



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 6

MEETING DATE: February 19, 2020

SUBJECT: Cost-of-Living Adjustments as of April 1, 2020

SUBMITTED FOR: Consent Deliberation and Action Receive and File

RECOMMENDATION

Staff recommends that the Board approve cost-of-living adjustments (COLA) effective April 1, 2020 as follows:

- Miscellaneous Tier 1 and Safety Tier 1 with retirement date on or before 3/31/1978: 4.0%
- Miscellaneous Tier 1 and Safety Tier 1 with retirement date on or after 4/1/1978: 3.5%
- Miscellaneous Tiers 3, 4, and 5 and Safety Tiers 2, 3, and 4: 2.0%
- Miscellaneous Tier 2: No COLA

PURPOSE

This item complies with Government Code Sections 31870 and 31874.2.

DISCUSSION

Staff has determined and Segal has certified the cost-of-living adjustments in accordance with Sections 31870 and 31874.2 of the Government Code.

The cost-of-living factor to be used effective April 1, 2020 is determined by comparing the annual average consumer price index (CPI) for the San Francisco-Oakland-Hayward Area (with 1982-84 as the base period) in each of the past two years. The ratio of the past two annual average indices, 295.004 in 2019 and 285.550 in 2018 is .0331. The Government Code sections cited above indicate that the resulting percentage change of 3.31% should be rounded to the nearest one-half percent, which is 3.5%.

The actual cost-of-living adjustment is dependent on plan, tier, and date of retirement. The CPI adjustment to be applied on April 1, 2020 is provided in the "CPI Used" column of the attached Segal COLA Letter. The unused cost-of-living adjustments carry over from past years that have not been used as of April 1, 2020, known as the "COLA bank," appear in the final column entitled "April 1, 2020 Accumulated Balance."

A letter of notice is attached and will be posted on the SCERS' website.

ATTACHMENTS

- Segal COLA analysis
- COLA Retiree Notice

/S/

Debbie Chan
Senior Accounting Manager

/S/

Eric Stern
Chief Executive Officer



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VIA E-MAIL & USPS

January 22, 2020

Mr. Eric Stern
Chief Executive Officer
Sacramento County Employees' Retirement System
980 9th Street, Suite 1900
Sacramento, CA 95814-2738

**Re: Sacramento County Employees' Retirement System
Cost-of-Living Adjustments (COLA) as of April 1, 2020**

Dear Eric:

We have determined the cost-of-living adjustments for the System in accordance with Sections 31874.2 and 31870, as provided in the enclosed exhibits.

The cost-of-living factor to be used by the System on April 1, 2020 is determined by comparing the Bureau of Labor Statistics' annual average CPI for the San Francisco-Oakland-Hayward Area (with 1982-84 as the base period) in each of the past two years. The ratio of the past two annual indices, 295.004 in 2019 and 285.550 in 2018, is 1.0331. The County Law sections cited above indicate that the resulting percentage change of 3.31% should be rounded to the nearest one-half percent, which is 3.5%.

Please note the above cost-of-living adjustments calculated using established procedures for SCERS may result in adjustments different from those calculated using alternative procedures by other systems.

Except for members in Miscellaneous Tier 2 who are ineligible for any adjustments, the actual cost-of-living adjustment for members in other tiers is dependent on tier and date of retirement. The CPI adjustment to be applied on April 1, 2020 is provided in Column (4) of the enclosed exhibits. The COLA banks are provided in Column (5).

Please give us a call if you have any questions.

Sincerely,

A handwritten signature in dark ink that reads "Andy Yeung".

Andy Yeung, ASA, MAAA, FCA, EA
Vice President & Actuary

DNA/bbf
Enclosures

Sacramento County Employees' Retirement System
 Cost-Of-Living Adjustment
 As of April 1, 2020

| Retirement Date | (1) April 1, 2019 Accumulated Carry-over ⁽¹⁾ | (2) CPI Change ⁽²⁾ | (3) CPI Rounded ⁽³⁾ | (4) CPI Used ⁽⁴⁾ | (5) April 1, 2020 Accumulated Carry-over ⁽⁵⁾ | | |
|--|--|-------------------------------------|--------------------------------------|-----------------------------------|--|------|-------|
| Miscellaneous and Safety Tier 1 | | | | | | | |
| Section 31874.2 | | | | | | | |
| Maximum Annual COLA | | | | | | | |
| | 4.0% | | | | | | |
| Before 07/01/1967 | | | | | | | |
| 07/01/1967 | to | 06/30/1968 | 28.5% | 3.31% | 3.5% | 4.0% | 28.5% |
| 07/01/1968 | to | 03/31/1969 | 27.5% | 3.31% | 3.5% | 4.0% | 28.0% |
| 04/01/1969 | to | 03/31/1970 | 25.0% | 3.31% | 3.5% | 4.0% | 27.0% |
| 04/01/1970 | to | 03/31/1971 | 22.5% | 3.31% | 3.5% | 4.0% | 24.5% |
| 04/01/1971 | to | 03/31/1972 | 20.5% | 3.31% | 3.5% | 4.0% | 22.0% |
| 04/01/1972 | to | 03/31/1973 | 19.5% | 3.31% | 3.5% | 4.0% | 20.0% |
| 04/01/1973 | to | 03/31/1974 | 19.0% | 3.31% | 3.5% | 4.0% | 19.0% |
| 04/01/1974 | to | 03/31/1975 | 16.0% | 3.31% | 3.5% | 4.0% | 18.5% |
| 04/01/1975 | to | 03/31/1976 | 9.0% | 3.31% | 3.5% | 4.0% | 15.5% |
| 04/01/1976 | to | 03/31/1977 | 3.0% | 3.31% | 3.5% | 4.0% | 8.5% |
| 04/01/1977 | to | 03/31/1978 | 1.5% | 3.31% | 3.5% | 4.0% | 2.5% |
| 04/01/1978 | to | 03/31/2020 | 0.0% | 3.31% | 3.5% | 3.5% | 1.0% |
| | | | | | | | 0.0% |

- (1) Reference: Document entitled 2019cola.pdf located on SCERS' website (www.scers.org).
- (2) Based on ratio of 2019 annual average CPI to 2018 annual average CPI for the San Francisco - Oakland - Hayward Area.
- (3) Based on CPI change rounded to nearest one-half percent.
- (4) These are the cost-of-living adjustment factors to be applied on April 1, 2020.
- (5) These are the carry-over of the cost-of-living adjustments that have not been used on April 1, 2020.

Sacramento County Employees' Retirement System
 Cost-Of-Living Adjustment
 As of April 1, 2020

| Retirement Date | (1) April 1, 2019 Accumulated Carry-over ⁽¹⁾ | (2) CPI Change ⁽²⁾ | (3) CPI Rounded ⁽³⁾ | (4) CPI Used ⁽⁴⁾ | (5) April 1, 2020 Accumulated Carry-over ⁽⁵⁾ | | |
|--|--|-------------------------------------|--------------------------------------|-----------------------------------|--|------|-------|
| Miscellaneous Tiers 3, 4, and 5, and Safety Tiers 2, 3, and 4 | | | | | | | |
| Section 31870 | | | | | | | |
| <u>Maximum Annual COLA</u> 2.0% | | | | | | | |
| Before 04/01/1997 | | | | | | | |
| 04/01/1997 | to | 03/31/1998 | 17.5% | 3.31% | 3.5% | 2.0% | 19.0% |
| 04/01/1998 | to | 03/31/1999 | 17.0% | 3.31% | 3.5% | 2.0% | 18.5% |
| 04/01/1999 | to | 03/31/2000 | 15.5% | 3.31% | 3.5% | 2.0% | 17.0% |
| 04/01/2000 | to | 03/31/2001 | 14.5% | 3.31% | 3.5% | 2.0% | 16.0% |
| 04/01/2001 | to | 03/31/2002 | 12.5% | 3.31% | 3.5% | 2.0% | 14.0% |
| 04/01/2002 | to | 03/31/2007 | 10.0% | 3.31% | 3.5% | 2.0% | 11.5% |
| 04/01/2007 | to | 03/31/2008 | 8.0% | 3.31% | 3.5% | 2.0% | 9.5% |
| 04/01/2008 | to | 03/31/2008 | 7.0% | 3.31% | 3.5% | 2.0% | 8.5% |
| 04/01/2008 | to | 03/31/2012 | 6.5% | 3.31% | 3.5% | 2.0% | 8.0% |
| 04/01/2012 | to | 03/31/2013 | 6.0% | 3.31% | 3.5% | 2.0% | 7.5% |
| 04/01/2013 | to | 03/31/2015 | 5.5% | 3.31% | 3.5% | 2.0% | 7.0% |
| 04/01/2015 | to | 03/31/2016 | 5.5% | 3.31% | 3.5% | 2.0% | 7.0% |
| 04/01/2016 | to | 03/31/2017 | 4.5% | 3.31% | 3.5% | 2.0% | 6.0% |
| 04/01/2017 | to | 03/31/2017 | 4.0% | 3.31% | 3.5% | 2.0% | 5.5% |
| 04/01/2017 | to | 03/31/2018 | 3.0% | 3.31% | 3.5% | 2.0% | 4.5% |
| 04/01/2018 | to | 03/31/2019 | 3.0% | 3.31% | 3.5% | 2.0% | 4.5% |
| 04/01/2018 | to | 03/31/2019 | 2.0% | 3.31% | 3.5% | 2.0% | 3.5% |
| 04/01/2019 | to | 03/31/2020 | | 3.31% | 3.5% | 2.0% | 1.5% |

⁽¹⁾ Reference: Document entitled 2019cola.pdf located on SCERS' website (www.scers.org).

⁽²⁾ Based on ratio of 2019 annual average CPI to 2018 annual average CPI for the San Francisco - Oakland - Hayward Area.

⁽³⁾ Based on CPI change rounded to nearest one-half percent.

⁽⁴⁾ These are the cost-of-living adjustment factors to be applied on April 1, 2020.

⁽⁵⁾ These are the carry-over of the cost-of-living adjustments that have not been used on April 1, 2020.



COST-OF-LIVING ADJUSTMENT

EFFECTIVE APRIL 1, 2020

At its meeting on February 19, 2020, the SCERS Retirement Board approved the annual cost-of-living adjustments (COLA) to be effective April 1, 2020 for eligible SCERS annuitants. The annuitants' April 2020 benefit payments will reflect the approved increases as follows:

| Membership Category (Plan/Tier) | Retirement Date | COLA Increase |
|---|------------------------|--------------------------|
| Miscellaneous Tier 1 and Safety Tier 1 | On or before 3/31/1978 | 4.0% |
| | On or after 4/1/1978 | 3.5% |
| Miscellaneous Tiers 3, 4, and 5 and Safety Tiers 2, 3, and 4 | All | 2.0% |
| Miscellaneous Tier 2 | All | 0.0% |

The membership category applicable to you is indicated on your retirement benefit warrant.

For retirees who retired with service under more than one membership category, the COLA applicable to each category will apply to the portion of your monthly allowance applicable to that category.

For further information on how the COLA was determined, go to SCERS' website at www.scers.org, select "For Members" section from the Toolbar and select Retiree COLA Tracker, or contact the SCERS office.