,708
2023	68,058,532	(1,436,641)	7.00%	11.42%	2,976,437	297,644	364,224	3,553,575
2024	74,472,491	(1,053,180)	7.00%	9.57%	1,900,410	190,041	358,264	4,101,880

IV. Percentage of excess investment gains: 15%

Year	BOY MVA	Net CF	Assumption	Actual Return	Investment Gain/Loss.	Hypothetical Reserve Contribution	Interest	EOY Reserve Balance
2015	48,786,179	(1,887,360)	7.75%	1.14%	(3,162,389)	0	0	0
2016	47,485,004	(1,692,706)	7.50%	8.02%	242,521	36,378	2,918	39,296
2017	49,591,871	(1,953,494)	7.50%	17.69%	4,953,881	743,082	138,403	920,780
2018	56,333,478	(1,903,339)	7.35%	-1.73%	(5,028,668)	0	(15,930)	904,851
2019	53,474,933	(1,849,731)	7.25%	16.71%	4,971,236	745,685	275,805	1,926,341
2020	60,471,997	(1,814,576)	7.15%	12.53%	3,204,581	480,687	301,601	2,708,629
2021	66,085,630	(1,644,599)	7.00%	20.54%	8,836,655	1,325,498	828,610	4,862,737
2022	77,819,530	(1,265,262)	7.00%	-10.80%	(13,739,268)	0	(525,176)	4,337,561
2023	68,058,532	(1,436,641)	7.00%	11.42%	2,976,437	446,466	546,336	5,330,363
2024	74,472,491	(1,053,180)	7.00%	9.57%	1,900,410	285,061	537,396	6,152,820

Appendix C – COLA Commission Meeting Dates

- January 31, 2025
- February 4, 2025
- March 10, 2025
- April 14, 2025
- May 12, 2025
- June 16, 2025
- July 29, 2025
- September 18, 2025
- October 21, 2025
- November 6, 2025
- December 15, 2025

Meeting minutes and other Commission reference materials are available on the Special COLA Commission's page on the PERAC website and located at: https://www.mass.gov/info-details/special-cola-commission

Acknowledgment

The Commission wishes to acknowledge the following PERAC staff members for their work supporting the Commission and in producing this report.

- John Boorack
  Actuary
- Caroline Carcia
  First Deputy Executive Director
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