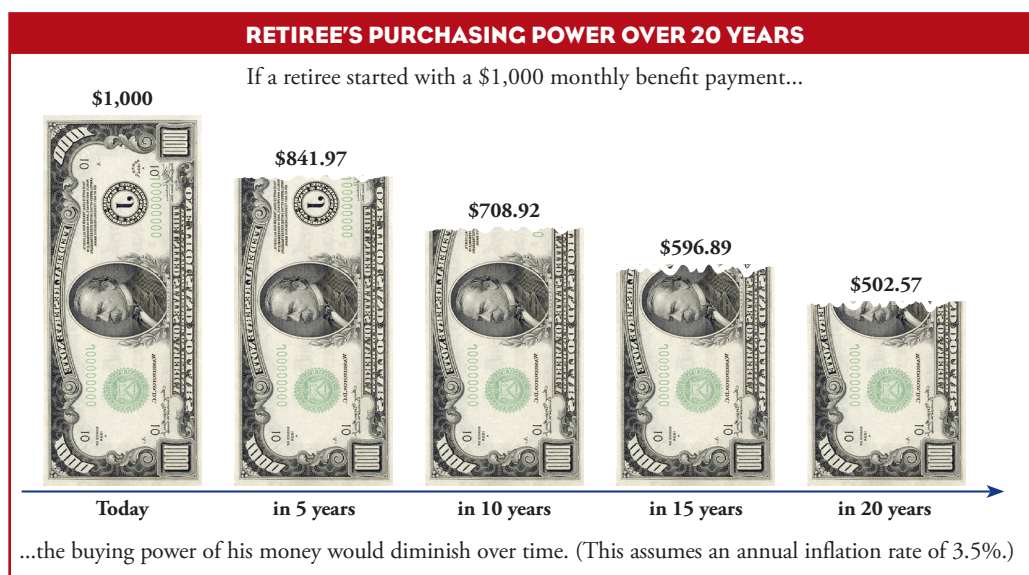


COST-OF-LIVING ADJUSTMENTS

The retirement benefits your retirees receive do not automatically increase to compensate for inflation. This means that your retirees lose buying power as the years go by. Paying for everyday living expenses — such as groceries, housing and transportation — can get increasingly difficult as prices go up. Granting periodic cost-of-living adjustments (COLAs) allow you to gradually restore or gently maintain the buying power your retirees lose over the years.

These adjustments are not automatic and it's up to your governing board whether to pass one in any given year.



TWO TYPES OF COLAS

- ★ With a **flat-rate COLA**, benefit payments increase by a percentage you choose within the limit set by the TCDRS Board of Trustees each year. All your retirees get the same percentage increase. However, a flat-rate COLA may not adequately address a retiree's loss of buying power.
- ★ With a **CPI-based COLA**, you may choose to increase your retirees' benefit payments by a percentage based on the increase in the Consumer Price Index for All Urban Consumers (CPI-U). A CPI-based COLA is based on the retiree's original benefit payment amount and how much inflation has occurred since they started receiving the benefit.

HOW COLAS AFFECT YOUR RATES

A COLA will increase your employer contribution rate, and not just for one year. Because you fund a COLA over many years, the rates for each COLA can stack up on any previous COLAs. If your organization regularly adopts COLAs, your contribution rate will tend to creep upward. To keep frequent COLA adoptions from causing your contribution rate to climb, consider making extra contributions, either in the form of an elected rate or a lump-sum payment.

HOW WE CAN HELP

If you would like additional information on the benefits and costs of COLAs, please contact your TCDRS Employer Services Representative. We can provide direction on which options will best meet your goals for restoring value to your retirees' benefits and we can help you develop a funding strategy.