

AMENDED IN ASSEMBLY MAY 18, 2009

AMENDED IN ASSEMBLY APRIL 23, 2009

AMENDED IN ASSEMBLY APRIL 2, 2009

CALIFORNIA LEGISLATURE—2009—10 REGULAR SESSION

ASSEMBLY BILL

No. 446

Introduced by Assembly Member Niello

February 24, 2009

An act relating to public employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

AB 446, as amended, Niello. Public employees' retirement: additional retirement service credits.

The Public Employees' Retirement Law calculates service retirement allowances, in part, based on years of credited service. Members of the Public Employees' Retirement System may receive service credit for public service not otherwise subject to credit, upon payment of specified additional contributions. Existing law authorizes specified members of that system, including employees or officers of the state, the university, a school employer, or a contracting agency and certain legislative employees, to elect to make additional contributions and receive up to 5 years of additional retirement service credit, as defined, subject to specified limitations.

This bill would require the ~~administrators~~ *Board of Administration* of the Public Employees' Retirement System to prepare a report ~~on the use of the additional retirement service credits~~, *on its study of members who have purchased additional retirement service credit*, as specified, *which was prepared as part of its systemwide actuarial investigation*, and to file that report with *specified committees of the Legislature, the*

Director of Finance, the Director of the Department of Personnel Administration, and the Legislative Analyst by February 1, 2010.

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

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

- 1 *SECTION 1. (a) The Board of Administration of the Public*
 2 *Employees' Retirement System shall report to the parties specified*
 3 *in subdivision (b), consistent with the requirements of this section,*
 4 *on its demographic study of members who have purchased*
 5 *additional retirement service credit under Section 20909 of the*
 6 *Government Code, which was prepared as part of its systemwide*
 7 *actuarial investigation required under Section 20133 of the*
 8 *Government Code.*
- 9 *(b) The report shall be submitted to the following:*
- 10 *(1) The chair and vice chair of the Assembly Committee on*
 11 *Public Employees, Retirement and Social Security and the Senate*
 12 *Committee on Public Employment and Retirement and any other*
 13 *committee or subcommittee of the Legislature that considers*
 14 *retirement policy.*
- 15 *(2) The chair and vice chair of the Assembly Committee on*
 16 *Appropriations and the Senate Committee on Appropriations.*
- 17 *(3) The chair and vice chair of the Assembly Committee on*
 18 *Budget and the Senate Committee on Budget and Fiscal Review.*
- 19 *(4) The chair and vice chair of the Joint Legislative Budget*
 20 *Committee.*
- 21 *(5) The Director of Finance.*
- 22 *(6) The Director of the Department of Personnel Administration.*
- 23 *(7) The Legislative Analyst.*
- 24 *(c) The report on the demographic study of members who have*
 25 *purchased additional retirement service shall include, at a*
 26 *minimum, the following:*
- 27 *(1) A list of key assumptions used in the pricing of additional*
 28 *retirement service credits and any subsequent adjustments of those*
 29 *key assumptions.*
- 30 *(2) A comparison of the retirement experience for state members,*
 31 *including a separate category for each retirement tier, school*
 32 *members, and other public agency members who have purchased*

1 *additional retirement service credit to that of those members who*
2 *have not purchased the service credit.*

3 *(3) A comparison of the increase in the retirement allowance*
4 *for members who have purchased additional retirement service*
5 *credit to that of those members who have not purchased the service*
6 *credit.*

7 *(4) A summary of recommendations by the chief actuary based*
8 *on the study presented to the board and the status of those*
9 *recommendations.*

10 *(d) If for any reason the board cannot provide the report by the*
11 *date required in subdivision (e), it shall instead report to the*
12 *Legislature the reason that the information cannot be provided by*
13 *the required date, along with an alternate time for submission.*

14 *(e) The above information shall be filed no later than February*
15 *1, 2010, and shall be based on information from the period of*
16 *January 1, 2004, to June 30, 2007, inclusive.*

17 ~~SECTION 1. The Public Employees' Retirement System~~
18 ~~administrators shall prepare and file a report with the Legislature~~
19 ~~by February 1, 2010. The report shall provide the following~~
20 ~~information regarding the receipt of additional retirement service~~
21 ~~credits under Section 20909 of the Government Code from the~~
22 ~~program's inception through June 30, 2009:~~

23 ~~(a) The number of members who have purchased additional~~
24 ~~retirement service credit, including estimated subtotals of state~~
25 ~~members (including in each retirement tier), California State~~
26 ~~University members, public agency members, and school members.~~

27 ~~(b) The number of those members who have retired, including~~
28 ~~estimated subtotals of state members (including in each retirement~~
29 ~~tier), California State University members, public agency members,~~
30 ~~and school members.~~

31 ~~(c) The average number of service credit years purchased,~~
32 ~~including a breakdown of how many purchases were for one, two,~~
33 ~~three, four, and five years of service credit respectively.~~

34 ~~(d) The average purchase price, taking into account the number~~
35 ~~of years purchased and the members's age and compensation level.~~

36 ~~(e) An estimate of how many members have paid by lump sum,~~
37 ~~installment, rollover, and other methods, and whether there has~~
38 ~~been a significant change in the payment methods by members in~~
39 ~~the last three years (that is, noticeably more members choosing~~
40 ~~one method over another).~~

- 1 ~~(f) For state miscellaneous, state peace officer/firefighter, state~~
2 ~~safety, state industrial, and California Highway Patrol tier~~
3 ~~members, respectively, a list of key assumptions currently used in~~
4 ~~the pricing of additional retirement service credits and whether~~
5 ~~any of those major assumptions changed significantly within the~~
6 ~~last five years.~~
- 7 ~~(g) For state members who have purchased additional retirement~~
8 ~~service credits and subsequently retired, an estimate of the~~
9 ~~following:~~
 - 10 ~~(1) The percentage of members who have retired earlier than~~
11 ~~the effective assumption used in the pricing of their additional~~
12 ~~retirement service credits.~~
 - 13 ~~(2) The percentage of members who have retired with final~~
14 ~~compensation higher than that effectively assumed in the pricing~~
15 ~~of their additional retirement service credits.~~
 - 16 ~~(3) The percentage of members who have retired with a larger~~
17 ~~monthly retirement allowance than that effectively assumed in the~~
18 ~~pricing of their additional retirement service credits.~~
- 19 ~~(h) An estimate of the percentage of members purchasing~~
20 ~~additional retirement service credits who retire within one year,~~
21 ~~within two years, within three years, within four years, and within~~
22 ~~five years of their purchase of additional retirement service credits.~~
- 23 ~~(i) For state members who have purchased additional retirement~~
24 ~~service credits, subsequently retired, and have retired earlier than~~
25 ~~the effective assumption used in the pricing of their additional~~
26 ~~retirement service credits, an estimate of annual state costs for~~
27 ~~their retiree health and dental benefits and the amount that the~~
28 ~~earlier-than-expected retirement of these individuals contributes~~
29 ~~to the state's unfunded other postemployment benefits liability.~~
- 30 ~~(j) An estimate of the amount of the state's unfunded actuarial~~
31 ~~accrued liability for pensions that is attributable to issues~~
32 ~~concerning the pricing of additional retirement service credits~~
33 ~~purchases.~~
- 34 ~~(k) An estimate of the amount of present value paid compared~~
35 ~~to the present value gained, on average.~~