

AMENDED IN ASSEMBLY MAY 4, 2016

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

ASSEMBLY BILL

No. 2375

Introduced by Committee on Public Employees, Retirement, and Social Security (Assembly Members Cooper (Chair), Bonta, Cooley, Gonzalez, and O'Donnell)

February 18, 2016

An act to amend *Section 87483 of the Education Code*, and to amend Sections 7502, 7504, 7507, 7507.2, 20034, 20035, 20035.5, 20037, 20037.6, 20037.7, 20037.8, 20037.9, 20037.10, 20037.11, 20037.12, 20037.13, 20037.15, 20229, 20537, 20572, 20577.5, 20578, 20638, 20900, 20963, 20963.1, 20965, 21337, 21499, ~~and 21626.5~~ 21626.5, and 22820 of, and to repeal and amend Sections 20037.5 and 20037.14 of, the Government Code, relating to the Public Employees' Retirement System.

LEGISLATIVE COUNSEL'S DIGEST

AB 2375, as amended, Committee on Public Employees, Retirement, and Social Security. Public Employees' Retirement System: omnibus bill.

(1) Existing law requires all state and local retirement systems to secure, not less than triennially, the services of an enrolled actuary, who is required to perform a valuation of the system. Existing law requires all state and local public retirement systems to submit audited financial statements to the Controller at the earliest practicable opportunity within 6 months of the close of each fiscal year. Existing law requires the Controller to review these reports and to publish an annual report on the financial condition of all state and local public retirement systems, as specified. Existing law requires the Controller

to establish an advisory committee, including enrolled actuaries, to assist state and local systems with their reporting duties. Existing law requires the Legislature and local legislative bodies, when considering changes in retirement benefits or other postemployment benefits, to secure the services of an actuary to provide a statement of the actuarial impact upon future annual costs, except as specified. Existing law establishes the California Actuarial Advisory Panel, which consists of a specified membership that includes enrolled actuaries. Existing law requires the panel to provide impartial and independent information on pensions, other postemployment benefits, and best practices to public agencies.

This bill would delete references to enrolled actuaries for purposes of the provisions described above. The bill would substitute for this designation, for purposes of establishing the advisory committee and the actuarial advisory panel, as described above, actuaries who have attained the designation of Associate or Fellow of the Society of Actuaries. The bill would substitute for the enrolled actuaries designation, for purposes of the triennial valuation and the reporting requirements described above, actuaries who satisfy the qualification standards for actuaries issuing statements of actuarial opinion in the United States with regard to pensions or other postemployment benefits.

~~Existing~~

(2) *Existing* law, the Public Employees' Retirement Law, creates the Public Employees' Retirement System (PERS) for the purpose of providing pension benefits to state employees and employees of contracting agencies and prescribes the rights and duties of members of the system and their beneficiaries. Existing law vests management and control of PERS in its board of administration. PERS provides a defined benefit to members of the program, based on final compensation, credited service, and age at retirement, subject to certain variations.

~~(1) Existing~~

Existing law prescribes various definitions of final compensation based on employment classification, bargaining unit, date of hire, and date of retirement, among other things.

This bill would revise these definitions to remove redundant language and make technical and style changes.

(3) *Existing* law requires the board to provide the Legislature, the Governor, and the Chair of the California Actuarial Advisory Panel a specified report in connection with state employee retirement plans. Existing law requires the Chair of the California Actuarial Advisory

Panel, within 30 days of receipt of the report, at a specified, publicly noticed hearing, to make a presentation on certain issues relating to investment returns and amortization.

This bill would require that the presentation described above to be made each legislative session and that the presentation be based on the report made by the board.

(2)

(4) Existing law authorizes the board to charge interest, at the actuarial interest rate, on the amount of any payment due and unpaid by a contracting agency until payment is received.

This bill would instead permit the board to charge interest on payments due and unpaid at the greater of the annual return on the system's investments for the year prior to the year in which payments are not timely made or a simple annual rate of 10%.

(3)

(5) In addition to the above, existing law authorizes the board to assess a contracting agency that fails to make contributions when due interest at an annual rate of 10% and the costs of collection, including reasonable legal fees. In the case of repeated delinquencies, the board may assess the contracting agency a penalty of 10% of the delinquent amount.

This bill would recast these provision to authorize the board, if a contracting agency fails to fully pay any installment of contributions when due, to assess a penalty of 10% of the total amount due and unpaid, including accrued and unpaid interest. The bill would permit the penalty to be assessed once during each 30-day period that the outstanding amount remains unpaid. The bill would also specify that the contracting agency may be assessed the costs of collection, including reasonable legal fees and litigation costs, including, without limitation, legal fees and legal costs incurred in bankruptcy, when necessary to collect any amounts due.

(4)

(6) Existing law authorizes the board to terminate a local agency contract if the contracting agency fails for 30 days after demand by the board to pay any installment of required contributions or fails for three months after demand to file any information required for administration of the agency's employees. Existing law permits the board to reduce benefits in certain instances when contributions are inadequate to fund them. Existing law authorizes the board to merge a plan that has been

terminated into the terminated agency pool without benefit reduction or with a lesser reduction if certain conditions are met.

This bill would delete references to merging a plan and instead specify that the board may elect to not impose a reduction on a plan, or to impose a lesser reduction on a plan, that has been terminated if those acts will not impact the actuarial soundness of the terminated agency pool. The bill would make related changes by deleting administrative provisions relating to the sequence for transferring assets in relation to the reduction of benefits.

(7) Existing law authorizes certain members who are either academic employees of the California State University or certificated employees of school districts employed on a part-time basis to receive full-time service credit and the benefits related to that status if both the member and employer elect to make the appropriate additional contributions and other requirements are met. Existing law limits the application of these provisions to 5 years of part-time status.

This bill would extend the authorization described above to academic employees of community college districts. The bill would also make a correctional change in this regard.

~~(5)~~

(8) Existing law grants members in specified member classifications whose retirements are within 4 months of separation from employment specified percentages of service credit for each unused day of sick leave or educational leave.

This bill would specify that a day of unused sick leave or unused educational leave is the equivalent of an 8-hour day.

(9) Existing law requires the board to transfer funds to separate state and school accounts to fund the purchasing power protection allowance of retirees, survivors, and beneficiaries of state or school employers. Existing law prescribes a method for calculating the amount to be transferred, which is to be the lesser of two amounts, one of which is calculated at one and 1/10th percent of the net earnings on state or school member contributions, as specified.

This bill would revise the calculation described above to be one and 1/10th percent of state or school member contributions.

~~(6)~~

(10) Existing law requires payment of interest on a preretirement or postretirement death allowance or a preretirement or postretirement lump-sum benefit if not paid within a specified time after the date of

death of an annuitant. Existing law prescribes the method of calculating interest for this purpose.

This bill would instead require that interest ~~by~~ *be* calculated at 7%, pursuant to the California Constitution.

(7)

(11) Existing law requires a surviving domestic partner be treated in the same manner as a surviving spouse for purposes of postretirement survivor’s allowances if certain conditions are met.

This bill would require that an individual who is the same gender as a member be treated in the same manner as a surviving spouse for purposes of postretirement survivor’s allowances if certain conditions are met.

(12) *Existing law, the Public Employees’ Medical and Hospital Care Act (PEMHCA), which is administered by the Board of Administration of the Public Employees’ Retirement System, authorizes the board to contract for health benefit plans for employees and annuitants, as defined, which may include employees and annuitants of contracting agencies. Existing law grants eligible, uninsured family members of specified firefighters or peace officers whose deaths are the result of injury or disease arising out of their duties the status of annuitants for purposes of receiving benefits under PEMHCA. Existing law requires employers to notify the board within 10 business days of the death of the employee in this context if a spouse of family member may be eligible for enrollment in a health benefit plan in this regard.*

This bill would revise the duty of employers to notify the board to also require that they provide updated contact information of the surviving spouse or family member if that person may be eligible for enrollment.

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 87483 of the Education Code is amended
2 to read:

3 87483. Notwithstanding any other provision, the governing
4 board of a community college district may establish regulations
5 that allow academic employees to reduce their workload from
6 full-time to part-time duties. The regulations shall include, but
7 shall not be limited to, the following if the employees wish to

1 reduce their workload and maintain retirement benefits pursuant
2 to Section 22713 of this code or Section ~~20815~~ 20900 of the
3 Government Code:

4 (a) The employee shall have reached the age of 55 prior to
5 reduction in workload.

6 (b) The employee shall have been employed full time in an
7 academic position or a position requiring certification
8 qualifications, or both, for at least 10 years of which the
9 immediately preceding five years were full-time employment.

10 (c) During the period immediately preceding a request for a
11 reduction in workload, the employee shall have been employed
12 full time in an academic position or a position requiring
13 certification qualifications, or both, for a total of at least five years
14 without a break in service. For purposes of this subdivision,
15 sabbaticals and other approved leaves of absence shall not
16 constitute a break in service. Time spent on a sabbatical or other
17 approved leave of absence shall not be used in computing the
18 five-year full-time service requirement prescribed by this
19 subdivision.

20 (d) The option of part-time employment shall be exercised at
21 the request of the employee and can be revoked only with the
22 mutual consent of the employer and the employee.

23 (e) The employee shall be paid a salary which is the pro rata
24 share of the salary he or she would be earning had he or she not
25 elected to exercise the option of part-time employment but shall
26 retain all other rights and benefits for which he or she makes the
27 payments that would be required if he or she remained in full-time
28 employment.

29 The employee shall receive health benefits as provided in Section
30 53201 of the Government Code in the same manner as a full-time
31 employee.

32 (f) The minimum part-time employment shall be the equivalent
33 of one-half of the number of days of service required by the
34 employee's contract of employment during his or her final year
35 of service in a full-time position.

36 (g) The period of this part-time employment shall not exceed
37 five years for employees subject to Section ~~20815~~ 20900 of the
38 Government Code or 10 years for employees subject to Section
39 22713 of this code.

1 (h) The period of part-time employment of employees subject
2 to Section 20815 of the Government Code shall not extend beyond
3 the end of the college year during which the employee reaches his
4 or her 70th birthday. This subdivision shall not apply to any
5 employee subject to Section 22713 of this code.

6 *SEC. 2. Section 7502 of the Government Code is amended to*
7 *read:*

8 7502. The State Controller shall review the annual financial
9 report of each state and local public retirement system submitted
10 pursuant to Section 7504 giving particular consideration to the
11 adequacy of funding of each system. The State Controller shall
12 also review the triennial valuation of each public retirement system
13 submitted pursuant to Section 7504 and shall give particular
14 consideration to the assumption concerning the inflation element
15 in salary and wage increases, mortality, service retirement rates,
16 withdrawal rates, disability retirement rates, and rate of return on
17 total assets.

18 The State Controller shall establish an advisory committee ~~which~~
19 ~~that shall include enrolled actuaries, as defined in Section 7504,~~
20 ~~actuaries who have attained the designation of Associate or Fellow~~
21 ~~of the Society of Actuaries and state and local public retirement~~
22 ~~system administrators, administrators~~ to assist in carrying out the
23 duties imposed by this section.

24 *SEC. 3. Section 7504 of the Government Code is amended to*
25 *read:*

26 7504. (a) All state and local public retirement systems shall,
27 not less than triennially, secure the services of an ~~enrolled~~ actuary.
28 ~~An enrolled actuary, for~~ For the purposes of this section, “actuary”
29 means an actuary ~~enrolled under subtitle C of Title III of the federal~~
30 ~~Employee Retirement Income Security Act of 1974 (Public Law~~
31 ~~93-406) who satisfies the qualification standards for actuaries~~
32 ~~issuing statements of actuarial opinion in the United States with~~
33 ~~regard to pensions or other postemployment benefits~~ and who has
34 demonstrated experience in public retirement systems. The actuary
35 shall perform a valuation of the system utilizing actuarial
36 assumptions and techniques established by the agency that are, in
37 the aggregate, reasonably related to the experience and the
38 actuary’s best estimate of anticipated experience under the system.
39 Any differences between the actuarial assumptions and techniques
40 used by the actuary that differ significantly from those established

1 by the agency shall be disclosed in the actuary's report and the
2 effect of the differences on the actuary's statement of costs and
3 obligations shall be shown.

4 (b) All state and local public retirement systems shall secure
5 the services of a qualified person to perform an attest audit of the
6 system's financial statements. A qualified person means any of
7 the following:

8 (1) A person who is licensed to practice as a certified public
9 accountant in this state by the California Board of Accountancy.

10 (2) A person who is registered and entitled to practice as a public
11 accountant in this state by the California Board of Accountancy.

12 (3) A county auditor in any county subject to the County
13 Employees Retirement Law of 1937 (Chapter 3 (commencing with
14 Section 31450) of Part 3 of Division 4 of Title 3).

15 (4) A county auditor in any county having a pension trust and
16 retirement plan established pursuant to Section 53216.

17 (c) All state and local public retirement systems shall submit
18 audited financial statements to the State Controller at the earliest
19 practicable opportunity within six months of the close of each
20 fiscal year. However, the State Controller may delay the filing date
21 for reports due in the first year until the time as report forms have
22 been developed that, in his or her judgment, will satisfy the
23 requirements of this section. The financial statements shall be
24 prepared in accordance with generally accepted accounting
25 principles in the form and manner prescribed by the State
26 Controller. The penalty prescribed in Section 53895 shall be
27 invoked for failure to comply with this section. Upon a satisfactory
28 showing of good cause, the State Controller may waive the penalty
29 for late filing provided by this subdivision.

30 (d) The State Controller shall compile and publish a report
31 annually on the financial condition of all state and local public
32 retirement systems containing, but not limited to, the data required
33 in Section 7502. The report shall be published within 12 months
34 of the receipt of the information, and in no case later than 18
35 months after the end of the fiscal year upon which the information
36 in the report is based.

37 *SEC. 4. Section 7507 of the Government Code is amended to*
38 *read:*

39 7507. (a) For the purpose of this section:

1 (1) “Actuary” means an actuary ~~who is an associate or fellow~~
2 ~~of the Society of Actuaries, as defined in Section 7504.~~

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

6 (b) (1) Except as provided in paragraph (2), the Legislature and
7 local legislative bodies, including community college district
8 governing boards, when considering changes in retirement benefits
9 or other postemployment benefits, shall secure the services of an
10 actuary to provide a statement of the actuarial impact upon future
11 annual costs, including normal cost and any additional accrued
12 liability, before authorizing changes in public retirement plan
13 benefits or other postemployment benefits.

14 (2) The requirements of this subdivision do not apply to:

15 (A) An annual increase in a premium that does not exceed 3
16 percent under a contract of insurance.

17 (B) A change in postemployment benefits, other than pension
18 benefits, mandated by the state or federal government or made by
19 an insurance carrier in connection with the renewal of a contract
20 of insurance.

21 (c) (1) (A) With regard to local legislative bodies, including
22 community college district governing boards, the future costs of
23 changes in retirement benefits or other postemployment benefits,
24 as determined by the actuary, shall be made public at a public
25 meeting at least two weeks prior to the adoption of any changes
26 in public retirement plan benefits or other postemployment benefits.
27 If the future costs of the changes exceed one-half of 1 percent of
28 the future annual costs, as defined in paragraph (2) of subdivision
29 (a), of the existing benefits for the legislative body, an actuary
30 shall be present to provide information as needed at the public
31 meeting at which the adoption of a benefit change shall be
32 considered. The adoption of any benefit to which this section
33 applies shall not be placed on a consent calendar.

34 (B) The requirements of this paragraph do not apply to:

35 (i) An annual increase in a premium that does not exceed 3
36 percent under a contract of insurance.

37 (ii) A change in postemployment benefits, other than pension
38 benefits, mandated by the state or federal government or made by
39 an insurance carrier in connection with the renewal of a contract
40 of insurance.

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

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

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

21 *SEC. 5. Section 7507.2 of the Government Code is amended*
22 *to read:*

23 7507.2. (a) There is hereby enacted the California Actuarial
24 Advisory Panel. The panel shall provide impartial and independent
25 information on pensions, other postemployment benefits, and best
26 practices to public agencies and shall meet quarterly.

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

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

32 (2) Developing pricing and disclosure standards for California
33 public sector benefit improvements.

34 (3) Developing quality control standards for California public
35 sector actuaries.

36 (4) Gathering model funding policies and practices.

37 (5) Replying to policy questions from public retirement systems
38 in California.

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

1 (c) The California Actuarial Advisory Panel shall consist of
2 eight members. Each member shall be an ~~actuary, as defined in~~
3 ~~Section 7507~~, *actuary who has attained the designation of*
4 *Associate or Fellow of the Society of Actuaries and who has*
5 *demonstrated experience* with public sector clients. Members shall
6 be appointed by the entities listed below, and each member shall
7 serve a three-year term, provided that, in the initial appointments
8 only, the panelists named by the University of California, the
9 Senate, and one of the panelists named by the Governor shall serve
10 two-year terms. The Governor shall appoint two panelists, and one
11 panelist shall 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.
- 18 (6) The Senate Committee on Rules.

19 (d) The California Actuarial Advisory Panel shall be located in
20 the Controller's office, which shall provide support staff to the
21 panel.

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

25 (f) A member of the California Actuarial Advisory Panel shall
26 receive reimbursement for expenses that shall be paid by the
27 authority that appointed the member.

28 (g) The California Actuarial Advisory Panel shall report to the
29 Legislature on or before February 1 of each year.

30 **SECTION 1.**

31 *SEC. 6.* Section 20034 of the Government Code is amended
32 to read:

33 20034. The highest annual average compensation during any
34 consecutive 12- or 36-month period of employment as a member
35 of any retirement system maintained by the university shall be
36 considered compensation earnable by a member of this system for
37 purposes of computing final compensation for the member
38 providing he or she retires concurrently under both systems.

1 ~~SEC. 2.~~

2 *SEC. 7.* Section 20035 of the Government Code is amended
3 to read:

4 20035. (a) Notwithstanding Section 20037, “final
5 compensation” for the purposes of determining any pension or
6 benefit with respect to a state member who retires or dies on or
7 after July 1, 1991, and with respect to benefits based on service
8 with the state, means the highest annual compensation which was
9 earnable by the state member during any consecutive 12-month
10 period of employment preceding the effective date of his or her
11 retirement or the date of his or her last separation from state service
12 if earlier.

13 (b) With respect to a state member who retires or dies on or
14 after July 1, 1991, and who was a managerial employee, as defined
15 by subdivision (e) of Section 3513, or a supervisory employee, as
16 defined by subdivision (g) of Section 3513, whose monthly salary
17 range was administratively reduced by 5 percent because of the
18 salary range reductions administratively imposed upon managers
19 and supervisors during the 1991–92 fiscal year, “final
20 compensation” means the highest annual compensation the state
21 member would have earned had his or her salary range not been
22 reduced by the 5-percent reduction. This subdivision shall only
23 apply if the period during which the state member’s salary was
24 reduced would have otherwise been included in determining his
25 or her final compensation. The costs, if any, that may result from
26 the use of the higher final compensation shall be paid for by the
27 employer in the same manner as other retirement benefits are
28 funded.

29 ~~SEC. 3.~~

30 *SEC. 8.* Section 20035.5 of the Government Code is amended
31 to read:

32 20035.5. Notwithstanding Section 20037, “final compensation”
33 for the purposes of determining any pension or benefit with respect
34 to a school member who retires or dies on or after January 1, 2000,
35 and with respect to benefits based on service with a school
36 employer, means the highest annual compensation that was
37 earnable by the school member during any consecutive 12-month
38 period of employment preceding the effective date of his or her
39 retirement or the date of his or her last separation from service if
40 earlier.

1 ~~SEC. 4.~~

2 *SEC. 9.* Section 20037 of the Government Code is amended
3 to read:

4 20037. For a state member, or for a local member who is an
5 employee of a contracting agency that is subject to this section,
6 “final compensation” means the highest annual average
7 compensation earnable by a member during any consecutive
8 36-month period of employment preceding the effective date of
9 his or her retirement or the date of his or her last separation from
10 state service if earlier, including any or all of the period or periods
11 of (a) service required for qualification for membership, or (b)
12 prior service which qualifies for credit under this system, if any,
13 immediately preceding membership, or (c) time prior to entering
14 state service at the compensation earnable by him or her in the
15 position first held by him or her in that service, as may be necessary
16 to complete three consecutive years. For the purposes of this
17 section, periods of service separated by a period of retirement or
18 breaks in service may be aggregated to constitute a period of three
19 consecutive years, if the periods of service are consecutive except
20 for such a period of retirement or breaks. If a break in service did
21 not exceed six months in duration, time included in the break and
22 compensation earnable during that time shall be included in
23 computation of final compensation. If a break in service exceeded
24 six months in duration, the first six months thereof and the
25 compensation earnable during those six months shall be included
26 in computation of final compensation, but time included in the
27 break which is in excess of six months and the compensation
28 earnable during that excess time shall be excluded in computation
29 of final compensation. On and after November 13, 1968, this
30 section shall apply to all contracting agencies and to the employees
31 of those agencies whether or not those agencies have previously
32 elected to be subject to this section, except that this section shall
33 not apply to an employee of a contracting agency which has not
34 elected to be subject to this section whose death occurred or whose
35 retirement was effective prior to November 13, 1968.

36 ~~SEC. 5.~~

37 *SEC. 10.* Section 20037.5 of the Government Code, as added
38 by Section 56 of Chapter 88 of the Statutes of 1998, is repealed.

1 ~~SEC. 6.~~

2 *SEC. 11.* Section 20037.5 of the Government Code, as added
3 by Section 56 of Chapter 91 of the Statutes of 1998, is amended
4 to read:

5 20037.5. Notwithstanding Section 20035, “final compensation”
6 for a state member who has elected to be subject to Section
7 21353.5, for the purposes of determining any pension or benefit
8 based on service credited under that section, means the highest
9 average annual compensation earnable by the member during any
10 consecutive 36-month period preceding the effective date of his
11 or her retirement or the date of his or her last separation from state
12 service if earlier.

13 ~~SEC. 7.~~

14 *SEC. 12.* Section 20037.6 of the Government Code is amended
15 to read:

16 20037.6. (a) Notwithstanding Sections 20035 and 20037, final
17 compensation for a person who is employed by the state for the
18 first time and becomes a state member of the system on or after
19 July 1, 2006, and is represented by State Bargaining Unit 2, means
20 the highest average annual compensation earnable by the member
21 during any consecutive 36-month period preceding the effective
22 date of his or her retirement or the date of his or her last separation
23 from state service if earlier.

24 (b) This section applies to service credit accrued while a member
25 of State Bargaining Unit 2.

26 (c) This section does not apply to:

27 (1) Former state employees who return to state employment
28 on or after July 1, 2006.

29 (2) State employees hired prior to July 1, 2006, who were subject
30 to Section 20281.5 during the first 24 months of state employment.

31 (3) State employees hired prior to July 1, 2006, who become
32 subject to representation by State Bargaining Unit 2 on or after
33 July 1, 2006.

34 (4) State employees on an approved leave of absence who return
35 to active employment on or after July 1, 2006.

36 ~~SEC. 8.~~

37 *SEC. 13.* Section 20037.7 of the Government Code is amended
38 to read:

39 20037.7. (a) Notwithstanding Sections 20035 and 20037, final
40 compensation for a person who is employed by the state for the

1 first time and becomes a state member of the system on or after
2 January 1, 2007, and is represented by State Bargaining Unit 1, 3,
3 4, 11, 14, 15, 17, 20, or 21, means the highest average annual
4 compensation earnable by the member during any consecutive
5 36-month period preceding the effective date of his or her
6 retirement or the date of his or her last separation from state service
7 if earlier.

8 (b) This section applies to service credit accrued while a member
9 of State Bargaining Unit 1, 3, 4, 11, 14, 15, 17, 20, or 21.

10 (c) This section does not apply to:

11 (1) Former state employees previously employed before January
12 1, 2007, who return to state employment on or after January 1,
13 2007.

14 (2) State employees hired prior to January 1, 2007, who were
15 subject to Section 20281.5 during the first 24 months of state
16 employment.

17 (3) State employees hired prior to January 1, 2007, who become
18 subject to representation by State Bargaining Unit 1, 3, 4, 11, 14,
19 15, 17, 20, or 21 on or after January 1, 2007.

20 (4) State employees on an approved leave of absence employed
21 before January 1, 2007, who return to active employment on or
22 after January 1, 2007.

23 ~~SEC. 9.~~

24 *SEC. 14.* Section 20037.8 of the Government Code is amended
25 to read:

26 20037.8. (a) Notwithstanding Sections 20035 and 20037, final
27 compensation for a person who is employed by the state for the
28 first time and becomes a state member of the system on or after
29 January 1, 2007, and is represented by State Bargaining Unit 12
30 or 13, means the highest average annual compensation earnable
31 by the member during any consecutive 36-month period preceding
32 the effective date of his or her retirement or the date of his or her
33 last separation from state service if earlier.

34 (b) This section applies to service credit accrued while a member
35 of State Bargaining Unit 12 or 13.

36 (c) This section does not apply to:

37 (1) Former state employees previously employed before January
38 1, 2007, who return to state employment on or after January 1,
39 2007.

1 (2) State employees hired prior to January 1, 2007, who were
2 subject to Section 20281.5 during the first 24 months of state
3 employment.

4 (3) State employees hired prior to January 1, 2007, who become
5 subject to representation by State Bargaining Unit 12 or 13 on or
6 after January 1, 2007.

7 (4) State employees on an approved leave of absence employed
8 before January 1, 2007, who return to active employment on or
9 after January 1, 2007.

10 ~~SEC. 10.~~

11 *SEC. 15.* Section 20037.9 of the Government Code is amended
12 to read:

13 20037.9. (a) Notwithstanding Sections 20035 and 20037, final
14 compensation for a person who is employed by the state for the
15 first time and becomes a state member of the system on or after
16 January 1, 2007, and is represented by State Bargaining Unit 16
17 or 19, means the highest average annual compensation earnable
18 by the member during any consecutive 36-month period preceding
19 the effective date of his or her retirement or the date of his or her
20 last separation from state service if earlier.

21 (b) This section applies to service credit accrued while a member
22 of State Bargaining Unit 16 or 19.

23 (c) This section does not apply to:

24 (1) Former state employees previously employed before January
25 1, 2007, who return to state employment on or after January 1,
26 2007.

27 (2) State employees hired prior to January 1, 2007, who were
28 subject to Section 20281.5 during the first 24 months of state
29 employment.

30 (3) State employees hired prior to January 1, 2007, who become
31 subject to representation by State Bargaining Unit 16 or 19 on or
32 after January 1, 2007.

33 (4) State employees on an approved leave of absence employed
34 before January 1, 2007, who return to active employment on or
35 after January 1, 2007.

36 ~~SEC. 11.~~

37 *SEC. 16.* Section 20037.10 of the Government Code is amended
38 to read:

39 20037.10. (a) Notwithstanding Sections 20035 and 20037,
40 final compensation for a person who is employed by the state for

1 the first time and becomes a state member of the system on or after
2 January 1, 2007, and is represented by State Bargaining Unit 7,
3 means the highest average annual compensation earnable by the
4 member during any consecutive 36-month period immediately
5 preceding the effective date of his or her retirement or the date of
6 his or her last separation from state service if earlier.

7 (b) This section applies to service credit accrued while a member
8 of State Bargaining Unit 7.

9 (c) This section does not apply to:

10 (1) Service credit accrued while classified as a state peace
11 officer/firefighter while a member of *State Bargaining Unit 7*.

12 (2) Former state employees previously employed before January
13 1, 2007, who return to state employment on or after January 1,
14 2007.

15 (3) State employees hired prior to January 1, 2007, who were
16 subject to Section 20281.5 during the first 24 months of state
17 employment.

18 (4) State employees hired prior to January 1, 2007, who become
19 subject to representation by State Bargaining Unit 7 on or after
20 January 1, 2007.

21 (5) State employees on an approved leave of absence employed
22 before January 1, 2007, who return to active employment on or
23 after January 1, 2007.

24 ~~SEC. 12.~~

25 *SEC. 17.* Section 20037.11 of the Government Code is amended
26 to read:

27 20037.11. (a) Notwithstanding Sections 20035 and 20037,
28 final compensation for a person who is employed by the state for
29 the first time and becomes a state member of the system on or after
30 January 1, 2007, and is represented by State Bargaining Unit 10,
31 means the highest average annual compensation earnable by the
32 member during any consecutive 36-month period preceding the
33 effective date of his or her retirement or the date of his or her last
34 separation from state service if earlier.

35 (b) This section applies to service credit accrued while a member
36 of State Bargaining Unit 10.

37 (c) This section does not apply to:

38 (1) Former state employees previously employed before January
39 1, 2007, who return to state employment on or after January 1,
40 2007.

1 (2) State employees hired prior to January 1, 2007, who were
2 subject to Section 20281.5 during the first 24 months of state
3 employment.

4 (3) State employees hired prior to January 1, 2007, who become
5 subject to representation by State Bargaining Unit 10 on or after
6 January 1, 2007.

7 (4) State employees on an approved leave of absence employed
8 before January 1, 2007, who return to active employment on or
9 after January 1, 2007.

10 ~~SEC. 13.~~

11 *SEC. 18.* Section 20037.12 of the Government Code is amended
12 to read:

13 20037.12. (a) Notwithstanding Sections 20035 and 20037,
14 final compensation for a person who is employed by the state for
15 the first time and becomes a state member of the system on or after
16 January 1, 2007, and is represented by State Bargaining Unit 18,
17 means the highest average annual compensation earnable by the
18 member during any consecutive 36-month period preceding the
19 effective date of his or her retirement or the date of his or her last
20 separation from state service if earlier.

21 (b) This section applies to service credit accrued while a member
22 of State Bargaining Unit 18.

23 (c) This section does not apply to:

24 (1) Former state employees previously employed before January
25 1, 2007, who return to state employment on or after January 1,
26 2007.

27 (2) State employees hired prior to January 1, 2007, who were
28 subject to Section 20281.5 during the first 24 months of state
29 employment.

30 (3) State employees hired prior to January 1, 2007, who become
31 subject to representation by State Bargaining Unit 18 on or after
32 January 1, 2007.

33 (4) State employees on an approved leave of absence employed
34 before January 1, 2007, who return to active employment on or
35 after January 1, 2007.

36 ~~SEC. 14.~~

37 *SEC. 19.* Section 20037.13 of the Government Code is amended
38 to read:

39 20037.13. (a) Notwithstanding Sections 20035 and 20037, for
40 the purposes of determining any pension or benefit with respect

1 to benefits based on service with the state, “final compensation”
2 means the highest annual compensation that was earnable by the
3 state member during any consecutive 36-month period of
4 employment preceding the effective date of his or her retirement
5 or the date of his or her last separation from state service if earlier.

6 (b) This section shall only apply to a member appointed to a
7 career executive assignment, as defined in Section 18546, who at
8 the time of appointment meets one or more of the following
9 criteria:

10 (1) He or she previously had, but does not currently have,
11 permanent status in the civil service.

12 (2) He or she is a person described in Section 18990 who was
13 not, within the past 12 months, employed by the Legislature for
14 two or more consecutive years.

15 (3) He or she is a person described in ~~Sections~~ Section 18992
16 who was not, within the past 12 months, holding a nonelected
17 exempt position in the executive branch.

18 (c) A state entity that employs a person described in subdivision
19 (b) in a career executive assignment shall notify the Controller of
20 this person’s employment status and the Controller shall forward
21 this information to the system.

22 ~~SEC. 15.~~

23 *SEC. 20.* Section 20037.14 of the Government Code, as
24 amended by Section 127 of Chapter 296 of the Statutes of 2011,
25 is repealed.

26 ~~SEC. 16.~~

27 *SEC. 21.* Section 20037.14 of the Government Code, as added
28 by Section 11 of Chapter 163 of the Statutes of 2010, is amended
29 to read:

30 20037.14. (a) Notwithstanding Sections 20035 and 20037,
31 final compensation for a person who is employed by the state for
32 the first time and becomes a state member of the system on or after
33 October 31, 2010, and is represented by State Bargaining Unit 5
34 or 8, means the highest average annual compensation earnable by
35 the member during any consecutive 36-month period preceding
36 the effective date of his or her retirement or the date of his or her
37 last separation from state service if earlier.

38 (b) This section applies to service credit accrued while a member
39 of State Bargaining Unit 5 or 8 or in a class related to State
40 Bargaining Unit 5 or 8 as an employee who is excepted from the

1 definition of “state employee” in subdivision (c) of Section 3513,
2 or an officer or employee of the executive branch of state
3 government who is not a member of the civil service.

4 (c) This section does not apply to:

5 (1) Former state employees previously employed before October
6 31, 2010, who return to state employment on or after October 31,
7 2010.

8 (2) State employees hired prior to October 31, 2010, who were
9 subject to Section 20281.5 during the first 24 months of state
10 employment.

11 (3) State employees hired prior to October 31, 2010, who
12 become subject to representation by State Bargaining Unit 5 or 8
13 on or after October 31, 2010.

14 (4) State employees on an approved leave of absence employed
15 before October 31, 2010, who return to active employment on or
16 after October 31, 2010.

17 ~~SEC. 17.~~

18 *SEC. 22.* Section 20037.15 of the Government Code is amended
19 to read:

20 20037.15. (a) Notwithstanding Sections 3517.8, 20035, and
21 20037, final compensation for a person who is employed for the
22 first time and becomes a member of the system on or after January
23 15, 2011, means the highest average annual compensation earnable
24 by the member during any consecutive 36-month period preceding
25 the effective date of his or her retirement or the date of his or her
26 last separation from state service if earlier.

27 (b) This section applies to the following:

28 (1) Service credit accrued while a member of State Bargaining
29 Unit 6 or 9 or in a class related to State Bargaining Unit 6 or 9 as
30 an employee who is excepted from the definition of “state
31 employee” in subdivision (c) of Section 3513, or an officer or
32 employee of the executive branch of state government who is not
33 a member of the civil service.

34 (2) Service credit accrued while a peace officer/firefighter
35 member represented by State Bargaining Unit 7 or in a class related
36 to peace officer/firefighter members in State Bargaining Unit 7 as
37 an employee who is excepted from the definition of “state
38 employee” in subdivision (c) of Section 3513, or an officer or
39 employee of the executive branch of state government who is not
40 a member of the civil service.

1 (3) Service credit accrued as an employee who is excepted from
2 the definition of “state employee” in subdivision (c) of Section
3 3513, or an officer or employee of the executive branch of state
4 government who is not a member of the civil service.

5 (4) Service credit accrued as an employee of the Legislature,
6 the judicial branch, or the California State University.

7 (c) This section does not apply to:

8 (1) Former employees previously employed before January 15,
9 2011, who return to employment on or after January 15, 2011, and
10 who were previously subject to a 12-month average.

11 (2) State employees hired prior to January 15, 2011, who were
12 subject to Section 20281.5 during the first 24 months of state
13 employment, and who were previously subject to a 12-month
14 average.

15 (3) State employees hired prior to January 15, 2011, who become
16 subject to representation by State Bargaining Unit 6, 7, or 9 on or
17 after January 15, 2011, and who were previously subject to a
18 12-month average.

19 (4) Employees on an approved leave of absence employed before
20 January 15, 2011, who return to active employment on or after
21 January 15, 2011, and who were previously subject to a 12-month
22 average.

23 (d) If this section is in conflict with a memorandum of
24 understanding that is current and in effect on January 15, 2011,
25 the memorandum of understanding shall be controlling while it
26 remains in effect. Upon expiration of the memorandum of
27 understanding that is in effect and current on January 15, 2011,
28 this section shall be controlling and may not be superseded by a
29 subsequent memorandum of understanding.

30 *SEC. 23. Section 20229 of the Government Code is amended*
31 *to read:*

32 20229. (a) The board, notwithstanding Section 10231.5, shall
33 provide the Legislature, the Governor, and the Chair of the
34 California Actuarial Advisory Panel, established pursuant to
35 Section 7507.2 of the Government Code, with an annual report
36 that includes all of the following, as these items apply to state
37 employee retirement plans:

38 (1) (A) A description of the investment return assumption
39 utilized by the board when determining the contribution rates.

1 (B) A calculation of the contribution rates utilizing an
 2 investment return assumption 2 percentage points above and 2
 3 percentage points below the investment return assumption utilized
 4 by the board.

5 (2) (A) A description of the amortization period for any
 6 unfunded liabilities utilized by the board when determining the
 7 contribution rates.

8 (B) A calculation of the contribution rates based on an
 9 amortization period equal to the estimated average remaining
 10 service periods of employees covered by the contributions.

11 (3) (A) A description of the discount rate utilized by the board
 12 for reporting liabilities.

13 (B) A calculation of those liabilities based upon a discount rate
 14 that is 2 percent below the long-term rate of return actually
 15 assumed by the board.

16 (4) The market value of the assets controlled by the board and
 17 an explanation of how the actuarial value assigned to those assets
 18 differs from the market value of those assets.

19 (b) ~~The~~ *Each legislative session, the* Chair of the California
 20 Actuarial Advisory Panel, or his or her designee, ~~within 30 days~~
 21 ~~of receipt of the report required by subdivision (a)~~ shall, during a
 22 publicly noticed joint hearing of the Senate Committee on Public
 23 Employment and Retirement and the Assembly Committee on
 24 Public Employees, Retirement and Social Security, do all of the
 25 ~~following:~~ *following based on information received in the report*
 26 *required by subdivision (a):*

27 (1) Explain the role played by the investment return assumption
 28 and amortization period in the calculation of the contribution rates.

29 (2) Describe the consequences for future state budgets should
 30 the investment return assumption not be realized.

31 (3) Report whether the board’s amortization period exceeds the
 32 estimated average remaining service periods of employees covered
 33 by the contributions.

34 (c) The report required by subdivision (a) shall be submitted in
 35 compliance with Section 9795.

36 ~~SEC. 18.~~

37 *SEC. 24.* Section 20537 of the Government Code is amended
 38 to read:

39 20537. The board may charge interest on the amount of any
 40 payment due and unpaid by a contracting agency until payment is

1 received. Interest shall be charged at the greater of the annual
2 return on the system's investments for the year prior to the year
3 in which payments are not timely made or a simple annual rate of
4 10 percent. The interest shall be deemed interest earnings for the
5 year in which the late payment is received.

6 ~~SEC. 19.~~

7 *SEC. 25.* Section 20572 of the Government Code is amended
8 to read:

9 20572. (a) If a contracting agency fails for 30 days after
10 demand by the board to pay in full any installment of contributions
11 required by its contract, or fails for three months after demand
12 therefor by the board to file any information required in the
13 administration of this system with respect to that contracting
14 agency's employees, or if the board determines that the contracting
15 agency is no longer in existence, the board may terminate that
16 contract by resolution adopted by a majority vote of its members
17 effective 60 days after notice of its adoption has been mailed by
18 registered mail to the governing body of the contracting agency.

19 (b) In addition to the interest obligations set forth in Section
20 20537, if a contracting agency fails to pay in full any installment
21 of the contributions when due and the failure continues for a period
22 of three months, the contracting agency may be assessed a penalty
23 of 10 percent of the total amount due and unpaid, including any
24 accrued and unpaid interest. The penalty may be assessed once
25 during each 30-day period that the outstanding amount remains
26 unpaid. In addition, the contracting agency may be assessed the
27 costs of collection, including reasonable legal fees and litigation
28 costs, including, without limitation, legal fees and legal costs
29 incurred in bankruptcy, when necessary to collect any amounts
30 due.

31 ~~SEC. 20.~~

32 *SEC. 26.* Section 20577.5 of the Government Code is amended
33 to read:

34 20577.5. Notwithstanding Section 20577, the board may elect
35 not to impose a reduction, or to impose a lesser reduction, on a
36 plan that has been terminated pursuant to Section 20572 if (a) the
37 board has made all reasonable efforts to collect the amount
38 necessary to fully fund the liabilities of the plan and (b) the board
39 finds that not reducing the benefits, or imposing a lesser reduction,

1 will not impact the actuarial soundness of the terminated agency
2 pool.

3 ~~SEC. 21.~~

4 *SEC. 27.* Section 20578 of the Government Code is amended
5 to read:

6 20578. (a) Except as provided in subdivision (b), on and after
7 January 1, 1991, the rights and benefits of a former employee of
8 a contracting agency which terminated on or before January 1,
9 1991, or of his or her beneficiary, shall be the same as if the agency
10 had continued as a contracting agency. Any monthly allowance
11 of that individual, or of his or her beneficiary, that was reduced
12 pursuant to Section 20577 because the contracting agency failed
13 to pay the board the amount of the difference shall not be subject
14 to continued reduction on or after January 1, 1991. As of January
15 1, 1991, benefits shall be paid at the level provided in the contract
16 prior to that reduction. However, if a former employee of a
17 contracting agency that terminated on or before January 1, 1991,
18 becomes employed by another covered employer after the date of
19 termination, including an employer subject to reciprocity, the
20 benefits shall be calculated by using the highest compensation
21 earned by the individual.

22 In accordance with Section 20580, an individual who has
23 withdrawn his or her accumulated contributions from the
24 terminated agency shall not be permitted to redeposit any
25 withdrawn contributions upon again becoming a member of this
26 system.

27 (b) If a contracting agency has not paid the system for any deficit
28 in funding for earned benefits, as determined pursuant to Section
29 20577, members shall be entitled to the benefits to which members
30 of the plan were entitled 36 months prior to the date the agency
31 notified the board of its intention to terminate its contract or 36
32 months prior to the date the board notified the agency of its intent
33 to terminate the contract, whichever is earlier. Entitlement to earned
34 benefits under this subdivision shall be subject to Section 20577.5.

35 ~~SEC. 22.~~

36 *SEC. 28.* Section 20638 of the Government Code is amended
37 to read:

38 20638. The highest annual average compensation during any
39 consecutive 12- or 36-month period of employment as a member
40 of a county retirement system shall be considered compensation

1 earnable by a member of this system for purposes of computing
2 final compensation for the member provided:

3 (a) (1) Entry into employment in which he or she became a
4 member in one system occurred on or after October 1, 1957, and
5 within 90 days of discontinuance of employment as a member of
6 the other system.

7 (2) This subdivision shall not deny the benefit of this section to
8 any person retiring after October 1, 1963, who entered membership
9 prior to October 1, 1957, if he or she entered the employment in
10 which he or she became a member within 90 days of termination
11 of employment in which he or she was a member of the other
12 system, and he or she became a member within seven months of
13 entry into employment, or, if an employee of a district as defined
14 in Section 31468, became a member at the time the district was
15 included in a county retirement system.

16 (b) He or she retires concurrently under both systems and is
17 credited with the period of service under the county system at the
18 time of retirement.

19 *SEC. 29. Section 20900 of the Government Code is amended*
20 *to read:*

21 20900. (a) Notwithstanding any other provision of this part,
22 a member employed on a part-time basis on and after January 1,
23 1976, shall, for the period of part-time employment, receive the
24 credit the member would receive if he or she was employed on a
25 full-time basis and have his or her retirement allowance, as well
26 as any other benefits the member is entitled to under this part,
27 based upon the salary that he or she would have received if
28 employed on a full-time basis, if the member and his or her
29 employer both elect to contribute to the retirement fund the amount
30 that would have been contributed if the member was employed on
31 a full-time basis. Prior to the reduction of an employee's workload
32 under this section, the district personnel responsible for the
33 administration of this program, in conjunction with the
34 administrative staff of the State Teachers' Retirement System and
35 this system, shall verify the eligibility of the applicant for the
36 reduced workload program. This section shall be applicable only
37 ~~to members who are academic employees~~ *a member who meets*
38 *the following criteria:*

39 (1) *The member is one of the following:*

1 (A) ~~An academic employee of the California State University~~
2 ~~or who are University.~~

3 (B) ~~A certificated employees of school districts and who have~~
4 ~~met employee of a school district.~~

5 (C) ~~An academic employee of a community college district.~~

6 (2) ~~The member meets the criteria provided in Sections 44922~~
7 ~~and 87483 of the Education Code or Section 89516 of the~~
8 ~~Education Code and are Code.~~

9 (3) ~~The member is not older than 70 years of age and is limited~~
10 ~~to a period of five years of part-time status. The~~

11 (b) ~~The employer shall maintain the necessary records to~~
12 ~~separately identify each employee receiving credit pursuant to this~~
13 ~~section.~~

14 ~~SEC. 23.~~

15 *SEC. 30.* Section 20963 of the Government Code is amended
16 to read:

17 20963. (a) A state, school, or school safety member, whose
18 effective date of retirement is within four months of separation
19 from employment with the employer subject to this section that
20 granted the sick leave credit, shall be credited at his or her
21 retirement with 0.004 year of service credit for each unused day
22 of sick leave certified to the board by the employer. A day of
23 unused sick leave is the equivalent of an eight-hour day. The
24 certification shall report only those days of unused sick leave that
25 were accrued by the member during the normal course of his or
26 her employment and shall not include any additional days of sick
27 leave reported for the purpose of increasing the member's
28 retirement benefit. Reports of unused days of sick leave shall be
29 subject to audit and retirement benefits may be adjusted where
30 improper reporting is found. For purposes of this subdivision, sick
31 leave shall not include sick leave earned as a National Guard
32 member as described in Section 20380.5.

33 (b) Until receipt of certification from an employer concerning
34 unused sick leave, the board may pay an estimated allowance
35 pursuant to this section. At the time of receipt of the certification,
36 the allowance shall be adjusted to reflect any necessary changes.

37 (c) Notwithstanding any other provisions of this part, this section
38 shall not apply to local members other than local miscellaneous
39 members employed before July 1, 1980, by a school district that
40 is a contracting agency or those school safety members employed

1 before July 1, 1980, by a contracting agency that is a school district
2 or community college district, as defined in subdivision (i) of
3 Section 20057.

4 (d) This section shall not apply to any of the following:

5 (1) A person who becomes a school member on and after July
6 1, 1980, and any person who becomes a local member employed,
7 on and after July 1, 1980, by a school district that is a contracting
8 agency whether or not the person was ever a school member or
9 local member prior to that date.

10 (2) A state employee, with respect to sick leave credits earned
11 as a state member under Section 21353.5, except that the member
12 shall be entitled to receive credit under this section for the sick
13 leave he or she has earned as a state member subject to any other
14 retirement formula, provided the member has a sick leave credit
15 balance remaining at the time of retirement.

16 (e) For the purposes of this section, sick leave benefits provided
17 to state employees pursuant to the state sick leave system shall be
18 construed to mean compensation paid to employees on approved
19 leaves of absence because of sickness.

20 ~~SEC. 24.~~

21 *SEC. 31.* Section 20963.1 of the Government Code is amended
22 to read:

23 20963.1. (a) A state member whose effective date of retirement
24 is within four months of separation from employment of the state,
25 shall be credited at his or her retirement with 0.004 year of service
26 for each unused day of educational leave credit, as certified to the
27 board by the employer. A day of unused educational leave is the
28 equivalent of an eight-hour day. The provisions of this section
29 shall be effective for eligible state members who retire directly
30 from state employment on and after January 1, 2000.

31 (b) This section shall apply to eligible state members in state
32 bargaining units that have agreed to this section in a memorandum
33 of ~~understanding~~, *understanding* or as authorized by the Director
34 of Human Resources for classifications of state employees that
35 are excluded from the definition of "state employee" by ~~paragraph~~
36 *subdivision* (c) of Section 3513 of the Government Code.

37 ~~SEC. 25.~~

38 *SEC. 32.* Section 20965 of the Government Code is amended
39 to read:

1 20965. A local miscellaneous member and a local safety
2 member, whose effective date of retirement is within four months
3 of separation from employment with the employer which granted
4 the sick leave credit, shall be credited at his or her retirement with
5 0.004 year of service credit for each unused day of sick leave
6 certified to the board by his or her employer. A day of unused sick
7 leave is the equivalent of an eight-hour day. The certification shall
8 report only those days of unused sick leave that were accrued by
9 the member during the normal course of his or her employment
10 and shall not include any additional days of sick leave reported
11 for the purpose of increasing the member's retirement benefit.
12 Reports of unused days of sick leave shall be subject to audit and
13 retirement benefits may be adjusted where improper reporting is
14 found.

15 This section shall not apply to any contracting agency nor to the
16 employees of a contracting agency until the agency elects to be
17 subject to this section by contract or by amendment to its contract
18 made in the manner prescribed for approval of contracts, except
19 that an election among the employees is not required, or, in the
20 case of contracts made after September 26, 1974, by express
21 provision in the contract making the contracting agency subject
22 to this section.

23 This section shall only apply to members who retire after the
24 effective date of the contract amendments.

25 *SEC. 33. Section 21337 of the Government Code is amended*
26 *to read:*

27 21337. (a) On an annual basis, the board shall transfer funds
28 to separate supplemental state and school accounts, to fund the
29 purchasing power protection allowance of retirees, survivors, and
30 beneficiaries of state or school employers, respectively. The
31 amounts transferred shall be the lesser of the following:

32 (1) The amount necessary to increase all monthly allowances
33 paid by this system to retirees, survivors, and beneficiaries of state
34 or school employers to 75 percent of the purchasing power of the
35 initial monthly allowances.

36 (2) One and one-tenth percent of ~~the net earnings on state or~~
37 ~~school member contributions, as determined by Section 20178.~~
38 *contributions.*

39 (b) The funds transferred to the two separate supplemental
40 accounts shall be utilized to increase all monthly allowances paid

1 by this system to retirees, survivors, and beneficiaries of state and
2 school employers, up to a maximum of 75 percent of the purchasing
3 power, as determined by the board, of the initial monthly
4 allowances, notwithstanding the benefit provided by Section 21328,
5 that were received by every retired state or school member or
6 survivor or beneficiary of a state or school member or retiree who
7 was eligible to receive any allowance at the end of each fiscal year.
8 Funds remaining in the state or school account after the payment
9 of benefits under this section shall be transferred to the respective
10 state or school employer accounts.

11 (c) Annual adjustments in the purchasing power protection
12 allowance shall be effective with the monthly allowance regularly
13 payable on the first day of May, provided that in the first year after
14 enactment of the act adding this subdivision, the purchasing power
15 protection allowance adjustment to the monthly allowance payable
16 on the first day of May shall also reflect an adjustment for the
17 period from January 1 through April 30. The board shall implement
18 the provisions of this subdivision on or before January 1, 2012,
19 unless the board determines that the implementation tasks cannot
20 be completed until a later date, in which case, the board shall be
21 prepared to implement the provisions of this section no later than
22 July 1, 2013.

23 ~~SEC. 26.~~

24 *SEC. 34.* Section 21499 of the Government Code is amended
25 to read:

26 21499. (a) Notwithstanding Section 21498, when either an
27 initial payment of a preretirement or postretirement death allowance
28 or a preretirement or postretirement lump-sum benefit is payable
29 in an amount of ten dollars (\$10) or more, it shall be authorized
30 to the Controller within 45 days of receipt by this system of all the
31 necessary information, including the return of warrants issued or
32 any overpayment outstanding after the date of the death of the
33 annuitant.

34 (b) If any payment is not made within that time limitation, the
35 payment shall also include interest at the default interest rate
36 established in Section 1 of Article XV of the California
37 Constitution for time following the expiration of that time
38 limitation.

1 ~~SEC. 27.~~

2 *SEC. 35.* Section 21626.5 of the Government Code is amended
3 to read:

4 21626.5. (a) For purposes of Section 21624, 21626, 21627,
5 21629, or 21630, a surviving domestic partner shall be treated in
6 the same manner as a surviving spouse if either:

7 (1) The domestic partnership was registered for one year prior
8 to the member's service retirement date or at the disability
9 retirement date and continuously until the date of the member's
10 death.

11 (2) The member retired prior to January 1, 2006, and both the
12 member and his or her domestic partner, who currently are in a
13 state-registered domestic partnership, sign an affidavit stating that,
14 at the time prescribed by the retirement system for married spouses
15 to qualify for survivor continuance, the member and the domestic
16 partner would have qualified to be registered as domestic partners
17 pursuant to Section 297 of the Family Code.

18 (b) For purposes of Section 21624, 21626, 21627, 21629, or
19 21630, an individual who is the same gender as the member shall
20 be treated in the same manner as a surviving spouse if the following
21 conditions are satisfied:

22 (1) The individual entered into marriage with the member on
23 or after the date when individuals of the same gender were legally
24 allowed to enter into marriage and was married continuously until
25 the date of the member's death.

26 (2) Either of the following applies:

27 (A) The member retired prior to the date when individuals of
28 the same gender were legally allowed to enter into marriage, and
29 both the member and his or her spouse, who are currently married,
30 sign an affidavit stating that, at the time prescribed by the
31 retirement system for spouses to qualify for a survivor continuance,
32 the member and the individual would have qualified to be legally
33 married had it been legally possible for people of the same gender
34 to marry.

35 (B) The individual originally qualified to become a surviving
36 spouse under subdivision (a).

37 *SEC. 36.* Section 22820 of the Government Code is amended
38 to read:

39 22820. (a) Upon the death, on or after January 1, 2002, of a
40 firefighter employed by a county, city, city and county, district,

1 or other political subdivision of the state, a firefighter employed
2 by the Department of Forestry and Fire Protection, a firefighter
3 employed by the federal government who was a resident of this
4 state and whose regular duty assignment was to perform
5 firefighting services within this state, or a peace officer as defined
6 in Section 830.1, 830.2, 830.3, 830.31, 830.32, 830.33, 830.34,
7 830.35, 830.36, 830.37, 830.38, 830.39, 830.4, 830.5, 830.55, or
8 830.6 of the Penal Code, if the death occurred as a result of injury
9 or disease arising out of and in the course of his or her official
10 duties, the surviving spouse or other eligible family member of
11 the deceased firefighter or peace officer, if uninsured, is deemed
12 to be an annuitant under Section 22760 for purposes of enrollment.
13 All eligible family members of the deceased firefighter or peace
14 officer who are uninsured may enroll in a health benefit plan of
15 the surviving spouse's choice. However, an unmarried child of the
16 surviving spouse is not eligible to enroll in a health benefit plan
17 under this section if the child was not a family member under
18 Section 22775 and regulations pertinent thereto prior to the
19 firefighter's or peace officer's date of death. The employer of the
20 deceased firefighter or peace officer shall notify the board within
21 10 business days of the death of the employee ~~if a~~ *and any updated*
22 *contact information of the surviving spouse or family member if*
23 *that spouse or family member may be eligible for enrollment in a*
24 *health benefit plan under this section.*

25 (b) Upon notification, the board shall promptly determine
26 eligibility and shall forward to the eligible spouse or family
27 member the materials necessary for enrollment. In the event of a
28 dispute regarding whether a firefighter's or peace officer's death
29 occurred as a result of injury or disease arising out of and in the
30 course of his or her official duties as required under subdivision
31 (a), that dispute shall be determined by the Workers' Compensation
32 Appeals Board, subject to the same procedures and standards
33 applicable to hearings relating to claims for workers' compensation
34 benefits. The jurisdiction of the Workers' Compensation Appeals
35 Board under this section is limited to the sole issue of industrial
36 causation and this section does not authorize the Workers'
37 Compensation Appeals Board to award costs against the system.

38 (c) (1) Notwithstanding any other provision of law, and except
39 as otherwise provided in subdivision (d), the state shall pay the
40 employer contribution required for enrollment under this part for

1 the uninsured surviving spouse of a deceased firefighter or peace
2 officer for life, and the other uninsured eligible family members
3 of a deceased firefighter or peace officer, provided the family
4 member meets the eligibility requirements of Section 22775 and
5 regulations pertinent thereto.

6 (2) The contribution payable by the state for each uninsured
7 surviving spouse and other uninsured eligible family members
8 shall be adjusted annually and be equal to the amount specified in
9 Section 22871.

10 (3) The state’s contribution under this section shall commence
11 on the effective date of enrollment of the uninsured surviving
12 spouse or other uninsured eligible family members. The
13 contribution of each surviving spouse and eligible family member
14 shall be the total cost per month of the benefit coverage afforded
15 him or her under the plan less the portion contributed by the state
16 pursuant to this section.

17 (d) The cancellation of coverage by an annuitant, as defined in
18 this section, shall be final without option to reenroll, unless
19 coverage is canceled because of enrollment in an insurance plan
20 from another source.

21 (e) For purposes of this section, “surviving spouse” means a
22 spouse who was married to the deceased firefighter or peace officer
23 on the deceased’s date of death and either was married for a
24 continuous period of at least one year prior to the date of death or
25 was married to the deceased prior to the date the deceased
26 firefighter or peace officer sustained the injury or disease resulting
27 in death.

28 (f) For purposes of this section, “uninsured” means that the
29 surviving spouse is not enrolled in an employer-sponsored health
30 plan under which the employer contribution covers 100 percent
31 of the cost of health care premiums.

32 (g) The board has no duty to identify, locate, or notify any
33 surviving spouse or eligible family member who may be or may
34 become eligible for benefits under this section.

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