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Retirement Administrator



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MENDOCINO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
625-B KINGS COURT
UKIAH, CALIFORNIA 95482-5027

Date: March 18, 2015
To: Board of Retirement
From: James Wilbanks, Retirement Administrator
Subject: Cost of Living Adjustment (COLA)

Background:

At the February 2015 MCERA Board Meeting, the issue of the Cost of Living Adjustment (COLA) was considered. The Board asked if the Consumer Price Index for All Urban Consumers (CPI-U) for the San Francisco-Oakland-San Jose area to measure inflation was appropriate for determining the COLA for Mendocino County retirees. The San Francisco-Oakland-San Jose CPI-U has been used by MCERA Board to determine annual COLAs historically. After some discussion, the Board directed staff and legal counsel to research the topic and report back at the March Board of Retirement meeting.

The governing code of California Law is CERL of 1937, Section 31870.1, which directs the system to increase retirement benefit amounts by “the percentage of annual increase or decrease in 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, but such change shall not exceed 3 percent per year;”, rounded to the nearest one-half percent.

The San Francisco-Oakland-San Jose area includes 11 counties: Alameda, Contra Costa, Marin, Napa, San Benito, San Francisco, San Mateo, Santa Clara, Santa Cruz, Solano and Sonoma. Mendocino County is not included in the 11 county area of San Francisco-Oakland-San Jose.

There are a number of 1937 Act County Retirement Systems in northern California that are similarly situated outside of the 11 county-area. These include Merced, Sacramento, San Joaquin and Stanislaus counties. Each of these other counties uses the CPI-U for the San Francisco-Oakland-San Jose area to determine the COLA for retirees. Historically, MCERA has used the San Francisco-Oakland-San Jose CPI-U since 1971.

There is also a CPI-U for the Los Angeles-Riverside-Orange County area. Three 1937 Act County Retirement Systems in southern California are outside of the area and use the Los Angeles-Riverside-Orange County CPI-U for determining retiree COLAs. The three counties are Kern, San Bernardino and Tulare.

Finally, there are two 1937 Act County Retirement Systems that use the CPI-U for the West Region to determine the COLA for beneficiaries. The West Region includes 13 states: Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming. The two systems relying on the CPI-U for the West Region are Fresno and Imperial.

Based on a review of statutes, past practices of MCERA, current practices of other 1937 Act County Systems and consultations with legal counsel for other 1937 Act County Systems, the MCERA Board has latitude to choose between the CPI-U for San Francisco-Oakland-San Jose and the CPI-U for the West Region in determining the COLA to retirees.

The pertinent question is which of these measures of inflation the Board of Retirement determines is the most appropriate measure to reflect the rate of inflation in Mendocino County.

Recommendation:

I recommend the MCERA Board choose either the San Francisco-Oakland-San Jose CPI-U or the West Region CPI-U for determining the annual Cost of Living Adjustment for beneficiaries. I recommend the choice be based upon which of the two CPI-U measures the Board of Retirement deems to more accurately reflect the rate of inflation in Mendocino County.



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VIA EMAIL & USPS

January 20, 2015

Dr. James Wilbanks
Retirement Administrator
Mendocino County Employees' Retirement Association
625-B Kings Court
Ukiah, California 95482

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

Dear James:

We have determined the cost-of-living adjustments for the Association in accordance with Section 31870.1, as provided in the enclosed exhibit.

The cost-of-living factor to be used by the Association on April 1, 2015 is determined by comparing the December 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 December indices, 252.273 in 2014 and 245.711 in 2013, is 1.0267. The County Law section cited above indicates that the resulting percentage change of 2.67% should be rounded to the nearest one-half percent, which is 2.5%.

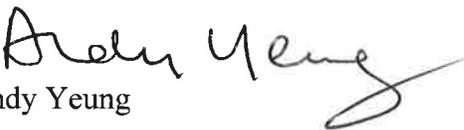
Please note the above cost-of-living adjustment calculated using established procedures for MCERA may result in adjustments different from those calculated using alternative procedures by other systems.

For members who are not in the CalPEPRA tiers, the actual cost-of-living adjustment is dependent on 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).

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Please give us a call if you have any questions.

Sincerely,


Andy Yeung

AW/hy
Enclosure

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

Retirement Date	(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****
General Tiers 1, 2 and 3, Safety Tiers 1 and 2, and Probation Tiers 1 and 2					
Section 31870.1					
Maximum Annual COLA	3.0%				
On or Before 4/1/1971	52.5%	2.67%	2.5%	3.0%	52.0%
04/02/1971 to 04/01/1972	50.5%	2.67%	2.5%	3.0%	50.0%
04/02/1972 to 04/01/1973	49.5%	2.67%	2.5%	3.0%	49.0%
04/02/1973 to 04/01/1974	49.0%	2.67%	2.5%	3.0%	48.5%
04/02/1974 to 04/01/1975	46.0%	2.67%	2.5%	3.0%	45.5%
04/02/1975 to 04/01/1976	41.0%	2.67%	2.5%	3.0%	40.5%
04/02/1976 to 04/01/1977	36.0%	2.67%	2.5%	3.0%	35.5%
04/02/1977 to 04/01/1978	35.5%	2.67%	2.5%	3.0%	35.0%
04/02/1978 to 04/01/1979	33.0%	2.67%	2.5%	3.0%	32.5%
04/02/1979 to 04/01/1980	28.5%	2.67%	2.5%	3.0%	28.0%
04/02/1980 to 04/01/1981	25.0%	2.67%	2.5%	3.0%	24.5%
04/02/1981 to 04/01/1982	13.0%	2.67%	2.5%	3.0%	12.5%
04/02/1982 to 04/01/1983	3.0%	2.67%	2.5%	3.0%	2.5%
04/02/1983 to 04/01/1984	0.5%	2.67%	2.5%	3.0%	0.0%
04/02/1984 to 04/01/1985	0.5%	2.67%	2.5%	3.0%	0.0%
04/02/1985 to 04/01/1986	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/1986 to 04/01/1987	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/1987 to 04/01/1988	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/1988 to 04/01/1989	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/1989 to 04/01/1990	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/1990 to 04/01/1991	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/1991 to 04/01/1992	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/1992 to 04/01/1993	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/1993 to 04/01/1994	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/1994 to 04/01/1995	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/1995 to 04/01/1996	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/1996 to 04/01/1997	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/1997 to 04/01/1998	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/1998 to 04/01/1999	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/1999 to 04/01/2000	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/2000 to 04/01/2001	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/2001 to 04/01/2002	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/2002 to 04/01/2003	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/2003 to 04/01/2004	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/2004 to 04/01/2005	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/2005 to 04/01/2006	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/2006 to 04/01/2007	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/2007 to 04/01/2008	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/2008 to 04/01/2009	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/2009 to 04/01/2010	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/2010 to 04/01/2011	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/2011 to 04/01/2012	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/2012 to 04/01/2013	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/2013 to 04/01/2014	0.0%	2.67%	2.5%	2.5%	0.0%
04/02/2014 to 04/01/2015		2.67%	2.5%	2.5%	0.0%

* Based on ratio of December 2014 CPI to December 2013 CPI for the San Francisco - Oakland - San Jose Area.

** 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.