



March 29, 2011

Senator Mimi Walters' Pension Reform Act of 2011

1. **SB 520 – Creates a Hybrid Pension System (as amended 3/21/11)** – Places new public employees within the CalPERS retirement system in a hybrid-pension system, which will encompass a less generous defined-benefit plan and an employer-matched defined-contribution plan. By moving new employees to a hybrid system, the state can begin to stop the bleeding, while protecting the cash flow and actuarial valuation of CalPERS. While it won't eliminate our massive unfunded pension liability, it will help to ensure that we stop contributing to our unsustainable liability.
2. **SB 521 – Protection of Retiree Health Care Benefits (as amended 3/21/11)** – Requires pension plans and employees to set aside a percentage of employee payroll to protect future retiree health care benefits. Retiree health care benefits are not a “property right,” and as such, they are not guaranteed benefits and will be the first item to be eliminated when our pension plans are no longer able to sustain themselves. The impact this would have on our retirees and their families – most of whom have not planned for the cost of retirement healthcare – would be significant.
3. **SB 522 – Eliminates “Airtime” (as amended on 3/22/11)** – Repeals a 2003 law that permits public employees to “buy” credits for pension-qualified years of service that those employees did not actually work. The measure eliminates the authorizing provisions of law that enable members of CalPERS, CalSTRS and the '37 Act Counties to purchase non-worked service time credit. It is unconscionable that public employees are able to “purchase” pension-qualified service years – which they didn't even serve – at a significantly reduced rate, funded by California taxpayers.
4. **SB 523 – Eliminates Pensions for Part Time Elected Officials (as amended on 3/22/11)** – Eliminates taxpayer funded pension plans for part-time elected officials. It is not appropriate for part-time workers to receive pensions, particularly those who have the ability to “make the rules,” such as elected officials. SB 523 eliminates the conflict of interest inherent in part-time elected officials granting themselves pensions.
5. **SB 524 – Eliminates Retroactivity (as amended on 3/22/11)** – Prohibits retroactive benefit enhancements in our pension systems. It is unwise and fiscally irresponsible for elected officials to grant public employees retroactive benefits at the expense of California taxpayers. If and when our economy recovers and we experience a surplus of revenue, that money should be set-aside to protect us from encountering a fiscal crisis of this magnitude in the future.

6. **SB 525 – Raises Retirement Age (as amended on 3/21/11)** – The bill raises the minimum age of retirement for non-public safety employees to 55 years of age. Currently, many public employees are able to retire prior to age 55, which places a huge burden on California’s pension systems and ultimately the taxpayer. Raising the minimum age of retirement will help to alleviate some of the financial burden.
7. **SB 526 – Eliminates Pension Spiking (as amended on 3/21/11)** – Mandates that new public employees’ pension benefits will be based upon a 3-year average of the highest salaried years prior to retirement. The calculation will be limited exclusively to the employees’ base salary; vacation pay, overtime, sick time, fuel allotments, office budgets, etc... will not be used in the calculation for purposes of retirement benefits. It is disingenuous and abusive for public employees to inflate their baseline pension income for their entire retirement based upon their last year’s salary – which is often spiked in their last year of service to increase their lifetime pension benefits.
8. **SB 527 – Collective Bargaining Limitation (as amended on 3/22/11)** – All elements related to retirement pension benefits will not be subject to collective bargaining, with the exception of the amount of employer/employee contributions. It is not appropriate for elected officials to have the ability to negotiate benefits that will potentially be realized decades after their term of service has ended, particularly in light of the massive gifts of public funds granted by previous legislators and Administrations in SB 400.
9. **SB 528 – Eliminates PERS Board Conflict-of-Interest** – Eliminates the conflict of interest created on the CalPERS Board (Board) by removing the elected members from the 13-member PERS Board. It is unethical – and presents a substantial conflict of interest – for members of the Board to make decisions that directly impact their own retirements. Further, the measure would require specific demonstrative financial and/or actuarial expertise to qualify for membership on the Board.
10. **SB 820 – Creates CalPERS Transparency (as amended on 3/21/11)** – Institutes a pension reporting standard that requires CalPERS to report the actual rate of return from the inception of the institution rather than its misleading practice of reporting only the last 20 years, or any other period of time. By using only a snapshot of the historical performance, CalPERS is misleading the public into believing the retirement system is performing much better than it actually is. CalPERS currently uses a 7.75% rate of return, when the genuine historical rate of return is around 4%.