

Memorandum

DATE: May 14, 2018
TO: Members of the Board of Retirement
FROM: Gina M. Ratto, General Counsel
SUBJECT: LEGISLATIVE UPDATE

Written Report

Background/Discussion

The California Legislature reconvened on January 3, 2018 to commence the second year of the 2017 - 2018 legislative session. The last day for bills to get out of committee was April 27, 2018. The 2018 Legislative Calendar is attached for the Board's information.

A comprehensive list and description of the pending bills that staff is monitoring 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

- **AB 2085 (Cooley)** The County Employees Retirement Law of 1937 (CERL) authorizes counties and districts to establish retirement systems in order to provide pension benefits to their employees and beneficiaries. Existing law requires, after a member's death, any retirement allowance earned but not yet paid to the member to be paid to the member's designated beneficiary, and authorizes the surviving spouse of a member who did not designate a beneficiary prior to death to file an election with the board, to be deemed the beneficiary. This bill would define surviving spouse, for purposes of CERL, as a person legally married to the member, who is neither divorced nor legally separated at the time of the member's death and who meets other relevant requirements, as specified. **(STATUS: This bill was pulled by the author after opposition from LACERA.)**
- **SB 1270 (Vidak)** 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: Passed out of the Senate and ordered to the Assembly. At the SACRS Business Meeting on May 18, 2018, the SACRS membership will vote on a proposal to co-sponsor SB 1270.)**

Bills That Would Amend the CERL or Other Laws That Apply to OCERS

- **AB 283 (Cooper)** 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: In Committee.)
- **AB 1912 (Rodriguez) Amended April 19, 2018.** This bill would amend the Joint Exercise of Powers Act to, among other things, specify that if an agency to a joint powers agreement participates in a public retirement system, all parties, both current and former to the agreement, would be jointly and severally liable for all obligations to the retirement **system, and would eliminate the authority to those parties to agree otherwise with respect to the retirement liabilities of the agency.** The bill would 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 entered. The bill would specify that those provisions apply retroactively to all parties, both current and former, to the joint powers agreement. The bill would also amend the PERL in several respects. (STATUS: **Passed out of Committee.**)
- **AB 2076 (Rodriguez)** The CERL authorizes the Los Angeles County Employees Retirement Association (LACERA) to adjust retirement payments due to errors or omissions, as specified, permits a member permanently incapacitated for duty to retire for disability only if specified criteria are met, and requires the LACERA board to determine the **effective** date of retirement in those cases, as specified. This bill would authorize LACERA 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: **Passed out of Assembly and ordered to the Senate. Referred to Committee on 4/19/18.**)
- **SB 1031 (Moorlach)** Existing law, including the CERL, authorizes the application of cost-of-living adjustments to allowances paid to persons retired under, or survivors or beneficiaries of persons retired under, various public retirement systems. The California Public Employees’ Pension Reform Act of 2013 (PEPRA), on and after January 1, 2013, requires a public retirement system, as defined, to modify its plan or plans to comply with the act and, for its purposes, defines pensionable compensation, establishes limits on benefits, and requires the sharing of normal costs between members and employers for the pension systems to which it applies.

This bill would prohibit a public retirement system, including OCERS, from making a cost-of-living adjustment to any allowance payable to, or on behalf of, a person retired under the system, or to any survivor or beneficiary of a member or person retired under the system, for any year beginning on or after January 1, 2019, in which the unfunded actuarial liability of that system is greater than 20%. This bill would require that the determination of unfunded actuarial liability be based on a specified financial report and would apply the prohibition on cost-of-living adjustments, if any, to the calendar year following the fiscal year upon which the report is based. **(STATUS: Failed in Committee; reconsideration granted.)**

- **SB 1244 (Wieckowski) 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.**

This bill would specify that if an agency discloses a record that is otherwise exempt from disclosure, the agency is prohibited from initiating an action to recover that record from a requestor who received it pursuant to these provisions. Further, the CPRA requires a court to award court costs and reasonable attorney 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 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. (STATUS: In Committee. Set for hearing on May 8.)

Other Bills of Interest

- **AB 2571 (Fletcher) Amended 4/11/18** 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: Set for first hearing in Committee; hearing cancelled at the request of author.)

- **AB 3084 (Levine) Amended April 10, 2018.** 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: Passed out of Committee.)**
- **AB 3150 (Brough)** 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: In Committee.)**

Bills that apply to CalPERS and/or CalSTRS Only:

- **SB 964 (Allen)** Amended March 14, 2018. 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: Suspended.)**
- **SB 1032 (Moorlach)** The Public Employees' Retirement Law (PERL) authorizes any public agency to participate in and make all or part of its employees members of CalPERS by contract, and authorizes a contracting agency to terminate its contract if the contract has been in effect for at least 5 years. Under existing law, the CalPERS board is required to hold the accumulated contributions from a terminated contract in a terminated agency pool, as specified, for the benefit of the members. Existing law requires the terminating contracting agency to contribute to the terminated agency pool the difference between the accumulated contributions and the board's pension liability for the contracting agency's members,

as provided. This bill would authorize a contracting agency to terminate its contract with the CalPERS board at the agency's will and would not require the contracting agency to fully fund the pension liability upon termination of the contract. The bill would authorize the CalPERS board to reduce the member's benefits in the terminated agency pool by the percentage of liability unfunded. The bill would also authorize a contracting agency that terminates its contract with the CalPERS board to transfer the assets accumulated in the system to a pension provider designated by the contracting agency.

(STATUS: Failed in Committee; reconsideration granted.)

- **SB 1033 (Moorlach)** 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: In Committee.)**
- **SB 1149 (Glazer)** PEPRA generally requires a public retirement system, as defined, to modify its plan or plans to comply with the act, and authorizes a public employer to provide a contribution to a defined contribution plan for compensation in excess of certain federal compensation limits applicable to qualified pension trusts, if the plan and contribution meet the requirements set forth in federal law. PEPRA prohibits any of those employer contributions to an employee defined contribution plan from exceeding the employer's contribution rate, as a percentage of pay, required to fund the defined benefit plan. Existing law establishes an alternate retirement program and provides that certain state employees, as defined, who become new members of CalPERS during their first 24 months of employment, do not make contributions to CalPERS or receive service credit for their service. Under existing law, these members are instead required to contribute either 5% or 6% of their monthly compensation, as specified, to the alternate retirement program.

This bill would create a new optional defined contribution plan for new state employees who are eligible to become members of CalPERS and who choose not to make contributions into the defined benefit program under the PERL. The bill would require state employees who opt to participate in this alternate system to contribute the same percent of compensation as similarly situated employees who contribute to the defined pension program, subject to applicable limits of federal law. The bill would authorize an employee in the defined contribution program, after 5 years, to have the right to continue in the program or switch to the defined benefit plan, subject to certain terms and conditions. The bill would require the Department of Human Resources to administer the defined contribution retirement program established by the bill. **(STATUS: Failed in Committee; reconsideration granted.)**

Divestment Proposals (CalPERS and CalSTRS Only)

- **AB 1597 (Nazarian)** This bill would prohibit new investments and require liquidation of existing investments of CalPERS and CalSTRS in investment vehicles issued, owned, controlled or managed by the government of Turkey. **(STATUS: Set for first hearing in Committee; hearing cancelled at the request of author.)**

Attachments

Submitted by:



Gina M. Ratto
General Counsel



**2017—2018 LEGISLATIVE SESSION BILLS OF INTEREST
LEGISLATIVE UPDATE (May 14, 2018) – ATTACHMENT**

AB 283 (Cooper): 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: In Committee.)

AB 526 (Cooper) This bill would make the Sacramento County Employees Retirement System a district under the CERL. (STATUS: Set for first hearing in Committee; hearing cancelled at the request of author.)

AB 1597 (Nazarian) This bill would prohibit CalPERS and CalSTRS from making additional or new investments, or renewing existing investments, 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 also require the boards to liquidate existing investments in Turkey in these types of investment vehicles within six months of the passage of a federal law imposing sanctions on Turkey. (STATUS: **Set for first hearing in Committee; hearing cancelled at the request of author.**)

AB 1912 (Rodriguez) Amended April 19, 2018. This bill would amend the Joint Exercise of Powers Act to, among other things, specify that if an agency to a joint powers agreement participates in a public retirement system, all parties, both current and former to the agreement, would be jointly and severally liable for all obligations to the retirement **system, and would eliminate the authority to those parties to agree otherwise with respect to the retirement liabilities of the agency.** The bill would 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 entered. The bill would specify that those provisions apply retroactively to all parties, both current and former, to the joint powers agreement.

The bill also amends the PERL to prohibit the CalPERS board from contracting with any public agency formed under the Joint Exercise of Powers Act unless all the parties to that agreement are jointly and severally liable for all of the public agency’s obligation to the retirement system. The bill would specify that those provisions apply retroactively to all parties, both current and former, to the agreement. The bill would also require any current agreement that does not meet these requirements to be reopened to include a provision holding all member

agencies party to the agreement jointly and severally liable for all of the public agency's obligations to the retirement system.

The bill applies the terminating agency provisions of the PERL to agencies formed under the Joint Exercise of Power Act, and provides that if the governing body of a terminating agency or the governing bodies of its member agencies do not enter into a termination agreement with CalPERS, the member agencies would then assume the retirement obligations for their retirement systems. Which the board would be required to apportion equitably among the member agencies. The bill would extend liability for any deficit in funding for earned benefits, interest and costs of collection, and CalPERS' lien on the assets of the terminating agency, to all of the parties of a terminating agency that was formed under the Joint Exercise of Powers Act.

The bill would eliminate the provision of the PERL that authorizes CalPERS to elect not to impose a reduction or to impose a lesser reduction on a terminated plan if the board has made all reasonable efforts to collect the amount necessary to fully fund the liabilities of the plan and the board finds that not reducing the benefits, or imposing a lesser reduction, will not impact the actuarial soundness of the terminated agency pool. Instead, the bill would require CalPERS to bring a civil action against any member agencies to a terminated agency formed by an agreement under the Joint Exercise of Powers Act to compel payment of the terminated public agency's pension obligations. **(STATUS: Passed out of Committee.)**

AB 2076 (Rodriguez) 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: Passed out of Assembly and ordered to the Senate. Referred to Committee on 4/19/18.)**

AB 2085 (Cooley) The CERL requires, after a member's death, any retirement allowance earned but not yet paid to the member to be paid to the member's designated beneficiary. Existing law authorizes the surviving spouse of a member who did not designate a beneficiary prior to death to file an election with the board, as specified, to be deemed the beneficiary. This bill would define surviving spouse, for purposes of CERL, as a person legally married to the member, who is neither divorced nor legally separated at the time of the member's death and who meets other relevant requirements, as specified. **(STATUS: This bill was pulled by the author after opposition from LACERA.)**

AB 2196 (Cooper) (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, 2019, 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, 2019, the amount of the election 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, 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 would revise that provision to instead provide that, effective on or after January 1, 2019, 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, 2019, 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: Passed out of Committee.)**

AB 2571 (Fletcher) Amended 4/11/18 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: Set for first hearing in Committee; hearing cancelled at the request of author.)**

AB 3084 (Levine) Amended April 10, 2018. 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: Passed out of Committee.)**

AB 3150 (Brough) 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: In Committee.)**

AB 3245 (Rodriguez, Cooley, Cooper, and O'Donnell) Amended April 9, 2018. Existing law establishes various public agency retirement systems, including, among others, the Public Employees' Retirement System, the Judges' Retirement System, and the Judges' Retirement System II. These systems provide defined benefits to public employees based on age, service credit, and amount of final compensation.

This bill would make various nonsubstantive changes to provisions governing these retirement systems.

~~(1) The California Public Employees' Pension Reform Act of 2013 (PEPRA) generally requires a public retirement system, as defined, to modify its plan or plans to comply with the act. PEPRA describes pensionable compensation for new members of a public retirement system who become members of that system on or after January 1, 2013, as consisting of the normal monthly rate of pay or base pay of the member to similarly situated members of the same group or class of employment for services rendered, subject to specified limitations.~~

~~The PERL permits a member to retire concurrently from PERS and other specified public retirement systems and defines final compensation for these purposes. Under the PERL, the highest annual average compensation during any consecutive 12- or 36-month period of employment as a member of a retirement system maintained by the University of California or by a county retirement system is considered compensation earnable for purposes of computing the member's final compensation. PERL also prescribes that the compensation earnable during any period of service as a member of the Judges' Retirement System, the Judges' Retirement System II, the Legislators' Retirement System, or the Defined Benefit Program of the State Teachers' Retirement Plan is considered compensation earnable for purposes of computing final compensation for the member, if he or she retires concurrently under both retirement systems. This bill would revise the above provisions of PERL relating to retirement under concurrent systems to specify that the compensation earnable or pensionable compensation as a member of PERS is subject to the restrictions on compensation earnable under PERS and the restrictions on pensionable compensation under PEPRA.~~

~~(2) The PERL authorizes the board to correct errors or omissions of active or retired members or their beneficiaries, subject to certain conditions and the existence of specified facts, and requires corrections of errors or omissions to be accomplished so that the status, rights, and obligations of the parties are adjusted to be the same that they would have been if the act that would have been taken, but for the error or omission, was taken at the proper time. This bill would require that an overpayment made to or on behalf of any member, former member, or beneficiary, including, but not limited to, contributions, interest, benefits of any kind, federal or state tax, or insurance premiums be deducted from any subsequent benefit that may be payable.~~

~~(3) For purposes of PERL, a "group or class of employment" means a number of employees considered together because they share similarities in job duties, work location, collective bargaining unit, or other logical work-related grouping. Under PERL, increases in compensation earnable granted to an employee who is not in a group or class are limited during the final compensation period applicable to the employee, as well as the 2 years immediately preceding that final compensation period, to the average increase in compensation earnable~~

during the same period reported by the employer for all employees who are in the same membership classification, except as otherwise determined by the board. This bill, with respect to an employee who is not in a group or class, would specify that increases in compensation during that final compensation period are limited to the average increase in compensation earnable during the same period reported by the employer for all similarly situated employees who are in the closest related group or class within the same membership classification. The bill, with respect to an employee who is in a group or class would limit increases in compensation earnable during the final compensation period, as well as the 2 years immediately preceding that period, to the average increase in compensation earnable during the same period reported by the employer for all employees who are in the same group or class of employment within the same membership classification, as prescribed.

(4) The PERL defines "compensation earnable" for school members of the system to mean the pay rate and special compensation of the member, as specified, and defines "pay rate" as the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours. This bill would revise the definition of "pay rate" above to specify that it applies for services rendered on a full time basis during normal workhours pursuant to publicly available pay schedules.

(5) The PERL prescribes disability retirement benefits for state members and certain local safety members of PERS, and provides that if a medical examination and other available information show to the satisfaction of the board of PERS that a member in state service is incapacitated physically or mentally for the performance of his or her duties and is eligible to retire for disability, the board shall immediately retire him or her for disability. This bill would provide that a member is ineligible to retire for disability if the member separates from employment for any reason, including termination, voluntary resignation, resignation with disciplinary action pending, rejection on probation, or mutual agreement. Despite that limitation, the bill would specify that a member may be eligible to retire for disability under PERS if the member's separation from employment was the ultimate result of a disabling medical condition or preemptive of an otherwise valid claim for disability retirement.

(6) The PERL authorizes the governing body of a contracting agency to delegate any authority or duty conferred or imposed with respect to disability retirement provisions under PERS to a subordinate officer of the contracting agency, subject to conditions it may impose. This bill would instead require a governing body of a contracting agency to delegate this authority to a subordinate officer by adopting a resolution to that effect and filing that resolution with the board of PERS. The bill would permit a governing body of a contracting agency to also delegate its authority for other specified actions related to disability retirement to the board of PERS by adopting a resolution and filing it with the board and would require the contracting agency to pay a fee to PERS for those delegated services.

(7) Under the PERL, the board of PERS or, with respect to a local safety member, the governing body of the employer from whose employment the person was retired, may require a recipient of a disability retirement allowance who is under the minimum age for voluntary retirement for service to undergo medical examination. This bill would require the board or the governing board of the employer, as applicable, to also cause a medical

examination to be made upon application for reinstatement of a recipient of a disability retirement allowance, if the recipient is at least 6 months less than the age of compulsory retirement for service, as specified. The bill would modify other terms and conditions for medical examinations under these circumstances.

~~(8) The PERL permits retired members of PERS and their beneficiaries to authorize deductions to be made from their retirement allowance payments and benefits, in accordance with regulations or procedures established by the board, for payment of group insurance premiums and other premiums, credit union payments or shares, dues and other services, and charitable contributions, as specified. This bill would revise and recast those provisions. The bill, among other things, would specify that payments for shares or obligations to any regularly chartered credit union and for charitable contributions apply with respect to those approved by the board as of December 31, 2018.~~

~~(9) The PERL prescribes certain postretirement death benefits for beneficiaries and survivors of PERS members. Under PERL, in lieu of a \$500 death benefit generally applicable to all contracting agencies, a contracting agency may elect instead to be subject to an alternative provision entitling a member's beneficiary to a \$600 death benefit, subject to certain conditions. This bill would authorize this benefit by a contracting agency employer if it is designated by the employer in its contract prior to January 1, 2019.~~

~~(10) The PERL provides an optional increased retirement death benefit for certain local members of the system, upon election by a contracting agency and amendment of its contract, in amounts of \$2,000, \$3,000, \$4,000, or \$5,000, if designated by the employer in its contract. With respect to school members, PERL also authorizes an optional increased retirement death benefit in amounts of \$3,000, \$4,000, or \$5,000, if designated by the employer in its contract. This bill would recast these provisions for the optional death benefit amounts of \$3,000 or \$4,000 to authorize these sums if that amount is designated by the employer in its contract prior to January 1, 2019. The bill would also make various conforming and nonsubstantive changes to PERL, the Judges' Retirement Law, and the Judges' Retirement System II Law. **(STATUS: Passed out of the Assembly; ordered to the Senate.)**~~

SB 964 (Allen) Amended March 14, 2018. 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: Suspended.)**

SB 1031 (Moorlach) Existing law, including the CERL, authorizes the application of cost-of-living adjustments to allowances paid to persons retired under, or survivors or beneficiaries of persons retired under, various public retirement systems. PEPPRA, on and after January 1, 2013, requires a public retirement system, as defined, to modify its plan or plans to comply with the act and, for its purposes, defines pensionable compensation, establishes limits on benefits, and requires the sharing of normal costs between members and employers for the pension systems to which it applies. This bill would prohibit a public retirement system, including OCERS, from

making a cost-of-living adjustment to any allowance payable to, or on behalf of, a person retired under the system, or to any survivor or beneficiary of a member or person retired under the system, for any year beginning on or after January 1, 2019, in which the unfunded actuarial liability of that system is greater than 20%. The bill would require that the determination of unfunded actuarial liability be based on a specified financial report and would apply the prohibition on cost-of-living adjustments, if any, to the calendar year following the fiscal year upon which the report is based. **(STATUS: Failed in Committee; reconsideration granted.)**

SB 1032 (Moorlach) The PERL authorizes any public agency to participate in and make all or part of its employees members of PERS by contract, as provided, and authorizes a contracting agency to terminate its contract if the contract has been in effect for at least 5 years. Under existing law, the board is required to hold the accumulated contributions from a terminated contract in a terminated agency pool, as specified, for the benefit of the members. Existing law requires the terminating contracting agency to contribute to the terminated agency pool the difference between the accumulated contributions and the board's pension liability for the contracting agency's members, as provided. This bill would authorize a contracting agency to terminate its contract with the board at the agency's will and would not require the contracting agency to fully fund the board's pension liability upon termination of the contract. The bill would authorize the board to reduce the member's benefits in the terminated agency pool by the percentage of liability unfunded. The bill would also authorize a contracting agency who terminates its contract with the board to transfer the assets accumulated in the system to a pension provider designated by the contracting agency. **(STATUS: Failed in Committee; reconsideration granted.)**

SB 1033 (Moorlach) 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: In Committee.)

SB 1060, 1061, 1062 (Mendoza) 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: In Senate; pending referral.)**

SB 1149 (Glazer) PEPPRA generally requires a public retirement system, as defined, to modify its plan or plans to comply with the act, and authorizes a public employer to provide a contribution to a defined contribution plan for compensation in excess of certain federal compensation limits applicable to qualified pension trusts, if the plan and contribution meet the requirements set forth in federal law. PEPPRA prohibits any of those employer contributions to an employee defined contribution plan from exceeding the employer's contribution rate, as a percentage of pay, required to fund the defined benefit plan. Existing law establishes an alternate retirement program and provides that certain state employees, as defined, who become new members of CalPERS during their first 24 months of employment, do not make contributions to CalPERS or receive service credit for their service. Under existing law, these members are instead required to contribute either 5% or 6% of their monthly compensation, as specified, to the alternate retirement program. This bill would create a new optional defined contribution plan for new state employees who are eligible to become members of CalPERS and who choose not to make contributions into the defined benefit program under the PERL. The bill would require state employees who opt to participate in this alternate system to contribute the same percent of compensation as similarly situated employees who contribute to the defined pension program, subject to applicable limits of federal law. The bill would authorize an employee in the defined contribution program, after 5 years, to have the right to continue in the program or switch to the defined benefit plan, subject to certain terms and conditions. The bill would require the Department of Human Resources to administer the defined contribution retirement program established by the bill. **(STATUS: Failed in Committee; reconsideration granted.)**

SB 1244 (Wieckowski) 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.

This bill would specify that if an agency discloses a record that is otherwise exempt from disclosure, the agency is prohibited from initiating an action to recover that record from a requestor who received it pursuant to these provisions. Further, the CPRA requires a court to award court costs and reasonable attorney 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 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.
(STATUS: In Committee. Set for hearing on May 8.)

SB 1270 (Vidak) 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: Passed out of Senate and ordered to the Assembly.)

2018 TENTATIVE LEGISLATIVE CALENDAR
 COMPILED BY THE OFFICE OF THE SECRETARY OF THE SENATE
 Revised 11/16/16

DEADLINES

JANUARY						
S	M	T	W	TH	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

- Jan. 1** Statutes take effect (Art. IV, Sec. 8(c)).
- Jan. 3** **Legislature Reconvenes** (J.R. 51(a)(4)).
- Jan. 10** Budget must be submitted by Governor (Art. IV, Sec. 12(a)).
- Jan. 12** Last day for **policy committees** to hear and report to **fiscal committees** fiscal bills introduced in their house in the **odd-numbered year** (J.R. 61(b)(1)).
- Jan. 15** Martin Luther King, Jr. Day.
- Jan. 19** Last day for any committee to hear and report to the **floor** bills introduced in that house in the odd-numbered year (J.R. 61(b)(2)). Last day to **submit bill requests** to the Office of Legislative Counsel.
- Jan. 31** Last day for each house to **pass bills introduced** in that house in the odd-numbered year (J.R. 61(b)(3), (Art. IV, Sec. 10(c)).

FEBRUARY						
S	M	T	W	TH	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28			

- Feb. 16** Last day for bills to be **introduced** (J.R. 61(b)(4), (J.R. 54(a)).
- Feb. 19** Presidents' Day.

MARCH						
S	M	T	W	TH	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

- Mar. 22** **Spring Recess** begins upon adjournment of this day's session (J.R. 51(b)(1)).
- Mar. 30** Cesar Chavez Day observed.

APRIL						
S	M	T	W	TH	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

- Apr. 2** **Legislature Reconvenes** from Spring Recess (J.R. 51(b)(1)).
- Apr. 27** Last day for **policy committees** to hear and report to **fiscal committees** fiscal bills introduced in their house (J.R. 61(b)(5)).

MAY						
S	M	T	W	TH	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

- May 11** Last day for **policy committees** to hear and report to the floor **nonfiscal** bills introduced in their house (J.R. 61(b)(6)).
- May 18** Last day for **policy committees** to meet prior to June 4 (J.R. 61(b)(7)).
- May 25** Last day for **fiscal committees** to hear and report to the floor bills introduced in their house (J.R. 61(b)(8)). Last day for **fiscal committees** to meet prior to June 4 (J.R. 61(b)(9)).
- May 28** Memorial Day.
- May 29- June 1 Floor Session only.** No committees, other than conference or Rules committees, may meet for any purpose (J.R. 61 (b)(10)).

*Holiday schedule subject to Senate Rules committee approval

2018 TENTATIVE LEGISLATIVE CALENDAR
 COMPILED BY THE OFFICE OF THE SECRETARY OF THE SENATE
 Revised 11/16/16

JUNE						
S	M	T	W	TH	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

- June 1** Last day for each **house to pass bills** introduced in that house (J.R. 61(b)(11)).
- June 4** Committee meetings may resume (J.R. 61(b)(12)).
- June 15** Budget Bill must be passed by **midnight** (Art. IV, Sec. 12(c)(3)).
- June 28** Last day for a legislative measure to qualify for the Nov. 6 General Election ballot (Elections code Sec. 9040).
- June 29** Last day for **policy committees** to hear and report **fiscal bills** to fiscal committees (J.R. 61(b)(13)).

JULY						
S	M	T	W	TH	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

- July 4** Independence Day.
- July 6** Last day for **policy committees** to meet and report bills (J.R. 61(b)(14)). **Summer Recess** begins upon adjournment provided Budget Bill has been passed (J.R. 51(b)(2)).

AUGUST						
S	M	T	W	TH	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

- Aug. 6** **Legislature Reconvenes** (J.R. 51(b)(2)).
- Aug. 17** Last day for **fiscal committees** to meet and report bills (J.R. 61(b)(15)).
- Aug. 20-31** **Floor Session only.** No committees, other than Conference and Rules Committees, may meet for any purpose (J.R. 61(b)(16)).
- Aug. 24** Last day to **amend** on the floor (J.R. 61(b)(17)).
- Aug. 31** Last day for **each house to pass bills**, except bills that take effect immediately or bills in Extraordinary Session (Art. IV, Sec. 10(c), (J.R. 61(b)(18)). **Final Recess** begins upon adjournment (J.R. 51(b)(3)).

*Holiday schedule subject to Senate Rules committee approval

IMPORTANT DATES OCCURRING DURING INTERIM STUDY RECESS

2018

- Sept. 30 Last day for Governor to sign or veto bills passed by the Legislature before Sept. 1 and in the Governor's possession on or after Sept. 1 (Art. IV, Sec. 10(b)(2)).
- Nov. 6 General Election
- Nov. 30 Adjournment *Sine Die* at midnight (Art. IV, Sec. 3(a)).
- Dec. 3 12 Noon convening of the 2019-20 Regular Session (Art. IV, Sec. 3(a)).

2019

- Jan. 1 Statutes take effect (Art. IV, Sec. 8(c)).