IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
COLA POLICY

I. AUTHORITY AND PURPOSE

Pursuant to Government Code section 31870, which was enacted by the California Legislature in 1965 and adopted by the Imperial County Board of Supervisors effective July 10, 1992, every retirement allowance of ICERS members or their beneficiaries who retired after that date will be increased or decreased annually by an amount not to exceed 2%. The purpose of the COLA is to help retired members and their beneficiaries maintain the purchasing power of their allowances in the face of inflation.

A. Timing

The Cost of Living Adjustment (COLA) will be applied to each allowance effective April 1 of each year, independent of the date of retirement, and included in pension payments distributed at the end of that month.

B. Methodology

The COLA is determined by comparing the average Consumer Price Index (CPI) for the West Region (with 1982-84 as the base period) as published by the Bureau of Labor Statistics in each of the prior two years. The resulting percentage is then rounded to the nearest one-half percent. These calculations are performed annually by ICERS' Actuary and presented for Retirement Board action at its February regular meeting.

C. COLA Bank

In the event that the maximum allowable COLA is greater or less than the increase or decrease in the CPI, the difference is accumulated or "banked" for possible use in a future year as provided in section 31870. The "COLA Bank" for each member or beneficiary is calculated by the Actuary and, unlike a true bank, does not contain funds on deposit. Rather, the COLA Bank provides an accounting mechanism that facilitates the receipt of the maximum 2% COLA in years when the applicable CPI is less than 2%, provided that in prior years the cumulative CPI was greater than 2%. If the annual CPI is negative and the cumulative CPI in prior years is negative or zero, the negative CPI figure will be accumulated and offset against positive increases in future years. In this situation, the retiree or beneficiary would not receive a COLA in that year and would not receive a COLA in future years until their accumulated balance is positive.

D. Prior Ad Hoc COLA Benefits

In the past, supplemental ad-hoc COLA benefits were provided to certain retirees and beneficiaries who had lost over 20% of their purchasing power through what was then characterized as "excess earnings." Pursuant to amendments to the Interest Crediting and Unallocated Earnings Policy made by the Retirement Board, in the future any available "excess" earnings will be used to fund the pension liability.