

***Via Electronic Mail***

August 20, 2015

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

***Re: October 1, 2015 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 1<sup>st</sup> of each year.

This letter was prepared exclusively for the Police Retirement System for the purpose of determining the October 1, 2015 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 2015, this index increased 0.1%.

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 2015 adjustment for members who retired before October 1, 2000. The remaining members were unaffected by the 30% limit in this year.

CPI increases above the 3% annual limit are “banked” for each member and used in years when the CPI increase was less than the 3% limit. No members who retired between October 1, 2000 and September 30, 2014 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 2015 adjustment for members who retired on or after October 1, 2001. Instead, the 0.1% increase will be banked to be added during a future adjustment for those members.

Members who retired between October 1, 2000 and September 30, 2001 will receive an adjustment of 0.1%. This will occur despite the restriction on increases below 1.0% because they have received a 29.9% cumulative adjustment to date and so cannot receive an adjustment more than 0.1% in any circumstance.

We have created a non-final listing of all retirees and beneficiaries who will receive a cost-of-living adjustment as of October 1, 2015. This list consists of thirty-two members and five spouses who will receive a 0.1% cost-of-living increase. This list may change between now and October 1, 2015 if any new widow calculations are required for the thirty-two members.

We have also attached a non-final Excel file with the updated monthly benefit amounts. Both the listing and the Excel file will be sent to you via the Cheiron Secure Portal.

The layout of the Excel file is as follows:

<u>Data</u>	<u>Position</u>
“S”	Column A
Social Security Number	Column B
Monthly Pension Amount	Column C
Monthly Consultant Benefit Amount	Column D

We recommend that the Board approve the following adjustments to the continuing payments to retired members and beneficiaries, effective October 1, 2015.

<b>Date of Retirement</b>	<b>Number of Increases</b>	<b>Percentage at October 1, 2015</b>	<b>Total Percentage Remaining After 2015 Increase</b>	<b>Total Banked Increase Available for Future Years</b>
10/01/2000 to 09/30/2001	14	0.1%	0.0%	0.0%
10/01/2001 to 09/30/2002	13	0.0%	1.2%	0.1%
10/01/2002 to 09/30/2003	12	0.0%	3.3%	0.1%
10/01/2003 to 09/30/2004	11	0.0%	6.6%	0.1%
10/01/2004 to 09/30/2005	10	0.0%	9.1%	0.1%
10/01/2005 to 09/30/2006	9	0.0%	13.4%	0.1%
10/01/2006 to 09/30/2007	8	0.0%	16.1%	0.1%
10/01/2007 to 09/30/2008	6	0.0%	19.7%	0.1%
10/01/2008 to 09/30/2009	6	0.0%	19.7%	0.1%
10/01/2009 to 09/30/2010	5	0.0%	20.8%	0.1%
10/01/2010 to 09/30/2011	4	0.0%	24.4%	0.1%
10/01/2011 to 09/30/2012	3	0.0%	26.1%	0.1%
10/01/2012 to 09/30/2013	2	0.0%	27.9%	0.1%
10/01/2013 ro 09/30/2014	1	0.0%	30.0%	0.1%

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.

To the best of my knowledge, this letter and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. 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  
Principal Consulting Actuary

cc: Mike Noble, FSA  
Cheryl Donofrio