AMENDED IN ASSEMBLY JUNE 25, 2015

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 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~~ *as specified*, 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. *PEPRA prohibits an employer from paying the employee contribution.*

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,~~ *rate* approved by ~~the voters of a city or county~~ *its voters* 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~~ *employees,* from the above-described ~~50% contribution rate provision under PEPRA.~~ *prohibition on employer payment of employee contribution, with respect to an employee whose pension is funded by these revenues.*

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

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

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

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

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

(c) *(1)* New members employed by those public employers defined in paragraphs (2) and (3) of subdivision (i) of Section 7522.04, the Legislature, the California State University, and the judicial branch who participate in a defined benefit plan shall have an initial contribution rate of at least 50 percent of the normal cost rate for that defined benefit plan, rounded to the nearest ~~quarter~~ $\frac{1}{4}$ of 1 percent, unless a greater contribution rate has been agreed to pursuant to the requirements in subdivision (e). ~~This~~ *Except as* *provided in paragraph (2), this* contribution shall not be paid by the employer on the employee's behalf.

(2) With respect to an employee whose pension is funded as described in this subdivision, the prohibition against an employer paying an employee's contribution does not apply to a city or county that pays its pension program costs with revenues derived from a property tax rate approved by the voters of the city or county to make payments in support of pension programs and levied in addition to the property tax rate limited by subdivision (a) of Section 1 of Article XIII A of the California Constitution.

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

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

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

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

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

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

~~(g) This section does not apply to a public employer and its public employees if the public employer is a city or county that pays its pension program costs with revenues derived 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 property tax rate limited by subdivision (a) of Section 1 of Article XIII A of the California Constitution.~~

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