



WESTERN REGION

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GRAHAM A. SCHMIDT | *Vice President*

February 2, 2011

Ms. Annette St. Urbain
Chief Executive Officer
San Joaquin County Employees' Retirement Association
6 El Dorado Street, Suite 700
Stockton, CA 95202

Re: Cost of Living Adjustment (COLA) as of April 1, 2011

Dear Annette:

Pursuant to the scope of retainer services under EFI's agreement to provide actuarial services to SJCERA, we have computed the Cost of-Living Adjustment (COLA) percentages to be used by the Association as of April 1, 2011. The calculations outlined herein have been performed in accordance with 31870.1 of the County Employees Retirement Law of 1937.

Background

The cost-of-living-adjustment (COLA) is determined annually based on increases in the Consumer Price Index (CPI) for All Urban Consumers in the San Francisco-Oakland-San Jose area, using a base period of 1982-1984. The ratio of the annual averages for the prior calendar years is calculated, and rounded to the nearest one-half percent. The method for calculating the annual average is to determine the average for all months of data provided by the Bureau of Labor and Statistics (e.g. the sum of six bi-monthly CPI amounts divided by six).

COLA Calculations

The annual average CPIs described above were 227.6 and 224.6 for 2010 and 2009 respectively. This represents an increase of 1.34%, which is subsequently rounded to 1.50%.

Members are subject to the provisions of Section 31870.1, which limits annual COLA increases to 3.0% annually. Therefore members should receive an increase in benefits of at least 1.5%, based on the current year change in the CPI. However, based on the accumulated carry-over balances as of April 1, 2010, some retirees will receive an increase of 3.0%, depending on their accumulated carry-over balances. The remaining carry-over balances will then be reduced by 1.5%. The enclosed exhibit summarizes the COLA calculations and carry-over balances.

Please contact us if you have any questions regarding these calculations.

Sincerely,

Robert T. McCrory, FSA
Executive Vice President

Graham A. Schmidt, ASA
Senior Vice President

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EXHIBIT A
COST OF LIVING ADJUSTMENTS (COLA)
As of April 1, 2011

Maximum Annual COLA: 3.0%

Initial Retirement Date	April 1, 2010		Increase in the Annual Average CPI ¹		April 1, 2011		
	Accumulated Carry-Over w/o PPP ²	Accumulated Carry-Over w/PPP Adjust.	Actual (C)	Rounded (D)	COLA (E)	Accumulated Carry-Over w/o PPP (F)	Accumulated Carry-Over w/PPP Adjust. (G)
	(A)	(B)					
On or Before 04/01/1970	74.0%	16.5%	1.34%	1.5%	3.0%	72.5%	15.0%
04/02/1970 to 04/01/1971	71.5%	16.5%	1.34%	1.5%	3.0%	70.0%	15.0%
04/02/1971 to 04/01/1972	69.5%	16.5%	1.34%	1.5%	3.0%	68.0%	15.0%
04/02/1972 to 04/01/1973	68.5%	16.5%	1.34%	1.5%	3.0%	67.0%	15.0%
04/02/1973 to 04/01/1974	68.0%	16.5%	1.34%	1.5%	3.0%	66.5%	15.0%
04/02/1974 to 04/01/1975	65.0%	16.5%	1.34%	1.5%	3.0%	63.5%	15.0%
04/02/1975 to 04/01/1976	58.0%	16.5%	1.34%	1.5%	3.0%	56.5%	15.0%
04/02/1976 to 04/01/1977	51.0%	16.5%	1.34%	1.5%	3.0%	49.5%	15.0%
04/02/1977 to 04/01/1978	48.5%	16.5%	1.34%	1.5%	3.0%	47.0%	15.0%
04/02/1978 to 04/01/1979	44.0%	16.5%	1.34%	1.5%	3.0%	42.5%	15.0%
04/02/1979 to 04/01/1980	37.5%	16.5%	1.34%	1.5%	3.0%	36.0%	15.0%
04/02/1980 to 04/01/1981	32.0%	16.5%	1.34%	1.5%	3.0%	30.5%	15.0%
04/02/1981 to 04/01/1982	20.0%	16.5%	1.34%	1.5%	3.0%	18.5%	15.0%
04/02/1982 to 04/01/1983	10.0%	N/A	1.34%	1.5%	3.0%	8.5%	N/A
04/02/1983 to 04/01/1984	7.5%	N/A	1.34%	1.5%	3.0%	6.0%	N/A
04/02/1984 to 04/01/1985	7.5%	N/A	1.34%	1.5%	3.0%	6.0%	N/A
04/02/1985 to 04/01/1986	5.0%	N/A	1.34%	1.5%	3.0%	3.5%	N/A
04/02/1986 to 04/01/1987	4.0%	N/A	1.34%	1.5%	3.0%	2.5%	N/A
04/02/1987 to 04/01/1988	4.0%	N/A	1.34%	1.5%	3.0%	2.5%	N/A
04/02/1988 to 04/01/1989	3.5%	N/A	1.34%	1.5%	3.0%	2.0%	N/A
04/02/1989 to 04/01/1990	2.0%	N/A	1.34%	1.5%	3.0%	0.5%	N/A
04/02/1990 to 04/01/1991	0.0%	N/A	1.34%	1.5%	1.5%	0.0%	N/A
04/02/1991 to 04/01/1992	0.0%	N/A	1.34%	1.5%	1.5%	0.0%	N/A
04/02/1992 to 04/01/1993	0.0%	N/A	1.34%	1.5%	1.5%	0.0%	N/A
04/02/1993 to 04/01/1994	0.0%	N/A	1.34%	1.5%	1.5%	0.0%	N/A
04/02/1994 to 04/01/1995	0.0%	N/A	1.34%	1.5%	1.5%	0.0%	N/A
04/02/1995 to 04/01/1996	0.0%	N/A	1.34%	1.5%	1.5%	0.0%	N/A
04/02/1996 to 04/01/1997	0.0%	N/A	1.34%	1.5%	1.5%	0.0%	N/A
04/02/1997 to 04/01/1998	0.0%	N/A	1.34%	1.5%	1.5%	0.0%	N/A
04/02/1998 to 04/01/1999	0.0%	N/A	1.34%	1.5%	1.5%	0.0%	N/A
04/02/1999 to 04/01/2000	0.0%	N/A	1.34%	1.5%	1.5%	0.0%	N/A
04/02/2000 to 04/01/2001	0.0%	N/A	1.34%	1.5%	1.5%	0.0%	N/A
04/02/2001 to 04/01/2002	0.0%	N/A	1.34%	1.5%	1.5%	0.0%	N/A
04/02/2002 to 04/01/2003	0.0%	N/A	1.34%	1.5%	1.5%	0.0%	N/A
04/02/2003 to 04/01/2004	0.0%	N/A	1.34%	1.5%	1.5%	0.0%	N/A
04/02/2004 to 04/01/2005	0.0%	N/A	1.34%	1.5%	1.5%	0.0%	N/A
04/02/2005 to 04/01/2006	0.0%	N/A	1.34%	1.5%	1.5%	0.0%	N/A
04/02/2006 to 04/01/2007	0.0%	N/A	1.34%	1.5%	1.5%	0.0%	N/A
04/02/2007 to 04/01/2008	0.0%	N/A	1.34%	1.5%	1.5%	0.0%	N/A
04/02/2008 to 04/01/2009	0.0%	N/A	1.34%	1.5%	1.5%	0.0%	N/A
04/02/2009 to 04/01/2010	0.0%	N/A	1.34%	1.5%	1.5%	0.0%	N/A
04/02/2010 to 04/01/2011	0.0%	N/A	1.34%	1.5%	1.5%	0.0%	N/A

¹ All Urban Consumers, San Francisco-Oakland-San Jose Area (1982-84 base). (G.C. 31870.1)

² Purchasing Power Protection (PPP) benefits were implemented in 2000 (75% level) and 2001 (80% level) for allowances with an "initial retirement date" of 04/01/1982 or earlier. A "one-time" permanent increase was added to the monthly allowance amount to restore purchasing power to 80% of the purchasing power of the original allowance, determined as of 4/01/2001. These monthly allowances, including the PPP benefit, are adjusted each year by the annual COLA. (PPP reference: G.C. Section 31874.3)

Column A: The COLA Bank as of April 1, 2010, without adjustment for the PPP benefits. For allowances with an Initial Retirement Date on or before 04/01/1982, the values in this column and Column F represent what the total loss of purchasing power would be without the PPP benefits.

Column B: The COLA Bank as of April 1, 2010, with adjustment to reflect implementation of PPP benefits for allowances with an Initial Retirement Date on or before 04/01/1982.

Column E: The cost of living adjustment, effective April 1, 2011, to be applied to allowances included in each Initial Retirement Date period.

Column F: The COLA Bank as of April 1, 2011, available for future use, without adjustment for the PPP benefits. For allowances with an Initial Retirement Date on or before 04/01/1982, the values in this column represent what the total loss of purchasing power would be without the PPP benefits. The values in this column equal the value of Column A, less the difference between Columns D and E.

Column G: The COLA Bank as of April 1, 2011, available for future use, with adjustment to reflect implementation of the PPP benefits for allowances with an Initial Retirement Date on or before 04/01/1982. The values in this column equal the value of Column B less the difference between Columns D and E.