

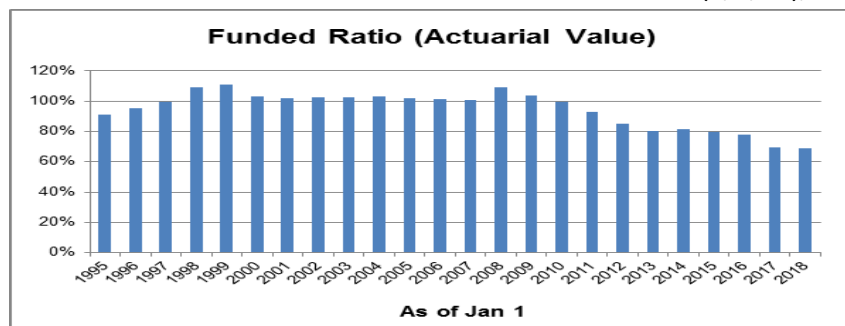
Why aren't KCPSRS Retirees getting a Cost of Living Adjustment (COLA)?

Missouri law (Revised Missouri Statutes section 169.324.3) does not allow the KCPSRS Board of Trustees to award a cost of living adjustment unless the following two requirements are met:

Requirement #1 - The funded ratio* of the Retirement System must be at least 100%.

**Funded Ratio (Assets/Liability) is a key metric for measuring a pension plan's financial sustainability.*

Current Status – As of the most recent actuarial valuation (1/1/18), the funded ratio is 69.2%.



What is important about the funded ratio?

- The funded ratio represents the funding progress of the system.
- The trend of the funded ratio is more important than the absolute level.

What impacts the funded ratio?

Contributions, benefit payments and investment earnings impact the ratio.

The System's funded ratio was very near or above 100% until the impact of the 2008 global investment market downturn was fully reflected in the actuarial valuations. Because investment gains and losses are smoothed into the actuarial valuation over five years, the funding ratio decline in 2009 – 2013 (as seen in the chart) reflects 2008's investment losses. In addition, during those same years, the KC school district closed several schools and, hence, the number of active members contributing to the Retirement System declined. Currently, there are more retirees who receive a monthly benefit payment from the System than active members for whom the System receives contributions.

Requirement #2 – The actual contribution rate paid by employers and active members must be equal to, or more, than the rate as determined by the actuary (Actuarial Required Contribution) for the year.

Current Status – The actual contribution rate paid by employers and employees (active members) has been below the actuarial required contribution since 2012 due to the recognition of the 2008 investment losses.

The good news is that legislation, passed in 2018, increases the employer contribution rate in 2019 and 2020, and thereafter mandates the actual rate to be paid by employers and employees will be equal to or above the ARC.

	2017	2018	2019	2020	2021	2022
Actual Contribution Total Rate	18.0%	18.0%	19.5%	21.0%	Equal or more than ARC	Equal or more than ARC
Actuarial Required Contribution (ARC)	18.6%	18.8%	Not yet determined	Not yet determined	Not yet determined	Not yet determined
Contribution Excess (Shortfall)	(0.6)%	(0.8)%	Not yet determined	Not yet determined	No shortfall	No shortfall

While it will still be years before we can expect the funded ratio to reach 100%, increasing the contribution rate is a huge step to improving the funding ratio over time and once the ratio is again 100% a COLA may be granted.

What's important?

First and foremost, the Board of Trustees' job is to safeguard KCPSRS assets for the continued payment of members' life time benefits. **The important thing is KCPSRS members and retirees are secure in receiving their expected monthly lifetime benefits.**