

March 25, 2011

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

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INITIATIVE COORDINATOR
ATTORNEY GENERAL'S OFFICE

Re: Corrected Version of Public Employee Pension Reform Act

Dear Ms. Paris:

Please find attached a corrected version of the "Public Employee Pension Reform Act." As you know, there was a typographical error on the second page of the initiative that I submitted to your office yesterday.

Thank you for your courtesy and cooperation.

Very Truly Yours,

Roger Niello

INITIATIVE MEASURE TO BE SUBMITTED DIRECTLY TO VOTERS

SECTION 1. STATEMENT OF FINDINGS

A. Government has an obligation to provide adequate health and retirement benefits to its employees;

B. At the same time, government has a responsibility to its taxpayers to insure that such benefits are reasonable and adequately funded;

C. Pension benefits for existing employees are excessive and threaten the economic viability of state and local governments. A recent report by the State's Little Hoover Commission concludes that the current system is fiscally "unsustainable;

D. Government finance experts have determined that the pension and retiree health provided public employees are significantly more generous than other states. It has been reported that more than 15,000 persons receive pension benefits in excess of \$100,000 per year. Under the current system, some public employees can actually receive more income in retirement than they earned while working.

E. In the 1930's, our state established a retirement age for government employees of 65. Now many government employees can retire in there 50's, notwithstanding a much longer life expectancy. As a result, many retirees will receive a government pension for more years than they actually worked for the government.

F. The current system has led to billions of dollars of unfunded liabilities for pension obligations of government employees. The taxes needed to adequately fund such benefits would crush the economy. The investment proceeds needed to fund such benefits are non-existent. Many local governments will be threatened with bankruptcy if no change is made right now.

SECTION 2. STATEMENT OF PURPOSE

- A. The people hereby enact the "Public Employee Pension Reform Act" to;
- 1) provide fiscally responsible pension benefits for all government employees; and
 - 2) Reform the excessive pension benefits provided to current government employees.

SECTION 3. Public Employee Pension Reform Act

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

Sec. 12(a) Public agencies may provide reasonable pension benefits for all employees hired after the effective date of this section, subject to all of the limitations of this section.

(b) Any plan providing for pension benefits for employees of a public agency who are employed on the effective date of this section, shall comply with retirement age limitation in subdivision (f)(1), whether enacted by law or by contract, notwithstanding section 9 of Article I.

(c) This section does not apply to or limit disability benefits for public agency employees or death benefits for families of public agency employees.

(d) Public agencies shall retain exclusive authority to modify the terms of pension, retiree health, or other retirement benefits provided to its employees and may not relinquish such authority in any employee contract or collective bargaining agreement.

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

(f) A public agency providing pension benefits to its employees shall:

(1) provide for full retirement ages of all employees no less than 62 years of age;

(2) require a public agency employee to have been a full time employee of one or more public agencies for at least five consecutive years;

(3) limit retirement benefits for a public agency employee to no more than sixty percent (60%) of the highest annual average base wage of the employee over a period of three 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.

(4) require the public agency employee to contribute an amount at least equal to the amount provided by the public agency to fund the plan.

(g) As used in this section:

(1) "Public agency employee" and "employee" mean a person who is or becomes a full-time employee of a public agency.

(2) "Public agency" means the state or a political subdivision of the state, including, but not limited to, counties, cities, charter counties, charter cities, charter city and counties, school district, special districts, boards, commissions, the Regents of the University of California, California State University, and agencies thereof.

(3) "Pension" or "pension benefits" means a plan or trust providing a pension benefit determined by a formula based on factors such as age, years of service, and compensation, or a plan or trust

(h) 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.

(i) Nothing in this Section shall terminate, amend, modify or in any way affect the retirement benefits or other benefits provided Members of the Legislature pursuant to Section 4.5 of Article IV.

(j) Nothing in this section shall repeal, modify, change or impair the pension benefits of persons who are receiving or are entitled to receive such benefits as a result of that person's retirement from public agency employment prior to the effective date of this section.

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.