

## **COST OF LIVING ADJUSTMENT (COLA)**

### **I. PURPOSE**

This COLA Policy sets forth a summary of the COLA Program history and the objectives of the Retirement Board for the Sonoma County Employees' Retirement Association (SCERA) with regard to COLAs for retired members and beneficiaries. The County of Sonoma has not adopted a pre-funded COLA program, and, as a result, the granting of such adjustments is a matter of discretion of the Sonoma County Board of Supervisors under Article 16.6 of the County Employees Retirement Law of 1937 (the CERL).

SCERA's objective is to engage in a collaborative process with the County of Sonoma annually to address an Ad hoc COLA benefit, with the intent of determining whether and how an Ad hoc COLA can be recommended by the Retirement Board to the Board of Supervisors for approval. This policy is not intended and shall not be interpreted to alter or in any way limit the discretion vested in the Retirement Board by law with respect to any determinations relating to COLA adjustments, and the Retirement Board specifically reserves the right to modify the provisions of this Policy, as it may, from time to time, deem necessary.

### **II. COLA HISTORY**

#### **STATUTORY AUTHORITY**

The Sonoma County Board of Supervisors has granted, on the Retirement Board's recommendation, COLAs under the authority of the County Employees Retirement Law, including Articles 16.5 and 16.6, and Government Code sections 31681.5, 31681.52, 31739.32, 31870, 31870.1, 31874.1, 31874.3, 31875, 31878, 31879 and 31879.1. The Retirement Board has plenary authority under California Constitution Article XVI, section 17 to determine prudent funding sources for the Ad hoc COLA benefit. Past COLAs have been funded by various means, including through County contributions pursuant to sections 31871 and 31872, investment earnings pursuant to sections 31592.2, 31871, 31874.3 and 31874.6, amortizing the unfunded actuarial accrued liability over a closed period in accordance with SCERA's Actuarial Funding Policy or a combination of these funding methods.

### III. COLA OBJECTIVES AND BENEFIT GUIDELINES

This statement reflects the policy of the Retirement Board and describes the collaborative process between the County of Sonoma and SCERA in identifying whether and under what authority a COLA may be recommended by the Retirement Board to the Sonoma County Board of Supervisors.

- A. Adoption: The Sonoma County Board of Supervisors has authority to adopt a COLA statute in accordance with Article 16.6 of the CERL. Each COLA statute has one or more funding sources that can be implemented to either fully fund or amortize the cost of a new COLA benefit.
- B. Annual Analysis: At the beginning of each calendar year, the SCERA Chief Executive Officer will initiate a process with the County Executive Officer addressing an Ad hoc COLA. The purpose of the process is to determine whether one or more COLA benefit options and funding sources should be the subject of further analysis. In advance of this discussion, SCERA will prepare and provide an analysis of the financial condition of the plan and benefit recipient loss of purchasing power. If a COLA benefit is identified for further analysis in initial discussions between the SCERA CEO and the County Executive Officer, such analysis shall include SCERA's actuary to estimate the cost of future COLA benefits. The SCERA CEO will present the results of the analysis to the Retirement Board generally at or prior to its March meeting. Following the collaborative process between the County Executive Officer and the SCERA CEO, the Retirement Board shall, consistent with their fiduciary duties, consider the information presented by the SCERA CEO, including any supporting expert reports, to determine whether the Retirement Board will recommend an Ad hoc COLA and funding source to the Board of Supervisors.
- C. Retirement Board Recommendation: If the Retirement Board recommends an Ad hoc COLA benefit, that recommendation shall be transmitted to the Board of Supervisors in the form of a Retirement Board Resolution.
- D. Effective Date: The County Resolution or Ordinance adopting a COLA benefit shall include a date that Article 16.5 and/or 16.6, as set forth in Government Code sections 31874 and 31878, is applicable and the date the COLA benefit adjustments are effective.

### VII. REVIEW

The Board will review this policy at least every three (3) years to ensure it remains relevant and appropriate.

## VIII. HISTORY

The Board adopted this policy on 5/20/1999.

Reviewed on 9/16/2010 and 10/16/2014.

Reviewed and revised on 11/21/2002, 1/20/2005, 5/17/2007, 6/22/2017, 10/25/2018, 2/18/2021, 6/16/2021 and 8/22/2024.