

AMENDED IN SENATE APRIL 8, 2008

AMENDED IN SENATE MARCH 24, 2008

**SENATE BILL**

**No. 1123**

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**Introduced by Senator Wiggins**

(Principal coauthor: Assembly Member Hernandez)

*(Coauthor: Senator Margett)*

January 28, 2008

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An act to add Section 7507.2 to, and to repeal and add Section 7507 of, the Government Code, relating to public employee benefits.

LEGISLATIVE COUNSEL'S DIGEST

SB 1123, as amended, Wiggins. Public employee benefits.

(1) Existing law requires a state or local retirement system to secure, not less than triennially, the services of an enrolled actuary, who is to perform a valuation of the system. Existing law requires the Legislature and local legislative bodies to secure the services of an enrolled actuary to provide a statement of the actuarial impact upon future annual costs before authorizing increases in public retirement plan benefits. Existing law requires the future annual costs of the public retirement plan benefits, as determined by the actuary, to be made public at a public meeting at least 2 weeks prior to the adoption of any increases in the benefits.

This bill would revise and recast provisions regarding the services of an enrolled actuary and the disclosure of public retirement plan benefits, as described above. The bill would redefine the qualifications of actuaries for these purposes. The bill would include other postretirement benefits within the subject matter of the actuary's statement that is provided before the Legislature or a local legislative body may authorize an increase in benefits. The bill would require the future annual costs

of other postemployment benefits to be made public, as specified. The bill would require local legislative bodies to have an actuary present to provide information at the meeting where the adoption of a new benefit will be considered. The bill would prohibit the adoption of any benefit to which its provisions apply by means of a consent calendar. The bill would require, upon the adoption of any benefit change to which its provisions apply, that the person with the responsibilities of a chief executive officer acknowledge in writing that he or she understands the current and future cost of the benefit as determined by the actuary and would specify that the Director of the Department of Personnel Administration perform this function for the adoption of benefit changes by the state. By increasing the duties of local entities, this bill would impose a state-mandated local program. The bill would except from these provisions a school district or a county office of education and specify that these entities remain subject to other ~~regulation~~ *regulations*.

The bill would also create the California Actuarial Advisory Panel, which would be required to provide impartial and independent information on pensions, other postemployment benefits, and best practices to public agencies. The bill would specify various responsibilities of the panel, including defining actuarial model policies and best practices for public retirement plan benefits and postemployment benefits, developing pricing and disclosure standards for California public sector benefit improvements, and developing quality control standards for California public sector actuaries. The panel would consist of 6 actuaries who would be appointed by specified entities and parties and who would serve staggered terms of 3 years. The bill would provide that the panel be located in the State Controller's office, *which would be required to provide support staff to the panel*. The bill would provide that the opinions of the panel are nonbinding and advisory only and would prohibit the opinions of the panel from being used as the basis of litigation.

(2) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that, if the Commission on State Mandates determines that the bill contains costs mandated by the state, reimbursement for those costs shall be made pursuant to these statutory provisions.

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

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

1 SECTION 1. The Legislature finds and declares the following:

2 (a) The Public Employee Post-Employment Benefits  
3 Commission was jointly formed by the Governor and the  
4 Legislature to determine how best to fund postemployment benefits  
5 for the employees and retirees of California’s state and local  
6 governments.

7 (b) The Public Employee Post-Employment Benefits  
8 Commission concluded that the best way to ensure that these  
9 benefits are delivered as promised is to prefund them.

10 (c) The Public Employee Post-Employment Benefits  
11 Commission further concluded that in order to gain and maintain  
12 public support for these benefits, the benefits should be adopted  
13 in well-noticed public hearings, with their costs clearly and publicly  
14 reported annually, and any fraud or abuse addressed directly.

15 SEC. 2. Section 7507 of the Government Code is repealed.

16 SEC. 3. Section 7507 is added to the Government Code, to  
17 read:

18 7507. (a) For the purpose of this section:

19 (1) “Actuary” means an actuary who is a member of the Society  
20 of Actuaries or is an actuary qualified under the standards of  
21 practice of the American Academy of Actuaries.

22 (2) “Future annual costs” includes, but is not limited to, annual  
23 dollar changes, or the total dollar changes involved when available,  
24 as well as normal cost and any change in accrued liability.

25 (b) The Legislature and local legislative bodies, including  
26 community college district governing boards, shall secure the  
27 services of an actuary to provide a statement of the actuarial impact  
28 upon future annual costs, including normal cost and any additional  
29 accrued liability, before authorizing changes in public retirement  
30 plan benefits or other postemployment benefits.

31 (c) (1) With regard to local legislative bodies, including  
32 community college district governing boards, the future costs as  
33 determined by the actuary shall be made public at a public meeting  
34 at least two weeks prior to the adoption of any changes in public  
35 retirement plan benefits or other postemployment benefits. An  
36 actuary shall be present to provide information as needed at the  
37 public meeting at which the adoption of a benefit change shall be

1 considered. The adoption of any benefit to which this section  
2 applies shall not be placed on a consent calendar.

3 (2) With regard to the Legislature, the future costs as determined  
4 by the actuary shall be made public at the policy and fiscal  
5 committee hearings to consider the adoption of any changes in  
6 public retirement plan benefits or other postemployment benefits.  
7 The adoption of any benefit to which this section applies shall not  
8 be placed on a consent calendar.

9 (d) Upon the adoption of any benefit change to which this  
10 section applies, the person with the responsibilities of a chief  
11 executive officer in an entity providing the benefit, however that  
12 person is denominated, shall acknowledge in writing that he or  
13 she understands the current and future cost of the benefit as  
14 determined by the actuary. For the adoption of benefit changes by  
15 the state, this person shall be the director of the Department of  
16 Personnel Administration.

17 (e) The requirements of this section do not apply to a school  
18 district or a county office of education, which shall instead comply  
19 with requirements regarding public notice of, and future cost  
20 determination for, benefit changes that have been enacted to  
21 regulate these entities. These requirements include, but are not  
22 limited to, those enacted by Chapter 1213 of the Statutes of 1991  
23 and by Chapter 52 of the Statutes of 2004.

24 SEC. 4. Section 7507.2 is added to the Government Code, to  
25 read:

26 7507.2. (a) There is hereby enacted the California Actuarial  
27 Advisory Panel. The panel shall provide impartial and independent  
28 information on pensions, other postemployment benefits, and best  
29 practices to public agencies.

30 (b) The responsibilities of the California Actuarial Advisory  
31 Panel shall include, but are not limited to:

32 (1) Defining the range of actuarial model policies and best  
33 practices for public retirement plan benefits, including pensions  
34 and other postemployment benefits.

35 (2) Developing pricing and disclosure standards for California  
36 public sector benefit improvements.

37 (3) Developing quality control standards for California public  
38 sector actuaries.

39 (4) Gathering model funding policies and practices.

1 (5) Replying to policy questions from public retirement systems  
2 in California.

3 (6) Providing comment upon request by public agencies.

4 (c) The California Actuarial Advisory Panel shall consist of six  
5 members. Each member shall be an actuary, as defined in Section  
6 7507, with public sector clients. A member shall be appointed by  
7 each of the entities listed below, and each member shall serve a  
8 three-year term, provided that, in the initial appointments only,  
9 the panelists named by the University of California, the Legislature,  
10 and the Governor shall serve two-year terms. One panelist shall  
11 be appointed by each of the following:

12 (1) The Teachers' Retirement Board.

13 (2) The Board of Administration of the Public Employees'  
14 Retirement System.

15 (3) The State Association of County Retirement Systems.

16 (4) The Board of Regents of the University of California.

17 (5) The Speaker of the Assembly, who shall be followed by,  
18 and subsequently alternate with, the President pro Tempore of the  
19 Senate.

20 (6) The Governor.

21 (d) The California Actuarial Advisory Panel shall be located in  
22 the Office of the State Controller, *which shall provide support staff*  
23 *to the panel.*

24 (e) The opinions of the California Actuarial Advisory Panel are  
25 nonbinding and advisory only. The opinions of the panel shall not,  
26 in any case, be used as the basis for litigation.

27 SEC. 5. If the Commission on State Mandates determines that  
28 this act contains costs mandated by the state, reimbursement to  
29 local agencies and school districts for those costs shall be made  
30 pursuant to Part 7 (commencing with Section 17500) of Division  
31 4 of Title 2 of the Government Code.