07-0024

CALIFORNIA FOUNDATION FOR FISCAL RESPONSIBILITY

June 21, ~~May 29~~, 2007

RECEIVED
JUN 21 2007
INITIATIVE COORDINATOR
ATTORNEY GENERAL'S OFFICE

Ms. Patricia Galvan
Initiative Coordinator
Office of the Attorney General
State of California
PO Box 994255
Sacramento, CA 94244-25550

Re: Request for Title and Summary for Proposed Initiative

Dear Ms. Galvan:

Pursuant to Article II, Section 10(d) of the California Constitution, we are submitting the attached proposed statewide ballot measure to your office and request that you prepare a title and summary of the measure as provided by law. Included with this submission is the required proponent affidavit signed by the proponents of this measure pursuant to section 9608 of the California Elections Code. We have also included a check to cover the $200 filing fee. Our addresses as registered to vote are provided on Attachment 'A' to this letter.

Thank you for your time and attention to this important matter. If you require additional information or have any questions, please contact Thomas W. Hiltachk, our counsel, at (916) 442-7757.

Very truly yours,

Keith Richman John Moorlach Kris Hunt

Enclosure

07-0024

CALIFORNIA FOUNDATION
FOR
FISCAL RESPONSIBILITY

June 21, ~~May 29~~, 2007

RECEIVED

JUN 2 1 2007

INITIATIVE COORDINATOR
ATTORNEY GENERAL'S OFFICE

Ms. Patricia Galvan
Initiative Coordinator
Office of the Attorney General
State of California
PO Box 994255
Sacramento, CA 94244-25550

Re: Request for Title and Summary for Proposed Initiative

Dear Ms. Galvan:

Pursuant to Article II, Section 10(d) of the California Constitution, we are submitting the attached proposed statewide ballot measure to your office and request that you prepare a title and summary of the measure as provided by law. Included with this submission is the required proponent affidavit signed by the proponents of this measure pursuant to section 9608 of the California Elections Code. We have also included a check to cover the $200 filing fee. Our addresses as registered to vote are provided on Attachment 'A' to this letter.

Thank you for your time and attention to this important matter. If you require additional information or have any questions, please contact Thomas W. Hiltachk, our counsel, at (916) 442-7757.

Very truly yours,

Keith Richman

John Moorlach

Kris Hunt

Enclosure

07-0024

California Foundation
for
Fiscal Responsibility

June 21, 2007

RECEIVED
JUN 2 1 2007
INITIATIVE COORDINATOR
ATTORNEY GENERAL'S OFFICE

Ms. Patricia Galvan
Initiative Coordinator
Office of the Attorney General
State of California
PO Box 994255
Sacramento, CA 94244-25550

Re: Request for Title and Summary for Proposed Initiative

Dear Ms. Galvan:

Pursuant to Article II, Section 10(d) of the California Constitution, we are submitting the attached proposed statewide ballot measure to your office and request that you prepare a title and summary of the measure as provided by law. Included with this submission is the required proponent affidavit signed by the proponents of this measure pursuant to section 9608 of the California Elections Code. We have also included a check to cover the $200 filing fee. Our addresses as registered to vote are provided on Attachment 'A' to this letter.

Thank you for your time and attention to this important matter. If you require additional information or have any questions, please contact Thomas W. Hiltachk, our counsel, at (916) 442-7757.

Very truly yours,

Keith Richman | John Moorlach | Kris Hunt

Enclosure

The Public Employee Benefits Reform Act

SECTION 1. Title

This measure shall be known and may be cited as the Public Employee Benefits Reform Act.

SECTION 2. Findings and Declaration of Purpose

The People of the State of California find and declare that:

(a) Government has an obligation to provide adequate and secure retirement benefits to its employees;

(b) Our police, firefighters and other public safety employees, who risk their lives protecting us, deserve special consideration;

(c) At the same time, government has a responsibility to its employees and to taxpayers to ensure that such benefits are reasonable and adequately funded;

(d) Existing public employees have a right to receive the retirement and other similar benefits that were promised them upon employment. Thus, this Act does not eliminate, limit or affect existing defined benefit pension plans, vested retiree health care plans, disability benefits, or death benefits for current public employees or retirees and their families;

(e) However, the current system of retirement benefits is too costly, unreasonable and cannot be sustained for new public employees;

(f) Government finance experts have determined that retirement benefits provided public employees are significantly more generous than other states. Under the current system, some public employees can actually receive more income in retirement than they earned while working. The current system could result in billions of dollars in new taxes to meet the retirement obligations for public employees. Many local governments may be threatened with bankruptcy if no change is made.

(g) It is responsible and prudent for the people to impose limitations on retirement benefits offered to new public employees under existing defined benefit plans or any new plan.

(h) Therefore, the people of the State of California hereby enact the Public Employee Benefits Reform Act to provide for fiscally responsible retirement benefits for new public employees hired on or after the operative date of this Act.

SECTION 3. Public Employee Benefits Reform Act

Section 12 of Article VII of the California Constitution is added to read:

Sec. 12(a) The state and any other public agency providing retirement and other benefits for its new employees shall be limited as provided in this Section and such limitations are a matter of statewide concern.

(b)(1) A public agency providing retirement pension benefits to new employees under a defined benefit plan shall be limited as follows:

(A) The plan shall provide for full retirement ages of new employees as follows:

(i) for a new employee retiring as a peace officer or firefighter, no less than 55 years of age;

(ii) for a new employee retiring as public safety employee, no less than 60 years of age; and

(iii) for any other new public agency employee retiring from a public agency, no less than the full retirement age, as defined in the United States Social Security Old-Age and Survivors Insurance Program.

(iv) Notwithstanding the minimum retirement ages provided for in this subdivision, a public agency may offer early retirement pension benefits to one or more of its employees if the fiscal effect would be to reduce the normal cost to the public agency compared to the normal cost of providing the benefits only upon reaching the full retirement ages provided in this subdivision.

(B) The plan may not provide retirement pension benefits to any new public agency employee unless the new public agency employee has been a full time employee of one or more public agencies for at least five consecutive years. This subsection does not limit disability benefits for new public agency employees or death benefits for families of new public agency employees.

(C) A public agency may not provide retroactive increases in retirement pension benefits to any public employee under any plan.

(D) The plan may not provide retirement pension benefits to any new public agency employee that, for any year of the new public agency employee's retirement, exceeds the following percentage of the employee's annual average base wage:

(i) for a new employee retiring as peace officer or firefighter, no more than 2.2 percent multiplied by the number of years of employment;

(ii) for a new employee retiring as a public safety employee, no more than 1.8 percent multiplied by the number of years of employment;

(iii) for any other new public agency employee retiring from a public agency and who is not earning Social Security benefits, no more than 1.5 percent multiplied by the number of years of employment; and

(iv) for any other new public agency employee who is earning Social Security benefits, no more than 1 percent multiplied by the number of years of employment.

(E) For purposes of subdivision (D), a new employee's annual average base wage shall be based on no greater than the highest annual average base wage of the employee over a period of five consecutive years of employment by a public agency. Any additional payment, including but not limited to, overtime pay, bonus pay, severance pay, and payments for accrued but unused vacation and sick days shall be excluded from calculating the annual average base wage.

(F) During the first fiscal year of each public agency beginning after June 30, 2009, and during each fiscal year of the public agency thereafter, the public agency shall make payments to each defined benefit plan for all current and new employees of that public agency in amounts that each plan's actuary determines will equal or exceed the normal cost for that fiscal year of the defined benefits under that plan for all current and new employees of that public agency. This subdivision does not require payments with respect to any unfunded liability for fiscal years ending on or before June 30, 2009.

(G) Notwithstanding subdivision (D), a public agency may choose to increase the amount of defined benefit retirement payments made to retirees as follows:

(i) To offset the effects of inflation, if after five years of retirement, a plan's actuary determines in a written report, made public promptly after it is received by the plan, that there has been an increase in the California Consumer Price Index from the preceding year, the public agency may increase the annual defined benefit pension benefit to such retiree in an amount equal to the increase, but not exceeding 3%.

(ii) To provide financial benefits from excess earnings in a plan, if a plan's actuary determines in a written report, made public promptly after it is received by the plan, that the actuarial value of the plan's assets as of a recent date exceeds 110 percent of the actuarial value of the plan's liabilities, the public agency may, within 60 days after the report is made public, increase the annual defined benefit retirement payments to such retirees by up to 3 percent, provided the plan's actuary determines that such increases will not reduce the actuarial value of the plan's assets below 110 percent of the actuarial value of the plan's liabilities.

(2) A public agency providing retiree health care benefits to new employees shall be limited as follows:

(A)(i) Retiree health care benefits shall only be made available to new employees upon attaining the full retirement ages provided in subdivision (b)(1)(A)(i)-(iii); or

(ii) Retiree health care benefits may be offered by a public agency to one or more of its employees prior to attaining the full retirement ages provided in subdivision (b)(1)(A)(i)-(iii), if the fiscal effect would be to reduce the normal cost to the public agency compared to the normal cost of providing the benefits only upon reaching the employee's full retirement age.

(B) The public agency may not provide retiree health care benefits to any new public agency employee unless the new public agency employee has been both a full time employee of one or more public agencies for at least five consecutive years immediately preceding retirement and a full time employee of one or more public agencies for an aggregate of at least ten years. This subsection does not limit disability benefits for new public agency employees or death benefits for families of new public agency employees.

(C) A public agency may not provide retroactive increases in retiree health care benefits to any public employee.

(D) During the first fiscal year of each public agency beginning after June 30, 2009, and during each fiscal year of the public agency thereafter, the public agency shall make payments to one or more retiree health care plans for all current and new public agency employees of that public agency in amounts that each plan's actuary determines will equal or exceed the normal cost for that fiscal year of any retiree health care plan benefits projected to be paid by the public agency to such current and new employees. This subdivision does not require payments with respect to any unfunded liability for fiscal years ending on or before June 30, 2009.

(3) All funds held in public agency defined benefit pension plans shall be used exclusively to provide pension benefits for public agency retirees and may not be diverted to any other purpose, including the payments required by subdivision (b)(2)(D) for retiree health care benefits. All funds held in public agency retiree health care benefit plans shall be used exclusively for retiree health care benefits and shall not be diverted to any other purpose, including the payments required by subdivision (b)(1)(F) for pension benefits for public agency retirees.

(4) A public agency shall reserve the right to adjust the amount and rate of employee and agency contributions for pension and retiree health care benefits in any manner the agency may from time to time find appropriate, subject to the limitations provided in this Section. A public agency may not enter into any employment contract or collective bargaining agreement which limits or restricts, in any way, a public agency's ability to adjust the amount and rate of such contributions from time to time. This subdivision shall not apply to any employment agreement or collective bargaining agreement in effect prior to the effective date of this Section.

(5) As used in this section:

(A) "Defined benefit plan" means a plan providing a pension benefit determined by a formula based on factors such as age, years of service, and compensation.

(B) "New public agency employee" and "new employee" mean a person who becomes an employee of a public agency on or after July 1, 2009 and who has not been a full time employee of any public agency prior to July 1, 2009.

(C) "Normal cost" means the actuarially defined present value of the cost of projected benefits credited to employees for service in a stated period.

(D) "Peace officer or firefighter" means a new public agency employee who is a sworn peace officer or firefighter and either a patrol member (as defined in California Government Code section 20390, as that statute existed on January 1, 2007) or a state peace officer/firefighter member (as defined in California Government Code sections 20391-20398, as those statutes existed on January 1, 2007) or an employee of a public agency who has duties and responsibilities that are substantially the same as the duties and responsibilities of a patrol member or a state peace officer/firefighter member.

(E) "Public agency" means this State or a local public agency of this State, including, but not limited to, a city, city and county, or county, including a charter city or charter county, district, school district, the Regents of the University of California, California State University, and each other political subdivision or public entity of, or organized under the laws of, this State, or any department, instrumentality, board, commission, authority, or agency thereof.

(F) "Public safety employee" means a new government employee who is a state safety member (as defined in California Government Code sections 20399-20416, as those statutes existed on January 1, 2007), or an employee of a public agency who has duties and responsibilities that are substantially the same as the duties and responsibilities of a state safety member, and who is not a peace officer or firefighter employee.

(G) "Retiree health care benefits" means a plan or trust providing health care benefits to retirees, such as health care services (including acute and chronic care), payment of capitation fees (including those for the United States Medicare Program), other medical services, and dental and vision services.

(H) "Social Security benefits" means benefits under the United States Social Security Old-Age and Survivors Insurance Program.

(c)(1) The Legislature may adopt legislation implementing this Section and only to further the purposes of this Section by a bill passed by rollcall vote entered into the journal, two-thirds of the members concurring.

(2) Notwithstanding the limits provided for in subdivision (b)(1)(D):
(A) The Legislature may modify those limitations for employees of the state or the University of California by a bill passed by rollcall vote entered into the journal, three-fourths of the members concurring.

(B) A public agency other than the state or the University of California, may modify those limitations for employees of the public agency upon approval of two-thirds of the voters, in that agency, voting on the question in a regularly scheduled statewide general election.

(d) Nothing in this Section shall terminate, amend, modify or in any way limit or affect the retirement pension benefits, vested retiree health care benefits, disability, death or other benefits provided for current and retired employees of public agencies. Nothing in this Section shall be construed to require the termination or closure of any existing defined benefit plan.

(e) Nothing in this Section shall terminate, amend, modify or in any way affect the sole and exclusive fiduciary responsibility of the California Public Employees Retirement

System, the California State Teachers' Retirement System, and the University of California Retirement System, or any other public pension retirement board or system over the assets held by each of those systems as provided by Section 17 of Article XVI.

SECTION 4. Severability

The provisions of this Act are severable. If any provision of this Act or its application is held invalid, that finding shall not affect other provisions or applications that can be given effect without the invalid provision or application.

SECTION 5. Effective Date

This Act shall become effective immediately upon its approval by the voters pursuant to Section 10(a) of Article II. No public agency may enter into any employment contract or collective bargaining agreement providing for retirement benefits in excess of the limitations imposed by this Act, notwithstanding the operative date of July 1, 2009.