

AMENDED IN ASSEMBLY APRIL 6, 2015

CALIFORNIA LEGISLATURE—2015–16 REGULAR SESSION

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 *Section* 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 amended, 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:

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5 CHAPTER 5. JOINT PENSION ADMINISTRATION AND
6 SUSTAINABILITY COMMITTEE

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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 systems
14 that all share the distinctive feature of being organized to achieve
15 results over the 30- to 40-year time frame that corresponds to the
16 typical length of workers' careers.

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

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

12 (d) The Legislature recognizes the need to coordinate this change
13 and development and for continuing study and analysis of these
14 systems and legislation affecting them.

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

17 SEC. 3. Section 10601 of the Government Code is amended
18 to read:

19 10601. (a) The Joint Pension Administration and Sustainability
20 Committee is hereby created. The committee shall study and review
21 the benefits, programs, actuarial condition, practices, investments,
22 and procedures of, and all legislation relating to, the retirement
23 systems for public officers and employees in this state and the
24 trends and developments in the field of retirement, and make
25 reports and recommendations thereon to *both houses of the*
26 ~~Legislature and its respective houses.~~ *Legislature.* The committee
27 has a continuing existence and may meet, act, and conduct its
28 business at any place within this state during sessions of the
29 Legislature, or any recess thereof, and in the interim period between
30 sessions. A copy of each bill that affects any public employee
31 retirement system shall be transmitted to the committee, and the
32 committee shall transmit an analysis, including an actuarial opinion
33 if appropriate, to the policy committee responsible for the bill.

34 (b) A report submitted ~~pursuant~~ to the Legislature *pursuant to*
35 subdivision (a) shall be submitted in compliance with Section
36 9795.

37 SEC. 4. Section 10602 of the Government Code is amended
38 to read:

39 10602. The committee shall consist of a member from each of
40 the following Senate committees: Banking and Financial

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

15 SEC. 5. Section 10605 of the Government Code is amended
 16 to read:

17 10605. (a) The committee shall establish a board of experts.
 18 The board of experts shall include: the Controller, the chairpersons
 19 of the investment committees of the Board of Administration of
 20 the Public Employees' Retirement System and of the Teachers'
 21 Retirement Board of the Teachers' Retirement System, the
 22 president and chairperson of those boards, respectively, the
 23 executive officers of those systems, the chiefs of investment of
 24 those systems, the chief actuaries of those systems, the pension
 25 managers and treasurers of two corporations, a manager of a city
 26 pension fund, and a manager of a county pension fund.

27 (b) The committee shall retain as consultants to the board of
 28 experts an independent ~~actuary~~ *actuary*, a legal advisor recognized
 29 for expertise in pension and investment ~~law~~ *law*, and an
 30 academician from a California university with recognized expertise
 31 in investing, pension administration, and the operation of financial
 32 markets.

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

35 SEC. 6. Section 10606 of the Government Code is amended
 36 to read:

37 10606. (a) There shall be held during the last week of March
 38 of each year a joint meeting of the Joint Pension Administration
 39 and Sustainability Committee, the board of experts, the Board of
 40 Administration of the Public Employees' Retirement System, the

1 Teachers' Retirement Board, the executive officers of those
2 systems, and the State Treasurer, to review the performance of the
3 systems. The annual reports of those systems and the financial
4 reports and reports of operations shall be presented at the meeting.

5 (b) (1) At the meeting, the State Treasurer shall present a review
6 of the investment practices of the Public Employees' Retirement
7 System and the State Teachers' Retirement System and shall
8 transmit a copy of the report to the committee.

9 (2) A report submitted pursuant to paragraph ~~(2)~~ (1) shall be
10 submitted in compliance with Section 9795.

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