

# APERSpective

RETIRED MEMBERS

Winter 2019

## Understanding COLA

Unlike the secret ingredients in the world's most popular soft drink, the formula for the APERS COLA is public knowledge, yet it is not always fully understood.

Since 1957, Arkansas law has specified that APERS add a 3% cost of living adjustment or COLA to each retiree's pension at the beginning of each fiscal year (after the retiree has received at least 12 payments).



But not all COLAs are created equal. These COLAs come in two flavors: simple and compound, and arithmetic is the difference. To figure simple COLAs, you add the COLA amount to the previous year's benefit. For a compound COLA, you multiply the previous year's benefit by the COLA percentage. APERS uses a compound COLA.

The chart at left illustrates how the results diverge over time. As you can see, the difference isn't that great for an individual retiree, but spread over our current and future retirement population the disparity becomes significant.

Year	Simple COLA (Benefit + COLA)	Compound COLA (Benefit x COLA)*
1	1000 + 30 = 1030	1000 x 1.03 = 1030
2	1030 + 30 = 1060	1030 x 1.03 = 1061
3	1060 + 30 = 1090	1061 x 1.03 = 1093
4	1090 + 30 = 1120	1093 x 1.03 = 1126
5	1120 + 30 = 1150	1126 x 1.03 = 1160
10	1270 + 30 = 1300	1305 x 1.03 = 1344

\*Results rounded to whole numbers

## IRS Form 1099-R

APERS has mailed an IRS form 1099-R to all members who received taxable income from us during 2018. This includes benefit payments to retirees, disability recipients, survivors, and beneficiaries as well as termination refunds and other lump-sum payments. You will need this form for your 2018 tax returns.

If you haven't received your 1099-R by February 14 or you need another copy, you can download a PDF version from your account on the APERS member's portal, which you can access via the

"Login: Members" link on our website. If you have not established an account, you will need your APERS ID number (which will be on any statements or correspondence we've sent you). If you have difficulty, call us for assistance.

Our call center can also process your request for a printed copy of your 1099-R. After we verify your identity, we will mail you the form. Remember that we are required to mail documents to the address we have on file for you, so make sure we always have your current contact information.

## Facebook Confidential

APERS regularly posts announcements on Facebook, and we're thrilled when you follow us, but we do not enter into conversations with members on Facebook. This is because Facebook isn't a secure place for those discussions. So please, **NEVER enter things like your mailing address, social security number, or phone number on a Facebook message or comment post to us (or anyone)**. Not everyone on Facebook is your friend.

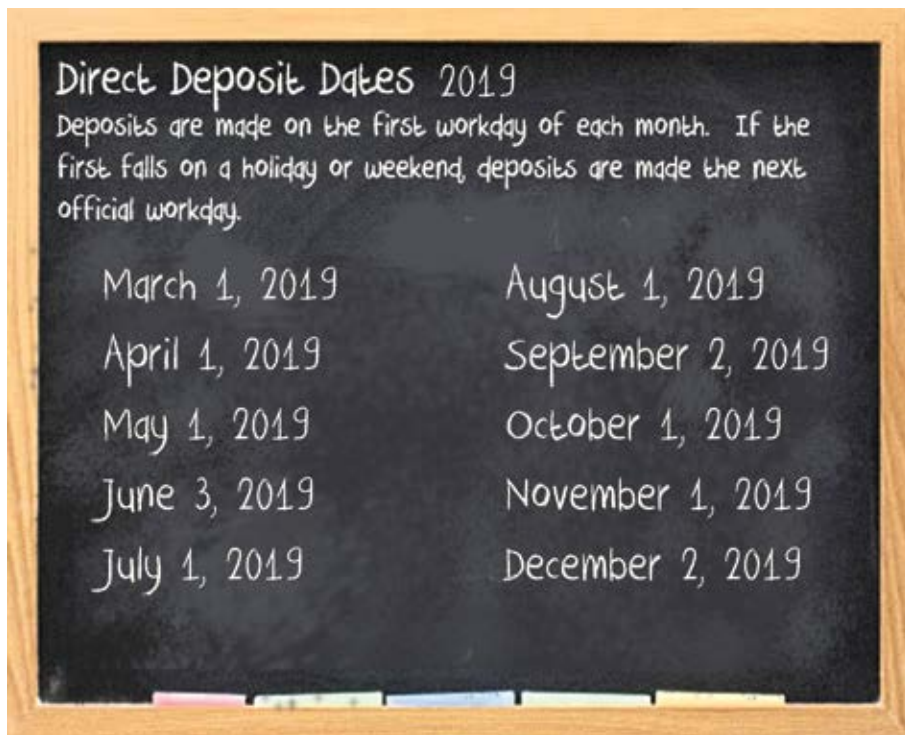
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## 2019 Direct Deposit Dates



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