



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 6

MEETING DATE: February 15, 2023

SUBJECT: Cost-of-Living Adjustments as of April 1, 2023

SUBMITTED FOR: X Consent Deliberation and Action Receive and File

RECOMMENDATION

Approve cost-of-living adjustments (COLA) effective April 1, 2023, as follows:

- Miscellaneous Tier 1 and Safety Tier 1:
 - with retirement date on or before 3/31/2023 the COLA increase is 4.0%.
- Miscellaneous Tiers 3, 4, and 5 and Safety Tiers 2, 3, and 4:
 - with retirement date on or before 3/31/2022 the COLA increase is 2.0%.
- Miscellaneous Tier 2: No COLA

PURPOSE

This item supports the Strategic Management Plan objective to promote transparency, fairness, and compliance with laws and regulations.

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, 2023, 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, 327.060 in 2022 and 309.721 in 2021 is 1.0560. The County Law sections cited above indicate that the resulting percentage change of 5.60% should be rounded to the nearest one-half percent, which is 5.5%.

The actual cost-of-living adjustment is dependent on plan, tier, and date of retirement. The CPI adjustment to be applied on April 1, 2023, 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, 2023, also known as the “COLA bank,” appear in the final column entitled “April 1, 2023, Accumulated Carry-Over.”

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

ATTACHMENTS

- Board Order
- COLA Retiree Notice
- Segal COLA analysis

/S/

Margo Allen
Chief Operations Officer

/S/

Eric Stern
Chief Executive Officer



Retirement Board Order

Sacramento County Employees' Retirement System

**Before the Board of Retirement
February 15, 2023**

AGENDA ITEM:

Cost-of-Living Adjustments as of April 1, 2023

THE BOARD OF RETIREMENT hereby approves Staff's recommendation to approve the following cost-of-living (COLA) adjustments effective April 1, 2022:

- Miscellaneous Tier 1 and Safety Tier 1:
 - with retirement date on or before 3/31/2023 the COLA increase is 4.0%.
- Miscellaneous Tiers 3, 4, and 5 and Safety Tiers 2, 3, and 4:
 - with retirement date on or before 3/31/2022 the COLA increase is 2.0%.
- Miscellaneous Tier 2: No COLA

I HEREBY CERTIFY that the above order was passed and adopted on February 15, 2023, by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES:
(Present but not voting)

Keith DeVore
Board President

Eric Stern
Chief Executive Officer and
Board Secretary



COST-OF-LIVING ADJUSTMENT

EFFECTIVE APRIL 1, 2023

At its meeting on February 15, 2023, the SCERS Retirement Board approved the annual cost-of-living adjustments (COLA) to be effective April 1, 2023, for eligible SCERS annuitants. The April 1, 2023, 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 3/31/2022 | 4.0% |
| Miscellaneous Tiers 3, 4, and 5 and Safety Tiers 2, 3, and 4 | On or before 3/31/2022 | 2.0% |
| Miscellaneous Tier 2 | All | None |

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 SCERS' office.



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Via Email

January 18, 2023

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, 2023**

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, 2023 is determined by comparing the annual average CPI for the San Francisco-Oakland-Hayward Area (with 1982-84 as the base period), as published by the Bureau of Labor Statistics, in each of the past two years. The ratio of the past two annual indices, 327.060 in 2022 and 309.721 in 2021, is 1.0560. The County Law sections cited above indicate that the resulting percentage change of 5.60% should be rounded to the nearest one-half percent, which is 5.5%.

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. The CPI adjustment to be applied on April 1, 2023 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 black ink that reads "Andy Yeung".

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

bts/hy
Enclosures

Sacramento County Employees' Retirement System
 Cost-Of-Living Adjustment
 As of April 1, 2023

| Retirement Date | (1) April 1, 2022 Accumulated Carry-Over | (2) CPI Change ⁽¹⁾ | (3) CPI Rounded ⁽²⁾ | (4) CPI Used ⁽³⁾ | (5) April 1, 2023 Accumulated Carry-Over ⁽⁴⁾ |
|---------------------------------|---|-------------------------------------|--------------------------------------|-----------------------------------|--|
| Miscellaneous and Safety Tier 1 | | | | | |
| Section 31874.2 | | | | | |
| Maximum Annual COLA | 4.0% | | | | |
| Before 07/01/1967 | 25.0% | 5.60% | 5.5% | 4.0% | 26.5% |
| 07/01/1967 to 06/30/1968 | 24.5% | 5.60% | 5.5% | 4.0% | 26.0% |
| 07/01/1968 to 03/31/1969 | 23.5% | 5.60% | 5.5% | 4.0% | 25.0% |
| 04/01/1969 to 03/31/1970 | 21.0% | 5.60% | 5.5% | 4.0% | 22.5% |
| 04/01/1970 to 03/31/1971 | 18.5% | 5.60% | 5.5% | 4.0% | 20.0% |
| 04/01/1971 to 03/31/1972 | 16.5% | 5.60% | 5.5% | 4.0% | 18.0% |
| 04/01/1972 to 03/31/1973 | 15.5% | 5.60% | 5.5% | 4.0% | 17.0% |
| 04/01/1973 to 03/31/1974 | 15.0% | 5.60% | 5.5% | 4.0% | 16.5% |
| 04/01/1974 to 03/31/1975 | 12.0% | 5.60% | 5.5% | 4.0% | 13.5% |
| 04/01/1975 to 03/31/1976 | 5.0% | 5.60% | 5.5% | 4.0% | 6.5% |
| 04/01/1976 to 03/31/2023 | 0.0% | 5.60% | 5.5% | 4.0% | 1.5% |

- (1) Based on ratio of 2022 annual average CPI to 2021 annual average CPI for the San Francisco - Oakland - Hayward Area.
- (2) Based on CPI change rounded to nearest one-half percent.
- (3) These are the cost-of-living adjustment factors to be applied on April 1, 2023.
- (4) These are the carry-over of the cost-of-living adjustments that have not been used on April 1, 2023.

Sacramento County Employees' Retirement System
 Cost-Of-Living Adjustment
 As of April 1, 2023

| Retirement Date | (1) April 1, 2022 Accumulated Carry-Over | (2) CPI Change ⁽¹⁾ | (3) CPI Rounded ⁽²⁾ | (4) CPI Used ⁽³⁾ | (5) April 1, 2023 Accumulated Carry-Over ⁽⁴⁾ |
|---|---|-------------------------------------|--------------------------------------|-----------------------------------|--|
| Miscellaneous Tiers 3, 4, and 5, and Safety Tiers 2, 3, and 4 | | | | | |
| Section 31870 | | | | | |
| Maximum Annual COLA | 2.0% | | | | |
| Before 04/01/1997 | 19.5% | 5.60% | 5.5% | 2.0% | 23.0% |
| 04/01/1997 to 03/31/1998 | 19.0% | 5.60% | 5.5% | 2.0% | 22.5% |
| 04/01/1998 to 03/31/1999 | 17.5% | 5.60% | 5.5% | 2.0% | 21.0% |
| 04/01/1999 to 03/31/2000 | 16.5% | 5.60% | 5.5% | 2.0% | 20.0% |
| 04/01/2000 to 03/31/2001 | 14.5% | 5.60% | 5.5% | 2.0% | 18.0% |
| 04/01/2001 to 03/31/2002 | 12.0% | 5.60% | 5.5% | 2.0% | 15.5% |
| 04/01/2002 to 03/31/2007 | 10.0% | 5.60% | 5.5% | 2.0% | 13.5% |
| 04/01/2007 to 03/31/2008 | 9.0% | 5.60% | 5.5% | 2.0% | 12.5% |
| 04/01/2008 to 03/31/2012 | 8.5% | 5.60% | 5.5% | 2.0% | 12.0% |
| 04/01/2012 to 03/31/2013 | 8.0% | 5.60% | 5.5% | 2.0% | 11.5% |
| 04/01/2013 to 03/31/2015 | 7.5% | 5.60% | 5.5% | 2.0% | 11.0% |
| 04/01/2015 to 03/31/2016 | 6.5% | 5.60% | 5.5% | 2.0% | 10.0% |
| 04/01/2016 to 03/31/2017 | 6.0% | 5.60% | 5.5% | 2.0% | 9.5% |
| 04/01/2017 to 03/31/2018 | 5.0% | 5.60% | 5.5% | 2.0% | 8.5% |
| 04/01/2018 to 03/31/2019 | 4.0% | 5.60% | 5.5% | 2.0% | 7.5% |
| 04/01/2019 to 03/31/2020 | 2.0% | 5.60% | 5.5% | 2.0% | 5.5% |
| 04/01/2020 to 03/31/2022 | 1.0% | 5.60% | 5.5% | 2.0% | 4.5% |
| 04/01/2022 to 03/31/2023 | 0.0% | 5.60% | 5.5% | 2.0% | 3.5% |

- ⁽¹⁾ Based on ratio of 2022 annual average CPI to 2021 annual average CPI for the San Francisco - Oakland - Hayward Area.
- ⁽²⁾ Based on CPI change rounded to nearest one-half percent.
- ⁽³⁾ These are the cost-of-living adjustment factors to be applied on April 1, 2023.
- ⁽⁴⁾ These are the carry-over of the cost-of-living adjustments that have not been used on April 1, 2023.