

AMENDED IN ASSEMBLY SEPTEMBER 10, 1999

AMENDED IN ASSEMBLY SEPTEMBER 9, 1999

AMENDED IN ASSEMBLY SEPTEMBER 2, 1999

AMENDED IN ASSEMBLY AUGUST 16, 1999

AMENDED IN ASSEMBLY JULY 7, 1999

AMENDED IN SENATE JUNE 1, 1999

**SENATE BILL**

**No. 234**

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**Introduced by Senator Hughes**

January 25, 1999

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An act to amend Sections 20178 and 21007 of, to add Section 20910 to, 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 delete that provision and instead require all monthly allowances paid by the system to be increased to 80% of the purchasing power of the initial monthly allowance for retirees of contracting agencies, their survivors, and beneficiaries, and 75% of the purchasing power of the initial

monthly allowance for all other retirees of the system, their survivors, and beneficiaries; require the costs of those benefits to be paid from employer assets in the system; and make related technical changes.

The Public Employees’ Retirement Law authorizes, under certain circumstances, various employees to receive additional service credit at retirement.

This bill would provide for a specified employee to receive 4 years of additional age and 4 years of additional service credit at retirement.

The Public Employees’ Retirement Law authorizes a member to receive service credit, subject to specified conditions, for time, not to exceed 2 years, during which a member is granted an approved leave of absence for service with a university, college, governmental agency, or nonprofit organization.

This bill would authorize a member to receive that service credit for a period of up to 5 years.

The bill would declare that it shall be known as the Senator Teresa Hughes Purchasing Power Protection Act.

The bill would incorporate additional provisions added to Section 21337 of the Government Code by SB 400, to take effect only if this bill and SB 400 are enacted and this bill is enacted last.

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. This act shall be known, and may be  
 2 cited, as the Senator Teresa Hughes Purchasing Power  
 3 Protection Act.  
 4 SEC. 2. Section 20178 of the Government Code is  
 5 amended to read:  
 6 20178. (a) The board shall credit all contributions of  
 7 members in the retirement fund with interest at an  
 8 interest crediting rate of 6 percent compounded at each  
 9 June 30. The retired member reserves in the retirement  
 10 fund shall be credited with the lesser of the current  
 11 actuarial interest rate or the current annual interest rate



1 compounded at each June 30. The interest amount that  
2 would have been credited to the member's account on  
3 and after June 30, 1991, had the account been credited  
4 with the lesser of the current actuarial interest rate or the  
5 current annual interest rate, rather than at the 6 percent  
6 interest crediting rate, shall be credited to retirement  
7 member reserves.

8 (b) If the current net earnings rate exceeds the  
9 interest rate used to credit the retired member accounts,  
10 the remaining amount shall be credited to employer  
11 accounts.

12 (c) The current annual interest rate may be lower  
13 than the current actuarial interest rate.

14 SEC. 3. Section 20910 is added to the Government  
15 Code, to read:

16 20910. (a) Notwithstanding any other provisions of  
17 this part, an additional four years of service and an  
18 additional four years of age shall be credited to any state  
19 member who serves for 20 or more years as a civil  
20 executive officer pursuant to Section 10200 when the  
21 member retires on a service retirement.

22 (b) Nothing in this section shall authorize the use of an  
23 increased age for any purpose other than calculating the  
24 benefits payable under Sections 21353, 21354.1, and 21357.

25 SEC. 4. Section 21007 of the Government Code is  
26 amended to read:

27 21007. "Leave of absence" also means any time  
28 during which a member is granted an approved leave for  
29 the purpose of service with a university; college; local,  
30 state, federal or foreign governmental agency; or  
31 nonprofit organization, if he or she returns to  
32 employment within the terms and conditions under  
33 which the leave was granted. However, any member  
34 electing to receive credit for that leave of absence shall  
35 in addition to contributions otherwise required by this  
36 article contribute an amount equal to the contribution  
37 that would have been made on behalf of the member had  
38 the member not been absent, assuming that the employer  
39 rate of contribution in effect at the time of election had  
40 been in effect during the absence. In no event shall a



1 member receive service credit in excess of five years for  
2 each approved leave of absence.

3 SEC. 5. Section 21337 of the Government Code is  
4 repealed.

5 SEC. 6. Section 21337 is added to the Government  
6 Code, to read:

7 21337. (a) Annually all monthly allowances paid by  
8 the system to retirees of contracting agencies, and to the  
9 survivors and beneficiaries of those retirees, shall be  
10 increased to 80 percent of the purchasing power of the  
11 initial monthly allowances as determined by the board.

12 (b) Annually all monthly allowances paid by the  
13 system to retirees of the state, university, and school  
14 employers, and to the survivors and beneficiaries of those  
15 retirees, shall be increased to 75 percent of the purchasing  
16 power of the initial monthly allowances as determined by  
17 the board.

18 (c) The cost of the payment of these benefits to  
19 retirees and beneficiaries of each employer shall be paid  
20 from the assets of that employer in the system.

21 SEC. 7. Section 21337 is added to the Government  
22 Code, to read:

23 21337. (a) Annually all monthly allowances paid by  
24 the system to retirees of contracting agencies, and to the  
25 survivors and beneficiaries of those retirees, shall be  
26 increased to 80 percent of the purchasing power of the  
27 initial monthly allowances as determined by the board.

28 (b) Annually all monthly allowances paid by the  
29 system to retirees of the state, university, and school  
30 employers, and to the survivors and beneficiaries of those  
31 retirees, shall be increased to 75 percent of the purchasing  
32 power of the initial monthly allowances, notwithstanding  
33 the benefit provided by Section 21328, as determined by  
34 the board.

35 (c) The cost of the payment of these benefits to  
36 retirees and beneficiaries of each employer shall be paid  
37 from the assets of that employer in the system.

38 SEC. 8. Section 7 of this bill adds Section 21337 to the  
39 Government Code and incorporates additional  
40 provisions proposed by SB 400. It shall only become



1 operative if (1) both bills are enacted and become  
2 effective on or before January 1, 2000, (2) this bill repeals  
3 and adds Section 21337 of the Government Code and SB  
4 400 amends that section, and (3) this bill is enacted after  
5 SB 400, in which case Section 6 of this bill shall not become  
6 operative.

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