

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: March 31, 2011
POSITION: Oppose
SPONSOR: California Public Employees' Retirement System

BILL NUMBER: AB 1042
AUTHOR: M. Allen
RELATED BILLS: Chapter 856, Statutes of 2003 (SB 269) and Chapter 333, Statutes of 2007 (AB 1317)

BILL SUMMARY: Public Employees' Retirement

This bill would authorize the California Public Employees' Retirement System (CalPERS) Board of Administration (Board) to appoint and determine the compensation of a chief financial officer.

FISCAL SUMMARY

CalPERS indicates that the anticipated increased compensation costs of up to \$190,000 would be offset by improved cash liquidity that would allow for additional long term investments, reduced exposure to risk, and improved organizational efficiency to allow for current staff to address growing membership. It is unclear how increased compensation for one position would generate savings and why the rest of the organization cannot achieve these savings absent the increased compensation that would be granted through this bill.

To the extent costs associated with this bill are not offset by savings, the state could experience a minor increase in CalPERS retirement rates. Although, in the context of the state's annual multi-billion dollar contribution to CalPERS, such costs would not be recognizable in the rates.

COMMENTS

The Department of Finance is opposed to this bill because it would circumvent the Department of Personnel Administration's (DPA) salary setting authority.

Existing law:

- Gives DPA authority to set salaries for state employees.
Authorizes the CalPERS Board to appoint and set the salaries of an executive officer, a general counsel, a chief actuary, a chief investment officer, and other investment officers and portfolio managers whose positions are designated managerial.

This bill would add a chief financial officer to the list of positions for which the CalPERS Board can appoint and set compensation.

Chapter 856, Statutes of 2003 (SB 269) initially provided CalPERS the authority to appoint and set salaries for all but the general counsel position and Chapter 333, Statutes of 2007 (AB 1317) extended that authority to include the general counsel position.

Analyst/Principal (0932) K. Martone Date Program Budget Manager Diana Ducay Date

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

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Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2010-2011	FC	2011-2012	FC	2012-2013	
1900/PERS	SO	No							0830
				----- See Fiscal Summary -----					
<u>Fund Code</u>	<u>Title</u>								
0830	Public Employees' Retirement Fund								