How is a Cost-of-Living Adjustment calculated for Baltimore County Retirees?

The calculation process for a retiree COLA is set forth in Section 5 –1– 235(c), (d) & (e) of the Baltimore County Code.

 Employee bargaining units, including the FOP, do not negotiate for retirees or for an annual COLA. A COLA is strictly based on the investment earnings of the County's pension system.

 These COLAs are funded through the Post Retirement Income Fund (PRIF Account). The PRIF account is funded through excess earnings to the pension system above the actuarial assumption rate set by the Pension Board of Trustees. The rate is currently set at 7.0%. The earnings of the pension system are determined by averaging the annual returns over a five-year period ("smoothing"). When this number is above the assumption rate, money begins to move into the PRIF Account.

 At the end of every calendar year, the county determines the Consumer Price Index (CPI) for that year. The retirement allowance is increased by an amount equal to CPI, not to exceed 3%.

 If there is not enough money in the PRIF account to fund the full CPI determined COLA, it will be calculated down to the nearest 1/4%, to a minimum of 1%. If there is not enough money in the PRIF account to fund a 1% COLA, then no COLA is granted for that year, and the money in the PRIF account continues to grow based on subsequent year's excess earnings.

 For the purposes of this section, CPI shall mean the Consumer Price Index – all Urban Consumers – United States City Average (CPI – U) as published by the United States Department of Labor, Bureau of Labor, Statistics.

For additional information, see the link below to the County Retirement Office Webpage:

<https://www.baltimorecountymd.gov/departments/budfin/retirement>