

EXAMPLE A: State DB Retiree Post-Retirement Increases WITH \$300 Cap (\$3600)

Mr. Smith retired January 1, 2015, with a monthly pension payment of \$3600.

Beginning October 2016 (the first October after being retired for a full year) he began receiving his COLA supplement.

While 3% percent of his base (initial) pension of \$3600 would have been \$108/month (or \$1296/year), his annual supplement is limited and paid at only \$25/month (or \$300/year), because **his COLA is CAPPED**.

Only a retiree with a base (initial) monthly pension payment of \$833/month will actually receive the full 3% COLA.

Mr. Smith's annual COLA supplements, per month, work out like this:

October 2016, he received \$3625 (\$3600 + \$25), **as opposed to \$3708 (\$3600 + \$108)**.

October 2017, he received \$3650 (\$3600 + \$25 + \$25), **as opposed to \$3816 (\$3600 + \$108 + \$108)**.

October 2018, he received \$3675 (\$3600 + \$25 + \$25 + \$25), **as opposed to \$3924 (\$3600 + \$108 + \$108 + \$108)**.

At 10 years, in October 2025, he will receive \$3850/month, as opposed to \$4680/month – or \$9960/year LESS than a similarly situated public-school retiree.

EXAMPLE B: Public School Retiree Post-Retirement Increases WITHOUT \$300 Cap (\$3600)

Ms. Jones retired January 1, 2015, with a monthly pension payment of \$3600.

Beginning October 2016 (the first October after being retired for a full year) she began receiving her COLA supplement.

Because 3% of her base (initial) pension of \$3600 was \$108/month (or \$1296/year), and **her COLA is UNCAPPED**, her annual supplement is paid in full at \$108 (or \$1296/year).

Ms. Jones' annual COLA supplements, per month, work out like this:

October 2016, she received \$3708 (\$3600 + \$108), **as opposed to \$3625 (\$3600 + \$25)**.

October 2017, she received \$3816 (\$3600 + \$108 + \$108), **as opposed to \$3650 (\$3600 + \$25 + \$25)**.

October 2018, she received \$3924 (\$3600 + \$108 + \$108 + \$108), **as opposed to \$3675 (\$3600 + \$25 + \$25 + \$25)**.

At 10 years, in October 2025, she will receive \$4680/month, as opposed to \$3850/month – or \$9960/year MORE than a similarly situated SOM DB retiree.

EXERCISE: Calculate your Capped COLA Shortfall

If your base (initial) pension payment was **GREATER THAN** \$833/month, your annual COLA supplement has been or will be capped at \$25/month or \$300/year.

1. To calculate the **ACTUAL COLA PERCENTAGE** of your annual COLA supplement, use this formula:

$$[\$25 / \text{Your Initial (Base) Pension Payment (\$)}] * 100 = \text{Your ACTUAL COLA PERCENT}$$

Note: In Example #2 above, Mr. Smith's COLA of \$36/year represents an actual COLA percentage of just **0.69%** [(\$25 / \$3600) * 100]. Do not be surprised if your percentage comes out to **LESS THAN 1%**. Whatever it is, that is your COLA **PERCENT!**

2. To calculate what your annual COLA supplement **WOULD BE PER MONTH** if it were **UNCAPPED**, use this formula:

$$\text{Your Initial (Base) Pension Payment (\$)} * 3\% (.03) = \text{Your UNCAPPED COLA Per Month}$$