SENATE BILL No. 992

Introduced by Committee on Public Employment and Retirement (Senators Negrete McLeod (Chair), Gaines, Padilla, Vargas, and Walters)

February 1, 2012

An act to amend Section 20814 of the Government Code, relating to public employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

SB 992, as introduced, Committee on Public Employment and Retirement. Public employees' retirement: employer contributions.

The Public Employees' Retirement Law (PERL) creates the Public Employees' Retirement System (PERS), which provides a defined benefit to its members based on age at retirement, service credit, and final compensation. PERL vests the Board of Administration of PERS with management and control of the system. PERL requires the state's contribution to PERS to be adjusted from time to time in the annual Budget Act by requiring the Governor, as part of the proposed budget, to include contribution rates adopted by the board for the liability for benefits on account of state employees and would require the Legislature to adopt the board's contribution rates and authorize the appropriation in the Budget Act. Existing law also authorizes the board, in its discretion, to adopt new quarterly employer contribution rates for future contributions for the state plans to reflect changes in employee retirement contributions, benefits, or pension plan design contained in a memorandum of understanding, or similar changes for unrepresented employees, when those changes go into effect after the board has adopted its most recent annual employer contribution rates.

This bill would make technical, nonsubstantive changes to these provisions.

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 20814 of the Government Code is amended to read:

20814. (a) Notwithstanding any other ~~provision of~~ law, the state's contribution under this chapter shall be adjusted from time to time in the annual Budget Act according to the following method: as part of the proposed budget, the Governor shall include the contribution rates adopted by the board for the liability of benefits on account of employees of the state. The Legislature shall adopt the board's contribution rates and authorize the appropriation in the Budget Act.

(b) In the event a memorandum of understanding goes into effect pursuant to the Ralph C. Dills Act (Chapter 10.3 (commencing with Section 3512) of Division 4 of Title 1) that was not previously considered by the board in adopting its most recent annual employer contribution rates and that memorandum of understanding contains a change in employee retirement contributions, benefits, or pension plan design, including a change that alters a state employee's retirement contributions, or there is a change in unrepresented employees' retirement contributions, benefits, or pension plan design to be consistent with those of related classifications and groups of represented employees, the board may, in its discretion, adopt new quarterly employer contribution rates for future contributions for the state plans to reflect these changes. If the board adopts new rates for the state plans to reflect a change in employee retirement contributions, benefits, or pension plan design, the Director of Finance shall reduce or increase the percentage levels of the state's retirement contribution to reflect the new rates. Nothing in this section shall require the board to take action as described ~~herein~~ *in this subdivision* unless the board determines, in good faith, that the action described ~~herein~~ *in this subdivision* is consistent with the fiduciary responsibilities of the board described in Section 17 of Article XVI of the California Constitution.

(c) The employer contribution rates for all other public employers under this system shall be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in rate.

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