

How Teachers' Retirement System COLAs Are Tied to the System's Investment Performance

By: John D. Moran, Principal Analyst
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Issue

Explain the law that ties cost of living adjustments (COLAs) for retired teachers' pensions to the investment performance of the Teachers' Retirement System (TRS) fund.

Summary

TRS pension COLAs for retired teachers are determined under state law depending on (1) increases in the cost of living, (2) the date of the member's retirement, and (3) for those who retire after September 1, 1992, the investment return on the value of TRS assets. Additionally, the law sets minimum and maximum percentage increases.

Overview

The TRS law provides for an annual pension COLA once a member has been retired for a minimum of nine months. COLA increases are paid in either January or July depending on the member's effective date of retirement. The annual COLA date for members retiring November through April is January and the annual COLA date for members retiring May through October is July.

TRS Retirees and Beneficiaries and Active Members

As of June 3, 2023, the TRS was providing retirement benefits for 39,843 retirees and beneficiaries, according to the TRS's most recent [actuarial valuation](#).

As of the same date, the system had 53,436 active members making contributions into the retirement fund, according to the valuation.

The law governing the COLAs has been revised over the years, which has created the following three tiers of COLA calculations based on retirement date and when the member joined the system: (1) retirement date before September 1, 1992, (2) retirement date on or after September 1, 1992, and joined the system before July 1, 2007, and (3) retirement date on or after September 1, 1992 and joined on or after July 1, 2007 ([CGS § 10-183g\(j\) to \(l\)](#)).

The Calculations

Those who retired before September 1, 1992, receive a COLA based on the increase, if any, of the National Consumer Price Index (CPI) for the preceding 12 months. By law, the COLA increase ranges from a minimum of 3% to a maximum of 5% annually.

Those who retire on or after September 1, 1992, and joined the system before to July 1, 2007, receive a COLA calculated using the COLA granted by the Social Security Administration for the applicable year and the investment return of the retirement fund for the preceding fiscal year. This is subject to a maximum of 6%. If the investment performance of the retirement fund for the preceding fiscal year is less than 6.9%, the COLA is capped at 1.5%. (For example, if the investment return for the year is 5% and the Social Security COLA was 4%, this group of retired TRS members would receive a COLA of 1.5% because the 6.9% investment performance threshold was not reached.)

For those who retire on or after September 1, 1992, and joined the system on or after July 1, 2007, the COLA is based on the Social Security COLA for the applicable year and the investment performance of the retirement fund for the preceding fiscal year subject to a maximum of 5%. If the investment performance of the retirement fund for the previous fiscal year is less than 6.9%, the COLA is capped at 1%. If the investment performance of the fund is between 6.9% and 9.9%, the COLA is capped at 3%. If the investment performance of the fund is over 9.9%, the COLA is capped at 5% ([CGS § 10-183g\(j\) to \(l\)](#)).

For information regarding state pension fund performance, see the Office of the Treasurer's Pension Fund Performance website [here](#).

Recent History of TRS COLAs

The table below shows five years of TRS COLAs presented by each above-mentioned group defined by retirement date.

Table 1: TRS Pension COLAs From 2020-2024 by Retirement Dates

COLA Date	Retirement Before September 1, 1992	Retirement on or After Sept. 1, 1992	
		Joined System Before July 1, 2007	Joined System on or After July 1, 2007
July 2024	TBD	3.2%*	3.0%*
January 2024	TBD	3.2*	3.0*
July 2023	3.6%	1.5	1.0
January 2023	5.0	1.5	1.0
July 2022	5.0	5.9	5.0
January 2022	5.0	5.9	5.0
July 2021	5.0	1.3	1.0
January 2021	3.0	1.3	1.0
July 2020	3.0	1.5	1.0
January 2020	3.0	1.5	1.0

*TRS announced the 2024 COLAs indicating (1) the Social Security Administration announced its 2024 COLA will be 3.2% and (2) the TRS investment performance increase was 8.35% for the preceding fiscal year.

Source: TRS website [here](#) and [here](#).

JM:kl