

SUMMARY OF LEGISLATIVE OPTIONS

Reduction in Costs and/or Risks:

Eliminate Purchase of Airtime – Would eliminate the opportunity, for all current and future employee members of all state and local retirement systems, to purchase additional retirement service credit. (Governor's proposal; *SB 522 would eliminate Air Time*)

Limit annual pension contribution such as to IRS limit.

Employee and employer share equally in the normal cost.

Impose a cap on the compensation level that can be use to accrue benefits.

Convert to Defined Contribution Plans or a Hybrid Option which could include Social Security.

Weight the Final Average Earnings by each year's compensation.

Tie level of benefits to the actual returns in the system.

Allow for changing the future unaccrued benefits.

Pension systems, not the employers, have to make up inadequate investment returns or reduce benefits to their members to a sustainable level.

Institute one tier for all classification of public employees.

Eliminating Abuses:

Prohibit Pension Spiking: 3-Year Final Compensation – Final compensation for new employees would be defined as the highest average annual compensation during a consecutive 36 month period. (Governor's proposal)

Prohibit Pension Spiking: Define Compensation as Only Regular, Non-recurring Pay – Compensation means normal rate of pay or base pay. (Governor's proposal; *SB 27 would exclude from defined benefit changes in compensation principally for the purpose of enhancing benefit and would place stricter limits on creditable compensation*)

Felony Convictions – Prohibits payment of pension benefits to those who commits a felony related to their employment. (Governor's proposal; *SB 115, similar prohibition*)

Eliminate or limit collecting retirement benefits if re-employed or consulting for another public entity.

Allow for accumulating of retirement benefits in a second system only up to the maximum benefit level for the first system.

Reform qualifications and tax-exemption for disability claims.

Financial & Management:

Prohibit Pension Holidays – All California public agencies would be prohibited from suspending employer and/or employee contributions necessary to fund the normal cost of pension benefits. (Governor's proposal)

Prohibit Employers from Making Employee Pension Contributions – All California public agencies would be prohibited from making employee contributions that fund the normal cost of employee retirement benefits in whole or in part. (Governor's proposal)

Prohibit Retroactive Pension Increases – All California public agencies would be prohibited from granting any retroactive pension benefit increases, such as benefit formula improvements that credit prior service. (Governor's proposal)

Fund Governance & Administration:

Restructure the board to have a more proportionate representation of employees, employers, and taxpayers.

Policy makers and board members should not be current beneficiaries or be eligible to receive benefits in the system.

Benefits increases approved by the voters.

Provide a value of liability at a high, moderate, and low discount rate.

Provide reporting of each employer's individual assets and liabilities, and their share of the administrative costs for management of the system.

Provide more timely reporting.

Enforce investment policies that prohibit investments in highly speculative or volatile instruments, and where the risk-adjusted rate of return cannot be rationalized.

Change GASB rules for reporting and adequate identification of the unfunded liability.