

Memorandum

MEETING DATE

JUN 13 2012

AGENDA ITEM

7

Date: June 13, 2012

To: Board of Retirement
Marilyn Leedom, Retirement Chief Executive Officer
Retirement Staff

From: Karen Levy, General Counsel

Subject: Summary of Pending Legislation Pertaining to the County Employees Retirement Law of 1937

Below is a summary of pending legislation relating to the County Employees Retirement Law of 1937 ("CERL"). These bills may be further amended by the State Legislature. If enacted, these provisions would become law on January 1, 2013 (unless they are passed as urgency measures or contain a different operative date).

Constitutional amendments ACA 22 and SCA 18; legislative bills AB 2224 and SB 1176 – GOVERNOR'S PENSION REFORM. These constitutional amendments and legislative bills would:

- Require defined benefit public pension systems in California to provide a hybrid plan with a defined contribution component (ACA 22, SCA 18);
- Require forfeiture of retirement benefits by public employees (including elected officials) who are convicted of felonies for conduct arising out of performance of duties, obtaining salary, retirement or other benefits would be forfeited (AB 2224, SB 1176);
- Prohibit retroactive upgrades of benefit formulas (AB 2224, SB 1176);
- Require members to pay at least 50% of the actuarially determined normal cost for the defined benefit component of the plan (AB 2224, SB 1176);
- Prohibit public employers from picking up any portion of employees' retirement contribution (ACA 22, SCA 18); and
- Prohibit future purchases of additional service credit (also known as "air time"), by eliminating Govt. Code Section 31658 (ACA 22, SCA 18).

Status: ACA 22 in Assembly; SCA 18 and SB 1176 in Senate Public Employment and Retirement Committee; and AB 2274 in Assembly Public Employees, Retirement and Social Security Committee.

AB 340 – COUNTY EMPLOYEES' RETIREMENT. This bill was introduced in 2011 in a form that was similar to AB 1987 introduced in 2010 (and vetoed by the Governor.) AB 340 contained provisions that would have redefined pensionable compensation, prohibited any compensation determined by the retirement board to have been paid for the purpose of enhancing a member's retirement benefit from being included in compensation earnable, and required the



CONTRA COSTA COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
1355 Willow Way, Suite 221, Concord, CA 94520-5728
Telephone: (925) 521-3960, Fax: (925) 646-5747

pension system to audit employers to determine the correctness of retirement benefits, reportable compensation, and enrollment in, and reinstatement to, the system. All substantive provisions were later removed from the bill, and a joint legislative conference committee was formed for the purpose of crafting comprehensive pension reform legislation. The committee has held several hearings and is expected to provide its recommendations for the legislature to consider.

Status: Joint Legislative Conference Committee.

AB 1519 – COUNTY EMPLOYEE RETIREMENT BOARDS – TRUSTEE EDUCATION.

This bill would require retirement boards to adopt a policy for providing education for members of retirement boards, as specified, and would require all board members to receive a minimum of 24 hours of board member education within the first 2 years of assuming office and for every subsequent 2-year period in which the person serves on the board. The bill would require each board to maintain a record of a board member's compliance with the policy, and to post the policy and an annual report on board member compliance on the retirement system's website.

Status: Passed in Assembly, currently with the Senate Public Employment and Retirement Committee.

AB 1639 – RETIREMENT: PUBLIC EMPLOYEES. This bill would add Section 7503.5 to the Government Code, specifying that for the purposes of determining a retirement benefit paid to a person who first becomes a member of a public retirement system on or after January 1, 2013, the maximum compensation taken into account under the plan for any year must not exceed the amount permitted to be taken into account under the Internal Revenue Code Section 401(a)(17). This bill would also prohibit a public employer from making contributions to any qualified public retirement plan based on any portion of compensation that exceeds the 401(a)(17) limits. Again, this would apply only to employees who first become members of the retirement system on or after January 1, 2013.

Status: The subject matter was referred to the Committee on Rules for assignment to the proper committee for study. In Assembly.

AB 1885 – COUNTY EMPLOYEES' RETIREMENT: RECIPROCAL BENEFITS.

The CERL provides for reciprocity of retirement benefits to a member of a county retirement system by reason of his or her membership in another public retirement system. The reciprocal rights of a member of a county retirement system are conditioned upon reemployment within a specified period after termination of employment covered by another retirement system. The reemployment period is six months, but it is permissible for counties to mandate the extension of that period to one year in the case of any member who was reemployed on or after January 1, 1989, and whose termination of employment was due to layoff because of a lack of work, a lack of funds, or a reduction in workforce. This bill would make this *permissible* one-year reemployment provision *mandatory* in all CERL counties.

Status: Senate Public Employment and Retirement Committee

AB 2664 – ELECTRONIC SIGNATURES AND GROUP DENTAL PLAN. This bill would permit a CERL retirement board to accept electronic signatures. This bill would also establish the County Retirement System Dental Care Program, and would authorize a retired member of a county retirement system to enroll in a dental program offered pursuant to those provisions,

CERL

CONTRA COSTA COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
1355 Willow Way, Suite 221, Concord, CA 94520-5728
Telephone: (925) 521-3960, Fax: (925) 646-5747

subject to meeting eligibility requirements and payment of premiums. The bill would authorize the board of retirement to contract with a third-party administrator to provide dental care to the retired members, their survivors, and their eligible dependents.

Status: Senate Public Employment and Retirement Committee.

SB 996 – REBUTTABLE PRESUMPTION FOR HEART TROUBLE. Under the CERL, a safety member who has completed five years or more of service and develops heart trouble is entitled to a presumption that the heart trouble arose out of and in the course of employment. This bill would clarify that the existing presumption is rebuttable.

Status: Assembly Public Employees, Retirement and Social Security Committee.

SB 1231 – COUNTY EMPLOYEES RETIREMENT – COST-OF-LIVING

ADJUSTMENTS. This bill would authorize the board of supervisors to preclude the board of retirement from providing cost of living increases, and has been recently amended to apply to Orange County only.

Status: Senate Public Employment and Retirement Committee.

SB 1382 – COUNTY EMPLOYEES RETIREMENT: RETIREE ORGANIZATIONS.

- **Retiree payroll deductions.** The CERL currently authorizes the retirement board to allow a retired member to have a deduction from their retirement check of a specified amount for various purposes, including, among others, paying for group life insurance, group disability insurance, prepaid group medical or hospital service plans, and dental plans approved by the retirement board. This bill would allow such deductions for payments to a recognized retiree organization and payment for any retiree benefit programs available through the recognized retiree organization. The board of retirement may charge a reasonable fee for the making of the deductions and payments.
- **“Recognized” Retiree Organization.** This bill would authorize a “recognized” retiree organization to submit a list of nominees for the office of the alternate 8th (retired) member of the retirement board. The bill would define “recognized retiree organization” to mean an organization in which a majority of the members of the organization are retired members of the system and which the retirement board, upon request, has approved recognition.
- **Mailings.** This bill would require the board, upon request from a recognized retiree organization, to cooperate with and assist the organization in distributing communications regarding membership in and retiree benefit programs available through the organization to all, or a portion of, the retired members of the system. The bill would require that the content of those communications be the responsibility of the recognized retiree organization. The bill would also authorize the retirement board to charge a reasonable fee for those mailings.

Status: Assembly Public Employees, Retirement and Social Security Committee.

SB 1494 – COUNTY EMPLOYEES’ RETIREMENT: CONTRA COSTA COUNTY.

- **NEW RETIREMENT TIER – TIER FOUR – 2% AT AGE 60.** This bill would authorize the Contra Costa County Board of Supervisors and the governing boards of



CONTRA COSTA COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
1355 Willow Way, Suite 221, Concord, CA 94520-5728
Telephone: (925) 521-3960, Fax: (925) 646-5747

districts within the county to negotiate with employee organizations to subject new general members to a "Tier Four" retirement formula. The Tier Four formula will be 2% at age 60, using a three year final compensation period (also known as final average salary period). The maximum annual cost of living adjustment for Tier Four would be 2%. [Note that the current general member tier is Tier Three, established in 2002, which provides a retirement formula 2% at age 55 formula, using a one year final compensation period. The maximum annual cost of living adjustment for Tier Three is 3%.]

- **NEW RETIREMENT TIER – SAFETY TIER D – 3% AT AGE 55.** This bill would also authorize the Contra Costa County Board of Supervisors and the governing boards of districts within the county to negotiate with employee organizations to subject new safety members to a 3% at age 55 retirement formula. Safety Tier D will have a maximum 2% cost of living adjustment. [Note that the current safety member tier is 3% at age 50 formula, with a 3% maximum cost of living adjustment for Safety Tier A, and a 2% maximum cost of living adjustment for Safety Tier C.]
- The new retirement tiers would apply to employees first hired on or after January 1, 2013, or a later date established in the memorandum of understanding approved by resolution of the board of supervisors.

Status: Passed Senate, in Assembly, before the Assembly Public Employees, Retirement and Social Security Committee.

CCCEA

CONTRA COSTA COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
1355 Willow Way, Suite 221, Concord, CA 94520-5728
Telephone: (925) 521-3960, Fax: (925) 646-5747