
SENATE COMMITTEE ON APPROPRIATIONS

Senator Anthony Portantino, Chair
2023 - 2024 Regular Session

SB 300 (Seyarto) - Public employees' retirement: fiscal impact: information

Version: May 3, 2023

Urgency: No

Hearing Date: May 15, 2023

Policy Vote: L., P.E. & R. 5 - 0

Mandate: Yes

Consultant: Robert Ingenito

Bill Summary: SB 300 would require specified pension bills that are referred to the Senate Labor, Public Employment and Retirement Committee to include a fiscal analysis by the Legislative Analyst's Office (LAO).

Fiscal Impact:

- The LAO indicates that it could not absorb, within its existing resources, the increased analytical workload that would result from the bill. The cost to implement the bill's requirements would be in the hundreds of thousands of dollars annually (General Fund). The LAO's funding comes from the Legislature's budget, which is capped by Proposition 130 (1990). Thus, to the extent the Legislature provided additional funding to the LAO to perform the duties required by the bill, less resources would be available for the remainder of its budget.
- Costs to the California Actuarial Advisory Panel, within the State Controller's Office (STO), have yet to be identified (General Fund).
- Costs to the California Public Employees Retirement System (CalPERS) and the California State Teachers Retirement System (CalSTRS) would potentially be minor and absorbable. Any additional costs would depend on the extent to which requests from the LAO require additional work beyond the pension segments' regular bill analysis or actuarial work.

Background: Through CalPERS, the State provides pension benefits to retired state and California State University employees. CalPERS pensions are funded from three sources: employer contributions, employee contributions, and investment gains. Investment gains pay for roughly two-thirds of current benefits, while employer and employee contributions fund the remainder.

Likewise, school and community college employees in California generally are eligible to receive a pension upon retirement. For teachers, administrators, and other employees having a state credential, these pension benefits are administered by CalSTRS. CalSTRS too is funded through contributions from employers (school and community college districts), employees, and investment gains. In addition, CalSTRS receives an annual General Fund appropriation. CalSTRS is the only pension system in California for which the state makes a direct appropriation on behalf of local agencies.

Proposed Law: This bill, among other things, would do the following:

- Require the LAO to prepare a pension fiscal impact analysis on any measure introduced on or after January 1, 2024, that is referred to the Senate Labor, Public Employment and Retirement Committee, or any successor committee, as specified, and that requires a public retirement system to take prescribed action, including the divestiture of an existing investment.
- Require the California Actuarial Advisory Panel and the affected public retirement system to provide assistance to the LAO in preparing the analysis.
- Require the LAO to develop specified criteria, including, at a minimum, the likely short-term and long-term costs to the General Fund, as specified.
- Prohibit a member of the Legislature from presenting any measure for which the LAO must prepare a pension fiscal impact analysis under the bill's provisions until the LAO posts the completed analysis on its website and transmits it to the legislative committee.

Related Legislation:

- SB 783 (Pan, 2018) would have requested the University of California (UC) establish the Pension Divestment Review Program (PDRP) to assess proposals that require a public employee pension fund to divest assets, or restrict the fund from investing, based on specific criteria or by reference to an external benchmark. The bill was held under submission on the Suspense File of the Assembly Appropriations Committee.
- SB 32 (Moorlach, 2017), among other things, would have created the Citizens' Pension Oversight Committee (OC) consisting of 5 to 9 members jointly appointed by CalPERS and CalSTRS from persons with experience in fiduciary matters who do not receive benefits from the two systems to serve in an advisory role to CalPERS and CalSTRS.

Staff Comments: This bill would require the LAO to hire staff who have actuarial and investment market expertise and experience. As indicated previously, annual costs are anticipated to be in the hundreds of thousands of dollars.

As noted previously, the LAO itself is a part of the Legislature; it is funded from the Legislature's budget. Specifically, the LAO receives an annual transfer from both the Senate and the Assembly to fund its operations. Proposition 140, approved by the voters in 1990, capped the Legislature's budget. Since that time, funding for the LAO has accounted for less than 3 percent of the Legislature's annual budget. Under the requirements of Proposition 140, any additional resources for the LAO would have to come from the Legislature's budget.

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