

## ERS COLA Methodology - Adopted April 21, 2022

Beginning with the June 30, 2021 actuarial valuation, the Actuarial Accrued Liability and the Normal Cost of the Employees' Retirement System of Georgia (System) will include an amount sufficient to amortize and prefund a variable Cost-of-Living Adjustment (COLA) for eligible retirees and beneficiaries of the System. The manner in which such prefunded COLA will be calculated is described in this document.

Effective July 1, 2022, unless otherwise noted.

### Definitions

1. **Actuarial Rate of Return:** based on the approximate five-year average annual investment rate of return and assumptions regarding the System's cash flows; calculated by the System's actuaries in the annual valuation (see valuation Schedule B – Development of Actuarial Value of Assets).
2. **COLA Rate:** the percentage increase to be applied to the payee's monthly retirement benefit under the System.
3. **Excess Return:** the difference between the Actuarial Rate of Return and the Hurdle Rate.
4. **Hurdle Rate:** the minimum investment performance, as measured against the Actuarial Rate of Return, required in order for a COLA to be considered in a given year.
5. **Normal Retirement Date:** generally age 60 (55 for certain law enforcement members) with 10 years of service or any age with 30 years of service.
6. **Retirement Date:** the effective date of a member's retirement.
7. **Shareable Portion:** determined by multiplying the Excess Return by a factor which is dependent on the System's funding ratio.
8. **Supplemental Guaranteed Lifetime Income (SGLI):** monthly payments from the System which are funded entirely by one or more rollovers from either or both of a retiree's Peach State Reserves 401(k) or 457 plans, and not based on the retiree's years of service as a member of the System.

### Determination of COLA

1. The COLA for a given fiscal year will be effective no earlier than July 1 following the approval of the most recent actuarial valuation.
2. The Hurdle Rate is set at 6.0%.
3. Determine the Excess Return as the difference between the Actuarial Rate of Return in the most recent actuarial valuation and the Hurdle Rate.
  - a. If the Actuarial Rate of Return is below the Hurdle Rate, the Excess Return is 0%, and no COLA will be paid for that year.
  - b. If the Actuarial Rate of Return is above the Hurdle Rate, the Excess Return is greater than 0%. Continue to Step 4.
4. Determine the Shareable Portion by multiplying the Excess Return by the factor returned from the following table, based on the most recent approved actuarial valuation:

System Funding Ratio	Factor
< 70.00%	0.00
70.00% - 79.99%	0.25
80.00% - 89.99%	0.50
90.00% - 99.99%	0.75
>= 100.00%	1.00

5. Determine the SSA OASDI COLA rate for the current calendar year, as published on [www.ssa.gov](http://www.ssa.gov) (generally in October or November of the preceding calendar year).
6. The COLA Rate is the lesser of the Shareable Portion and the SSA OASDI COLA rate as determined in Step 5, rounded to the nearest 0.25%.
  - a. However, in no event shall the COLA Rate be less than 0% or greater than 3%.
7. The COLA will be paid to all statutorily eligible retirees who have surpassed the later of their Retirement Date or Normal Retirement Date by at least 12 months.
  - a. The COLA will also be paid to beneficiaries of deceased members or retirees who have otherwise met the requirements of this Step 7.
  - b. A statutorily eligible individual is one who first became a member of this System before July 1, 2009.
8. The COLA will also be paid to Disabled retirees (who are statutorily eligible per Step 7b above) who have surpassed the later of their Disability Retirement Date or their 44<sup>th</sup> birthday by at least 12 months.
  - a. The COLA will also be paid to beneficiaries of deceased Disabled retirees who have otherwise met the requirements of this Step 8.
9. In no event will the COLA Rate be added or applied to that portion of a retiree's or beneficiary's monthly benefit payment which is in excess of one-twelfth (1/12) of the Social Security Wage Base for that calendar year, as published on [www.ssa.gov](http://www.ssa.gov).
10. In no event will the COLA Rate be added or applied in any fashion to any retiree's SGLI payments.