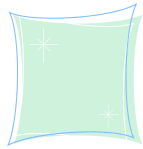


SCERA Retirement Board Meeting

COLA and Reserve Policy Decision
Points

September, 2023



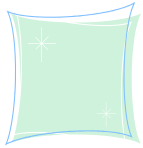
SCERA COLA and Reserve Policy Decision Points

The retirement plan COLA is an ad hoc purchasing power COLA

- Paid for with smoothed excess investment earnings

Smoothed excess investment earnings that can be used to pay for a COLA are what is left over after interest is credited to SCERA's reserves AND funds are set aside in a contingency reserve

- The amount that is required to be set aside is 1% of plan assets
- SCERA increased that amount to 3%



SCERA COLA and Reserve Policy Decision Points

Interest crediting

- Amount
- Tracking Shortfalls – Negative Contingency Reserve

Contingency Reserve amount (1%, 3%, ??%)

COLA Screening Criteria

- Funded ratio
- Surplus of xx%
- Annual vs. cumulative tracking of investment earnings
- Other?