

BILL NUMBER: ACA 5            INTRODUCED  
BILL TEXT

INTRODUCED BY    Assembly Member Richman

DECEMBER 6, 2004

A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by adding Section 8 to Article XX thereof, relating to public pension or retirement benefits.

LEGISLATIVE COUNSEL'S DIGEST

ACA 5, as introduced, Richman.    Public retirement systems.

The California Constitution reserves a role for the elected officials of this state in the governance of public pension systems through several means, including the power to determine the appropriateness of retirement benefits for public employees.

This measure would establish the California Public Employee Defined Contribution Plan. The measure would provide that on and after July 1, 2007, any person hired as a new employee by a public agency may enroll only in a defined contribution plan of a public pension or retirement system, and is prohibited from enrolling in a defined benefit plan, as defined. The measure would limit employer contributions to a defined contribution plan to an unspecified percentage of employer payroll, establish other parameters for defined contribution plans, and also set forth related findings of the Legislature.

The measure would permit an active member of a defined benefit plan, during a specified timeframe, to transfer a sum equal to the member's interest in the defined benefit plan to a defined contribution plan. The measure would also allow a local jurisdiction to exceed limits imposed by the measure upon a vote of 2/3 of the electorate. The measure would authorize the Legislature to amend the provisions by a vote of 3/4 of the membership in each house by concurrent resolution in each of 2 consecutive sessions.

Vote: 2/3. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

WHEREAS, The California Constitution reserves a role for the elected officials of this state in the governance of public pension systems through several means, including the power to determine the appropriateness of retirement benefits for public employees; and

WHEREAS, It is the intent of this measure to prohibit, on and after July 1, 2007, defined benefit plans for all public agencies and to only authorize all new employees of public agencies to enroll in a defined contribution plan; and

WHEREAS, It is the intent of this measure to establish the California Public Employee Defined Contribution Plan, to provide for fiscally responsible defined contribution plans; and

WHEREAS, The Constitution is amended from time to time in furtherance of the wishes of the people and the people may set new

standards and provide for additional oversight and review of public pension systems; now, therefore, be it

Resolved by the Assembly, the Senate concurring, That the Legislature of the State of California at its 2005-06 Regular Session commencing on the sixth day of December 2004, two-thirds of the membership of each house concurring, hereby proposes to the people of the State of California, that the Constitution of the State be amended as follows:

That Section 8 is added to Article XX thereof, to read:

SEC. 8. (a) The California Public Employee Defined Contribution Plan is hereby established. (b) Notwithstanding any other provision, on and after July 1, 2007, any person hired as a new employee by a public agency may enroll only in a defined contribution plan of a public pension or retirement system, and shall not enroll in a defined benefit plan.

(c) On and after July 1, 2007, and before January 1, 2008, any active member of a defined benefit plan offered by any public agency may transfer a sum equal to the set present value of that member's interest in the defined benefit plan to a defined contribution plan established in accordance with this section.

(d) On and after July 1, 2007, employer contributions to a defined contribution plan established pursuant to this section shall not exceed \_\_\_ percent of employer payroll, except that employer contributions up to \_\_\_ percent of employer payroll may be made for sworn police officers and full-time firefighters.

(e) As used in this section, the following terms apply:

(1) "Defined benefit plan" means a system providing a pension benefit determined by a formula based on age, service credit, and final salary.

(2) "Defined contribution plan" means a system providing a pension benefit that is equal to the combined employer and employee contributions plus interest, less administrative expenses. A "public agency may use one or more third-party administrators to manage a defined contribution plan and educate members and retirees on appropriate investment strategies.

(3) "Public agency" includes, but is not limited to, the State of California, and any city, city and county, or county, including a charter city or charter county, district or other political subdivision or public entity of, or organized under the laws of, this State, or any department, instrumentality, or agency thereof.

(f) With respect to any local jurisdiction, the limits imposed by subdivision (d) may be exceeded upon a vote of two-thirds of the electorate of that jurisdiction.

(g) Notwithstanding any other provision to the contrary, without approval by the people, the Legislature may, by a vote of three-quarters of the membership in each house by concurrent resolution enacted in each of two consecutive two-year sessions, amend any part of this section relating to public pension or retirement systems.