

Alabama lawmakers cast doubt on future COLAs for education retirees



House Ways and Means Education Committee chair Danny Garrett, R-Trussville, asks a question during a presentation on Alabama's fiscal condition on Feb. 5, 2025 at the Alabama Statehouse in Montgomery, Alabama. (Brian Lyman/Alabama Reflector)

Alabama legislative leaders Wednesday threw cold water on any future hopes of cost-of-living adjustments (COLAs) for education retirees.

In presentations before the House Ways and Means Education Committee, Rep. Danny Garrett, R-Trussville, the chair of the committee, and Retirement Systems of Alabama Legislative Counsel Neah Scott cited challenges in extending COLAs.

“The cost of doing what people want to fund those COLAs, it’s getting close to where to something decent, that’s a billion dollars out of our education budget,” Garrett said.

The state’s 107,000 education retirees have not seen a COLA increase since 2007. While COLAs used to be routine, the Great Recession and national policy changes that significantly increased the upfront costs of COLAs – requiring decades of benefits to be paid upfront – led legislators to stop giving them. The Legislature has periodically given one-time bonuses to retirees but has shied away from anything more.

Education retirees have said the lack of adjustments mean that more and more of their pay is being eaten by health insurance costs.

Garrett said that even if a lottery were approved, estimated revenues would likely be spread across multiple programs, making it insufficient to fund COLA increases in the long term.

Scott said that Alabama does not have a permanent funding mechanism for retiree COLAs, unlike other states that have built these increases into their pension plans.

“You may have heard about other states that have retiree COLAs, and there are 74 state pension plans that have retired COLAs baked into the plan, and so it is funded over the retirees’ active career, so it’s already baked into the rate,” Scott said.

Committee members expressed concerns over the sustainability of the state’s pension system, given its flattening funded ratio, which currently sits at about 67%. Rep. David Faulkner, R-Mountain Brook, said that while COLAs are a priority for retirees, the state’s defined benefit system was never designed to guarantee ongoing cost-of-living adjustments.

“There was nothing that was promised, right? Or did we? I just want to make sure that we’re clear that COLAs is not something that anybody was promised and the state’s not delivering,” Faulkner said.