

Memorandum

Meeting Date
06/26/13
Agenda Item
#5

Date: June 17, 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

Recommendation:

Receive and file.

Summary of Pending Legislation:

Below is a summary of pending legislation relating to the County Employees Retirement Law of 1937 ("CERL") and the California Public Employees' Pension Reform Act of 2013 ("PEPRA"). These bills may be further amended by the State Legislature. If enacted, these provisions would become law on January 1, 2014 (unless they are passed as urgency measures or contain a different operative date).

AB 1380 – COUNTY EMPLOYEES' RETIREMENT. This bill would amend various provisions of CERL to coordinate with PEPRA. The bill would add references in CERL to PEPRA in general as well as to specific provisions within PEPRA, as appropriate. This bill contains technical cross-references for provisions relating to retirement eligibility, purchase of service, definition of final compensation, return to work provisions, reciprocity, deferred retirement, Social Security integration and replacement benefit plans.

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

AB 205 – PUBLIC EMPLOYEES' RETIREMENT: PENSION FUND MANAGEMENT. This bill would amend Government Code Section 7514.2 to authorize CERL retirement boards to prioritize investment in an in-state infrastructure project over a comparable out-of-state infrastructure project. Such authority already exists in the law for CalPERS and CalSTRS. This bill would provide that the legislature encourages each retirement board to prioritize investment in in-state infrastructure projects over alternative out-of-state infrastructure projects if the investments in the in-state projects are consistent with the board's fiduciary duties to minimize the risk of loss and to maximize the rate of return.



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

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

SB 13 – PUBLIC EMPLOYEES’ RETIREMENT BENEFITS. SB 13 is PEPRA clean-up legislation. It is an urgency bill requiring a two-thirds vote and would take effect immediately upon enactment. This bill is intended to clarify PEPRA and states that it is declaratory of existing law and is intended to be applied as of the effective date of PEPRA, January 1, 2013. SB 13:

- Would clarify that members with concurrent membership within 6 months of beginning employment with a new employer are exempt from PEPRA tiers (Section 7522.02(c));
- Would clarify that an employer is not precluded from offering a defined contribution plan on or after January 1, 2013, if the employer did not offer one prior to that date (Section 7522.02(e));
- Would clarify that a retirement system is authorized to adopt resolutions or regulations to modify its plans in accordance with PEPRA (Section 7522.02(h));
- Would clarify that the calculation of normal cost can be done either as a single rate of contribution or as age-based rate of contributions (Section 7522.04(g));
- Would clarify that the pensionable compensation Consumer Price Index adjustment is to be calculated each September and compared to the September of the prior year (Section 7522.10(d)(1));
- Would clarify that employers are required on and after January 1, 2013 to offer PEPRA formulas to new members who are safety employees (deleting the reference to “new employees”) (Section 7522.25(e));
- Would clarify that the definition of “normal cost rate” takes into account actuarial assumptions and must include any elements that would impact the actuarial determination of the normal cost, including retirement formula, eligibility and vesting criteria, ancillary benefit provisions, and automatic cost-of-living adjustments (Section 7522.30(b));
- Would clarify that new members must have an initial contribution rate of at least 50 percent of the normal cost rate or the current contribution rate of similarly situated employees, whichever is greater, if the greater current contribution rate has been agreed to through the collective bargaining process (Section 7522.30(c));
- Would clarify that exclusions from “pensionable compensation” apply to “new members.” (Section 7522.34(c));
- Would clarify that the prohibition against employers offering Internal Revenue Code Section 415 replacement benefit plans is applicable to “new members” (deleting the reference to “new employees”) (Section 7522.43(a));
- Would clarify that the exemption from the 180 “sit out” for safety members who retire and are reemployed without reinstatement only applies if the reemployed retiree is a safety member “hired to perform a function or functions regularly performed by a safety officer or firefighter” (Section 7522.56); and
- Would repeal Section 7522.66 regarding safety industrial disability in its entirety.

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



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