

AMENDED IN ASSEMBLY APRIL 2, 2009

CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

**ASSEMBLY BILL**

**No. 446**

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**Introduced by Assembly Member Niello**

February 24, 2009

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An act to amend Section 20909 of the Government Code, relating to public employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

AB 446, as amended, Niello. Public employees' retirement: ~~benefits.~~ *additional retirement service credits.*

The Public Employees' Retirement Law calculates service retirement allowances, in part, based on years of credited service. Members of the Public Employees' Retirement System may receive service credit for public service not otherwise subject to credit, upon payment of specified additional contributions. Existing law authorizes specified members of that system, including employees or officers of the state, the university, a school employer, or a contracting agency and certain legislative employees, to elect to make additional contributions and receive up to 5 years of additional retirement service credit, as defined, subject to specified limitations.

~~This bill would make a technical, nonsubstantive change to that provision.~~

*This bill would require the administrators of the Public Employees' Retirement System to prepare a report on the use of the additional retirement service credits, as specified, and to file that report with the Legislature by February 1, 2010.*

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. The Legislature finds and declares the following:*

2     *(a) The California Public Employees' Retirement System*  
3 *(CalPERS) is currently experiencing a sizeable unfunded liability,*  
4 *which has been growing over the last decade.*

5     *(b) Public perception is that the increase in additional*  
6 *retirement service credit purchases creates an unfunded liability*  
7 *for the program and further exacerbates CalPERS total unfunded*  
8 *liability.*

9     *(c) There is significant and growing public concern about the*  
10 *method of calculation of the receipt of additional retirement service*  
11 *credits available under Section 20909 of the Government Code.*

12     *(d) In order to determine whether or not public perception and*  
13 *concern is valid, it is necessary for the CalPERS to provide*  
14 *pertinent information to the Legislature.*

15     *(e) This information will enable the Legislature to properly*  
16 *address those concerns.*

17     *SEC. 2. The Public Employees Retirement System*  
18 *administrators shall prepare and file a report with the Legislature*  
19 *by February 1, 2010, that contains the following information*  
20 *regarding the receipt of additional retirement service credits under*  
21 *Section 20909 of the Government Code:*

22     *(a) The number of members who have purchased additional*  
23 *retirement service credit, including estimated subtotals of state*  
24 *members (including in each retirement tier), California State*  
25 *University members, public agency members, and school members.*

26     *(b) The number of those members who have retired, including*  
27 *estimated subtotals of state members (including in each retirement*  
28 *tier), California State University members, public agency members,*  
29 *and school members.*

30     *(c) The average number of service credit years purchased,*  
31 *including a breakdown of how many purchases were for one, two,*  
32 *three, four, and five years of service credit respectively.*

33     *(d) The average purchase price, taking into account the number*  
34 *of years purchased and the members's age and compensation level.*

35     *(e) An estimate of how many members have paid by lump sum,*  
36 *installment, rollover, and other methods, and whether there has*  
37 *been a significant change in the payment methods by members in*

1 *the last three years (that is, noticeably more choosing one method*  
2 *over another).*

3 *(f) For state miscellaneous, state peace officer/firefighter, state*  
4 *safety, state industrial, and California Highway Patrol tier*  
5 *members, respectively, a list of key assumptions currently used in*  
6 *the pricing of additional retirement service credits and whether*  
7 *any of those major assumptions changed significantly within the*  
8 *last five years.*

9 *(g) For state members who have purchased additional retirement*  
10 *service credits and subsequently retired, an estimate of the*  
11 *following:*

12 *(1) The percentage of members who have retired earlier than*  
13 *the effective assumption used in the pricing of their additional*  
14 *retirement service credits.*

15 *(2) The percentage of members who have retired with final*  
16 *compensation higher than that effectively assumed in the pricing*  
17 *of their additional retirement service credits.*

18 *(3) The percentage of members who have retired with a larger*  
19 *monthly retirement allowance than that effectively assumed in the*  
20 *pricing of their additional retirement service credits.*

21 *(h) An estimate of the percentage of members purchasing*  
22 *additional retirement service credits who retire within one year,*  
23 *within two years, within three years, within four years, and within*  
24 *five years of their purchase of additional retirement service credits.*

25 *(i) For state members who have purchased additional retirement*  
26 *service credits, subsequently retired, and have retired earlier than*  
27 *the effective assumption used in the pricing of their additional*  
28 *retirement service credits, an estimate of annual state costs for*  
29 *their retiree health and dental benefits and the amount that the*  
30 *earlier-than-expected retirement of these individuals contributes*  
31 *to the state's unfunded other postemployment benefits liability.*

32 *(j) An estimate of the amount of the state's unfunded actuarial*  
33 *accrued liability for pensions that is attributable to issues*  
34 *concerning the pricing of additional retirement service credits*  
35 *purchases.*

36 *(k) An estimate of the amount of present value paid compared*  
37 *to the present value gained, on average.*

38 ~~SECTION 1. Section 20909 of the Government Code is~~  
39 ~~amended to read:~~

1     ~~20909. (a) A member who has at least five years of credited~~  
2 ~~state service, may elect, by written notice filed with the board, to~~  
3 ~~make contributions pursuant to this section and receive not less~~  
4 ~~than one year, nor more than five years, in one-year increments,~~  
5 ~~of additional retirement service credit in the retirement system.~~

6     ~~(b) A member may elect to receive this additional retirement~~  
7 ~~service credit at any time prior to retirement by making the~~  
8 ~~contributions as specified in Sections 21050 and 21052. A member~~  
9 ~~may not elect additional retirement service credit under this section~~  
10 ~~more than once.~~

11     ~~(c) For purposes of this section, “additional retirement service~~  
12 ~~credit” means time that does not qualify as public service, military~~  
13 ~~service, leave of absence, or any other time recognized for service~~  
14 ~~credit by the retirement system.~~

15     ~~(d) Additional retirement service credit elected pursuant to this~~  
16 ~~section may not be counted to meet the minimum qualifications~~  
17 ~~for service or disability retirement or for health care benefits, or~~  
18 ~~any other benefits based upon years of service credited to the~~  
19 ~~member.~~

20     ~~(e) This section shall only apply to the following members:~~

21     ~~(1) A member while he or she is employed in state service at~~  
22 ~~the time of the additional retirement service credit election.~~

23     ~~(2) A member of the system defined in Section 20324.~~

24     ~~(f) For purposes of this section, “state service” means service~~  
25 ~~as defined in Section 20069.~~