



COLA NOTICE

SBCERA COST-OF-LIVING ADJUSTMENT (COLA) FOR APRIL 1, 2011

Cost-of-living adjustments are given on April 1st of each year based upon the increase or decrease in the Consumer Price Index (CPI) as of January 1st of that year, pursuant to Government Code section 31870. The current *Bureau of Labor Statistics Consumer Price Index for All Urban Consumers*, for the Los Angeles area, for the year ending December 31, 2010, is 1.34%, rounded to the nearest one-half of 1 percent is 1.5%. To find this figure go to www.bls.gov/cpi, go to the Regional Resources Map and select "Los Angeles," then click "Go". For a background on cost-of-living adjustments see the attached Frequently Asked Questions (FAQ's) Regarding Cost-of-Living Adjustment.

SBCERA retirees and beneficiaries are affected in the following manner:

Those members who have a COLA bank of 0.5% or greater (member retirement date on or before April 1, 2007), will receive a 2% COLA after April 1, 2011, as their accumulated or "banked" COLA from previous years exceeded 2%.

Those members who have a COLA bank of 0% (member retirement date after April 1, 2007 and before April 2, 2011), will receive a COLA of 1.5% after April 1, 2011, as their accumulated or "banked" COLA from previous years never exceeded 2%.



FREQUENTLY ASKED QUESTIONS (FAQ'S) REGARDING COST-OF-LIVING ADJUSTMENT

Q1. How was the 2% COLA created?

A. On June 6, 1983, the San Bernardino County Board of Supervisors adopted Government Code section 31874 and implemented an annual cost-of-living adjustment (COLA), for every SBCERA retirement allowance, optional death allowance, or annual death allowance, not to exceed 2% per year in accordance with Government Code section 31870.

Q2. Is the COLA vested?

A. The COLA is a vested benefit, but the *amount* of the COLA depends on the regional cost-of-living index. Therefore, it may vary from year to year.

Q3. Is the COLA always 2%?

A. No. The COLA depends on the regional cost-of-living index, but in no event can the COLA exceed 2% per year.

Q4. Does the Board of Retirement determine the cost-of-living?

A. No. The cost-of-living is determined by the U.S. Department of Labor, Bureau of Labor Statistics.

Q5. How is the COLA determined?

A. Prior to April 1st of each year, the Board of Retirement must refer to the December 31st, *Bureau of Labor Statistics Consumer Price Index for All Urban Consumers* for the area in which the county seat is situated in order to determine whether there has been an increase or decrease in the cost-of-living as of January 1st of each year.

Q6. Where can I find the current Bureau of Labor Statistics Consumer Price Index?

A. Go to www.bls.gov/cpi, and follow these steps:

- a. Go to the Regional Resources Map and select "Los Angeles," then click "Go".
- b. To determine the CPI increase from December of one year to December of a later year, you must divide the CPI amount from December of the latter year by the CPI amount from the December of the earlier year. For example, December 2010 CPI amount was 226.639 and December 2009 CPI amount was 223.643, and 226.639 divided by 223.643 is 1.0134, or an increase of 1.34%.

Q7. Is there a carryover in cost-of-living for years that exceed 2%?

A. Yes; however, pursuant to Government Code section 31870, the cost-of-living increase or decrease in any year which is not met by the maximum annual change of 2% in allowances shall be accumulated or "banked" to be met by the increases or decreases in allowance in future years; except that no CPI decrease shall reduce the allowance below the amount being received by the member or beneficiary on the effective date of the allowance. Below is an **example** of how the accumulation or "banked" amount would work for a member who has retired between April 2, 1996, and April 1, 1997:

Date Granted	CPI (%)	*Adjusted CPI (%)	COLA (%)	Change in "Bank" (%)	"Bank" Balance (%)
4/1/1997	2.40	2.50	2.00	0.50	0.50
4/1/1998	1.80	2.00	2.00	0.00	0.50
4/1/1999	1.40	1.50	2.00	-0.50	0.00
4/1/2000	2.30	2.50	2.00	0.50	0.50
4/1/2001	3.71	3.50	2.00	1.50	2.00
4/1/2002	2.07	2.00	2.00	0.00	2.00
4/1/2003	3.72	3.50	2.00	1.50	3.50

4/1/2004	1.80	2.00	2.00	0.00	3.50
4/1/2005	4.39	4.50	2.00	2.50	6.00
4/1/2006	4.46	4.50	2.00	2.50	8.50
4/1/2007	3.29	3.50	2.00	1.50	10.00
4/1/2008	4.17	4.00	2.00	2.00	12.00
4/1/2009	0.11	0.00	2.00	-2.00	10.00
4/1/2010	1.83	2.00	2.00	0.00	10.00
4/1/2011	1.34	1.50	2.00	-0.50	9.50

* Government Code section 31870 requires CPI to be rounded to the nearest one-half percent.

Q8. Is there a carryover if the cost-of-living is negative?

A. Yes, if the annual CPI index is negative, any positive accumulations from prior years will be offset by the current year’s negative figure. In this case, a retired member will still receive a cost-of-living adjustment not to exceed 2 percent if there is a positive credit in the resulting accumulated or “banked” amount from previous years.

Q9. What happens if the annual cost-of-living index is negative, and the accumulated or “banked” account is already negative or zero?

A. The negative CPI figure will be accumulated or “banked” and offset against positive increases in the CPI in future years. In this situation the retired member will not receive a cost-of-living adjustment in the current year and will not receive a cost-of-living adjustment in future years until the accumulations or “banked” amount is positive.

Q10. How much is in my COLA Bank?

A. It depends on the member retirement date. See the table below.

Member Retirement Date		COLA Bank Balance as of April 1, 2011
From	To	
Pre-April 1, 1984	April 1, 1984	32.00%
April 2, 1984	April 1, 1985	29.50%
April 2, 1985	April 1, 1986	27.00%

April 2, 1986	April 1, 1987	24.00%
April 2, 1987	April 1, 1988	24.00%
April 2, 1988	April 1, 1989	21.00%
April 2, 1989	April 1, 1990	18.00%
April 2, 1990	April 1, 1991	14.00%
April 2, 1991	April 1, 1992	10.50%
April 2, 1992	April 1, 1993	9.50%
April 2, 1993	April 1, 1994	9.50%
April 2, 1994	April 1, 1995	9.50%
April 2, 1995	April 1, 1996	9.50%
April 2, 1996	April 1, 1997	9.50%
April 2, 1997	April 1, 1998	9.50%
April 2, 1998	April 1, 1999	9.50%
April 2, 1999	April 1, 2000	9.50%
April 2, 2000	April 1, 2001	9.00%
April 2, 2001	April 1, 2002	7.50%
April 2, 2002	April 1, 2003	7.50%
April 2, 2003	April 1, 2004	6.00%
April 2, 2004	April 1, 2005	6.00%
April 2, 2005	April 1, 2006	3.50%
April 2, 2006	April 1, 2007	1.00%
April 2, 2007	April 1, 2008	0.00%
April 2, 2008	April 1, 2009	0.00%
April 2, 2009	April 1, 2010	0.00%
April 2, 2010	April 1, 2011	0.00%

Q11. Does the COLA compound?

A. Yes, the COLA compounds.

DISCLAIMER

This FAQ Sheet was drafted by the SBCERA staff in order to help members understand complex pension issues surrounding the 2% COLA. Every effort has been made to ensure the accuracy of the information offered. However, you should not rely solely on the information contained herein. In the event of any discrepancy between the information contained in this FAQ and the Government Code provisions or the Bureau of Labor Statistics Consumer Price Index, the Code provisions and the CPI will govern.