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BOARD AGENDA LETTER

DATE: February 1, 2023
TO: Board of Retirement
FROM: Donald C. Kendig, CPA, Retirement Administrator
Staff Contact: Debbie Paolinelli, CPA, Assistant Retirement Administrator
SUBJECT: **FCERA Annual Retiree Cost-of-Living-Adjustment (COLA) as of April 1, 2023 – APPROVE**

Recommended Action

1. Adopt a COLA of 3.0%, effective April 1, 2023, as described below.

Fiscal and Financial Impacts

The adoption of the COLA will increase the monthly pension payroll base by an estimated \$882,700 per month based on current payroll of \$27,775,100, or approximately 3.2% (due to a fixed COLA base verses total allowances).

Background and Discussion

In accordance with Government Code section 31870.1, the Board of Retirement shall determine, before April 1 of each year, whether there has been an increase or decrease in the cost-of-living as reflected in the Consumer Price Index for the West Region. The maximum COLA that can be granted in any given year is 3.0%, and any excess will be tracked on a retirement year basis, creating a “COLA bank.” The COLA bank is then available to increase the COLA granted – up to the maximum of 3% in subsequent years, if the change in the cost-of-living is less than the maximum adjustment.

For April 1, 2023, the Average Annual change in the West Region CPI is 8.01%, rounded to the nearest ½% for a COLA adjustment of 8.00%. Eligible members who retire before April 1, 2023 will receive a 3.0% COLA adjustment. The remaining 5.0% will be rolled into a “COLA Bank” to be granted in future years where the calculated COLA is below 3%. Eligible employees who retire on or after April 2, 2023 will not receive any adjustment. Employees in Tiers 4 and 5 are not eligible for COLA increases in retirement.

Attachments

1. U.S. Department of Labor, Consumer Price Index Table, West Region, All items
2. Cola Bank Report

CPI for All Urban Consumers (CPI-U)
Original Data Value

Series Id: CUUR0400SA0
Not Seasonally Adjusted
Series Title: All items in West urban, all urban consumers, not
Area: West
Item: All items
Base Period: 1982-84=100
Years: 2012 to 2022

| Year | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Annual | HALF1 | HALF2 |
|-------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| 2012 | 228.980 | 229.995 | 232.039 | 232.561 | 233.053 | 232.701 | 231.893 | 233.001 | 234.083 | 234.966 | 233.206 | 232.029 | 232.376 | 231.555 | 233.196 |
| 2013 | 232.759 | 234.595 | 235.511 | 235.488 | 235.979 | 236.227 | 236.341 | 236.591 | 237.146 | 237.000 | 236.153 | 236.096 | 235.824 | 235.093 | 236.555 |
| 2014 | 236.707 | 237.614 | 239.092 | 239.808 | 241.350 | 241.616 | 241.850 | 241.660 | 241.920 | 241.650 | 240.220 | 239.095 | 240.215 | 239.365 | 241.066 |
| 2015 | 238.318 | 239.748 | 241.690 | 242.302 | 244.227 | 244.332 | 245.040 | 244.737 | 244.257 | 244.341 | 243.749 | 243.434 | 243.015 | 241.770 | 244.260 |
| 2016 | 244.600 | 244.821 | 245.404 | 246.589 | 247.855 | 248.228 | 248.375 | 248.498 | 249.234 | 249.897 | 249.448 | 249.516 | 247.705 | 246.250 | 249.161 |
| 2017 | 250.814 | 252.252 | 252.949 | 253.806 | 254.380 | 254.469 | 254.708 | 255.282 | 256.504 | 257.223 | 257.126 | 257.347 | 254.738 | 253.112 | 256.365 |
| 2018 | 258.638 | 259.986 | 260.994 | 262.037 | 263.240 | 263.732 | 263.971 | 264.395 | 265.105 | 266.195 | 265.658 | 265.209 | 263.263 | 261.438 | 265.089 |
| 2019 | 265.624 | 266.215 | 267.370 | 269.522 | 270.880 | 270.957 | 271.029 | 271.264 | 272.102 | 273.524 | 273.128 | 272.584 | 270.350 | 268.428 | 272.272 |
| 2020 | 273.340 | 274.412 | 273.995 | 272.913 | 273.062 | 274.155 | 275.597 | 276.443 | 276.422 | 276.876 | 276.875 | 276.593 | 275.057 | 273.646 | 276.468 |
| 2021 | 277.238 | 278.702 | 280.625 | 283.507 | 285.793 | 288.263 | 289.863 | 290.393 | 291.053 | 293.397 | 294.986 | 296.102 | 287.494 | 282.355 | 292.632 |
| 2022 | 298.705 | 301.158 | 305.082 | 307.145 | 309.645 | 313.496 | 313.951 | 314.013 | 315.094 | 317.299 | 315.919 | 314.599 | 310.509 | 305.872 | 315.146 |

| | |
|-------------------------|---------|
| 2022 Annual | 310.509 |
| 2021 Annual | 287.494 |
| CPI Change | 8.01% |
| Rounded to nearest 1/2% | 8% |
| Maximum Annual COLA | 3% |

COLA Bank

| Effective Date | Retirement Date On or Before | Beginning Balance | Rounded CPI from Actuary | Cola Percent Granted | Cola Bank Adjustment | Ending Balance |
|-----------------------|-------------------------------------|--------------------------|---------------------------------|-----------------------------|-----------------------------|-----------------------|
| 04/01/2023 | 04/01/2023 | 0.00 | 8.00 | 3.00 | 5.00 | 5.00 |
| 04/01/2023 | 04/01/2022 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/2021 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/2020 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/2019 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/2018 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/2017 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/2016 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/2015 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/2014 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/2013 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/2012 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/2011 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/2010 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/2009 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/2008 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/2007 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/2006 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/2005 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/2004 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/2003 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/2002 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/2001 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/2000 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/1999 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/1998 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/1997 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/1996 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/1995 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/1994 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/1993 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/1992 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/1991 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/1990 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/1989 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/1988 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/1987 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/1986 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/1985 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/1984 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/1983 | 1.50 | 8.00 | 3.00 | 5.00 | 6.50 |
| 04/01/2023 | 04/01/1982 | 9.50 | 8.00 | 3.00 | 5.00 | 14.50 |
| 04/01/2023 | 04/01/1981 | 21.50 | 8.00 | 3.00 | 5.00 | 26.50 |
| 04/01/2023 | 04/01/1980 | 27.00 | 8.00 | 3.00 | 5.00 | 32.00 |

| | | | | | | |
|------------|------------|-------|------|------|------|-------|
| 04/01/2023 | 04/01/1979 | 33.50 | 8.00 | 3.00 | 5.00 | 38.50 |
| 04/01/2023 | 04/01/1978 | 38.00 | 8.00 | 3.00 | 5.00 | 43.00 |
| 04/01/2023 | 04/01/1977 | 40.50 | 8.00 | 3.00 | 5.00 | 45.50 |
| 04/01/2023 | 04/01/1976 | 47.50 | 8.00 | 3.00 | 5.00 | 52.50 |
| 04/01/2023 | 04/01/1975 | 54.50 | 8.00 | 3.00 | 5.00 | 59.50 |
| 04/01/2023 | 04/01/1974 | 57.50 | 8.00 | 3.00 | 5.00 | 62.50 |
| 04/01/2023 | 04/01/1973 | 58.00 | 8.00 | 3.00 | 5.00 | 63.00 |