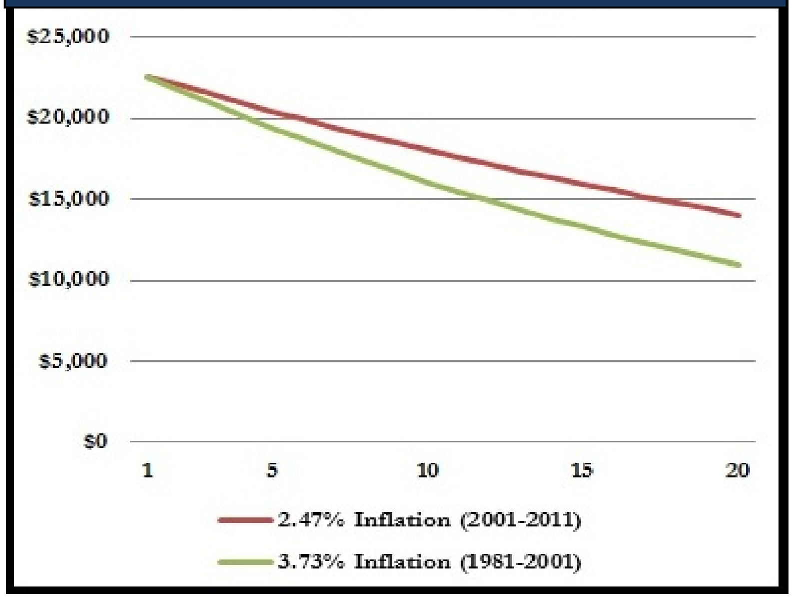
NASRA ISSUE BRIEF:
Cost-of-Living Adjustments

June 2012

Cost-of-living adjustments (COLAs) in some form are provided on most state and local government pensions. The purpose of a COLA is to offset, or reduce, the effects of inflation on retirement income. Considerable variation exists in the way COLAs are designed, and in many cases they are determined or affected by other factors. COLAs add both value and cost to a pension benefit. COLAs are receiving increased attention as many states look to make adjustments to the cost of benefits amid challenging fiscal conditions and the current low-inflationary environment. This brief presents a discussion about the purpose of COLAs, the different types of COLAs offered by government retirement systems, and an overview of recent state legislative COLA actions.

Figure 1: Impact of 20 Years of Inflation on Purchasing Power of $22,600



COLA Purpose

Most state and local governments provide a COLA for the purpose of offsetting or reducing the effects of inflation, which erodes the value of retirement income, as illustrated in Figure 1. Using the actual average inflation rate for two time periods (2001-2011 and 1981-2001), after 20 years, the real (inflation-adjusted) average U.S. public pension benefit in 2010 of $22,600 falls to $14,052 (62 percent of its value) or $10,976 (49 percent of its value), depending upon the actual rate of inflation.

This depreciation can affect the sufficiency of retirement benefits, particularly for those who have no means to supplement their income due to disability or advanced age. Social Security beneficiaries are provided an annual COLA to maintain recipients' purchasing power. Similarly, most state and local governments provide an inflation adjustment to their retiree pension benefits. This is particularly important for those public employees – including nearly half of public school teachers and most public safety workers – who do not participate in Social Security. Unlike Social Security, however, state and local retirement systems typically pre-fund the cost of a COLA over the working life of an employee to be distributed annually over the course of his or her retired lifetime.

Common COLA Types and Features

The way in which public pension COLAs are calculated and approved varies considerably. Appendix A presents a listing of COLA provisions for many state retirement plans, illustrating the variety that exists in COLA plan designs. In general, COLA types and features are differentiated in the following ways:

Automatic vs. Ad hoc

An overarching distinction among COLAs is whether they are provided automatically or on an ad hoc basis. An ad hoc COLA requires the governing body to decide upon a postretirement benefit increase. By contrast, an automatic COLA occurs without action, and is typically predetermined by a set rate or formula. In some cases, ad hoc COLAs are accompanied by other factors, such as a maximum unfunded liability amortization period.

Simple vs. Compound

Another distinction between COLA types is whether the increase is applied in a simple or compound manner. Under a simple COLA arrangement, each year's benefit increase is calculated based upon the employee's original benefit at the time of his or her retirement. Under a compound COLA arrangement the annual benefit increase is calculated based upon the original benefit as well as any prior benefit increases. Some COLAs are both, in that they may be "simple" until the retiree reaches a certain age or year retired, at which point COLA benefits are calculated using a compound method.

Inflation-based

Many state and local governments provide a post-retirement COLA based on a consumer price index (CPI), which is a measure of inflation. Most provisions like this restrict the size of the adjustment, such as by "one-half of the CPI" and/or "not to exceed three percent." The most recognized CPI measures are calculated and published by the U.S. Bureau of Labor Statistics (BLS), and the CPI measures used by most public pension plans are either the CPI-U (based on all urban consumers) and the CPI-W (urban wage earners and clerical workers). Some states use state-specific inflation measures to determine the amount of their COLA.

Performance-based

Some public pension plans tie their COLA to the plan's funding level or investment performance. In one statewide system, for example, the COLA is a range tied to CPI based on the funding level of the plan. Annuitants with another state system receive a permanent benefit increase tied to their length of service when the fund's actuarial investment return exceeds the assumed rate of eight percent.

Delayed-onset or Minimum Age

Another characteristic contained in some automatic COLAs is to delay its onset, either by a given number of years, or until attainment of a designated age. A COLA may also take on any of the characteristics stated above and will become available to a retiree once he or she meets the designated waiting period or age requirements.

Limited Benefit Basis

Some retirement systems award a COLA calculated on a portion of a retiree's annual benefit, rather than the entire amount. For example, one system provides a COLA of three percent applied to only the first $18,000 of benefit. The multiplying factor can also be tied to an external indicator, such as CPI, and factors such as delayed onset may also be present.

Self-funded Annuity Option

Some state retirement plans offer post-retirement benefit increases through an elective process known as a self-funded annuity account. Under this design a member effectively self-funds his or her COLA by choosing to receive a lower monthly annuity in exchange for a fixed rate COLA to be paid annually upon retirement.

Reserve Account

Other public retirement systems pay COLAs from a pre-funded reserve account. This is a variation on the COLA tied to investment performance since the reserve account is funded with excess investment earnings. Under this scenario a COLA is provided from the funds set aside in the reserve account. Sometimes there is a stipulation attached that the fund itself must reach a certain size for any COLA to be granted in a given year.

Figure 2: State Retirement Systems Undergoing COLA Legislative Changes, 2009-2011

COLA Costs

The cost of a COLA, expressed as a percentage of active member payroll, predictably depends on the level of the COLA benefit. Such factors as its size; the portion of the benefit to which the COLA applies; whether or not the COLA is paid annually or sporadically; whether the adjustment is simple or compounded, and other features, all affect its cost. It has been estimated that an automatic COLA of one-half of an assumed CPI of three percent, compounded, will add 11 percent to the cost of the retirement benefit. An automatic COLA of three percent, compounded, will add 26 percent to the cost of the benefit.[1]

The Governmental Accounting Standards Board (GASB) requires public pension plans to disclose assumptions regarding COLAs, including whether the COLA is automatic or ad hoc, and to include the cost of COLAs in projections of pension benefit payments.

Unlike automatic COLAs, the cost of ad hoc COLAs typically is not funded in advance, but rather increases the plan's unfunded liability or amortization period, or both, (or reduces an actuarial surplus) and increases future costs. GASB considers an ad hoc COLA to be "substantively automatic" when a historical pattern exists of granting ad hoc COLAs or when there is consistency in the amount of changes to a benefit relative to an inflation index.

Recent Changes to COLAs

As part of efforts to contain costs and to ensure the sustainability of public pension plans, and in response to the current period of historically low inflation, many states recently have made changes to COLA provisions by adjusting one or more of the elements mentioned above[2] (see Figure 2). As described in Appendix A, since 2009, eleven states have changed COLAs affecting current retirees, five states have addressed current employees' benefits, and six states have changed the COLA structure only for future employees. The legality of these modifications in several states has been, or is, being challenged in court as noted.

Conclusion

The effects of a COLA can be consequential both in protecting purchasing power and in adding costs to a plan. As states consider measures to ensure the sustainability of their pension plans for both those currently retired or employed and future generations of workers, policymakers are reexamining all aspects of benefit design and financing, including the way COLAs are determined and funded. Just as high periods of inflation in the past placed pressure on states to add or adjust COLAs upward, the recent low rates of inflation, combined with sluggish state and local revenues and poor investment returns, have spurred action to reduce COLA levels. Some states have included provisions that would enable COLAs to increase should inflation grow or funding status or fiscal conditions improve.

See also

Gary Findlay, "Addressing Inflation in the Design of Defined Benefit Pension Plans" http://wikipension.com/images/7/73/Addressing_Inflation_in_the_Design_of_Defined_Benefit_Pension_Plans.pdf

Gabriel, Roeder, Smith & Company, "Postemployment Cost-of-Living Adjustments: Concepts and Recent Trends," April 2011, http://www.gabrielroeder.com/news/pdf_insight/Insight2011_04.pdf

National Association of State Retirement Administrators, "Overview of variations to typical cost-of-living adjustments among public retirement systems," http://wikipension.com/images/c/cf/Variations.pdf

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[1] Gabriel, Roeder, Smith & Company, "Postemployment Cost-of-Living Adjustments: Concepts and Recent Trends," April 2011, http://www.gabrielroeder.com/news/pdf_insight/Insight2011_04.pdf
[2] National Conference of State Legislatures

Appendix A: COLA Provisions by State-Level Plan and Recent Changes

Plan	COLA Provision	Recent Changes
Alaska PERS	Automatic, lesser of 75% of CPI or 9%, simple, for those age 65 and above; lesser of 50% of CPI or 6% for those age 60 or with 8 or more years of service (annuitant must reside in-state to receive the COLA)	
Alaska Teachers	Automatic, lesser of 75% of CPI or 9%, simple, for those age 65 and above; lesser of 50% of CPI or 6% for those age 60 or with 8 or more years of service (annuitant must reside in-state to receive the COLA)	
Alabama ERS	Ad hoc as approved by the legislature	
Alabama Teachers	Ad hoc as approved by the legislature	
Arkansas PERS	Automatic 3% compounded	
Arkansas Teachers	Automatic 3% compounded	
Arizona Public Safety Personnel	Sliding scale of 2.0% to 4.0%, contingent on investment earnings above 10.5%	Increased investment return threshold needed to fund a COLA from 8.0% to 10.5%
Arizona SRS	Up to 4% annually, contingent on excess earnings above 8%	
California PERS	Automatic based on CPI up to 2%, compounded	
California Teachers	Automatic 2% simple, plus adjustments designed to maintain retirees' purchasing power made through a "supplemental benefits maintenance account" financed with an employer contribution of about 2.5% of worker pay	
Colorado Affiliated Local	Based on election of individual participating employers	
Colorado Fire & Police Statewide	Ad hoc as approved by board	
Colorado Municipal	Varies by date of hire, automatic 2% unless negative investment return in previous year, then lesser of average monthly CPI-W or 2%, compounded	Changed from automatic 3.5%; legal challenge to this change was upheld by state district court and is under appeal to state supreme court
Colorado School	Varies by date of hire, automatic 2% unless negative investment return in previous year, then lesser of average monthly CPI-W or 2%, compounded	Changed from automatic 3.5%; legal challenge to this change was upheld by state district court and is under appeal to state supreme court
Colorado State	Varies by date of hire, automatic 2% unless negative investment return in previous year, then lesser of average monthly CPI-W or 2%, compounded	Changed from automatic 3.5%; legal challenge to this change was upheld by state district court and is under appeal to state supreme court
Connecticut SERS	Minimum of 2% up to a maximum 7.5% calculated based on the following formula: 60% of the annual increase in the CPI-W up to 6% and 75% of the annual increase in the CPI-W over 6%	

Plan	COLA Provision	Recent Changes
Connecticut Teachers	For members who retired before 9/92, automatic, based on CPI, with 3% minimum and 5% max, compounded; for those after 9/92, no COLA is provided	
DC Police & Fire	Automatic based on CPI, up to 3%, compounded	
DC Teachers	Automatic based on CPI, up to 3%, compounded	
Delaware State Employees	Ad hoc as approved by the general assembly	
Florida RS	Automatic 3%, compounded. Per legislation approved in 2011, no additional COLA credits will accrue after 6/30/11.	
Georgia ERS	Ad hoc as approved by the ERS board	
Georgia Teachers	Automatic 1.5% every 6 months as long as CPI increases, compounded	
Hawaii ERS	Automatic 2.5% simple; 1.5%, simple, for new hires after 6/30/12	The automatic COLA was reduced from 2.5% to 1.5%, simple, for those who become members of the system after 6/30/2012
Iowa PERS	Non-guaranteed post-retirement payment from a reserve account established from excess investment earnings	
Idaho PERS	Automatic 1% compounded (as long as CPI rises at least 1%), plus investment-based increase	
Illinois Municipal	Automatic 3%, simple, for those hired before 1/1/11; for those hired after 12/31/10, lesser of 3% or half of CPI, simple	Legislation in 2010 reduced the COLA for new hires after 12/31/10 from automatic 3%, simple
Illinois SERS	Automatic 3%, compounded, for those hired before 1/1/11; for those hired after 12/31/10, lesser of 3% or half of CPI, simple	Legislation in 2010 reduced the COLA for new hires after 12/31/10 from automatic 3%, compounded
Illinois Teachers	Automatic 3%, compounded, for those hired before 1/1/11; for those hired after 12/31/10, lesser of 3% or half of CPI, simple	Legislation in 2010 reduced the COLA for new hires after 12/31/10 from automatic 3%, compounded
Illinois Universities	Automatic 3%, compounded, for those hired before 1/1/11; for those hired after 12/31/10, lesser of 3% or half of CPI, simple	Legislation in 2010 reduced the COLA for new hires after 12/31/10 from automatic 3%, compounded
Indiana PERF	Ad hoc as approved by the legislature	
Indiana Teachers	Ad hoc as approved by the legislature	
Kansas PERS	Ad hoc as approved by the legislature; the new cash balance for employees hired after 12/31/14 provides for an optional self-funded COLA as an annuity payment option at retirement	In 2012, the auto 2% COLA is removed for those hired after 6/30/09; also established optional self-funded COLA in new cash balance plan for those hired after 12/31/14 [1]

[1] Legislation creating Kansas PERS Tier 3 passed in 2012 eliminated the Tier 2 COLA. The only employees eligible to receive the Tier 2 COLA are those who were retired and returned to work on or after 6/30/09 and who will retire before 7/1/12.

Plan	COLA Provision	Recent Changes
Kentucky County	Automatic, tied to CPI, not to exceed 1.5% after 12 months of retirement, compounded	
Kentucky ERS	Automatic, tied to CPI, not to exceed 1.5% after 12 months of retirement, compounded	
Kentucky Teachers	Automatic 1.5% compounded	
Louisiana SERS	Contingent upon funded status of system and/or actuarial return; must be approved by the Legislature; lesser of 2% or CPI-U, plus up to 1% additional depending on actuarial return	
Louisiana Teachers	Subject to approval by the legislature and contingent upon funding available in COLA account consisting of excess investment returns; COLA lesser of 3% or CPI-U if investment returns meet or exceed actuarial assumption; if investment returns are less than actuarial assumption, COLA lesser of 2% or CPI-U, if system at least 80% funded; COLA applies only to first $70,000 of benefit, indexed to CPI; participants may elect retirement option providing an actuarially reduced benefit with auto annual 2.5% COLA beginning at age 55	
Massachusetts SERS	Ad hoc, typically based on CPI up to 3% applied to first $13,000 of benefit, subject to legislative approval and enactment	Effective 2011, increased benefit to which COLA applies from first $12,000 of benefit to $13,000
Massachusetts Teachers	Ad hoc, typically based on CPI up to 3% applied to first $13,000 of benefit, subject to legislative approval and enactment	Effective 2011, increased benefit to which COLA applies from first $12,000 of benefit to $13,000
Maryland PERS	Automatic based on CPI, capped at 2.5% based on attainment of 7.75% rate of actuarial investment return. If that threshold is not met, COLA is 1%	For service credit earned after 6/30/2011, COLA was lowered from CPI up to 3%, compounded, to CPI capped at 2.5%, or 1%, depending on investment return
Maryland Teachers	Automatic based on CPI, capped at 2.5% based on attainment of 7.75% rate of actuarial investment return; if that threshold is not met, COLA is 1%	For service credit earned after 6/30/2011, COLA was lowered from CPI up to 3%, compounded, to CPI capped at 2.5%, or 1%, depending on investment return
Maine Local	Based on individual employer election. If provided, based on CPI up to 4%	
Maine State and Teacher	COLA is suspended through 7/1/14, after which it will be based on the CPI up to 3% applicable to the first $20,000 of benefit, indexed for inflation	Effective 7/1/2011, the COLA of CPI up to 4%, compounded, was suspended for three years, after which the cap and portion of the benefit to which the COLA applies will be reduced
Michigan Municipal	Employers may elect to provide a COLA, on a one-time basis or as an automatic adjustment	
Michigan Public	Automatic 3% simple	Employees hired after 6/30/10

Plan	COLA Provision	Recent Changes
Schools		participate in a hybrid plan that does not provide a COLA
Michigan SERS	Automatic 3% simple up to $300 annually	
Minnesota PERF	1.0%, compounded, until the plan funding level reaches 90%; 2.5% thereafter	Reduced auto-COLA from 2.5% in 2010; change was affirmed by a state judge in 2011
Minnesota State Employees	Automatic 2.0% compounded, until the plan's funding level reaches 90%, after which it will increase to 2.5%	Reduced auto-COLA from 2.5% in 2010; change was affirmed by a state judge in 2011
Minnesota Teachers	Suspended through 2012, after which COLA will be automatic 2.0% compounded, until the plan's funding level reaches 90%, when it returns to 2.5%	Reduced auto-COLA from 2.5% in 2010; change was affirmed by a state judge in 2011
Missouri DOT and Highway Patrol	80% of increase in CPI, up to 5%, compounded	
Missouri Local	Contingent upon investment return, with a max of the lower of 4% or cumulative CPI since retirement	
Missouri PEERS	Automatic, compounded at 2% if CPI-U is between 0% and 5%; 5% if CPI-U is 5% or higher, and no COLA is given if CPI-U is less than 0%; subject to a lifetime cap of 80%	In 2011, the Board changed the automatic, compounded COLA from based on CPI, not to exceed 5%, to either 0%, 2%, or 5%, depending on whether the CPI is negative, positive and below 5%, or over 5%, respectively; subject to a lifetime cap
Missouri State Employees	80% of CPI up to 5% compounded; members hired before 8/28/97 receive a minimum of 4% and a maximum of 5% compounded, up to 65% of original benefit, and then 80% of CPI up to 5% thereafter	
Missouri Teachers	Automatic, compounded at 2% if CPI-U is between 0% and 5%, 5% if CPI-U is 5% or higher, and no COLA is given if CPI-U is less than 0%; subject to a lifetime cap of 80%	In 2011, the Board changed the automatic, compounded COLA from based on CPI, not to exceed 5%, to either 0%, 2%, or 5%, depending on whether the CPI is negative, positive and below 5%, or over 5%, respectively
Mississippi PERS	Automatic 3%, simple, until age 55, then compounded thereafter; for new hires after June 2011, onset of compounding is delayed until age 60	For new hires after June 2011, onset of compounding is delayed until age 60, from 55
Montana PERS	Automatic 3% compounded	
Montana Teachers	Automatic 1.5% compounded beginning 3 years after onset of annuity	
North Carolina Local Government	Ad hoc as approved by the legislature	
North Carolina Teachers and State Employees	Ad hoc as approved by the legislature	

Plan	COLA Provision	Recent Changes
North Dakota PERS	Ad hoc as approved by the legislature	
North Dakota Teachers	Ad hoc as approved by the legislature	
Nebraska Schools	Based on CPI, up to 2.5%, compounded	
New Hampshire Retirement System	Ad hoc as approved by the legislature's fiscal committee	
New Jersey PERS	COLA suspended until the plan funding level reaches 80%, after which a panel will assess the prudence of paying a COLA	Legislation approved in 2011 suspended the automatic COLA that was based on 60% of CPI; change is under legal challenge
New Jersey Police & Fire	COLAs suspended until the plan funding level reaches 80%, after which a panel will assess the prudence of paying a COLA	Legislation approved in 2011 suspended the automatic COLA that was based on 60% of CPI; change is under legal challenge
New Jersey Teachers	COLAs suspended until the plan funding level reaches 80%, after which a panel will assess the prudence of paying a COLA	Legislation approved in 2011 suspended the automatic COLA that was based on 60% of CPI; change is under legal challenge
New Mexico PERA	Automatic 3% compounded	
New Mexico Teachers	Automatic based on CPI, compounded. When the change in CPI is more than 2%, the COLA is one-half the CPI, but not less than 2%, nor more than 4%. Member must be at least 65 years of age to receive a COLA	
Nevada Police Officer and Firefighter	After 3 years of receiving benefits, auto 2% annually, rising gradually to 5% annually, compounded, after 14 years of receiving benefits; the compounded COLA is capped by the lifetime CPI for the period of retirement, i.e., it may not exceed inflation	2009 legislation reduced the COLA ceiling to the 12-year amount of 4% annually for those who become members on or after 1/1/10
Nevada Regular Employees	After 3 years of receiving benefits, auto 2% annually, rising gradually to 5% annually, compounded, after 14 years of receiving benefits; the compounded COLA is capped by the lifetime CPI for the period of retirement, i.e., it may not exceed inflation	2009 legislation reduced the COLA ceiling to the 12-year amount of 4% annually for those who become members on or after 1/1/10
New York State Teachers	Automatic, based on one-half of the increase in the annual CPI, applied to first $18,000 of annual pension, compounded; must be 62 and retired for 5 years, or 55 and retired for 10 years, to receive COLA; COLA is a minimum of 1% and a maximum of 3%	
NY State & Local ERS	Automatic, based on one-half of the increase in the annual CPI, applied to first $18,000 of annual pension, compounded: must be 62 and retired for 5 years, or 55 and retired for 10 years, to receive COLA; COLA is a minimum of 1% and a maximum of 3%	
NY State & Local Police & Fire	Automatic, based on one-half of the increase in the annual CPI, applied to first $18,000 of annual pension, compounded: must be 62 and retired for 5 years, or 55 and retired for 10 years, to receive	

Plan	COLA Provision	Recent Changes
	COLA; COLA is a minimum of 1% and a maximum of 3%	
Ohio PERS	Automatic 3%, simple	
Ohio Police & Fire	Automatic 3%, simple	
Ohio School Employees	Automatic 3% simple	
Ohio Teachers	Automatic 3% simple	
Oklahoma PERS	Ad hoc as approved by the legislature; subject to required funding	The Legislature approved a provision in 2011 requiring future COLAs to be funded, which effectively rules out COLAs for the foreseeable future. Prior to this legislative action, a 2% COLA had regularly been approved
Oklahoma Teachers	Ad hoc as approved by the legislature; subject to required funding	The Legislature approved a provision in 2011 requiring future COLAs to be funded, which effectively rules out COLAs for the foreseeable future. Prior to this legislative action, a 2% COLA had regularly been approved
Oregon PERS	Automatic, based on CPI, up to 2%, compounded	
Pennsylvania School Employees	Ad hoc as approved by the general assembly	
Pennsylvania State ERS	Ad hoc as approved by the general assembly	
Rhode Island ERS	Effective 7/1/12, the COLA will be compounded based on a 5-year smoothed investment return less 5.5% with a 0% floor and 4% cap, applied to first $25,000 of benefit, indexed; application of the COLA is delayed until later of Social Security eligibility, normal retirement age under the plan, or 3 years after retirement	In late 2011, legislature revised COLA provisions from automatic 3% compounded, effective 7/1/12. The change is under legal challenge
Rhode Island Municipal	Effective 7/1/12, the COLA will be compounded based on a 5-year smoothed investment return less 5.5% with a 0% floor and 4% cap, applied to first $25,000 of benefit, indexed; application of the COLA is delayed until later of Social Security eligibility, normal retirement age under the plan, or 3 years after retirement	In late 2011, legislature revised COLA provisions from automatic 3% compounded, effective 7/1/12. The change is under legal challenge
South Carolina Police	Automatic, based on CPI up to 2% annually	
South Carolina RS	Automatic, based on CPI up to 2% annually	
South Dakota PERS	Indexed to CPI and funded status, with a minimum of 2.1%, when plan funding level is below 80%, and a maximum of 3.1%, when plan is funded above 100%	In 2010, legislature revised COLA provision from automatic 3.1%
TN Political Subdivisions	Participating employers may choose from 1 of 3 options: a) no COLA; b) automatic based on CPI, up to 3%, compounded, or c) same as b), except simple	

Plan	COLA Provision	Recent Changes
TN State and Teachers	Automatic based on CPI, up to 3% compounded	
Texas County & District	Ad hoc, approved by individual employers	
Texas ERS	Ad hoc as approved by the legislature; per state constitution, plan's amortization period must be less than 31 years for legislature to approve a COLA	
Texas LECOS	Ad hoc as approved by the legislature; per state constitution, plan's amortization period must be less than 31 years for legislature to approve a COLA	
Texas Municipal	Based on individual employer election; employers may choose no COLA or based on 30%, 50%, or 70% of CPI, compounded	
Texas Teachers	Ad hoc, as approved by the legislature; per state constitution, plan’s amortization period must be less than 31 years for legislature to approve a COLA	
Utah Noncontributory	For those hired before 7/1/11, automatic based on CPI up to 4%, simple; for those hired after 6/30/11, based on CPI up to 2.5%, simple	Legislature reduced maximum COLA for those hired after 6/30/11 from 4% to 2.5%
Virginia Retirement System	Automatic based on CPI for the first 3%, and one-half of the next 4% of CPI, with an annual cap of 5%, compounded; effective 1/1/13, non-vested active members will have future COLAs based on the first 2% of CPI and one-half of the next 1%, with an annual cap of 3%, compounded	Effective 1/1/2013, non-vested members will have future COLAs capped at 3% rather than 5%; for early retirees, COLA onset is delayed until July 1 one year following retirement
Vermont State Employees	Automatic based on CPI, up to 5%, compounded	
Vermont Teachers	Automatic based on one-half of CPI, up to 5%, compounded	
Washington LEOFF Plan 1	Automatic, full CPI, compounded	
Washington LEOFF Plan 2	Automatic based on CPI, up to 3% compounded	
Washington PERS 1	None	Legislature eliminated automatic COLA of 3% in 2011; change is currently under legal challenge
Washington PERS 2/3	Automatic, based on CPI, up to 3%, compounded	
Washington School Employees Plan 2/3	Automatic, based on CPI, up to 3%, compounded	
Washington Teachers Plan 1	None	Legislature eliminated automatic COLA of 3% in 2011; change is currently under legal challenge
Washington	Automatic based on CPI up to 3%, compounded	

Plan	COLA Provision	Recent Changes
Teachers Plan 2/3		
Wisconsin Retirement System	Based on investment returns, and can increase and decrease, but not below base benefit	
West Virginia PERS	Ad hoc as approved by the legislature	
West Virginia Teachers	Ad hoc as approved by the legislature	
Wyoming Public Employees	Effective 7/1/12, the COLA is removed until the actuarial funded ratio reaches 100 percent “plus the additional percentage the retirement board determines is reasonably necessary to withstand market fluctuations"	Prior to 7/1/12, COLA was automatic tied to CPI up to 3%. Effective 7/1/12, the COLA is removed until the actuarial funded ratio reaches 100 percent “plus the additional percentage the retirement board determines is reasonably necessary to withstand market fluctuations"

Please note: COLA provisions listed above are subject to change as new information becomes available.