

2011 – 2012 Legislative Report

Assembly Bills

AB 7 (Portantino) – Would have prohibited certain state employees whose annual base salary is over \$150,000 from receiving a salary increase or a bonus until January 1, 2014.
Held in the Assembly Appropriations Committee.

AB 17 (Davis) – Would have specified the dates on which municipal water district board members take office after elections. As heard in the Assembly PER&SS Committee, this bill would have required the California State Teachers' Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) boards to report annually to the Legislature on the ethnicity and gender of investment managers who participate in managing its portfolio, as specified, and of the brokerage firms who provide brokerage services to the fund's investment management firms, as specified.
Died on the Senate Third Reading File.

AB 89 (Hill) – Allows the County of San Mateo to implement lower retirement tiers for safety employees represented by the Deputy Sheriffs Association.
Chapter 390, Statutes of 2011.

AB 149 (Lara) – Would have authorized a state department or agency, when the State Personnel Board (SPB) either disapproves a personal services contract from being executed, or nullifies an executed personal services contract, to create and fill a limited-term civil service position for the equivalent number of hours for each contractor position requested in the submitted contract.
Held in the Senate Appropriations Committee.

AB 178 (Gorell and Ma) - Changes and clarifies conditions under which retired members of CalSTRS can return to employment without being subject to the earnings limitation.
Chapter 135, Statutes of 2012.

AB 195 (Roger Hernandez) – Declares the intent of the Legislature to provide technical and clarifying changes to existing law by providing a list of actions that a public agency employer is prohibited from engaging in regarding the exercise of guaranteed public employee rights.
Chapter 271, Statutes of 2011.

AB 197 (Buchanan) -
Chapter 297, Statutes of 2012

AB 329 (Dickinson) – Implements the retirement provisions of a negotiated bargaining agreement between Sacramento County and the Sacramento County Deputy Sheriff's Association.

Chapter 26, Statutes of 2011.

AB 340 (Furutani) – Implements comprehensive public employee pension reform through enactment of the California Public Employees' Pension Reform Act of 2013 and related statutory changes.

Chapter 296, Statutes of 2012.

AB 344 (Mendoza) – Would have provided exemptions for certain vehicles from the California Air Resource Board's In-Use On-Road Heavy-Duty Diesel Vehicles Regulation. As heard in the Assembly PER&SS Committee, this bill would have prohibited CalPERS from granting exceptions for members not in a group or class that allow recognition of increases in compensation earnable beyond increases reported for all employees in the same membership classification and eliminated the ability of a CalPERS employer to request that a retired annuitant serve without reinstatement beyond the 960 hour limit in any fiscal year.

Died in the Senate Transportation and Housing Committee.

AB 451 (Hall) – Would have required both school and community college district personnel commissions to determine compensation for, evaluate, and supervise the commission's personnel director, as specified.

Held in the Assembly Appropriations Committee.

AB 453 (Skinner) – Would have required a state employee appointed to any state scientist class on or after January 1, 2012 to have the minimum qualification of a baccalaureate degree in a scientific discipline from a foreign or domestic accredited university.

Held in the Assembly Appropriations Committee.

AB 455 (Campos) – Would have specified how the membership of public agency merit or personnel commissions must be appointed.

Vetoed by the Governor.

AB 501 (Campos) – Clarifies that all public school employees have the right to union representation.

Chapter 674, Statutes of 2011.

AB 617 (Davis) – Would have increased the postretirement death benefit paid to the beneficiary of a CalPERS school member from \$2,000 to \$6,163.

Not heard in the Assembly Public Employees, Retirement, and Social Security Committee at the request of the Author.

AB 646 (Atkins) – Allows local public employee organizations to request fact-finding if a mediator is unable to reach a settlement within 30 days of appointment, defines certain responsibilities of the fact-finding panel and interested parties, and makes specified

exemptions from these provisions.

Chapter 680, Statutes of 2011.

AB 692 (Hall) - Authorizes a state employee appealing a termination action to request a priority hearing from the SPB if an evidentiary hearing has not begun within six months of the filing of the appeal. Within 60 days of receiving the request, SPB must schedule an evidentiary hearing. SPB is also authorized to use electronic media to conduct all, or any portion of, any hearing.

Chapter 682, Statutes of 2011.

AB 738 (Hagman) – Would have prohibited a person who is publicly elected to any office on less than a full time basis, on and after January 1, 2013, from becoming a member of a California public retirement system as a result of that service. This prohibition also applies to anyone who is appointed to fill the term of a person so elected.

Failed passage in the Assembly Public Employees, Retirement and Social Security Committee.

AB 758 (Wieckowski) – Would have extended the sunset date of the CalSTRS post-retirement earnings limit exemptions from June 30, 2012 to June 30, 2014.

Not heard in the Assembly Public Employees, Retirement and Social Security Committee at the request of the Author.

AB 769 (Hueso) – Would have prohibited a person who is appointed to any state board or commission, on and after January 1, 2012, from becoming a member of CalPERS or CalSTRS and caps the salary for anyone appointed to a state board or commission at the amount received by a member of the Legislature who is not in a leadership position.

Not heard in the Assembly Public Employees, Retirement and Social Security Committee at the request of the Author.

AB 782 (Brownley) - Allows CalPERS to assess a reasonable charge on employers to recover additional costs incurred when an audit of the employer takes an excessive amount of hours to complete.

Chapter 107, Statutes of 2011.

AB 870 (Grove) - Would have required the CalPERS Board of Administration to create a hybrid retirement plan for public employees who become members on or after January 1, 2012, that offers a defined contribution plan and defined benefit plan for retirement for service and a defined benefit plan for retirement for disability or for death. The bill would have prohibited those plans from creating a vested property right for the member with respect to any employer contributions before retirement, as specified.

Not heard in the Assembly Public Employees, Retirement and Social Security Committee at the request of the Author.

AB 873 (Furutani) – Strengthens revolving door and lobbying restrictions for board members and high level staff at CalPERS and CalSTRS.
Chapter 551, Statutes of 2011.

AB 875 (Donnelly) – Would have prohibited any compensation for accrued leave or overtime from being included as part of "final compensation" for purpose of calculating a public retirement benefit for persons first hired on and after January 1, 2012.
Failed passage in the Assembly Public Employees, Retirement and Social Security Committee.

AB 920 (Portantino) – Would have enacted the Public Employees' Bill of Rights Act to provide various rights and protections to non-excluded state civil service employees and required that any adverse action taken against a state employee be initiated and the investigation completed within one year of the cause for discipline.
Held in the Assembly Appropriations Committee.

AB 925 (Lara and Alejo) – Would have required charter school petitions to contain a description of the personnel policies and procedures that will govern charter school employees, as specified. As heard in the Assembly PER&SS Committee, this bill would have required a charter school to comply with additional specified laws governing school employees, including classified school employees.
Held in the Senate Appropriations Committee.

AB 933 (Allen) – Would have extended industrial death and disability benefits to state miscellaneous members of CalPERS employed by a state hospital, as specified.
Held in the Assembly Appropriations Committee.

AB 961 (Mansoor) – Would have excluded matters relating to pension benefits from the scope of public employee collective bargaining.
Failed passage in the Assembly Public Employees, Retirement and Social Security Committee.

AB 1028 (P.E.,R.& S.S. Com.) – Makes several minor or technical amendments to various sections of the Government Code administered by CalPERS that are necessary for the continued efficient administration of the system.
Chapter 440, Statutes of 2011.

AB 1035 (P.E.,R.& S.S. Com.) – Would have approved provisions of a memorandum of understanding entered into between the state employer and State Bargaining Unit 9, the Professional Engineers in California Government.
Not heard in the Assembly Public Employees, Retirement and Social Security Committee.

AB 1038 (P.E.,R.& S.S. Com.) – Would have approved provisions of a memorandum of understanding entered into between the state employer and State Bargaining Unit 10, the California Association of Professional Scientists.

Not heard in the Assembly Public Employees, Retirement and Social Security Committee.

AB 1040 (P.E.,R.&S.S. Com.) - Would have approved provisions of a memorandum of understanding entered into between the state employer and an as yet unspecified State Bargaining Unit.

Not heard in the Assembly Public Employees, Retirement and Social Security Committee.

AB 1042 (Allen) - Expands the list of positions for which the CalPERS Board of Administration has the authority to set the compensation and terms and conditions of employment to include the chief financial officer

Chapter 688, Statutes of 2011.

AB 1101 (Eng) – Would have replaced the currently Governor-appointed retiree representative on the Teachers' Retirement Board with a representative elected by the retirees of CalSTRS.

Vetoed by the Governor.

AB 1151 (Feuer and Blumenfield) – Amends the California Public Divest from Iran Act to clarify that pension boards must divest pension funds, as specified, unless to do so would fail to satisfy a fiduciary responsibility; modify the types of companies that fall within the scope of the bill; and, require that certain findings and determinations must be made in noticed public hearings.

Chapter 441, Statutes of 2011.

AB 1184 (Gatto) – Would have required CalPERS to determine what constitutes excessive compensation paid by a local contracting agency that creates a significant liability for a former employer and directs CalPERS to develop a plan to assess that excess liability to the employer who paid the excessive compensation. Additionally, this bill would have prohibited CalPERS from administering a benefit replacement plan for members hired on or after January 1, 2013.

Died on the Assembly Inactive File.

AB 1203 (Mendoza) – Requires school and community college districts, in addition to granting leaves for elected officers of employee organizations, to grant a leave of absence, without loss of compensation, to a reasonable number of unelected classified employees, as specified.

Chapter 804, Statutes of 2012.

AB 1212 (Mansoor) – Would have allowed the South Coast Air Management District to provide, by resolution, contract, or contract amendment, a 2% at age 61 retirement benefit formula for new employees and specified that these retirement benefits cannot be provided unless agreed to in a memorandum of understanding made under the Meyers-Milias-Brown Act.

Died on the Assembly Inactive File.

AB 1247 (Fletcher) – Modifies the pension reform transparency reporting requirements that were enacted last year as part of the 2010-11 budget package that required CalPERS to report its investment returns, amortization period, and discount rate using specific analytical guidelines every time contribution rates are adopted.

Chapter 733, Statutes of 2011.

AB 1248 (Hueso) - Requires the City of San Diego to provide Social Security coverage to all its employees not covered under a defined benefit retirement plan and grandfathers in an employers' defined contribution plan in place on July 1, 2012.

Chapter 853, Statutes of 2012.

AB 1269 (Portantino) - Specifies that reemployment of classified employees after a layoff shall be in order of seniority, instead of the reverse order of layoff.

Chapter 116, Statutes of 2011.

AB 1320 (Allen) - Adds a new Section to the Alcoholic Beverage Control Act which authorizes the Department of Alcoholic Beverage Control to issue a maximum of 15 new original on-sale general licenses, over a three-year period, for bona fide public eating places in the County of Marin. As heard in the Assembly PER&SS Committee, this bill established, for each employer within CalPERS and the twenty retirement systems established under the County Employees Retirement Act of 1937 ('37 Act) a Rate Stabilization Account in the Employer Rate Stabilization Fund (also established by this bill), for the purpose of stabilizing employer retirement contributions.

Chapter 467, Statutes of 2012.

AB 1379 (Bradford) – Would have authorized public retirement systems with assets over \$4 billion to report annually to the State Controller on investments in California and emerging domestic emarkets, as specified.

Vetoed by the Governor.

AB 1395 (Swanson) – Would have required all state agencies to post examination announcements and job vacancies on the SPB Internet Web site and requires the names of laid off employees in classifications that are limited to one department or limited departments, as specified, to be place on general employments lists in comparable statewide classifications.

Vetoed by the Governor.

AB 1433 (Fuentes) – Would have required a public officer, as defined, who is convicted of any felony involving accepting or giving, or offering to give, any bribe, the embezzlement of public money, extortion or theft of public money, perjury, tampering with a witness, money laundering, the preparation of false documents, any felony arising directly out of his or her official duties, or conspiracy to commit any of those crimes arising directly out of his or her official duties, to forfeit all rights and benefits under any public retirement system in which he or she is a member, effective on the date of conviction.

Not heard in the Assembly Public Employees, Retirement and Social Security Committee at the request of the author.

AB 1458 (Buchanan and Achadjian) – Retains the California Transportation Commission's status as an independent entity if the Governor's Reorganization Plan No. 2 of 2012 is enacted. As heard in the Assembly PER&SS Committee, this bill deleted the Joint Legislative Retirement Committee from statute.

Chapter 138, Statutes of 2012.

AB 1519 (Wieckowski) – Requires the boards of retirement or investments for the 20 '37 Act retirement systems to adopt a policy for providing board member education, as specified.

Chapter 15, Statutes of 2012.

AB 1542 (Mansoor) – Would have prohibited a person who first becomes a member of the Orange County Employees Retirement System on or after January 1, 2012, from receiving the annual cost-of-living adjustment until they have been retired at least 12 months. This provision only becomes operative upon the adoption by the Orange County Board of Supervisors.

Failed passage in the Assembly Public Employees, Retirement and Social Security Committee.

AB 1606 (Perea) – Clarifies impasse procedures governing local public agencies and employee organizations. Specifically, this bill authorizes an employee organization to request that the parties' differences be submitted to a fact-finding panel not sooner than 30 days, but not more than 45 days, following the appointment of a mediator or entering into a mediation process. If the dispute was not submitted to mediation, an employee organization may request that the parties' differences be submitted to a fact-finding panel not later than 30 days following the date either party provided the other with written notice of a declaration of impasse.

Chapter 314, Statutes of 2012.

AB 1633 (Wagner) – Would have capped the retirement benefit paid to new members of any public retirement system to members of any public retirement system first hired on or after January 1, 2013 at \$100,000 for members whose service is not included in Social

Security and \$80,000 for new members whose service is included in Social Security.
Referred to Interim Study.

AB 1639 (Hill) – Would have required all public retirement systems in California to adhere to the federal compensation limit under Internal Revenue Code Section 401(a)(17) when calculating retirement benefits for members who first join the retirement system on or after January 1, 2013, and prohibited a public employer from making contributions to any qualified public retirement plan based on any portion of compensation that exceeds that amount.

Referred to Interim Study.

AB 1649 (Smyth) – Would have required a public employee who is convicted of any violent felony, serious felony, or a sex offense arising out of his or her official duties to forfeit retirement benefits attributable to service performed on and after the earliest date of the commission of the felony.

Referred to Interim Study.

AB 1653 (Cook) – Would have required a public employee who is an at-will employee of an elected public officer, as specified, and who is convicted of a felony arising out of his or her official duties, to forfeit all public pension benefits, as specified.

Referred to Interim Study.

AB 1654 (Cook) – Disqualifies a public employee, as specified, who is convicted of a felony, as specified, from public employment for a period of five years.

Chapter 54, Statutes of 2012.

AB 1655 (Dickinson) – Would have enacted the Public Employees' Bill of Rights Act to provide various rights and protections to non-excluded state civil service employees and requires that any adverse action taken against a state employee be initiated and the investigation completed within one year of discovery of the cause for discipline.

Held in the Assembly Appropriations Committee.

AB 1659 (Butler) – Would have amended the provision concerning the duration of the tax check off to ensure that it continues in order for taxpayers to contribute to the Arts Council Fund. As heard in the Assembly PER&SS Committee, this bill would have required that the employee relations commissions for the City and County of Los Angeles be independent of county and city management, as specified, in order to be able to exercise the powers granted them under the Meyers-Milias-Brown Act.

Died on the Senate Third Reading File.

AB 1681 (Smyth) – Requires a school employee who is convicted of a felony arising out of his or her official duties to forfeit retirement benefits, as specified.

Referred to Interim Study.

AB 1735 (Wieckowski) – Would have expanded the list of positions for which the Teachers' Retirement Board has the authority to set the compensation and terms and conditions of employment to include the chief operating officer (COO) and chief financial officer (CFO) and prohibited the salary for the COO and CFO from exceeding 150% of the Governor's salary.

Held in the Senate Appropriations Committee.

AB 1787 (Portantino) – Would have prohibited certain state employees whose annual base salary is over \$100,000 from receiving a salary increase or a bonus until January 1, 2015.

Failed passage in the Assembly Public Employees, Retirement and Social Security Committee.

AB 1808 (Williams) – Would have expanded the definition of “public employee” to include any person employed by an employer that is not a public agency, but with which a public agency shares or codetermines decisions governing essential employment conditions of that person.

Not heard in the Assembly Public Employees, Retirement and Social Security Committee at the request of the Author.

AB 1815 (Harkey) – Would have provided that a person who is first publicly elected to, or appointed to fill the term of a person who is publicly elected or appointed to, the Orange County Board of Supervisors, on or after January 1, 2012, would not become a member of that retirement system by virtue of that service, would not acquire any retirement right or benefit for serving in that elected office, and would not be credited with service for purposes of the retirement system by virtue of serving on the Orange County Board of Supervisors.

Not heard in the Assembly Public Employees, Retirement and Social Security Committee at the request of the Author.

AB 1819 (Ammiano) – Would have required charter schools to make CalSTRS and CalPERS available to all qualified employees.

Held in the Senate Appropriations Committee.

AB 1833 (Knight) – Would have required all net revenues, moneys, and remittances from the use of school lands and lieu lands, except as specified, to be deposited in the State School Fund and expended for the benefit of pupil instruction.

Not heard in the Assembly Public Employees, Retirement and Social Security Committee.

AB 1861 (Olsen) – Would have stated that any teacher or employee of a public or private elementary or secondary school who engages in a sexual relationship or inappropriate communication with a pupil of any age is guilty of a felony.

Failed passage in the Assembly Public Safety Committee

AB 1874 (Mansoor) – Would have closed the Legislators' Retirement System to new members first elected on or after January 1, 2013, prohibited certain specified individuals appointed on or after January 1, 2013 from opting into membership in CalPERS, and made all four legislative statutory officers elected after January 1, 2013 compulsory members of CalPERS.

Referred to Interim Study.

AB 1885 (Bonilla) – Would have made applicable in all '37 Act county retirement provisions that extend the reemployment period for reciprocity eligibility for laid off employees from six months to one-year.

Vetoed by the Governor.

AB 1908 (Alejo) – Increases, from 45 days to 60 days, the layoff notice requirement for classified school employees working in California's school and community college districts.

Chapter 860, Statutes of 2012.

AB 1930 (Gorell) – Requires the SPB to notify the Department of Veterans Affairs when any promotional examination for the establishment of an eligible list is announced or advertised.

Chapter 142, Statutes of 2012.

AB 1936 (Knight) – Would have added periods of inactive duty for training to the types of duty for which it is permissible for state employees to take military leave.

Held in the Assembly Appropriations Committee.

AB 2053 (Allen) – Would have authorized the San Francisco Bay Area Rapid Transit District (BART) to establish a vesting requirement for post-retirement health benefits coverage that is different than what is allowed under current law for agencies that contract with CalPERS.

Vetoed by the Governor.

AB 2139 (Furutani) – Would have clarified that specified limited amounts of employer contributions that are deposited into the Teachers' Retirement Program Development Fund are required deposits.

Not heard in the Assembly Public Employees, Retirement and Social Security Committee.

AB 2140 (Lara) – Reduces retirement contribution rates for miscellaneous and industrial members of State Bargaining Unit 5, Highway Patrol, by 3%.

Chapter 249, Statutes of 2012.

AB 2142 (Furutani) – Authorizes CalPERS to implement risk adjustment procedures that adjust and redistribute payments across its health plans based on rules and regulations established by the CalPERS Board of Administration.

Chapter 445, Statutes of 2012.

AB 2224 (Smyth and Conway) – Would have made the statutory changes necessary to implement the Governor's 12 Point Pension Reform Plan.

Referred to Interim Study.

AB 2236 (Hueso) – Would have established specified wage and hour requirements for school and community college district non-academic employees who are excluded from the classified service and includes a duty-free rest period for all non-academic employees, as specified, and requires that employees who are denied a meal or rest period to receive one additional hour of pay.

Not heard in the Assembly Public Employees, Retirement and Social Security Committee at the request of the Author.

AB 2271 (Perea) – Provides seasonal clerks at the Franchise Tax Board with the option to carry over their accumulated leave to future work seasons, as previously negotiated in the agreement between the State and Bargaining Unit 4, Services Employees International Union, Local 1000, Office and Allied, effective July 1, 2010, through July 1, 2013.

Chapter 482, Statutes of 2012.

AB 2275 (Achadjian) – Would have extended the sunset date of the CalSTRS post-retirement earnings limit exemptions from June 30, 2012 to June 30, 2014, and expands eligibility, where applicable, to members who retired on or before January 1, 2011.

Referred to Interim Study.

AB 2307 (Butler) – Requires that a classified school employee, who is placed on a reemployment list and is subsequently reemployed in a new position, retains the right to be returned to the reemployment list for the remainder of the 39-month period in the event he/she fails to complete the probationary period in the new position.

Chapter 586, Statutes of 2012.

AB 2381 (Roger Hernandez) – Would have made the Ralph C. Dills Act applicable to specified employees of the Judicial Council, including employees of the Administrative Office of the Courts.

Not heard in the Senate Public Employees Retirement Committee at the request of the Author.

AB 2416 (Mansoor) – Would have required every public retirement system that does not maintain a reserve fund to create such a fund and that any excess funds, after payment of unfunded liabilities each fiscal year, be placed in the reserve fund to be used against deficiencies in other fiscal years, as specified.

Not heard in the Assembly Public Employees, Retirement and Social Security Committee.

AB 2428 (Hagman) – Would have prohibited a person who is elected to a local office of any kind, or a person who is appointed to fill an elected local office, on or after January 1, 2013, from becoming a member of CalPERS or acquiring any retirement right or benefit under CalPERS for serving in that office.

Not heard in the Assembly Public Employees, Retirement and Social Security Committee at the request of the Author.

AB 2429 (Hagman) – Would have prohibited a person appointed or publicly elected to a local public office of any kind that is less than full-time, as defined, on or after January 1, 2013, from becoming a member of any public retirement system by virtue of that service, from acquiring any retirement right or benefit, or from receiving health benefits or other specified benefits for serving in that elective office.

Referred to Interim Study.

AB 2437 (Jeffries) – Would have authorized the CalPERS special death benefit to be payable if the deceased was a Riverside County Sheriff's Department Correctional Deputy or a Correctional Corporal, if his or her death occurred as a direct result of injury arising out of and in the course of his or her official duties with the Riverside County Sheriff's Department, and if there was a qualifying survivor.

Not heard in the Assembly Public Employees, Retirement and Social Security Committee at the request of the Author.

AB 2495 (Grove) – Would have authorized a state employee subject to a fair share fee to elect to have a sum equal to the fair share fee paid to a retirement savings plan of their choosing instead of to the recognized employee organization.

Referred to Interim Study.

AB 2606 (Mendoza) – Would have increased, over a period of four years, the postretirement death benefit paid to the beneficiary of a school member of CalPERS from \$2,000 to \$6,000.

Held in the Assembly Appropriations Committee.

AB 2663 (P.E.,R.& S.S. Committee) – Makes various technical, conforming, and compliance amendments necessary for continued effective administration of CalSTRS. **Chapter 864, Statutes of 2012.**

AB 2664 (P.E.,R.& S.S. Committee) – Makes various noncontroversial changes to the laws governing '37 Act retirement systems. Specifically, this bill:

- 1) Allows the retirement boards of '37 Act retirement systems to adopt regulations allowing for the use and acceptance of a member's electronic signature with the same force and effect as a signed, valid original document.

- 2) Authorizes the Los Angeles County Employees' Retirement Association (LACERA) to adjust retirement payments due to errors or omissions in the same manner as CalPERS.
- 3) Establishes the County Retirement System Dental Care Program (Program) to provide dental care benefits to county and district retirees, their survivors, and eligible dependents of '37 Act retirement systems that elect to offer the Program. A retiree is responsible for the full cost of the dental care premium and counties electing to participate in the Program may contract with a third party administrator to provide the dental care.
- 4) Specifies that the dental benefits may be revised or discontinued at any time.

Chapter 59, Statutes of 2012.

AB 2665 (Allen and Huffman) – Would have ratified the provisions of an unspecified addenda to a memorandum of understanding between the state a state bargaining unit.
Not heard in the Senate Public Employees Retirement Committee.

AB 2699 (A.&A.R. Committee) – Would have authorized a state employee or an applicant for state employment who files a written complaint with his or her supervisor, manager, or appointing power alleging certain improper acts to also file a copy of the complaint with the State Personnel Board. The bill would have imposed specified fines and penalties on a person who intentionally engages in specified improper acts against a state employee or an applicant for state employment who has made a protected disclosure, as defined.

Not heard in the Assembly Public Employees, Retirement and Social Security Committee at the request of the Author.

Senate Bills

SB 27 (Simitian and Correa) – Would have provided that any salary enhancement for the principal purpose of increasing a member's retirement benefit will not be included in the calculation of a member's final compensation for determining that benefit, requires the boards of each state public retirement system to establish regulations that include an ongoing audit process, and prohibits a retiree from returning to work as a retired annuitant or contract employee for a period of 180 days after retirement.

Held in the Assembly Appropriations Committee.

SB 114 (Yee) - Requires, beginning July 1, 2013, and annually thereafter, collective bargaining or employment agreements for community college and adult education instructor, reflecting the full time equivalent for each class of affected employees, be submitted electronically, as specified, to CalSTRS.

Chapter 829, Statutes of 2012.

SB 151 (Correa) – Provides legislative ratification for the memoranda of understanding (MOU) agreed to by the state and the following state bargaining units (BUs):

- 1) BU 2 (Attorneys and Hearing Officers), represented exclusively by the California Attorneys, Administrative Law Judges, and Hearing Officers in State Employment;
- 2) BU 6 (Corrections), represented exclusively by the California Correctional Peace Officers Association;
- 3) BU 7 (Protective Services and Public Safety), represented exclusively by the California Statewide Law Enforcement Association;
- 4) BU 9 (Professional Engineers), represented exclusively by the Professional Engineers in California Government;
- 5) BU 10 (Professional Scientific), represented exclusively by the California Association of Professional Scientists; and,
- 6) BU 13 (Stationary Engineers), represented exclusively by the International Union of Operating Engineers.

This bill also ratifies 13 addenda to MOUs ratified in 2010 in order to make provisions of those MOUs consistent with the agreements reached in the six MOUs ratified in this bill.

Chapter 25, Statutes of 2011.

SB 203 (Correa) – Makes various changes to the process for filling vacancies on boards of retirement and boards of investment in '37 Act county retirement systems.
Chapter 124, Statutes of 2011.

SB 252 (Vargas) – Would have required the Public Employment Relations Board to grant a petition from sworn peace officers in State Bargaining Unit 7, Protective Services and Public Safety, represented exclusively by the California Statewide Law Enforcement Association, as specified, to be in a bargaining unit composed solely of those employees.
Not heard in the Assembly Public Employees, Retirement and Social Security Committee at the request of the Author.

SB 294 (Price) – Requires the CalPERS Board of Administration and the Teachers Retirement Board to provide a five-year strategic plan for emerging investment manager participation and to report to the Legislature annually on the progress of the plan, as specified.
Chapter 701, Statutes of 2011.

SB 318 (De Leon) – Allows rank and file California Highway Patrol officers and cadets to have appeal rights before the SPB during the probationary period.
Chapter 60, Statutes of 2011.

SB 322 (Negrete McLeod) – Clarifies that the federal Internal Revenue Code Section 415 (b) limit applies to the total benefit paid to a member of regardless of the number of CalPERS-covered employers that member worked for.
Chapter 47, Statutes of 2011.

SB 349 (Negrete McLeod) – Makes technical, clarifying and non-controversial changes to various sections of the Education Code administered by CalSTRS to improve, and continue effective administration of the System.
Chapter 703, Statutes of 2011.

SB 350 (Negrete McLeod) – Would have merged the first, second, and third levels of the 1959 Survivor Benefit for CalPERS contracting local agencies that currently provide one of those levels of benefits, and allowed CalPERS to suspend employee premiums of \$2 monthly when the funding pool is determined to contain surplus funds.
Vetoed by the Governor.

SB 373 (DeSaulnier) – Eliminates the sunset date on provisions allowing Contra Costa County, as agreed to in a Memorandum of Understanding with the Contra Costa County Deputy Sheriffs' Association to provide a lower tier of benefits to employees who either elected to participate in the lower tier prior to 2007, or who were first hired and placed in the lower tier since 2007.
Chapter 68, Statutes of 2011.

SB 398 (Hernandez) – Revises the definition of placement agent and external manager, makes conforming changes to the definition of placement agent and "external manager in

the Political Reform Act of 1974, and exempts placement agents, as specified, from local government reporting and registration requirements.

Chapter 704, Statutes of 2011.

SB 439 (Negrete McLeod) – Would have prohibited board members and high-ranking employees of CalPERS and CalSTRS from accepting gifts totaling more than \$50 in a calendar year from a person who has secured a contract with or submitted a contract proposal to the applicable retirement system within the previous five years, and prohibited contractors that make gifts in violation of this limit on two separate occasions in a five-year period from bidding on contracts with the retirement system for two years.

Vetoed by the Governor.

SB 503 (Vargas) – Would have allowed a judge to make a one-time written election at the time of retirement to purchase service credit in the Judge's Retirement System II for any number of whole years a judge served as a full-time subordinate judicial officer.

Vetoed by the Governor.

SB 609 (Negrete McLeod) - Makes the decision of an administrative law judge final regarding recognition of certification of an employee organization if the Public Employment Relations Board does not issue a ruling that supersedes the decision on or before 180 days after an appeal is filed

Chapter 242, Statutes of 2011.

SB 637 (P.E. & R. Committee) – Provides the Board of Investment of the Los Angeles County Employees Retirement Association (LACERA) with the power to issue subpoenas.

Chapter 48, Statutes of 2011.

SB 806 (Veterans Affairs Committee) – Extends the statute of limitations for salary overpayments to state employees on leave for duty with the National Guard.

Chapter 374, Statutes of 2011.

SB 827 (Simitian) – States legislative intent to convene a conference committee to craft responsible and comprehensive pension reform legislation that reflects both the needs of public employees and the fiscal situations of state and local governments

Referred to Conference Committee.

SB 857 (Lieu) - Specifies that the Public Employment Relations Board has no authority to award as damages strike-preparation expenses or to award damages for costs, expenses, or revenue losses incurred during an unlawful strike and states that this provision is declaratory of existing law

Chapter 539, Statutes of 2011.

SB 903 (Anderson) – Would have amended the California Public Divest from Iran Act to clarify the criteria and process that the boards of CalPERS and CalSTRS must use to

invest in Iran.

Held in the Assembly Appropriations Committee.

SB 931 (Evans) – Would have authorized employers to pay employee wages by means of payroll card programs that meet certain specified conditions.

Vetoed by the Governor.

SB 955 (Pavley and Rubio) – Authorizes CalPERS and CalSTRS to prioritize investment in in-state infrastructure projects over alternative out-of-state projects if the investments are consistent with its fiduciary responsibility.

Chapter 760, Statutes of 2012.

SB 987 (Negrete McLeod) – Makes various technical and non-controversial changes to various sections of the Government Code administered by CalPERS that are necessary for the continued efficient administration of the system.

Chapter 833, Statutes of 2012.

SB 996 (P.E.& R. Committee) – Restates and clarifies existing provisions of the '37 Act regarding the rebuttable presumption that heart trouble incurred by a safety member arises from the safety member's employment.

Chapter 792, Statutes of 2012.

SB 1113 (Evans) – Would have required the Department of Human Resources (CalHR) to consider issues of salary compaction and parity concerns, and if there are insufficient revenues to allow the department to implement salary adjustments, CalHR shall provide the Legislature data on the salary determination.

Held in the Assembly Appropriations Committee.

SB 1234 (De Leon and Steinberg) – Establishes the California Secure Choice Retirement Savings Program to operate as a state-administered retirement savings plan for private sector workers who do not participate in any other type of employer-sponsored retirement savings plan.

Chapter 734, Statutes of 2012.

SB 1294 (Berryhill) – Allows Mariposa County to provide a higher employer contribution for health benefits for its retirees than for its active employees, and require it be executed through a memorandum of understanding or by a resolution adopted by a majority of the County Board of Supervisors.

Chapter 836, Statutes of 2012.

SB 1308 (P.E.& R. Committee) – Codifies the statutory changes that were put into effect upon passage of the Governor's Reorganization Plan 1 which consolidates the Department of Personnel Administration (DPA) and the SPB into a single agency to be known as the California Department of Human Resources.

Chapter 665, Statutes of 2012.

SB 1309 (Negrete McLeod) – Makes conforming statutory changes to assist in implementing the Governors Reorganization Plan 1 to consolidate the Department of Personnel Administration and the administrative functions of the State Personnel Board (SPB) into a single agency: the Department of Human Resources. The constitutional autonomy of the governing body of the SPB with regard to oversight of the merit principal and state civil service is retained with that body.

Chapter 360, Statutes of 2012.

SB 1382 (Negrete McLeod) – Clarifies, in the '37 Act, terminology related to recognized retiree organizations, the items that a retiree under that system may have deducted from his or her pay warrant, and the nature and extent of assistance provided to the recognized retiree organization by the retirement system with regard to mailings to the retiree organization's members.

Chapter 178, Statutes of 2012.

SB 1494 (DeSaulnier) – Would have provided for implementation of the negotiated agreement between Contra Costa County and county employees to create lower benefit tiers for new employees.

Died on the Senate Unfinished Business File.

SB 1563 (Cannella) - Allows a veteran who has completed acceptable training, as determined by the Commission on Peace Officer Standards and Training, in the U.S. Armed Forces as a military peace officer, to receive an additional 15 points (out of 100) upon obtaining a passing score on an open, entrance examination for a peace officer position in state civil service.

Chapter 768, Statutes of 2012.

SCR 105 (Negrete McLeod) - Encourages CalSTRS to develop and submit to the Legislature three options that would address the long-term funding needs of the Defined Benefit Program.

Resolution Chapter 123, Statutes of 2012.

SJR 30 (Hancock) - Requests the President and Congress of the United States to repeal two offset deductions from the Social Security Act that apply to teachers and other public employees in the state.

Resolution Chapter 126, Statutes of 2012.

Governor's Vetoes

AB 455 (Campos)

I am returning Assembly Bill 455 without my signature.

This bill prescribes how all local merit or personnel commission members should be appointed. It requires that half of the members be selected by the employer and half by largest employee bargaining unit.

While intended to create more balanced commissions and address concerns relating to individual commissions, this measure imposes a top down, one-size-fits-all solution on all merit and personnel commissions statewide.

This measure seeks to impose a level of state control that is inconsistent with my administration's efforts to realign state services and to increase local control. Concerns relating to specific commissions should be addressed on a case-by-case basis at the local level.

Sincerely,

Edmund G. Brown Jr.

AB 1101 (Eng)

I am returning Assembly Bill 1101 without my signature.

The state's retirement system boards need greater independence, not less. This bill would move in the wrong direction by giving CalSTRS members an additional representative on the CalSTRS board.

Sincerely,

Edmund G. Brown Jr.

AB 1379 (Bradford)

I am returning Assembly Bill 1379 without my signature.

AB 1379 would require any state or local pension system with assets over \$4 billion to report annually specified information relating to California investments.

Some public pension systems already track and voluntarily report the information required by this bill and for them this bill is unnecessary. For others, these new reporting requirements will cause an increase in administrative costs at a time when they can ill-afford it.

I am returning Assembly Bill 1379 without my signature.

Sincerely,

Edmund G. Brown Jr.

AB 1395 (Swanson)

I am returning Assembly Bill 1395 without my signature.

This measure requires all state agencies and departments to post examination and vacancy announcements on the State Personnel Board's website. It also requires that the names of employees that are laid off from department specific job classifications be placed on "comparable" statewide reemployment lists.

While I support the author's intent to increase access to state employment opportunities for laid off state employees, this measure fails to provide adequate protections against an unqualified employee being misplaced on a comparable statewide list. Further, it may delay the layoff process and reduce the anticipated savings from future layoffs.

I note that state departments and agencies working in conjunction with the Department of Personnel Administration currently have the authority to work collaboratively to designate comparable classes on a case-by-case basis as part of layoff negotiations with employees and their representatives. Further, I encourage all parties to engage in this process whenever possible during these difficult fiscal times for the state, its employees and all Californians.

Sincerely,

Edmund G. Brown Jr.

AB 1885 (Bonilla)

I am returning Assembly Bill 1885 without my signature.

This bill mandates that all counties increase the reciprocity period from six months to one year for some county employees laid-off and later re-employed.

I don't believe it is reasonable to require counties to offer this benefit and reverse an explicit agreement made during the negotiations that led to the pension reform law I signed this month.

Sincerely,

Edmund G. Brown Jr.

AB 2053 (Allen)

I am returning Assembly Bill 2053 without my signature.

This bill makes the vesting period for BART employee's retirement health benefits 15 years.

The labor contracts for BART's five bargaining units expire next year, so negotiations for new contracts will start soon if not already. The vesting period for health benefits is a matter that should be negotiated in the new contracts. This bill removes the vesting period from negotiations.

Sincerely,

Edmund G. Brown Jr.

SB 350 (Negrete McLeod)

I am returning Senate Bill 350 without my signature.

This bill allows CalPERS, for certain local government members, to combine three survivor benefit levels into the level with the highest benefit and to suspend employee premiums.

Although the benefits increased by this bill are funded by substantial excess reserves, the changes this bill makes should be part of a more comprehensive pension reform.

Sincerely,

Edmund G. Brown Jr.

SB 439 (Negrete McLeod)

I am returning Senate Bill 439 without my signature.

This bill would prohibit board members and high-level employees of the California Public Employees Retirement System (CalPERS) and the California Teachers Retirement System (CalSTRS) from receiving gifts in excess of \$50 in a year from anyone who contracts with CalPERS and CalSTRS. Current law requires that gifts in excess of \$50 be reported, but does not prohibit them outright.

As the author of the Political Reform Act, I feel strongly that gifts made to public officials should be disclosed and subject to monetary limits as they are under current law. In point of fact, the Fair Political Practices Commission over the years has promulgated pages and pages of detailed regulations covering such gifts. To now create a special set of rules that will apply exclusively to CalPERS and CalSTRS would add more complexity without sufficiently advancing the goals of the Political Reform Act.

Sincerely,

Edmund G. Brown Jr.

SB 503 (Vargas)

I am returning Senate Bill 503 without my signature.

This bill allows additional pension options at retirement for a small number of retiring judges.

These options may or may not be warranted, but because I will be soon be proposing pension reform, I am vetoing this bill now. The bill's provisions can be part of the broader pension reform discussion.

Sincerely,

Edmund G. Brown Jr.

SB 931 (Evans)

I am returning Senate Bill 931 without my signature.

Pay cards provide workers without bank accounts a way of avoiding high check cashing fees. They are now used by thousands of California employees and employers. This bill seeks to contain costs for workers who choose to accept pay cards, a goal with which I agree.

Unfortunately, this bill goes too far. It would impose numerous and costly new requirements on pay card providers. A likely result of these mandates is that banks and employers may simply stop offering this service, injuring the very workers this bill aims to protect.

I strongly believe that reasonable protections are needed for those who use pay cards. I will work with the bill's proponents and the financial institutions to forge a better solution that I can sign into law.

Sincerely,

Edmund G. Brown Jr.

AB 340 ANALYSIS

PENSION REFORM CONFERENCE COMMITTEE REPORT

SUMMARY: Implements comprehensive public employee pension reform through enactment of the California Public Employees' Pension Reform Act of 2013 (PEPRA) and related statutory changes. Specifically, the conference committee amendments:

- 1) Establish PEPRA which will apply to all public employers and public pension plans on and after January 1, 2013.
- 2) Exclude the University of California and charter cities and counties that do not participate in a retirement system governed by state statute from the PEPRA requirements.
- 3) Establish a cap on the amount of compensation that can be used to calculate a retirement benefit on for all new members, as specified, of a public retirement system equal to the Social Security wage index limit (\$110,100) for employees who participate in Social Security, or 120% of that limit (\$132,120) if they do not participate in Social Security.
- 4) Require the retirement systems to adjust the compensation cap annually, as specified, based on changes in the Consumer Price Index (CPI) for all Urban Consumers.
- 5) Specify that the Legislature reserves the right to modify the annual CPI adjustments to the compensation cap prospectively.
- 6) Prohibit an employer from offering a defined benefit (DB) plan, or combination of DB plans, on compensation in excess of the compensation cap.
- 7) Define "new member" with regard to eligibility for the PEPRA as:
 - a) An individual who has never been a member of any public retirement system prior to January 1, 2013.
 - b) An individual who moved between retirement systems with more than a six month break in service, as specified.
 - c) An individual who moved between public employers within a retirement system after more than a six month break in service, as specified.
- 8) Allow employers who offer alternate plans established prior to January 1, 2013 that have lower benefit formulas and that result in a lower normal cost to continue offering those plans to new employees.

- 9) Allow employers who offer a retirement benefit plan established prior to January 1, 2013 that consists solely of a Defined Contribution (DC) plan to continue offering that plan to new employees.
- 10) Exclude members of the Judges Retirement Systems I and II (JRS I and JRS II) from the PEPPRA retirement formula and the compensation cap.
- 11) Allow employers who offer a retirement benefit plan that was approved by the voters prior to January 1, 2013, that have lower benefit formulas and that result in a lower normal cost to continue offering those plans to new employees.
- 12) Allow employers to provide contributions to a DC plan for compensation in excess of the cap provided that the plan and the contribution comply with federal law. Employees who receive an employer contribution to a DC plan will not have a vested right to the employer contribution.
- 13) Specify that the retirement formula for the DB plan will be 2% at age 62 for all new non-safety employees, excluding teachers. The formula is adjusted to encourage members to retire at later ages. The earliest an employee would be eligible to retire is age 52 with a 1% factor and the maximum retirement factor of 2.5% is provided at age 67.
- 14) Specify that the retirement formula for new members of the California State Teachers' Retirement System (CalSTRS) will be 2% at age 62. The earliest an employee would be eligible to retire is age 55 and with a maximum formula of 2.4% at age 65.
- 15) Specify three retirement formulas for the DB plan that will apply to new safety employees, as specified. The three formulas are: 2% at age 57; 2.5% at age 57; and, 2.7% at age 57.
- 16) Require contributions from employees to the DB plan equal to one-half of normal cost of the DB.
- 17) Require that final compensation be defined for all new employees as the highest average annual compensation over a three-year period.
- 18) Prohibit the following types of compensation from being used to calculate a retirement benefit on: compensation paid to enhance a retirement benefit; compensation previously provided "in-kind" and converted to cash in the final compensation period; one-time or ad hoc payments; terminal pay; pay for unused leave or time off; pay for work outside of normal hours; uniform, housing or vehicle allowances; pay for overtime, except planned overtime, extended duty workweek, or pay defined in the federal labor codes; employer

contributions to DC plans; and, bonuses.

- 19) Prohibit a public employer from providing a better health benefit vesting schedule for excluded and exempt employees than for represented employees in the same retirement classes.
- 20) Limit the maximum salary taken into account for any retirement plan to the federal limit established under 401(a)(17) of the Internal Revenue Code (IRC) and prohibit an employer from seeking a federal exemption from the limit.
- 21) Prohibit an employer from making contributions to any public retirement plan on any amounts of compensation that exceed the 401(a)(17) limit.
- 22) Prohibit a public employer from offering a benefit replacement plan for any member or survivor who is subject to the federal limit on benefits established by IRC Section 415(b) for an employee first hired on and after January 1, 2013, or to any group of employees that was not offered a benefits replacement plan prior to that date.
- 23) Authorize a public retirement system to continue administering a 415(b) benefit replacement plan for employees first hired prior to January 1, 2013.
- 24) Prohibit a retroactive enhancement to a benefit formula, either due to a change to an existing formula, or due to a change to the retirement classification for a specific job.
- 25) Prohibit the purchase of non-qualified time ("airtime") on and after January 1, 2013. Any application to purchase airtime received by a retirement system prior to January 1, 2013 is grandfathered.
- 26) Specify that local elected members first elected on or after January 1, 2013 may not receive a retirement benefit for the elected service based on compensation earned in any other public employment. The retirement benefit for the elected service shall only be based on compensation earned for that service.
- 27) Prohibit all employers from suspending employer and/or employee contributions necessary to fund annual pension normal costs.
- 28) Prohibit post-retirement employment from exceeding 960 hours in a consecutive 12 month period. If a retiree receives unemployment benefits, he or she is prohibited from working for 12 months as a retiree for a public employer.
- 29) Prohibit a person who retires on or after January 1, 2013, from returning to work as a retired annuitant for a period of 180 days after retirement unless the

action is approved in an open meeting, as specified by the governing body of the employer, or by California Department of Human Resources (CalHR) authority if state retiree, as specified. However, in no case could a person who receives a retirement incentive return to work as a retired annuitant for a period of 180 days after retirement.

30) Establish the following exceptions to 180 day rule:

- a) The retiree is participating in the Faculty Early Retirement Program pursuant to a collective bargaining agreement with the California State University.
- b) The retiree is a public safety officer or firefighter.
- c) The retiree is a trustee, administrator, or fiscal advisor appointed to address academic or financial weaknesses in a school or community college district, pursuant to specified requirements.
- d) The retiree is a subordinate judicial officer whose position, upon retirement, is converted to a judgeship and he or she returns to work in the converted position.
- e) The retiree is a person taking office as a judge, as specified.

31) Prohibit a public retiree who is first appointed on or after January 1, 2013, from serving full-time on a salaried state board or commission without suspending their retirement allowance or choosing to serve as a non-salaried member of the board or commission, as specified. Retiree health care benefits for these individuals would be protected so that the person is eligible to receive any prior employer provided retiree healthcare coverage upon re-retirement after leaving the board or commission. Appointees to the Parole Board are exempt from this prohibition.

32) Specify that retirees of CalSTRS are subject to the post-retirement employment limitations specified in that system.

33) Require public officials and employees to forfeit pension and related benefits if they are convicted of a felony in carrying out official duties, in seeking an elected office or appointment, or in connection with obtaining salary or pension benefits.

34) Allow public safety members who qualify for Industrial Disability Retirement (IDR) and are under age 50 to receive an actuarially reduced retirement benefit. This pilot project will sunset in 2018 unless extended by subsequent legislation.

- 35) Prohibit newly elected statewide officers and legislative officers from participating in the Legislators' Retirement System. They would continue to be optional members in the California Public Employees' Retirement System (CalPERS).
- 36) Specify that the Alternate Retirement Plan will not apply to new state employees subject to PEPRA.
- 37) Allow more flexibility for bargaining increased cost sharing between employers and existing employees in CalPERS and retirement systems established pursuant to the County Employees' Retirement Law of 1937 ('37 Act). Using impasse procedures to impose cost sharing arrangements achieved through this new flexibility would be prohibited if the proposed contribution exceeds statutorily required contributions for current employees or half of the normal cost of benefits for employees first hired on or after January 1, 2013.
- 38) Provide additional flexibility to CalPERS contracting agencies to achieve cost sharing goals with current employees, as specified.
- 39) Require CalPERS contracting agencies and school employers to achieve specific cost sharing goals by January 1, 2018.
- 40) Require additional contributions for various state bargaining units, and excluded and exempt employees of the state, executive, legislative and judicial branches that have not yet achieved equal cost sharing of normal cost.
- 41) Require CalPERS to develop a system for monitoring excessive increases to salaries that create significant liabilities for former employers due to reciprocity, and for requiring the employers that caused the significant liability to be responsible for it.
- 42) Increase the retirement formula for new state miscellaneous members who opt to participate in the Second Tier from 1.25% at age 65 to 1.25% at age 67.
- 43) Prohibit certain cash payments from being counted as compensation earnable for retirement purposes in '37 Act counties.
- 44) Provide '37 Act retirement boards with more independence to perform audits and assess penalties relating to pension spiking.
- 45) Require '37 Act county employers and districts to achieve specific cost sharing goals by January 1, 2018.

46) Specify that if any provision of the bill is held invalid, the rest may still be given effect.

47) Make conforming changes to provisions of the Education Code administered by CalSTRS.

EXISTING LAW: California currently has dozens of public retirement systems and individual retirement plans. The largest are the California Public Employees' Retirement System (CalPERS), serving over 1.6 million members and retirees, and the California State Teachers' Retirement System (CalSTRS), serving over 850,000 members and retirees. CalPERS also administers the Judges' Retirement Systems I and II and the Legislators' Retirement System. In addition, there are many independent public retirement systems, including the 20 county systems that operate under the 1937 Act County Employees' Retirement Law, the University of California Retirement Plan, plans for the City and County of San Francisco, and cities of San Diego, Fresno, Sacramento, Oakland, San Jose, and others.

Some of these retirement systems and individual retirement plans are established under a statutory framework, while others operate under their own regulations and charters. Benefit formulas vary widely with differing retirement formulas for non-safety and safety employees and benefit levels and plan designs varying among retirement systems and employers. Finally, Social Security (SS) coverage varies. Non-safety state employees are coordinated with SS, while state safety employees are not. Teachers are not coordinated with SS, but school classified employees are coordinated. Employees of counties and cities have varying coverage. It is most common that safety employees do not have SS, while non-safety employees do have SS; however, that is not the case for every public employer. In some cases all employees of a public employer are coordinated, and in other cases no employees are coordinated.

The unifying factor for all public retirement systems and plans (with one or two known exceptions) is that they provide a defined benefit for retirees that is derived by multiplying the individual's years of service, highest average compensation over a 12 or 36 month period, and the individual's retirement benefit age factor (e.g., 2% at age 60). In addition, all systems provide cost-of-living adjustments in varying levels to retiree benefits, death and disability benefits, and survivor benefits. Finally, all defined benefit plans must comply with applicable federal laws in order to maintain their status as tax-qualified plans.

Benefits for retirement system members are funded over the employee's working career from three sources. First, employees make contributions as a percentage of payroll. Employee contribution rates are established in statute, or in rules and charters for the smaller plans. In some cases, employers and employees agree, through collective bargaining, to adjust employee contribution rates. The second

source of funding is derived from investment returns on the retirement funds. For example, CalPERS estimates that historically, investment returns have paid for approximately two-thirds of the cost of providing benefits. The third source of funding is employer contributions, which are also determined and paid as a percentage of employee income. When investment returns do not perform as expected, employers make up the difference in the form of higher rates. Similarly, when investment returns exceed expectations, employer rates are reduced accordingly. These rate reductions and increases are actuarially “smoothed” over a period of years in order to ease employer rate volatility and ensure continued funding of the retirement systems.

The Senate amendments deleted the Assembly version of this bill, and instead stated that it is the intent of the Legislature to convene a conference committee to craft responsible and comprehensive pension reform legislation that reflects both the needs of public employees and the fiscal situations of state and local governments.

AS PASSED BY THE ASSEMBLY, this bill prohibited certain cash payments from being counted as compensation earnable for retirement purposes in counties operating retirement systems pursuant to the County Employees' Retirement Law of 1937 ('37 Act) and prohibited a retiree in those counties from immediately returning to employment with the public employer on a part-time or contract basis.

FISCAL EFFECT: Unknown. CalPERS and CalSTRS are in the process of preparing a fiscal analysis of the report. Savings are projected to be in the tens of billions over 30 years.

COMMENTS: The comprehensive pension reform proposal that is contained in the Conference Committee Report is based on the Governor's 12-Point Pension Reform Plan.

The Conference Committee Report (Report) includes 10 of the 12 points included in the Governor's plan. As an alternative to the hybrid plan proposed by the Governor, the Conference Committee has included a hard cap on the amount of compensation that can be used when calculating a retirement benefit. There are only other two provisions of the 12-Point Plan that were not included at all and those were the changes to the CalPERS Board of Administration and the proposal to increase state retiree health care vesting. The Governor chose to drop the CalPERS Board issue and, on the health care vesting issue, state employee bargaining units have shown a willingness to bargain over this issue and so the Conference Committee believed it should remain subject to collective bargaining.

Additionally, in order to achieve our goal of comprehensive reform, we have included numerous pension reform changes that were included in bills going through the Legislature this session but were not included as part of the Governor's plan. Finally, the Report includes a number of other changes that are part of the comprehensive pension reform.

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