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February 10, 2006

Mr. Roberto Pena
Retirement Administrator
Fresno County Employees' Retirement Association
1111 H Street
Fresno, CA 93721
(559) 457-0350 (Telephone)
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RE: ANNUAL COLA FOR 2005

Dear Roberto:

The Fresno County Employees Retirement Association (FCERA) provides a Cost of Living Adjustment (COLA) to retirees and beneficiaries who retired on or before April 1 of each year in accordance with Section 31870.1 of the County Employees' Retirement Law of 1937 (37 Act). This letter outlines the COLA percentage and changes to the COLA Bank to be adopted by the Board.

Inflation Index

The first step in the calculation process is the measurement of inflation. Section 31870.1 says that COLA should be calculated using ...

“...the cost of living as of January 1st of each year as shown by the then current Bureau of Labor Statistics Consumer Price Index for All Urban Consumers for the area in which the county seat is situated...”

The Retirement Board has adopted the Annual Average Consumer Price Index for All Urban Consumers (CPI-U) for the San Francisco-Oakland-San Jose area (Base Period: 1982-84=100) as the basis for making the annual adjustments. This index increased by 1.96% during the 2005 calendar year, from an index value of 198.8 in 2004 to an index value of 202.7 in 2005.

COLA and COLA Bank

Based on the change in the consumer price index, we recommend that the FCERA Board adopt the following items to take effect in April 2006.

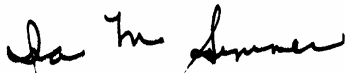
- ***COLA percentage.*** Each retiree and beneficiary who retired on or before April 1, 1998 will receive the maximum Cost of Living Adjustment of 3.0%. Each retiree and beneficiary who retired between April 2, 1998 and April 1, 2000 will receive a Cost

of Living Adjustment of 2.5%. Each retiree and beneficiary who retired between April 2, 2000 and April 1, 2006 will receive a Cost of Living Adjustment of 2.0%.

- ***Decrease in COLA Bank.*** Each retiree and beneficiary who retired on or before April 1, 2005 will have his or her COLA Bank decreased by 1.0%. The COLA Bank accumulations for retirees and beneficiaries through April 1, 2006 are shown in the attached Exhibit, alongside the accumulations from the previous year.

Please let us know if you have any questions or need any additional information.

Sincerely,

A handwritten signature in black ink that reads "Ira M. Summer". The signature is written in a cursive style with a large initial "I" and "S".

Ira M. Summer, FSA
President

Attachment

Fresno County Employees' Retirement Association

COLA Bank Accumulations

Based on the Consumer Price Index for All Urban Consumers (CPI-U) for the
San Francisco-Oakland-San Jose area (Base Period: 1982-84=100)

Retirement during twelve-month period ended April 1	Accumulated COLA Bank April 1, 2006	Accumulated COLA Bank April 1, 2005
1973 or earlier	68.5%	69.5%
1974	68.0%	69.0%
1975	65.0%	66.0%
1976	58.0%	59.0%
1977	51.0%	52.0%
1978	48.5%	49.5%
1979	44.0%	45.0%
1980	37.5%	38.5%
1981	32.0%	33.0%
1982	20.0%	21.0%
1983	10.0%	11.0%
1984	7.5%	8.5%
1985	7.5%	8.5%
1986	5.0%	6.0%
1987	4.0%	5.0%
1988	4.0%	5.0%
1989	3.5%	4.5%
1990	2.0%	3.0%
1991	0.0%	1.0%
1992	0.0%	1.0%
1993	0.0%	1.0%
1994	0.0%	1.0%
1995	0.0%	1.0%
1996	0.0%	1.0%
1997	0.0%	1.0%
1998	0.0%	1.0%
1999	0.0%	0.5%
2000	0.0%	0.5%
2001	0.0%	0.0%
2002	0.0%	0.0%
2003	0.0%	0.0%
2004	0.0%	0.0%
2005	0.0%	0.0%
2006	0.0%	