

1989

## 1989 Legislative Summary

Assembly Public Employees, Retirement and Social Security Committee

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# 1989 LEGISLATIVE SUMMARY

Statutes and Issues  
Affecting Public Retirement  
and Public Employee Benefits



Prepared by the  
Assembly Public Employees, Retirement  
and Social Security Committee

January, 1990

DAVE ELDER, Chair

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STATE OF  
CALIFORNIA



ASSEMBLY  
COMMITTEE ON  
PUBLIC EMPLOYEES,  
RETIREMENT, AND  
SOCIAL SECURITY

CHAIRMAN  
**DAVE ELDER**

Assemblyman  
Fifty-Seventh  
District

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This report was prepared to provide a summary of those bills and issues which came before the Assembly Committee on Public Employees, Retirement and Social Security, during the first half of the 1989-90 General Session.

It contains an overview of the major issues dealt with by the Committee, a summary of each bill assigned to the Committee and its disposition at the end of the Session. In addition, the report contains a list of all informational hearings held in 1989, as well as the specific jurisdictions which the Committee oversees.

A handwritten signature in black ink that reads "Dave Elder".

**DAVE ELDER, Chairman**

Assembly Committee on Public Employees,  
Retirement and Social Security

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## **I. SUMMARY OF MAJOR LEGISLATIVE ISSUES**

The Assembly Committee on Public Employees, Retirement and Social Security (PER&SS) has assembled for your use and information, this summary of legislation and issues which were considered by the Committee.

The Committee dealt with some major issues in 1989:

1. The increasing cost of employee health care and the resultant financial disaster facing state and local agency employers,
2. Pension fund investment policy,
3. Federal legislation restricting public pensions,
4. State Teachers' Retirement System funding,
5. Collective bargaining,
6. Binding arbitration,
7. Affirmative action program cutbacks at the State Personnel Board,
8. The State Employees Merit Award Program.

To assist in understanding and evaluating the several retirement plans under the jurisdiction of the Committee, a chart was developed which gives a side-by-side comparison of the benefits offered by these plans. The chart, which includes a comparison of contribution rates, service retirement benefits, death and disability benefits, and numerous other categories, will soon be available from the Committee.

Here are some highlights of the major issues considered by the Committee:

### **A. Huge Increases Just Ahead for Public Employee Health Benefit Costs**

Employee health benefits, which have become the focal point of recent labor disputes in both the public and private sector, are taking up a larger and larger portion of the limited amount of money on the bargaining table. At the current rate of cost increases, public employers are facing astronomical premium payments if they continue to provide employees with the same level of health benefits. In the financially strapped public sector, it is difficult to see how this trend can continue; a fact which is forcing the Legislature to examine cost-cutting alternatives.

The total premium cost for the state and for local agencies participating in the Public Employees' Medical and Hospital Care Act (PEMHCA) in the 1988-89 fiscal year was \$675 million. That figure is expected to increase to \$898 million in 1989-90. Following current growth and industry inflation factors, this figure will reach over \$4.8 billion dollars by the year 2000, an increase of nearly \$4 billion dollars in just ten years.

The following chart shows employer/employee health care costs for 1988-89 and projects costs for 1989-90. As can be seen in the first line of the chart, in 1988-89 the State (employer and employees) paid nearly \$562 million towards employee health care premiums.

EMPLOYER/EMPLOYEE HEALTH CARE COSTS IN PEMHCA		
	1988-89	1989-90 (projected)
California State Workers- Total Employer Premium Cost	\$561,940,000	\$697,288,000
Active Total Premium	454,000,000	580,096,000
Employer Share	424,270,000	523,763,000
Employee Share	29,730,000	56,333,000
Retired Total Premium	134,000,000	169,642,000
Employer Share	137,670,000*	173,525,000*
Employee Share	-	-
Local Agency-Total Premium	113,383,000	200,712,000
*Retired employees receive the difference between the employer premium contribution and the actual premium cost as a cash supplement which can be used to offset Medicare Part B payments.		

At the current benefit level and rate of cost increases, the State's obligation could reach \$3.7 billion by the year 2000, simply an unaffordable amount.

There are no figures available on employer vs. employee premium rates for local agencies contracting with PEMHCA because each agency bargains a different cost sharing arrangement with its own employees. However, local agency costs are also increasing dramatically. Because the Assembly Committee on Public Employees, Retirement and Social Security has jurisdiction in policy matters relating to PEMHCA and employee benefits, it has become involved with this very difficult and complex issue.

Over the past year, the Committee has had frequent briefings on the health care question. It has heard testimony on industry cost projections and efforts to control costs for public agencies and

their employees. Chairman Elder called for PERS to evaluate various cost-savings alternatives which would cost less without sacrificing an employee's ability to seek medical treatment for basic customary services. One alternative for a state-wide catastrophic health care program is AB 373 (Elder). This bill would provide voluntary low-cost catastrophic health care coverage for everyone in California by providing up to \$1 million in lifetime benefits. AB 373 is based on a very popular catastrophic health care plan in Maryland and Washington, D.C. The Committee will continue to work with PERS and employee organizations on this complicated issue.

The Committee also has monitored the one remaining fee-for-service plan offered by PEMHCA, known as PERS-Care. Effective January 1, 1989, only one fee-for-service health plan was available for state employees and contracting agencies who participate in PEMHCA.

This change was the result of a major study conducted by PERS which concluded that the three existing fee-for-service plans should be consolidated into a single plan. It was believed that this was the best approach to keep the fee-for-service mode of health care financially viable. The emergence of Health Maintenance Organizations (HMO's) and their ability to control health care costs, has made the increasing cost of traditional fee-for-service health care more apparent. Throughout 1989, the Committee had special informational hearings, which allowed members to closely monitor the new program and keep abreast of cost and service trends in the health care delivery industry. The PERS-Care plan is further impacted because the average age of its members is several years older than in other plans, creating a greater risk factor, and therefore, higher premiums. In fact, according to the insurance industry, for every additional year of average age in a group plan, the actuarial cost increases by 3 - 5 percent.

The PERS Board was informed that the premium rate increase for PERS-Care in 1989 would be about 30 percent. This translated into an out-of-pocket cost for members of up to \$119 per month for family coverage. Conversely, most of the HMO plans had no out-of-pocket cost to the employee.

However, many state employees live and work in rural areas of the State which have no HMO's. These employees have no alternative to PERS-Care. In response to the financial burden faced by these individuals in order to retain health care, SB 1264 (C. Green) provided a higher state contribution rate for one year for those employees residing in such outlying areas.

The PERS Board directed its staff to research lower cost health care alternatives. This will continue to be a major issue of concern for the Assembly Committee on Public Employees, Retirement and Social Security as well.

## **B. Pension Fund Investment Policy Takes on an International Perspective**

Several legislative measures were considered by the Committee this year dealing with foreign investment policy by the two major retirement systems: PERS and STRS. AB 2443 (Burton) would have required PERS and STRS to keep records on businesses in Northern Ireland which do not adhere to anti-discrimination practices. Three measures dealt with divestment of interests in China in response to the Tienamen Square Massacre. However, one of these measures, ACR 84 (Elder) also called for the pension systems to re-examine the whole question of how they consider human rights factors in their investment decisions and requested them to develop comprehensive guidelines concerning the role of political, economic and human rights in investment decisions.

In addition, in late 1988, the PER&SS Committee released a comprehensive report entitled "California Public Pension Funds and the Stock Market". PERS has investments valued at more than \$57 billion and serves more than 750,000 state and local government workers, about 200,000 of whom are retired or are receiving some other benefit. STRS, serving 450,000 active and retired educators, has approximately \$30 billion in investments. Both pension funds retain stocks as the principal portion of their investment portfolios. This report, which was written in response to the Stock Market crash of October 17, 1987, investigated whether safer investments, such as bonds, mortgages and real estate, could produce comparable realized returns on investment. It concluded that safer alternatives do exist and offered a series of recommendations towards this goal.

In 1989, the Pension Funds report was presented to the governing boards of both PERS and STRS. Since that time, virtually all of the recommendations contained in the Report have been accepted, and several have been implemented. The Committee is continuing its research into pension fund investment policies, and will produce a second report giving a comprehensive look at pension investment results for PERS and STRS during the period 1972-1986, early in 1990.

## **C. New Federal Law Disrupts Public Pensions**

The Technical and Miscellaneous Revenue Act of 1988 (TAMRA) was passed by Congress at the end of the 100th Session. Included in TAMRA was a modification of the Internal Revenue Code Section 415. This section places limits on the amounts which public and private

pension systems may pay in order to retain their tax qualified status.

The ramifications of disqualification are major. If a plan became disqualified, all investment earnings of the system would be subject to federal income tax and employees would be required to pay taxes on the employer's contribution toward their retirement the year the contribution was made.

Congress included a "grandfather" clause in TAMRA which would exempt public sector employees hired before January 1, 1990 from any limits. However, all future hires would be subject to the lower private sector limits. If there is any potential in the plan design for a person to exceed the limits, then the plan must take advantage of the grandfather provision in order to retain its tax qualified status.

Because a few individuals out of the nearly 600,000 members of the California Public Employees' Retirement System have exceeded the limits, and members of the State Teachers' Retirement System (STRS) could theoretically exceed the limits, California plans would need to adopt the grandfather provision in order to maintain their qualified status. All employees hired on or after January 1, 1990 will be subject to the Section 415 pension limitations. While these limits adjust each year for inflation, the limits are currently approximately \$98,000 for those retiring at age 65. The limit is significantly reduced for individuals who retire earlier than age 65 (approximately \$68,000 at age 60, and \$44,000 at age 55).

On June 6, 1989, the Committee held a joint hearing with the Senate Committee on Public Employment and Retirement on Section 415 and its implications for California public retirement plans. A panel of experts representing eight of the major actuarial/employee benefit consulting firms presented testimony. While it was a very informative hearing, there are still many unanswered questions. Two questions, however, were answered definitively by the panel. Without exception, it was agreed by all the participants that California's public pension plans should comply with IRC Section 415, and should grandfather their current members.

Examples of unanswered questions can be found in the fact that there is confusion over how the Internal Revenue Code defines "final compensation". The calculation of final compensation must take into account participation in deferred compensation or 401(k) plans, in that the members' contribution to any tax deferral plan is subtracted from the final compensation figure. However, exactly how such savings plans affect final compensation has not been made clear by the IRS. In addition, it is unclear how Section 415 will

impact reciprocity or service credit agreements for employees who move from one public employer to another.

There was little question that legislation had to be enacted this year which would require all public employers to notify employees hired on or after January 1, 1990 that they are not vested in their retirement benefits, to the extent that these benefits may be limited by Section 415. However the various interest groups differed on whether the grandfather provision for current employees should have been adopted in the 1989 legislation or postponed until next year.

The retirement system administrators argued that they had a fiduciary responsibility to protect the interests of current members and argued for grandfathering in 1989. Some labor groups, however, were very concerned about the impact the new lower limits might have on future employees. They wanted to ensure that these employees would receive replacement benefits so that their total benefit package would be the same as pre-Section 415 employees. Some labor groups felt that they needed to link these replacement benefit provisions with the grandfather provision.

The Legislature passed and the Governor signed into law SB 200 (Russell) and SB 875 (Russell) for PERS and '37 Act counties respectively. While originally these two bills adopted the grandfather provision this year, at the request of labor, adoption of the grandfather provision was delayed until next year for current PERS and '37 Act employees. All new hires, however, will be notified of the pension limits.

Labor argued successfully that this approach provides more time for the Legislature and the interest groups to further study how Section 415 regulations will interact with California pension law specifically, and to get a clearer picture of the number of individuals who will be adversely affected. State law allows the contracting agencies under PERS, for example, to pick and choose from a list of 45 optional benefits that can be used in their plan design. As a result, each contracting agency could have a separate and unique make-up of retirement benefits. It is unknown how each of these benefit options will interact with Section 415. Legislation this year directed PERS to conduct a study, with the help of the Legislative Analyst, and local government agencies to ascertain the full impact of Section 415 on its membership. That report is due March 1, 1990.

The State Teachers' Retirement System, and the California Teachers' Association, however, agreed to grandfather in 1989 in AB 50 (Elder). The bill includes legislative intent language to ensure that no employee will be adversely affected by the limits and a requirement that replacement benefits will be developed through the collective bargaining process. STRS staff predicts

that very few if any members will ever be affected by the Section 415 limits.

The grandfather provision was also adopted for the judges and legislators retirement systems as part of SB 200, since these constituencies did not request a delay. In addition, the Los Angeles County Retirement System, which operates under '37 Act law, requested that they be grandfathered this year because labor and management had agreed to a supplemental retirement plan which would meet the requirements of Section 415 while protecting the interests of future employees. This agreement was contained in SB 869 (C. Green).

#### **D. Optional Retirement Plans: A Creative Alternative**

Because of serious shortcomings in the coverage of existing public retirement plans, the Committee has been exploring other possible options. Four deficiencies in particular have been identified. The death benefit, disability coverage, health care benefits in retirement, and the value of benefits for the member's estate, are quite often less than the employee believes they will be before they are needed. Insurance and annuity options are being evaluated. The Committee considered two ORP bills this year, AB 944 and AB 1629, both authored by Chairman Elder.

AB 944 establishes a second retirement option in the State Teachers' Retirement System (STRS). It gives teachers the opportunity to direct a portion of their STRS contribution to a tax deferred annuity of their choice.

This bill would allow a teacher to choose a 1.5 percent at 60 optional plan instead of the existing 2 percent at 60 plan. The teacher and the district would have to continue making their current 8 percent contributions to STRS. That part of the contribution not needed for the 1.5 percent option would be diverted to the annuity plan. AB 944 requires the new 1.5 percent option to be actuarially sound and fully funded. AB 944 also requires that the STRS Board must periodically determine the cost of the new benefits so that they may remain fully funded. This bill reduces the current vesting period for STRS disability from five years to the first day on the job.

In addition, AB 944 also provides that, for the purposes of purchasing power protection, teachers participating in the new 1.5 percent at 60 plan will be treated as if they were in the current 2 percent at 60 plan.

AB 1629 establishes a new optional retirement benefit for certain employees of the California State University (CSU). It would be available to faculty and managerial employees who are eligible to join the Public Employees' Retirement System (PERS). The optional plan would offer a choice of private defined contribution plans which participants could choose in place of PERS.

The intent of the bill is to provide more choice and flexibility to a highly mobile group of employees who often move from state to state several times during the course of their careers. Since PERS does not have reciprocal retirement arrangements with other state public retirement systems, providing only PERS can cause hardships to employees who are recruited outside California.

As recently amended, AB 1629 also makes bargainable the use of one year compensation for calculating a PERS retirement for CSU members. One year final compensation is now available to PERS contracting agencies and to STRS but has never been offered to CSU employees.

Finally, an interim hearing was held on these bills and on the general topic of the relative strengths and weaknesses of Defined Benefit and Defined Contribution retirement plans. During this hearing, the International City Managers Association (ICMA) corporation provided testimony concerning the prevalence of defined contribution plans in the public sector. ICMA has established more than 3,000 such plans and reports that they are quite popular with both employees and management.

#### **E. Investigation of State's Deferred Compensation Program**

The Committee held two special hearings this year and conducted extensive research into this program. Due to the efforts of the Committee, the interest rate for the guaranteed rate option was increased, the Great Western contract was made non-exclusive for the first time, and an external record keeper has been retained, allowing for the pooling of numerous savings and loans and credit unions for the first time. The Committee continues to look into other investment options for the Deferred Compensation program. More than \$1.1 billion is invested in a single savings and loan alternative, paying approximately 8 percent. That is down from the 10 percent which was paid under the last contract. A 2 percent loss in interest on \$1.1 billion means an annual reduction in interest of \$22 million, or some \$423 thousand each week.

## **F. Successful Member Home Loan Programs Expand**

The Member Home Loan Program was enacted in 1980 for members of PERS and in 1984 for STRS members. Since that time, Assemblyman Elder, the original author of both programs, has made improvements granting more options for pension system members, such as allowing the purchase of duplexes, tri-plexes and four-plexes. During 1989, the PERS and STRS Home Loan Programs broke the \$1 billion mark in the amount of loans made. At the close of 1989, they had exceeded \$1.5 billion. Two home loan bills were introduced in 1989. AB 46 (Chapter 355, Elder) allows PERS members to borrow against their retirement contributions for the down payment on a home loan through PERS. AB 53x (Elder), introduced during the 1989 Extraordinary Session, would allow the PERS board to offer second mortgages on the damaged homes of PERS members which are in disaster areas.

## **G. Tension at the Table: Collective Bargaining and Binding Arbitration Issues**

The concepts of "agency shop" and "fair share fees" were before the Committee in 1989. Assembly Bill 510 (Roos) attempts to institute agency shop in the bargaining units within the California State University system. Assembly Bill 2087 (La Follette) seeks to revise the rules and regulations for implementing fair share fees paid by employees who do not want to join and pay dues to their exclusive employee organization. Legislation may be considered next year which addresses those fair share fee issues discussed in the State Supreme Court's decision on the Cumero case.

Binding arbitration as an alternative to employee strikes or work slow-downs was debated in SB 1127 (C. Green). This bill initially dealt with both police and fire personnel but was eventually amended to deal only with firefighters. Cities and counties were adamantly opposed to binding arbitration, arguing that it takes the authority to make major financial and personnel decisions out of the hands of the elected officials, leaving it solely up to a third party arbitration panel.

## **H. Cutbacks in Affirmative Action Programs at the State Personnel Board**

The Governor announced major cutbacks for the State Personnel Board's budget including elimination of the Career Opportunities Development Program and an additional 20 percent in unallocated

cuts. On March 28, 1989, the Assembly Committee on Public Employees, Retirement and Social Security conducted a special informational hearing on the impact of these proposed cutbacks on the State Personnel Board's statutory responsibilities in the areas of affirmative action advocacy and outreach. The Committee played an active role in the effort to reinstate full funding for the SPB. However, only a portion of the Career Opportunities Development Program funding was eventually restored.

### **I. Investigation of State's Employee Merit Award Program**

This program authorizes financial awards to employees who have made meritorious suggestions resulting in substantial savings to the State of California. The awards are generally 10 percent of the savings produced by the suggestion and any amount over \$3,000 must be approved by the legislature in a Concurrent Resolution. ACR 15 (Lancaster) included awards for 11 employees who were judged to be eligible by the Merit Award Board.

However, the Committee Chair found that two employees included in ACR 15 held positions of "Associate Governmental Program Analyst" and "Research Specialist". These two professional level, analytical employees work in the Medical Reimbursement Unit of the Department of Health Services and made a suggestion regarding the reimbursement of out-of-state hospitals. For this suggestion, they were recommended for awards of \$105,225 and \$60,150, respectively. This raised a question of how strictly the regulation is adhered to which states that "an employee is not eligible for an award for a suggestion pertaining to a subject assigned to him/her...as part of his/her normal job requirements". In addition, the Committee was made aware of some disagreement among top ranking personnel in the Department of Health Services on the validity of this award.

As a result, serious questions were raised about the Merit Award program and its screening and approval process. Some of those questions are:

1. Should there be a cap on the award amount, or perhaps a reduction in the percentage of the award as the dollar savings increase?
2. To ensure that the executive department reviews these awards, should the merit awards be appropriated in a bill requiring the Governor's signature rather than in a Concurrent Resolution?
3. Should the Merit Award Board continue to be made up primarily of DPA staff or should it be an appointed public board?

4. Should there be an expanded award program for people who make outstanding contributions within their own area of expertise?
5. Should employees be given the option to receive their award over a period of years to satisfy personal income tax obligations and to lessen the financial burden on the State?
6. Why are certain departments excluded from the program?

The Committee has asked the Legislative Analyst's Office to complete a study on the Merit Award Program.

#### **J. Death and Injury on the Highways: The Health and Safety of Caltrans Highway Workers**

The Committee held a hearing and received testimony from Caltrans administration and employees on the death and lost-time injury rate of highway workers. These workers have the highest death and injury rates of all state workers. However, these employees are not eligible for industrial disability benefits. In response to the compelling testimony, Assemblyman Elder carried AB 787 which would have granted industrial death and disability benefits to those workers killed or permanently injured, as defined. It would have also enhanced re-training opportunities for highway workers who were hurt but still wanted to work. This bill, however, was vetoed by the Governor.

#### **K. Conclusion**

In conclusion, 1989 saw a variety of major issues in the area of public employees, retirement, and benefits. Many of these issues will continue to be significant factors in 1990 legislation.

Seventy-six of the 132 bills referred to the Committee were signed into law; eight were vetoed. The remaining 48 bills may be reconsidered next year along with new bills introduced in these subject areas. The following bill summaries are categorized according to "signed", "vetoed", and "two-year bills"; the latter may be reconsidered during the 1990 session.

## **II. CHAPTERED BILLS**

### **STATUTES OF 1989**

#### **AB 46 (ELDER)**

#### **CHAPTER 355**

Permits an active member of PERS to borrow against the retirement contributions that the member has made for the purpose of making a down payment on a home financed through the PERS Home Loan Program.

#### **AB 50 (ELDER)**

#### **CHAPTER 1004**

This bill insures that the State Teachers' Retirement System complies with federal law which places limits on the amount of pensions both public and private sector employees may receive (Internal Revenue Code Section 415). The federal government has given public sector employers the option to exempt or "grandfather" current employees from the limit. However, to do so, employees hired on or after January 1, 1990 will be subject to the lower private sector limits. Assembly Bill 50 adopts the grandfather provision for members of STRS and subjects the issue of replacement benefits for members adversely affected by the limits to collective bargaining. It further requires STRS to work with teacher organizations to develop a supplemental retirement plan which may be used to replace benefits lost under Section 415.

#### **AB 59 (ELDER)**

#### **CHAPTER 542**

This bill clarifies the personal financial liability of the members of the State Teachers' Retirement System Board of Administration. It sets out a list of prohibited activities and then states that if Board members engage in such activities or conceal such actions by others, they will be personally liable for any resulting losses to the system.

#### **AB 71 (ELDER)**

#### **CHAPTER 249**

Requires PERS to provide a member who requests materials relating to retirement, with a written explanation of the effects different retirement decisions could have on health care coverage.

#### **AB 123 (ELDER)**

#### **CHAPTER 1184**

This bill grants local school districts the option to bargain for a new definition of final compensation for its teachers, namely final year compensation rather than the average of the final three years. This benefit would only be available to certificated employees who spent their final ten years prior to retirement in the classroom or

providing direct services to pupils as defined. STRS will bill each participating district annually for the normal cost differential of this benefit. The district and teachers will agree to a cost sharing formula from which funds collected will be placed in a trust account to reimburse STRS for the actual cost plus proportionate share of administrative overhead.

**AB 252 (ISENBERG)**

**CHAPTER 10**

This bill amends PERS law to accommodate the transfer of City of Sacramento employees from an independent retirement system into PERS. The bill allowed the City to set up three separate tiers of benefits for its safety employees.

**AB 260 (CLUTE)**

**CHAPTER 121**

This bill authorizes dues from federally chartered veterans organizations to be deducted from '37 Act county retirement benefits (with the approval of the board of retirement and the board of supervisors). Presently, deductions from retirement allowances can be made only for payment to charitable organizations.

**AB 265 (ELDER)**

**CHAPTER 1006**

Passage of the federal Consolidated Omnibus Budget Reconciliation Act (COBRA) in 1985 mandated everyone hired in the public sector before April 1, 1986 into Medicare, but did nothing for those people already hired at that time. Assembly Bill 265 allows each California school district and its teachers to decide if teachers hired before that date will participate in Medicare.

**AB 316 (LANCASTER)**

**CHAPTER 28**

This bill allows payroll warrants to be issued within 15 days rather than 10 days after the close of the payroll period. It also contained the Memorandum of Understanding ratification language for state bargaining Unit #9, the Professional Engineers in California Government, representing 6,400 employees.

**AB 358 (FELANDO)**

**CHAPTER 145**

This bill grants three career credit points in open/nonpromotional examinations to the scores of specified firefighters who earn a passing score and who have three months of experience with the California Department of Forestry and Fire Protection since January 1, 1979.

**AB 398 (EAVES)**

**CHAPTER 202**

This bill repeals the sunset on a section of existing '37 Act Law

that allows the employer to pay all or a portion of the employee's contribution to the county retirement system, if approved by the board of supervisors or the governing body of a special district, upon the recommendation of the county board of supervisors.

**AB 420 (HUGHES)**

**CHAPTER 168**

This bill authorizes State agencies to contract with California public or private institutions of higher education and with educational foundations for part-time student services.

**AB 477 (LANCASTER)**

**CHAPTER 169**

This bill requires that new state supervisorial employees must receive their supervision training prior to the end of their probationary period.

**AB 568 (EAVES)**

**CHAPTER 149**

This bill repeals the "sunset" on the provision that permits a '37 Act county to increase the survivor death benefit from \$750 to \$1,000. The benefit is funded from the Supplemental Retirement Benefits Reserve.

**AB 592 (HARVEY)**

**CHAPTER 548**

Allows a PERS retired member whose monthly allowance is not sufficient to pay any out-of-pocket Public Employees Medical and Health Care Act (PEMHCA) expense to retain health care coverage by directly paying the balance of the contribution plus any administrative costs.

**AB 703 (HANSEN)**

**CHAPTER 1035**

This bill extends to specified nonrepresented state employees the new vesting formula for retiree health care benefits which was recently adopted by all 20 state bargaining units. This formula provides for 50% funding of health care in retirement with 10 years service and 100% with 20 years service.

**AB 739 (JOHNSON)**

**CHAPTER 173**

This bill extends to a spouse or surviving spouse of a firefighter or police officer a college tuition program which was previously only available to "dependents".

**AB 794 (MOJONNIER)**

**CHAPTER 497**

This bill amends PERS law to conform pre-retirement death benefits with post-retirement death benefits where the member was age-eligible to retire.

Prior to this bill, the surviving spouse of a member who died prior to retiring had to decide whether to receive a higher "Option 2" benefit until remarriage or take a 25% reduction in order to have the benefit for life, regardless of marital status. Now the benefit will be the same as a post-retirement death benefit without a remarriage penalty.

**AB 814 (FLOYD)**

**CHAPTER 965**

This bill requires any state agency, board or commission which collects data on ancestry or ethnic origin to use separate collection categories for each major Asian and Pacific Islander group, including but not limited to, Chinese, Japanese, Filipino, Korean, Vietnamese, Asian Indian, Hawaiian, Guamanian, Samoan, Laotian, and Cambodian.

**AB 851 (KELLEY)**

**CHAPTER 1434**

This bill requires to State Personnel Board to conduct a study to determine if Plant Quarantine Inspectors in the Departments of Food and Agriculture, Corrections, and Health Services, qualify as State Safety Members.

**AB 862 (JONES)**

**CHAPTER 967**

This bill includes elected officers in the executive and judicial branches in the State's flexible benefits program.

**AB 923 (TUCKER)**

**CHAPTER 192**

This bill made numerous technical and clarifying changes to the Public Employees' Retirement Law, dealing with payment options, rehabilitation for disabled members and the use of the Consumer Price Index.

**AB 1193 (HUGHES)**

**CHAPTER 404**

This bill allows local school employers to provide safety status to school employees who qualify as local policemen under the Public Employees' Retirement Law.

**AB 1283 (QUACKENBUSH)**

**CHAPTER 524**

This bill provides a procedure for the recoupment of payroll over payments made to state employees.

**AB 1284 (QUACKENBUSH)**

**CHAPTER 524**

This bill allows the boards of the Public Employees' Retirement System and the State Teachers' Retirement System to consider in closed session personnel matters relating to their Executive Officers and Chief Investment Officers.

**AB 1287 (QUACKENBUSH)****CHAPTER 426**

Enables a retired member of PERS, who elects Option 2 or 3, and names a spouse as beneficiary, but who is predeceased by the spouse, to revert to the allowance that would have otherwise been payable.

**AB 1329 (JOHNSON)****CHAPTER 427**

This bill requires the Commission on Judicial Performance to annually report to the Governor and Legislature on judicial disability requests.

**AB 1418 (BURTON)****CHAPTER 162**

This bill makes necessary changes in the Public Employees' Retirement Law so that San Francisco Probation Officers can enter PERS.

**AB 1662 (HANSEN)****CHAPTER 1435**

Allows a member of PERS who was on disability, and who went back to work as a miscellaneous employee, to subsequently retire and resume the previous industrial disability retirement allowance. This benefit would be recalculated using the final salary as the base.

**AB 1708 (HANNIGAN)****CHAPTER 276**

This bill affects any state safety or peace officer/firefighter member who retired prior to 1986, and who qualified for industrial disability but instead opted for a service retirement to avoid the social security offset. This bill grants these employees the opportunity to "re-elect" an industrial disability retirement prospectively. Persons who retired on industrial disability after 1986 receive their full IDR benefit plus Social Security - a much higher benefit.

**AB 1937 (LESLIE)****CHAPTER 650**

Provides that a PERS retired member may work for a PERS employer, without reinstatement, for up to 120 working days or 960 hours in a calendar year.

**AB 2128 (FLOYD)****CHAPTER 1271**

Permits an employee organization to request an actuarial valuation directly from PERS without going through the contracting agency, if the organization is willing to pay the related cost. The valuation could be either for entry into PERS or for a contract change.

**AB 2327 (EPPLE)****CHAPTER 1143**

This bill makes several technical and clarifying corrections to PERS law concerning the State's Second Tier plan, member classifications, the definition of compensation, and the contribution rate for the purchase of past service.

**AB 2363 (TUCKER)****CHAPTER 752**

This bill makes changes in the partial retirement program available through the Public Employees' Retirement System.

**AB 2385 (LANCASTER)****CHAPTER 1250**

This bill provides for a salary increase for statutory exempt employees which is linked to salary increases for state employees.

**AB 2501 (LESLIE)****CHAPTER 509**

This bill requires that when a state civil service employee separates from service, he or she must be paid within 30 days for any earned service.

**AJR 30 (HANNIGAN)****RESOLUTION  
CHAPTER 109**

This bill calls upon the President and the Congress to immediately implement amendments made in 1983 to the Social Security System which will remove Social Security trust funds from the uniform federal budget.

**ACR 15 (LANCASTER)****RESOLUTION  
CHAPTER 137**

This resolution authorizes Employee Suggestion Awards of \$208,275 to 11 state employees who made suggestions which resulted in the net revenue gain or annual savings amounting to an estimated \$2,352,755.

**AJR 6 (ELDER)****RESOLUTION  
CHAPTER 55**

This resolution memorializes Congress and the President of the United States to institute a one-year moratorium on the Medicare Catastrophic Coverage Act supplemental surtax in order to first study the existing catastrophic health coverage already available to public and private employees. It also requested that Congress hold hearings in California on this issue.

This resolution memorializes Congress to amend the Internal Revenue Code to exclude public school districts from the new and complicated Section 89 benefit non-discrimination law.

SB 30 (DILLS)

CHAPTER 4

This bill contained the ratification language for the Memoranda of Understanding for the following state bargaining units:

- Unit 2 - Attorneys; 1,837 employees
- Unit 8 - Forestry Employees; 2,983 employees
- Unit 10 - Professional Scientists; 1,552 employees.
- Unit 12 - Trades and Maintenance Employees; 9,023 employees.
- Unit 13 - Operating Engineers; 573 employees.
- Unit 16 - Physicians and Dentists; 1,113 employees.
- Unit 18 - Psychiatric Technicians; 6,892 employees.

These were all three year contracts with continued "no strike" and "agency fee" provisions.

SB 200 (RUSSELL)

CHAPTER 1305

This bill takes the initial step to insure compliance with federal law which places limits on the amount of pensions both public and private sector employees may receive (Internal Revenue Code Section 415). The federal government has given public sector employers the option to exempt or "grandfather" current employees from the limit. However, to do so, employees hired on or after January 1, 1990 will be subject to the lower private sector limits. Senate Bill 200 adopts the grandfather provision for the Judges' and Legislators' Retirement Systems. The bill states the Legislature's intent to grandfather all PERS members and provides for notification of all new employees that they will be subject to pension limits. However, it is first requiring that PERS and other agencies jointly conduct a study of the impact Section 415 will have on PERS members so that the Legislature can consider reasonable replacement benefits. The bill appropriated \$100,000 from the PERS fund for the study and requires the System to report back to the Legislature by March 1, 1990 on its findings.

SB 234 (ALQUIST)

CHAPTER 44

This bill is a technical clean-up bill which removes an outdated reference in state personnel law regarding how vacation time would accrue for the month of "July, 1983".

**SB 249 (STIRLING)****CHAPTER 129**

This bill makes the "Whistle Blower Protection Law" permanent. This law establishes protection for local public agency employees who report or threaten to report governmental activities which violate the law or represent gross mismanagement, from retaliation by their employer. The original statute contained a sunset provision effective January 1, 1990.

**SB 296 (RUSSELL)****CHAPTER 684**

This bill permits an employee organization to request the State Personnel Board to study a class of state employees to determine if they meet the criteria for inclusion in the PERS State Safety Category.

**SB 342 (CRAVEN)****CHAPTER 313**

Under current law in the Dills Act (State Employee-Employer Relations), the Educational Employee Relations Act, and the Higher Education Employee Relations Act, the employer is prohibited from threatening an employee with reprisals, discriminating against an employee, or interfering with an employee's rights guaranteed in these statutes to form, join, and participate in the activities of employee organizations. This bill defines "employee" in all three Acts to include an applicant for employment or re-employment.

**SB 390 (DILLS)****CHAPTER 292**

This bill extends from 30 to 60 days the grace period for judges who reach the mandatory retirement age of 70 before serving the minimum amount of time.

**SB 575 (DILLS)****CHAPTER 26**

This bill contained the ratification language for the Memorandum of Understanding for state bargaining Unit #1, representing 20,473 administrative, financial, and analytical staff. The MOU contained a continued "no strike" provision. This bargaining unit does not have agency shop provisions.

**SB 679 (DAVIS)****CHAPTER 1415**

This bill changes the title of the Clerk of the Supreme Court to the Clerk/Administrator of the Supreme Court. It also provides the judges of the Supreme Court and justices of the Appellate Courts the same life insurance benefits provided for Constitutional Officers and State Managerial employees.

**SB 683 (C. GREEN)****CHAPTER 270**

This bill requires a spousal signature on all State Teachers' Retirement System Member requests to withdraw accumulated annuity deposit contributions. It also allows community college districts to permit their employees to use extra time worked for subsequent paid leaves of absence.

**SB 685 (C. GREEN)****CHAPTER 88**

This bill would allow the Department of Personnel Administration to approve exceptions to the employee moving expense/relocation regulations after the move occurs and establish guidelines that would expedite the exception process.

**SB 686 (C. GREEN)****CHAPTER 327**

This bill requires the State Teachers' Retirement System to make payments to eligible surviving spouses of retired members within 45 days of the date of the member's death or receipt of the benefit application, whichever is later. It also requires STRS to pay interest on such benefit payments not made within 45 days, and allows STRS to pay up to 75 percent of a member's contribution refund directly from revolving fund.

**SB 687 (C. GREEN)****CHAPTER 103**

This bill makes a variety of technical and nonsubstantive changes to the State Civil Service Act.

**SB 688 (C. GREEN)****CHAPTER 91**

This bill amends '37 Act Law to provide that any of the four employee members of a county board of retirement who are injured or killed while on board business, shall be deemed to have been acting in the course and scope of duties as an employee of the county for purposes of determining eligibility for workers' compensation benefits. The provision is optional with each county board of supervisors.

**SB 717 (DILLS)****CHAPTER 27**

This bill contained the ratification language for the Memoranda of Understanding for state bargaining Unit #17 representing the 2,108 nurses in state service.

**SB 751 (ROYCE)****CHAPTER 118**

This bill makes for technical changes to the State Teachers' Retirement Law, concerning incorrect payments, vesting, service credit and disability conversion.

**SB 768 (ROGERS)****CHAPTER 342**

This bill would allow the Controller to transfer an amount from each participating department to cover administrative fees for the Employee Assistance Program.

**SB 781 (C. GREEN)****CHAPTER 485**

Provides that a member of PERS could make a preretirement optional settlement election and designate his or her spouse or child as the beneficiary.

**SB 817 (PRESLEY)****CHAPTER 1420**

This bill allows the Department of Corrections to use the three-rank eligible list certification process rather than the three-name approach to aid in meeting affirmative action and other hiring goals in their selection process. It also authorizes the Department of Corrections to acquire the Richard A. McGee Correctional Training Center by lease-purchase.

**SB 837 (ROBBINS)****CHAPTER 1379**

This bill contains provisions concerning the division of Judges' Retirement System (JRS) retirement benefits in community property settlements, and extends the election period for optional survivor benefits for JRS members.

**SB 869 (C. Green)****CHAPTER 1300**

This bill conforms the Los Angeles County Retirement System to Federal Internal Revenue Code Section 415 limits by adopting the "grandfather" provision for existing county employees (see analysis of SB 875).

It also establishes two new defined contribution plans and would provide that new employees hired after January 1, 1990 would participate in the defined contribution plans as well as the existing defined benefit plans. Based upon actuarial calculations, contributions will be made to both plans with the goal of approximating the same level of retirement benefit that employees would have received were Section 415 limits are higher for benefits received from a combination of a defined benefit and defined contribution plan than from only a defined benefit plan.

This bill also provides for a long-term disability plan that may or may not be administered separately from the retirement system, depending upon the extent to which Section 415 limits apply to disability retirement.

This bill takes the initial step to insure compliance with federal law which places limits on the amount of pensions both public and private sector employees may receive (Internal Revenue Code Section 415). The federal government has given public sector employers the option to exempt or "grandfather" current employees from the limit. However, to do so, employees hired on or after January 1, 1990 will be subject to the lower private sector limits. Senate Bill 875 states the Legislature's intent to grandfather all members of County '37 Act systems and provides for notification of all new employees that they will be subject to pension limits. It is also requiring that the '37 Act counties study the impact Section 415 will have on their members as part of their annual actuarial study so that the Legislature can consider reasonable replacement benefits.

This bill provides that superior court and municipal court judges will receive the same long-term disability insurance, retirement contribution offset, or health care benefits as provided to the county executive officer, if the San Diego County Board of Supervisors approves.

This bill allows the earnings limitation for Retired members of the State Teachers' Retirement System to be tied to the full All Urban California Consumer Price Index rather than to just 50 percent of that Index.

This bill permits a '37 Act county retirement system, with the approval of the board of supervisors, to employ retired county employees, without reinstatement, for a period up to 90 days or 720 hours in any 12 month period. Present law limits such employment to 90 days or 720 hours in each fiscal year.

Eliminates the employer asset and liability pool concept for PERS calculates a contracting agency's contribution rate.

Clarifies that firefighters are local safety members and that those engaged in fire prevention, fire training, and fire investigation may be local safety members only if their employers expressly contract for safety status. The measure also permits PERS to reimburse the employers of certain elected PERS Board members for absences related to Board business.

**SB 1228 (L. GREENE)****CHAPTER 495**

This is a technical bill which links two sections of the Government Code which relate to public employees and outside work-related activities and political activities by adding cross-reference language.

**SB 1264 (C. GREEN)****CHAPTER 1388**

This bill establishes a different formula to raise the State's health care contribution for active state employees who live in specified rural areas.

**SB 1265 (C. GREEN)****CHAPTER 448**

This bill amends '37 Act Law to permit a County Transit District employee who is on an authorized leave of absence to serve as a full-time official of an employee organization and receive full credit towards retirement for time spent as a union official, up to a maximum period of 12 years. Presently, an individual may receive such credit for a period of up to 8 years.

This bill also provides that the employee or the employee organization must pay the full cost of the retirement credit. Present law permits the employer to pay all or part of the cost of the credit. It also deletes the requirement that the employee be full-time union official.

The provision is optional with each '37 Act county board of supervisors.

**SB 1407 (C. GREEN)****CHAPTER 115**

Senate Bill 1407 is double-joined with SB 1513 (Campbell), and serves as the funding vehicle for the benefit improvement contained in SB 1513. These two bills together would establish the Supplemental Benefit Maintenance Account and would provide retirees of the State Teachers' Retirement System with purchasing power protection of up to 68.2 percent as long as funds are available in that Account.

**SB 1513 (CAMPBELL)****CHAPTER 116**

Senate Bill 1513 is double-joined with SB 1407 (C. Green). Senate Bill 1513 contains the benefit improvement for which SB 1407 serves as the funding vehicle. These two bills together would establish the Supplemental Benefit Maintenance Account and would provide retirees of the State Teachers' Retirement System with purchasing power protection of up to 68.2 percent as long as funds are available in that Account.

**SB 1539 (DILLS)**

**CHAPTER 962**

This bill adds new classes of state employees within the Department of Mental Health and Department of Forestry to the safety classification in PERS.

**SB 1550 (LEONARD)**

**CHAPTER 36**

This bill contained the ratification language for the Memoranda of Understanding for state bargaining Unit #6 representing 13,696 corrections employees. The MOU contained continued "no strike" and "agency fee" provisions.

**SB 1633 (C. GREEN)**

**CHAPTER 891**

This bill changes the rate of interest PERS will use in calculations for redeposit or the purchase of certain types of past service.

**SCR 34 (TORRES)**

**RESOLUTION  
CHAPTER 85**

This resolution requests that PERS update a 1981 study on state employees who might be eligible for military service credit.

### III. VETOED BILLS

#### 1989 LEGISLATIVE SESSION

##### **AB 62 (ELDER)**

**VETOED**

This bill would have created a Health Plan Trust Account in the Public Employees' Contingency Reserve Fund to be used for emergency relief if a health care provider became insolvent.

##### **AB 122 (FILANTE)**

**VETOED**

This bill would have added to a "Rule of 85" retirement option to STRS, which would have allowed a member who is 50 or older to retire and have an allowance computed using the normal 2% retirement factor, if the member's age plus years of credited service adds up to 85.

##### **AB 378 (FLOYD)**

**VETOED**

This bill would have codified pre-termination rights of state employees to include a hearing by an impartial reviewer prior to any adverse action. The impartial reviewer would have full authority to rescind or modify the proposed adverse action.

##### **AB 787 (ELDER)**

**VETOED**

This bill would have granted Caltrans highway workers, as defined, who are killed or injured on the job, and who are totally disabled, as defined, the same disability or death benefits currently granted safety members. It would have also strengthened existing law under the Injured State Worker's Assistance Program by placing more emphasis on alternatives which get the employee back to work.

##### **AB 913 (TUCKER)**

**VETOED**

This bill would have allowed Orange County to reclassify court service officers and sheriff special officers as "safety" members of the county (37 Act) retirement system. It would have only become effective upon the adoption of a resolution by the county Board of Supervisors.

##### **AB 1453 (ALLEN)**

**VETOED**

This bill would have allowed Orange County to reclassify court service officers and sheriff's special officers as "safety" members of the county retirement system. It would have only become effective upon the adoption of a resolution by the County Board of Supervisors.

**AB 1769 (ROOS)****VETOED**

This bill would have required the PERS and STRS boards to study the feasibility of investing their funds in deteriorated neighborhoods to create affordable housing.

**AB 2443 (BURTON)****VETOED**

This bill would have required the State Teachers' Retirement System and the Public Employees' Retirement System, to compile a list of corporations which do business in Northern Ireland, and whose stocks it has invested, and determine whether that corporation is adhering to principles of nondiscrimination in the workplace. It would have further required both retirement systems to support shareholder resolutions designed to encourage corporations to pursue a policy of affirmative action in Northern Ireland.

**SB 261 (ROBERTI)****VETOED**

This bill would create an 11-member Commission on Pay Equity to determine where compensation and classification inequities exist based on the comparability of the value of work, and to report its findings to the Legislature.

**SB 288 (TORRES)****VETOED**

This bill would have granted classified school employees who are promoted and unable to pass probation, return rights to their former job classification.

**SB 328 (PRESLEY)****VETOED**

This bill would have expanded the definition of "county safety member" to include welfare fraud investigators and county corner investigators.

**SB 619 (CRAVEN)****VETOED**

This bill would have established the "prudent person" rule for Department of Personnel Administration employees who administer the state Deferred Compensation program and would have established personal liability for employees who commit prohibited acts with regard to the administration of this program. This bill would have also authorized DPA to establish guidelines for setting "red-circle" rates for Career Executive Assignment officers.

**SB 684 (C. GREEN)****VETOED**

This bill would have required STRS to develop procedures for implementing requests of organizations which wish to conduct "scientific" surveys of STRS members.

SB 1127 (C. GREEN)

VETOED

This bill would have permitted local government agencies to implement binding arbitration as a means to resolve labor disputes with their fire fighters.

SB 1605 (STIRLING)

VETOED

Would have authorized PERS to establish retirement homes for retired members of the System and would have permitted members entering such homes to pay part or all of their retirement allowances to the homes. It would have also allowed PERS and STRS to build low and moderate income housing for members and retirees.

**IV.     TWO YEAR BILLS**  
**1989-90 LEGISLATIVE SESSION**

**AB 54 (ELDER)**

**ASSEMBLY WAYS AND MEANS**

This bill would eliminate the additional state funding of STRS provided by "AB 8" and replace it with an additional employer contribution of 4.1% of payroll.

**AB 143 (MOORE)**

**SENATE APPROPRIATIONS**

This bill would change existing PERS law with regard to the "survivor continuance" benefit. Currently the spouse must be married to the member one year prior to the member's date of retirement and continuously until the member's death. This bill would change the eligibility requirement to one year prior to the member's death.

**AB 246 (FLOYD)**

**SENATE APPROPRIATIONS**

This bill would require that state and local employers allow their employees to donate an amount of earned vacation or compensatory time to an employee organization time bank. The donated time could then be credited to designated employees who have a catastrophic injury or illness and have used up all of their accrued sick leave and vacation time.

**AB 266 (FLOYD)**

**SENATE INACTIVE FILE**

This bill would repeal existing statutes, deemed by the courts to be unconstitutional, which state that if an employee refuses to testify before a public agency on matters concerning membership in the Communist party or groups which advocate the overthrow of the government, he or she shall be suspended or dismissed on grounds of insubordination.

**AB 490 (LANCASTER)**

**SENATE APPROPRIATIONS**

This bill would amend PEMHCA by requiring that the PERS Board contract with one or more carriers or plans which would provide state retirees with vision care benefits comparable to active state employees.

**AB 510 (ROOS)**

**ASSEMBLY INACTIVE FILE**

This bill would allow employees in the nine bargaining units within the CSU system to conduct an election for agency shop provisions which require employees to join the employee organization and pay dues, or, if they choose not to join, to pay a "fair share" service fee to the employee organization.

**AB 731 (WRIGHT)****SENATE APPROPRIATIONS**

This bill would permit a court to award attorney's fees to someone who wins a breach of trust action against a '37 Act county retirement board or county investment board. Current law only allows such an award in class action suits.

**AB 863 (JONES)****ASSEMBLY PUBLIC EMPLOYEES, RETIREMENT  
AND SOCIAL SECURITY COMMITTEE**

This bill would amend the State Employees Suggestion Awards program to place a \$100,000 limit on the amount of award and set a new formula on which to calculate the amount of award.

**AB 930 (EPPLÉ)****ASSEMBLY WAYS AND MEANS**

This bill reduces the classified school employee contribution rate under PERS from 7% to 5% after January 1, 1990.

**AB 943 (ELDER)****ASSEMBLY PUBLIC EMPLOYEES, RETIREMENT  
AND SOCIAL SECURITY COMMITTEE**

This bill would change the way members are appointed to the Public Employment Relations Board. Currently, the Governor appoints all five members with the advice and consent of the Senate. This bill would have the Governor appoint three members, the Senate Committee on Rules appoint one member and the Speaker of the Assembly appoint one member.

**AB 944 (ELDER)****SENATE INACTIVE FILE**

This bill would require STRS to offer an optional, actuarially fully funded 1.5% at age 60 through 64, 2% at age 65, 2.1% at age 66 and 2.2% at age 67 and older, benefit structure. This plan would be optional to the member. Any savings that would be derived from the 8% employee contribution as a result of participation in this optional plan would be put into a supplemental defined contribution plan.

**AB 978 (POLANCO)****ASSEMBLY WAYS AND MEANS**

This bill would permit state supervisory or confidential employees to annually elect to receive pay for up to three days of unused vacation or personal holiday time in 8 hour increments.

**AB 1039 (FRAZEE)****ASSEMBLY PUBLIC EMPLOYEES, RETIREMENT  
AND SOCIAL SECURITY COMMITTEE**

This bill would double the interest penalty paid by STRS on delinquent payments of benefits and allowances.

**AB 1044 (EAVES)****ASSEMBLY WAYS AND MEANS**

This bill would require, rather than permit, the Public Employment

Retirement Board to designate positions which have duties consisting primarily of the enforcement of laws and place them in a bargaining unit composed solely of those employees.

**AB 1063 (EAVES)**

**ASSEMBLY WAYS AND MEANS**

This bill would require, for state employees, that supervisors who are required to work overtime be compensated in the same manner as the employees they supervise.

**AB 1362 (LESLIE)**

**ASSEMBLY WAYS AND MEANS**

This bill provides additional annual increases in monthly payment to STRS retirees, disabilitants and beneficiaries. The increases would be \$4 per year each year for 5 years until the member was receiving an additional \$20 per month.

**AB 1379 (CONNELLY)**

**ASSEMBLY PUBLIC EMPLOYEES, RETIREMENT  
AND SOCIAL SECURITY COMMITTEE**

This bill would have required state employees who use state-owned motor vehicles to use "self-service" gasoline pumps except for certain situations, as specified.

**AB 1389 (KATZ)**

**ASSEMBLY WAYS AND MEANS**

This bill would increase the retirement benefit factor for classified school members in PERS from the current maximum of 2.418 at age 63 to 3% at age 70.

**AB 1599 (WRIGHT)**

**ASSEMBLY PUBLIC EMPLOYEES, RETIREMENT  
AND SOCIAL SECURITY COMMITTEE**

This bill would state the intent of the Legislature to give the STRS Board the flexibility to adjust contribution rates in order to obtain payment of the normal cost.

**AB 1629 (ELDER)**

**ASSEMBLY PUBLIC EMPLOYEES, RETIREMENT  
AND SOCIAL SECURITY COMMITTEE**

This bill would create an optional retirement program for specified employees of the California State University system.

**AB 1639 (PRINGLE)**

**ASSEMBLY PUBLIC EMPLOYEES, RETIREMENT  
AND SOCIAL SECURITY COMMITTEE**

This bill would give members and graduates of the California Conservation Corps three "career credit points" indefinitely to apply toward their scores on certain civil service examinations. They currently can only use this credit for 2 years.

**AB 1651 (LESLIE)****SENATE INACTIVE FILE**

This bill would allow a PERS contracting agency to remove its firefighters from its PERS contract and transfer them into a city retirement system. This could only be done if the firefighting function of that contracting agency had been transferred from that agency to the city.

**AB 1972 (TUCKER)****ASSEMBLY PUBLIC EMPLOYEES, RETIREMENT  
AND SOCIAL SECURITY COMMITTEE**

This bill would make technical and nonsubstantive changes in the PERS 1/2-pay-at-age-55 service retirement formula.

**AB 1980 (FARR)****SENATE GOVERNMENTAL ORGANIZATION**

This bill would amend the Public Utilities Code to obligate the Santa Cruz Metropolitan Transit District to bargain collectively with the designated employee organization. The bill specifies that these provisions would be in addition to the Meyers-Milias-Brown Act.

**AB 1983 (FERGUSON)****ASSEMBLY PUBLIC EMPLOYEES, RETIREMENT  
AND SOCIAL SECURITY COMMITTEE**

This bill would provide that one of the four members of the county board of retirement appointed by the Board of Supervisors may be a county supervisor or the county director of personnel.

**AB 2087 (LA FOLLETTE)****ASSEMBLY PUBLIC EMPLOYEES, RETIREMENT  
AND SOCIAL SECURITY COMMITTEE**

This bill would effectively repeal the agency fee regulations established by the Public Employment Relations Board and replace them with new procedures which include listing specific reporting categories in statute and prohibiting the collection of fees until the employee organization has shown conclusively that no part of the fee will be used for unauthorized activities.

**AB 2105 (CLUTE)****SENATE APPROPRIATIONS**

This bill would clarify that when an employee who is receiving a disability retirement benefit is no longer incapacitated for duty, the disability allowance will be canceled when the employer actually reinstates the employee, rather than when the offer to reinstate is made.

**AB 2112 (MOORE)****ASSEMBLY WAYS AND MEANS**

This bill would redefine "final compensation" (as used in computing a retirement allowance) for state managerial, supervisory, and confidential employees as the highest annual salary earned during any 24 consecutive months rather than over a three-year period.

**AB 2239 (HUGHES)**

**SENATE PUBLIC EMPLOYMENT AND RETIREMENT**

This bill would change the name of the "Legislators' Retirement System" to the "California Elected Officials Retirement System".

**AB 2490 (COSTA)**

**ASSEMBLY WAYS AND MEANS**

This bill would put language into both PERS law and '37 Act Law allowing a '37 Act county board of supervisors to enter into a contract with PERS for a portion of its members.

**AB 2504 (WRIGHT)**

**ASSEMBLY PUBLIC EMPLOYEES, RETIREMENT  
AND SOCIAL SECURITY COMMITTEE**

This bill would make legislative findings and declarations that there is a serious shortage of health care professionals in county hospitals and would exempt retired health care practitioners as defined from the 90/720 hour time limitations.

**AB 2519 (FERGUSON)**

**SENATE JUDICIARY**

This bill would require Orange County to provide retiree health benefits to any municipal court judge serving in the county or or after October 1, 1987. These health benefits must be substantially equal to the retiree health benefits provided to superior court judges.

**AB 2530 (BENTLEY)**

**ASSEMBLY PUBLIC EMPLOYEES, RETIREMENT  
AND SOCIAL SECURITY COMMITTEE**

This bill would prohibit the use of state trust fund money for new or additional investments in firms doing business with the People's Republic of China.

**AB 2533 (HAYDEN)**

**ASSEMBLY PUBLIC EMPLOYEES, RETIREMENT  
AND SOCIAL SECURITY COMMITTEE**

This bill calls for California to take several steps in response to China's treatment of protests in Tiananmen Square including suspension of sister city relationships with China, suspension of California State World Trade Commission activities in China, and a prohibition of the use of state trust fund monies for new or additional investments in firms doing business with China, until such time as the Controller finds an improvement in human rights.

**ACR 64 (MOUNTJOY)**

**ASSEMBLY PUBLIC EMPLOYEES, RETIREMENT  
AND SOCIAL SECURITY COMMITTEE**

This resolution requests that the City of San Jose conduct an investigation to determine if Officer Leroy Pyle was relieved of duties because of his controversial testimony before the Assembly

Committee on Public Safety and declares that all American citizens have the right to freedom of speech and to petition their government.

**ACR 84 (ELDER)**

**SENATE PUBLIC EMPLOYMENT AND RETIREMENT**

This resolution requests that PERS and STRS consider divestment of investments in those companies with Chinese holdings, and to develop related investment guidelines.

**AJR 7 (ELDER)**

**SENATE RULES**

This measure memorializes Congress and the President to require that before a leveraged buy-out can proceed, the Securities and Exchange Commission must first determine that existing corporate debt would not be devalued by the buy-out.

**SB 329 (PRESLEY)**

**ASSEMBLY PUBLIC EMPLOYEES, RETIREMENT  
AND SOCIAL SECURITY COMMITTEE**

This bill would provide that if an MOU agreement is reached, all new employees hired by Riverside County would receive reduced FERS retirement benefits.

**SB 511 (STIRLING)**

**SENATE DESK**

This bill establishes a new chapter called the "Bill of Rights for State Supervisory, Managerial, and Confidential Employees" and lists their existing rights within that chapter.

**SB 1015 (RUSSELL)**

**ASSEMBLY PUBLIC EMPLOYEES, RETIREMENT  
AND SOCIAL SECURITY COMMITTEE**

Would revise the method by which PERS calculates a contracting agency's contribution rate.

**SB 1131 (CAMPBELL)**

**ASSEMBLY PUBLIC EMPLOYEES, RETIREMENT  
AND SOCIAL SECURITY COMMITTEE**

This bill would require PERS and STRS, beginning on July 1, 1990, to account for all research service credits (soft dollars) provided by securities transaction contracts and to pay only commissions reduced by a specific ration.

**V. LIST OF INTERIM HEARINGS**  
**CONDUCTED BY THE**  
**ASSEMBLY COMMITTEE ON PUBLIC EMPLOYEES, RETIREMENT AND**  
**SOCIAL SECURITY**  
**1989**

- 01-24-89     Presentation of California Public Pension Funds and the Stock Market.
- 02-21-89     The Health and Safety of Caltrans Highway Workers.
- 03-07-89     An Update on PERS-Care.
- 03-28-89     The Effect of Budget Cutbacks on the State Personnel Board's Affirmative Action Advocacy and Outreach Programs.
- 04-11-89     The State's Deferred Compensation Program. Bidding and Outreach Procedures.
- 06-06-89     The Effect of Internal Revenue Code Section 415 on California's Public Employee Retirement Systems.
- 11-20-89     1. Defined Contribution Plan for STRS and CSU Employees.  
                  2. The State Deferred Compensation Program.
- 12-01-89     1. An Update on PEMHCA and PERS-Care.  
                  2. PERS Contracting Agency Employer Rates.

## **VI. COMMITTEE JURISDICTION**

The Assembly Public Employees, Retirement and Social Security Committee has jurisdiction in the following areas:

- Public Employees' Retirement System (PERS)
- State Teachers' Retirement System (STRS)
- Judges' Retirement System
- Legislator's Retirement System
- County Employees' Retirement Law of 1937 ('37 Act)
- Investment of Public Pension Funds
- Public Employees' Health Care
- Public Employer-Employee Relations and Collective Bargaining
- State Civil Service and policy areas within the jurisdiction of the Department of Personnel Administration (DPA and the State Personnel Board (SPB)).