Cost of Living Adjustments (COLA)

For retirees who are already receiving social security benefits, the Social Security Administration announced a 1.6% benefit increase for 2020.

Per Missouri law (RSMO 169.324.3,) the Kansas City Public School Retirement System (KCPSRS) is prohibited from granting a COLA in 2020. According to KCPSRS’ most recent valuation report (as of 1/1/2019), the following two requirements of the law were not met:

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

*Funded ratio (Assets/long-term Liabilities)

**Current Status** – As of the most recent actuarial valuation (1/1/19), the funded ratio is 66.4%.

The System’s funded ratio is impacted by three things - investment earnings (gains & losses), contributions, and benefit payments. During 2009-2013, the investment loss of 2008, fewer contributions coming in, and more benefit payments going out all negatively and significantly impacted the System’s funded ratio. The 2008 global investment market downturn caused a major investment loss. The impact of which was “smoothed” into our actuarial valuations over a five period (‘09 - ’13). During that same time, several school closings caused a decrease in active members contributing to the System and more retirees drawing a monthly pension from the System.

In addition to these factors, in 2016, necessary changes to actuarial assumptions were implemented to recognize new mortality rates (people living longer) and lower expected long-term investment return rates. These changes had the effect of lowering the funded ratio from 78% in 2016 to 71% in 2017.

**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 for the year.

**Current Status** – The actual contribution rate paid by employers and active members has been slightly below the rate determined by the actuary since 2011.

**Good news!**

The good news is that legislation passed in 2018, increased the employer contribution rate in 2019 and again for 2020 and thereafter mandates the actual rate paid will be equal to or more than the rate determined by the actuary for the year.

This meaningful increase in contribution rates is a huge step to improving the funding ratio over time.

**What’s important?**

The important thing is KCPSRS members and retirees are secure in receiving their expected monthly lifetime benefits.