

ADDENDUM TO THE INITIAL STATEMENT OF REASONS

Proposed Adoption of Section 579.9 of Article 6 of Chapter 2 of Division 1 of Title 2 of the California Code of Regulations

Significant Increase in Actuarial Liability Due to Increased Compensation Paid to a Non-Represented Employee

This Addendum to the Initial Statement of Reasons explains the purpose of the changes to the proposed regulation that are being made available after the 45-day comment period conducted from February 16, 2018 through April 2, 2018, and during the comment period conducted from January 8, 2019 to January 23, 2019.

PURPOSE

The purpose of the changes made to the proposed regulation is to add clarity; cite the statutory authority and references for the adoption of the proposed regulation; and make a formatting change.

Specifically, the changes made to the proposed regulation are as follows:

- The hanging paragraph after subsection (a)(2)(ii)¹ of section 579.9 was numbered as its own subsection (a)(3), and the original language regarding threshold adjustments was revised to clarify when and on what basis adjustments to the actuarial liability threshold under subsection (a)(1) and compensation threshold under subsection (a)(2) will be made.
- Authority and reference citations were added at the end of the proposed regulation text for Government Code (GC) Sections 20120, 20121, 20122, and 20791.

NECESSITY

Section 579.9, subsection (a)(3):

Subsection (a)(3) is necessary to clarify the process and criteria that the Chief Actuary will use to determine whether adjustments to the actuarial liability threshold under subsection (a)(1) and compensation threshold under subsection (a)(2) are necessary. Subsection (a)(3) provides that these thresholds will be reviewed annually beginning on January 1, 2020. The ability to adjust the actuarial liability and compensation thresholds is necessary to ensure that threshold amounts stay consistent over time with inflationary changes as measured by the Consumer Price Index for All Urban Consumers: U.S. City Average.

The new language in subsection (a)(3) replaces the original language in the hanging paragraph following subsection (a)(2)(ii).

¹ To be consistent with the text of the proposed regulation, all references in the Initial Statement of Reasons to "subdivision" under section 579.9 should be read as references to "subsection".

Authority and Reference Citations

The original proposed regulation did not cite the statutory authority and reference citations for adoption of the proposed regulation. Authority and reference citations were added at the end of the proposed regulation for GC Sections 20120, 20121, 20122, and 20791.