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An act to amend Section 3.60 of the Budget Act of 2017 (Chapter 181 of the Statutes of 2017), relating to public employees' retirement, and making an appropriation therefor.



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THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 3.60 of (Chapter 181 of the Statutes of 2017) is amended to read:

Sec. 3.60. (a) Notwithstanding any other law, the employers' retirement contributions for the 2017–18 fiscal year that are chargeable to any item with respect to each state officer and employee who is a member of the Public Employees' Retirement System (PERS) or the Judges' Retirement System II and who is in that employment or office shall be the percentage of salaries and wages by state member category, as follows:

Miscellaneous, First Tier.....	28.423%
California State University, Miscellaneous, First Tier.....	28.423%
Miscellaneous, Second Tier.....	28.423%
State Industrial.....	20.408%
State Safety.....	20.584%
Peace Officer/Firefighter.....	44.245%
California State University, Peace Officer/Firefighter.....	44.245%
Highway Patrol.....	54.104%
Judges' Retirement System II.....	26.409%

The Director of Finance may adjust amounts in any appropriation item, or in any category thereof, as a result of changes from amounts budgeted for employer contributions for 2017–18 fiscal year retirement benefits to achieve the percentages specified in this subdivision. Beginning in the 2013–14 fiscal year, adjustments to the California State University (CSU) rates are applied to the actual pensionable 2013–14 fiscal year payroll, which is \$2,307,876,000, as identified by the Controller. This process establishes pension funding adjustments through this section for CSU, as reflected in provisional language in Item 6610-001-0001. This results in pension funding for CSU of \$621,483,000 General Fund for the 2016–17 fiscal year. These amounts also will be part of the total appropriation in Item 6610-001-0001 of the Budget Act of 2017.

(b) Notwithstanding any other law, the Director of Finance shall require retirement contributions computed pursuant to subdivision (a) to be offset by the Controller with surplus funds in the Public Employees' Retirement Fund, employer surplus asset accounts.

(c) Notwithstanding any other law, for purposes of calculating the "appropriations subject to limitation" as defined in Section 8 of Article XIII B of the California Constitution, the appropriations shall be deemed to be the amounts remaining after the adjustments required by subdivisions (a) and (b) are made.



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(d) Of the percentage of salaries and wages by state member categories identified in subdivision (a), the following percentages are estimated to be the result of the increased employee contributions pursuant to Chapter 296 of the Statutes of 2012 (AB 340), known as the California Public Employees' Pension Reform Act of 2013, and will be directed toward the state's unfunded pension liability:

Miscellaneous, First Tier.....	0.098%
California State University, Miscellaneous, First Tier.....	0.098%
Miscellaneous, Second Tier.....	0.098%
State Industrial.....	0.881%
State Safety.....	1.182%
Peace Officer/Firefighter.....	1.647%
California State University, Peace Officer/Firefighter.....	1.647%
Highway Patrol.....	1.319%



The contributions to the unfunded liability, as a result of the percentages of salaries and wages in this subdivision, are estimated to be \$111,730,000 (\$77,707,000 General Fund) for the 2017–18 fiscal year.

(e) The Director of Finance may adjust the percentage levels of the employers' retirement contributions listed in subdivisions (a) and (d) as a result of rates provided by the Board of Administration of the Public Employees' Retirement System. The Director of Finance shall notify the Controller by executive order of adjustments made pursuant to this subdivision. Within 30 days of making an adjustment pursuant to this subdivision, the Director of Finance shall report the adjustment in writing to the Chairperson of the Joint Legislative Budget Committee and the chairpersons of the committees in each house of the Legislature that consider appropriations.

(f) (1) In addition to the employers' retirement contributions listed in subdivisions (a) and (d), the Department of Finance may direct the Controller to transfer up to ~~\$146,000,000 from the General Fund~~ the amount identified for appropriation pursuant to subclause (IV) of clause (ii) of subparagraph (B) of paragraph (1) of subdivision (c) of Section 20 of Article XVI of the California Constitution equivalent to the amount described in paragraph (3) of subdivision (d) of Section 35.50 to supplement the state's retirement contributions for the 2017–18 fiscal year.

(2) The Department of Finance shall direct the Controller to transfer the amount specified in paragraph (1) to either of the following:

(A) The Public Employees' Retirement Fund.

(B) The Surplus Money Investment Fund and other funds in the Pooled Money Investment Account that accrue interest to the General Fund, for repayment of principal and interest of a cash loan that was made to supplement the state's retirement contributions.

(3) The supplemental payment described in this subdivision is for unfunded liabilities for state-level pension plans in excess of current base amounts for the 2017–18 fiscal year. Therefore, any amount transferred to a fund identified in paragraph (2) constitutes an obligation pursuant to subclause (IV) of clause (ii) of subparagraph (B) of paragraph (1) of subdivision (c) of Section 20 of Article XVI of the California Constitution.

(4) The Department of Finance shall provide the Controller a schedule of the timing and amounts to be used for purposes of this subdivision.

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LEGISLATIVE COUNSEL'S DIGEST

Bill No.
as introduced, _____.
General Subject: Public employees' retirement: supplemental retirement contributions.

The Budget Act of 2017, as amended, authorized the Department of Finance to direct the Controller to transfer up to \$146,000,000 from the General Fund to supplement the state's retirement contributions for the 2017–18 fiscal year.

This bill would revise the Budget Act of 2017 to authorize the Department of Finance, instead, to direct the Controller to transfer up to an amount identified for appropriation for unfunded state pension liabilities and prefunding postemployment benefits, as specified, equivalent to the amount described in a specified section of the Budget Act of 2017, which identifies the amount of the transfer to the Budget Stabilization Account for the 2017–18 fiscal year.

Vote: 2/3. Appropriation: yes. Fiscal committee: yes. State-mandated local program: no.

