

AMENDED IN ASSEMBLY JUNE 3, 2015

AMENDED IN SENATE APRIL 21, 2015

SENATE BILL

No. 216

Introduced by Senator Pan

February 12, 2015

An act to amend Sections 20222.5, 20235, 21002, and 21013 of, and to repeal Section 20194 of, the Government Code, relating to public employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

SB 216, as amended, Pan. The Public Employees' Retirement System.

(1) The Public Employees' Retirement Law (PERL) creates the Public Employees' Retirement System (PERS) for the purpose of providing pension benefits to specified public employees and prescribes the rights and duties of members and annuitants of the system. PERL vests management and control of PERS in the Board of Administration. The California Constitution and PERL grant the board control over the investment of the retirement fund subject to certain restrictions. PERL directs the board to invest not less than 25% of all funds that become available in a fiscal year for new investments in specified obligations and securities connected with residential realty, subject to the board's authority to substitute other investments consistent with its fiduciary obligations to the retirement system and standards for prudent investment. PERL requires the board to report on these investments.

This bill would repeal the provisions regarding investing in residential realty, described above.

(2) *PERL authorizes the board to require employers participating in the system to provide specified information, as deemed necessary by the board, for examination and copying in the course of an audit to*

determine the correctness of retirement benefits, reportable compensation, enrollment in, and reinstatement to the system.

This bill would provide that the authority described above also applies to determining the eligibility for retirement benefits.

(2)

(3) PERL requires the board to submit a quarterly review of system assets to the Legislature, which is required to include reporting on the system’s portfolio on the basis of cost and market value, among other things.

This bill would change the frequency of this report to semiannual, would eliminate the requirement to report on the investments on a cost basis, and would make other changes to the content of the report.

(3)

(4) PERL permits a member who returns to active service following an employer-approved uncompensated leave of absence, as defined, because of his or her serious illness or injury to purchase service credit for that period of absence upon the payment of contributions, as specified.

This bill would specify that the option to purchase service credit shall be elected prior to retirement, that the member be returning to state service, and would make other related *and clarifying* changes.

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 20194 of the Government Code is
2 repealed.

3 SEC. 2. Section 20222.5 of the Government Code is amended
4 to read:

5 20222.5. (a) The board may, during the course of an audit,
6 require each state employer, school employer, including each
7 school district represented by a school employer, and contracting
8 agency, to provide information or make available for examination
9 or copying at a specified time and place, or both, books, papers,
10 any data, or *any* records, including, but not limited to, personnel
11 and payroll records, as deemed necessary by the board to determine
12 *eligibility for, and the correctness—of of,* retirement benefits,
13 reportable compensation, enrollment in, and reinstatement to this
14 system.

1 (b) Before initiating an audit, the board shall notify the subject
2 of the audit of the estimated time required to complete the audit.
3 The estimate shall be based upon various factors, including, but
4 not limited to, the following:

- 5 (1) The number of employees.
- 6 (2) Employment classifications.
- 7 (3) Benefits.
- 8 (4) Contract provisions.
- 9 (5) Geographical location.

10 (6) Time required for audits of comparable entities.

11 (7) Additional time factors raised by the subject of the audit.

12 (c) If an audit requires an excess of the time estimated, the board
13 may assess a reasonable charge upon the employer to recover
14 additional costs incurred for the excess time to complete the audit.
15 A contracting agency shall not be assessed for delays during the
16 course of an audit that are reasonably outside of the agency's
17 control.

18 (d) The information obtained from an employer under this
19 section shall remain confidential pursuant to Section 20230.

20 ~~SEC. 2.~~

21 *SEC. 3.* Section 20235 of the Government Code is amended
22 to read:

23 20235. (a) The board shall submit a review of this system's
24 assets to the Legislature on a semiannual basis. The report shall
25 also be made available to all contracting agencies. The report shall
26 discuss the system's assets, including review of all defined benefit
27 trusts and defined contribution plans, and shall contain the
28 following information:

29 (1) Defined benefit trust and defined contribution plan total
30 current market value and allocation of investments across primary
31 asset classes, if appropriate.

32 (2) Review of all portfolio and partnership current market value
33 by primary asset class and strategy.

34 (3) Historical time-weighted return for all defined benefit trusts,
35 defined contribution plans, portfolios, and partnerships on a
36 five-year, three-year, and one-year basis.

37 (4) Summary of performance of an alternative theoretical
38 portfolio for all defined benefit trusts and defined contribution
39 plans based upon policy benchmarks approved by the board.

1 (5) Description of policy benchmark components represented
2 in the alternative theoretical portfolio.

3 (b) Upon written request from a contracting agency that does
4 not participate in a risk pool, the board shall also submit quarterly
5 reports to the contracting agency as described in this subdivision.
6 For the first quarter of the fiscal year, the report shall be submitted
7 within 120 days after the end of the quarter and shall contain the
8 agency's beginning balance for the fiscal year. For the second and
9 third quarters of the fiscal year, the report shall be submitted to
10 the contracting agency within 90 days after the end of the quarter.
11 For the fourth quarter of the fiscal year, the report shall be
12 submitted within 180 days after the end of the quarter and shall
13 contain the agency's balance as of the end of the fiscal year. The
14 report shall include, but need not be limited to, the following:

15 (1) All contributions made to the system by the contracting
16 agency and its employees. The contributions shall be reported as
17 the amounts paid and the amounts due from the contracting agency
18 for both employer contributions and employee contributions.

19 (2) All benefits paid by the system to members of the contracting
20 agency and their survivors and beneficiaries, including payments
21 on account of pension, death, and disability benefits, and
22 withdrawals of contributions. The benefits shall be reported as the
23 total monthly allowances paid to retirees, survivors, and
24 beneficiaries; the amount of total refunds paid; and the amount of
25 any other lump sums paid.

26 (3) An amount that represents any miscellaneous adjustments,
27 including transfers in and out.

28 (4) That quarter's portion of the agency's estimated share of
29 the system's administrative costs that shall be assessed at the end
30 of the fiscal year.

31 (5) The rate of return for the system during the quarter as
32 reported to the board by the investment committee.

33 (6) The estimated interest applied to the agency's account as
34 determined by the system. For purposes of this paragraph, the
35 "estimated interest applied" means the estimate of the annual net
36 earnings, as defined in Section 20052, and is subject to adjustment
37 at the end of the fiscal year based on the actual dollar-weighted
38 amount of investment return that shall be credited to the agency's
39 account for the fiscal year. The report for the fourth quarter of the
40 fiscal year shall also include the actual dollar-weighted amount of

1 investment return for the fiscal year that shall be credited to the
2 contracting agency's account.

3 (c) Upon written request from a contracting agency that
4 participates in a risk pool, the board shall submit to the contracting
5 agency quarterly reports that reflect the total contributions made
6 to the system by agencies in the risk pool, the total benefits paid
7 by the system with respect to the risk pool, the total estimated
8 share of administrative costs for the risk pool, and the total
9 estimated share of investment returns for the risk pool.

10 (d) A contracting agency requesting quarterly reports pursuant
11 to subdivision (b) or (c) shall pay a fee, in an amount determined
12 by the board, not to exceed one thousand five hundred dollars
13 (\$1,500) quarterly per agency while the manual process of
14 collecting the information is in use.

15 (e) Any report received by a contracting agency pursuant to this
16 section shall be made available by the agency to any employee
17 organization that represents the agency's employees and that
18 requests a copy of the report.

19 ~~SEC. 3.~~

20 *SEC. 4.* Section 21002 of the Government Code is amended
21 to read:

22 21002. A member who returns to active state service following
23 an employer-approved ~~uncompensated~~ leave of absence because
24 of his or her serious illness or injury may elect to receive service
25 credit for that period of *uncompensated* absence at any time prior
26 to retirement by making contributions as specified in Sections
27 21050 and 21052. The purchase of additional service credit
28 pursuant to this section shall not reduce the amount of service
29 credit that the member is eligible to purchase pursuant to this
30 chapter. A member may purchase service credit pursuant to this
31 section for a leave of absence that occurred either before or after
32 the effective date of these provisions.

33 ~~SEC. 4.~~

34 *SEC. 5.* Section 21013 of the Government Code is amended
35 to read:

36 21013. "Leave of absence" also means any time, up to one
37 year, during which a member is granted an approved maternity or
38 paternity leave and returns to active state service at the end of the
39 approved leave for a period of time at least equal to that leave.
40 Any member may elect to receive service credit for that leave of

1 absence at any time prior to retirement by making the contributions
2 as specified in Sections 21050 and 21052. This section applies to
3 both past and future maternity or paternity leaves of absences by
4 members of the system.

O