

AMENDED IN ASSEMBLY APRIL 23, 2009

AMENDED IN ASSEMBLY APRIL 2, 2009

CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

ASSEMBLY BILL

No. 446

Introduced by Assembly Member Niello

February 24, 2009

An act relating to public employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

AB 446, as amended, Niello. Public employees' retirement: 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 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: 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 retirement~~
6 ~~service credit purchases creates an unfunded liability for the~~
7 ~~program and further exacerbates CalPERS total unfunded liability.~~

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

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

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

16 ~~SEC. 2.~~

17 ~~SECTION 1. The Public Employees' Retirement~~
18 ~~System administrators shall prepare and file a report with the~~
19 ~~Legislature by February 1, 2010, that contains 2010. The report~~
20 ~~shall provide the following information regarding the receipt of~~
21 ~~additional retirement service credits under Section 20909 of the~~
22 ~~Government Code from the program's inception through June 30,~~
23 ~~2009:~~

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

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

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

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

37 ~~(e) An estimate of how many members have paid by lump sum,~~
38 ~~installment, rollover, and other methods, and whether there has~~

1 been a significant change in the payment methods by members in
2 the last three years (that is, noticeably more *members* choosing
3 one method over another).

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

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

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

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

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

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

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

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

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

O