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**SB-90 Public employees' retirement.** (2019-2020)

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**Senate Bill No. 90**

**CHAPTER 33**

An act to add Sections 22950.6 and 22955.2 to the Education Code, and to add Sections 20825.1 and 20825.2 to the Government Code, relating to public employees' retirement, and making an appropriation therefor, to take effect immediately, bill related to the budget.

[ Approved by Governor June 27, 2019. Filed with Secretary of State June 27, 2019. ]

**LEGISLATIVE COUNSEL'S DIGEST**

SB 90, Committee on Budget and Fiscal Review. Public employees' retirement.

(1) Existing law, the Teachers' Retirement Law, establishes the State Teachers' Retirement System, administered by the Teachers' Retirement Board, and creates the Defined Benefit Program of the State Teachers' Retirement Plan, which provides a defined benefit to members of the program, based on final compensation, credited service, and age at retirement, subject to certain variations. The Defined Benefit Program is funded by employer and employee contributions, as well as investment returns and state appropriations, which are deposited or credited to the Teachers' Retirement Fund.

Existing law increases employer and state contributions to the Defined Benefit Program according to prescribed schedules, to be operative until July 1, 2046, as specified, in accordance with certain notice requirements.

This bill would appropriate \$2,246,000,000 from the General Fund for the 2018–19 fiscal year to be transferred to the Teachers' Retirement Fund for the Defined Benefit Program, for apportionment of specified amounts for required employer contributions for the 2019–20 and 2020–21 fiscal years, such that it will result in employers having to contribute 1.03 percentage points less than that amount set in those existing prescribed schedules in the 2019–20 fiscal year and 0.70 percentage point less in the 2020–21 fiscal year, as specified. The bill would require the remainder of the payment not committed for those purposes to be allocated to reduce the employers' share of the unfunded actuarial obligation determined by the board upon recommendation from its actuary.

(2) Existing law establishes a continuous appropriation from the General Fund to the Controller for transfer to the Teachers' Retirement Fund, in specified amounts, which equal a percentage of total creditable compensation of the fiscal year upon which members' contributions are based under the State Teachers' Retirement Law. For the 2017–18 fiscal year, and each fiscal year thereafter, existing law requires the board to increase or decrease certain percentages relating to the state appropriation to reflect the contribution required to eliminate the unfunded actuarial obligation of the system.

This bill would appropriate an additional amount identified for appropriation pursuant to the constitutionally prescribed equivalent to an amount described in the annual Budget Act, for unfunded liabilities, to supplement the state's appropriation to the Teachers' Retirement Fund, as prescribed. The bill would require the Department of Finance to provide to the Controller a schedule establishing the timing of specific transfers to be used for the purpose of reducing the state's unfunded actuarial obligation.

(3) The Public Employees' Retirement Law (PERL) creates the Public Employees' Retirement System (PERS) for the purpose of providing pension and benefits to state employees and their beneficiaries and prescribes the rights and duties of employers participating in the system. Under PERL, benefits are funded by investment income and employer and employee contributions, which are deposited into the Public Employees' Retirement Fund, a continuously appropriated trust fund administered by the system's board of administration. PERL prescribes methods for the calculation and payment of the state employer contribution for its employees who are PERS members. PERL provides for an annual adjustment of the state's contribution in the budget and quarterly appropriations to the Public Employees' Retirement Fund from the General Fund and other funds that are responsible for payment of the employer contribution.

The bill would appropriate \$2,500,000,000 from the General Fund for fiscal year 2018–19 to be transferred to the Public Employees' Retirement Fund, for apportionment to prescribed state employee member categories, as directed by the Department of Finance, consistent with a schedule of payments that the Department of Finance would provide to the Controller to establish the timing of specific transfers. The bill would appropriate \$265,000,000 from the General Fund for fiscal year 2020–21, \$200,000,000 in General Fund moneys in fiscal year 2021–22, and \$35,000,000 in General Fund moneys in fiscal year 2022–23 to be transferred to the Public Employees' Retirement Fund, consistent with a schedule of payments that the Department of Finance would provide to the Controller to establish the timing of specific transfers. The bill would require the latter supplemental payments to be apportioned among the state employee member categories, as directed by the Department of Finance, in proportion to the amount of estimated General Fund moneys appropriated to make required contributions to each state employee member category for the fiscal year that the supplemental payment is transferred. The bill would require that the supplemental payments be applied to unfunded state liabilities for enumerated state employee member categories.

The bill would additionally appropriate \$904,000,000 from the General Fund for fiscal year 2018–19 to be transferred to the Public Employees' Retirement Fund, for payments relating to school employers' contributions and unfunded liabilities, consistent with a schedule of payments that the Department of Finance would provide to the Controller to establish the timing of specific transfers.

This bill would declare that it is to take effect immediately as a bill providing for appropriations related to the Budget Bill.

Vote: majority Appropriation: yes Fiscal Committee: yes Local Program: no

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

**SECTION 1.** Section 22950.6 is added to the Education Code, to read:

**22950.6.** The Legislature hereby appropriates two billion two hundred forty-six million dollars (\$2,246,000,000) from the General Fund for the 2018–19 fiscal year to be transferred to the Teachers' Retirement Fund for the Defined Benefit Program, consistent with the requirements of this section and at the direction of the Department of Finance. The Department of Finance shall provide the Controller a schedule establishing the timing of specific transfers to be used for these payments. The payment to the Teachers' Retirement Fund shall be apportioned as follows:

(a) A dollar amount to pay in advance, on behalf of employers, part of the contributions required by employers for the 2019–20 fiscal year, such that it will result in employers having to contribute 1.03 percentage points less in the 2019–20 fiscal year than the percentage set by paragraph (6) of subdivision (a) of Section 22950.5.

(b) A dollar amount to pay in advance, on behalf of employers, part of the contributions required by employers for the 2020–21 fiscal year, such that it will result in employers having to contribute 0.70 percentage point less in the 2020–21 fiscal year than the percentage set by paragraph (7) of subdivision (a) of Section 22950.5.

(c) The remainder of the payment that has not been committed to the purposes specified in subdivisions (a) and (b) shall be allocated to reduce the employers' share of the unfunded actuarial obligation determined pursuant to Section 22950.5.

**SEC. 2.** Section 22955.2 is added to the Education Code, to read:

**22955.2.** (a) In addition to the appropriation required pursuant to Section 22955.1, the Legislature hereby appropriates 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 of the annual Budget Act to supplement the state's appropriation to the Teachers' Retirement Fund, consistent with the requirements of this section and at the direction of the Department of Finance. The Department of Finance shall provide to the Controller a schedule establishing the timing of specific transfers to be used for these purposes.

(b) The supplemental payment described in this section is for the state's unfunded actuarial obligation determined pursuant to Section 22955.1 and is in excess of the current appropriation. Therefore, any amount transferred to a fund identified in

subdivision (a) 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.

**SEC. 3.** Section 20825.1 is added to the Government Code, to read:

**20825.1.** (a) (1) In addition to the appropriation required pursuant to Section 20814, the Legislature hereby appropriates two billion five hundred million dollars (\$2,500,000,000) from the General Fund for fiscal year 2018–19 to be transferred to the Public Employees' Retirement Fund, consistent with the requirements of this section and at the direction of the Department of Finance. The Department of Finance shall provide the Controller a schedule establishing the timing of specific transfers to be used for these purposes.

(2) The supplemental payment to the Public Employees' Retirement Fund described in paragraph (1) shall be apportioned to the following state employee member categories, as directed by the Department of Finance, not to exceed the following amounts:

(A) Eight hundred forty-eight million fifty-seven thousand dollars (\$848,057,000) to the state miscellaneous member category.

(B) Eighty-two million nine hundred thirty thousand dollars (\$82,930,000) to the state industrial member category.

(C) One hundred eighty-four million four hundred twenty-seven thousand dollars (\$184,427,000) to the state safety member category.

(D) One billion three hundred eighty-four million five hundred eighty-six thousand dollars (\$1,384,586,000) to the state peace officer/firefighter member category.

(b) (1) In addition to the appropriation required pursuant to Section 20814, the Legislature hereby appropriates two hundred sixty-five million dollars (\$265,000,000) in General Fund moneys for fiscal year 2020–21, two hundred million dollars (\$200,000,000) in General Fund moneys in fiscal year 2021–22, and thirty-five million dollars (\$35,000,000) in General Fund moneys in fiscal year 2022–23 to be transferred to the Public Employees' Retirement Fund, consistent with the requirements of this section and at the direction of the Department of Finance. The Department of Finance shall provide the Controller a schedule establishing the timing of specific transfers to be used for these purposes.

(2) The supplemental payments to the Public Employees' Retirement Fund described in paragraph (1) shall be apportioned among the state employee member categories, as directed by the Department of Finance, in proportion to the amount of estimated General Fund moneys appropriated to make required contributions to each state employee member category for the fiscal year that the supplemental payment is transferred.

(c) The supplemental payments to the Public Employees' Retirement Fund described in subdivisions (a) and (b) shall be applied to the unfunded state liabilities for the state employee member categories described in paragraph (2) of subdivisions (a) and (b).

**SEC. 4.** Section 20825.2 is added to the Government Code, to read:

**20825.2.** The Legislature hereby appropriates nine hundred four million dollars (\$904,000,000) from the General Fund for the 2018–19 fiscal year to be transferred to the Public Employees' Retirement Fund, consistent with the requirements of this section and at the direction of the Department of Finance. The Department of Finance shall provide the Controller a schedule establishing the timing of specific transfers to be used for these payments. The payment to the Public Employees' Retirement Fund shall be apportioned as follows:

(a) One hundred forty four million dollars (\$144,000,000) to pay in advance, on behalf of school employers, part of the contributions required by school employers pursuant to this part for the 2019–20 fiscal year.

(b) One hundred million dollars (\$100,000,000) to pay in advance, on behalf of school employers, part of the contributions required by school employers pursuant to this part for the 2020–21 fiscal year.

(c) Six hundred sixty million dollars (\$660,000,000) shall be applied to the unfunded liabilities for the school employers whose assets and liabilities are merged pursuant to subdivision (a) of Section 20618.

(d) Any payments made pursuant to this section shall not discharge the school employers for any remaining amounts due and payable pursuant to this part.

**SEC. 5.** This act is a bill providing for appropriations related to the Budget Bill within the meaning of subdivision (e) of Section 12 of Article IV of the California Constitution, has been identified as related to the budget in the Budget Bill, and shall take effect immediately.