

ASSEMBLY BILL

No. 584

Introduced by Assembly Member Cooley

February 24, 2015

An act to amend Sections 10600, 10601, 10602, 10605, and 10606 of, and to amend the heading of Chapter 5 (commencing with 10600) of Part 2 of Division 2 of Title 2 of, the Government Code, relating to public employee retirement systems.

LEGISLATIVE COUNSEL'S DIGEST

AB 584, as introduced, Cooley. Public employee retirement systems.

Existing law creates the Joint Legislative Retirement Committee, prescribes the composition of the committee, and requires the committee to study and review the benefits, programs, actuarial condition, practices, investments and procedures of, and all legislation relating to, retirement systems for public officers and employees in this state as well as trends in the field of retirement. Existing law requires a copy of each bill that affects any public employee retirement system to be transmitted to the committee. Existing law requires the committee to establish a board of experts, the composition of which is prescribed, and to retain an independent actuary as a consultant to the board of experts. Existing law makes a statement of legislative findings in this regard.

This bill would rename the committee the Joint Pension Administration and Sustainability Committee and, in addition to the duties described above, would require the committee to make reports and recommendations to the Legislature and its respective houses on these retirement issues. The bill would revise the composition of the committee to reflect current legislative practice. The bill would require the committee to transmit an analysis for each bill submitted to it,

including an actuarial opinion if appropriate, to the policy committee that is responsible for the bill. The bill would require the committee to retain a legal advisor recognized for expertise in pension and investment law and an academician from a California university with recognized expertise in investing, pension administration, and the operation of financial markets to act as consultants to its board of experts. The bill would revise the statement of legislative findings associated with these provisions.

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. The heading of Chapter 5 (commencing with
 2 Section 10600) of Part 2 of Division 2 of Title 2 of the Government
 3 Code is amended to read:

4
 5 CHAPTER 5. JOINT ~~LEGISLATIVE RETIREMENT~~ PENSION
 6 ADMINISTRATION AND SUSTAINABILITY COMMITTEE

7
 8 SEC. 2. Section 10600 of the Government Code is amended
 9 to read:

10 10600. (a) The Legislature finds that the retirement of officers
 11 and employees of the state, school districts, and many cities,
 12 counties, and public jurisdictions in the state, is provided under
 13 several independently administered and highly complex—and
 14 ~~technical statutes, and that development~~ systems that all share the
 15 distinctive feature of being organized to achieve results over the
 16 30- to 40-year time frame that corresponds to the typical length
 17 of workers' careers.

18 (b) *These pension systems are organized and administered under*
 19 *highly technical statutes and protected by constitutional provisions.*
 20 *Certain provisions in the California Constitution, which are*
 21 *patterned upon the Employee Retirement Income Security Act,*
 22 *commonly known as ERISA, require that pension funds be invested*
 23 *for the sole interests of the beneficiaries and for the exclusive*
 24 *purpose of providing benefits and establish a standard of conduct*
 25 *that makes persons managing the pension systems fiduciaries with*
 26 *respect to how they manage the money.*

1 (c) *Development and change in—such these systems are*
2 *interrelated and have important long-range implications both with*
3 *respect to cost and to the rights of public employees retirement*
4 *expectations of public employees and also the state and national*
5 *economy, as the ability of persons to enter into retirement with a*
6 *source of income to spend on goods and services in retirement*
7 *provides an important source of demand for goods and services*
8 *during economic downturns to assist eventual recovery as well as*
9 *assisting the ability of public entities to transition their workforces*
10 *to younger entry level employees as older workers are able to*
11 *retire even during an economic downturn, thereby creating*
12 *openings. The*

13 (d) *The Legislature recognizes the need of coordination of such*
14 *to coordinate this change and development and for continuing*
15 *study and analysis of—such these systems and legislation affecting*
16 *them. The Legislature also recognizes the need to recommend*
17 *legislation to change employers' and employees' contributions*
18 *through increased portfolio yield.*

19 (e) *Therefore, it is the desire of the Legislature to provide for*
20 *such continuing study and analysis by a joint legislative committee.*

21 SEC. 3. *Section 10601 of the Government Code is amended*
22 *to read:*

23 10601. (a) *The Joint—Legislative—Retirement Pension*
24 *Administration and Sustainability Committee is hereby created.*
25 *The committee shall study and review the benefits, programs,*
26 *actuarial condition, practices, investments, and procedures of, and*
27 *all legislation relating to, the retirement systems for public officers*
28 *and employees in this state and the trends and developments in*
29 *the field of—retirement retirement, and make reports and*
30 *recommendations thereon to the Legislature and its respective*
31 *houses. The committee has a continuing existence and may meet,*
32 *act, and conduct its business at any place within this state during*
33 *the sessions of the Legislature, or any recess thereof, and in the*
34 *interim period between sessions. A copy of each bill—~~which~~ that*
35 *affects any public employee retirement system shall be transmitted*
36 *to the committee, and the committee shall transmit an analysis,*
37 *including an actuarial opinion if appropriate, to the policy*
38 *committee responsible for the bill.*

39 (b) *A report submitted pursuant to the Legislature subdivision*
40 (a) *shall be submitted in compliance with Section 9795.*

1 SEC. 4. Section 10602 of the Government Code is amended
2 to read:

3 10602. The committee shall consist of a member from each of
4 the following Senate committees: Banking and ~~Commeree~~,
5 *Financial Institutions, Governance and Finance, Health, Insurance,*
6 *Labor and Industrial Relations, ~~Local Government~~, and Public*
7 *Employment and Retirement, ~~and Revenue and Taxation~~ and a*
8 *member from each of the following Assembly ~~committees~~:*
9 *committees: Accountability and Administrative Review, Banking*
10 *and Finance, Insurance and ~~Commeree~~, Labor and Employment,*
11 *Local Government, Public ~~Employees and Retirement~~ *Employees,**
12 *Retirement and Social Security, and Revenue and Taxation. The*
13 *members shall be selected in the manner provided for in the Joint*
14 *Rules of the Senate and Assembly. The committee shall elect its*
15 *own chairman. Vacancies occurring in the membership of the*
16 *committee between general sessions of the Legislature shall be*
17 *filled in the manner provided for in the Joint Rules of the Senate*
18 *and Assembly. A vacancy shall be deemed to exist as to any*
19 *member of the committee whose term is expiring whenever such*
20 *member is not reelected at the General Election.*

21 SEC. 5. Section 10605 of the Government Code is amended
22 to read:

23 10605. (a) The committee shall establish a board of experts.
24 The board of experts shall include: the Controller, the chairpersons
25 of the investment committees of the Board of Administration of
26 the Public Employees' Retirement System and *of the Teachers'*
27 *Retirement Board of the Teachers' Retirement System, the*
28 ~~presidents~~ *president and chairperson of those boards, respectively,*
29 *the executive officers of those systems, the chiefs of investment*
30 *of those systems, the chief actuaries of those systems, the pension*
31 *managers and treasurers of two corporations, a manager of a city*
32 *pension fund, and a manager of a county pension fund.*

33 (b) The committee shall retain as ~~a consultant~~ *consultants* to
34 the board of experts an independent actuary *a legal advisor*
35 *recognized for expertise in pension and investment law and an*
36 *academician from a California university with recognized expertise*
37 *in investing, pension administration, and the operation of financial*
38 *markets.*

39 (c) The board of experts shall be reimbursed for its actual and
40 necessary expenses.

1 SEC. 6. Section 10606 of the Government Code is amended
2 to read:

3 10606. (a) There shall be held during the last week of March
4 of each year a joint meeting of the ~~committee~~ *Joint Pension*
5 *Administration and Sustainability Committee*, the board of experts,
6 the Board of Administration of the Public Employees' Retirement
7 System, the Teachers' Retirement Board, the executive officers
8 of those systems, and the State Treasurer, to review the
9 performance of the systems. The annual reports of those systems
10 and the financial reports and reports of operations shall be
11 presented at the meeting.

12 (b) (1) At the meeting, the State Treasurer shall present a
13 review of the investment practices of the Public Employees'
14 Retirement System and the State Teachers' Retirement System
15 and shall transmit a copy of the report to the committee.

16 (2) *A report submitted pursuant to paragraph (2) shall be*
17 *submitted in compliance with Section 9795.*