

MIAMI FIREFIGHTERS' AND POLICE OFFICERS' RETIREMENT SYSTEM

A BRIEF EXPLANATION OF COST OF LIVING ADJUSTMENTS

THE COST OF LIVING ADJUSTMENT (COLA) PROVISIONS OF THE SYSTEM ARE FOUND IN SECTION 40-204 OF THE CITY CODE. THIS MEMO IS INTENDED AS A PLAIN LANGUAGE EXPLANATION OF HOW THE COLA WORKS. IN THE EVENT OF ANY DIFFERENCE BETWEEN THE CODE AND THIS MEMO, THE CODE IS THE FINAL AUTHORITY.

BEGINNING IN 1976 A LAWSUIT WAS BEGUN BY A GROUP OF POLICE AND FIRE MEMBERS AND RETIREES CHALLENGING THE CITY'S FUNDING AND MANAGEMENT OF THE SYSTEM. THIS IS KNOWN AS THE "GATES" LITIGATION. IT WAS ORIGINALLY SETTLED IN 1985 AND A FIXED RATE COLA WAS ONE OF THE BENEFITS CREATED IN THE SETTLEMENT.

IN 1994, THE GATES SETTLEMENT WAS AMENDED AND THE COLA BENEFIT CHANGED TO AN INVESTMENT BASED AMOUNT.

SINCE 1994 THE COLA HAS BEEN FUNDED THROUGH EXCESS INVESTMENT RETURN. ASSETS OF THE SYSTEM ARE PROFESSIONALLY INVESTED. EACH YEAR, THE ACTUARY DOES A SCIENTIFIC PREDICTION ABOUT THE EXPECTED EARNINGS ON THE INVESTMENTS. AT THE END OF THE YEAR, WE KNOW WHAT THE ACTUAL EARNINGS ARE.

EXCESS INVESTMENT RETURN IS THE DIFFERENCE BETWEEN WHAT THE SYSTEM IS PREDICTED TO MAKE ON ITS INVESTMENTS BY THE ACTUARY AND THE ACTUAL AMOUNT EARNED. THE AMOUNT OF THE EXCESS THAT GOES INTO THE COLA FUND IS BASED ON A CHART CONTAINED IN THE CITY CODE.

TO BE ELIGIBLE FOR COLA, A RETIREE MUST HAVE BEEN RETIRED FOR FOUR (4) FULL YEARS AFTER AGE 46. DISABILITY RETIREES, DEATH BENEFIT SURVIVORS, AND MEMBERS WHO SEPARATED WITH A VESTED INTEREST PRIOR TO NORMAL RETIREMENT ELIGIBILITY HAVE A SLIGHTLY LONGER WAITING PERIOD.

THE CURRENT COLA IS BASED ON THE LENGTH OF TIME A MEMBER HAS BEEN RETIRED. THIS RESULTS IN THE OLDEST RETIREES, WHO ALSO HAVE THE SMALLEST PENSIONS, RECEIVING A LARGER COLA.

WHEN THE SYSTEM HAS EXCESS EARNINGS, AND THE PORTION IDENTIFIED FOR COLA IS CALCULATED, IT IS TRANSFERRED TO THE COLA FUND. THE AMOUNT OF THE COLA PAYABLE IS DEPENDENT ON RETURNS AND AVAILABLE ASSETS.

IF THE INVESTMENTS DO NOT PERFORM BETTER THAN EXPECTED, THEN NO EXCESS EARNINGS ARE PROVIDED TO THE COLA FUND. THIS DOES NOT MEAN, HOWEVER, THAT RETIREES DO NOT RECEIVE A COLA. THE CITY CONTRIBUTES A MINIMUM AMOUNT TO THE COLA FUND AND ASSETS IDENTIFIED FOR THE COLA EARN INTEREST THROUGH INVESTMENTS. THIS ALLOWS AN UNINTERRUPTED PAYMENT OF COLA.

MEMBERS SHOULD BE AWARE THAT THE ABILITY TO RECEIVE EXCESS EARNINGS WILL REQUIRE INVESTMENT LOSSES IN PRIOR YEARS TO BE "MADE UP." AS A PRACTICAL MATTER, AS LONG AS THE CURRENT FUND IS NOT DEPLETED, COLA'S WILL CONTINUE.

UNLIKE YOUR MONTHLY PENSION BENEFIT WHICH IS A GUARANTEED AMOUNT, THERE IS NO GUARANTEE TO A SPECIFIC COLA AMOUNT. IT IS BASED ON AVAILABLE RESOURCES. PART OF THE "GATES" 1994 SETTLEMENT IS A COLA CHART WHICH SETS OUT THE PATTERN OF PAYMENT. THAT CHART HAS ALSO BEEN MADE A PART OF CITY CODE SECTION 40-204.

THUS FAR, THE COLA PROGRAM HAS ENABLED RETIREES TO LIVE WITH THEIR RETIREMENT IN DIGNITY AND SECURITY. THE BOARD CONTINUES TO WORK DILIGENTLY TOWARD THE CONTINUED FINANCIAL SECURITY OF THE COLA FUND AND THE SYSTEM AS A WHOLE.

IF YOU HAVE ANY QUESTIONS ABOUT COLA OR ANY OTHER ASPECT OF YOUR RETIREMENT PLAN, PLEASE CONTACT THE PENSION OFFICE.