

AMENDED IN ASSEMBLY MARCH 31, 2011

CALIFORNIA LEGISLATURE—2011–12 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1247**

---

---

**Introduced by Assembly Member Fletcher**

February 18, 2011

---

---

~~An act relating to the Public Employees' Retirement System. An act to amend Section 7503 of the Government Code, relating to public employees' retirement.~~

LEGISLATIVE COUNSEL'S DIGEST

AB 1247, as amended, Fletcher. ~~Public Employees' Retirement System. Public retirement systems: reporting.~~

*The California Constitution grants the retirement board of a public pension or retirement system, consistent with the exclusive fiduciary responsibilities vested in it, the sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the public pension or retirement system. Existing law requires all state and local public retirement systems to prepare an annual report in accordance with generally accepted accounting principles. Existing law requires the Boards of Administration of the Public Employees' Retirement System and the State Teachers' Retirement System to file with the Governor and the Legislature a report of its financial statements and investments for the fiscal year. That report is required to include time-weighted market value rate of return on a 5-year, 3-year, and one-year basis and portfolio return comparisons by asset class that compare investment returns with an alternative theoretical portfolio of comparable funds, universes, and indexes regarding the rate of return of the system by asset type.*

*This bill would require the annual report of all state and local public retirement systems to include projections of the fair market value of system assets for each of the next 20 years based on assumed rates of returns of 6%, 7<sup>3</sup>/<sub>4</sub> %, and 9<sup>1</sup>/<sub>2</sub> %.*

~~The California Constitution commits the sole and exclusive fiduciary duty over the assets of a public pension system to the board that manages it. Existing law requires that the Board of Administration of the Public Employees’ Retirement System, its officers, and employees discharge their duties solely in the interest of the participants and beneficiaries of the system.~~

~~This bill would state the intent of the Legislature to enact legislation that implements the proposed recommendations of the CalPERS Special Review, issued December 2010, that investigated and addressed issues raised by the use of placement agents:~~

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

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

- 1     SECTION 1. Section 7503 of the Government Code is amended
- 2     to read:
- 3     7503. (a) All state and local public retirement systems shall
- 4     prepare an annual report in accordance with generally accepted
- 5     accounting principles.
- 6     (b) The report described in subdivision (a) shall include
- 7     projections of the fair market value of system assets for each of
- 8     the next 20 years based on the following assumed rates of returns:
- 9     6 percent, 7<sup>3</sup>/<sub>4</sub> percent, and 9<sup>1</sup>/<sub>2</sub> percent.
- 10    ~~SECTION 1. It is the intent of the Legislature to enact~~
- 11    ~~legislation that implements the proposed recommendations of the~~
- 12    ~~CalPERS Special Review, issued December 2010, that investigated~~
- 13    ~~and addressed problems raised by the use of placement agents. In~~
- 14    ~~this regard, it is the intent of the Legislature to enact legislation~~
- 15    ~~that addresses, among other things, the following:~~
- 16    ~~(a) Institutional risk management and oversight.~~
- 17    ~~(b) Gifts to employees and staff of the Public Employees’~~
- 18    ~~Retirement System.~~
- 19    ~~(c) Employment of members of the Board of Administration of~~
- 20    ~~the Public Employees’ Retirement System following their~~
- 21    ~~separation from employment with the system.~~

- 1 ~~(d) Responsiveness to public records request.~~
- 2 ~~(e) Internal audits.~~
- 3 ~~(f) Relationships between external managers or contractors and~~
- 4 ~~placement agents.~~
- 5 ~~(g) Conflicts in investment functions.~~
- 6 ~~(h) Payment of placement agent fees from investment funds.~~
- 7 ~~(i) Expenses for meetings.~~