

## **KCPERS Policy**

### **Policy #028 – Cost of Living Adjustment**

**Adopted: November 12, 2020**

**Revised: April 10, 2025**

The Retirement Board adopts the following Cost of Living Adjustment (COLA) policy to establish guidelines for granting a COLA to retirees and beneficiaries of the Kansas City Police Employees' Retirement System (KCPERS), ensuring prudent decisions, maintaining the system's actuarial soundness, and providing flexibility to the Board in response to changing economic conditions. This policy is governed by the relevant statutes, including RSMo Section 86.1200 for the Police Retirement System and RSMo Section 86.1310 for the Civilian Employees' Retirement System.

#### **1. Actuarial Soundness**

The Retirement System shall remain actuarially sound, as determined by the system's actuary, following any COLA adjustments.

#### **2. Board Discretion**

The Board of Trustees retains the discretion to grant COLAs on an ad hoc basis. When considering a COLA, the Board will evaluate factors including, but not limited to:

- **Actuarial Impact:** The effect of the proposed COLA on the system's liabilities and funded status.
- **Economic Indicators:** Current inflation rates, cost of living indices, and other relevant economic data.
- **Financial Health:** The overall financial condition of the Retirement System, including investment performance and contribution levels.
- **Member Needs:** The necessity to provide retirees and beneficiaries with adjustments to maintain their purchasing power.

#### **3. COLA Determination Process**

In making a determination regarding the granting of a COLA, the Board shall:

- Consult with the system's actuary to assess the impact of potential COLA percentages on the plan's funded ratio and long-term sustainability.
- Discuss the findings and consider the appropriateness of granting a COLA under Board Discretion factors, including the percentage increase and the effective date.

#### **4. Limitations**

While the Board has the flexibility to determine the timing and amount of a COLA, any adjustment must:

- Be confirmed upon advice of the system's actuary that system is (i) presently actuarially sound, and (ii) will remain actuarially sound following the grant of any proposed COLA to ensure that the long-term financial stability of the fund is not jeopardized.
- Align with the membership's best interests, maintaining the Retirement System's ability to fulfill its long-term obligations.

- In no event be more than three percent or reduce the pension to an amount less than the base pension

**5. Communication**

Decisions regarding COLAs will be communicated promptly to all stakeholders, including retirees, beneficiaries, active members, and employers, detailing any adjustments' rationale and effective dates.

**Review and Amendments**

This policy shall be reviewed periodically to ensure its continued relevance and effectiveness in guiding COLA decisions. The Board reserves the right to amend this policy as necessary, based on actuarial advice, changes in economic conditions, or other pertinent factors.