

SA2005RF0070



Faculty Association

An Independent Membership Organization of Faculty at the University of California, Los Angeles
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Feb. 9, 2005

The Honorable Bill Lockyer
Attorney General, State of California
ATTN: Ms. Tricia Knight
Initiative Coordinator
1300 I Street, Suite 125
Sacramento, CA 94244-2550

RECEIVED
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Re: The California Public Employee Pension Reform Act

INITIATIVE COORDINATOR
ATTORNEY GENERAL'S OFFICE

Dear Ms. Knight:

On behalf of the Faculty Association at UCLA, the proponent of this Initiative, I would like to take this opportunity to request that the Attorney General prepare a title and summary of the chief purpose and points of The California Public Employee Pension Reform Act, a copy of which is attached. The initiative text is (four) 4 pages in length.

Any correspondence regarding this initiative should be directed to Dwight Read, Chair, Faculty Association at UCLA, P.O. Box 33336, Granada Hills, CA 91394-3336 (phone and FAX 818 341-8664), and ucfa@earthlink.net.

I am a citizen of the United States. My residence address in California, at which I am registered to vote, is attached.

Thank you for your cooperation.

Sincerely,

Dwight Read
Chair, Faculty Association at UCLA

Attachments:
Cover Page – 1 page
Initiative Text – 4 pages
Confidential Voter Information – 1 page

THE CALIFORNIA PUBLIC EMPLOYEE PENSION REFORM ACT

This initiative measure is submitted to the People of California in accordance with the provisions of Article II, Section 8 of the Constitution.

SECTION 1. Title.

This measure shall be known and cited as "The California Public Employee Pension Reform Act."

SEC. 2. Findings and Declarations.

The People of California hereby find and declare as follows:

- a) California's state and local governments face severe budget crisis because elected officials spend more than they receive in taxes. A fair and balanced approach to restoring long-term fiscal responsibility must include limiting the cost of government employee pensions which have grown dramatically in recent years, threatening the long-term investments California needs in education, infrastructure, health care and public safety.
- b) California has among the nation's most generous public pension plans, providing some employees with more than 100% of their final years' salary at age 50. During the past 20 years, most private employers have moved to defined contribution plans such as 401 (k) plans to limit costs, promote responsible budgeting and improve fiscal accountability.
- c) The struggle to meet the demands of generous pension plans negotiated by elected officials has increased state and local government debt by more than \$12 billion, leaving more than \$30 billion in additional unfunded costs for future retirees. Creating defined contribution plans for all state and local government employees as defined in subparagraph SEC. 4 (d) (3) will eliminate new unfunded liabilities.
- d) Under current law, existing state and local government employees cannot have their retirement plans changed by this Act. Promises made to all current public employee retirement system members will be kept under this Act. A switch from defined benefits to defined contributions plans will only affect employees hired by public agencies as defined in subparagraph SEC. 4 (d) (3) on or after July 1, 2007.
- e) In order to protect the investments California needs to improve the quality of life in the decades ahead, a limit on the amount of public agency contributions to defined contribution plans must be included in this Act. The limits established by this Act are consistent with employer contributions to 401 (k) plans most commonly found in the private sector with important adjustments for education and public safety employees.
- f) Unlike current government pension plans, defined contribution plans allow employees to enhance their credit standing, control their assets, move pension assets from one job to another, and pass along remaining funds to their heirs.

- g) Defined contribution plans will make government officials more accountable for spending public money; reduce the long-term cost of retirement plans; provide greater budget predictability; and help restore fiscal responsibility to state and local budgets.
- h) The University of California (UC), its laboratories, and its affiliates, are excluded from this Act and the California Public Employee Pension Plan that the Act establishes for several reasons:
 - 1. **Competitive Faculty Compensation.** The UC system has established itself in the upper ranks of all universities, public and private, by offering competitive salaries and benefits to attract and retain the best faculty in the nation. UC follows a state-approved formula that keeps UC faculty compensation in the middle position between 4 of the best private and 4 of the best public universities in the nation.
 - 2. **Independent Oversight of Benefit Plan.** The benefit structure of UC is unique among public agencies. UC and its pension plan are a public trust regulated by the independent Board of Regents whose members watch over the interests of both the University and the State of California which supports it. Because the Regents do not participate in the University of California Retirement Plan themselves, they can be relied upon to ensure that the Plan's assets and liabilities continue to be balanced and managed responsibly without burdening the state with future unfunded liability.

SEC. 3. Purpose and Intent.

(a) In enacting this measure, the people of the State of California intend to prohibit all public agencies as defined in subparagraph SEC. 4 (d) (3) from having defined benefit retirement plans for employees hired on and after July 1, 2007 and to authorize all such employees of public agencies as defined in subparagraph SEC. 4 (d) (3) to enroll only in a defined contribution plan. The people intend that commitments made to existing public employees enrolled in defined benefit plans be fully honored.

(b) This measure also establishes the California Public Employee Defined Contribution Plan, and limits the contributions which the employers of public agencies as defined in subparagraph SEC. 4 (d) (3) may make to such plans.

SEC. 4. Section 8 is added to Article XX of the Constitution to read:

Sec. 8. (a) The California Public Employee Defined Contribution Plan is hereby established.

(b) Notwithstanding any other provision of law or this Constitution, on and after July 1, 2007, any person hired as a new employee by a public agency as defined in subparagraph SEC. 4 (d) (3) 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 as defined in subparagraph SEC. 4 (d) (3) may

transfer a sum equal to the net present value of that member's interest in the defined benefit plan to a defined contribution plan as defined in this section.

(d) 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 and net investment earnings, less administrative expenses. A public agency may use one or more private third-party administrators to manage a defined contribution plan, provide investment vehicles 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, school district, California State University or other political subdivision or public entity of, or organized under the laws of, this State, or any department, instrumentality, or agency thereof except the University of California, its laboratories, and its affiliates, all of which are excluded from the California Public Employee Defined Contribution Plan.

SEC. 5. Title 18, commencing with section 99100, is added to the Government Code to read:

Title 18. California Public Employee Defined Contribution Plan

Chapter 1. General Provisions

99100(a) On and after July 1, 2007, a contribution of a public agency as defined in subparagraph SEC. 4 (d) (3) to a defined contribution plan shall not exceed 6 percent of an employee's base salary, which shall not include overtime, vacation or sick leave allowances, except that a public agency's contributions up to 9 percent of an employees base salary may be made for sworn police officers and full-time fire fighters. For employees not covered by the Federal Social Security Program a public agency may contribute up to an additional three percent of base salary.

(b) No public agency as defined in subparagraph SEC. 4 (d) (3) shall make a contribution to a defined contribution plan in excess of three percent of salary without a matching contribution from the employee, except in the case of sworn police officers and full time firefighters, that contribution may be 4.5 percent. A qualified matching contribution under this section shall be at least one dollar from the employee for every two dollars by the public agency, up to the limits established in subsection (a). Employees may make additional unmatched contributions to the limits established by federal law.

(c) With respect to any local public agency as defined in subparagraph SEC. 4 (d) (3) comprised of directly elected public officials, the limits imposed by subdivision (a) may be exceeded upon a vote of two-thirds of the electorate of that public agency.

(d) "Public Agency" as defined in subparagraph SEC. 4 (d) (3) and "Defined Contribution Plan" shall be as defined in Article XX, Section 8 of the Constitution.

SEC. 6. In the event that this measure and another measure or measures relating to retirement plans of public employees shall appear on the same statewide election ballot, the provisions of the other measures shall be deemed to be in conflict with this measure. In the event that this measure shall receive a greater number of affirmative votes, the provisions of this measure shall prevail in their entirety, and the provisions of the other measures shall be null and void.

SEC. 7. If any of the provisions of this act, or part thereof, is for any reason held to be invalid or unconstitutional, the remaining provisions shall not be affected, but shall remain in full force and effect, and to this end the provisions are severable,

SEC. 8. The statutory limits set forth in subdivision (a) of Government Code section 99 100 enacted by this measure may be amended only by two identical bills introduced in two successive sessions of the Legislature, each passed by three--quarters of the membership of both houses of the Legislature and each signed by the Governor.