

AMENDED IN SENATE MAY 1, 2012

SENATE BILL

No. 1231

Introduced by Senator Walters

February 23, 2012

An act to ~~amend Section 31874.3 of~~ *add Section 31874.7 to the Government Code*, relating to county employees retirement.

LEGISLATIVE COUNSEL'S DIGEST

SB 1231, as amended, 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.~~ *authorize the board of supervisors of Orange County, by resolution adopted by majority vote, to preclude the board of retirement from providing excess percentage increases or supplemental cost-of-living increases, as specified, as of 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 31874.7 is added to the Government Code,
2 to read:

3 31874.7. (a) Notwithstanding any other provision of this
4 chapter, the Board of Supervisors of Orange County may, by
5 resolution adopted by majority vote, do the following:

6 (1) Preclude the board of retirement from providing any excess
7 percentage increase or supplemental cost-of-living increase under
8 Section 31874.3 to any member who has not been eligible to receive
9 the excess percentage increase or supplemental cost-of-living
10 increase under Section 31874.3 as of the date of the resolution.

11 (2) Preclude the board of retirement from granting any excess
12 percentage increase or supplemental cost-of-living increase under
13 Section 31874.3 greater than the excess percentage increase or
14 supplemental cost-of-living increase that the member was eligible
15 to receive as of the date of the resolution.

16 (b) Paragraphs (1) and (2) of subdivision (a) shall apply only
17 to members who have been employees or officers of Orange
18 County, with respect to the portion of their allowance attributable
19 to that service, and do not apply to any portion of an allowance
20 attributable to a member's service as an employee or officer of
21 any other district or entity, regardless of whether that district or
22 entity is independent of, or within, the Orange County Employees
23 Retirement System.

24 SECTION 1. ~~Section 31874.3 of the Government Code is~~
25 ~~amended to read:~~

26 ~~31874.3. (a) (1) Whenever the percentage of annual increase~~
27 ~~in the cost of living as of January 1 of each year as shown by the~~
28 ~~Bureau of Labor Statistics Consumer Price Index for All Urban~~
29 ~~Consumers exceeds the maximum benefit increase provided in~~
30 ~~Section 31870, 31870.1, 31870.2, or 31870.3, whichever is~~
31 ~~applicable, the board of retirement may provide that all or part of~~
32 ~~the excess percentage increase shall be applied to the retirement~~
33 ~~allowances, optional death allowances, or annual death allowances~~
34 ~~increased in Section 31870, 31870.1, 31870.2, or 31870.3. The~~
35 ~~board shall determine the amount of the excess to be applied, which~~
36 ~~amount shall not exceed an amount that can be paid from earnings~~
37 ~~of the retirement fund that are in excess of the total interest credited~~
38 ~~to contributions and reserves plus 1 percent of the total assets of~~

1 the retirement fund. If the retirement system is not fully funded,
2 or if the granting of this benefit will require additional county
3 contributions or create an unfunded liability, the board of
4 supervisors may adopt a resolution precluding the board of
5 retirement from granting this benefit to new members, and limiting
6 the benefit to the amount members would be eligible to receive at
7 the date of the resolution.

8 (2) ~~The supplemental increases in excess of the increases applied~~
9 ~~to the retirement allowances, optional death allowances, or annual~~
10 ~~death allowances pursuant to Section 31870, 31870.1, 31870.2, or~~
11 ~~31870.3 shall not become a part of the retirement allowances,~~
12 ~~optional death allowances, or annual death allowances to be~~
13 ~~increased by subsequent increases under Section 31870, 31870.1,~~
14 ~~31870.2, or 31870.3.~~

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

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

35 (2) ~~The supplemental increases to the retirement allowances,~~
36 ~~optional death allowances or annual death allowances increased~~
37 ~~in Section 31870, 31870.1, 31870.2, or 31870.3 shall not become~~
38 ~~a part of the retirement allowances, optional death allowances or~~
39 ~~annual death allowances to be increased by subsequent increases~~
40 ~~under Section 31870, 31870.1, 31870.2, or 31870.3.~~

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

5 ~~(e) (1) The board of retirement may, instead of taking action~~
6 ~~pursuant to subdivision (a) or (b), provide supplemental~~
7 ~~cost-of-living increases, on a prefunded basis and effective on a~~
8 ~~date to be determined by the board, to the retirement allowances,~~
9 ~~optional death allowances, or annual death allowances increased~~
10 ~~in Section 31870, 31870.1, 31870.2, or 31870.3; provided however,~~
11 ~~only those members shall be eligible for this increase whose~~
12 ~~accumulations established by Section 31870, 31870.1, 31870.2,~~
13 ~~or 31870.3 equal or exceed 20 percent as of January 1 of the year~~
14 ~~in which the board of retirement takes action pursuant to this~~
15 ~~subdivision. If the retirement system is not fully funded, or if the~~
16 ~~granting of this benefit will require additional county contributions~~
17 ~~or create an unfunded liability, the board of supervisors may adopt~~
18 ~~a resolution precluding the board of retirement from granting this~~
19 ~~benefit to new members, and limiting the benefit to the amount~~
20 ~~members would be eligible to receive at the date of the resolution.~~

21 ~~(2) The supplemental increases to the retirement allowances,~~
22 ~~optional death allowances, or annual death allowances increased~~
23 ~~in Section 31870, 31870.1, 31870.2, or 31870.3 shall become a~~
24 ~~part of the retirement allowances, optional death allowances, or~~
25 ~~annual death allowances and shall serve to reduce the~~
26 ~~accumulations established by Section 31870, 31870.1, 31870.2,~~
27 ~~or 31870.3, as applicable, by the same percentage as the payment~~
28 ~~that is made pursuant to this section.~~

29 ~~(3) Before the board of retirement provides benefits pursuant~~
30 ~~to this subdivision, the costs of the benefits shall be determined~~
31 ~~by a qualified actuary and the board of retirement shall, with the~~
32 ~~advice of the actuary, provide for the full funding of the benefits~~
33 ~~utilizing funds in the reserve against deficiencies established~~
34 ~~pursuant to Section 31592.2, using surplus earnings that exceed 1~~
35 ~~percent of the total assets of the retirement system.~~

36 ~~(4) This subdivision shall be operative in any county that has~~
37 ~~elected by a majority vote of the board of supervisors to make~~
38 ~~either Section 31870, 31870.1, 31870.2, or 31870.3 applicable in~~
39 ~~that county.~~

1 ~~(d) Upon adoption by any county providing benefits pursuant~~
2 ~~to this section, of Article 5.5 (commencing with Section 31610)~~
3 ~~of this chapter, the board of retirement shall, instead, pay those~~
4 ~~benefits from the Supplemental Retiree Benefit Reserve established~~
5 ~~pursuant to Section 31618.~~

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