

Date of Hearing: July 7, 2021

ASSEMBLY COMMITTEE ON APPROPRIATIONS
Lorena Gonzalez, Chair
SB 411 (Cortese) – As Amended April 13, 2021

Policy Committee: Public Employment and Retirement Vote: 7 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill grants discretionary authority to the California Public Employee’s Retirement System (CalPERS) to reinstate a retiree to active membership if they work more than the 960-hour-per-fiscal-year limit, under current law, in CalPERS-covered positions. The bill also allows CalPERS discretion in addressing violations of this rule in a manner that does not impose harsh financial penalties on retirees.

FISCAL EFFECT:

Administrative cost savings to CalPERS, potentially in the hundreds of thousands of dollars annually, resulting from the discretionary authority granted to CalPERS by this bill to not pursue violations in administrative law court, which can be expensive and time consuming. (According to CalPERS, if there are 50 violations in a given year, cost savings resulting from discretion to not pursue violations through administrative hearings would be approximately \$235,000 in base administrative costs and potentially another \$38,000 to \$62,500 in travel costs.)

COMMENTS:

1) **Purpose.** According to the author:

SB 411 will allow CalPERS staff to work with retired members and employers to resolve working after retirement violations in an efficient and agreeable manner...SB 411 would simply grant the CalPERS board the authority to reach a fair resolution with retirees who inadvertently go over the 960-hour limit, based on the circumstances and conditions of that particular violation, without having to force a retiree to reinstate back into the system. This would put an end to what, in some cases, can amount to an egregious encumbrance on retirees and, instead, allow for more swift and effective resolutions to these unintentional violations.

2) **Background.** Current law allows a CalPERS retiree to return to work with a CalPERS employer as a “retired annuitant” after waiting 180 days after retirement. Retired annuitants are limited to working 960 hours a year before being required to reinstate to active CalPERS membership. In addition, a retired annuitant does not earn service credit during the period of employment. The employer of a retired annuitant is responsible for submitting payroll and other information to CalPERS for purposes of reporting and tracking hours.

If a retired annuitant exceeds the work limit, they are reinstated to active CalPERS service and must reimburse CalPERS for the retirement allowances received during the time of their violation and pay their share of contributions for that time period, including penalties, interest and administrative costs.

- 3) **Prior Legislations.** AB 2365 (Rodriguez), of the 2019-20 Legislative Session, was substantially similar to this bill. The bill was held in the Senate Committee on Labor, Public Employment and Retirement at the request of the author.

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