

Introduced by Senator WaltersDecember 3, 2012

An act to amend Sections 7522.02, 7522.15, 7522.20, and 7522.25 of, and to add Section 7522.03 to, the Government Code, relating to public employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

SB 24, as introduced, Walters. Public employees' retirement: benefit plans.

Existing law regulates state and local public retirement systems and generally requires public employees who are new members, as defined, of those systems, on and after January 1, 2013, to participate in specified benefit plans. Existing law permits a public employer that, before January 1, 2013, offers a defined benefit pension plan that provides a defined benefit formula with a lower benefit factor at normal retirement age, and results in a lower normal cost, than the defined benefit formula required for new employees on and after January 1, 2012, to continue to offer that defined benefit formula and excepts the employer from specified requirements regarding pensionable compensation. Existing law requires, in the case of these plans, if a new defined benefit formula is adopted on or after January 1, 2013, that the formula meet certain requirements and, among other things, be approved by the Legislature. Existing law prescribes the same requirements for a retirement benefit plan that consists solely of a defined contribution plan if the employer, on or after January 1, 2013, adopts a new defined benefit pension plan or defined benefit formula, as specified.

This bill would eliminate the requirement that the Legislature approve the changes in the instances described above. This bill would also authorize a local agency public employer or public retirement system

that offers a defined benefit pension plan to offer a benefit formula with a lower benefit factor at normal retirement age and that results in a lower normal cost than the benefit formulas that are currently required, for purposes of addressing a fiscal necessity.

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. Section 7522.02 of the Government Code is
2 amended to read:

3 7522.02. (a) (1) Notwithstanding any other law, except as
4 provided in this article, on and after January 1, 2013, this article
5 shall apply to all state and local public retirement systems and to
6 their participating employers, including the Public Employees’
7 Retirement System, the State Teachers’ Retirement System, the
8 Legislators’ Retirement System, the Judges’ Retirement System
9 I, the Judges’ Retirement System II, county and district retirement
10 systems created pursuant to the County Employees Retirement
11 Law of 1937, independent public retirement systems, and to
12 individual retirement plans offered by public employers. However,
13 this article shall be subject to the Internal Revenue Code and
14 Section 17 of Article XVI of the California Constitution. The
15 administration of the requirements of this article shall comply with
16 applicable provisions of the Internal Revenue Code and the
17 Revenue and Taxation Code.

18 (2) Notwithstanding paragraph (1), this article shall not apply
19 to the entities described in Section 9 of Article IX of, and Sections
20 4 and 5 of Article XI of, the California Constitution, except to the
21 extent that these entities continue to be participating employers in
22 any retirement system governed by state statute. Accordingly, any
23 retirement plan approved before January 1, 2013, by the voters of
24 any entity excluded from coverage by this section shall not be
25 affected by this article.

26 (b) The benefit plan required by this article shall apply to public
27 employees who are new members as defined in Section 7522.04.

28 (c) Individuals who were employed by any public employer
29 before January 1, 2013, and who became employed by a subsequent
30 public employer for the first time on or after January 1, 2013, shall
31 be subject to the retirement plan that would have been available

1 to employees of the subsequent employer who were first employed
2 by the subsequent employer on or before December 31, 2012, if
3 the individual was subject to reciprocity established under any of
4 the following provisions:

5 (1) Article 5 (commencing with Section 20350) of Chapter 3
6 of Part 3 of Division 5 of Title 2.

7 (2) Chapter 3 (commencing with Section 31450) of Part 3 of
8 Division 4 of Title 3.

9 (3) Any agreement between public retirement systems to provide
10 reciprocity to members of the systems.

11 (d) If a public employer, before January 1, 2013, offers a defined
12 benefit pension plan that provides a defined benefit formula with
13 a lower benefit factor at normal retirement age and results in a
14 lower normal cost than the defined benefit formula required by
15 this article, that employer may continue to offer that defined benefit
16 formula instead of the defined benefit formula required by this
17 article, and shall not be subject to the requirements of Section
18 7522.10 for pensionable compensation subject to that formula.
19 However, if the employer adopts a new defined benefit formula
20 on or after January 1, 2013, that formula must conform to the
21 requirements of this article or must be determined and certified by
22 the retirement system's chief actuary and the retirement board to
23 have no greater risk and no greater cost to the employer than the
24 defined benefit formula required by this article ~~and must be~~
25 ~~approved by the Legislature.~~ New members of the defined benefit
26 plan may only participate in the lower cost defined benefit formula
27 that was in place before January 1, 2013, or a defined benefit
28 formula that conforms to the requirements of this article or is
29 approved by the Legislature as provided in this subdivision.

30 (e) If a public employer, before January 1, 2013, offers a
31 retirement benefit plan that consists solely of a defined contribution
32 plan, that employer may continue to offer that plan instead of the
33 defined benefit pension plan required by this article. However, if
34 the employer adopts a new defined benefit pension plan or defined
35 benefit formula on or after January 1, 2013, that plan or formula
36 must conform to the requirements of this article or must be
37 determined and certified by the retirement system's chief actuary
38 and the system's board to have no greater risk and no greater cost
39 to the employer than the defined benefit formula required by this
40 article ~~and must be approved by the Legislature.~~ New members of

1 the employer’s plan may only participate in the defined
2 contribution plan that was in place before January 1, 2013, or a
3 defined contribution plan or defined benefit formula that conforms
4 to the requirements of this article.

5 (f) The Judges’ Retirement System I and the Judges’ Retirement
6 System II shall not be required to adopt the defined benefit formula
7 required by Section ~~7522.25 or 7522.30~~ 7522.20 or 7522.25 or the
8 compensation limitations defined in Section 7522.10.

9 (g) This article shall not be construed to provide membership
10 in any public retirement system for an individual who would not
11 otherwise be eligible for membership under that system’s
12 applicable rules or laws.

13 SEC. 2. Section 7522.03 is added to the Government Code, to
14 read:

15 7522.03. (a) Notwithstanding Section 7522.15, a local agency
16 public employer or public retirement system that offers a defined
17 benefit pension plan may, for purposes of addressing a fiscal
18 necessity, offer a benefit formula with a lower benefit factor at
19 normal retirement age and that results in a lower normal cost than
20 the benefit formula required by Section 7522.20 or 7522.25.

21 (b) The authority provided by subdivision (a) shall be exercised
22 upon the direction of the legislative body of the local agency, as
23 manifest in a duly enacted ordinance or resolution that describes
24 the fiscal necessity, or upon a vote of the people of the affected
25 jurisdiction.

26 (c) For purposes of this section, “local agency” means a city,
27 county, or district.

28 SEC. 3. Section 7522.15 of the Government Code is amended
29 to read:

30 7522.15. Except as provided in subdivisions (d) and (e) of
31 Section 7522.02 or in Section 7522.03, each public employer and
32 each public retirement system that offers a defined benefit plan
33 shall offer only the defined benefit formulas established pursuant
34 to Sections 7522.20 and 7522.25 to new members.

35 SEC. 4. Section 7522.20 of the Government Code is amended
36 to read:

37 7522.20. (a) ~~Each~~ Except as provided in Section 7522.03, each
38 retirement system that offers a defined benefit plan for nonsafety
39 members of the system shall use the formula prescribed by this
40 section. The defined benefit plan shall provide a pension at

1 retirement for service equal to the percentage of the member's
 2 final compensation set forth opposite the member's age at
 3 retirement, taken to the preceding quarter year, in the following
 4 table, multiplied by the number of years of service in the system
 5 as a nonsafety member. A member may retire for service under
 6 this section after five years of service and upon reaching 52 years
 7 of age.

8	9	10	11
	Age of Retirement	Fraction	
10	52	1.00	
11	52 1/4	1.025	
12	52 1/2	1.050	
13	52 3/4	1.075	
14	53	1.100	
15	53 1/4	1.125	
16	53 1/2	1.150	
17	53 3/4	1.175	
18	54	1.200	
19	54 1/4	1.225	
20	54 1/2	1.250	
21	54 3/4	1.275	
22	55	1.300	
23	55 1/4	1.325	
24	55 1/2	1.350	
25	55 3/4	1.375	
26	56	1.400	
27	56 1/4	1.425	
28	56 1/2	1.450	
29	56 3/4	1.475	
30	57	1.500	
31	57 1/4	1.525	
32	57 1/2	1.550	
33	57 3/4	1.575	
34	58	1.600	
35	58 1/4	1.625	
36	58 1/2	1.650	
37	58 3/4	1.675	
38	59	1.700	
39	59 1/4	1.725	
40	59 1/2	1.750	

1 59³/₄ 1.775
2 60 1.800
3 60¹/₄ 1.825
4 60¹/₂ 1.850
5 60³/₄ 1.875
6 61 1.900
7 61¹/₄ 1.925
8 61¹/₂ 1.950
9 61³/₄ 1.975
10 62 2.000
11 62¹/₄ 2.025
12 62¹/₂ 2.050
13 62³/₄ 2.075
14 63 2.100
15 63¹/₄ 2.125
16 63¹/₂ 2.150
17 63³/₄ 2.175
18 64 2.200
19 64¹/₄ 2.225
20 64¹/₂ 2.250
21 64³/₄ 2.275
22 65 2.300
23 65¹/₄ 2.325
24 65¹/₂ 2.350
25 65³/₄ 2.375
26 66 2.400
27 66¹/₄ 2.425
28 66¹/₂ 2.450
29 66³/₄ 2.475
30 67 2.500

31
32 (b) Pensionable compensation used to calculate the defined
33 benefit shall be limited as described in Section 7522.10.

34 (c) A new member of the State Teachers' Retirement System
35 shall be subject to the formula established pursuant to Section
36 24202.6 of the Education Code.

37 SEC. 5. Section 7522.25 of the Government Code is amended
38 to read:

39 7522.25. (a) ~~Each~~ *Except as provided in Section 7522.03 each*
40 retirement system that offers a defined benefit plan for safety

1 members of the system shall use one or more of the defined benefit
 2 formulas prescribed by this section. A member may retire for
 3 service under any of the formulas in this section after five years
 4 of service and upon reaching 50 years of age.

5 (b) The Basic Safety Plan shall provide a pension at retirement
 6 for service equal to the percentage of the member's final
 7 compensation set forth opposite the member's age at retirement,
 8 taken to the preceding quarter year, in the following table,
 9 multiplied by the number of years of service in the system as a
 10 safety member.

11	12 Age at Retirement	12 Fraction
13	50	1.426
14	50 ¼	1.447
15	50 ½	1.467
16	50 ¾	1.488
17	51	1.508
18	51 ¼	1.529
19	51 ½	1.549
20	51 ¾	1.570
21	52	1.590
22	52 ¼	1.611
23	52 ½	1.631
24	52 ¾	1.652
25	53	1.672
26	53 ¼	1.693
27	53 ½	1.713
28	53 ¾	1.734
29	54	1.754
30	54 ¼	1.775
31	54 ½	1.795
32	54 ¾	1.816
33	55	1.836
34	55 ¼	1.857
35	55 ½	1.877
36	55 ¾	1.898
37	56	1.918
38	56 ¼	1.939
39	56 ½	1.959
40	56 ¾	1.980

1 57 and over 2.000

2

3 (c) The Safety Option Plan One shall provide a pension at
4 retirement for service equal to the percentage of the member's
5 final compensation set forth opposite the member's age at
6 retirement, taken to the preceding quarter year, in the following
7 table, multiplied by the number of years of service in the system
8 as a safety member.

9

10 Age at Retirement	Fraction
11 50	2.000
12 50 1/4	2.018
13 50 1/2	2.036
14 50 3/4	2.054
15 51	2.071
16 51 1/4	2.089
17 51 1/2	2.107
18 51 3/4	2.125
19 52	2.143
20 52 1/4	2.161
21 52 1/2	2.179
22 52 3/4	2.196
23 53	2.214
24 53 1/4	2.232
25 53 1/2	2.250
26 53 3/4	2.268
27 54	2.286
28 54 1/4	2.304
29 54 1/2	2.321
30 54 3/4	2.339
31 55	2.357
32 55 1/4	2.375
33 55 1/2	2.393
34 55 3/4	2.411
35 56	2.429
36 56 1/4	2.446
37 56 1/2	2.464
38 56 3/4	2.482
39 57 and over	2.500

40

1 (d) The Safety Option Plan Two shall provide a pension at
2 retirement for service equal to the percentage of the member's
3 final compensation set forth opposite the member's age at
4 retirement, taken to the preceding quarter year, in the following
5 table, multiplied by the number of years of service in the system
6 as a safety member.

7

8	Age at Retirement	Fraction
9	50	2.000
10	50 ¼.....	2.025
11	50 ½.....	2.050
12	50 ¾.....	2.075
13	51	2.100
14	51 ¼.....	2.125
15	51 ½.....	2.150
16	51 ¾.....	2.175
17	52	2.200
18	52 ¼.....	2.225
19	52 ½.....	2.250
20	52 ¾.....	2.275
21	53	2.300
22	53 ¼.....	2.325
23	53 ½.....	2.350
24	53 ¾.....	2.375
25	54	2.400
26	54 ¼.....	2.425
27	54 ½.....	2.450
28	54 ¾.....	2.475
29	55	2.500
30	55 ¼.....	2.525
31	55 ½.....	2.550
32	55 ¾.....	2.575
33	56	2.600
34	56 ¼.....	2.625
35	56 ½.....	2.650
36	56 ¾.....	2.675
37	57 and over	2.700

38
39 (e) On and after January 1, 2013, an employer shall offer one
40 or more of the safety formulas prescribed by this section to new

1 employees who are safety employees eligible for membership in
2 the system. The formula offered shall be the formula that is closest
3 to, and provides a lower benefit at 55 years of age than, the formula
4 provided to members in the same retirement classification offered
5 by the employer on December 31, 2012.

6 (f) On and after January 1, 2013, an employer and its employees
7 subject to Safety Option Plan One or Safety Option Plan Two may
8 agree in a memorandum of understanding to be subject to Safety
9 Option Plan One or the Basic Safety Plan, subject to the following:

10 (1) The lower plan shall apply to members first employed on
11 or after the effective date of the lower plan, and shall be agreed to
12 in a memorandum of understanding that has been collectively
13 bargained in accordance with applicable laws.

14 (2) A retirement plan contract amendment with a public
15 retirement system to alter a retirement formula pursuant to this
16 subdivision shall not be implemented by the employer in the
17 absence of a memorandum of understanding that has been
18 collectively bargained in accordance with applicable laws.

19 (3) An employer shall not use impasse procedures to impose
20 the lower plan.

21 (4) An employer shall not provide a different defined benefit
22 for nonrepresented, managerial, or supervisory employees than
23 the employer provides for other public employees, including
24 represented employees, of the same employer who are in the same
25 membership classifications.

26 (g) Pensionable compensation used to calculate the defined
27 benefit shall be limited as described in Section 7522.10.