

AMENDED IN ASSEMBLY JULY 7, 1999

AMENDED IN SENATE JUNE 1, 1999

**SENATE BILL**

**No. 234**

**Introduced by Senator Hughes**

January 25, 1999

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An act to amend Section ~~21337~~ of 20178 of, to add Section 21328.5, and to repeal and add Section 21337 of, the Government Code, relating to the Public Employees' Retirement System.

LEGISLATIVE COUNSEL'S DIGEST

SB 234, as amended, Hughes. Public Employees' Retirement System: benefits.

The Public Employees' Retirement Law requires the Board of Administration to annually transfer specified amounts to a supplemental account to fund the purchasing power protection allowance.

This bill would ~~provide that, if those amounts are insufficient to pay the allowance, the deficiency shall be paid from the employer accounts~~ delete that provision and instead require all monthly allowances paid by the system to be increased to 75% of the purchasing power of the initial monthly allowance and require the costs of those benefits to be paid from employer assets in the system.

Under the Public Employees' Retirement Law, monthly allowances payable to persons retired from a local system of a contracting agency are adjusted annually based on changes in the consumer price index, as specified.

*This bill would provide additional increases of 2 to 5% in the monthly allowances paid to those local retirees.*

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 21337 of the Government Code~~  
2 *SECTION 1. Section 20178 of the Government Code*  
3 *is amended to read:*  
4 20178. (a) The board shall credit all contributions of  
5 members in the retirement fund with interest at an  
6 interest crediting rate of 6 percent compounded at each  
7 June 30. The retired member reserves in the retirement  
8 fund shall be credited with the lesser of the current  
9 actuarial interest rate or the current annual interest rate  
10 compounded at each June 30. The interest amount that  
11 would have been credited to the member’s account on  
12 and after June 30, 1991, had the account been credited  
13 with the lesser of the current actuarial interest rate or the  
14 current annual interest rate, rather than at the 6 percent  
15 interest crediting rate, shall be credited to retirement  
16 member reserves.  
17 (b) ~~Notwithstanding subdivision (a), the difference~~  
18 ~~between the interest amount that was credited to the~~  
19 ~~account of any member of this system who was paid his~~  
20 ~~or her accumulated contributions on or after June 30,~~  
21 ~~1991, and the lesser of the current actuarial interest rate~~  
22 ~~or the current annual interest rate, shall be transferred to~~  
23 ~~the account established by the board under Section 21337~~  
24 ~~to fund the purchasing power protection allowance.~~  
25 (c) If the current net earnings rate exceeds the  
26 interest rate used to credit the retired member accounts,  
27 in addition to the amount transferred to the fund  
28 established under Section 21337, the remaining amount  
29 shall be credited to employer accounts.  
30 (d)  
31 (c) The current annual interest rate may be lower  
32 than the current actuarial interest rate.



1 SEC. 2. Section 21328.5 is added to the Government  
2 Code, to read:

3 21328.5. In addition to the increase in allowance  
4 authorized and granted pursuant to Section 21313, and  
5 notwithstanding the limitation on that increase imposed  
6 by this article, effective January 1, 2000, the monthly  
7 allowance paid with respect to a local member who  
8 retired or died prior to January 1, 2000, shall be increased  
9 by the percentage set forth opposite the year of  
10 retirement or death in the following schedule:

11 Period during which retirement 12 or death occurred:	Percentage:
13 48 months ending Dec. 31, 1999	2.0%
14 12 months ending Dec. 31, 1995	3.0%
15 12 months ending Dec. 31, 1994	4.0%
16 12 months ending Dec. 31, 1993	4.5%
17 12 months ending Dec. 31, 1992	
18 or earlier	5.0%

19  
20  
21 The percentage shall be applied to the allowance  
22 payable on January 1, 2000, and the allowance as so  
23 increased shall be paid for time on and after the date and  
24 until the first day of April immediately following the date  
25 of application. The base allowance shall be the allowance  
26 as increased under this section. Notwithstanding Section  
27 21337 to the contrary, this increase shall not be included  
28 in determining the initial monthly allowance upon which  
29 a supplemental benefit is payable pursuant to Section  
30 21337.

31 SEC. 3. Section 21337 of the Government Code is  
32 repealed.

33 ~~21337. (a) On an annual basis, the board shall transfer~~  
34 ~~the lesser of either of the following:~~

35 ~~(1) The amount necessary to increase all monthly~~  
36 ~~allowances paid by this system to 75 percent of the~~  
37 ~~purchasing power of the initial monthly allowances.~~

38 ~~(2) Up to 1.1 percent of the net earnings on member~~  
39 ~~contributions, as determined by Section 20178, to a~~



1 supplemental account to fund the purchasing power  
2 protection allowance.

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

14 *SEC. 4. Section 21337 is added to the Government*  
15 *Code, to read:*

16 *21337. Annually all monthly allowances paid by the*  
17 *system shall be increased to 75 percent of the purchasing*  
18 *power of the initial monthly allowance as determined by*  
19 *the board. The cost of the payment of these benefits to*  
20 *retirees and beneficiaries of each employer shall be paid*  
21 *from the assets of that employer in the system.*

22 *is amended to read:*

23 *21337. (a) On an annual basis, the board shall transfer*  
24 *the lesser of either of the following to a supplemental*  
25 *account to fund the purchasing power protection*  
26 *allowance:*

27 *(1) The amount necessary to increase all monthly*  
28 *allowances paid by this system to 75 percent of the*  
29 *purchasing power of the initial monthly allowances.*

30 *(2) 1.1 percent of the net earnings on member*  
31 *contributions, as determined by Section 20178.*

32 *(b) The funds so transferred to the supplemental*  
33 *account shall be utilized to increase all monthly*  
34 *allowances paid by this system up to a maximum of 75*  
35 *percent of the purchasing power, as determined by the*  
36 *board, of the initial monthly allowances that were*  
37 *received by every retired person or survivor or*  
38 *beneficiary of a state, school, or local member or retired*  
39 *person who was eligible to receive any allowance at the*  
40 *end of each fiscal year.*



1 ~~(c) If the funds so transferred to the supplemental~~  
2 ~~account are insufficient to pay the benefits under this~~  
3 ~~section, the amount of the deficiency shall be paid from~~  
4 ~~the employer accounts. Funds remaining in the account~~  
5 ~~after the payment of benefits under this section shall be~~  
6 ~~transferred to the employer accounts.~~

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