

# Your BackDROP Benefit Estimate May Be Inflated Due to COLAs



MOSERS retirees received a higher-than-usual cost-of-living adjustment (COLA) in 2023.

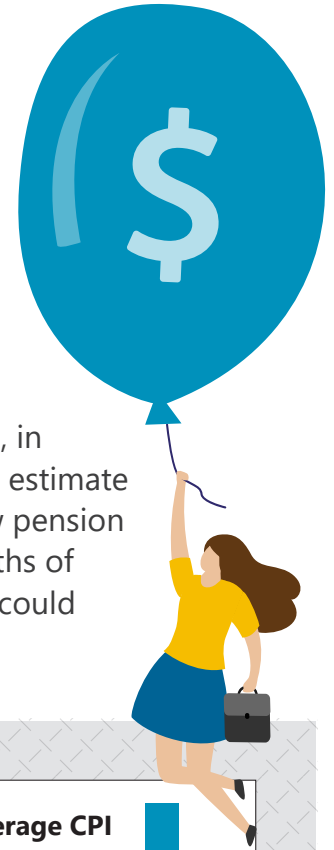
The downside of that is, if you are currently an active employee and you get an estimate with a BackDROP date past 2023, your BackDROP lump-sum amount and your monthly benefit amounts in retirement (if you elect BackDROP) may not be as much as estimates are currently projecting.

## Here's why:

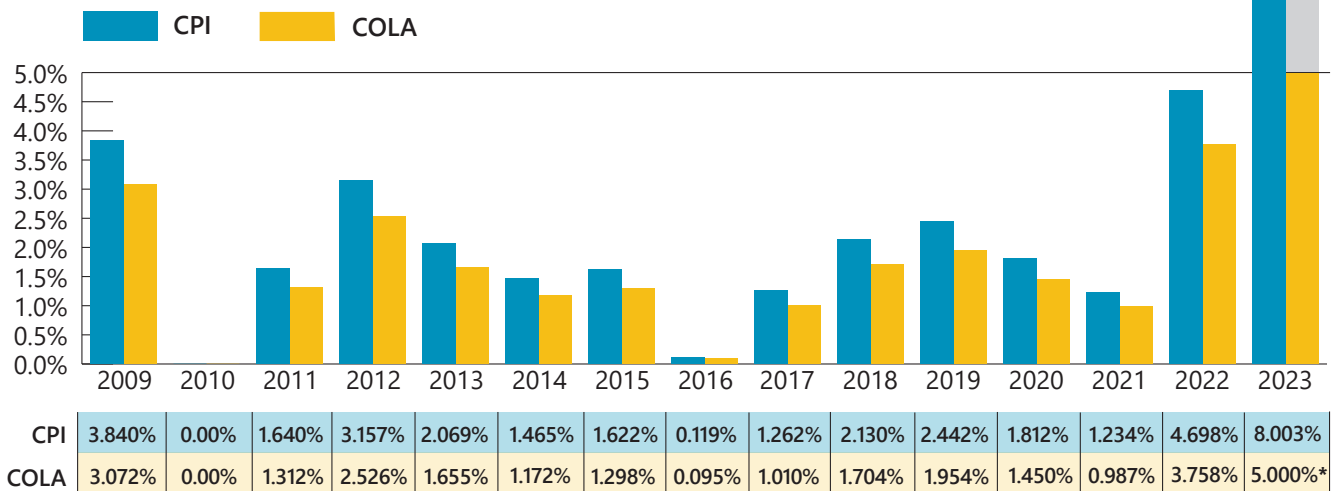
By default, when calculating future benefit estimates, our system uses this year's COLA to assume all future COLAs. In other words, it is assuming retirees will get a 5% COLA each year. As you can see below, the average COLA for retirees for the past 15 years is 1.799%.

The BackDROP lump-sum calculation is based on 90% of what you would have received in retirement benefits, had you been retired during your BackDROP period, including any COLAs you would have received.

While it seems like it would be fairly easy to change the programming in our system, in reality, it is not. It would take several months of programming to change the benefit estimate programs. Meanwhile, we are already 4+ years into the process of developing a new pension administration system, which we are on track to switch over to in 2023. So, the months of programming to fix the legacy system would be in place for only a few months and could delay implementation of the new system.



**History of Annual COLA Rates Based on 80% of the Percentage Increase in the Average CPI**  
(MSEP 2000 and MSEP 2011 Retirees)



\*While the COLA for 2023 is 6.402%, legislation sets the maximum at 5% per year, (minimum 0%).

**Average COLA for the past 15 years is 1.799%**