COLA for Retired Teachers, Police, and Firefighters Signed Into Law

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On July 12, 2026, Governor Josh Shapiro signed into law Act 21 of 2026, which included a Cost of Living Adjustment for tens of thousands of Pennsylvania's longest retired teachers and public servants. The COLA was included in the Fiscal Code legislation that passed alongside the General Appropriations Budget for 2026-2027. This year's Fiscal Code includes a dedicated funding structure that addresses fiscal concerns while still delivering meaningful relief to retirees.

"In this budget, we're taking care of our public servants – the retired cops, teachers, firefighters, and state workers who served our Commonwealth. This is the year when we finally come together to give them a cost of living adjustment for the first time in more than two decades." Gov. Josh Shapiro

The COLA will provide increases of 15-24.5% of their current annuities (depending on the year of retirement) for more than 60,000 retirees of the Public School Employee's Retirement System and State Employees' Retirement System who retired before July 2, 2001. These so-called "pre-Act 9" retirees have not seen a pension increase in more than twenty years. Beneficiaries and survivor annuitants are not included.

For tens of thousands of retired municipal police officers and firefighters, the monthly increase is paid on a tiered system, based on the years they have been retired. The bill provides for a $75 increase per month for those officers retired 5-10 years, $150 per month for those retired 10-20 years, and $300 per month for those retired 20 plus years.

The effective date for the COLA increases is August 1, 2026, though it may take individual systems longer to process. The increases must be processed as quickly as is administratively feasible though, and will be paid retroactive to July 1, 2026. To be eligible, recipients must be receiving a superannuation, withdrawal, or disability annuity on July 1, 2026, have a retirement date prior to July 1, 2001, and not have service credited as certain specific retirement classes. The additional annuity will be paid automatically unless the recipient explicitly requests not to receive it, and it will be subject to the same terms and conditions as the existing option plan.

For fiscal year 2026-27, the requirements of this COLA could have a negative fiscal impact on municipal pension system, as the benefits commence in fiscal year 2026-27 but the reimbursements from the Commonwealth start in fiscal year 2027-28. For municipalities, some of this impact may be lessened if the Auditor General uses funds in the Municipal Aid Fund to address cash flow issues. For the next 10 years, beginning in fiscal year 2027/28, the transfers from the Department of Revenue will cover the certified costs of the supplemental annuities and special ad hoc postretirement adjustment.