PROPOSITION

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.
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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