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LEGISLATURE. PARTICIPATION IN PUBLIC EMPLOYEES' RETIREMENT SYSTEM.

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33**LEGISLATURE. PARTICIPATION IN PUBLIC EMPLOYEES' RETIREMENT SYSTEM.**
Legislative Constitutional Amendment.Official Title and Summary Prepared by the Attorney General**LEGISLATURE. PARTICIPATION IN PUBLIC EMPLOYEES' RETIREMENT SYSTEM.**

Legislative Constitutional Amendment.

- Amends Constitution to allow members of the California Legislature the option to participate in the Public Employees' Retirement System.
- Allows any person elected or serving in the Legislature on or after November 1, 1990 to participate in any state retirement plan in which a majority of the employees of the State may participate.
- Only the employer's share of the contribution necessary for participation in such state retirement plans will be paid by the State.
- Requires members of the Legislature to continue to participate in the Federal Social Security System.

Summary of Legislative Analyst's Estimate of Net State and Local Government Fiscal Impact:

- Annual state costs under \$ 1 million to provide retirement benefits to legislators, with these costs replacing other spending from the fixed annual amount provided in support of the Legislature. No net impact on state spending.

Final Votes Cast by the Legislature on ACA 12 (Proposition 33)

Assembly:	Ayes 57	Noes 12
Senate:	Ayes 27	Noes 0

BACKGROUND

The California Legislature has 120 members—80 in the Assembly and 40 in the Senate. The State Constitution currently provides that:

- Salaries and benefits (other than retirement) of legislators are set annually by an independent commission.
- Retirement benefits for service in the Legislature are limited to participation in the federal Social Security system.

Prior to November 1990, legislators also participated in the state-run Legislators' Retirement System. Proposition 140, passed by the voters in November 1990, prohibited legislators from that time forward from earning any new retirement benefits (other than Social Security). Proposition 140 also established an annual "cap" on spending in support of the Legislature (for expenses such as legislator and staff salaries and other operating costs). The cap increases annually based on growth in the state's economy and population.

PROPOSAL

This proposition amends the State Constitution to allow legislators to participate in the state Public

Employees' Retirement System (PERS). This system provides retirement benefits to a majority of state government workers. A legislator choosing to participate in the plan would pay almost 5 percent of his or her salary to the system. In addition, the state would pay into the system in the same way it pays for its other employees. The state's contribution is determined each year by PERS and is paid as a percent of the employee's salary. These rates can vary significantly from year to year. For instance, the current PERS employer rate is zero (due to recent performance of PERS investments), but this rate is projected to increase to around 4.5 percent in 2001–02.

FISCAL EFFECT

The state cost to provide PERS retirement benefits to legislators would depend on (1) how many legislators choose to participate in PERS and (2) the annual employer PERS contribution rate. These costs, however, would be under \$1 million each year.

This expense would have to be paid out of the annual amount provided for support of the Legislature. As such, this proposition would not result in additional state costs, but would instead replace other types of spending in support of the Legislature.

For text of Proposition 33 see page 55.

33 LEGISLATURE. PARTICIPATION IN PUBLIC EMPLOYEES' RETIREMENT SYSTEM.

Legislative Constitutional Amendment.

Argument in Favor of Proposition 33

Most working people in their 30's or 40's have a retirement plan. They pay into that plan each month—and their employer puts some in too. And at age 65 they can retire with full benefits.

But what would happen if you lost six years of service toward your pension? You'd have to work an additional six years—and wait to retire until after you were 70.

That's exactly what people who run for state office are faced with. They are limited to six years of service in the Assembly or eight years in the State Senate—by term limits. But they are allowed no service time toward their pensions for the time they served in public office.

It's only fair that people who commit to public service are allowed to provide for their future.

PROPOSITION 33 WOULD TREAT STATE LAWMAKERS LIKE ALL OTHER PUBLIC EMPLOYEES.

It would allow Legislators to put aside some of their paycheck each month and have the State put some in too. No special deal. No special benefits. Just the same retirement plan available to the majority of state workers.

Nurses, Teachers, Firefighters, Farmers—people from these jobs can't retire on their investments, they need

pension plans. And if we don't treat lawmakers like every other public employee, then soon we'll only have candidates rich enough not to need pensions.

Taxpayer activists and term-limit supporters like People's Advocate, labor unions like the California School Employees Association and many other diverse groups in California agree that people should not be discouraged from seeking public office.

MAKE SURE ALL CALIFORNIANS—NOT JUST THE RICH—HAVE A FAIR OPPORTUNITY TO SERVE IN THE LEGISLATURE. VOTE YES ON PROPOSITION 33.

PETER SZEGO, *Chair*

State Legislative Committee

American Association of Retired Persons

ALLAN ZAREMBERG, *President*

California Chamber of Commerce

DAN TERRY, *President*

California Professional Firefighters

Rebuttal to Argument in Favor of Proposition 33

Proposition 33 is an attack on the reforms we enacted through Proposition 140.

Proposition 33 does not treat state lawmakers "like all other public employees", as claimed by the proponent's argument.

In analyzing this constitutional amendment, the State Department of Finance concluded: "This bill is inequitable since . . . legislators could become eligible for full retiree health benefits upon meeting a 10 year vesting requirement, while state employees could be required to work 20 years to earn the same benefit."

State Legislators are eligible for a \$99,000 salary and some reimbursement for living expenses. They should

use some of that to invest for their own retirement, rather than asking taxpayers to foot the bill.

Serving in the Legislature is a privilege and an honor. We do not need to entice people to run for office with promises of a taxpayer-paid luxury retirement.

Vote NO on Proposition 33.

RANDY THOMASSON, *Executive Director*

Campaign for California Families

RICK GANN, *Director of Legal Affairs*

Paul Gann's Spirit of 13 Committee

PETER F. SCHABARUM, *Co-Author*

Proposition 140

Argument Against Proposition 33

Career politicians are at it again!

In 1990 voters overwhelmingly enacted term limits and other landmark legislative reforms aimed at cutting the perks and breaking the influence of the career politicians.

Proposition 33 changes the Constitution to allow state legislators to participate in the Public Employees' Retirement System (PERS)—the very benefits we took away from them in 1990. *According to the Legislature's own analyst, if Proposition 33 passes, California taxpayers like you and us will be stuck paying increased general fund costs in retirement benefits for state legislators.* These taxpayer-paid benefits will come on top of Social Security and other retirement plans legislators may have.

Over the last ten years, state legislators have received raises to increase their pay by 90 percent—TO ALMOST \$100,000 A YEAR.

In addition to their salary, legislators are eligible to receive some reimbursement for their living expenses.

But for some, this is not enough. They want us—the taxpayers—to pay for their retirement as well. And they

want us to give this perk a protected place in our Constitution!

Legislators make a hefty salary. They can and should invest their money and plan for their retirement just like anybody else. Instead, they want special treatment—yet another perk that is not available to any citizen working in the private sector.

Don't be fooled. The fact is, Prop. 33 takes money out of your pocket and puts it into the pockets of the state politicians.

Protect your pocketbook and protect the important reforms you enacted in 1990.

VOTE NO ON 33.

ERNEST F. DYNDA, *President*
United Organizations of Taxpayers
LEWIS K. UHLER, *President*
National Tax Limitation Committee

Rebuttal to Argument Against Proposition 33

- Proposition 33 only allows members of the Legislature to participate in the same pension plan as every other state employee. No additional perks.

- Proposition 33 will require no additional state spending.

- Proposition 33 will require legislators to contribute to the pension plan from their own salaries, just like every other state employee.

- Proposition 33 is about fairness and about allowing everyone to serve in the Legislature, not just the rich.

In order to retire, working people must be able to save money during their prime working years.

Right now anyone who sets aside six or eight years of their life to leave their careers and serve in the Legislature is denied the option of saving for retirement. Without a pension, many people with families cannot afford to temporarily leave their careers to serve in the state Assembly or Senate. For many potential public servants

in their maximum-earning years, such a sacrifice imposes great burdens not only on themselves but on their spouses and children as well.

Thus, your neighbors and friends, school teachers, factory and high-tech workers, middle-income citizens of all types are effectively discouraged from running for office. That means we all forfeit our Legislature to rich or well-to-do Californians with substantial and secure financial means.

DR. WILLIAM CRIST, *President*
Board of Administration,
California Public Employees' Retirement System
BILL HAUCK, *Former Chairman*
California Constitution Revision Commission
MARK MUSCARDINI, *President*
California Association of Highway Patrolmen

Ballot Measure Summary

PROPOSITION

32

VETERANS' BOND ACT OF 2000.

BOND ACT.

Put on the Ballot by the Legislature.

SUMMARY

This act provides for a bond issue of five hundred million dollars (\$500,000,000) to provide farm and home aid for California veterans. Fiscal Impact: Costs of about \$858 million over 25 years (average cost of about \$34 million per year); costs paid by participating veterans.

WHAT YOUR VOTE MEANS

YES

A **YES** vote on this measure means: The state would be able to issue \$500 million in general obligation bonds to provide loans for the veterans' farm and home purchase (Cal-Vet) program.

NO

A **NO** vote on this measure means: The state would not be able to issue these bonds for this purpose.

ARGUMENTS

PRO

The time-honored Cal-Vet Loan Program helps wartime veterans to purchase homes and farms in California at no expense to taxpayers. Voter-approved bonds finance the Program and are repaid, along with all program costs, by veteran loan holders. This measure would replenish such bonds. We urge your support.

CON

Proposition 32 is a half billion dollar bond measure that would cost taxpayers a fortune. The money would be used to buy homes for "veterans" defined to even include persons like Presidential candidate George W. Bush who joined his state's Air National Guard instead of going to fight in Vietnam!

FOR ADDITIONAL INFORMATION

FOR

Glenn Gilbert
Assembly Committee on
Veterans Affairs
California State Assembly

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AGAINST

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PROPOSITION

33

LEGISLATURE. PARTICIPATION IN PUBLIC
EMPLOYEES' RETIREMENT SYSTEM.

LEGISLATIVE CONSTITUTIONAL AMENDMENT.

Put on the Ballot by the Legislature.

SUMMARY

Allows legislative members to participate in the Public Employees' Retirement System plans in which a majority of state employees may participate. Fiscal Impact: Annual state costs under \$1 million to provide retirement benefits to legislators, with these costs replacing other spending from the fixed annual amount provided in support of the Legislature.

WHAT YOUR VOTE MEANS

YES

A **YES** vote on this measure means: State legislators could earn retirement benefits under a state retirement system for their years of service in the Legislature.

NO

A **NO** vote on this measure means: For retirement purposes, state legislators would continue to earn only Social Security benefits for their years of service in the Legislature.

ARGUMENTS

PRO

Proposition 33 is about fairness and about allowing everyone to serve in the Legislature, not just the rich. Proposition 33 only allows members of the Legislature to participate in the same pension plan as every other state employee. No additional perks. Proposition 33 will require no additional state spending.

CON

Vote **NO**. Legislators' salaries are now \$99,000, plus some reimbursement for living expenses. They need no more perks. This measure, written by politicians, wipes out a key part of Proposition 140 enacted by voters in 1990 and will increase general fund costs. Vote **NO** on Proposition 33.

FOR ADDITIONAL INFORMATION

FOR

Yes on Prop. 33

c/o Western Group
P.O. Box 596
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(909) 795-9722

AGAINST

Lewis Uhler, President
The National
Tax-Limitation Committee

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Roseville, CA 95661
(916) 786-9400

Section 16754 of the Government Code. However, the discount on the bonds shall not exceed 3 percent of the par value thereof.

998.311. Out of the first money realized from the sale of bonds as provided herein, there shall be redeposited in the General Obligation Bond Expense Revolving Fund, established by Section 16724.5 of the Government Code, the amount of all expenditures made for the purposes specified in that section, and this money may be used for the same purpose and repaid in the same manner whenever additional bond sales are made.

998.312. Any bonds issued and sold pursuant to this article may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 2 of Title 2 of the Government Code. The approval of the voters for the issuance of bonds under this article includes approval for the issuance of bonds issued to refund bonds originally issued or any previously issued refunding bonds.

998.313. Notwithstanding any provision of the bond act, if the Treasurer sells bonds under this article for which bond counsel has issued an opinion to the effect that the interest on the bonds is excludable from gross income for purposes of federal income tax, subject to any conditions which may be designated, the Treasurer

may establish separate accounts for the investment of bond proceeds and for the earnings on those proceeds, and may use those proceeds or earnings to pay any rebate, penalty, or other payment required by federal law or take any other action with respect to the investment and use of bond proceeds required or permitted under federal law necessary to maintain the tax-exempt status of the bonds or to obtain any other advantage under federal law on behalf of the funds of this state.

998.314. The Legislature hereby finds and declares that, inasmuch as the proceeds from the sale of bonds authorized by this article are not "proceeds of taxes" as that term is used in Article XIII B of the California Constitution, the disbursement of these proceeds is not subject to the limitations imposed by Article XIII B.

998.315. Notwithstanding any other provision of law, any bonds issued and sold under the Veterans Bond Act of 1982, and the Veterans Bond Act of 1984 may be refunded in accordance with Article 6 (commencing with Section 16780) of Chapter 4 of Part 3 of Division 4 of Title 2 of the Government Code, without regard to the first sentence of Section 16786 of the Government Code.

Proposition 33: Text of Proposed Law

This amendment proposed by Assembly Constitutional Amendment 12 of the 1999–2000 Regular Session (Resolution Chapter 83, Statutes of 2000) expressly amends the California Constitution by amending a section thereof; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED AMENDMENT TO SECTION 4.5 OF ARTICLE IV

SEC. 4.5. Notwithstanding any other provision of this Constitution or existing law, a person elected to or serving in the Legislature on or after November 1, 1990, shall participate in the Federal Social Security (Retirement, Disability, Health Insurance) ~~Program~~ System, and ~~he~~ *she* may elect to participate in

the Public Employees' Retirement System in any state retirement plan in which a majority of the employees of the state may participate. The State shall pay only the employer's share of the ~~contribution~~ contributions necessary to ~~such~~ that participation. No other pension or retirement benefit shall accrue as a result of service in the Legislature, ~~such~~ that service not being intended as a career occupation. This ~~Section~~ section shall not be construed to abrogate or diminish any vested pension or retirement benefit ~~which~~ that may have accrued under an existing law to a person holding or having held office in the Legislature, but upon adoption of this ~~Act~~ act no further entitlement to nor vesting in any existing ~~program~~ programs shall accrue to any such person, other than the Social Security System and the Public Employees' Retirement System to the extent herein provided.

Proposition 34: Text of Proposed Law

This law proposed by Senate Bill 1223 (Statutes of 2000, Chapter 102) is submitted to the people in accordance with the provisions of Article II, Section 10 of the California Constitution.

This proposed law amends, adds, repeals, and ~~repeals~~ and adds sections to the Government Code; therefore, existing provisions proposed to be deleted are printed in ~~strikeout type~~ and new provisions proposed to be added are printed in *italic type* to indicate that they are new.

PROPOSED LAW

SECTION 1. (a) The people find and declare all of the following:

(1) Monetary contributions to political campaigns are a legitimate form of participation in the American political process, but large contributions may corrupt or appear to corrupt candidates for elective office.

(2) Increasing costs of political campaigns have forced many candidates to devote a substantial portion of their time to raising campaign contributions and less time to public policy.

(3) Political parties play an important role in the American political process and help insulate candidates from the potential corrupting influence of large contributions.

(b) The people enact the Campaign Contribution and Voluntary Expenditure Limits Without Taxpayer Financing Amendments to the Political Reform Act of 1974 to accomplish all of the following purposes:

(1) To ensure that individuals and interest groups in our society have a fair and equitable opportunity to participate in the elective and governmental processes.

(2) To minimize the potentially corrupting influence and appearance of corruption caused by large contributions by providing reasonable contribution and voluntary expenditure limits.

(3) To reduce the influence of large contributors with an interest in matters before state government by prohibiting lobbyist contributions.

(4) To provide voluntary expenditure limits so that candidates and officeholders can spend a lesser proportion of their time on fundraising and a greater proportion of their time conducting public policy.

(5) To increase public information regarding campaign contributions and expenditures.

(6) To enact increased penalties to deter persons from violating the Political Reform Act of 1974.

(7) To strengthen the role of political parties in financing political campaigns by means of reasonable limits on contributions to political party committees and by limiting restrictions on contributions to, and expenditures on behalf of, party candidates, to a full, complete, and timely disclosure to the public.

SEC. 2. Section 82016 of the Government Code is amended to read:

82016. (a) "Controlled committee" means a committee ~~which~~ that is controlled directly or indirectly by a candidate or state measure proponent or ~~which~~ that acts jointly with a