

AMENDED IN SENATE APRIL 21, 2015

SENATE BILL

No. 292

Introduced by Senator Pan

February 23, 2015

An act to amend Section 7522.30 of the Government Code, relating to public employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

SB 292, as amended, Pan. ~~Public Employees' Retirement System: membership; exclusions. Public employee retirement: contributions.~~

The California Public Employees' Pension Reform Act of 2013 (PEPRA) requires a public retirement system, as defined, to modify its plan or plans to comply with the act and, among other provisions, establishes new retirement formulas that may not be exceeded by a public employer offering a defined benefit pension plan for employees first hired on or after January 1, 2013. On and after January 1, 2013, PEPRA requires new employees of specified public employers, the Legislature, the California State University, and the judicial branch who participate in a defined benefit plan to have an initial contribution rate of at least 50% of the normal cost rate for that defined benefit plan, rounded to the nearest $\frac{1}{4}$ of 1%, or the current contribution rate of similarly situated employees, whichever is greater.

The California Constitution generally limits ad valorem taxes on real property to 1% of the full cash value of that property. The California Constitution exempts from that limit an additional ad valorem property tax rate for, among other things, indebtedness approved by the voters of the local entity prior to July 1, 1978, including pension programs.

This bill would exempt a city or county that pays its pension costs with revenues from a property tax rate, approved by the voters of a city

or county to make payments in support of pension programs and levied in addition to the general property tax rate, and that city's or county's employees from the above-described 50% contribution rate provision under PEPRA.

The Public Employees' Retirement Law (PERL) creates the Public Employees' Retirement System (PERS), which provides a defined benefit to its members based on age at retirement, service credit, and final compensation. Existing law defines "member" for purposes of PERL and excludes certain people from membership in PERS.

This bill would make technical, nonsubstantive changes to these provisions.

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

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

1 *SECTION 1. Section 7522.30 of the Government Code is*
2 *amended to read:*

3 7522.30. (a) This section shall apply to all public employers
4 and to all new members. Equal sharing of normal costs between
5 public employers and public employees shall be the standard. The
6 standard shall be that employees pay at least 50 percent of normal
7 costs and that employers not pay any of the required employee
8 contribution.

9 (b) The "normal cost rate" shall mean the annual actuarially
10 determined normal cost for the plan of retirement benefits provided
11 to the new member and shall be established based on the actuarial
12 assumptions used to determine the liabilities and costs as part of
13 the annual actuarial valuation. The plan of retirement benefits shall
14 include any elements that would impact the actuarial determination
15 of the normal cost, including, but not limited to, the retirement
16 formula, eligibility and vesting criteria, ancillary benefit provisions,
17 and any automatic cost-of-living adjustments as determined by the
18 public retirement system.

19 (c) New members employed by those public employers defined
20 in paragraphs (2) and (3) of subdivision (i) of Section 7522.04,
21 the Legislature, the California State University, and the judicial
22 branch who participate in a defined benefit plan shall have an
23 initial contribution rate of at least 50 percent of the normal cost
24 rate for that defined benefit plan, rounded to the nearest quarter

1 of 1 percent, unless a greater contribution rate has been agreed to
2 pursuant to the requirements in subdivision (e). This contribution
3 shall not be paid by the employer on the employee's behalf.

4 (d) Notwithstanding subdivision (c), once established, the
5 employee contribution rate described in subdivision (c) shall not
6 be adjusted on account of a change to the normal cost rate unless
7 the normal cost rate increases or decreases by more than 1 percent
8 of payroll above or below the normal cost rate in effect at the time
9 the employee contribution rate is first established or, if later, the
10 normal cost rate in effect at the time of the last adjustment to the
11 employee contribution rate under this section.

12 (e) Notwithstanding subdivision (c), employee contributions
13 may be more than one-half of the normal cost rate if the increase
14 has been agreed to through the collective bargaining process,
15 subject to the following conditions:

16 (1) The employer shall not contribute at a greater rate to the
17 plan for nonrepresented, managerial, or supervisory employees
18 than the employer contributes for other public employees, including
19 represented employees, of the same employer who are in related
20 retirement membership classifications.

21 (2) The employer shall not increase an employee contribution
22 rate in the absence of a memorandum of understanding that has
23 been collectively bargained in accordance with applicable laws.

24 (3) The employer shall not use impasse procedures to increase
25 an employee contribution rate above the rate required by this
26 section.

27 (f) If the terms of a contract, including a memorandum of
28 understanding, between a public employer and its public
29 employees, that is in effect on January 1, 2013, would be impaired
30 by any provision of this section, that provision shall not apply to
31 the public employer and public employees subject to that contract
32 until the expiration of that contract. A renewal, amendment, or
33 any other extension of that contract shall be subject to the
34 requirements of this section.

35 (g) *This section does not apply to a public employer and its
36 public employees if the public employer is a city or county that
37 pays its pension program costs with revenues derived from a
38 property tax rate, approved by the voters of a city or county to
39 make payments in support of pension programs and levied in*

1 addition to the property tax rate limited by subdivision (a) of
2 Section 1 of Article XIII A of the California Constitution.

3 SECTION 1. Section 20300 of the Government Code is
4 amended to read:

5 20300. The following persons are excluded from membership
6 in this system:

7 (a) Inmates of state or public agency institutions who are allowed
8 compensation for the service they are able to perform.

9 (b) Independent contractors who are not employees.

10 (c) Persons employed as student assistants in the state colleges
11 and persons employed as student aides in the special schools of
12 the State Department of Education and in the public schools of the
13 state.

14 (d) Persons employed as teacher assistants pursuant to Section
15 44926 of the Education Code.

16 (e) Participants, other than staff officers and employees, in the
17 California Conservation Corps.

18 (f) Persons employed as participants in a program of, and whose
19 wages are paid in whole or in part by federal funds in accordance
20 with, Section 1501 et seq. of Title 29 of the United States Code.
21 This subdivision does not apply with respect to persons employed
22 in job classes that provide eligibility for patrol or safety
23 membership or to the career staff employees of an employer.

24 (g) All persons who are members in a teachers' retirement
25 system, as to the service in which they are members of a teachers'
26 retirement system.

27 (h) Except as otherwise provided in this part, persons rendering
28 professional legal services to a city, other than the person holding
29 the office of city attorney, the office of assistant city attorney, or
30 an established position of deputy city attorney.

31 (i) A person serving the university as a teacher in university
32 extension, whose compensation for that service is established on
33 the basis of class enrollment, either actual or estimated, with respect
34 to that service.

35 (j) A person serving a California State University as a teacher
36 in extension service, whose compensation for that service is
37 established on the basis of class enrollment, either actual or
38 estimated, with respect to that service.

39 (k) A teacher or academic employee of the university or any
40 California State University who is otherwise fully employed and

1 who serves as a teacher or in an academic capacity in a summer
2 session or intersession, for which he or she receives compensation
3 specifically attributable to that service in summer session or
4 intersession, with respect to that service.

5 (l) A person who is employed under the California Senate
6 Fellows, the Assembly Fellowship, the Judicial Administration
7 Fellowship, or the Executive Fellowship programs.

8 (m) Board members of the State Compensation Insurance Fund,
9 including those appointed by the Governor.