



August 12, 2013

VIA ELECTRONIC MAIL

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

Re: October 1, 2013 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, 2013 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 2013, this index increased 1.8%.

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 2013 adjustment for members who retired before October 1, 1999, and members who retired between October 1, 1999 and September 30, 2000 will only receive an adjustment of 0.8%.

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, 1999 and September 30, 2012 had a banked increase.

We recommend that the Board approve the following adjustments to the continuing payments to retired members and beneficiaries, effective October 1, 2013.



Date of Retirement	Number of Increases	Percentage at October 1, 2013	Total Percentage Remaining After 2013 Increase
10/01/1999 to 09/30/2000	13	0.8%	0.0%
10/01/2000 to 09/30/2001	12	1.8%	2.2%
10/01/2001 to 09/30/2002	11	1.8%	3.3%
10/01/2002 to 09/30/2003	10	1.8%	5.4%
10/01/2003 to 09/30/2004	9	1.8%	8.7%
10/01/2004 to 09/30/2005	8	1.8%	11.2%
10/01/2005 to 09/30/2006	7	1.8%	15.5%
10/01/2006 to 09/30/2007	6	1.8%	18.2%
10/01/2007 to 09/30/2008	4	1.8%	21.8%
10/01/2008 to 09/30/2009	4	1.8%	21.8%
10/01/2009 to 09/30/2010	3	1.8%	22.9%
10/01/2010 to 09/30/2011	2	1.8%	26.5%
10/01/2011 to 09/30/2012	1	1.8%	28.2%

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 #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
Steve Olish