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Legislators' And Judges' Retirement Systems.

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Official Title and Summary Prepared by the Attorney General

LEGISLATORS' AND JUDGES' RETIREMENT SYSTEMS. LEGISLATIVE CONSTITUTIONAL AMENDMENT. Limits payment of retirement allowances to members of the Legislators' Retirement System or the Judges' Retirement System, or to their beneficiaries or survivors, to higher of (1) the salary received by the person currently serving in the office in which the retired person served or (2) the highest salary received by the retired person while serving in that office. Limitation on retirement allowances applies only to members entering retirement systems for first time on or after January 1, 1987. Authorizes Legislature to define terms used in the measure. Contains other provisions. Summary of Legislative Analyst's estimate of net state and local government fiscal impact: Current retirees from these programs receive retirement benefit increases based on cost of living. Under this proposal persons entering these retirement systems after January 1, 1987, will receive retirement benefits limited to salaries of like officeholders. Because salary increases are limited by law, this measure could produce minor savings to state in future years if, over a period of time, the rate of inflation exceeds the increases in salaries paid to the current officeholders.

Final Vote Cast by the Legislature on SCA 5 (Proposition 48)

Assembly: Ayes 71	Senate: Ayes 37
Noes 3	Noes 0

Analysis by the Legislative Analyst

Background

Legislators and certain officers who are elected on a statewide basis (the Governor, for example) are covered by the Legislators' Retirement System. Judges are covered by a separate retirement system.

When a statewide elected official (such as the Governor) retires, the official's *initial* retirement benefit cannot exceed 60 percent of his or her *highest* salary. For a legislator, the *initial* retirement benefit cannot exceed two-thirds of his or her *final* salary. The retirement benefits paid to both groups of officials increase each year to offset the effects of inflation. Thus, if prices go up by 10 percent in any one year, the amount of each retirement check increases by 10 percent in the following year.

In contrast, the *salaries* paid to legislators cannot increase by more than 5 percent per year. Thus, when the rate of inflation exceeds 5 percent, the pensions paid to *retired* legislators increase faster than the salaries paid to *current* legislators. This narrows the gap between salaries and retirement benefit levels.

The salaries of statewide elected officials generally grow at the same rate as the salaries granted to state employees.

A judge's retirement benefits are limited to 75 percent of the salary paid to the judge currently serving in the

position last held by the retired judge. Each year, both the pensions paid to retired judges and the salaries paid to active judges increase by the same percentage as the increase in salaries granted to state employees.

Proposal

This constitutional amendment would set limits on retirement benefits for persons covered by the Legislators' and Judges' Retirement Systems. The limits would apply to individuals (and their beneficiaries) who first become members of these systems after December 31, 1986. If the amendment is approved, retirement benefits could not exceed the *higher* of (1) the salary paid to the person currently holding the position from which the member retired, or (2) the highest salary received by the individual during his or her term in office. (In most cases, the salary paid to the current officeholder will be higher, and thus will serve as the limit on pension benefits.)

Fiscal Effect

This measure could produce minor savings to the state in future years. Such savings would occur if, over a period of time, the rate of inflation exceeds the increases in salaries paid to the current officeholders.

An ceptional idea.
Bonnie Nicholls, Nevada City

Argument in Favor of Proposition 48

We must act *now* to limit the future pension benefits of public officials in California!

WE HAVE THE POWER TO PREVENT PUBLIC OFFICIALS FROM RECEIVING RETIREMENT BENEFITS THAT ARE GREATER THAN THE SALARIES OF OUR CURRENT OFFICEHOLDERS. WE HAVE THE POWER TO GUARANTEE EQUITY IN THESE PENSION BENEFITS!

Retirement systems were created to provide fair allowances to public servants, not *windfall* benefits. The scandalously high pensions now being paid to some retired public officials were never *intended* by the Legislature. Nor were they *expected* by the individuals while they were in office. But the *courts* have upheld these plans—even though they provide unearned benefits to a select few.

Proposition 48 will ensure that this situation will never happen again by amending the State Constitution to provide *permanent* limits on the *future* pensions of all judges, legislators, and constitutional officers.

WHY IS A CONSTITUTIONAL AMENDMENT NECESSARY?

The State Constitution does not include ANY limits on the pension benefits of public officials.

The actions of a legislative session 23 years ago now *lapse*. All of these problem pension plans have now been repealed, but the *courts* have decreed that the pen-

sions earned while these laws were on the books must be paid! IF PROPOSITION 48 HAD BEEN IN THE STATE CONSTITUTION, WE WOULD NOT NOW BE FORCED TO SPEND TAXPAYER DOLLARS TO PROVIDE THESE EXTRAORDINARY PENSIONS!

HOW DOES PROPOSITION 48 WORK?

Proposition 48 would put a pension benefit UPPER limit in the Constitution for *judges, legislators, and constitutional officers* who are first elected after January 1, 1987.

These public officials would be prohibited from receiving a pension benefit that exceeds the greater of:

- 1) the highest salary *earned before retirement*, or
- 2) the salary of the *current officeholder*.

This new UPPER LIMIT on pension benefits would *permanently stop* the predicament we find ourselves in today—that of retired public officials being paid allowances greater than the salaries of our current officeholders.

THIS IS YOUR CHANCE TO ENACT A CONSTITUTIONAL AMENDMENT THAT WILL ASSURE THAT PUBLIC OFFICIALS CANNOT GET HIGHER PENSION BENEFITS THAN THEY DESERVE.

Vote YES on PROPOSITION 48!

WADIE P. DEDDEH
State Senator, 40th District

JIM ELLIS
State Senator, 39th District

No argument against Proposition 48 was filed

Text of Proposed Law

This amendment proposed by Senate Constitutional Amendment 5 (Statutes of 1985, Resolution Chapter 90) expressly amends the Constitution by adding a section thereto; therefore, new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENT TO ARTICLE VII

First—That Section 11 is added to Article VII thereof, to read:

SEC. 11. (a) *The Legislators' Retirement System shall not pay any unmodified retirement allowance or its actuarial equivalent to any person who on or after January 1, 1987, entered for the first time any state office for which membership in the Legislators' Retirement System was elective or to any beneficiary or survivor of such a person,*

which exceeds the higher of (1) the salary receivable by the person currently serving in the office in which the retired person served or (2) the highest salary that was received by the retired person while serving in that office.

(b) *The Judges' Retirement System shall not pay any unmodified retirement allowance or its actuarial equivalent to any person who on or after January 1, 1987, entered for the first time any judicial office subject to the Judges' Retirement System or to any beneficiary or survivor of such a person, which exceeds the higher of (1) the salary receivable by the person currently serving in the judicial office in which the retired person served or (2) the highest salary that was received by the retired person while serving in that judicial office.*

(c) *The Legislature may define the terms used in this section.*