



Agenda Item 6

December 16, 2014

ITEM NAME: State Legislative Proposal: Minor Clarifying Technical Changes to the Public Employees' Retirement Law

PROGRAM: Legislation

ITEM TYPE: Action

RECOMMENDATION

Sponsor legislation to make the following minor clarifying technical changes to sections of the Government Code administered by the California Public Employees' Retirement System (CalPERS).

EXECUTIVE SUMMARY

This proposal would amend two provisions of the Public Employees' Retirement Law (PERL) identified by staff as necessary for the maintenance and good governance of CalPERS and to ensure that its statutes are clear.

STRATEGIC PLAN

This proposal supports Strategic Goal A to improve long-term pension and health benefit sustainability.

BACKGROUND

These laws govern CalPERS and the process by which it operates. During the course of normal operations, inconsistencies and ambiguities among related statutes are identified, which minor amendments can clarify and correct. In these cases, legislative corrections are required.

ANALYSIS

Clarifying Terms for Purchase of Service Credit for Specified Leaves of Absence

Existing law allows a CalPERS member on specified types of employer-approved, unpaid leaves of absence to purchase retirement service credit for the period of time they were away from work. The qualifications for eligibility to purchase service credit for the various types of leaves are specified within the section of the PERL that describes the allowable leave type. Most sections require that a member return to CalPERS-covered employment after the leave of absence and make an election to purchase service credit prior to his or her retirement. However, the sections that apply to leaves for serious illness and maternity or paternity leave do not.

To ensure consistency within the statutes governing service credit elections, staff recommends changes to clarify that members purchasing service credit for these

types of employer-approved leave must return to CalPERS-covered employment after their absence, and the election to purchase service credit for that period of absence must be made prior to retirement.

Other Technical Changes

This proposal will also allow for corrections to inaccurate code section references and other technical changes that conform the PERL to state and federal law.

BUDGET AND FISCAL IMPACTS

Not Applicable.

BENEFITS/RISKS

1. Benefits

- Ensures CalPERS administers the PERL in an efficient manner by eliminating ambiguity that leads to conflicting interpretations and unnecessary confusion.
- Clarifying the statutes governing service credit elections may reduce member appeals and improve employer and member understanding regarding the intent of these statutes.

2. Risks

- Incurring unnecessary and continuing costs associated with administering unclear benefit eligibility provisions and inconsistent crediting provisions are among the consequences if the proposed solutions are not executed.

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