



BOARD OF RETIREMENT

Staff Report

File #: 19-772

Agenda Date: 2/6/2020

Agenda #: 22.

FROM: Amy McInerny, Chief Financial Officer

SUBJECT: Retiree COLA - Effective April 1, 2020

RECOMMENDATION:

Approve an annual retiree cost-of-living adjustment of 2.00% effective April 1, 2020 and increase, by 1.00%, the accumulated COLA bank.

BACKGROUND:

Government Code (GC) section 31870 requires the cost-of-living adjustment (COLA) be calculated by rounding, to the nearest one-half percent, the percentage of annual increase or decrease in the cost-of-living as of January 1st each year, as shown by the Bureau of Labor Statistics Consumer Price Index of All Urban Consumers (CPI) for the Riverside-San Bernardino-Ontario area. A COLA is provided at a maximum of 2.00% per year.

Segal Consulting (Segal), SBCERA's independent actuary, has determined the COLA in accordance with GC section 31870 to be 3.00% as of January 1, 2020.

The COLA is calculated by comparing the region's value of the past two November CPI indices. The Riverside-San Bernardino-Ontario area index began December 2018 and is measured at each odd month. The ratio of these indices, 106.573 in 2019 and 103.616 in 2018, is 1.0285:

$$\frac{\text{November 2019}}{\text{December 2018}} = \frac{106.573}{103.616} = 1.0285$$

GC section 31870 indicates that the resulting percentage change of 2.85% should be rounded to the nearest one-half percent, which is 3.00%.

SBCERA members and eligible beneficiaries who have a benefit effective date on or before April 1, 2020 will receive a 2.00% COLA effective April 1, 2020 and their accumulated COLA bank will increase by 1.00%.

BUDGET IMPACT:

None.

STRATEGIC PLANNING GOAL/OBJECTIVE:

Prudent Fiscal Management

STAFF CONTACT:

Amy McInerny

ATTACHMENTS:

Exhibit A: Segal's COLA letter

Exhibit B: Frequently Asked Questions regarding the COLA