

ASSEMBLY BILL

No. 2416

Introduced by Assembly Member Mansoor

February 24, 2012

An act to add Section 7504.1 to the Government Code, relating to public employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

AB 2416, as introduced, Mansoor. Public employees' retirement systems: reserve funds.

Existing law establishes the Public Employees' Retirement Fund as a trust fund solely for the benefit of its members and retired members and their survivors and beneficiaries. Existing law requires income earned on the Public Employees' Retirement Fund during any fiscal year that exceeds the interest credited to contributions during that year to be retained in the Public Employees' Retirement Fund as a reserve against deficiencies in interest earned in other years, investment losses, and other specified losses. Existing law requires the amount in the reserve that exceeds 0.20% to be annually credited to other accounts. Existing law governing other retirement systems, including the State Teachers' Retirement System, contains provisions requiring the maintenance of reserve funds.

This bill would require every public retirement system that does not maintain a reserve fund to create such a fund. The bill would require any excess funds, after payment of unfunded liabilities each fiscal year, to be placed in the reserve fund to be used against deficiencies in other fiscal years, as specified. The bill would prohibit funds in the reserve fund from being used for the payment of benefits.

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 7504.1 is added to the Government Code,
2 to read:
3 7504.1. (a) Notwithstanding any other law, every public
4 retirement system that, as of January 1, 2013, does not maintain a
5 reserve fund shall create a reserve fund in accordance with this
6 section.
7 (b) After payment of unfunded liabilities each fiscal year, any
8 excess funds shall be placed in the reserve fund, to be used against
9 deficiencies in other fiscal years, including investment losses,
10 unforeseen costs, and actuarial losses. Funds in the reserve fund
11 shall not be used for the payment of benefits.
12 (c) This section shall apply to all state and local public
13 retirement systems, including, but not limited to, the Public
14 Employees' Retirement System, the State Teachers' Retirement
15 System, the Judges' Retirement System II, the Legislators'
16 Retirement System, the University of California Retirement
17 System, and county and district retirement systems created pursuant
18 to the County Employees Retirement Law of 1937.
19 SEC. 2. (a) To ensure the integrity and security of the
20 University of California retirement system and its funds, it is
21 necessary for this act to apply to the University of California.
22 (b) The statewide integrity and security of local government
23 pension systems is a matter of statewide concern and not a
24 municipal affair, as that term is used in Section 5 of Article XI of
25 the California Constitution. Therefore, this act shall apply to all
26 cities, including charter cities.