



## ITEM 5

### Executive Staff

Richard Stensrud  
Chief Executive Officer

Steve Davis  
Chief Investment Officer

Robert L. Gaumer  
General Counsel

Kathryn T. Regalia  
Chief Operations Officer

John W. Gobel, Sr.  
Chief Benefits Officer

**For Agenda of:**  
February 15, 2015

February 10, 2017

**TO:** President and Members  
Board of Retirement

**FROM:** Richard Stensrud  
Chief Executive Officer

**SUBJECT:** April 1, 2017 Retirement Allowance Cost-of-Living Adjustment

### **Recommendation:**

**That your Board approve the cost-of-living adjustments (COLAs), effective April 1, 2017, for SCERS' retirement allowance payments as determined by and set forth in the attached materials prepared by the Chief Operations Officer.**

### **Background:**

Under Sections 31870 and 31874.2 of the County Employees' Retirement Law (1937 Act), each year the SCERS Board must determine the appropriate COLA for SCERS retirement benefit payments and implement that COLA on April 1st. Pursuant to the law, the appropriate COLA is based on the annual change in the U.S. Department of Labor, Bureau of Labor Statistics Consumer Price Index (CPI) for the San Francisco-Oakland-San Jose area. The law requires that this change be rounded to the nearest one-half percent.

The actual COLA that a person receives is dependent upon the individual's tier and date of retirement, and includes consideration of whether the individual has any accumulated carry-over in his/her 'COLA Bank.' If the base COLA for the year is greater than COLA cap for an individual's tier, the excess above the cap is put in the person's COLA Bank. If the base COLA for the year is below the tier cap, and the individual has a balance in his/her COLA Bank, that balance is drawn upon to bring the COLA to the cap.

**Discussion:**

As explained in the attached memorandum from Chief Operations Officer Kathryn Regalia, comparison of the past two annual average CPIs for the relevant region shows an increase of 3.01%, resulting in a base COLA of 3.0% when rounded to the nearest one-half percent. The actual COLAs by tier and retirement date are set forth in the materials attached to the Chief Operations Officer's memorandum.

Please note that determination of the COLA is not based on a comparison of the December 2015 CPI to the December 2016 CPI, but rather, the COLA is based on a comparison of the average annual CPI for the years in question. Also, please note that determination of the COLA is not based on simple subtraction of the average annual CPI for 2015 from the average annual CPI for 2016, but rather, the COLA is based on the ratio of the two average annual CPIs. This allows for determination of the percentage change from the preceding year as opposed to a percentage change from the original 'base' period used in determining the average annual CPI (the base period is 1982-1984). Put another way, via the ratio, 2015 becomes the base year for measuring the cost-of-living increase.

As you will recall, this methodology – which SCERS has consistently utilized in determining the COLA – can sometimes result in confusion for people who mistakenly think the COLA is determined through a December to December comparison or by simple subtraction. Confusion can also result if there is a difference between the retirement allowance COLA and any salary COLA provided to active employees. Accordingly, as has been done in the past, an explanation of how the retirement allowance COLA is determined will be put on the SCERS website, where it can be reached via the 'Important Notices' link. For your reference, a copy of explanatory information that will be put on the SCERS website is attached to the memorandum from the Chief Operations Officer. Also attached to the Chief Operations Officer's memorandum is a copy of the Department of Labor, Bureau of Labor Statistics web page that shows graphically and in table form the annual average CPI numbers for the last five years, along with the one-year percentage change in the annual average CPI for those years. This document will also be accessible via a link in the SCERS website COLA explanation page. As in past years, the notice that is sent to payees with the April payment informing them of the COLA will encourage people to refer to the SCERS website if they have questions.

Please let me know if you have any questions.

Respectfully,

Richard Stensrud  
Chief Executive Officer

Attachments



Executive Staff  
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Steve Davis  
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Robert L. Gaumer  
General Counsel  
Kathryn T. Regalia  
Chief Operations Officer  
John W. Gobel, Sr.  
Chief Benefits Officer

**For Agenda of:**  
February 15, 2017

February 8, 2017

**TO:** Richard Stensrud, Chief Executive Officer  
**FROM:** Kathryn T. Regalia, Chief Operations Officer  
**SUBJECT:** Cost-of-Living Adjustments as of April 1, 2017

Staff has determined the cost-of-living adjustments in accordance with Sections 31870 and 31874.2, as provided in the attached exhibits.

The cost-of-living factor to be used effective April 1, 2017 is determined by comparing the annual average consumer price index (CPI) for the San Francisco-Oakland-San Jose Area (with 1982-84 as the base period) in each of the past two years. The ratio of the past two annual average indices, 266.344 in 2016 and 258.572 in 2015 is .0301. The County Law sections cited above indicate that the resulting percentage change of 3.01% should be rounded to the nearest one-half percent, which is 3.0%.

The actual cost-of-living adjustment is dependent upon tier and date of retirement. The CPI adjustment to be applied on April 1, 2017 is provided in the "CPI Applied" column of the attached exhibits. The unused cost-of-living adjustments from past years that have not been used as of April 1, 2017, known as the 'COLA bank', appear in the final column entitled "April 1, 2017 Accumulated Balance."

Respectfully submitted,

Kathryn T. Regalia  
Chief Operations Officer

Attachments: Cost-of-Living Adjustment Table for Miscellaneous and Safety Tier 1  
Cost-of-Living Adjustment Table for Miscellaneous Tiers 3, 4, and 5 and  
Safety Tiers 2, 3, and 4  
Information About the Retiree COLA (to be posted at [www.scers.org](http://www.scers.org))  
Bureau of Labor Statistics Data, Consumer Price Index, All Urban Consumers  
For San Francisco-Oakland-San Jose, California Area



**Cost-of-Living Adjustments**  
As of April 1, 2017

Miscellaneous and Safety Tier 1  
Section 31874.2  
Maximum Annual COLA 4.0%

Retirement Date	1 April 1, 2016 Accumulated Balance	2 CPI Change*	3 CPI Rounded**	4 CPI Applied***	5 April 1, 2017 Accumulated Balance****
Before 07/01/1967	31.00%	3.01%	3.00%	4.00%	30.00%
07/01/1967 to 06/30/1968	30.50%	3.01%	3.00%	4.00%	29.50%
07/01/1968 to 03/31/1969	29.50%	3.01%	3.00%	4.00%	28.50%
04/01/1969 to 03/31/1970	27.00%	3.01%	3.00%	4.00%	26.00%
04/01/1970 to 03/31/1971	24.50%	3.01%	3.00%	4.00%	23.50%
04/01/1971 to 03/31/1972	22.50%	3.01%	3.00%	4.00%	21.50%
04/01/1972 to 03/31/1973	21.50%	3.01%	3.00%	4.00%	20.50%
04/01/1973 to 03/31/1974	21.00%	3.01%	3.00%	4.00%	20.00%
04/01/1974 to 03/31/1975	18.00%	3.01%	3.00%	4.00%	17.00%
04/01/1975 to 03/31/1976	11.00%	3.01%	3.00%	4.00%	10.00%
04/01/1976 to 03/31/1977	5.00%	3.01%	3.00%	4.00%	4.00%
04/01/1977 to 03/31/1978	3.50%	3.01%	3.00%	4.00%	2.50%
04/01/1978 to 03/31/2017	0.00%	3.01%	3.00%	3.00%	0.00%

- \* Ratio of the annual average 2015 CPI to the annual average 2016 CPI for the San Francisco - Oakland - San Jose Area.
- \*\* CPI change for 2016 rounded to the nearest one-half percent.
- \*\*\* Cost-of-living adjustment to be applied effective April 1, 2017.
- \*\*\*\* Accumulated cost-of-living adjustments may be applied in future years.



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**COST-OF-LIVING INCREASE**

**EFFECTIVE APRIL 1, 2017**

At its meeting on February 15, 2017, the SCERS Retirement Board approved the annual cost-of-living adjustments (COLA) to be effective April 1, 2017 for eligible SCERS monthly annuitants. SCERS' April 2017 benefit payments will reflect the approved increases as follows:

<b>Membership Category (Plan/Tier)</b>	<b>Retirement Date</b>	<b>COLA Increase</b>
Miscellaneous Tier 1 or Safety Tier 1	On or before 3/31/1978	4.0%
	On or after 4/1/1978	3.0%
Miscellaneous Tier 3, 4, and 5 or Safety Tier 2, 3, and 4	All	2.0%
Miscellaneous Tier 2	All	0.0%

The membership category applicable to you is indicated on your retirement system 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, please click on the "Important Notices" link on the SCERS website – [www.scers.org](http://www.scers.org) – or contact the SCERS office.


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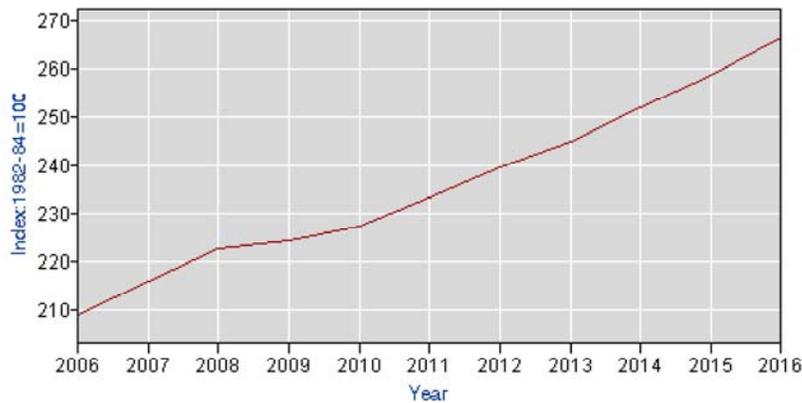
**Change Output Options:** From:  To:  **GO**  
 include graphs  include annual averages

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Data extracted on: January 18, 2017 (11:52:40 AM)

### Consumer Price Index - All Urban Consumers

**Series Id:** CUURA422SA0,CUUSA422SA0  
 Not Seasonally Adjusted  
**Area:** San Francisco-Oakland-San Jose, CA  
**Item:** All items  
**Base Period:** 1982-84=100

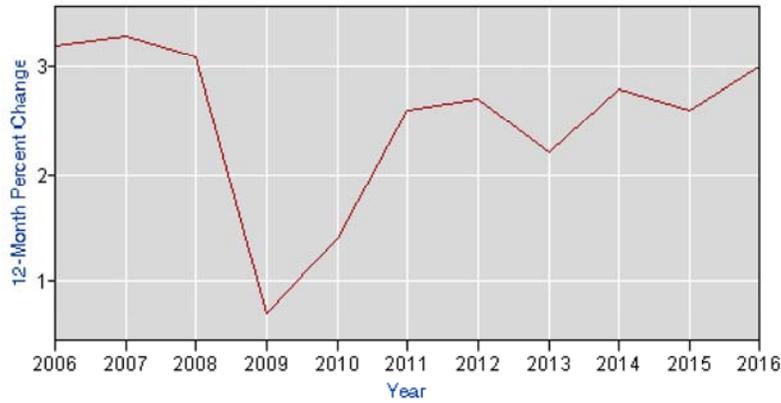


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Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
2006		207.1		208.9		209.1		210.7		211.0		210.4	209.2	207.9	210.6
2007		213.688		215.842		216.123		216.240		217.949		218.485	216.048	214.736	217.361
2008		219.612		222.074		225.181		225.411		225.824		218.528	222.767	221.730	223.804
2009		222.166		223.854		225.692		225.801		226.051		224.239	224.395	223.305	225.484
2010		226.145		227.697		228.110		227.954		228.107		227.658	227.469	226.994	227.944
2011		229.981		234.121		233.646		234.608		235.331		234.327	233.390	232.082	234.698
2012		236.880		238.985		239.806		241.170		242.834		239.533	239.650	238.099	241.201
2013		242.677		244.675		245.935		246.072		246.617		245.711	245.023	243.894	246.152
2014		248.615		251.495		253.317		253.354		254.503		252.273	251.985	250.507	253.463
2015		254.910		257.622		259.117		259.917		261.019		260.289	258.572	256.723	260.421
2016		262.600		264.565		266.041		267.853		270.306		269.483	266.344	263.911	268.777

### 12-Month Percent Change

**Series Id:** CUURA422SA0,CUUSA422SA0  
 Not Seasonally Adjusted  
**Area:** San Francisco-Oakland-San Jose, CA  
**Item:** All items  
**Base Period:** 1982-84=100



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Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
2006		2.9		3.2		3.9		3.8		2.5		3.4	3.2	3.2	3.3
2007		3.2		3.3		3.4		2.6		3.3		3.8	3.3	3.3	3.2
2008		2.8		2.9		4.2		4.2		3.6		0.0	3.1	3.3	3.0
2009		1.2		0.8		0.2		0.2		0.1		2.6	0.7	0.7	0.8
2010		1.8		1.7		1.1		1.0		0.9		1.5	1.4	1.7	1.1
2011		1.7		2.8		2.4		2.9		3.2		2.9	2.6	2.2	3.0
2012		3.0		2.1		2.6		2.8		3.2		2.2	2.7	2.6	2.8
2013		2.4		2.4		2.6		2.0		1.6		2.6	2.2	2.4	2.1
2014		2.4		2.8		3.0		3.0		3.2		2.7	2.8	2.7	3.0
2015		2.5		2.4		2.3		2.6		2.6		3.2	2.6	2.5	2.7
2016		3.0		2.7		2.7		3.1		3.6		3.5	3.0	2.8	3.2

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