

ASSEMBLY BILL

No. 873

Introduced by Assembly Member Furutani

February 17, 2011

An act to add Section 7508.6 to the Government Code, relating to public employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

AB 873, as introduced, Furutani. Public employees' retirement: pension fund management.

The Public Employees' Retirement Law creates the Public Employees' Retirement Fund, which is a trust fund created and administered solely for the benefit of the members and retired members of this system and their survivors and beneficiaries. The Board of Administration of the Public Employees' Retirement System (PERS) has the exclusive control of the administration and investment of the retirement fund.

The Teachers' Retirement Law establishes the State Teachers' Retirement System (STRS) in order to provide a financially sound plan for the retirement, with adequate retirement allowances, for teachers in public schools of the state, teachers in schools supported by the state, and other persons employed in connection with the schools. The plan and the system are administered by the Teachers' Retirement Board.

This bill would prohibit an individual, who was a member of the retirement board of PERS or STRS or an administrator, executive officer, investment officer, or general counsel of the system, from accepting employment, within 2 years after separation from the system, with any employer with which the individual participated personally and substantially with contracts or investments valued greater than \$10 million any time in the previous 5 years while the individual was

employed by, or served on the board of, the system, as specified. The bill would except from that prohibition a former employee of PERS or STRS working for any entity whose principal market is unrelated to the individual’s prior service.

The bill would also prohibit an individual from, for 2 years after separation from the system, accepting employment with any placement agent who has successfully placed an investment with either PERS or STRS during the prior 10 years.

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

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

1 SECTION 1. The Legislature finds and declares all of the
2 following:

3 (a) The flow of skills between the public and private sector
4 promotes efficiency and collaboration between both sectors and
5 is essential to the success of many government programs.

6 (b) The trading of information acquired as a government
7 employee and unavailable to members of the general public, for
8 the purpose of personal enrichment, undermines taxpayer
9 investments and public confidence in those investments.

10 SEC. 2. Section 7508.6 is added to the Government Code, to
11 read:

12 7508.6. (a) (1) An individual described in paragraph (2) shall
13 not, for two years after separation from a system, accept
14 employment with any employer with which the individual
15 participated personally and substantially with system contracts or
16 investments valued greater than ten million dollars (\$10,000,000)
17 any time in the previous five years while the individual was
18 employed by, or serving on the board of, the system.

19 (2) Paragraph (1) shall apply to any individual who was a
20 member of the retirement board of a system, or an administrator,
21 executive officer, investment officer, or general counsel of a
22 system.

23 (b) The prohibition in subdivision (a) includes, but is not limited
24 to, any individual who participate personally and substantially in
25 system investments or contracts in excess of ten million dollars
26 (\$10,000,000) when any of the following apply:

- 1 (1) The decision to award a modification of a contract or
2 subcontract was in excess of ten million dollars (\$10,000,000).
- 3 (2) The decision to award a task order or delivery order was in
4 excess of ten million dollars (\$10,000,000).
- 5 (3) The decision to establish overhead or other rates was valued
6 in excess of ten million dollars (\$10,000,000).
- 7 (4) The decision to approve issuing a payment or payments was
8 in excess of ten million dollars (\$10,000,000).
- 9 (5) The decision to pay or settle a claim was in excess of ten
10 million dollars (\$10,000,000).
- 11 (c) The prohibition in subdivision (a) shall not prohibit a former
12 employee of a system from working for any entity whose principal
13 market is unrelated to the individual's prior service.
- 14 (d) Notwithstanding subdivision (a), an individual shall not, for
15 two years after separation from a system, accept employment with
16 any placement agent, as defined by subdivision (d) of Section
17 7513.8, who has successfully placed an investment with either
18 system during the prior 10 years.
- 19 (e) For the purposes of this section, "system" means the Public
20 Employees' Retirement System or the State Teachers' Retirement
21 System.