AUSTIN POLICE RETIREMENT SYSTEM
COLA ADJUSTMENT POLICY

The purpose of this policy is to provide the actuarial basis for the determination of the collective adjustment amount available for cost-of-living adjustments under Section 6.01(c) of the Act. Satisfaction of actuarial soundness and financial stability of the System must be met prior to any postretirement adjustments under Section 6.01 of the Act.

Subject to the terms of the Act, including without limitation, Section 6.01(d)(2), a projection to measure the liabilities associated with a cost-of-living adjustment under a specified set of actuarial assumptions will be performed to demonstrate the soundness and stability of the System over an extended period following such improvement.

The period for the projection will be a ten-year period beginning with the effective date of most recent actuarial valuation (which must be no more than 12 months prior to the effective date of the cost-of living adjustment). Such projection will be based on the actuarial methods and assumptions typically utilized by the Plan, except for the following:

- **The investment rate of return assumed for the experience on plan assets for the initial year of the projection will be equal to the product of the actual rate of return on Plan assets realized from January 1 through September 30 of such year and the Plan’s actuarial rate of return for the period October 1 through December 31 of such year.**

- **The basis of the cost-of-living adjustment under Section 6.01(c) shall be the increase in the CPI-U for the 12 month period ending on the September 30 of the initial year of the projection.**

Actuarial soundness and financial stability for purposes of adoption of a cost-of-living adjustment will be demonstrated by satisfying the following two parameters for all years in the projection period.

1) **The funding period to amortize the unfunded accrued actuarial liability after the cost-of-living adjustment may not exceed 30 years for any year during the ten-year projection period;**

2) **The GASB 25 funding ratio after the cost-of-living adjustment would not be less than 80% for any year in the ten-year projection period.**

A “de minimis” cost-of-living adjustment will not be considered to adversely impact actuarial soundness or financial stability of the System and will not subject to the requirements stated immediately above. A cost-of-living adjustment will be defined as de minimis if the following criteria are satisfied:

1) **The increase in the normal cost rate arising from the cost-of-living adjustment is 0.1% of covered payroll or less; and**

2) **The increase in the funding period to amortize the unfunded accrued actuarial liability is 0.2 years or less.**

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Peter Morin, APRS Chair
July 16, 2013