

## **What is a COLA base? (or, Why is the COLA only on the first \$17,000?)**

**A**nually the Board has the option to grant a COLA to the retirees. The COLA amount can be as much as 3%, however, it is limited to the first \$17,000 of the retiree's benefit. For example, a retiree receiving \$5,000 annually would receive a \$150 increase, \$10,000 annually would be \$300, and \$17,000 would be \$510 - as would any amount over \$17,000, e.g. \$22,000 would get \$510, \$37,123.56 would get \$510, \$41,555.09 would get \$510 - effectively eroding the actual COLA percentage of those whose benefit is greater than \$17,000. That's what a COLA base is – it's a limit on the amount of COLA given. (And why the word “base” – shouldn't it be “ceiling”?)

The below stated section of Massachusetts Retirement Law, MGL 32 §103, provides the retirement board with a mechanism to increase the COLA base and reduce the number of retirees receiving less than the full 3%. With secondary approval of the Advisory Council, the Board can increase the COLA base in \$1,000 increments, which can be multiples of 1,000 each time.

Without researching the legislation, it seems that giving COLAs to retirees started in 1970 (see chart below), and it looks as if there was always a COLA base. In 1998 there was legislation that added the limit of 3%, and set the base at \$12,000. Then in 2010, the Municipal Relief Act of 2010 included section 19, which allows retirement systems to increase the maximum COLA base for retirees by \$1,000 increments.

SECTION 19. Section 103 of said chapter 32, as so appearing, is hereby amended by adding the following paragraph: - (j) Notwithstanding paragraph (a), the board of any system that establishes a schedule pursuant to section 22D or 22F, may increase the maximum base amount on which the cost-of-living adjustment is calculated, in multiples of \$1,000. Each increase in the maximum base amount shall be accepted by a majority vote of the board of such system, subject to the approval of the legislative body. For the purpose of this section, “legislative body” shall mean, in the case of a city, the city council in accordance with its charter, in the case of a town, the town meeting, in the case of a district, the district members, and, in the case of an authority, the governing body. In the case of a county or region, acceptance shall be by the county or regional retirement board advisory council at a meeting called for that purpose by the county or regional retirement board that shall notify council members at least 60 days before the meeting. Upon receiving notice, the treasurer of a town belonging to the county or regional retirement system shall make a presentation to the town's chief executive officer, as defined in paragraph (c) of subdivision (8) of section 22, regarding the impact of the increase in the cost-of-living adjustment base, the failure of which by a treasurer shall not impede or otherwise nullify the vote by the advisory council. Acceptance of an increase in the maximum base amount shall be deemed to have occurred upon the filing of the certification of such vote with the commission. A decision to accept an increase in the maximum base amount may not be revoked.

Below is the history of COLAs here at FRRS

	SocSec	FRRS	COLA Base	COLA Max	COLA avg	Avg Bene
01/01/1970		16.2%	6,000	972		
01/01/1971		6.0%	6,000	360		
01/01/1972		4.3%	6,000	258		
01/01/1973		3.3%	6,000	198		
01/01/1974		6.2%	6,000	372		
01/01/1975	8.0%	11.0%	6,000	660		
01/01/1976	6.4%	5.0%	6,000	300		
01/01/1977	5.9%	5.0%	6,000	300		
01/01/1978	6.5%	6.5%	6,000	390		
01/01/1979	9.9%	5.0%	6,000	300		
01/01/1980	14.3%	6.0%	6,000	360		
1981 to 1997 was 100% funded by the State						
01/01/1981	11.2%	3.0%	7,000	210		
01/01/1982	7.4%	3.0%	7,000	210		
01/01/1983	3.5%	3.0%	7,000	210		
01/01/1984	3.5%	4.0%	7,000	280		
01/01/1985	3.1%	4.0%	8,000	320		
01/01/1986	1.3%	4.0%	9,000	360		
01/01/1987	4.2%	3.0%	9,000	270		
01/01/1988	4.0%	4.0%	9,000	360		
01/01/1989	4.7%					
01/01/1990	5.4%					
01/01/1991	3.7%					
01/01/1992	3.0%	5.0%	9,000	450		
01/01/1993	2.6%					
01/01/1994	2.8%	3.0%	9,000	270		
01/01/1995	2.6%					
01/01/1996	2.9%	3.0%	9,000	270		
07/01/1997	0.0%					

### History of FRRS COLAs

	SocSec	FRRS	COLA Base	COLA Max	COLA avg	Overall Avg Bene	Avg COLA Salary
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In 1998 the expense went back to the retirement system

07/01/1998	2.1%	2.1%	12,000	360			
07/01/1999	1.3%	3.0%	12,000	360			
07/01/2000	2.5%	3.0%	12,000	360			
07/01/2001	3.5%	3.0%	12,000	360			
07/01/2002	2.6%	3.0%	12,000	360			
07/01/2003	1.4%	3.0%	12,000	360			
07/01/2004	2.1%	3.0%	12,000	360			
07/01/2005	2.7%	3.0%	12,000	360			
07/01/2006	4.1%	3.0%	12,000	360			
07/01/2007	3.3%	3.0%	12,000	360			
07/01/2008	2.3%	3.0%	12,000	360			
07/01/2009	5.8%	3.0%	12,000	360			
07/01/2010	0.0%	3.0%	12,000	360			
07/01/2011	0.0%	3.0%	13,000	390	267	12,446	8,900
07/01/2012	3.6%	3.0%	14,000	420	287	13,250	9,568
07/01/2013	1.7%	3.0%	14,000	420	288	13,962	9,600
07/01/2014	1.5%	3.0%	15,000	450	312	14,577	10,400
07/01/2015	1.7%	3.0%	16,000	480	328	15,060	10,933
07/01/2016	0.0%	3.0%	17,000	510	336	15,479	11,200
07/01/2017	0.3%	3.0%	17,000	510	348	15,538	11,600
07/01/2018	2.0%	3.0%	17,000	510	354	16,139	11,800