

AMENDED IN SENATE APRIL 16, 2002

**SENATE BILL**

**No. 1536**

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**Introduced by Senator Soto**

February 20, 2002

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~~An act to amend Section 20150 of the Government Code, relating to public employees' retirement. An act to amend Sections 20178 and 21328 of, and to repeal and add Section 21337 of, the Government Code, relating to public retiree benefits.~~

LEGISLATIVE COUNSEL'S DIGEST

SB 1536, as amended, Soto. ~~Public employees' retirement~~ *Public retiree benefits: purchase power protection.*

*Existing law requires that specified funds within the Public Employees' Retirement Fund be transferred to a supplemental account to be used to increase monthly allowances paid by the Public Employees' Retirement System up to 75% of their initial purchasing power, as specified.*

*This bill would provide that those monthly allowances paid with respect to state members, who are retired or retire prior to July 3, 2003, and school members shall be increased to 80% of their initial purchasing power. The bill would also eliminate the transfer to the supplemental account for purposes of those increases and would instead provide that these benefit increases shall be paid with employer assets, as specified.*

~~The Public Employees Retirement Law requires the board of the Public Employees' Retirement System to abide by specified fiduciary duties.~~

~~This bill would make a technical, nonsubstantive change to those provisions.~~

Vote: majority. Appropriation: no. Fiscal committee: ~~no~~ yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

1     ~~SECTION 1.—Section 20150 of the Government Code is~~  
2     *SECTION 1. Section 20178 of the Government Code is*  
3     *amended to read:*  
4     20178. (a) The board shall credit all contributions of  
5     members in the retirement fund with interest at an interest  
6     crediting rate of 6 percent compounded at each June 30. The  
7     retired member reserves in the retirement fund shall be credited  
8     with the lesser of the current actuarial interest rate or the current  
9     annual interest rate compounded at each June 30. The interest  
10    amount that would have been credited to the member’s account on  
11    and after June 30, 1991, had the account been credited with the  
12    lesser of the current actuarial interest rate or the current annual  
13    interest rate, rather than at the 6-percent interest crediting rate,  
14    shall be credited to retired member reserves.  
15    ~~(b) Notwithstanding subdivision (a), the difference between~~  
16    ~~the interest amount that was credited to the account of any state or~~  
17    ~~school member of this system who was paid his or her accumulated~~  
18    ~~contributions on or after June 30, 1991, and the lesser of the current~~  
19    ~~actuarial interest rate or the current annual interest rate, shall be~~  
20    ~~transferred to the state or school account, as appropriate,~~  
21    ~~established by the board under Section 21337 to fund the~~  
22    ~~purchasing power protection allowance for retirees, survivors, or~~  
23    ~~beneficiaries of state or school employers.~~  
24    ~~(e) Notwithstanding subdivisions subdivision (a) and (b), if the~~  
25    ~~current net earnings rate for state or school members exceeds the~~  
26    ~~interest rate used to credit the retired member accounts of state or~~  
27    ~~school employers, in addition to the amounts transferred to the~~  
28    ~~separate accounts established for state and school employers under~~  
29    ~~Section 21337, the remaining amounts shall be credited to~~  
30    ~~employer accounts.~~  
31    ~~(d)~~  
32    (c) The current annual interest rate may be lower than the  
33    current actuarial interest rate.  
34    *SEC. 2. Section 21328 of the Government Code is amended to*  
35    *read:*



1 21328. (a) In addition to the increase in allowance authorized  
 2 and granted pursuant to Section 21313, and notwithstanding the  
 3 limitation on that increase imposed by this article and ~~subdivision~~  
 4 ~~(b) of Section 21337 or subdivision (a) of Section 21337.1,~~  
 5 effective January 1, 2000, or the date this section becomes  
 6 applicable to the contracting agency, the monthly allowance paid  
 7 with respect to a state, local, or school member who retired or died  
 8 prior to January 1, 2000, or the date this section becomes  
 9 applicable to the contracting agency, other than an allowance  
 10 provided by Article 3 (commencing with Section 21570) of  
 11 Chapter 14, shall be increased by the percentage set forth opposite  
 12 the year of retirement or death in the following schedule:

13 14 Period during which retirement 15 or death occurred:	Percentage:
16 24 months ending Dec. 31, 1999	0.0%
17 12 months ending Dec. 31, 1997	1.0%
18 24 months ending Dec. 31, 1996	2.0%
19 60 months ending Dec. 31, 1994	3.0%
20 60 months ending Dec. 31, 1989	4.0%
21 120 months ending Dec. 31, 1984	5.0%
22 12 months ending Dec. 31, 1974 23 or earlier	6.0%

24  
 25 The percentage shall be applied to the allowance payable on  
 26 January 1, 2000, or the date this section becomes applicable to the  
 27 contracting agency, and the allowance as so increased shall be paid  
 28 for time on and after that date and until the first day of April  
 29 immediately following the date of application. The base allowance  
 30 shall be the allowance as increased under this section.  
 31 ~~Notwithstanding Section 21337 or 21337.1 to the contrary, this~~  
 32 *The* increase shall not be included in determining the initial  
 33 monthly allowance upon which a supplemental benefit is payable  
 34 pursuant to Section 21337 or 21337.1.

35 (b) This section shall not apply to any contracting agency  
 36 unless and until the agency elects to be subject to its provisions by  
 37 amendment to its contract, made in the manner prescribed for  
 38 approval of contracts, or, in the case of contracts made after the  
 39 effective date of this section, by an express provision in the



1 contract making the contracting agency subject to the provisions  
2 of this section.

3 *SEC. 3. Section 21337 of the Government Code is repealed.*

4 ~~21337. (a) On an annual basis, the board shall transfer funds~~  
5 ~~to separate supplemental state and school accounts, to fund the~~  
6 ~~purchasing power protection allowance of retirees, survivors, and~~  
7 ~~beneficiaries of state or school employers, respectively. The~~  
8 ~~amounts transferred shall be the lesser of the following:~~

9 (1) ~~The amount necessary to increase all monthly allowances~~  
10 ~~paid by this system to retirees, survivors, and beneficiaries of state~~  
11 ~~or school employers to 75 percent of the purchasing power of the~~  
12 ~~initial monthly allowances.~~

13 (2) ~~1.1 percent of the net earnings on state or school member~~  
14 ~~contributions, as determined by Section 20178.~~

15 (b) ~~The funds transferred to the two separate supplemental~~  
16 ~~accounts shall be utilized to increase all monthly allowances paid~~  
17 ~~by this system to retirees, survivors, and beneficiaries of state and~~  
18 ~~school employers, up to a maximum of 75 percent of the~~  
19 ~~purchasing power, as determined by the board, of the initial~~  
20 ~~monthly allowances, notwithstanding the benefit provided by~~  
21 ~~Section 21328, that were received by every retired state or school~~  
22 ~~member or survivor or beneficiary of a state or school member or~~  
23 ~~retiree who was eligible to receive any allowance at the end of each~~  
24 ~~fiscal year. Funds remaining in the state or school account after the~~  
25 ~~payment of benefits under this section shall be transferred to the~~  
26 ~~respective state or school employer accounts.~~

27 *SEC. 4. Section 21337 is added to the Government Code, to*  
28 *read:*

29 *21337. (a) Beginning January 1, 2003, and annually*  
30 *thereafter, all monthly allowances paid by the system to retirees,*  
31 *survivors, or beneficiaries of state or school employers shall be*  
32 *increased to 80 percent of the purchasing power, as determined by*  
33 *the board, of the initial monthly allowances, except for the monthly*  
34 *allowances specified in subdivision (b).*

35 (b) *All monthly allowances paid by the system to state*  
36 *employees, as defined in subdivision (c) of Section 3513, who retire*  
37 *on or after July 3, 2003, and to survivors and beneficiaries of those*  
38 *state members and retirees, shall be increased to 75 percent of the*  
39 *purchasing power, as determined by the board, of the initial*  
40 *monthly allowances.*



1 (c) *The cost of the increase in allowances paid pursuant to this*  
2 *section shall be paid from the same assets of the employer used in*  
3 *the determination of each employer contribution rate for each*  
4 *membership classification under which service was credited that*  
5 *affects the allowance calculation of the retirees, survivors, or*  
6 *beneficiaries.*

7 ~~amended to read:~~

8 ~~20150. — A board member or employee of the board may not,~~  
9 ~~directly or indirectly:~~

10 ~~(a) Have any interest in the making of any investment, or in the~~  
11 ~~gains or profits accruing therefrom.~~

12 ~~(b) For himself or herself or as an agent or partner of others,~~  
13 ~~borrow any funds or deposits of this system, nor use those funds~~  
14 ~~or deposits in any manner except to make current and necessary~~  
15 ~~payments authorized by the board.~~

16 ~~(c) Become an indorser, surety or obligor on investments by the~~  
17 ~~board.~~

