



Board of Administration

Agenda Item 9c

April 20, 2021

Item Name: State Legislative Proposal: Technical Amendments to the Public Employees' Retirement Law

Program: Legislation

Item Type: Action

Recommendation

SPONSOR legislation to make technical and clarifying changes to sections of the Government Code affecting the benefit programs administered by the California Public Employees' Retirement System (CalPERS).

Executive Summary

Team members seek approval of the Board of Administration (Board) to sponsor legislation that would make technical changes and the following:

- Conforming change to the election form remitting process related to CalPERS members retaining CalPERS service credit accrual while working in the California State Teachers' Retirement System (CalSTRS) covered employment.
- Clarifying change to notification requirements for providing health benefits to the surviving spouses and dependents of specified safety officers.

Strategic Plan

This proposal supports the 2017-22 CalPERS Strategic Plan to simplify programs to strengthen the long-term sustainability of the pension fund and also to reduce complexity across the enterprise.

Background

CalPERS benefit programs and administrative processes are subject to numerous statutory requirements, several of which have been identified by team members as outdated, subject to confusion among stakeholders, or which otherwise represent an opportunity to realize efficiencies through their modification or clarification. In these cases, recommended legislative changes are appropriate for the continued administration and good governance of CalPERS.

Analysis

The following are proposed amendments to sections of the Government Code:

Election to Retain Coverage by this System: Conformity to CalSTRS

In 2020, AB 2101 (Committee on Public Employment and Retirement), Chapter 275, Statutes of 2020, was signed into law. This bill was the retirement law omnibus bill that included provisions affecting 1937 Act county retirement systems, CalSTRS, and CalPERS. Among its provisions related to CalSTRS, the bill amended Education Code section 22509, which eliminated the requirement for school employers to remit a copy of the election form to CalPERS when CalSTRS members chose to continue earning CalSTRS service credit when assuming a CalPERS covered job.

This proposal would provide a conforming change in the PERL, amending Government Code section 20309, eliminating the requirement for a CalPERS member to send the election form to CalSTRS when the member assumes a CalSTRS-covered job.

A vested member with service under CalPERS with any agency may make this election when assuming a CalSTRS-covered job. If the member is not vested, they can only make this election if they worked for a school employer, the Board of Governors of the California Community Colleges, or the State Department of Education within the last 120 days prior to taking a position that qualifies for membership under CalSTRS on the date they are hired into that position.

This proposal would not impact any member's eligibility to make this election and would not impact any member's benefits or service credit accrual. The proposal only reduces the remitting of the election form.

Survivors of a Firefighter or Peace Officer: Notification Clarification

In 2001, the Legislature enacted Government Code 22820 (prior GC 22821.1) which provides the surviving spouse and dependents of a firefighter or peace officer, as defined, with state-funded health benefits, if the death occurred as a result of injury or disease arising out of and in the course of his or her duties. The safety officer does not need to be a CalPERS member and the safety officer's employer does not need to participate in the CalPERS system to be eligible for these benefits.

The State of California provides an employer contribution toward the cost of the survivor's health benefits. An appropriation is made monthly from the General fund to pay the State's share. The amount changes yearly and is equal to the amount specified in GC 22871 (100/90 State Annuitant formula). In 2021, the State contribution amount is \$798.00 for 1-party, \$1,519.00 for 2-party, and \$1,937.00 for 3-party or more. The State of California pays their portion of the contribution directly to the health plans. Any premium balance remaining will be the survivor's responsibility and must be paid directly to the health plan. Since 2018, we have enrolled 20 surviving spouses with 39 dependents (59 total) in the program. During this time period, only one application was denied due to the fact the deceased had not been employed as a safety officer for the prior 10 years. As of February 2021, there are 93 surviving spouses with 105 dependents (198 total) enrolled in this program.

This law requires the employer of the safety officer to notify CalPERS within 10 business days of the death. Failure to notify CalPERS within this strict timeline is common. In general,

CalPERS' practice is to accept a death notification from any entity for pension and health benefits, and at any time after the death. As such, CalPERS team members have never denied these benefits based on notification outside of this time period or by another source. An internal review of the application of this benefit has suggested clarifying the code section.

This proposal removes the 10-business day notification requirement for the employer and clarifies that CalPERS team members may receive notification from any reliable and verifiable source, regardless of how long after the safety officer's death. This proposal would not alter any surviving spouse's eligibility and would not alter the responsibility of CalPERS team members to determine eligibility with information provided by the employer.

Other Technical Changes

This proposal will also make corrections to inaccurate code section references and other technical changes to the PERL in accordance with other provisions of state and federal law.

Budget and Fiscal Impacts

Administrative Costs/Saving:

- Potential workload reduction due to not remitting election forms to CalSTRS.

Benefits and Risks

Benefits:

- Reduced workload associated with election forms.
- Continued implementation of key health benefit for surviving spouses of safety officers.

Risks:

None

Attachments

Attachment 1 – Proposed Bill Language to Amend GC section 20309

Attachment 2 – Proposed Bill Language to Amend GC section 22820

Danny Brown, Chief
Legislative Affairs Division

Brad W. Pacheco
Deputy Executive Officer
Communications & Stakeholder Relations

Marcie Frost
Chief Executive Officer