

## **July 2022 Pension and Retiree Healthcare Changes**

### **What does happen to the Cost of Living Adjustment (COLA) effective for people retiring after June 30, 2022?**

There are two changes. One affects the COLA formula, the other affects the first date you receive a COLA. They are explained below.

### **What happens with the COLA formula change that affects July 1, 2022 and later retirees?**

Since 1997, our COLA has been computed as a percentage of the increase in the most common consumer price index, called CPI-W. Currently our COLA is 60% of the increase in the CPI-W up to 6%, and 75% of the increase above 6%, with a minimum COLA of 2%, and a maximum of 7.5%. The new formula will provide the same COLA as the current formula except in years where the CPI-W goes up less than 2%. In those cases, while the current formula produces a COLA of 2% even if the CPI-W increase is less than 2%, the new COLA would provide an increase equal to the CPI-W increase.

### **What change affects the first date I receive a COLA?**

Currently, depending upon the exact month you retire, the delay between retirement and your first COLA is 9 to 15 months, averaging 12 months. Starting with July 1, 2022 retirees, your first COLA would be on the 30th month following the date of your retirement – so 18 months later than it is now – and then every 12 months thereafter. However, there may also be an additional COLA paid with your first annual COLA that provides some protection if the cost of living increase is unusually high during the first 18 months following your retirement.

### **How does the additional COLA work?**

Effective the 30th month after retirement, in addition to your normal annual COLA, you will receive an additional COLA if during your first 18 months of retirement, the CPI-W goes up more than an annualized 5.5%. If so, the additional COLA is above formula, minus 2.5%, multiplied by 1.5 (because it's 18 months). This sounds complicated, but what it comes down to is this: if your 18-month delay happens to be in a very high cost of living increase year, you will get the same annualized COLA you would have received without that delay, minus 2.5%. So the delay still affects you, but its effect is more limited.

### **What happens to my under 65 retiree premium share if I retire after June 30, 2022?**

While you are under 65, you will pay a premium share of 3% hazardous duty, and 5% for non-hazardous duty retirees. That compares to a premium share for pre-July 1, 2022 retirees of 1.5% for hazardous duty, and 3% for non-hazardous duty. Either way, once you go on Medicare at age 65, your premium goes to zero as is current practice.

### **What about the State's reimbursement of the Medicare Part B premium, does change effect for July 2022 Retirees?**

The State will continue to reimburse the full standard Medicare Part B premium charged by the feds. However, there is an additional premium charged by the feds for wealthier retirees, and a small number of our retirees are charged some of that extra premium. Starting with people retiring July 1, 2022 or later, the State will split the extra cost the feds charge to wealthier retirees. In other words, the State will pay the full standard premium, plus half of any extra. The definition of “wealthy” is set by the federal government, and the extra Part B premium varies by the amount of a retiree’s income, and all the numbers are indexed for inflation. You can read the current numbers, [here](#), although of course they will be different by July 1, 2022 when the first retirees (those retiring on or after that date) could be affected. Medicare Part B Premiums.