



## **COST-OF-LIVING ADJUSTMENT (COLA) Frequently Asked Questions (FAQ)**

### **1. How was the 2.00% COLA created?**

On June 6, 1983, the San Bernardino County Board of Supervisors adopted California Government Code (GC) 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 2.00% per year in accordance with GC section 31870.

### **2. Is the COLA vested?**

The COLA is a vested benefit, but the *amount* of the COLA depends on the regional Consumer Price Index (CPI). Therefore, it may vary from year to year.

### **3. Is the COLA always 2.00%?**

No. The COLA depends on the change in the regional CPI, but in no event can the COLA exceed 2.00% per year.

### **4. Does the Board of Retirement determine the regional CPI?**

No. The regional CPI is determined by the United States Department of Labor, Bureau of Labor Statistics.

### **5. How is the COLA determined?**

Prior to April 1<sup>st</sup> of each year, the Board of Retirement must refer to the December 31<sup>st</sup>, *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 CPI as of January 1<sup>st</sup> of each year.

## 6. Where can I find the current Bureau of Labor Statistics CPI?

Go to [www.bls.gov/cpi](http://www.bls.gov/cpi), and follow these steps:

1. Go to the drop down menu under the Regional Resources map (scroll down, on right side of screen) and select "Los Angeles," then click "Go."
2. 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, the December 2016 CPI amount was 250.189 and the December 2015 CPI amount was 245.357. Therefore, 250.189 divided by 245.357 is 1.0197, or an increase of 1.97%.

## 7. Is there a carryover in cost-of-living for years that exceed 2.00%?

Yes. Pursuant to GC section 31870, the cost-of-living increase or decrease in any year which is not met by the maximum annual change of 2.00% 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

**7. Continued:**

<b>Date Granted</b>	<b>CPI (%)</b>	<b>Adjusted CPI* (%)</b>	<b>COLA (%)</b>	<b>Change in "Bank" (%)</b>	<b>"Bank" Balance (%)</b>
4/1/2011	1.34	1.50	2.00	-0.50	9.50
4/1/2012	2.17	2.00	2.00	0.00	9.50
4/1/2013	1.93	2.00	2.00	0.00	9.50
4/1/2014	1.14	1.00	2.00	-1.00	8.50
4/1/2015	0.73	0.50	2.00	-1.50	7.00
4/1/2016	2.03	2.00	2.00	0.00	7.00
4/1/2017	1.97	2.00	2.00	0.00	7.00

\* GC section 31870 requires CPI to be rounded to the nearest one-half percent.

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

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 COLA, not to exceed 2.00%, if there is a positive credit in their accumulated or “banked” balance from previous years.

**9. What happens if the annual CPI index is negative and the accumulated or “banked” account is already negative or zero?**

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 would not receive a COLA in the current year and would not receive a COLA in future years until their accumulated or “banked” balance is positive.

**10. How much is in my COLA “Bank”?**

It depends on the member's retirement date. See the table below.

		<b>A</b>	<b>B</b>	<b>C</b>	<b>B+C</b>	<b>A-C</b>
<b>Member Retirement Date</b>		<b>COLA Bank Balance</b>	<b>COLA Effective</b>	<b>COLA Bank Used</b>	<b>Total COLA</b>	<b>COLA Bank Balance</b>
<b>From</b>	<b>To</b>	<b>4/1/2016</b>	<b>4/1/2017</b>			<b>4/1/2017</b>
Pre-April 1, 1984	April 1, 1984	29.50%	2.00%	0.00%	2.00%	29.50%
April 2, 1984	April 1, 1985	27.00%	2.00%	0.00%	2.00%	27.00%

**10. Continued:**

		A	B	C	B+C	A-C
Member Retirement Date		COLA Bank Balance 4/1/2016	COLA Effective 4/1/2017	COLA Bank Used	Total COLA	COLA Bank Balance 4/1/2017
From	To					
April 2, 1985	April 1, 1986	24.50%	2.00%	0.00%	2.00%	24.50%
April 2, 1986	April 1, 1987	21.50%	2.00%	0.00%	2.00%	21.50%
April 2, 1987	April 1, 1988	21.50%	2.00%	0.00%	2.00%	21.50%
April 2, 1988	April 1, 1989	18.50%	2.00%	0.00%	2.00%	18.50%
April 2, 1989	April 1, 1990	15.50%	2.00%	0.00%	2.00%	15.50%
April 2, 1990	April 1, 1991	11.50%	2.00%	0.00%	2.00%	11.50%
April 2, 1991	April 1, 1992	8.00%	2.00%	0.00%	2.00%	8.00%
April 2, 1992	April 1, 1993	7.00%	2.00%	0.00%	2.00%	7.00%
April 2, 1993	April 1, 1994	7.00%	2.00%	0.00%	2.00%	7.00%
April 2, 1994	April 1, 1995	7.00%	2.00%	0.00%	2.00%	7.00%
April 2, 1995	April 1, 1996	7.00%	2.00%	0.00%	2.00%	7.00%
April 2, 1996	April 1, 1997	7.00%	2.00%	0.00%	2.00%	7.00%
April 2, 1997	April 1, 1998	7.00%	2.00%	0.00%	2.00%	7.00%
April 2, 1998	April 1, 1999	7.00%	2.00%	0.00%	2.00%	7.00%
April 2, 1999	April 1, 2000	7.00%	2.00%	0.00%	2.00%	7.00%
April 2, 2000	April 1, 2001	6.50%	2.00%	0.00%	2.00%	6.50%
April 2, 2001	April 1, 2002	5.00%	2.00%	0.00%	2.00%	5.00%
April 2, 2002	April 1, 2003	5.00%	2.00%	0.00%	2.00%	5.00%
April 2, 2003	April 1, 2004	3.50%	2.00%	0.00%	2.00%	3.50%
April 2, 2004	April 1, 2005	3.50%	2.00%	0.00%	2.00%	3.50%
April 2, 2005	April 1, 2006	1.00%	2.00%	0.00%	2.00%	1.00%
April 2, 2006	April 1, 2017	0.00%	2.00%	0.00%	2.00%	0.00%

**11. Does the COLA compound?**

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 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.*