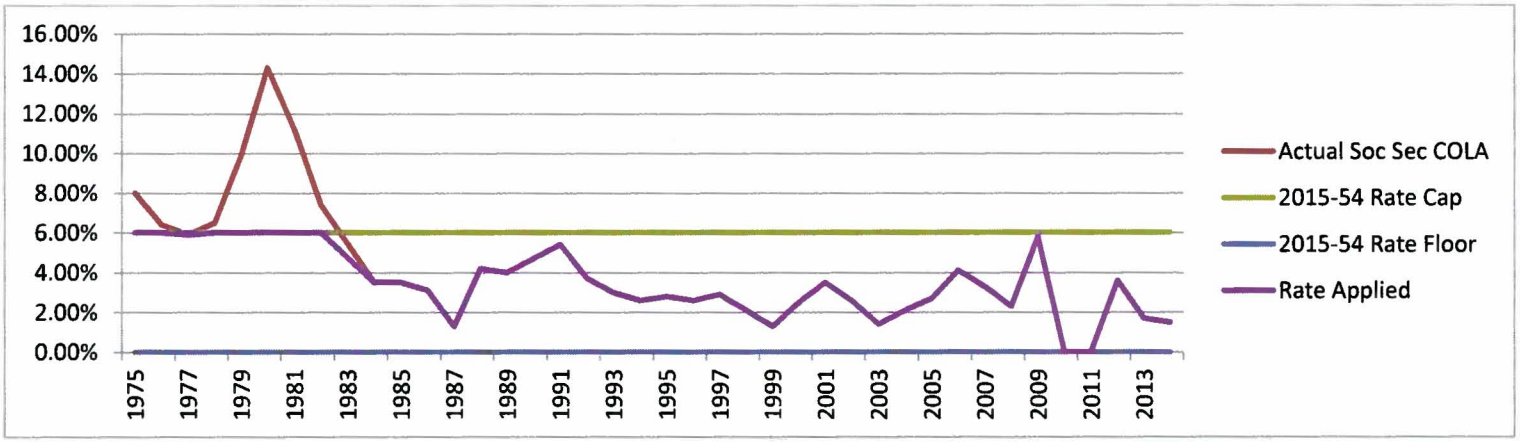
February 2nd, 2015

To: Honorable City Council Members
From: Patrick "Joey" Greive, CFA, CFP®, City Treasurer

RE: Social Security COLA history

As the City Council considers the COLA (Cost of Living Adjustment) amendment to benefits not yet earned by current employees of the police and fire pension fund, please see the below historical actual rates applied for Social Security COLA. The below chart and data show this history for all periods which exist on the Social Security Administration's website. (http://www.ssa.gov/news/cola/automatic-cola.htm)

The below exhibits cover the period from 1975 to 2014. Please note that outside of the highly inflationary early periods, COLA has rarely exceeded 4%. Specifically, over the past 20 years the Social Security COLA has exceeded 4% on only two occasions. The main benefit to the City is that this will now be a floating rate tied to economic outcomes, rather than a guaranteed fixed rate as exists in the plan today.



July 1975 -- 8.0%	January 1984 -- 3.5%	January 1992 -- 3.7%	January 2000 -- 2.5%	January 2008 -- 2.3%
July 1976 -- 6.4%	January 1985 -- 3.5%	January 1993 -- 3.0%	January 2001 -- 3.5%	January 2009 -- 5.8%
July 1977 -- 5.9%	January 1986 -- 3.1%	January 1994 -- 2.6%	January 2002 -- 2.6%	January 2010 -- 0.0%
July 1978 -- 6.5%	January 1987 -- 1.3%	January 1995 -- 2.8%	January 2003 -- 1.4%	January 2011 -- 0.0%
July 1979 -- 9.9%	January 1988 -- 4.2%	January 1996 -- 2.6%	January 2004 -- 2.1%	January 2012 -- 3.6%
July 1980 -- 14.3%	January 1989 -- 4.0%	January 1997 -- 2.9%	January 2005 -- 2.7%	January 2013 -- 1.7%
July 1981 -- 11.2%	January 1990 -- 4.7%	January 1998 -- 2.1%	January 2006 -- 4.1%	January 2014 -- 1.5%
July 1982 -- 7.4%	January 1991 -- 5.4%	January 1999 -- 1.3%	January 2007 -- 3.3%	

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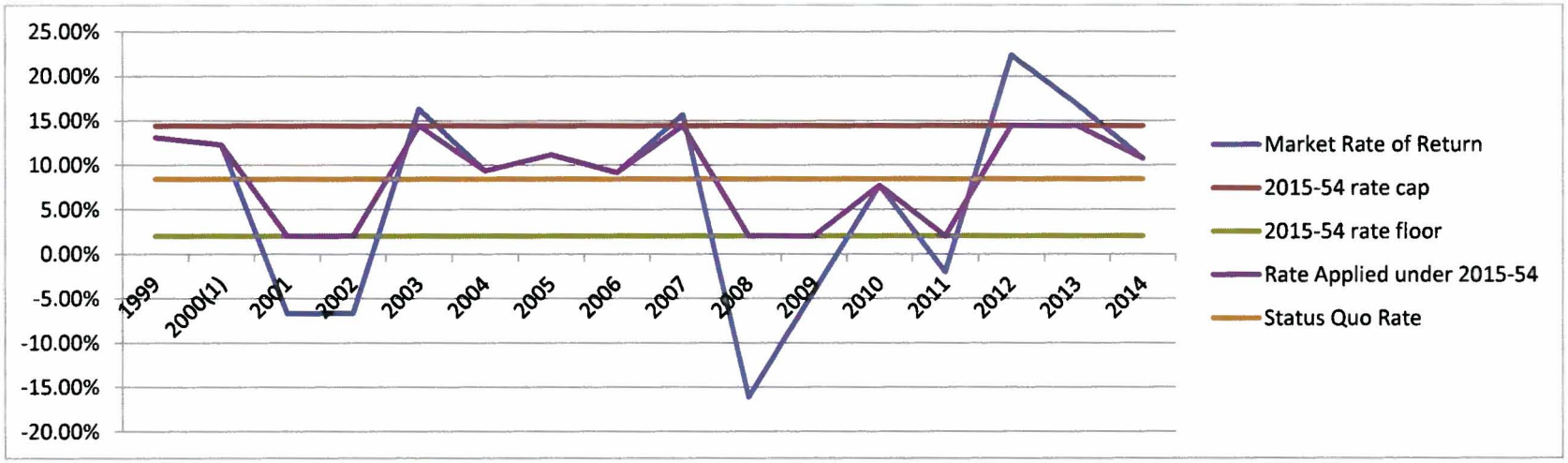
RE: Deferred Retirement Option Program (DROP) history

As the City Council reviews and considers the amendment to the DROP rate of return range for current non-retirement or DROP eligible employees within the Police and Fire Pension Fund please find the below relevant chart and data. This is to show what the rate would have been under this amended range had such range been in place using all immediately available years of data.

The below exhibit covers the period from 1999 to 2014. The main benefit to the employer is that the rate of return applied to DROP accounts going forward will be a floating rate tied to economic outcomes, rather than a guaranteed fixed rate as exists in the plan today. Highlighted below are years in which an artificially high rate of return was paid due to the 8.4% guaranteed rate of return.



	1999	2000(1)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Market Rate of Return	13.08%	12.27%	-6.72%	-6.68%	16.28%	9.33%	11.15%	9.14%	15.69%	-16.12%	-4.22%	7.70%	-2.07%	22.33%	16.81%	10.73%
2015-54 rate cap	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%	14.4%
2015-54 rate floor	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Rate Applied under 2015-54	13.08%	12.27%	2.00%	2.00%	14.40%	9.33%	11.15%	9.14%	14.40%	2.00%	2.00%	7.70%	2.00%	14.40%	14.40%	10.73%
Status Quo Rate	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%	8.40%

(1) Valuation performed on 3/31/2000