AMENDED IN SENATE MARCH 21, 2011

SENATE BILL No. 520

Introduced by Senator Walters
(Coauthor: Senator Runner)
(Coauthors: Assembly Members Garrick, Harkey, Mansoor, and Silva)

February 17, 2011

An act *to add Section 20139 to the Government Code,* relating to public employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

SB 520, as amended, Walters. Public employees' ~~retirement.~~ *retirement: hybrid plan.*

Existing law creates the Public Employees' Retirement System which provides a defined benefit to its members based on age at retirement, service credit, and final compensation.

This bill would require the Board of Administration of the Public Employees' Retirement System to create a hybrid retirement plan for public employees who become members on or after January 1, 2012, that offers a defined contribution plan and defined benefit plan for retirement for service and a defined benefit plan for retirement for disability or for death. The bill would prohibit those plans from creating a vested property right for the member with respect to any employer contributions before retirement, as specified. The bill would prohibit those members from being eligible to enroll in the defined benefit plan for retirement for service that existed before January 1, 2012.

~~The State Teachers' Retirement System, the Public Employees' Retirement System, and the Judges' Retirement System and the Judges Retirement System II provide pension benefits based in part upon credited service. Under existing law, counties and districts, as defined,~~

~~may provide retirement benefits to their employees pursuant to the County Employees Retirement Law of 1937.~~

~~This bill would declare the intent of the Legislature to enact legislation to reform California's unsustainable pension system by incorporating a defined-contribution program into California's system. The bill would also make related findings and declarations.~~

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

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

SECTION 1. Section 20139 is added to the Government Code, to read:

20139. (a) The Board of Administration of the Public Employees' Retirement System shall create a hybrid retirement plan for public employees who become members on or after January 1, 2012, that has the following characteristics:

(1) The plan shall have both a defined contribution plan and a defined benefit plan for retirement for service. The defined benefit plan shall have formulas that yield a lower benefit than the formulas in effect on January 1, 2011.

(2) The plan shall have a defined benefit plan for disability retirement and death benefits.

(3) The plan shall not create a vested property right for the member with respect to any employer contributions before the date of retirement for service or disability.

(b) Public employees who become members on or after January 1, 2012, shall not be eligible to enroll in the defined benefit plan for service retirement that existed before January 1, 2012.

~~SECTION 1. (a) The Legislature finds and declares the following:~~

~~(1) California's public pension and retiree health and dental care expenditures have quintupled since the 1998–99 fiscal year, from about $1 billion to $5 billion this year. Retirement spending is expected to triple within the next decade, bringing the expenditures to $15 billion.~~

~~(2) Since 1998, California's state workforce has grown by 31 percent and taxpayers now pay for expenses relating to the employment of more than 356,000 state workers.~~

~~(3) Since 2008, California has added over 13,000 employees to the state payroll during this recession.~~

~~(4) California taxpayers are paying pensions that exceed $100,000 a year to over 12,000 former state and local government workers, including more than 9,000 state and local employees covered by the California Public Employees' Retirement System (CalPERS) and over 3,000 former school administrators or teachers covered under the California State Teachers' Retirement System (CalSTRS).~~

~~(5) California taxpayers pay 85 percent of the health care premiums for most active state workers, 100 percent of the health care costs for most state retirees, and 90 percent of health care costs for their families.~~

~~(6) CalPERS reported a loss of $56.2 billion for the 2009–10 fiscal year. CalSTRS posted a loss of $43.4 billion in 2009. California taxpayers are on the hook for funding shortfalls not made up by pension fund performance or employee contributions, so taxpayers will be paying more to make up for these pension investment losses.~~

~~(7) California is one of several states that permit part-time locally elected officials to receive pension benefits.~~

~~(8) The public pension benefit increases passed with Senate Bill 400 of the 1999–2000 Regular Session, which offered retroactive benefit increases to government workers, were supposed to cost $650 million in 2010. That figure was based on CalPERS's assessment of its "superior return on system assets."~~

~~(b) It is the intent of the Legislature to enact legislation to reform California's unsustainable pension system by incorporating a defined-contribution program into California's system.~~

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