



Meeting Date  
**01/26/2022**  
Agenda Item  
**#5**

## MEMORANDUM

Date: January 26, 2022  
To: CCCERA Board of Retirement  
From: Gail Strohl, Chief Executive Officer  
Subject: Consider and take possible action to adopt a cost-of-living increase for retirees as of April 1, 2022.

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In accordance with Government Code §§31870, 31870.1 and 31870.3, the Board must determine the annual cost-of-living adjustments (COLAs) to be effective April 1, 2022.

### Determination of COLA

Based on the statutes noted above, the increase or decrease of the retiree allowances must “approximate to the nearest one-half of 1 percent, the percentage of annual increase or decrease in the cost of living as of January 1<sup>st</sup> 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.” The only difference in the three COLA statutes that apply to CCCERA members is that the annual maximum adjustment is either 2%, 3%, or 4% depending on which section is applicable.

The consumer price index values used by CCCERA are the December values from the San Francisco-Oakland-Hayward, California table. The increase in the index from December 2020 to December 2021 is 4.2%.

When this value is greater than the annual allowable maximum increase, the excess above the allowance increase is accumulated or “banked”. When the value is less than the annual allowable maximum increase, retirees with sufficient bank will receive the maximum allowable increase and have their banks reduced accordingly.

The attached Segal letter shows the determination of the consumer price index increase and the annual adjustment retirees will receive depending on Tier and bank. The letter also shows the adjustments to the banks.

### Recommendation

Consider and take possible action to adopt a cost-of-living increase for retirees as of April 1, 2022.



Andy Yeung, ASA, MAAA, FCA, EA  
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January 20, 2022

Ms. Gail Strohl  
Chief Executive Officer  
Contra Costa County Employees' Retirement Association  
1200 Concord Avenue, Suite 300  
Concord, CA 94520

**Re: Contra Costa County Employees' Retirement Association  
Cost-of-Living Adjustments (COLA) as of April 1, 2022**

Dear Gail:

We have determined the cost-of-living adjustments for the Association in accordance with Sections 31870.1, 31870.3 and 31870, as provided in the enclosed exhibits.

The cost-of-living factor to be used by the Association on April 1, 2022 is determined by comparing the December CPI for the San Francisco-Oakland-Hayward Area (with 1982-84 as the base period), as published by the Bureau of Labor Statistics (BLS),<sup>1</sup> in each of the past two years. The ratio of the past two December indices, 315.805 in 2021 and 302.948 in 2020, is 1.0424. The County Law sections cited above indicate that the resulting percentage change of 4.24% should be rounded to the nearest one-half percent, which is 4.0%.

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

The actual cost-of-living adjustment is dependent on tier. The CPI adjustment to be applied on April 1, 2022 is provided in Column (4) of the enclosed exhibits. The COLA bank on April 1, 2022 is provided in Column (5).

Please give us a call if you have any questions.

Sincerely,

Andy Yeung, ASA, MAAA, FCA, EA  
Vice President & Actuary

BTS/bbf

Enclosures

cc: Ms. Christina Dunn

<sup>1</sup> We have provided under separate cover our understanding of the process used by the BLS to calculate the CPI and our rationale for relying on the BLS for such calculation.

Contra Costa County Employees' Retirement Association  
 Cost-Of-Living Adjustment  
 As of April 1, 2022

	(1)	(2)	(3)	(4)	(5)
Retirement Date	April 1, 2021 Accumulated Carry-over	CPI Change*	CPI Rounded**	CPI Used***	April 1, 2022 Accumulated Carry-over****
Tier 1, Tier 3 (service retirement only), Tier 4 (3% COLA), Tier 5 (3%/4% COLA and service retirement only), Safety Tier A and Safety Tier D					
Section 31870.1					
Maximum Annual COLA	3.0%				
On or Before 3/31/1982	9.500%	4.24%	4.0%	3.0%	10.500%
04/01/1982 to 03/31/1983	3.027%	4.24%	4.0%	3.0%	4.027%
04/01/1983 to 03/31/2017	0.500%	4.24%	4.0%	3.0%	1.500%
04/01/2017 to 03/31/2021	0.000%	4.24%	4.0%	3.0%	1.000%
04/01/2021 to 03/31/2022		4.24%	4.0%	3.0%	1.000%

- \* Based on ratio of December 2021 CPI to December 2020 CPI for the San Francisco - Oakland - Hayward 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, 2022.
- \*\*\*\* These are the carry-over of the cost-of-living adjustments that have not been used on April 1, 2022.

Contra Costa County Employees' Retirement Association  
 Cost-Of-Living Adjustment  
 As of April 1, 2022

			(1)	(2)	(3)	(4)	(5)
Retirement Date			April 1, 2021 Accumulated Carry-over	CPI Change*	CPI Rounded**	CPI Used***	April 1, 2022 Accumulated Carry-over****
<u>Tier 2, Tier 3 (disability retirement only) and Tier 5 (3%/4% COLA and disability retirement only)</u>							
Section 31870.3							
<u>Maximum Annual COLA</u>			<u>4.0%</u>				
04/01/1984	to	03/31/2021	0.0%	4.24%	4.0%	4.0%	0.0%
04/01/2021	to	03/31/2022		4.24%	4.0%	4.0%	0.0%

- \* Based on ratio of December 2021 CPI to December 2020 CPI for the San Francisco - Oakland - Hayward 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, 2022.
- \*\*\*\* These are the carry-over of the cost-of-living adjustments that have not been used on April 1, 2022.

Contra Costa County Employees' Retirement Association  
 Cost-Of-Living Adjustment  
 As of April 1, 2022

			(1)	(2)	(3)	(4)	(5)
Retirement Date			April 1, 2021 Accumulated Carry-over	CPI Change*	CPI Rounded**	CPI Used***	April 1, 2022 Accumulated Carry-over****
Tier 4 (2% COLA), Tier 5 (2% COLA), Safety Tier C and Safety Tier E Section 31870							
<b>Maximum Annual COLA</b>			<b>2.0%</b>				
04/01/2007	to	03/31/2012	8.5%	4.24%	4.0%	2.0%	10.5%
04/01/2012	to	03/31/2014	7.5%	4.24%	4.0%	2.0%	9.5%
04/01/2014	to	03/31/2015	7.0%	4.24%	4.0%	2.0%	9.0%
04/01/2015	to	03/31/2016	6.5%	4.24%	4.0%	2.0%	8.5%
04/01/2016	to	03/31/2017	5.5%	4.24%	4.0%	2.0%	7.5%
04/01/2017	to	03/31/2018	4.0%	4.24%	4.0%	2.0%	6.0%
04/01/2018	to	03/31/2019	3.0%	4.24%	4.0%	2.0%	5.0%
04/01/2019	to	03/31/2020	0.5%	4.24%	4.0%	2.0%	2.5%
04/01/2020	to	03/31/2021	0.0%	4.24%	4.0%	2.0%	2.0%
04/01/2021	to	03/31/2022		4.24%	4.0%	2.0%	2.0%

- \* Based on ratio of December 2021 CPI to December 2020 CPI for the San Francisco - Oakland - Hayward 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, 2022.
- \*\*\*\* These are the carry-over of the cost-of-living adjustments that have not been used on April 1, 2022.



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## Via Email

January 20, 2022

Ms. Gail Strohl  
Chief Executive Officer  
Contra Costa County Employees' Retirement Association  
1200 Concord Avenue, Suite 300  
Concord, CA 94520

### **Re: Contra Costa County Employees' Retirement Association (CCCERA) Bureau of Labor Statistics Calculations for Consumer Price Index**

Dear Gail:

We provide in this letter our understanding of the process used by the Bureau of Labor Statistics (BLS) to calculate the Consumer Price Index (CPI) and our rationale for relying on the BLS for such calculation.

In order to develop the CPI that measures change in prices, the BLS conducts monthly surveys on more than 200 categories of expenditure items through personal visits (before the pandemic), telephone interviews and information on retailers' websites. The BLS measures separate CPIs for several geographic areas, including the San Francisco-Oakland-Hayward Area index that is used by CCCERA to set the Cost-of-Living-Adjustment or COLA for retirees. Through their survey, the BLS collects about 94,000 prices each month to use in their computation of changes in prices for commodities and service, and 8,000 rental unit quotes for their computation of changes in prices for housing.

Besides the huge volume of information that would be required to independently reproduce the CPI information provided by the BLS, it is also not feasible to validate the underlying information they use because they do not disclose prices collected in their survey in identifiable form due to a confidentiality pledge. For these reasons and based on our understanding that the 1937 Act requires CCCERA to use the change in the CPI as published by the BLS for the area in which the county seat is situated to determine the COLA, we continue to rely on the index updated by the BLS in recommending the change in COLA to the Board.

Please give us a call if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Andy Yeung".

Andy Yeung, ASA, MAAA, FCA, EA  
Vice President & Actuary

DNA/bbf