

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: RN 11 23815
POSITION: Oppose unless amended

BILL NUMBER: AB 1028
AUTHOR: Assembly Public Employees,
Retirement and Social
Security

SPONSOR: California Public Employees' Retirement
System (CalPERS)

BILL SUMMARY: State Employees' Retirement

This bill would make various technical amendments to the law through the California Public Employees' Retirement System's (CalPERS) annual cleanup legislation. This bill includes a provision that would allow the CalPERS Board to change the state's contribution rates quarterly in a fiscal year in connection with a memorandum of understanding or state imposed changes to non-represented employees for employee pension benefits. This bill would also more specifically define the terms under which a retiree may work for the State of California or a public employer without being required to reinstate from retirement.

FISCAL SUMMARY

This bill would have little to no fiscal impact to the state.

COMMENTS

The Department of Finance opposes this bill because authority to modify the state's contribution rates mid-year can already be provided through Control Section 3.60 of the annual Budget Act. For example, authority was included in Control Section 3.60 of the Budget Act of 2010 to allow savings to be captured resulting from reduced state contribution rates as a result of anticipated increases in employee contribution rates. As such, we believe that inclusion of any necessary language in the annual Budget Act would be a more appropriate approach.

In addition, the proposed changes to the hiring of retired annuitants could inappropriately restrict Executive Branch flexibility. Such changes would be more appropriately addressed in the Governor's pension reform proposal.

This bill would make the following changes:

- Conform the Public Employees' Retirement Law (PERL) to the changes made in Chapter 633, Statutes of 2010, (SB 1007) Hancock, which required candidates for elected positions to the CalPERS and CalSTRS boards, to file periodic campaign reports in generally the same manner as candidates for other state offices.
- Conform the definition of "payrate" for school employees to include any amount deducted for participation in a deferred compensation plan to CalPERS' existing practice and policy.
- Remove the restriction that prohibits the CalPERS Board from approving more than one request from contracting agencies for a new amortization period based on the agency's financial necessity.
- Allow the CalPERS Board to adopt new quarterly state contribution rates should there be changes in the event of a memorandum of understanding going into effect pursuant to the Ralph C. Dills Act outside of the annual budget process.

(Continued)

Analyst/Principal (0931) K. Martone	Date	Program Budget Manager Diana Ducay	Date
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Department Deputy Director	Date
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Governor's Office:	By:	Date:	Position Approved _____
			Position Disapproved _____

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Retirement and Social Security

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COMMENTS (continued)

- Clarifies that both service credit and compensation earnable for trial court employees shall be calculated as if the employee were not subject to furloughs for the purpose of determining retirement allowance.
- Require that appointments of retired CalPERS members must be temporary and require specialized skills. Additionally, contracting agency employers may be permitted one exemption to exceed 960 hours, and payrates are limited to the maximum published pay schedule for the vacant position. The Governor is currently looking to limit post-retirement public employment as part of his pension reform proposals. We believe any changes in this area should be considered as part of the larger pension reform effort.
- Authorize CalPERS to pay lump sum death benefits to a Public Administrator when certain requirements are met and the estate of the member qualifies for summary disposition as a small estate with a value of \$30,000 or less.
- Conform the PERL to the federal Heroes Earnings Assistance and Relief Tax Act which entitles survivors of a member who dies while performing qualified military service to any additional benefits they would have received had the member died as an active employee.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2011-2012	FC	2012-2013	FC	2013-2014	
1900/PERS	SO	No		-----	No/Minor	Fiscal Impact	-----		0830
9901/Var Depts	SO	No		-----	No/Minor	Fiscal Impact	-----		0001
9901/Var Depts	SO	No		-----	No/Minor	Fiscal Impact	-----		0494
9901/Var Depts	SO	No		-----	No/Minor	Fiscal Impact	-----		0988
<u>Fund Code</u>	<u>Title</u>								
0001	General Fund								
0494	Other - Unallocated Special Funds								
0830	Public Employees' Retirement Fund								
0988	Other - Unallocated NGC Funds								

Suggested Amendments
AB 1028 (As amended Original)

Delete Section 4 of AB 1028 as it relates to changing the state contribution rates on a quarterly basis.

Delete Section 8 of AB 1028 as it relates to modifying terms of retired annuitant appointments.