

Cost of Living Adjustments (COLA)

Updated 12/6/22

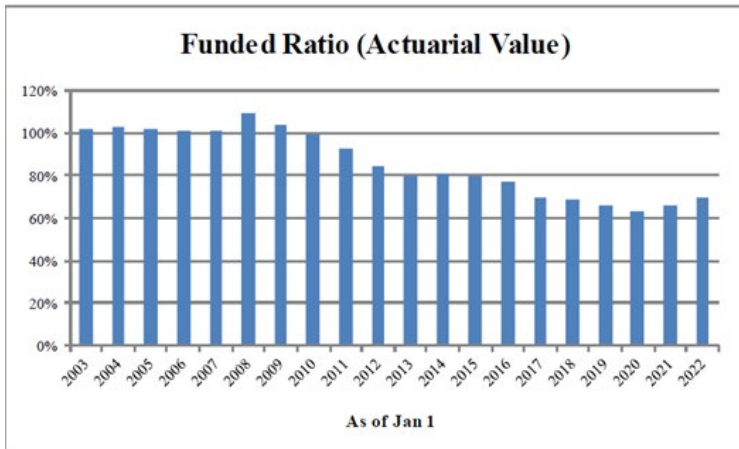
The Social Security Administration announces the new rate annually in October. The increase, announced in October, is 8.7% above this year. The new COLA will go into effect January 2023.

Per Missouri law (RSMO 169.324.3,) the Kansas City Public School Retirement System (KCPSRS) is prohibited from granting a COLA unless the following two requirement are met:

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

**(Funded ratio = Assets/long-term Liabilities)*

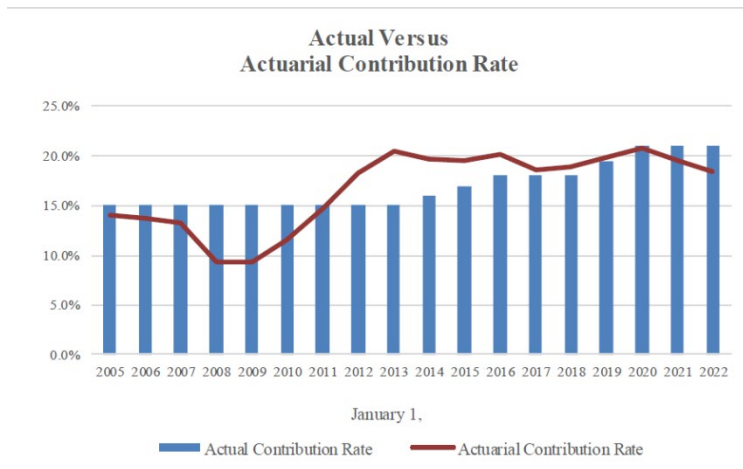
Currently – As of January 1, 2022, the funded ratio is 69.4%.



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. The contribution shortfall has been reduced due to increases in the member and employer contribution rates. Based on legislation passed in 2018, the employer contribution rate increased to 12% on January 1, 2020. Beginning July 1, 2021, the employer contribution rate will be based on the actuarial valuation results.

Requirement #2 – The actual contribution rate paid by employers and active members must be equal to or more than the actuarial required rate as determined by the actuary for the year.

Currently – The actual contribution rate (21%) paid by employers and active members has been slightly higher than the rate (18.40%) determined by the actuary as of January 1, 2022 (9% for employee and 12% employer).



Employee Contributions

Effective July 1, 2021, if the System is at least 100% funded, as determined by the actuarial valuation prepared for the prior calendar year, active members contribute the lesser of (a) 9% or (b) one-half of the actuarial required contribution rate. If the System is less than 100% funded, active members contribute 9%.

Employer Contributions

Effective July 1, 2021 and for each subsequent twelve-month period beginning July 1 of each year, the employer contribution rate shall be the greater of (1) the actuarial required contribution rate, as determined in the actuarial valuation prepared for the prior calendar year, less the active member contribution rate, or (2) 12% of pay, until the System is fully funded.