COLA: Fact v. Fiction

This one-pager helps to debunk common myths surrounding funding for cost-of-living adjustments (COLAs) for Louisiana retired teachers and highlight the facts about COLAs.

FICTION: COLAs are funded through the state general fund.

Contrary to popular belief, COLAs are NOT funded through the state general fund. COLAs are not a line item in the state budget, and funding for COLAs does not come from state dollars.

FACT: COLAs are funded through excess investment earnings.

Excess investment earnings occur when TRSL earns more investment dollars than needed to fund regular retirement benefits. Currently, TRSL's Experience Account (an account created by the Legislature solely for holding funds to pay COLAs) balance is $350 million, enough funds for the projected cost of a 2 percent COLA.

FICTION: The COLA will cost the state too much money.

Again, COLAs are not funded through state dollars. Rather, COLAs are funded through excess investment earnings of the retirement system. State dollars are not used to fund COLAs.

FACT: Granting a COLA will not disrupt any of the pension reforms the legislature has enacted.

Since 2009, the state has enacted significant pension reform, including restructuring the Unfunded Accrued Liability (UAL), or debt, payment plan to make payments more level and steer more of the retirement system's excess investment earnings toward reducing the UAL. Nearly $2 billion in excess earnings have been directed to the UAL. Even through the economic downturn of 2020, TRSL has maintained stable financial posture.

FICTION: Money that should be used to pay down the debt is going toward the COLA.

Funding for COLAs comes from the excess investment earnings of the retirement system credited to the Experience Account. Experience Accounts are accounts created by the Legislature and designated solely for holding funds to pay COLAs. Funding COLAs does not "take away" from any payments toward the UAL or debt. In fact, more excess investment earnings are now directed toward reducing the UAL before crediting the Experience Account.

FACT: TRSL is continuing to make debt payments regularly, paying down both the interest and principal.

In 2021, TRSL reduced the UAL balance by $1 billion. In addition, the funded status of TRSL has jumped from 67.9 percent to 71.8 percent and assets are at an all-time high of $26.9 billion. TRSL has continued to make regular debt payments, which has led to the positive financial position of the retirement system. The initial unfunded accrued liability (IUAL) is scheduled to be paid off by 2029.

LOUISIANA RETIRED TEACHERS ASSOCIATION