



February 25, 2025

Los Angeles City Council
c/o City Clerk
200 N. Spring Street
Room 395, City Hall
Mail Stop #160

DISCRETIONARY COST-OF-LIVING ADJUSTMENT FOR RETIRED LACERS MEMBERS AND THEIR BENEFICIARIES

Honorable City Council Members:

The LACERS Board of Administration (Board) adopted the attached report recommending that the City Council (Council) grant a discretionary cost-of-living-adjustment (COLA) increase to eligible retired LACERS' Members. On April 14, 2023 and on May 15, 2024, the Board sent forth similar requests to Council¹; however, no action has been taken and now updated figures are being presented for 2025.

Although it is the City Administrative Officer's duty to prepare appropriate reports and recommendations for Council to make findings as to the adequacy of annual COLAs,² the Board respectfully requests that Council grant a discretionary COLA to address the 7.4%, 3.5%, and 3.3% increases in the Annual Consumer Price Index (CPI) for 2022, 2023, and 2024 which exceed the Tier 1 COLA limit of 3%.³ This increase could affect more than 22,700 LACERS Members that have retirement dates on or before June 30, 2024.⁴

Council has granted discretionary COLAs to LACERS Participants in the past.⁵ In 2002, Council granted a discretionary COLA for Participants with a retirement date before June 30, 1984.⁶ The purpose of this one-time COLA was to reduce all excess COLA banks to no more than 25.3%.⁷ Any banked amount that exceeded 25.3% was paid to Participants. Since then, Council has not granted any discretionary COLAs.

To help retired LACERS Members cope with the past four years of high inflation, the Board recommends that Council grant a 2.6% discretionary COLA which is half of the difference between the CPI and awarded COLAs for the last three fiscal years.

Sincerely,

ANNIE CHAO, President
LACERS Board of Administration
TB/EA

LA CITY EMPLOYEES' RETIREMENT SYSTEM

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KAREN BASS

Mayor of the City of Los Angeles

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Executive Officer
Dale Wong-Nguyen
Assistant General Manager
Rodney June
Chief Investment Officer

¹ Council File # 23-0418

² LAAC § 4.1023(e) and LAAC § 4.1080.17(c)(vii)

³ LAAC § 4.0123(c)(1)

⁴ Based on LACERS' latest actuarial valuation

⁵ 7% in 1982, 1.25% in 1986, and 1.6% in 1989 (Council File # 99-1158)

⁶ Council File # 01-2343

⁷ Ordinance # 174419

Attachments

1. Discretionary Cost-of-Living Adjustment for July 2025 and Possible Board Action
2. Segal Letter dated January 23, 2025 with COLA schedule

c: Sharon Tso, Chief Legislative Analyst
Todd Bouey, LACERS
Dale Wong Nguyen, LACERS
Carolyn Webb de Macias, Chief of Staff, Mayor's Office
Matthew Hale, Deputy Mayor of Finance, Mayor's Office
Matthew Szabo, City Administrative Officer
Janelle Irving, Finance Specialist IV, City Administrative Officer
Sharon Tso, Chief Legislative Analyst Karen Kalfayan, Executive Officer, Chief Legislative Analyst



ATTACHMENT 1
CF23-0418
February 24, 2025



REPORT TO BOARD OF ADMINISTRATION
From: Todd Bouey, Acting General Manager

MEETING: FEBRUARY 25, 2025
ITEM: VI-A

SUBJECT: COST-OF-LIVING ADJUSTMENT FOR JULY 2025 AND POSSIBLE BOARD ACTION

ACTION: CLOSED: CONSENT: RECEIVE & FILE:

Recommendation

That the Board:

1. Adopt a 3% cost-of-living-adjustment with excess 0.3% banked for Tier 1 and Tier 1 Enhanced Members, and a 2% cost-of-living adjustment for Tier 3 Members, as detailed in the attached schedule prepared by LACERS' consulting actuary, to be effective July 1, 2025; and,
2. Authorize the Board President to sign and transmit a letter to the Los Angeles City Council ("Council") requesting consideration of granting a 2.6% discretionary cost-of-living adjustment increase for retired Members.

Executive Summary

On July 1 of each year, eligible retired Members and beneficiaries may receive a cost-of-living adjustment (COLA) to their benefits in accordance with the Los Angeles Administrative Code (LAAC). The COLA is based on the average annual percentage change in the Consumer Price Index (CPI) for the Los Angeles area for the previous calendar year and is subject to the limitations in the LAAC § 4.1022 for Tier 1 and § 4.1080.17 for Tier 3. According to the Federal Bureau of Labor Statistics, the annual average CPI for Los Angeles area increased 3.3% in 2024. However, due to LAAC limitations, Tier 1 and Tier 1 Enhanced will receive 3% COLA with excess 0.3% banked, while Tier 3 will receive 2% COLA with no bank effective July 1, 2025.

If the Council finds that the COLA is inadequate "in light of the movement of the [CPI], [Council] may grant [an] additional, but discretionary cost of living adjustment," which based on ordinance would be an additional 2.6%.

Discussion

In any given year, Tier 1 and Tier 1 Enhanced Members are eligible for a maximum increase of 3% COLA (LAAC § 4.1022 for Tier 1). In addition, Tier 1 and Tier 1 Enhanced participants are entitled to receive and accumulate the excess (known as "Excess COLA") whenever the CPI change is greater than the maximum limit of 3% in any year. Based on the 3.3% CPI increase for 2024, Tier 1 and Tier 1

Enhanced participants will receive the maximum 3% increase, with the remaining excess COLA of 0.3% (i.e., 3.3%-3.0%) banked for future use. Since Tier 3 COLA benefit is capped at 2.0% (LAAC § 4.1080.17) and there is no banked benefit, Tier 3 participants will receive 2% COLA effective July 1, 2025.

The COLA benefits effective July 1, 2025 are summarized in the table below, and are further detailed in the attached letter from LACERS' consulting actuary.

Membership	Initial Retirement Date	COLA Limitation (LAAC § 4.1022 & § 4.1080.17)	COLA Effective July 1, 2025
Tier 1 and Tier 1 Enhanced participants and beneficiaries	On or before July 1, 2024	<ul style="list-style-type: none"> • 3.0% maximum increase • Excess COLA will be banked (i.e., added to existing accumulated COLA balance, see attached schedule). 	3%
Tier 1 and Tier 1 Enhanced participants and beneficiaries with less than one full year of retirement	July 2, 2024 to June 30, 2025	<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 	1/12th of 3.0% each full month retired
Tier 3 participants and beneficiaries	On or before July 1, 2024	<ul style="list-style-type: none"> • 2% maximum increase • No COLA Bank 	2%
Tier 3 participants and beneficiaries with less than one full year of retirement	July 2, 2024 to June 30, 2025	<ul style="list-style-type: none"> • Prorated COLA increase of 1/12th for each full month of retirement • No COLA Bank 	1/12th of 2.0% each full month retired

Discretionary COLA

On April 14, 2023, the Board sent a letter to the Mayor and Council requesting that the City grant LACERS Members and their Beneficiaries a discretionary COLA of an additional 2.6% in addition to the granted 3.0% COLA. Having been no formal action taken on this request, a subsequent request was sent to the Council on May 15, 2024 reflecting an updated discretionary COLA calculation of 2.85% on top of the granted 3.0% COLA. No formal action has been taken on this request. These requests were intended to assist those on fixed income by addressing the past three years of excess increase in the Consumer Price Index. It is recommended that the Board send another request to Council for consideration of a discretionary COLA of 2.6%.

Council has the authority to determine the adequacy of COLAs and may grant an additional but discretionary COLA for Tier 1 and Tier 3 in accordance with LAAC § 4.1023 and LAAC § 4.1080.17(c), respectively. Members, especially those who have been retired for longer periods of time, can

experience significantly diminished buying power in high inflation environments. Council has previously provided three discretionary adjustments: 7.00% in 1982, 1.25% in 1986, and 1.60% in 1989 (Council File No. 99-1158). In 2002, Council granted a discretionary COLA for Members with a retirement date before June 30, 1984 (Council File No. 01-2343). The purpose of this one-time COLA was to reduce all excess COLA banks to no more than 25.3% (Ordinance No. 174419). Any banked amount that exceeded 25.3% was paid to Members. Although this method of applying the discretionary COLA is not as currently prescribed by City Code, Council has discretion in determining how a discretionary COLA is awarded as it is enacted through adoption of an ordinance. Since 2002, Council has not granted any discretionary COLAs based on staff research.

Prepared By: Jo Ann Peralta, Departmental Chief Accountant IV

TB:EA:JP

Attachments: 1. Segal Letter dated January 23, 2025 with COLA schedule
2. Draft Board Letter to the City Council for Consideration of a Discretionary Cost-of Living Adjustment



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Via Email

ATTACHMENT 2
CF23-0418
February 24, 2025

January 23, 2025

Mr. Neil Guglielmo
General Manager
Los Angeles City Employees' Retirement System
977 N. Broadway
Los Angeles, CA 90012-1728

**Re: Los Angeles City Employees' Retirement System (LACERS)
Cost-of-living bank as of July 1, 2025**

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, 2025.

The annual average CPI increased from 321.583 in 2023 to 332.194 in 2024, an increase of 3.3% (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, as published by the Bureau of Labor Statistics.

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 Enhanced¹). 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 1 contains four columns for Tier 1 and Tier 1 Enhanced participants:

- Column 1 Accumulated Banked Benefits as of July 1, 2024. This data was obtained from a similar schedule we prepared last year.
- Column 2 Actual average CPI increase of 3.3%.
- Column 3 Cost-of-living increase granted as of July 1, 2025, for a full year of retirement.
- Column 4 Accumulated Banked Benefits as of July 1, 2025.
(Column (1) + Column (2) - Column (3), but limited to no less than 0%)²

¹ 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, and who paid their mandatory additional contribution of \$5,700 to LACERS before January 8, 2019, or prior to their retirement date, whichever was earlier.

² Note that for initial retirement dates of 07/01/2024 to 06/30/2025, the July 1, 2025 Accumulated Banked Benefits in Column (4) of Exhibit 1 is instead shown as 0.000%. Not establishing a July 1, 2025 COLA bank for this range of initial retirement dates is consistent with our understanding of the Administrative Code that requires retirement for the entire fiscal year for an initial COLA bank to be established.

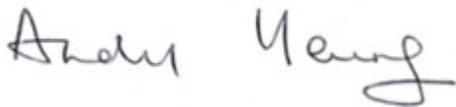
As shown in Exhibit 1, the cost-of-living increase as of July 1, 2025 for Tier 1 and Tier 1 Enhanced participants with an initial retirement date on or before June 30, 2024 is the full 3.0% maximum increase permitted by the Administrative Code. The difference between 3.3% and 3.0%, or 0.3%, will increase the accumulated bank for each of these participants for future COLA increases.

For Tier 1 and Tier 1 Enhanced participants with an initial retirement date between July 1, 2024 and June 30, 2025, the full cost-of-living increase as of July 1, 2025 will be 3.0% but COLA benefits for partial year retirements will be pro-rated. The accumulated bank for these participants will be 0% as of July 1, 2025.¹

For Tier 3 participants, the cost-of-living increase as of July 1, 2025 will be 2.0% regardless of retirement date as shown in Exhibit 2.²

Please give us a call if you have any questions.

Sincerely,



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

JT/bbf
Attachments

cc: Edwin Avanesian
Todd Bouey

¹ Except for July 1, 2024 retirees, whose accumulated banks as of July 1, 2025 will be 0.3%.

² COLA benefits for partial year retirements between July 1, 2024 and June 30, 2025 are pro-rated.

Los Angeles City Employees' Retirement System Cost-of-Living Increases and Accumulated Banked Benefits as of July 1, 2025

Tier 1 and Tier 1 Enhanced Participants
(Maximum Annual COLA of 3%)

Initial Retirement Date	July 1, 2024 Accumulated Banked Benefits (1)	Increase in Annual Average CPI ¹ (2)	COLA ² (3)	July 1, 2025 Accumulated Banked Benefits (4)
On or Before 07/01/1978	20.200%	3.300%	3.000%	20.500%
07/02/1978 to 07/01/1979	15.950%	3.300%	3.000%	16.250%
07/02/1979 to 08/01/1979	11.344%	3.300%	3.000%	11.644%
08/02/1979 to 09/01/1979	11.539%	3.300%	3.000%	11.839%
09/02/1979 to 10/01/1979	11.733%	3.300%	3.000%	12.033%
10/02/1979 to 11/01/1979	11.928%	3.300%	3.000%	12.228%
11/02/1979 to 12/01/1979	12.122%	3.300%	3.000%	12.422%
12/02/1979 to 01/01/1980	12.317%	3.300%	3.000%	12.617%
01/02/1980 to 02/01/1980	12.511%	3.300%	3.000%	12.811%
02/02/1980 to 03/01/1980	12.706%	3.300%	3.000%	13.006%
03/02/1980 to 04/01/1980	12.900%	3.300%	3.000%	13.200%
04/02/1980 to 05/01/1980	13.094%	3.300%	3.000%	13.394%
05/02/1980 to 06/01/1980	13.289%	3.300%	3.000%	13.589%
06/02/1980 to 07/01/1980	13.483%	3.300%	3.000%	13.783%
07/02/1980 to 06/30/2018	5.700%	3.300%	3.000%	6.000%
07/01/2018 to 06/30/2021	5.700%	3.300%	3.000%	6.000%
07/01/2021 to 06/30/2022	4.900%	3.300%	3.000%	5.200%
07/01/2022 to 06/30/2023	0.500%	3.300%	3.000%	0.800%
07/01/2023 to 06/30/2024	0.000%	3.300%	3.000%	0.300%
07/01/2024 ³ to 06/30/2025		3.300%	3.000%	0.000%

¹ Based on ratio of 2024 annual average CPI to 2023 annual average CPI for the Los Angeles - Long Beach - Anaheim Area.

² COLA benefits for partial year retirements are pro-rated.

³ Only those retirees (or continuing survivors) whose benefits commenced on July 1 and continued through June 30 receive a COLA bank in years of excess CPI. For initial retirement dates starting July 1, 2018 and later, the COLA bank for a July 1 retiree (or continuing survivor) is shown on the row above that retiree's (or continuing survivor's) retirement date. For example, the July 1, 2024 COLA bank for a July 1, 2018 retiree (or continuing survivor) is 5.700% (i.e., from the 07/02/1980 to 06/30/2018 row) and such retiree (or continuing survivor) would receive a July 1, 2025 COLA of 3.000%. The July 1, 2025 COLA bank for such retiree (or continuing survivor) would be increased to 6.000%.

Los Angeles City Employees' Retirement System Cost-of-Living Increases as of July 1, 2025

Tier 3 Participants
(Maximum Annual COLA of 2%)

Initial Retirement Date	Increase in Annual Average CPI¹ (1)	COLA² (2)
On or Before 06/30/2025	3.300%	2.000%

¹ Based on ratio of 2024 annual average CPI to 2023 annual average CPI for the Los Angeles - Long Beach - Anaheim Area.

² COLA benefits for partial year retirements are pro-rated.