

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: June 11, 2008
POSITION: Support
SPONSOR: Senator Wiggins

BILL NUMBER: SB 1123
AUTHOR: P. Wiggins
RELATED BILLS: AB 1844 (Hernandez)

BILL SUMMARY: Public Employee Benefits

This bill addresses recommendations from the Governor's Public Employee Post-Employment Benefits Commission (Commission) to gain and maintain public support for other post-employment benefits (OPEB) by requiring OPEB's to be adopted in well-noticed public hearing, with their costs clearly and publicly reported annually, and to have any fraud or abuse addressed directly.

FISCAL SUMMARY

The Actuarial Advisory Panel (Panel) established by this bill would be located in State Controller's Office (SCO) and the SCO would be responsible for the administrative functions of the Panel. According to the SCO, they would require three positions and approximately \$237,000 annually to fulfill their requirements under this bill. Finance has not analyzed the fiscal data from the SCO; any need for additional resources must be justified by the SCO through the regular budget process.

In addition, each Panel member is to be reimbursed for his or her expenses by the authority that appointed the member. The exact reimbursement costs are unknown at this time.

The proposed statutory changes would require an actuary be present at the public meeting to explain the financial impact of benefit changes to the governing bodies when benefit improvements are under consideration, as specified. Due to staffing limitations and resources, there would be occasions when the California Public Employees Retirement System (CalPERS) would have to turn down requests by contracting agencies, including the state, to be present at a public meeting where benefit improvements are considered. If CalPERS actuaries were unable to attend, the contracting agencies, including the state, would be forced to rely on the services of an outside actuarial consulting firm and bear the cost.

SUMMARY OF CHANGES

The amendments to this bill since our analysis of the April 8, 2008 version are listed below:

- The requirements of this bill do not apply in the following two cases: (1) an annual increase in a premium that does not exceed three percent under a contract of insurance and (2) a change in post-employment benefits mandated by the state or federal government or made by an insurance carrier in connection with the renewal of a contract of insurance.
The Panel member appointees have been updated to exclude the President pro Tempore of the Senate and include the Senate Rules Committee.
It is required that Panel members are reimbursed for their expenses, to be paid by the authority that appointed the member.

COMMENTS

The Department of Finance supports this bill to implement various recommendations made by the Commission.

Analyst/Principal Date Program Budget Manager Date
(0931) K. Martone Diana Ducay

Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)
AUTHOR **AMENDMENT DATE**

P. Wiggins

June 11, 2008

SB 1123

Assembly member Hernandez is carrying a companion bill, AB 1844, to this bill, which contains additional legislative changes recommended by the Commission. The two bills together make all of the necessary changes to implement all of the Commission recommendations that require legislative implementation.

Specifically this bill:

- Adds the granting or changing of OPEB's such as health benefits, to existing reporting and disclosure requirements.
- Requires an actuary to attend the meeting where the adoption of a new benefit is considered, as specified.
- Prohibits a legislative body from approving new benefits or benefit increases by means of a consent calendar.
- Creates a Panel to provide information on pensions, other post employment benefits, and best practices to the Legislature, the Governor, public retirement systems, public agencies, and interested parties, before February 1 of each year. Requires the Panel to review actuarial model policies, pricing, disclosure, and quality control standards for public sector actuaries. The Panel is to be located in the SCO. The Panel would be comprised of six members who are actuaries with public sector clients. A member is to be appointed by each of the following for a three-year term:
 - The Teachers' Retirement Board
 - The Board of Administration of the Public Employees' Retirement System
 - The State Association of County Retirement Systems
 - The Board of Regents of the University of California
 - The Speaker of the Assembly, followed by, and subsequently alternates with, the Rules Committee of the Senate
 - The Governor
- Excludes annual increases in premiums that do not exceed three percent under a contract of insurance from the provisions of this bill. This bill also excludes changes in postemployment benefits mandated by the state or federal government or made by an insurance carrier in connection with the renewal of a contract of insurance.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP	2008-2009		2009-2010		2010-2011		
	RV	98	FC	FC	FC	FC			
9901/Var Depts	SO	No			See Fiscal Summary				0001
9901/Var Depts	SO	No			See Fiscal Summary				0995
9901/Var Depts	SO	No			See Fiscal Summary				0988
0840/Controller	SO	No			See Fiscal Summary				0001
<u>Fund Code</u>	<u>Title</u>								
0001	General Fund								
0988	Various Other Unallocated NGC Funds								
0995	Reimbursements								