

RETIREMENT 101: COST-OF-LIVING ADJUSTMENT (COLA)

Once retired from SBCERA, you will receive a lifetime, monthly benefit. If your benefit remained the same as years go by, your benefit would not keep pace with the increasing costs to live. To help offset this effect, SBCERA offers a Cost-of-Living Adjustments (COLA) of up to 2% on April 1st of each year to all eligible payees. Eligible payees are most SBCERA payees who are receiving a lifetime benefit from SBCERA. This includes service and disability retirement benefits, continuances, optional death allowances and/or modified optional death allowances.

How does it work?

The COLA is based upon the increase or decrease in the Bureau of Labor Statistics Consumer Price Index (CPI) for the Los Angeles-Riverside-Orange County area as of January 1st of that year (Government Code section 31870). The COLA is always rounded to the nearest 0.5% and will never exceed 2%. For example, if the CPI goes up by 1.34%, SBCERA retirees and beneficiaries receive a 1.5% COLA. Typically, each year the SBCERA Board of Retirement reviews and approves any applicable COLA at its February Board meeting. Only those who are on retiree payroll or have retired on or before April 1st are eligible for that year's COLA.

What happens in years when the CPI is more than 2% or if it decreases?

If the CPI exceeds 2%, members will receive a 2% COLA and the excess amount will be carried over ("banked") for future years. The banked amount will be used to offset future CPI decreases or years when the CPI increase is less than 2%. If the CPI decreases for a given year, the monthly benefit amount will stay the same and the COLA bank will be adjusted.



Below are two examples:

- If the CPI increased by 3.5%, SBCERA payees would receive a 2% COLA. The remaining 1.5% of the CPI not received would be banked for members for future years when the CPI was less than 2%.
- If the CPI increased by 0.62%, the COLA would be rounded to 0.5%. However, for those members with a positive percentage in their COLA bank, SBCERA would take up to 1.5% from their COLA bank and the member would receive a 2% COLA for that year. If there was no COLA banked for the member, the member would be paid a 0.5% COLA.

For more information regarding the COLA, please refer to SBCERA's COLA Frequently Asked Questions (FAQs) online at www.SBCERA.org/COLA.