

## Memorandum

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**DATE:** October 15, 2018  
**TO:** Members of the Board of Retirement  
**FROM:** Gina M. Ratto, General Counsel  
**SUBJECT:** LEGISLATIVE UPDATE

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### Written Report

#### Background/Discussion

The California Legislature reconvened on January 3, 2018 to commence the second year of the 2017 - 2018 legislative session. August 31, 2018 was the last day for each House to pass bills, and September 30, 2018 was the last day for the Governor to sign or veto bills.

A comprehensive list and description of the bills that staff has monitored is attached. Below is a brief summary of the bills that may be of greater interest to the Board. **Updates to the last report to the Board are indicated in bold and underlined text.**

#### SACRS Sponsored Bills

- **SB 1270 (Vidak) – SIGNED.** The CERL authorizes the retirement boards of five specified counties to appoint assistant administrators and chief investment officers who, following appointment, are outside county charter, civil service, and merit system rules, except as specified. The CERL provides that these administrators and officers are employees of the county, as specified, while serving at the pleasure of the appointing boards, and that they may be dismissed without cause. This bill will apply these provisions to any county if the board of supervisors for that county, by resolution adopted by majority vote, makes those provisions applicable in the county. **(STATUS: Signed by the Governor.)**

#### **SIGNED Bills That Will Amend the CERL or Other Laws That Apply to OCERS**

- **AB 1912 (Rodriguez) – SIGNED. Amended August 11 and 24, 2018.** Under existing law, the Joint Exercise of Powers Act (“JPA Act”), the debts, liabilities and obligations of a joint powers authority (“JPA”) are the debts, liabilities and obligations of the parties to the JPA agreement “unless the agreement specifies otherwise.” **This bill would specify that the parties to the joint powers agreement may not specify otherwise with respect to retirement liabilities of the agency if the agency contracts with a public retirement system, and would eliminate an authorization for a party to a JPA agreement to separately contract or assume responsibilities for specific debts, liabilities, or obligations of the agency.** This bill would ~~eliminate that authorization and would state that if a JPA participates in or contracts with a public retirement system the members of the JPA — both current and former — would be required,~~ **require member agencies of a JPA that participates in, or contracts with, a public retirement system, prior to filing a notice of termination or upon notice of potential termination by the Board of**

**Administration of the Public Employees' Retirement System**, to mutually agree as to the apportionment of the agency's retirement obligations among themselves, provided that the agreement equals 100% of the retirement liability of the agency. If the member agencies are unable to mutually agree to the apportionment, the bill would require the board to apportion the retirement liability as specified, and would establish procedures allowing a member agency to challenge the board's determination through the arbitration process. The bill would also provide that if a judgment is rendered against an agency or a party to the agreement for a breach of its obligations to the retirement system, the time within which a claim for injury may be presented or an action commenced against the other party that is subject to the liability determined by the judgment begins to run when the judgment is rendered. The bill would specify that those provisions apply both retroactively to a member agency, or current and former member agency, that has an agreement with the board on or before January 1, 2019, and to new agreements with the board on or after that date.

The bill also amends several other provisions of the PERL with respect to JPAs participating in the CalPERS plan and PERL provisions affecting termination of participation by JPAs in the CalPERS plan. **(STATUS: Signed by Governor.)**

- **AB 2076 (Rodriguez) – SIGNED**. The CERL authorizes a county retirement system in Los Angeles County to adjust retirement payments due to errors or omissions, as specified, and permits a member permanently incapacitated for duty to retire for disability only if specified criteria are met and requires the board to determine the effective date of retirement in those cases, as specified. This bill would authorize a county retirement system in Los Angeles County to correct a prior board decision determining the effective date of retirement for a member permanently incapacitated for disability that was made between January 1, 2013, and December 31, 2015, and was based upon an error of law existing at the time of the decision, as specified. The bill would authorize a member seeking correction under these provisions to file an application with the board no later than one year from the date these provision, become operative. **(STATUS: Signed by the Governor.)**
- **SB 1244 (Wieckowski) – SIGNED**. The California Public Records Act (CPRA) requires state and local agencies to make their public records available for public inspection and to make copies available upon request and payment of a fee, unless the public records are exempt from disclosure. The CPRA makes specified records exempt from disclosure and provides that disclosure by a state or local agency of a public record that is otherwise exempt constitutes a waiver of the exemption.

Further, the CPRA requires a court to award court costs and reasonable attorney's fees to the plaintiff if the plaintiff prevails in litigation filed pursuant to the CPRA, and requires the court to award court costs and reasonable attorney's fees to the public agency if the court finds that the plaintiff's case is clearly frivolous. This bill would replace "plaintiff" with "requester" in that provision, would make conforming changes, and specify that these provisions do not preclude the award of fees and costs pursuant to other provisions of law. **(STATUS: Signed by Governor.)**

## Other Bills of Interest – SIGNED

- **SB 964 (Allen) – SIGNED** This bill would, until January 1, 2035, require CalPERS and CalSTRS to analyze climate-related financial risk, as defined, to the extent the CalPERS and CalSTRS boards identify the risk as a material risk to the retirement system. The bill, by January 1, 2020, and every 3 years thereafter, would require each board to publicly report on the climate-related financial risk of its public market portfolio, including alignment of each system with a specified climate agreement and California climate policy goals and the exposure of the fund to long-term risks, as specified. The bill would provide that it does not require either board to take action unless the board determines in good faith that the action is consistent with its fiduciary responsibilities. **(STATUS: Signed by Governor and Chaptered.)**
- **SB 1413 (Nielsen) – SIGNED** This bill would enact the California Employers’ Pension Prefunding Trust Program and establish the California Employers’ Pension Prefunding Trust Fund to allow state and local public agency employers that participate in CalPERS and provide a defined benefit pension plan to their employees to prefund their required pension contributions. The bill contains other related provisions. **(STATUS: Signed by Governor and Chaptered.)**

## VETOED Bills

- **AB 1597 (Nazarian) – VETOED. Amended (non-substantive) August 24, 2018.** This bill, upon passage of a federal law imposing sanctions on Turkey for failure to acknowledge the Armenian Genocide, would prohibit the boards of administration of the CalPERS and CalSTRS from making additional or new investments, or renewing existing investments, of public employee retirement funds in an investment vehicle in Turkey that is issued by the government of Turkey or that is owned, controlled, or managed by the government of Turkey. The bill would require the boards to liquidate existing investments in Turkey in these types of investment vehicles within 6 months of the passage of a federal law ~~imposing that~~ **imposes** sanctions on Turkey. The bill would require these boards, within one year of the passage of a federal law imposing those sanctions on Turkey, to make a specified report to the Legislature and the Governor regarding these actions. The bill would specify that its provisions do not require a board to take any action that the board determines in good faith is inconsistent with its constitutional fiduciary responsibilities to the retirement system. The bill would indemnify from the General Fund and hold harmless the present, former, and future board members, officers, and employees of, and investment managers under contract with, the boards, in connection with actions relating to these investments. The bill would repeal these provisions if a determination is made by the Department of State or the Congress of the United States, or another appropriate federal agency, that the government of Turkey has officially acknowledged its responsibility for the Armenian Genocide. **(STATUS: Vetoed.)**
- **SB 656 (Moorlach & Lara) – VETOED.** Amended **August 24, 2018.** This bill would authorize a judge who is not otherwise eligible to retire and who has either attained 60 years of age with a minimum of 5 years of service or accrued 20 or more years of service to leave his or her monetary credits on deposit with the Judges’ Retirement System II, to retire, and upon reaching retirement age, as specified, to receive a monthly retirement allowance, as provided. The bill would prescribe procedures to apply if the judge fails to elect within 30 days of separation and would authorize the board to charge an administrative

fee, as specified, to a judge who elects to apply these provisions. The bill would specify the ~~retirement~~monthly allowance provided to a surviving spouse or other beneficiary, and would make other conforming changes in relation to these provisions. The bill would also provide, for the purposes of the Judges' Retirement System II, and for a judge first appointed or elected to office on or after January 1, 2019, that a surviving spouse is a spouse who was married to the judge continuously from the date of retirement until the judge's death. This bill contains other related provisions and other existing laws. (STATUS: Vetoed by Governor.)

- **SB 1124 (Leyva) – VETOED. Amended August 23, 2018.** This bill would establish new procedures under PERL for cases in which a member's benefits are erroneously calculated by the state or a contracting agency. The bill would require the system, upon determining on or after January 1, 2019, or on or after January 1, 2017, if an appeal has been filed and the employee member, survivor, or beneficiary has not exhausted his or her administrative or legal remedies, that compensation for an employee member reported by the state or a contracting agency conflicts with specified law, to discontinue the reporting of the disallowed compensation. The bill would require the contributions made on the disallowed compensation, for active members, to be credited against future contributions on behalf of the state or the contracting agency that reported the disallowed compensation and would require that state or contracting agency to return to the member any contributions paid by the member. The bill would require CalPERS, with respect to retired members or beneficiaries whose final compensation at retirement was predicated upon disallowed compensation, to permanently adjust the benefit to reflect the exclusion of the disallowed compensation, and would require the contributions made on the disallowed compensation to be credited against future contributions on behalf of the state or contracting agency that reported the disallowed compensation. If, among other things, the member was unaware the compensation was disallowed when reported, the bill would require the state or contracting agency that reported the disallowed compensation to pay the system the full cost of any overpayment, as specified, and pay to the retired member or beneficiary the difference between the monthly allowance that was based on the disallowed compensation and the adjusted monthly allowance calculated without the disallowed compensation, as provided. Finally, the bill would authorize the state or a contracting agency, for any MOU entered into on or after January 1, 2019, to submit any compensation proposal intended to form the basis of a pension benefit calculation to the system to determine compliance with specified provisions governing compensation. (STATUS: Vetoed by Governor.)

#### FAILED Bills

- **AB 283 (Cooper) – FAILED.** This bill would amend the CERL to require, for purposes of determining permanent incapacity of certain peace officers, that those members be evaluated by the retirement system to determine if they can perform all of the usual and customary duties of a peace officer as described under Section 830 of the Penal Code. The bill would apply to members who file applications for disability on or after the effective date of the bill, except for cases on appeal at that time. (STATUS: Failed.)

- **AB 526 (Cooper) – FAILED.** This bill would make the Sacramento County Employees Retirement System a district under the CERL. **(STATUS: Failed.)**
- **AB 2571 (Fletcher) – FAILED.** This bill, if consistent with fiduciary responsibilities of a public investment fund as determined by its board, would require a public investment fund to require alternative investment vehicles to report at least annually certain information concerning specified hospitality employers relating to race and gender pay equity and sexual harassment. The bill would require a public investment fund to disclose the information provided to the fund at least once annually in a report presented at a meeting open to the public and would require the fund to provide the report upon request to a member of the Legislature. The bill would authorize the Department of Fair Employment and Housing to issue regulations for the implementation of these reporting requirements. The bill would define terms for purposes of the reporting provisions and repeal the reporting provisions on January 1, 2022.

Existing law provides that board members and other officers and employees of CalPERS and CalSTRS, and certain other entities, shall be held harmless and eligible for indemnification from the General Fund in connection with prescribed actions relating to prohibited investments. The bill would additionally provide that board members of any public pension or retirement system, other officers and employees, and investment managers under contract with the system would also be held harmless and eligible for indemnification from the General Fund in connection with actions taken pursuant to the bill.

**(STATUS: Failed.)**

- **AB 3084 (Levine) – FAILED.** Existing law requires all state and local public retirement systems to submit audited financial statements to the State Controller at the earliest practicable opportunity within 6 months of the close of each fiscal year. This bill would require each governing body of a public agency that provides other postemployment benefits to, in an annual financial statement submitted to the Controller, in a form prescribed by the Controller, show that the public agency has met or if it has not met, detail why it has not met, and what the public agency is doing to meet, specified parameters related to the provision of other postemployment benefits, including (a) Making targeted prefunding contributions on a timely basis; (b) Depositing contributions in an irrevocable qualified trust for the exclusive benefit of plan members; (c) Investing contributions in excess of any pay-as-you-go amounts in a diversified investment portfolio with a defined investment policy; and (d) Ensuring that the discounted rate used to develop the actuarial account liability and normal cost recognizes the expected return of the entire portfolio. **(STATUS: Failed.)**
- **AB 3150 (Brough) – FAILED.** Existing law requires each state and local public pension or retirement system, on and after the 90th day following the completion of the annual audit of the system, to provide a concise annual report on the investments and earnings of the system, as specified, to any member who makes a request and pays a fee, if required, for the costs incurred in preparation and dissemination of that report. This bill would also require each state and local pension or retirement system to post a concise annual audit of the information described above on that system’s Internet Web site no later

than the 90th day following the audit's completion. By imposing new duties on local retirement systems, the bill would impose a state-mandated local program. **(STATUS: Failed.)**

- **SB 1033 (Moorlach) – FAILED.** The PERL authorizes retirement systems to enter into agreements to provide certain reciprocal benefits to employees that are employed by other agencies that are parties to the agreement if the employees meet specified requirements, a practice commonly referred to as reciprocity. Reciprocity provides for the application of the final compensation paid by a subsequent employer to service provided to a prior employer. The PERL provides that a public agency that has agreed to reciprocity with CalPERS also has reciprocity with all other agencies that have entered into those agreements with CalPERS, among others. The PERL requires the CalPERS Board to ensure that a contracting agency that creates a significant increase in actuarial liability as a result of increased compensation paid to a nonrepresented employee bears the associated liability, except as specified, including a portion that would otherwise be borne by another contracting agency. The PERL requires the system actuary to assess an increase in liability, in this regard, to the employer that created it at the time the increase is determined and to make adjustments to that employer's contribution rates to account for the increased liability. This bill would require that an agency participating in CalPERS that increases the compensation of a member who was previously employed by a different agency to bear all actuarial liability for the action, if it results in an increased actuarial liability beyond what would have been reasonably expected for the member. The bill would require, in this context that the increased actuarial liability be in addition to reasonable compensation growth that is anticipated for a member who works for an employer or multiple employers over an extended time. The bill would require, if multiple employers cause increased liability, that the liability be apportioned equitably among them. The bill would apply to an increase in actuarial liability, as specified, due to increased compensation paid to an employee on and after January 1, 2019. **(STATUS: Failed.)**
- **SB 1166 (Pan) – FAILED.** This bill would require that any CalPERS contracting agency that fails to make its required employer contributions on time, **and fails to cure the delinquency within 7 days**, to notify members and retired members who are current or past employees of that agency, or their beneficiaries, of the agency's delinquency by mail within 30 days of the payment having become delinquent. The bill would require the board to provide contact information in a specified format to contracting agencies for the purpose of providing notice to members and retired members who are current or past employees of that agency, or to their beneficiaries, and would prescribe a process in this regard. The bill would immunize contracting agencies for failure to provide notice if the contact information is incomplete or incorrect. **(STATUS: Failed.)**

Attachment

**Submitted by:**

A handwritten signature in cursive script that reads "Gina M. Ratto". The signature is written in black ink and is positioned above a horizontal line.

Gina M. Ratto  
General Counsel

**2017—2018 LEGISLATIVE SESSION BILLS OF INTEREST  
LEGISLATIVE UPDATE (October 15, 2018) – ATTACHMENT**

**AB 283 (Cooper) – FAILED.** The CERL currently provides that a member who is permanently incapacitated shall be retired for disability despite age if, among other conditions, the member’s incapacity is a result of injury or disease arising out of and in the course of the member’s appointment, and that employment contributes substantially to that incapacity or the member has completed five years of service and not waived retirement in respect to the particular incapacity or aggravation thereof, as specified. The bill would amend the CERL to require, for purposes of determining permanent incapacity of certain peace officers, that those members be evaluated to determine if they can perform all of the usual and customary duties of a peace officer as described under Section 830 of the Penal Code. The bill would apply to members who file applications for disability on or after the effective date of the bill, except for cases on appeal at that time. **(STATUS: Failed.)**

**AB 526 (Cooper) – FAILED.** This bill would make the Sacramento County Employees Retirement System a district under the CERL. **(STATUS: Failed.)**

**AB 1597 (Nazarian) – VETOED. Amended (non-substantive) August 24, 2018.** This bill, upon passage of a federal law imposing sanctions on Turkey for failure to acknowledge the Armenian Genocide, would prohibit the boards of administration of the CalPERS and CalSTRS from making additional or new investments, or renewing existing investments, of public employee retirement funds in an investment vehicle in Turkey that is issued by the government of Turkey or that is owned, controlled, or managed by the government of Turkey. The bill would require the boards to liquidate existing investments in Turkey in these types of investment vehicles within 6 months of the passage of a federal law ~~imposing~~ that imposes sanctions on Turkey. The bill would require these boards, within one year of the passage of a federal law imposing those sanctions on Turkey, to make a specified report to the Legislature and the Governor regarding these actions. The bill would specify that its provisions do not require a board to take any action that the board determines in good faith is inconsistent with its constitutional fiduciary responsibilities to the retirement system. The bill would indemnify from the General Fund and hold harmless the present, former, and future board members, officers, and employees of, and investment managers under contract with, the boards, in connection with actions relating to these investments. The bill would repeal these provisions if a determination is made by the Department of State or the Congress of the United States, or another appropriate federal agency, that the government of Turkey has officially acknowledged its responsibility for the Armenian Genocide. **(STATUS: Vetoed.)**

**AB 1912 (Rodriguez) – SIGNED. Amended August 11 and 24, 2018.** Under existing law, the Joint Exercise of Powers Act (“JPA Act”), the debts, liabilities and obligations of a joint powers authority (“JPA”) are the debts, liabilities and obligations of the parties to the JPA agreement “unless the agreement specifies otherwise.” **This bill would specify that the parties to the joint powers agreement may not specify otherwise with respect to retirement liabilities of the agency if the agency contracts with a public retirement system, and would**

**eliminate an authorization for a party to a JPA agreement to separately contract or assume responsibilities for specific debts, liabilities, or obligations of the agency.** This bill would eliminate that authorization and would state that if a JPA participates in or contracts with a public retirement system the members of the JPA—both current and former—would be required, **require member agencies of a JPA that participates in, or contracts with, a public retirement system, prior to filing a notice of termination or upon notice of potential termination by the Board of Administration of the Public Employees’ Retirement System,** to mutually agree as to the apportionment of the agency’s retirement obligations among themselves, provided that the agreement equals 100% of the retirement liability of the agency. If the member agencies are unable to mutually agree to the apportionment, the bill would require the board to apportion the retirement liability as specified, and would establish procedures allowing a member agency to challenge the board’s determination through the arbitration process. The bill would also provide that if a judgment is rendered against an agency or a party to the agreement for a breach of its obligations to the retirement system, the time within which a claim for injury may be presented or an action commenced against the other party that is subject to the liability determined by the judgment begins to run when the judgment is rendered. The bill would specify that those provisions apply both retroactively to a member agency, or current and former member agency, that has an agreement with the board on or before January 1, 2019, and to new agreements with the board on or after that date.

The bill also amends several other provisions of the PERL with respect to JPAs participating in the CalPERS plan and PERL provisions affecting termination of participation by JPAs in the CalPERS plan. **(STATUS: Signed by Governor.)**

**AB 2076 (Rodriguez) – SIGNED.** The CERL authorizes a county retirement system in Los Angeles County to adjust retirement payments due to errors or omissions, as specified, and permits a member permanently incapacitated for duty to retire for disability only if specified criteria are met and requires the board to determine the effective date of retirement in those cases, as specified. This bill would authorize a county retirement system in Los Angeles County to correct a prior board decision determining the effective date of retirement for a member permanently incapacitated for disability that was made between January 1, 2013, and December 31, 2015, and was based upon an error of law existing at the time of the decision, as specified. The bill would authorize a member seeking correction under these provisions to file an application with the board no later than one year from the date these provision, become operative. **(STATUS: Signed by the Governor.)**

**AB 2196 (Cooper) – SIGNED.** (1) Under the PERL, members may make certain elections, including elections to purchase service credit for various types of public service, upon payment of additional contributions. Existing law permits a member who retires before paying off the entire amount for service credit to pay the balance due or total amount if no payroll deductions had been made prior to retirement by deductions from his or her retirement allowance equal to those authorized as payroll deductions, as specified. This bill would permit the member, survivor, or beneficiary, as an alternative, to elect to receive an allowance that is reduced by the actuarial equivalent of any balance remaining unpaid by the member. The bill would also provide that all elections taking effect on or after January 1, 2020, including elections for normal contributions, arrears contributions, absences, or public service, would become due and payable at the time of member’s retirement or preretirement death. The bill would additionally require the member, survivor, or beneficiary to have his or

her allowance reduced by the actuarial equivalent of any balance remaining unpaid by the member, except as specified.

(2) Existing law permits a member of CalPERS who has elected to receive credit for service and who retires for disability, including a safety member who retires due to industrial disability, to elect to cancel the installments prospectively, in accordance with certain provisions. This bill would specify that for an election taking place on or after January 1, 2020, the amount remaining for normal contributions, arrears, contributions, absences, or public service would become due and payable at the time of the member's retirement or preretirement death. The bill would provide that in these circumstances the member, survivor, or beneficiary would have his or her allowance reduced by the actuarial equivalent of any balance remaining unpaid by the member.

(3) Existing law specifies that an election by a member to receive credit for service under the PERL is effective only if accompanied by a lump-sum payment or an authorization for payments, in accordance with regulations of the CalPERS board; authorizes a member paying for credit for service in after-tax installments to suspend these payments for a period not to exceed 12 months, with payments automatically resuming at the end of the period or earlier, if requested by the member; and permits a member who retires during the suspension period to make, prior to retirement, a lump-sum payment for the recalculated balance due or cancel installment payments. This bill would permit a member, on or after January 1, 2020, as an alternative to these two options, to reduce his or her allowance by the actuarial equivalent of the recalculated balance remaining unpaid by the member.

(4) Under the provisions of the PERL governing the payment of additional service credit, a member's failure to elect to make a lump-sum payment of the election to cancel installment payments results in the resumption of installment payments as of the member's retirement date. This bill instead provide that, for elections with an initial effective date on or after January 1, 2020, a member's failure to elect to make a lump-sum payment or cancel his or her installment payments would result in the member's allowance being reduced by the actuarial equivalent of the recalculated balance remaining unpaid.

(5) The PERL establishes retirement formulas, known as the Second Tier, modified First Tier, and First Tier, which are applicable to specified members of the retirement system, and a member who elects to be subject to Second Tier benefits is paid his or her accumulated contributions plus interest, subject to specified conditions. Effective January 1, 2000, a member who received service credit subject to Second Tier benefits may elect to become subject to First Tier benefits and contribution rates. That law requires a member who elects to become subject to First Tier benefits to deposit accumulated contributions the member withdrew while he or she was subject to Second Tier benefits, plus interest, as specified, and this deposit requirement may be satisfied by an actuarial equivalent reduction in the member's retirement allowance. This bill would instead specify that this deposit requirement may be satisfied by an election to reduce the member's allowance by the actuarial equivalent of any balance remaining unpaid by the number at the time of the member's retirement or preretirement death. The bill would also specify that, for a member who elects to receive First Tier credit on or after January 1, 2020, any unpaid balance of that member would become due and payable at the time of the member's retirement or preretirement death, with the member, survivor, or beneficiary's allowance reduced by the actuarial equivalent of any balance remaining unpaid by the member. **(STATUS: Signed by Governor.)**

**AB 2571 (Fletcher) – FAILED.** This bill, if consistent with fiduciary responsibilities of a public investment fund as determined by its board, would require a public investment fund to require alternative investment vehicles to report at least annually certain information concerning specified hospitality employers relating to race and gender pay equity and sexual harassment. The bill would require the fund to disclose the information it receives at least once annually in a report presented at a meeting open to the public and would require the fund to provide the report upon request to a member of the Legislature. The bill would authorize the Department of Fair Employment and Housing to issue regulations for the implementation of these reporting requirements. The bill would define terms for purposes of the reporting provisions and repeal the reporting provisions on January 1, 2022.

Existing law provides that board members and other officers and employees of CalPERS and CalSTRS, and certain other entities, shall be held harmless and eligible for indemnification from the General Fund in connection with prescribed actions relating to prohibited investments. The bill would additionally provide that board members of any public pension or retirement system, other officers and employees, and investment managers under contract with the system shall also be held harmless and be eligible for indemnification from the General Fund in connection with actions taken pursuant to the bill. **(STATUS: Failed.)**

**AB 3084 (Levine) – FAILED.** Existing law requires all state and local public retirement systems to submit audited financial statements to the State Controller at the earliest practicable opportunity within 6 months of the close of each fiscal year. This bill would require each governing body of a public agency that provides other postemployment benefits to, in an annual financial statement submitted to the Controller, in a form prescribed by the Controller, show that the public agency has met or if it has not met, detail why it has not met, and what the public agency is doing to meet, specified parameters related to the provision of other postemployment benefits, including (a) Making targeted prefunding contributions on a timely basis; (b) Depositing contributions in an irrevocable qualified trust for the exclusive benefit of plan members; (c) Investing contributions in excess of any pay-as-you-go amounts in a diversified investment portfolio with a defined investment policy; and (d) Ensuring that the discounted rate used to develop the actuarial account liability and normal cost recognizes the expected return of the entire portfolio. **(STATUS: Failed.)**

**AB 3150 (Brough) – FAILED.** Existing law requires each state and local public pension or retirement system, on and after the 90th day following the completion of the annual audit of the system, to provide a concise annual report on the investments and earnings of the system, as specified, to any member who makes a request and pays a fee, if required, for the costs incurred in preparation and dissemination of that report. This bill would also require each state and local pension or retirement system to post a concise annual audit of the information described above on that system's Internet Web site no later than the 90th day following the audit's completion. By imposing new duties on local retirement systems, the bill would impose a state-mandated local program. This bill contains other related provisions and other existing laws. **(STATUS: Failed.)**

**SB 656 (Moorlach & Lara) – VETOED.** Amended **August 24, 2018.** This bill would authorize a judge who is not otherwise eligible to retire and who has either attained 60 years of age with a minimum of 5 years of service or accrued 20 or more years of service to leave his or her monetary credits on deposit with the Judges' Retirement System II, to retire, and upon reaching retirement age, as specified, to receive a monthly retirement allowance,

as provided. The bill would prescribe procedures to apply if the judge fails to elect within 30 days of separation and would authorize the board to charge an administrative fee, as specified, to a judge who elects to apply these provisions. The bill would specify the ~~retirement~~monthly allowance provided to a surviving spouse or other beneficiary, and would make other conforming changes in relation to these provisions. The bill would also provide, for the purposes of the Judges' Retirement System II, and for a judge first appointed or elected to office on or after January 1, 2019, that a surviving spouse is a spouse who was married to the judge continuously from the date of retirement until the judge's death. This bill contains other related provisions and other existing laws. **(STATUS: Vetoed by Governor.)**

**SB 964 (Allen) – SIGNED.** This bill would, until January 1, 2035, require CalPERS and CalSTRS to analyze climate-related financial risk, as defined, to the extent the CalPERS and CalSTRS boards identify the risk as a material risk to the retirement system. The bill, by January 1, 2020, and every 3 years thereafter, would require each board to publicly report on the climate-related financial risk of its public market portfolio, including alignment of each system with a specified climate agreement and California climate policy goals and the exposure of the fund to long-term risks, as specified. The bill would provide that it does not require either board to take action unless the board determines in good faith that the action is consistent with its fiduciary responsibilities. **(STATUS: Signed by Governor; Chaptered.)**

**SB 1033 (Moorlach) – FAILED.** The PERL authorizes retirement systems to enter into agreements to provide certain reciprocal benefits to employees that are employed by other agencies that are parties to the agreement if the employees meet specified requirements, a practice commonly referred to as reciprocity. Reciprocity provides for the application of the final compensation paid by a subsequent employer to service provided to a prior employer. The PERL provides that a public agency that has agreed to reciprocity with CalPERS also has reciprocity with all other agencies that have entered into those agreements with CalPERS, among others. The PERL requires the CalPERS Board to ensure that a contracting agency that creates a significant increase in actuarial liability as a result of increased compensation paid to a nonrepresented employee bears the associated liability, except as specified, including a portion that would otherwise be borne by another contracting agency. The PERL requires the system actuary to assess an increase in liability, in this regard, to the employer that created it at the time the increase is determined and to make adjustments to that employer's contribution rates to account for the increased liability. This bill would require that an agency participating in CalPERS that increases the compensation of a member who was previously employed by a different agency to bear all actuarial liability for the action, if it results in an increased actuarial liability beyond what would have been reasonably expected for the member. The bill would require, in this context that the increased actuarial liability be in addition to reasonable compensation growth that is anticipated for a member who works for an employer or multiple employers over an extended time. The bill would require, if multiple employers cause increased liability, that the liability be apportioned equitably among them. The bill would apply to an increase in actuarial liability, as specified, due to increased compensation paid to an employee on and after January 1, 2019. **(STATUS: Failed.)**

**SB 1060, 1061, 1062 (Mendoza) – FAILED.** The PERL requires certain public employers to contribute moneys to CalPERS. Existing law prohibits the state, school employers, and contracting agencies, as defined, from refusing

to pay the employers' contribution as required by the PERL. SB 1060 would require a contracting agency that fails to make a required contribution to CalPERS to notify members of the delinquency within 30 days, as specified. The State Teachers' Retirement Law establishes the Defined Benefit Program of the CalSTRS. The law requires certain employers, as defined, to contribute moneys to the CalSTRS). SB 1061 would require an employer that fails to make a required contribution to CalSTRS to notify members of the delinquency within 30 days, as specified. SB 1062 would require certain employers that fail to make a required employer contribution to CalSTRS or CalPERS to notify members of the delinquency within 30 days, as specified. **(STATUS: Failed.)**

**SB 1124 (Leyva) – VETOED. Amended August 23, 2018.** This bill would establish new procedures under PERL for cases in which a member's benefits are erroneously calculated by the state or a contracting agency. The bill would require the system, upon determining on or after January 1, 2019, or on or after January 1, 2017, if an appeal has been filed and the employee member, survivor, or beneficiary has not exhausted his or her administrative or legal remedies, that compensation for an employee member reported by the state or a contracting agency conflicts with specified law, to discontinue the reporting of the disallowed compensation. The bill would require the contributions made on the disallowed compensation, for active members, to be credited against future contributions on behalf of the state or the contracting agency that reported the disallowed compensation and would require that state or contracting agency to return to the member any contributions paid by the member. The bill would require CalPERS, with respect to retired members or beneficiaries whose final compensation at retirement was predicated upon disallowed compensation, to permanently adjust the benefit to reflect the exclusion of the disallowed compensation, and would require the contributions made on the disallowed compensation to be credited against future contributions on behalf of the state or contracting agency that reported the disallowed compensation. If, among other things, the member was unaware the compensation was disallowed when reported, the bill would require the state or contracting agency that reported the disallowed compensation to pay the system the full cost of any overpayment, as specified, and pay to the retired member or beneficiary the difference between the monthly allowance that was based on the disallowed compensation and the adjusted monthly allowance calculated without the disallowed compensation, as provided. Finally, the bill would authorize the state or a contracting agency, for any MOU entered into on or after January 1, 2019, to submit any compensation proposal intended to form the basis of a pension benefit calculation to the system to determine compliance with specified provisions governing compensation. **(STATUS: Vetoed by Governor.)**

**SB 1166 (Pan) – FAILED.** This bill would require that any CalPERS contracting agency that fails to make its required employer contributions on time, and fails to cure the delinquency within 7 days, to notify members and retired members who are current or past employees of that agency, or their beneficiaries, of the agency's delinquency by mail within 30 days of the payment having become delinquent. The bill would require the board to provide contact information in a specified format to contracting agencies for the purpose of providing notice to members and retired members who are current or past employees of that agency, or to their beneficiaries, and would prescribe a process in this regard. The bill would immunize contracting agencies for failure to provide notice if the contact information is incomplete or incorrect. **(STATUS: Failed.)**

**SB 1244 (Wieckowski) – SIGNED.** The California Public Records Act (CPRA) requires state and local agencies to make their public records available for public inspection and to make copies available upon request and payment of a fee, unless the public records are exempt from disclosure. The CPRA makes specified records exempt from disclosure and provides that disclosure by a state or local agency of a public record that is otherwise exempt constitutes a waiver of the exemption.

Further, the CPRA requires a court to award court costs and reasonable attorney's fees to the plaintiff if the plaintiff prevails in litigation filed pursuant to the CPRA, and requires the court to award court costs and reasonable attorney's fees to the public agency if the court finds that the plaintiff's case is clearly frivolous. This bill would replace "plaintiff" with "requester" in that provision, would make conforming changes, and specify that these provisions do not preclude the award of fees and costs pursuant to other provisions of law.

**(STATUS: Signed by Governor and Chaptered.)**

**SB 1270 (Vidak) – SIGNED.** The CERL authorizes the retirement boards of five specified counties to appoint assistant administrators and chief investment officers who, following appointment, are outside county charter, civil service, and merit system rules, except as specified. The CERL provides that these administrators and officers are employees of the county, as specified, while serving at the pleasure of the appointing boards, and that they may be dismissed without cause. This bill would apply these provisions to any county if the board of supervisors for that county, by resolution adopted by majority vote, makes those provisions applicable in the county. **(STATUS: Signed by the Governor and Chaptered.)**

**SB 1413 (Nielsen) – SIGNED.** This bill would enact the California Employers' Pension Prefunding Trust Program and establish the California Employers' Pension Prefunding Trust Fund to allow state and local public agency employers that participate in the CalPERS plan that provide a defined benefit pension plan to their employees to prefund their required pension contributions. The bill contains other related provisions. **(STATUS: Signed by Governor and Chaptered.)**