



PUBLIC SCHOOL & EDUCATION EMPLOYEE
RETIREMENT SYSTEMS OF MISSOURI

Retiree Cost-of-Living Adjustment Set at 2% for January 2012

JEFFERSON CITY, MO (August 31, 2011) At the August 29, 2011 Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) Board of Trustees' meeting, the Board voted to provide a 2% cost-of-living adjustment (COLA) for all eligible benefit recipients, effective January 2012.

As a result of extensive research, the Board of Trustees adopted a Funding Stabilization Policy in an effort to stabilize the contribution rates for members and school districts as well as positively impact the overall financial soundness of the Systems. A 2% annual COLA is part of the Funding Stabilization Policy adopted by the Board at the August meeting. Under the Policy, in years when the change in the Consumer Price Index for Urban Consumers (CPI-U) for the preceding fiscal year (July 1 to June 30) is between 0% and 5%, a 2% COLA will be given.

The Board has some statutory discretion when setting the COLA, and takes into consideration many factors including recommendations from the actuary and the overall financial health of the Systems. In addition, Missouri law provides specific parameters for the PSRS/PEERS Board of Trustees when setting the annual COLA. If the change in the CPI-U is between 0% and 5%, legal guidelines for setting the COLA are:

- If the CPI is 2% or more, the COLA must be at least 2% but no more than 5%.
- If the CPI is between 0% and 2%, the Board may grant a COLA of 0% to 5%.

However, if the change in the CPI-U is less than 0%, no increase can be given. If it is 5% or higher, the Board is required to give a 5% increase providing extra protection in times of high inflation.

The CPI-U for July 1, 2010 to June 30, 2011 was 3.6%.

By adopting the Funding Stabilization Policy, the Board has improved the overall financial status of the Systems in order to continue to provide sound retirement benefits for current and future generations of Missouri's teachers and school employees.

"This method of granting COLAs is a component of the Funding Stabilization Policy that will help us keep the Systems financially healthy for the entire membership," said Dr. Aaron Zalis, PSRS/PEERS Board Chair. He added, "It also allows our retirees to plan ahead for a consistent 2% benefit increase most years."

In the past, the annual COLA has been tied more closely to the CPI-U, often resulting in large year-to-year variations in the amount given, from 0% to 5%. The COLA for both 2010 and 2011 was set at 0%.

To learn more about the PSRS/PEERS Funding Stabilization Policy, visit <http://www.psr-peers.org/PSRS/News-FundingStabilizationPolicy.htm>.