
SENATE COMMITTEE ON LABOR, PUBLIC EMPLOYMENT AND RETIREMENT
Senator Lola Smallwood-Cuevas, Chair
2025 - 2026 Regular

Bill No: AB 1601 **Hearing Date:** June 10, 2026
Author: Rogers
Version: January 16, 2026
Urgency: No **Fiscal:** No
Consultant: Glenn Miles

SUBJECT: County employees' retirement: cost-of-living adjustments.

KEY ISSUE

This bill authorizes the Sonoma County board of supervisors greater flexibility to provide annual and unrestricted cost-of-living adjustments (COLAs) to the retirement allowances, optional death allowances, or annual death allowances payable by the Sonoma County Employees' Retirement System (SCERA).

ANALYSIS

Existing law:

- 1) Establishes the County Employees Retirement Law of 1937 (commonly referred to as the "CERL," "1937 Act," or "'37 Act"), which governs 20 independent county retirement associations and provides for retirement systems for county and district employees in those counties adopting its provisions. Currently, 20 counties operate retirement systems under the CERL, including Sonoma County. (Government Code § 31450 et seq.)
- 2) Denominates Sonoma County "a county of the nineteenth class". (Government Code § 28020 and § 28040)
- 3) Vests the management of a CERL retirement system in its retirement board, consisting of five members, one of whom shall be the county treasurer. (Government Code § 31520)
- 4) Provides under the state constitution that public pension fund retirement boards have the sole and exclusive fiduciary authority over the investment and sole and exclusive responsibility over the administration of their respective retirement systems. (CA CONST art. XVI, § 17)
- 5) Requires the retirement board to annually determine whether there has been an increase or decrease in the cost of living and adjust retirees' allowances accordingly, as specified, but not by more than 2 percent. (Government Code § 31870)
- 6) Requires the retirement board to annually determine whether there has been an increase or decrease in the cost of living and adjust retirees' allowances accordingly, as specified, but not by more than 3 percent. (Government Code § 31870.1)
- 7) Requires the retirement board to annually determine whether there has been an increase or decrease in the cost of living and adjust retirees' allowances accordingly, as specified, but not by more than 5 percent. (Government Code § 31870.2)

- 8) Requires the retirement board to annually determine whether there has been an increase or decrease in the cost of living and adjust retirees' allowances accordingly, as specified, but not by more than 4 percent. (Government Code § 31870.3)
- 9) Provides that the board of supervisors may make the above specified COLAs applicable on the date specified in the adopting ordinance, or if no such date is specified, on the first day of the month after the effective date of an ordinance adopted by the board, provided that an actuarial survey of the retirement system has been made by the adopting county prior to the ordinance's passage. (Government Code § 31874)
- 10) Provides that nothing prevents the retirement system from the use and expenditure of surplus, as specified, to fund any part or all of any increases in allowances otherwise permitted after the county has adopted the specified COLA provisions. (Government Code § 31874)
- 11) Requires a CERL system to fund a COLA equal to all or part of the excess of the Consumer Price Index (CPI) over 3 percent whenever CPI exceeds 3 percent, as specified. This provision is only operative if adopted by a majority vote of the board of supervisors. (Government Code § 31874.1)
- 12) Authorizes the board of supervisors in any county, by a majority vote, to enact an ordinance providing that the maximum annual change pursuant to specified CERL COLA provisions shall be increased to 4, 5, or 6 percent, as determined by the board, on the operative date of such ordinance. (Government Code § 31874.2)
- 13) Allows a CERL system where the board of supervisors has adopted specified CERL COLAs to pay a supplemental COLA if CPI exceeds those COLA benefits. Requires that the supplemental COLA not exceed an amount that can be paid from earnings of the retirement fund that are in excess of the total interest credited to contributions and reserves plus 1 percent of the total assets of the retirement fund. (Government Code § 31874.3)
- 14) Provides that the Sonoma County and Imperial County retirement boards, with the approval of their respective county board supervisors, may provide on a prefunded basis a COLA to retirees whose pension allowances have dropped to 80 percent of their original purchasing power provided that a qualified actuary determines the COLA's cost and the retirement board determines that the cost can be provided from earnings of the retirement fund that are in excess of the total interest credited to contributions and reserves plus 1 percent of the total assets of the retirement fund. (Government Code § 31874.6)
- 15) Provides that the COLA becomes a permanent part of eligible retirees' allowances but that it does not create any continuing entitlement to additional increases in subsequent years, and does not create any claim against the county, district, or retirement fund for any increase in any allowance paid or payable prior to the effective date of the board's action to grant the COLA. (Government Code § 31874.6 (d))
- 16) Requires the board of supervisors to appropriate annually from the proper county funds the amount necessary to defray the entire expense of administration of the retirement system based upon budget estimates prepared by the treasurer. (Government Code § 31580)

This bill:

- 1) Allows the Sonoma County board of supervisors (Supervisors), annually, to authorize a COLA to the retirement allowances, optional death allowances, or annual death allowances payable by the retirement system.
- 2) Allows the Supervisors to specify the COLA's effective date and provides that if they do not, the effective date shall commence on the first day of the month following the Supervisor's action authorizing the COLA.
- 3) Requires the Supervisors to collaborate with the Sonoma County retirement board prior to authorizing a COLA pursuant to this bill's provisions to identify the following: the eligible COLA recipients, the COLA amount, and its funding source.
- 4) Requires the Supervisors to provide a statement prepared by an enrolled actuary of the actuarial impact upon future annual costs, as specified.
- 5) Permits the Supervisors to authorize any COLA under the CERL, as specified, not only the COLA for persons whose allowance value has fallen to 80 percent of its original purchasing power.
- 6) Allows the Supervisors to specify that the COLA may only be available to persons whose allowance value has lost purchasing power and allows the Supervisors to specify the percentage of lost purchasing power qualifies the person for a COLA.
- 7) Specifies how the Supervisors shall measure purchasing power.
- 8) Requires the COLA to become part of the person's allowance's base which are to be increased by any subsequent COLAs.
- 9) Provides that the granting of a COLA in any particular year does not create any continuing entitlement to additional COLAs in subsequent years nor creates any claim by a retired member, survivor, beneficiary, or successor in interest against the county, district, or retirement fund for any increase in any allowance paid or payable prior to the effective date of the Supervisor's action authorizing the COLA.
- 10) Specifies that the bill's provisions only apply to Sonoma County.
- 11) Finds and declares that a special statute is necessary and that a general statute cannot be made applicable within the meaning of Section 16 of Article IV of the California Constitution because of the unique circumstances facing Sonoma County.

COMMENTS**1. Background**

Existing law grants county boards of supervisors the authority to adopt specialized CERL provisions to apply to their respective retirement systems through the adoption of a county ordinance. This structure allows the CERL to provide flexibility for the different needs and

demands of the 20 county retirement systems that the CERL authorizes. In effect, the CERL offers a flexible menu of benefits within a greater framework of established benefits as reformed by the Public Employees' Pension Reform Act (PEPRA). However, existing law also vests the management of a CERL retirement system in the board of retirement, consisting of five members, one of whom is the county treasurer. The retirement board must determine that expenditures for specified benefits are prudent pursuant to their fiduciary responsibility before the retirement board can recommend the benefit, e.g. a COLA, to the board of supervisors for approval. According to the author, the Sonoma County board of supervisors never authorized automatic annual COLAs and provides COLAs only on an ad hoc basis.

The CERL authorizes several COLA benefits subject to adoption by the county board of supervisors, including a 2 %, 3%, 4%, 5%, 6%, and supplemental COLA benefits if CPI exceeds the selected COLA benefit. The COLA benefits have different requirements subject to funding provisions, with some available from any funds and others only available from excess funds, as specified.

According to the author, SCERA has just two authorized COLA options: an across the board flat COLA ranging from 2-6% for all retirees and a variable purchasing power protection COLA to restore retirees who have fallen below 80 percent purchasing power back to 80 percent.

Under the first option, if there is a COLA, SCERA must give it to all eligible retirees, not just those that have lost purchasing power. Consequently, the only way to provide a COLA to the neediest retirees is to offer an ad hoc COLA to all retirees, which can prove cost prohibitive.

Under the second option, SCERA can only fund a COLA for retirees who have fallen below 80 percent of their purchasing power if the system has excess earnings, which is defined as investment earnings left over after interest is credited to reserves, including a contingency reserve (aka rainy day fund) of 1% of the plan's assets. SCERA has not met that hurdle since 2008 and does not foresee doing so in the near future. In effect, the fiscally prudent requirement to fund existing pension obligations and the rainy day fund is preventing the board of supervisors from giving a targeted COLA to its neediest retirees.

This bill appears to provide an alternative COLA option that would allow the board of supervisors to overcome SCERA's existing obligations so that it could target a COLA to specific groups of retirees and allow SCERA to fund the COLA from any source, not just from excess earnings (e.g., increased employer and employee contributions, amortization of increased unfunded liability, etc.). Proponents argue that SCERA is well-funded and can absorb the costs of any additional COLA.

2. Need for this bill?

According to the author:

“Currently, The County of Sonoma has not had a COLA increase since 2008. The County Board of Supervisors and the Retirement Board want to work with actuaries to assess what a COLA would be for 2027 for targeted, eligible retired members. The County of Sonoma is only one of few counties in California that must have approval from the state to initiate action to identify a new COLA.”

“This bill would help support the County of Sonoma as the Board of Supervisors cannot do a targeted COLA for eligible retired members, survivors, beneficiaries, or successors in interest designated, or a subset of those benefit recipients since they would need the state to authorize this activity. Sonoma County is unique because it’s the only 1937 Act County Pension System that does not offer an automatic, yearly Pension Cost of Living Adjustment (COLA) to retirees and their beneficiaries. It is important to note this is a District bill pertaining to the County of Sonoma only.”

3. Proponent Arguments

According to Service Employees International Union, California:

“Under current law, Sonoma County does not have a prefunded COLA structure and has not experienced excess investment earnings sufficient to grant adjustments under existing statutory mechanisms. As a result, retirees have seen the purchasing power of their fixed incomes diminished by years of inflation without a viable pathway for relief. This bill provides flexibility for Sonoma County and its retirement system to collaborate annually and designate the recipients, amount, and funding source of a cost-of-living increase and require the actuarial impact on future annual costs to be reported in accordance with existing law before any benefit increases are authorized.”

According to the Sonoma County Board of Supervisors:

“AB 1601 would provide the County of Sonoma with a narrowly tailored authority to consider a COLA for eligible retirees and beneficiaries. This authority would balance local decision-making with appropriate actuarial review regarding fiscal impacts.”

“AB 1601 does not mandate changes but allows the County of Sonoma to responsibly address retiree purchasing power when fiscally feasible. In addition, providing this authority through a special statute acknowledges the County of Sonoma’s specific circumstances and ensures that any action taken will be considered within the County’s fiscal framework.”

“AB 1601 would provide the County of Sonoma and the Sonoma County Employees’ Retirement Association (SCERA) with flexibility to evaluate each year whether a COLA should be granted, who would receive it, the amount of the adjustment, and how it would be funded. The bill preserves existing safeguards by requiring actuarial analysis of the impact on future costs before any benefit increase is approved.”

4. Opponent Arguments:

None received.

5. Prior Legislation:

AB 392 (Ducheny, Chapter 392, Statutes of 2008) extended the same authorization provided to Sonoma County in AB 2894 (2004) to Imperial County.

AB 2894 (Wiggins, Chapter 435, Statutes of 2004) authorized the Sonoma County retirement board upon approval from the county board of supervisors to provide a COLA to retirees

whose pension allowance had fallen to 80 percent of its purchasing power without first having to provide a COLA to all retirees, provided that it could do so from excess investment returns, as specified.

SUPPORT

Service Employees International Union, California (Sponsor)
California Retired County Employees Association
County of Sonoma
Sonoma County Association of Retired Employees

OPPOSITION

None received

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