

Cost-of-Living Adjustments

Public Employees' Retirement System • Teachers' Pension and Annuity Fund
Police and Firemen's Retirement System • State Police Retirement System • Judicial Retirement System
Consolidated Police and Firemen's Pension Fund • Prison Officers' Pension Fund

On June 28, 2011, Governor Christie signed Chapter 78, P.L. 2011, the Pension and Health Benefit Reform Law. This law provides for changes to the manner in which the State-administered retirement systems operate and to the benefit provisions of those systems.

Under a provision of Chapter 78, P.L. 2011, future Cost-of-Living Adjustments (COLA) are suspended for retirees and benefit recipients of all retirement systems. Please be assured, there is no reduction to any COLA increases that were already added to retiree benefits prior to the effective date of the law.

Chapter 78 also provides for the establishment of Pension Committees for the retirement systems that are open to new members, which may consider reinstating the COLA when the retirement system reaches a "target funded ratio" established by the law. At that time, the Pension Committees are to give the reactivation of the COLA priority consideration.

"Target funded ratio" means a ratio of the value of assets against the accrued liabilities of 75% and increasing annually by equal increments over seven fiscal years to a ratio of 80%.

Prior to the enactment of Chapter 78, P.L. 2011, the Pension Adjustment Program provided a cost-of-living adjustment (or COLA) to retirees and their eligible survivors if receiving a monthly retirement allowance from one of the state-administered retirement systems. The first COLA was paid in the 25th month after the date of retirement. Subsequent cost-of-living adjustments were computed annually and the adjustment was reflected in the February 1st check (which is payment for the month of January). If a beneficiary was entitled to receive a monthly pension upon a retiree's death, the COLA was applied to that benefit based upon the year of retirement.

To calculate the COLA, the Division of Pensions and Benefits used the CPI for Urban Wage Earners and Clerical Workers (CPI-W), U.S. City Average, All Items, 1982-84=100. The rate of increase was equal to 60 percent of the percentage of change between the average CPI for the calendar year in which the member retired and the average CPI for the 12 month period ending August 31st immediately preceding the year when the adjustment was payable.

For COLA recipients who retired in 2007 and earlier the 2011 COLA calculation was offset by an amount equal to the reduction that should have occurred in 2010. In 2012, those same members might see a slight increase to the 2012 COLA calculation due to the removal of the COLA offset amount applied in 2011. For additional information, see our Web site at: www.nj.gov/treasury/pensions

For COLA recipients who retired in 2008 and 2009 there was no offset since no COLA was paid to these retirees in 2010.

Example: To calculate the COLA due February 1, 2011

A member retired in 2009 with a monthly retirement allowance of \$2,500.00*. The average CPI for the twelve months ending December 31, 2009 was 209.63. The average CPI for the twelve months ending August 31, 2011 was 212.94.

- To calculate the change in the CPI, subtract 209.63 from 212.94.

$$212.94 - 209.63 = 3.31$$

- To calculate the percentage change in the CPI between the retirement year 2009 and the 12 months ending August 31, 2010, divide 3.31 by 209.63. The result equals 1.579%.

$$3.31 \div 209.63 = 1.579\%$$

- The cost-of-living adjustment rate for February 1, 2011 equals 60% of 1.579%, or 0.947%.

$$60\% \times 1.579\% = 0.947\%$$

- Therefore, the cost-of-living adjustment for this member equals 0.947% of \$2,500.00, or \$23.68.

$$\$2,500.00 \times 0.947\% = \$23.68$$

- The total monthly benefit equals \$2,523.68

$$\$2,500.00 + \$23.68 = \$2,523.68$$

The cost-of-living adjustment amount can be found under the "Current Earnings" section on your retirement benefit check stub. **You can view your COLA amount at any time through the Member Benefits Online System (MBOS).** Registration information for MBOS is available on the Division of Pensions and Benefits Web site: www.nj.gov/treasury/pensions After you complete the MBOS registration process, simply log on to MBOS and select the "Retired Account Information" button on the MBOS home page.

You can also verify your current allowance and deduction information at any time by calling our Automated Information System, (609) 292-7524. When calling, you will be asked to enter your Social Security number.

* If the member chose Option 1, the COLA would be calculated on the Maximum Option.
