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Senate Bill 1033 – Public Employees' Retirement Reciprocity

BILL SUMMARY

SB 1033 requires entities contracted with the California Public Employees' Retirement System (CalPERS) to bear full financial responsibility for actions that would increase actuarial liability for a member's pension contributions.

ISSUE BACKGROUND

Under CalPERS' current regulations, members are allowed to transfer between contracting agencies and retain their pensions under the Public Employees' Retirement Fund (PERF). When an employee's compensation is increased, the actuarial liability related to their pension is increased, as well. Currently, all previous employers share the increase in actuarial liability with the current employer of an employee's compensation is increased.

Previous employer agencies therefore may have to increase their contributions to former employees beyond actuarial projections they made when they were directly responsible for the employee. Further, when original employees leave for other agencies, the agencies have to spend additional time and funds hiring and training new employees. Then, they must increase contributions when the employees they trained receive raises at later agencies.

Under the Public Employees' Pension Reform Act (PEPRA), Government Code Section 20791 requires the CalPERS Board of Administration to define a significant increase in actuarial liability to a contracting agency due to increased compensation paid to a nonrepresented employee. PEPRA also requires the board to implement program changes to ensure that a contracting agency that creates the significant increase in actuarial liability bears the increased liability.

SB 1033 simply repositions financial responsibility upon appropriate agencies which increase compensation and benefits to bear all actuarial liability resulting from such action.

SUPPORT

- None on file

OPPOSITION

- None on file

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