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Retirement Administrator

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**DATE:** February 4, 2015

**TO:** Board of Retirement

**FROM:** Donald C. Kendig, CPA  
Retirement Administrator

**SUBJECT:** **Public Fresno County Employees' Retirement Association Cost-of-Living Adjustments (COLA) of 2.0% as of April 1, 2 015- RECEIVE AND FILE; APPROVE**

**Background and Discussion**

In accordance with Government Code section 31870.1, the Board of Retirement shall before April 1 of each year determine whether there has been an increase or decrease in the cost-of-living (COLA), a process which is described in Segal Consulting's letter dated January 21, 2015. The maximum that a COLA can be in any given year is 3.0%, and any excess is banked and tracked on a retirement year basis, creating a "COLA bank". This Cola Bank is then available to increase the COLA to a maximum of 3.0% in a subsequent year. Tier 4 and 5 employees are not eligible for COLA increases in retirement. For April 2, 2015 the COLA is 2.0%. Members that retired prior to 04/01/1985 will be receiving a 3.0% COLA. All other eligible retirees will receive 2.0%.

Eligible employees who retire before April 2, 2015 will receive a 2.0% COLA. Eligible employees, who retire on or after, will not experience any adjustment until next year. There is a remote possibility that a COLA will be negative in a given year, and FCERA will bank that.

**Fiscal and Financial Impacts**

The prescriptive adoption of the COLA will increase the approximate monthly pension payroll base of \$18,835,000 by a factor slightly greater than 2%, or approximately \$377,000 per month.

**Recommended Action**

1. Receive and file. Approve.

**Attachment**

1. Segal Consulting's January 21, 2015 Fresno County Employees' Retirement Association Cost-of-Living Adjustments (COLA) as of April 1, 2015 letter



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Andy Yeung, ASA, MAAA, FCA, EA  
Vice President & Associate Actuary  
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VIA E-MAIL AND USPS

January 21, 2015

Mr. Donald C. Kendig  
Retirement Administrator  
Fresno County Employees' Retirement Association  
1111 H Street  
Fresno, CA 93721

**Re: Fresno County Employees' Retirement Association  
Cost-of-Living Adjustments (COLA) as of April 1, 2015**

Dear Don:

We have determined the cost-of-living adjustments for the Association in accordance with Section 31870.1, as provided in the enclosed exhibit. Since Tiers 4 and 5 do not provide a COLA, the enclosed exhibit is not applicable to retired members and beneficiaries from those tiers.

The cost-of-living factor to be used by the Association on April 1, 2015 is determined by comparing the annual average CPI for the West Region (with 1982-84 as the base period) in each of the past two years. The ratio of the past two annual indices, 240.215 in 2014 and 235.824 in 2013, is 1.0186. The County Law section cited above indicates that the resulting percentage change of 1.86% should be rounded to the nearest one-half percent, which is 2.0%.

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

The actual cost-of-living adjustment is dependent on tier and date of retirement. The CPI adjustment to be applied on April 1, 2015 is provided in Column (4) of the enclosed exhibit. The COLA bank on April 1, 2015 is provided in Column (5).

Mr. Donald C. Kendig  
January 21, 2015  
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Please give us a call if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Andy Yeung". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Andy Yeung

AW/gxk  
Enclosure

cc: Becky Van Wyk

Fresno County Employees' Retirement Association  
 Cost-Of-Living Adjustment  
 As of April 1, 2015

Retirement Date	(1) April 1, 2014 Accumulated Carry-over	(2) CPI Change*	(3) CPI Rounded**	(4) CPI Used***	(5) April 1, 2015 Accumulated Carry-over****
Tier 1					
Section 31870.1					
<u>Maximum Annual COLA</u> <span style="float: right;">3.0%</span>					
On or Before 04/01/1973					
04/02/1973 to 04/01/1974	62.0%	1.86%	2.0%	3.0%	61.0%
04/02/1974 to 04/01/1975	61.5%	1.86%	2.0%	3.0%	60.5%
04/02/1975 to 04/01/1976	58.5%	1.86%	2.0%	3.0%	57.5%
04/02/1976 to 04/01/1977	51.5%	1.86%	2.0%	3.0%	50.5%
04/02/1977 to 04/01/1978	44.5%	1.86%	2.0%	3.0%	43.5%
04/02/1978 to 04/01/1979	42.0%	1.86%	2.0%	3.0%	41.0%
04/02/1979 to 04/01/1980	37.5%	1.86%	2.0%	3.0%	36.5%
04/02/1980 to 04/01/1981	31.0%	1.86%	2.0%	3.0%	30.0%
04/02/1981 to 04/01/1982	25.5%	1.86%	2.0%	3.0%	24.5%
04/02/1982 to 04/01/1983	13.5%	1.86%	2.0%	3.0%	12.5%
04/02/1983 to 04/01/1984	3.5%	1.86%	2.0%	3.0%	2.5%
04/02/1984 to 04/01/1985	1.0%	1.86%	2.0%	3.0%	0.0%
04/02/1985 to 04/01/1986	1.0%	1.86%	2.0%	3.0%	0.0%
04/02/1986 to 04/01/1987	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/1987 to 04/01/1988	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/1988 to 04/01/1989	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/1989 to 04/01/1990	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/1990 to 04/01/1991	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/1991 to 04/01/1992	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/1992 to 04/01/1993	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/1993 to 04/01/1994	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/1994 to 04/01/1995	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/1995 to 04/01/1996	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/1996 to 04/01/1997	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/1997 to 04/01/1998	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/1998 to 04/01/1999	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/1999 to 04/01/2000	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2000 to 04/01/2001	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2001 to 04/01/2002	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2002 to 04/01/2003	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2003 to 04/01/2004	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2004 to 04/01/2005	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2005 to 04/01/2006	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2006 to 04/01/2007	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2007 to 04/01/2008	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2008 to 04/01/2009	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2009 to 04/01/2010	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2010 to 04/01/2011	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2011 to 04/01/2012	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2012 to 04/01/2013	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2013 to 04/01/2014	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2014 to 04/01/2015		1.86%	2.0%	2.0%	0.0%

\* Based on ratio of 2014 annual average CPI to 2013 annual average CPI for the West Region.

\*\* Based on CPI change rounded to nearest one-half percent.

\*\*\* These are the cost-of-living adjustment factors to be applied on April 1, 2015.

\*\*\*\* These are the carry-over of the cost-of-living adjustments that have not been used on April 1, 2015.

Fresno County Employees' Retirement Association  
 Cost-Of-Living Adjustment  
 As of April 1, 2015

			(1)	(2)	(3)	(4)	(5)
Retirement Date			April 1, 2014 Accumulated Carry-over	CPI Change*	CPI Rounded**	CPI Used***	April 1, 2015 Accumulated Carry-over****
Tier 2							
Section 31870.1							
<u>Maximum Annual COLA</u>			<u>3.0%</u>				
07/01/2006	to	04/01/2007	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2007	to	04/01/2008	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2008	to	04/01/2009	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2009	to	04/01/2010	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2010	to	04/01/2011	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2011	to	04/01/2012	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2012	to	04/01/2013	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2013	to	04/01/2014	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2014	to	04/01/2015		1.86%	2.0%	2.0%	0.0%
Tier 3							
Section 31870.1							
<u>Maximum Annual COLA</u>			<u>3.0%</u>				
12/17/2007	to	04/01/2008	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2008	to	04/01/2009	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2009	to	04/01/2010	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2010	to	04/01/2011	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2011	to	04/01/2012	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2012	to	04/01/2013	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2013	to	04/01/2014	0.0%	1.86%	2.0%	2.0%	0.0%
04/02/2014	to	04/01/2015		1.86%	2.0%	2.0%	0.0%

\* Based on ratio of 2014 annual average CPI to 2013 annual average CPI for the West Region.

\*\* Based on CPI change rounded to nearest one-half percent.

\*\*\* These are the cost-of-living adjustment factors to be applied on April 1, 2015.

\*\*\*\* These are the carry-over of the cost-of-living adjustments that have not been used on April 1, 2015.