



Via Electronic Mail

July 31, 2020

The Board of Trustees
Police Retirement System of St. Louis
2020 Market Street
St. Louis, Missouri 63103

Re: October 1, 2020 Cost-of-Living Adjustment (COLA)

Dear Board Members:

As requested, we are writing to provide information on the cost-of-living adjustments for retirees and beneficiaries of the Police Retirement System. Per Sections 86.253-3 and 86.283-8 of the Missouri Revised Statutes, these adjustments are effective as of October 1st of each year.

This letter was prepared exclusively for the Police Retirement System for the purpose of determining the October 1, 2020 cost-of-living adjustment for the Police Retirement System members. This letter is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

The cost-of-living adjustment is based on the Consumer Price Index City Average (CPI) for the most recent 12-month period for which the index is available. For the 12-month period ending June 2020, this index increased 0.6%.

The adjustment in any one year is limited to 3%, and the cumulative adjustment for any member is limited to 30%. In accordance with past practice, the 30% limit is calculated with respect to the sum of the annual percentage adjustments, not the total compounded adjustment. Because of the 30% limit, there will be no 2020 adjustment for members who retired before October 1, 2004. The remaining members were unaffected by the 30% limit this year.

CPI increases above the 3% annual limit are “banked” for each member and used in years when the CPI increase is less than the 3% limit. In addition, if for any other reason, the increase granted is less than the CPI increase, that difference is also banked. No members who retired between October 1, 2004 and September 30, 2019 had a banked increase.

Section 86.253-3 of the Missouri Revised Statute stipulates that no increase shall be made of less than 1.0%. As such, there will be no 2020 adjustment for members who retired on or after October 1, 2004. Instead, the 0.6% increase will be banked to be added during a future adjustment for those members.

We recommend that the Board approve the following table regarding adjustments to the continuing payments to retired members and beneficiaries, effective October 1, 2020.

Date of Retirement	Number of Increases	Percentage at October 1, 2020	Total Percentage Remaining After 2020 Increase	Total Banked Increase Available for Future Years
10/01/2004 to 09/30/2005	14	0.0%	1.9%	0.6%
10/01/2005 to 09/30/2006	13	0.0%	6.2%	0.6%
10/01/2006 to 09/30/2007	12	0.0%	8.9%	0.6%
10/01/2007 to 09/30/2008	10	0.0%	12.5%	0.6%
10/01/2008 to 09/30/2009	10	0.0%	12.5%	0.6%
10/01/2009 to 09/30/2010	9	0.0%	13.6%	0.6%
10/01/2010 to 09/30/2011	8	0.0%	17.2%	0.6%
10/01/2011 to 09/30/2012	7	0.0%	18.9%	0.6%
10/01/2012 to 09/30/2013	6	0.0%	20.7%	0.6%
10/01/2013 to 09/30/2014	5	0.0%	22.8%	0.6%
10/01/2014 to 09/30/2015	4	0.0%	22.9%	0.6%
10/01/2015 to 09/30/2016	3	0.0%	23.9%	0.6%
10/01/2016 to 09/30/2017	2	0.0%	25.5%	0.6%
10/01/2017 to 09/30/2018	1	0.0%	28.4%	0.6%
10/01/2018 to 09/30/2019	0	0.0%	30.0%	0.6%

In preparing our letter, we relied on information (some oral and some written) supplied by the Police Retirement System staff. This information includes, but is not limited to, the plan provisions and historical COLA information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

This letter and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices, and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board, as well as applicable laws and regulations. Furthermore, as a credentialed actuary, I meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this letter.

This letter does not address any contractual or legal issues. I am not an attorney, and our firm does not provide any legal services or advice.

Please feel free to call me at (703) 893-1456 extension 1030 should you have any questions.

Sincerely,
 Cheiron



Stephen T. McElhaney, FSA, FCA, EA, MAAA
 Principal Consulting Actuary

cc: Cheryl Donofrio
 Michael Noble, FSA, Cheiron
 Patrick Nelson, FSA, Cheiron

