

Introduced by Senator Walters

February 23, 2012

An act to amend Section 31874.3 of the Government Code, relating to county employees retirement.

LEGISLATIVE COUNSEL'S DIGEST

SB 1231, as introduced, Walters. County employees retirement: cost-of-living adjustments.

The County Employees Retirement Law of 1937 authorizes counties to establish retirement systems for county employees, authorizes counties to establish a board of retirement, and authorizes the board of retirement to provide cost-of-living adjustments and certain supplemental cost-of-living allowances.

This bill would provide that in regard to those supplemental cost-of-living increases, if the retirement system is not fully funded, or if the granting of this benefit will require additional county contributions or create an unfunded liability, the board of supervisors may adopt a resolution precluding the board of retirement from granting this benefit to new members, and limiting the benefit to the amount members would be eligible to receive at the date of the resolution.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 31874.3 of the Government Code is
- 2 amended to read:
- 3 31874.3. (a) (1) Whenever the percentage of annual increase
- 4 in the cost of living as of January 1 of each year as shown by the

1 Bureau of Labor Statistics Consumer Price Index for All Urban
2 Consumers exceeds the maximum benefit increase provided in
3 Section 31870, 31870.1, 31870.2, or 31870.3, whichever is
4 applicable, the board of retirement may provide that all or part of
5 the excess percentage increase shall be applied to the retirement
6 allowances, optional death allowances, or annual death allowances
7 increased in Section 31870, 31870.1, 31870.2, or 31870.3. The
8 board shall determine the amount of the excess to be applied, which
9 amount shall not exceed an amount that can be paid from earnings
10 of the retirement fund that are in excess of the total interest credited
11 to contributions and reserves plus 1 percent of the total assets of
12 the retirement fund. *If the retirement system is not fully funded, or*
13 *if the granting of this benefit will require additional county*
14 *contributions or create an unfunded liability, the board of*
15 *supervisors may adopt a resolution precluding the board of*
16 *retirement from granting this benefit to new members, and limiting*
17 *the benefit to the amount members would be eligible to receive at*
18 *the date of the resolution.*

19 (2) The supplemental increases in excess of the increases applied
20 to the retirement allowances, optional death allowances, or annual
21 death allowances pursuant to Section 31870, 31870.1, 31870.2, or
22 31870.3 shall not become a part of the retirement allowances,
23 optional death allowances, or annual death allowances to be
24 increased by subsequent increases under Section 31870, 31870.1,
25 31870.2, or 31870.3.

26 (3) This subdivision shall be operative in any county that has
27 elected by a majority vote of the board of supervisors to make
28 either Section 31870, 31870.1, 31870.2, or 31870.3 applicable in
29 that county.

30 (b) (1) The board of retirement may, instead of taking action
31 pursuant to subdivision (a), provide supplemental cost-of-living
32 increases, effective on a date to be determined by the board, to the
33 retirement allowances, optional death allowances, or annual death
34 allowances increased in Section 31870, 31870.1, 31870.2, or
35 31870.3; provided however, that only those members shall be
36 eligible for this increase whose accumulations established by
37 Section 31870, 31870.1, 31870.2, or 31870.3 shall equal or exceed
38 20 percent as of January 1 of the year in which the board of
39 retirement adopts an increase under this subdivision. *If the*
40 *retirement system is not fully funded, or if the granting of this*

1 *benefit will require additional county contributions or create an*
 2 *unfunded liability, the board of supervisors may adopt a resolution*
 3 *precluding the board of retirement from granting this benefit to*
 4 *new members, and limiting the benefit to the amount members*
 5 *would be eligible to receive at the date of the resolution.*

6 (2) The supplemental increases to the retirement allowances,
 7 optional death allowances or annual death allowances increased
 8 in Section 31870, 31870.1, 31870.2, or 31870.3 shall not become
 9 a part of the retirement allowances, optional death allowances or
 10 annual death allowances to be increased by subsequent increases
 11 under Section 31870, 31870.1, 31870.2, or 31870.3.

12 (3) This subdivision shall be operative in any county that has
 13 elected by a majority vote of the board of supervisors to make
 14 either Section 31870, 31870.1, 31870.2, or 31870.3 applicable in
 15 that county.

16 (c) (1) The board of retirement may, instead of taking action
 17 pursuant to subdivision (a) or (b), provide supplemental
 18 cost-of-living increases, on a prefunded basis and effective on a
 19 date to be determined by the board, to the retirement allowances,
 20 optional death allowances, or annual death allowances increased
 21 in Section 31870, 31870.1, 31870.2, or 31870.3; provided however,
 22 only those members shall be eligible for this increase whose
 23 accumulations established by Section 31870, 31870.1, 31870.2,
 24 or 31870.3 equal or exceed 20 percent as of January 1 of the year
 25 in which the board of retirement takes action pursuant to this
 26 subdivision. *If the retirement system is not fully funded, or if the*
 27 *granting of this benefit will require additional county contributions*
 28 *or create an unfunded liability, the board of supervisors may adopt*
 29 *a resolution precluding the board of retirement from granting this*
 30 *benefit to new members, and limiting the benefit to the amount*
 31 *members would be eligible to receive at the date of the resolution.*

32 (2) The supplemental increases to the retirement allowances,
 33 optional death allowances, or annual death allowances increased
 34 in Section 31870, 31870.1, 31870.2, or 31870.3 shall become a
 35 part of the retirement allowances, optional death allowances, or
 36 annual death allowances and shall serve to reduce the
 37 accumulations established by Section 31870, 31870.1, 31870.2,
 38 or 31870.3, as applicable, by the same percentage as the payment
 39 that is made pursuant to this section.

1 (3) Before the board of retirement provides benefits pursuant
2 to this subdivision, the costs of the benefits shall be determined
3 by a qualified actuary and the board of retirement shall, with the
4 advice of the actuary, provide for the full funding of the benefits
5 utilizing funds in the reserve against deficiencies established
6 pursuant to Section 31592.2, using surplus earnings that exceed 1
7 percent of the total assets of the retirement system.

8 (4) This subdivision shall be operative in any county that has
9 elected by a majority vote of the board of supervisors to make
10 either Section 31870, 31870.1, 31870.2, or 31870.3 applicable in
11 that county.

12 (d) Upon adoption by any county providing benefits pursuant
13 to this section, of Article 5.5 (commencing with Section 31610)
14 of this chapter, the board of retirement shall, instead, pay those
15 benefits from the Supplemental Retiree Benefit Reserve established
16 pursuant to Section 31618.