

AMENDED IN SENATE JUNE 20, 2016

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, Bonta (Chair), Cooley, Gonzalez, and O'Donnell~~ *Cooper, Cristina Garcia, O'Donnell, Wagner, and Waldron*)

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, 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.

(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.

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.

(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 ~~change~~ *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%.

(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.

(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.

(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.~~

~~(10)~~

(9) 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 be calculated at 7%, pursuant to the California Constitution.

(11)

(10) 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)

(11) 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 or 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
8 reduce their workload and maintain retirement benefits pursuant
9 to Section 22713 of this code or Section 20900 of the Government
10 Code:

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

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

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

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

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

26 The employee shall receive health benefits as provided in Section
27 53201 of the Government Code in the same manner as a full-time
28 employee.

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

33 (g) The period of this part-time employment shall not exceed
34 five years for employees subject to Section 20900 of the
35 Government Code or 10 years for employees subject to Section
36 22713 of this code.

37 (h) The period of part-time employment of employees subject
38 to Section 20815 of the Government Code shall not extend beyond
39 the end of the college year during which the employee reaches his

1 or her 70th birthday. This subdivision shall not apply to any
2 employee subject to Section 22713 of this code.

3 SEC. 2. Section 7502 of the Government Code is amended to
4 read:

5 7502. The State Controller shall review the annual financial
6 report of each state and local public retirement system submitted
7 pursuant to Section 7504 giving particular consideration to the
8 adequacy of funding of each system. The State Controller shall
9 also review the triennial valuation of each public retirement system
10 submitted pursuant to Section 7504 and shall give particular
11 consideration to the assumption concerning the inflation element
12 in salary and wage increases, mortality, service retirement rates,
13 withdrawal rates, disability retirement rates, and rate of return on
14 total assets.

15 The State Controller shall establish an advisory committee that
16 shall include actuaries who have attained the designation of
17 Associate or Fellow of the Society of Actuaries and state and local
18 public retirement system administrators to assist in carrying out
19 the duties imposed by this section.

20 SEC. 3. Section 7504 of the Government Code is amended to
21 read:

22 7504. (a) All state and local public retirement systems shall,
23 not less than triennially, secure the services of an actuary. For the
24 purposes of this section, "actuary" means an actuary who satisfies
25 the qualification standards for actuaries issuing statements of
26 actuarial opinion in the United States with regard to pensions or
27 other postemployment benefits and who has demonstrated
28 experience in public retirement systems. The actuary shall perform
29 a valuation of the system utilizing actuarial assumptions and
30 techniques established by the agency that are, in the aggregate,
31 reasonably related to the experience and the actuary's best estimate
32 of anticipated experience under the system. Any differences
33 between the actuarial assumptions and techniques used by the
34 actuary that differ significantly from those established by the
35 agency shall be disclosed in the actuary's report and the effect of
36 the differences on the actuary's statement of costs and obligations
37 shall be shown.

38 (b) All state and local public retirement systems shall secure
39 the services of a qualified person to perform an attest audit of the

1 system's financial statements. A qualified person means any of
2 the following:

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

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

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

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

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

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

32 SEC. 4. Section 7507 of the Government Code is amended to
33 read:

34 7507. (a) For the purpose of this section:

35 (1) "Actuary" means an actuary as defined in Section 7504.

36 (2) "Future annual costs" includes, but is not limited to, annual
37 dollar changes, or the total dollar changes involved when available,
38 as well as normal cost and any change in accrued liability.

39 (b) (1) Except as provided in paragraph (2), the Legislature and
40 local legislative bodies, including community college district

1 governing boards, when considering changes in retirement benefits
2 or other postemployment benefits, shall secure the services of an
3 actuary to provide a statement of the actuarial impact upon future
4 annual costs, including normal cost and any additional accrued
5 liability, before authorizing changes in public retirement plan
6 benefits or other postemployment benefits.

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

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

10 (B) A change in postemployment benefits, other than pension
11 benefits, mandated by the state or federal government or made by
12 an insurance carrier in connection with the renewal of a contract
13 of insurance.

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

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

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

30 (ii) A change in postemployment benefits, other than pension
31 benefits, mandated by the state or federal government or made by
32 an insurance carrier in connection with the renewal of a contract
33 of insurance.

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

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

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

15 SEC. 5. Section 7507.2 of the Government Code is amended
16 to read:

17 7507.2. (a) There is hereby enacted the California Actuarial
18 Advisory Panel. The panel shall provide impartial and independent
19 information on pensions, other postemployment benefits, and best
20 practices to public agencies and shall meet quarterly.

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

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

26 (2) Developing pricing and disclosure standards for California
27 public sector benefit improvements.

28 (3) Developing quality control standards for California public
29 sector actuaries.

30 (4) Gathering model funding policies and practices.

31 (5) Replying to policy questions from public retirement systems
32 in California.

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

34 (c) The California Actuarial Advisory Panel shall consist of
35 eight members. Each member shall be an actuary who has attained
36 the designation of Associate or Fellow of the Society of Actuaries
37 and who has demonstrated experience with public sector clients.
38 Members shall be appointed by the entities listed below, and each
39 member shall serve a three-year term, provided that, in the initial
40 appointments only, the panelists named by the University of

1 California, the Senate, and one of the panelists named by the
2 Governor shall serve two-year terms. The Governor shall appoint
3 two panelists, and one panelist shall be appointed by each of the
4 following:

- 5 (1) The Teachers' Retirement Board.
- 6 (2) The Board of Administration of the Public Employees'
7 Retirement System.
- 8 (3) The State Association of County Retirement Systems.
- 9 (4) The Board of Regents of the University of California.
- 10 (5) The Speaker of the Assembly.
- 11 (6) The Senate Committee on Rules.

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

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

18 (f) A member of the California Actuarial Advisory Panel shall
19 receive reimbursement for expenses that shall be paid by the
20 authority that appointed the member.

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

23 SEC. 6. Section 20034 of the Government Code is amended
24 to read:

25 20034. The highest annual average compensation during any
26 consecutive 12- or 36-month period of employment as a member
27 of any retirement system maintained by the university shall be
28 considered compensation earnable by a member of this system for
29 purposes of computing final compensation for the member
30 providing he or she retires concurrently under both systems.

31 SEC. 7. Section 20035 of the Government Code is amended
32 to read:

33 20035. (a) Notwithstanding Section 20037, "final
34 compensation" for the purposes of determining any pension or
35 benefit with respect to a state member who retires or dies on or
36 after July 1, 1991, and with respect to benefits based on service
37 with the state, means the highest annual compensation which was
38 earnable by the state member during any consecutive 12-month
39 period of employment preceding the effective date of his or her

1 retirement or the date of his or her last separation from state service
2 if earlier.

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

19 SEC. 8. Section 20035.5 of the Government Code is amended
20 to read:

21 20035.5. Notwithstanding Section 20037, “final compensation”
22 for the purposes of determining any pension or benefit with respect
23 to a school member who retires or dies on or after January 1, 2000,
24 and with respect to benefits based on service with a school
25 employer, means the highest annual compensation that was
26 earnable by the school member during any consecutive 12-month
27 period of employment preceding the effective date of his or her
28 retirement or the date of his or her last separation from service if
29 earlier.

30 SEC. 9. Section 20037 of the Government Code is amended
31 to read:

32 20037. For a state member, or for a local member who is an
33 employee of a contracting agency that is subject to this section,
34 “final compensation” means the highest annual average
35 compensation earnable by a member during any consecutive
36 36-month period of employment preceding the effective date of
37 his or her retirement or the date of his or her last separation from
38 state service if earlier, including any or all of the period or periods
39 of (a) service required for qualification for membership, or (b)
40 prior service which qualifies for credit under this system, if any,

1 immediately preceding membership, or (c) time prior to entering
2 state service at the compensation earnable by him or her in the
3 position first held by him or her in that service, as may be necessary
4 to complete three consecutive years. For the purposes of this
5 section, periods of service separated by a period of retirement or
6 breaks in service may be aggregated to constitute a period of three
7 consecutive years, if the periods of service are consecutive except
8 for such a period of retirement or breaks. If a break in service did
9 not exceed six months in duration, time included in the break and
10 compensation earnable during that time shall be included in
11 computation of final compensation. If a break in service exceeded
12 six months in duration, the first six months thereof and the
13 compensation earnable during those six months shall be included
14 in computation of final compensation, but time included in the
15 break which is in excess of six months and the compensation
16 earnable during that excess time shall be excluded in computation
17 of final compensation. On and after November 13, 1968, this
18 section shall apply to all contracting agencies and to the employees
19 of those agencies whether or not those agencies have previously
20 elected to be subject to this section, except that this section shall
21 not apply to an employee of a contracting agency which has not
22 elected to be subject to this section whose death occurred or whose
23 retirement was effective prior to November 13, 1968.

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

26 SEC. 11. Section 20037.5 of the Government Code, as added
27 by Section 56 of Chapter 91 of the Statutes of 1998, is amended
28 to read:

29 20037.5. Notwithstanding Section 20035, “final compensation”
30 for a state member who has elected to be subject to Section
31 21353.5, for the purposes of determining any pension or benefit
32 based on service credited under that section, means the highest
33 average annual compensation earnable by the member during any
34 consecutive 36-month period preceding the effective date of his
35 or her retirement or the date of his or her last separation from state
36 service if earlier.

37 SEC. 12. Section 20037.6 of the Government Code is amended
38 to read:

39 20037.6. (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 July 1, 2006, and is represented by State Bargaining Unit 2, means
3 the highest average annual compensation earnable by the member
4 during any consecutive 36-month period preceding the effective
5 date of his or her retirement or the date of his or her last separation
6 from state service if earlier.

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

9 (c) This section does not apply to:

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

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

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

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

19 SEC. 13. Section 20037.7 of the Government Code is amended
20 to read:

21 20037.7. (a) Notwithstanding Sections 20035 and 20037, final
22 compensation for a person who is employed by the state for the
23 first time and becomes a state member of the system on or after
24 January 1, 2007, and is represented by State Bargaining Unit 1, 3,
25 4, 11, 14, 15, 17, 20, or 21, means the highest average annual
26 compensation earnable by the member during any consecutive
27 36-month period preceding the effective date of his or her
28 retirement or the date of his or her last separation from state service
29 if earlier.

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

32 (c) This section does not apply to:

33 (1) Former state employees previously employed before January
34 1, 2007, who return to state employment on or after January 1,
35 2007.

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

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

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

7 SEC. 14. Section 20037.8 of the Government Code is amended
8 to read:

9 20037.8. (a) Notwithstanding Sections 20035 and 20037, final
10 compensation for a person who is employed by the state for the
11 first time and becomes a state member of the system on or after
12 January 1, 2007, and is represented by State Bargaining Unit 12
13 or 13, means the highest average annual compensation earnable
14 by the member during any consecutive 36-month period preceding
15 the effective date of his or her retirement or the date of his or her
16 last separation from state service if earlier.

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

19 (c) This section does not apply to:

20 (1) Former state employees previously employed before January
21 1, 2007, who return to state employment on or after January 1,
22 2007.

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

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

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

32 SEC. 15. Section 20037.9 of the Government Code is amended
33 to read:

34 20037.9. (a) Notwithstanding Sections 20035 and 20037, final
35 compensation for a person who is employed by the state for the
36 first time and becomes a state member of the system on or after
37 January 1, 2007, and is represented by State Bargaining Unit 16
38 or 19, means the highest average annual compensation earnable
39 by the member during any consecutive 36-month period preceding

1 the effective date of his or her retirement or the date of his or her
2 last separation from state service if earlier.

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

5 (c) This section does not apply to:

6 (1) Former state employees previously employed before January
7 1, 2007, who return to state employment on or after January 1,
8 2007.

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

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

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

18 SEC. 16. Section 20037.10 of the Government Code is amended
19 to read:

20 20037.10. (a) Notwithstanding Sections 20035 and 20037,
21 final compensation for a person who is employed by the state for
22 the first time and becomes a state member of the system on or after
23 January 1, 2007, and is represented by State Bargaining Unit 7,
24 means the highest average annual compensation earnable by the
25 member during any consecutive 36-month period immediately
26 preceding the effective date of his or her retirement or the date of
27 his or her last separation from state service if earlier.

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

30 (c) This section does not apply to:

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

33 (2) Former state employees previously employed before January
34 1, 2007, who return to state employment on or after January 1,
35 2007.

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

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

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

7 SEC. 17. Section 20037.11 of the Government Code is amended
8 to read:

9 20037.11. (a) Notwithstanding Sections 20035 and 20037,
10 final compensation for a person who is employed by the state for
11 the first time and becomes a state member of the system on or after
12 January 1, 2007, and is represented by State Bargaining Unit 10,
13 means the highest average annual compensation earnable by the
14 member during any consecutive 36-month period preceding the
15 effective date of his or her retirement or the date of his or her last
16 separation from state service if earlier.

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

19 (c) This section does not apply to:

20 (1) Former state employees previously employed before January
21 1, 2007, who return to state employment on or after January 1,
22 2007.

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

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

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

32 SEC. 18. Section 20037.12 of the Government Code is amended
33 to read:

34 20037.12. (a) Notwithstanding Sections 20035 and 20037,
35 final compensation for a person who is employed by the state for
36 the first time and becomes a state member of the system on or after
37 January 1, 2007, and is represented by State Bargaining Unit 18,
38 means the highest average annual compensation earnable by the
39 member during any consecutive 36-month period preceding the

1 effective date of his or her retirement or the date of his or her last
2 separation from state service if earlier.

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

5 (c) This section does not apply to:

6 (1) Former state employees previously employed before January
7 1, 2007, who return to state employment on or after January 1,
8 2007.

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

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

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

18 SEC. 19. Section 20037.13 of the Government Code is amended
19 to read:

20 20037.13. (a) Notwithstanding Sections 20035 and 20037, for
21 the purposes of determining any pension or benefit with respect
22 to benefits based on service with the state, "final compensation"
23 means the highest annual compensation that was earnable by the
24 state member during any consecutive 36-month period of
25 employment preceding the effective date of his or her retirement
26 or the date of his or her last separation from state service if earlier.

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

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

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

36 (3) He or she is a person described in Section 18992 who was
37 not, within the past 12 months, holding a nonelected exempt
38 position in the executive branch.

39 (c) A state entity that employs a person described in subdivision
40 (b) in a career executive assignment shall notify the Controller of

1 this person's employment status and the Controller shall forward
2 this information to the system.

3 SEC. 20. Section 20037.14 of the Government Code, as
4 amended by Section 127 of Chapter 296 of the Statutes of 2011,
5 is repealed.

6 SEC. 21. Section 20037.14 of the Government Code, as added
7 by Section 11 of Chapter 163 of the Statutes of 2010, is amended
8 to read:

9 20037.14. (a) Notwithstanding Sections 20035 and 20037,
10 final compensation for a person who is employed by the state for
11 the first time and becomes a state member of the system on or after
12 October 31, 2010, and is represented by State Bargaining Unit 5
13 or 8, means the highest average annual compensation earnable by
14 the member during any consecutive 36-month period preceding
15 the effective date of his or her retirement or the date of his or her
16 last separation from state service if earlier.

17 (b) This section applies to service credit accrued while a member
18 of State Bargaining Unit 5 or 8 or in a class related to State
19 Bargaining Unit 5 or 8 as an employee who is excepted from the
20 definition of "state employee" in subdivision (c) of Section 3513,
21 or an officer or employee of the executive branch of state
22 government who is not a member of the civil service.

23 (c) This section does not apply to:

24 (1) Former state employees previously employed before October
25 31, 2010, who return to state employment on or after October 31,
26 2010.

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

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

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

36 SEC. 22. Section 20037.15 of the Government Code is amended
37 to read:

38 20037.15. (a) Notwithstanding Sections 3517.8, 20035, and
39 20037, final compensation for a person who is employed for the
40 first time and becomes a member of the system on or after January

1 15, 2011, means the highest average annual compensation earnable
2 by the member during any consecutive 36-month period preceding
3 the effective date of his or her retirement or the date of his or her
4 last separation from state service if earlier.

5 (b) This section applies to the following:

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

12 (2) Service credit accrued while a peace officer/firefighter
13 member represented by State Bargaining Unit 7 or in a class related
14 to peace officer/firefighter members in State Bargaining Unit 7 as
15 an employee who is excepted from the definition of “state
16 employee” in subdivision (c) of Section 3513, or an officer or
17 employee of the executive branch of state government who is not
18 a member of the civil service.

19 (3) Service credit accrued as an employee who is excepted from
20 the definition of “state employee” in subdivision (c) of Section
21 3513, or an officer or employee of the executive branch of state
22 government who is not a member of the civil service.

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

25 (c) This section does not apply to:

26 (1) Former employees previously employed before January 15,
27 2011, who return to employment on or after January 15, 2011, and
28 who were previously subject to a 12-month average.

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

33 (3) State employees hired prior to January 15, 2011, who become
34 subject to representation by State Bargaining Unit 6, 7, or 9 on or
35 after January 15, 2011, and who were previously subject to a
36 12-month average.

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

1 (d) If this section is in conflict with a memorandum of
2 understanding that is current and in effect on January 15, 2011,
3 the memorandum of understanding shall be controlling while it
4 remains in effect. Upon expiration of the memorandum of
5 understanding that is in effect and current on January 15, 2011,
6 this section shall be controlling and may not be superseded by a
7 subsequent memorandum of understanding.

8 SEC. 23. Section 20229 of the Government Code is amended
9 to read:

10 20229. (a) The board, notwithstanding Section 10231.5, shall
11 provide the Legislature, the Governor, and the Chair of the
12 California Actuarial Advisory Panel, established pursuant to
13 Section 7507.2 of the Government Code, with an annual report
14 that includes all of the following, as these items apply to state
15 employee retirement plans:

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

18 (B) A calculation of the contribution rates utilizing an
19 investment return assumption 2 percentage points above and 2
20 percentage points below the investment return assumption utilized
21 by the board.

22 (2) (A) A description of the amortization period for any
23 unfunded liabilities utilized by the board when determining the
24 contribution rates.

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

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

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

33 (4) The market value of the assets controlled by the board and
34 an explanation of how the actuarial value assigned to those assets
35 differs from the market value of those assets.

36 (b) Each legislative session, the Chair of the California Actuarial
37 Advisory Panel, or his or her designee, shall, during a publicly
38 noticed joint hearing of the Senate Committee on Public
39 Employment and Retirement and the Assembly Committee on
40 Public Employees, Retirement and Social Security, do all of the

1 following based on information received in the report required by
2 subdivision (a):

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

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

7 (3) Report whether the board’s amortization period exceeds the
8 estimated average remaining service periods of employees covered
9 by the contributions.

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

12 SEC. 24. Section 20537 of the Government Code is amended
13 to read:

14 20537. The board may charge interest on the amount of any
15 payment due and unpaid by a contracting agency until payment is
16 received. Interest shall be charged at the greater of the annual
17 return on the system’s investments for the year prior to the year
18 in which payments are not timely made or a simple annual rate of
19 10 percent. The interest shall be deemed interest earnings for the
20 year in which the late payment is received.

21 SEC. 25. Section 20572 of the Government Code is amended
22 to read:

23 20572. (a) If a contracting agency fails for 30 days after
24 demand by the board to pay in full any installment of contributions
25 required by its contract, or fails for three months after demand
26 therefor by the board to file any information required in the
27 administration of this system with respect to that contracting
28 agency’s employees, or if the board determines that the contracting
29 agency is no longer in existence, the board may terminate that
30 contract by resolution adopted by a majority vote of its members
31 effective 60 days after notice of its adoption has been mailed by
32 registered mail to the governing body of the contracting agency.

33 (b) In addition to the interest obligations set forth in Section
34 20537, if a contracting agency fails to pay in full any installment
35 of the contributions when due and the failure continues for a period
36 of three months, the contracting agency may be assessed a penalty
37 of 10 percent of the total amount due and unpaid, including any
38 accrued and unpaid interest. The penalty may be assessed once
39 during each 30-day period that the outstanding amount remains
40 unpaid. In addition, the contracting agency may be assessed the

1 costs of collection, including reasonable legal fees and litigation
2 costs, including, without limitation, legal fees and legal costs
3 incurred in bankruptcy, when necessary to collect any amounts
4 due.

5 SEC. 26. Section 20577.5 of the Government Code is amended
6 to read:

7 20577.5. Notwithstanding Section 20577, the board may elect
8 not to impose a reduction, or to impose a lesser reduction, on a
9 plan that has been terminated pursuant to Section 20572 if (a) the
10 board has made all reasonable efforts to collect the amount
11 necessary to fully fund the liabilities of the plan and (b) the board
12 finds that not reducing the benefits, or imposing a lesser reduction,
13 will not impact the actuarial soundness of the terminated agency
14 pool.

15 SEC. 27. Section 20578 of the Government Code is amended
16 to read:

17 20578. (a) Except as provided in subdivision (b), on and after
18 January 1, 1991, the rights and benefits of a former employee of
19 a contracting agency which terminated on or before January 1,
20 1991, or of his or her beneficiary, shall be the same as if the agency
21 had continued as a contracting agency. Any monthly allowance
22 of that individual, or of his or her beneficiary, that was reduced
23 pursuant to Section 20577 because the contracting agency failed
24 to pay the board the amount of the difference shall not be subject
25 to continued reduction on or after January 1, 1991. As of January
26 1, 1991, benefits shall be paid at the level provided in the contract
27 prior to that reduction. However, if a former employee of a
28 contracting agency that terminated on or before January 1, 1991,
29 becomes employed by another covered employer after the date of
30 termination, including an employer subject to reciprocity, the
31 benefits shall be calculated by using the highest compensation
32 earned by the individual.

33 In accordance with Section 20580, an individual who has
34 withdrawn his or her accumulated contributions from the
35 terminated agency shall not be permitted to redeposit any
36 withdrawn contributions upon again becoming a member of this
37 system.

38 (b) If a contracting agency has not paid the system for any deficit
39 in funding for earned benefits, as determined pursuant to Section
40 20577, members shall be entitled to the benefits to which members

1 of the plan were entitled 36 months prior to the date the agency
2 notified the board of its intention to terminate its contract or 36
3 months prior to the date the board notified the agency of its intent
4 to terminate the contract, whichever is earlier. Entitlement to earned
5 benefits under this subdivision shall be subject to Section 20577.5.

6 SEC. 28. Section 20638 of the Government Code is amended
7 to read:

8 20638. The highest annual average compensation during any
9 consecutive 12- or 36-month period of employment as a member
10 of a county retirement system shall be considered compensation
11 earnable by a member of this system for purposes of computing
12 final compensation for the member provided:

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

17 (2) This subdivision shall not deny the benefit of this section to
18 any person retiring after October 1, 1963, who entered membership
19 prior to October 1, 1957, if he or she entered the employment in
20 which he or she became a member within 90 days of termination
21 of employment in which he or she was a member of the other
22 system, and he or she became a member within seven months of
23 entry into employment, or, if an employee of a district as defined
24 in Section 31468, became a member at the time the district was
25 included in a county retirement system.

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

29 SEC. 29. Section 20900 of the Government Code is amended
30 to read:

31 20900. (a) Notwithstanding any other provision of this part,
32 a member employed on a part-time basis on and after January 1,
33 1976, shall, for the period of part-time employment, receive the
34 credit the member would receive if he or she was employed on a
35 full-time basis and have his or her retirement allowance, as well
36 as any other benefits the member is entitled to under this part,
37 based upon the salary that he or she would have received if
38 employed on a full-time basis, if the member and his or her
39 employer both elect to contribute to the retirement fund the amount
40 that would have been contributed if the member was employed on

1 a full-time basis. Prior to the reduction of an employee's workload
2 under this section, the district personnel responsible for the
3 administration of this program, in conjunction with the
4 administrative staff of the State Teachers' Retirement System and
5 this system, shall verify the eligibility of the applicant for the
6 reduced workload program. This section shall be applicable only
7 to a member who meets the following criteria:

8 (1) The member is one of the following:

9 (A) An academic employee of the California State University.

10 (B) A certificated employee of a school district.

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

12 (2) The member meets the criteria provided in Sections 44922
13 and 87483 of the Education Code or Section 89516 of the
14 Education Code.

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

17 (b) The employer shall maintain the necessary records to
18 separately identify each employee receiving credit pursuant to this
19 section.

20 SEC. 30. Section 20963 of the Government Code is amended
21 to read:

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

38 (b) Until receipt of certification from an employer concerning
39 unused sick leave, the board may pay an estimated allowance

1 pursuant to this section. At the time of receipt of the certification,
2 the allowance shall be adjusted to reflect any necessary changes.

3 (c) Notwithstanding any other provisions of this part, this section
4 shall not apply to local members other than local miscellaneous
5 members employed before July 1, 1980, by a school district that
6 is a contracting agency or those school safety members employed
7 before July 1, 1980, by a contracting agency that is a school district
8 or community college district, as defined in subdivision (i) of
9 Section 20057.

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

11 (1) A person who becomes a school member on and after July
12 1, 1980, and any person who becomes a local member employed,
13 on and after July 1, 1980, by a school district that is a contracting
14 agency whether or not the person was ever a school member or
15 local member prior to that date.

16 (2) A state employee, with respect to sick leave credits earned
17 as a state member under Section 21353.5, except that the member
18 shall be entitled to receive credit under this section for the sick
19 leave he or she has earned as a state member subject to any other
20 retirement formula, provided the member has a sick leave credit
21 balance remaining at the time of retirement.

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

26 SEC. 31. Section 20963.1 of the Government Code is amended
27 to read:

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

36 (b) This section shall apply to eligible state members in state
37 bargaining units that have agreed to this section in a memorandum
38 of understanding or as authorized by the Director of Human
39 Resources for classifications of state employees that are excluded

1 from the definition of “state employee” by subdivision (c) of
2 Section 3513 of the Government Code.

3 SEC. 32. Section 20965 of the Government Code is amended
4 to read:

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

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

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

29 ~~SEC. 33. Section 21337 of the Government Code is amended~~
30 ~~to read:~~

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

36 ~~(1) The amount necessary to increase all monthly allowances~~
37 ~~paid by this system to retirees, survivors, and beneficiaries of state~~
38 ~~or school employers to 75 percent of the purchasing power of the~~
39 ~~initial monthly allowances.~~

1 ~~(2) One and one-tenth percent of state or school member~~
 2 ~~contributions.~~

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

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

27 ~~SEC. 34.~~

28 *SEC. 33.* Section 21499 of the Government Code is amended
 29 to read:

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

38 (b) If any payment is not made within that time limitation, the
 39 payment shall also include interest at the default interest rate
 40 established in Section 1 of Article XV of the California

1 Constitution for time following the expiration of that time
2 limitation.

3 ~~SEC. 35.~~

4 *SEC. 34.* Section 21626.5 of the Government Code is amended
5 to read:

6 21626.5. (a) For purposes of Section 21624, 21626, 21627,
7 21629, or 21630, a surviving domestic partner shall be treated in
8 the same manner as a surviving spouse if either:

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

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

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

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

28 (2) Either of the following applies:

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

37 (B) The individual originally qualified to become a surviving
38 spouse under subdivision (a).

1 ~~SEC. 36.~~

2 *SEC. 35.* Section 22820 of the Government Code is amended
3 to read:

4 22820. (a) Upon the death, on or after January 1, 2002, of a
5 firefighter employed by a county, city, city and county, district,
6 or other political subdivision of the state, a firefighter employed
7 by the Department of Forestry and Fire Protection, a firefighter
8 employed by the federal government who was a resident of this
9 state and whose regular duty assignment was to perform
10 firefighting services within this state, or a peace officer as defined
11 in Section 830.1, 830.2, 830.3, 830.31, 830.32, 830.33, 830.34,
12 830.35, 830.36, 830.37, 830.38, 830.39, 830.4, 830.5, 830.55, or
13 830.6 of the Penal Code, if the death occurred as a result of injury
14 or disease arising out of and in the course of his or her official
15 duties, the surviving spouse or other eligible family member of
16 the deceased firefighter or peace officer, if uninsured, is deemed
17 to be an annuitant under Section 22760 for purposes of enrollment.
18 All eligible family members of the deceased firefighter or peace
19 officer who are uninsured may enroll in a health benefit plan of
20 the surviving spouse's choice. However, an unmarried child of the
21 surviving spouse is not eligible to enroll in a health benefit plan
22 under this section if the child was not a family member under
23 Section 22775 and regulations pertinent thereto prior to the
24 firefighter's or peace officer's date of death. The employer of the
25 deceased firefighter or peace officer shall notify the board within
26 10 business days of the death of the employee and any updated
27 contact information of the surviving spouse or family member if
28 that spouse or family member may be eligible for enrollment in a
29 health benefit plan under this section.

30 (b) Upon notification, the board shall promptly determine
31 eligibility and shall forward to the eligible spouse or family
32 member the materials necessary for enrollment. In the event of a
33 dispute regarding whether a firefighter's or peace officer's death
34 occurred as a result of injury or disease arising out of and in the
35 course of his or her official duties as required under subdivision
36 (a), that dispute shall be determined by the Workers' Compensation
37 Appeals Board, subject to the same procedures and standards
38 applicable to hearings relating to claims for workers' compensation
39 benefits. The jurisdiction of the Workers' Compensation Appeals
40 Board under this section is limited to the sole issue of industrial

1 causation and this section does not authorize the Workers'
2 Compensation Appeals Board to award costs against the system.

3 (c) (1) Notwithstanding any other provision of law, and except
4 as otherwise provided in subdivision (d), the state shall pay the
5 employer contribution required for enrollment under this part for
6 the uninsured surviving spouse of a deceased firefighter or peace
7 officer for life, and the other uninsured eligible family members
8 of a deceased firefighter or peace officer, provided the family
9 member meets the eligibility requirements of Section 22775 and
10 regulations pertinent thereto.

11 (2) The contribution payable by the state for each uninsured
12 surviving spouse and other uninsured eligible family members
13 shall be adjusted annually and be equal to the amount specified in
14 Section 22871.

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

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

26 (e) For purposes of this section, "surviving spouse" means a
27 spouse who was married to the deceased firefighter or peace officer
28 on the deceased's date of death and either was married for a
29 continuous period of at least one year prior to the date of death or
30 was married to the deceased prior to the date the deceased
31 firefighter or peace officer sustained the injury or disease resulting
32 in death.

33 (f) For purposes of this section, "uninsured" means that the
34 surviving spouse is not enrolled in an employer-sponsored health
35 plan under which the employer contribution covers 100 percent
36 of the cost of health care premiums.

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

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