

Policy for Granting Cost-of-Living Adjustments

The Board of Trustees for the Municipal Employees' Retirement System of Louisiana (MERS) recognizes that it has the authority to grant cost-of-living adjustments (COLAs) for its retirees and beneficiaries under two different statutory mechanisms:

- 1) an excess interest earnings COLA of up to 3%, in accordance with R.S. 11:1761, or
- 2) a Funding Deposit Account COLA, using R.S. 11:243.

The Board may grant an additional COLA of 2% to retirees over age 65, pursuant to R.S. 11:246.

Based upon the recommendation of its actuary, and to ensure the actuarial soundness of the system, the Board of Trustees unanimously agreed to adopt the Funding Deposit Account method as its preferred mechanism to grant COLAs.

The Funding Deposit Account receives funds when the employer contribution rate set by the Board is higher than the actuarially required contribution.

Accordingly, the Board agreed that the following parameters are prerequisites to granting a COLA:

- The balance in the Funding Deposit Account for the plan for which a COLA is considered must have a sufficient balance to pre-fund the amount of the COLA granted.
- Retirees to receive the COLA must have been retired for at least one year from the effective date of the COLA. In the case of survivors, the combination of both retiree and survivor payments must have been for a minimum of twelve (12) months prior to the date of the COLA.
- The funded ratio for the plan in which the COLA is granted must be at least 70%.
- If the funded ratio is between 70% and 80%, the Board may grant a COLA if the above conditions are met, and no COLA was granted in the three most recent fiscal years.

- If the funded ratio is between 80% and 90%, the Board may grant a COLA if the above conditions are met, and no COLA was granted in the two most recent fiscal years.
- If the funded ratio is 90% or greater, the Board may grant a COLA if the above conditions are met, and no COLA was granted in the most recent fiscal year.

The Board therefore instructs its actuary to account for COLA funding based on this policy.

Nothing in this policy should be construed as a limitation on the Board's authority to allocate monies from the Funding Deposit Account for purposes other than the payment of COLAs.

Adopted this 21st day of April, 2022.



Susan Percle, Chair