



Report to Board of Administration

Lit Payne Jr

Agenda of: **FEBRUARY 26, 2019**

From: Neil M. Guglielmo, General Manager

ITEM: **VI-A**

SUBJECT: COST-OF-LIVING ADJUSTMENT FOR JULY 2019 AND POSSIBLE BOARD ACTION

Recommendation

That the Board adopt a 3% cost-of-living adjustment for Tier 1 and Tier 1 Enhanced Members, and a 2% cost-of-living adjustment for Tier 3 Members, as detailed in the schedule prepared by LACERS' consulting actuary, to be effective July 1, 2019.

Discussion

On July 1 of each year, eligible Members and beneficiaries may receive a cost-of-living adjustment (COLA) to their benefits, as determined by the Board. The COLA is based on the average annual percentage change in the Consumer Price Index (CPI) for the Los Angeles area which is 3.8% for calendar year 2018, and subject to the limitations in the Los Angeles Administrative Code (LAAC) §4.1022 for Tier 1 and §4.1080.17 for Tier 3. The COLA benefits effective July 1, 2019, are summarized as follows, and are further detailed in the attached letter from LACERS' consulting actuary.

Membership	Initial retirement date	COLA Limitations ¹	COLA effective July 1, 2019
Tier 1 participants and beneficiaries	On or before July 1, 1980	<ul style="list-style-type: none"> • 3.0% maximum increase • Excess will be banked (Added to existing accumulated balance. See attached schedule) 	3.0%
Tier 1 and Tier 1 Enhanced participants and beneficiaries	July 2, 1980 to June 30, 2018	<ul style="list-style-type: none"> • 3.0% maximum increase • Excess will be banked (No prior accumulated balance. See attached schedule) 	3.0%
Tier 1 and Tier 1 Enhanced participants and beneficiaries with less than one full year of retirement	July 1, 2018 to June 30, 2019	<ul style="list-style-type: none"> • Prorated COLA increase of 1/12th for each full month of retirement • Excess will not be banked for less than one full year of retirement 	1/12 th of 3.0% each full month retired

Tier 3 participants and beneficiaries	On or before June 30, 2018	<ul style="list-style-type: none"> • 2.0% maximum increase • No COLA bank 	2.0%
Tier 3 participants and beneficiaries with less than one full year of retirement	July 1, 2018 to June 30, 2019	<ul style="list-style-type: none"> • Prorated COLA increase of 1/12th for each full month of retirement • No COLA Bank 	1/12 th of 2.0% each full month retired

¹ Tier 1 and Tier 1 Enhanced Members who received a benefit for a whole year, will receive the excess amount of 0.8% (known as "Excess COLA" which is the difference between CPI change of 3.8% for the year and 3% maximum) added to their COLA bank. In years when the CPI changes are less than 3%, the accumulated banked benefit is applied toward achieving the 3% maximum increase. Pursuant to LAAC §4.1080.17, the Tier 3 COLA benefit is capped at 2% and there is no banked benefit.

Strategic Plan Impact Statement

This action meets the Benefit Delivery Goal by ensuring accurate payment of benefits in accordance with the plan documents codified in the Los Angeles Administrative Code.

This report was prepared by Chhintana Kurimoto, Management Analyst, Administrative Services Division.

NG:TB:DWN:CK

Attachment: Segal Letter dated February 4, 2019 with COLA Schedule



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VIA E-MAIL & USPS

February 4, 2019

Mr. Neil Guglielmo
General Manager
Los Angeles City Employees' Retirement System
202 West First Street, Suite 500
Los Angeles, CA 90012-4401

**Re: Los Angeles City Employees' Retirement System (LACERS)
Cost-of-Living Bank as of July 1, 2019**

Dear Neil:

We have prepared a schedule showing the accumulated banked benefits for the System's retirees and beneficiaries reflecting the cost-of-living adjustments as of July 1, 2019.

The annual average CPI increased from 256.210 in 2017 to 265.962 in 2018, an increase of 3.8% (rounded to the nearest one-tenth of one percent). This figure was determined by using the Consumer Price Index (CPI) for all Urban Consumers in the Los Angeles-Long Beach-Anaheim Area.¹

Note that participants with membership dates on and after February 21, 2016 were placed in Tier 3, unless the participant qualified for Tier 1 membership. Participants in Tier 3 are entitled to a maximum of 2% COLA provision after retirement (instead of a maximum of 3% COLA provision for Tier 1 and Tier 1 Enhanced²). In addition, excess COLA will not be banked under the Tier 3 provision and all Tier 3 retirees and beneficiaries will receive the same COLA regardless of retirement date.

The schedule in Exhibit A contains four columns for Tier 1 and Tier 1 Enhanced participants:

Column 1. Accumulated Banked Benefits as of July 1, 2018. This data was obtained from a similar schedule we prepared last year.

¹ Formerly the Los Angeles-Riverside-Orange County Area.

² Tier 1 Enhanced is for all Tier 1 Airport Peace Officers (including certain fire fighters) appointed to their positions before January 7, 2018 who elected to remain at LACERS after January 6, 2018.

Mr. Neil Guglielmo
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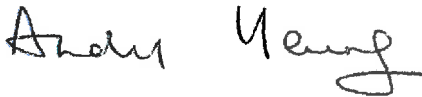
- Column 2.** Actual average CPI increase of 3.8%.
- Column 3.** Cost-of-living increase granted as of July 1, 2019.
- Column 4.** Accumulated Banked Benefits as of July 1, 2019.
(Column (1) + Column (2) - Column (3), but limited to no less than 0%)

As shown in Exhibit A, the cost-of-living increase as of July 1, 2019 for all Tier 1 and Tier 1 Enhanced participants is the full 3.0% maximum increase permitted by the Administrative Code. The difference between 3.8% and 3.0%, or 0.8%, will increase the accumulated bank for each of these participants for future COLA increases.

For Tier 3 participants, the cost-of-living increase as of July 1, 2019 will be 2.0% regardless of retirement date as shown in Exhibit B.

If you have any questions, please do not hesitate to call.

Sincerely,



Andy Yeung

MAM/bbf
Enclosures

cc: Todd Bouey
Lita Payne
Dale Wong-Nguyen

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
COST-OF-LIVING INCREASES AND ACCUMULATED BANKED BENEFITS
As of July 1, 2019**

**Exhibit A
Tier 1 and Tier 1 Enhanced Participants**

Initial Retirement Date	July 1, 2018 Accumulated Banked Benefits (1)	Increase in the Annual Average CPI (2)	COLA (3)	July 1, 2019 Accumulated Banked Benefits (4)
On or Before 07/01/1978	15.000%	3.800%	3.000%	15.800%
07/02/1978 to 07/01/1979	10.750%	3.800%	3.000%	11.550%
07/02/1979 to 08/01/1979	6.144%	3.800%	3.000%	6.944%
08/02/1979 to 09/01/1979	6.339%	3.800%	3.000%	7.139%
09/02/1979 to 10/01/1979	6.533%	3.800%	3.000%	7.333%
10/02/1979 to 11/01/1979	6.728%	3.800%	3.000%	7.528%
11/02/1979 to 12/01/1979	6.922%	3.800%	3.000%	7.722%
12/02/1979 to 01/01/1980	7.117%	3.800%	3.000%	7.917%
01/02/1980 to 02/01/1980	7.311%	3.800%	3.000%	8.111%
02/02/1980 to 03/01/1980	7.506%	3.800%	3.000%	8.306%
03/02/1980 to 04/01/1980	7.700%	3.800%	3.000%	8.500%
04/02/1980 to 05/01/1980	7.894%	3.800%	3.000%	8.694%
05/02/1980 to 06/01/1980	8.089%	3.800%	3.000%	8.889%
06/02/1980 to 07/01/1980	8.283%	3.800%	3.000%	9.083%
07/02/1980 to 06/30/2018	0.000%	3.800%	3.000%	0.800%
07/01/2018 to 06/30/2019		3.800%	3.000%	0.800%

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
COST-OF-LIVING INCREASES
As of July 1, 2019**

**Exhibit B
Tier 3 Participants**

	Increase in the Annual Average CPI	COLA
All Tier 3 Participants Retired on or before 06/30/2019	3.800%	2.000%