



Jeffrey L. Ezell
Executive Director

Providing a future you can depend on

June 8, 2009

To: TRS Retirees
All Interested Parties

From: Jeffrey L. Ezell
Executive Director

Subject: July 1, 2009 Cost-of-Living Adjustments

The TRS Board of Trustees grants cost-of-living adjustments (COLA) to eligible retirees on July 1st and January 1st of each year in accordance with Board policy (Administrative Rule 513-5-1-.16). A COLA is granted if a retiree's current index is greater than their base index.

The current and base indexes are computed based on the average Consumer Price Index (CPI) for All Urban Consumers as determined by the U.S. Bureau of Labor Statistics as follows:

- Current index is defined as the six-month period ending on July 1st or January 1st of each year.
- Base index is defined as the six-month period ending on the July 1st or January 1st following the retiree's date of retirement.
- The six-month period ending July 1st is defined as the prior November through April.
- The six-month period ending January 1st is defined as the prior May through October.

The average CPI for the six-month period ending October 2008 was 218.31. This represents the base index for retirees whose date of retirement is between July 1, 2008 and December 1, 2008. The current index was 211.99, which represents the average CPI for the six-month period ending April 2009. The ratio between the base index and the current index is 0.971 ($211.99 \div 218.31$). **Therefore, since the current index is less than the base index, retirees who retired between July 1, 2008 and December 1, 2008 are not eligible for a COLA effective July 1, 2009.** Eligibility for a COLA on January 1, 2010 will be determined by the Board of Trustees in November, 2009. If the average CPI at that time is greater than the base index, these retirees will receive a 1.5% COLA effective January 1, 2010.

Retirees who retired on or before June 1, 2008 will receive a 1.5% COLA effective July 1, 2009, as the current CPI index is greater than these retirees' base index.

If you require additional information, please contact one of our Call Center Representatives at (404) 352-6500 or (800) 352-0650.

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POST-RETIREMENT ADJUSTMENT OF BENEFITS

A cost-of-living increment will be granted two times a year on January 1 and July 1 to be determined in the following manner:

- (a) On the July 1 or January 1 following retirement, the average of the Consumer Price Index will be determined. This is the base index for all beneficiaries retiring during the six month period ending on such July 1 or January 1.
- (b) As of each subsequent January 1 or July 1, the average of the Consumer Price Index will be determined. This is the current index.
- (c) The ratio of Item (b) to Item (a) is determined.
- (d) If the ratio in (c) above is equal to or greater than 1.000, the retirement benefits would be adjusted by 1-1/2%.

If the percentage determined in (c) above is less than 1.00, indicating a reduction in the Consumer Price Index for the period, the retirement benefit may be reduced by the Board of Trustees if the ratio is less than .975 or, in other words, if the reduction is between 0 and 2-1/2%, no adjustment will be made in the retirement benefit; however, if the reduction is greater than 2-1/2%, the retirement benefit may be adjusted by the Board of Trustees, however, no reduction would be greater than 1-1/2% of the retirement benefit for any period. The beneficiary's retirement benefit, once adjusted, remains constant for the next six months until the next review. In no event will the retirement benefits be reduced by an amount exceeding all previously granted cost-of-living adjustments.

- (e) For those retiring from July 1 thru December 1, the subsequent July 1 will be the earliest date for an adjustment to be made. For those retiring from January 1 thru June 1, the subsequent January 1 will be the earliest date for an adjustment to be made.

- (f) The average Consumer Price Index (CPI) for a six month period ending on January 1 of any year is defined as the average of the "All Urban Consumers" CPI published by the Bureau of Labor Statistics for the six months ending on the previous October, similarly, the average as of July 1 will be computed based upon the six months ending on the prior April.
- (g) Adjustments in benefit will be provided only to a real person who is in receipt of a life annuity with or without related death or survivorship benefits.

(Adopted 5-27-87; Amended 3-26-03) Administrative Rule 513-5-1-.16.