



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 6

MEETING DATE: May 15, 2024

SUBJECT: SACRS Legislative Update—May 2024

SUBMITTED FOR: Consent Deliberation and Action Receive and File

RECOMMENDATION

Receive and file the State Association of County Retirement Systems (SACRS) Legislative Update for May 2024.

PURPOSE

This item complies with the Strategic Management Plan goal of stakeholder communication and outreach by participating in the legislative process to monitor changes in state law affecting public pension plans.

DISCUSSION

The attached report highlights recent legislative activity affecting California public pension plans and is produced by SACRS' legislative advocates at Edelstein Gilbert Robson & Smith, LLC.

SACRS is composed of the 20 systems operating under the County Employees' Retirement Law. The association's mission is to provide education and analysis to trustees and staff so that they can be more effective stewards of their systems' pension plans.

ATTACHMENTS

- Board Order
- SACRS Legislative Update—May 2024

Prepared by:

/s/

Eric Stern
Chief Executive Officer



Retirement Board Order

Sacramento County Employees' Retirement System

Before the Board of Retirement
May 15, 2024

AGENDA ITEM:

**State Association of County Retirement Systems:
Legislative Update—May 2024**

THE BOARD OF RETIREMENT hereby approves Staff's recommendation to receive and file the SACRS Legislative Update for May 2024.

I HEREBY CERTIFY that the above order was passed and adopted on May 15, 2024 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES:

(Present but not voting)

James Diepenbrock
Board President

Eric Stern
Chief Executive Officer and
Board Secretary



TO: State Association of County Retirement Systems
FROM: Cara Martinson, Public House Consulting
Laurie Johnson, LJ Consulting & Advocacy
RE: **Legislative Update – May 2024**

SACRS Welcomes New Lobbyists

SACRS welcomes Laurie Johnson of LJ Consulting & Advocacy and Cara Martinson of Public House Consulting as our new Legislative Representatives. Cara and Laurie bring us much experience in California state government, as both have represented county clients in front of the Legislature and worked in and around the Capitol for many years. They started with SACRS on May 1st.

Legislative Update

With a challenging budget scenario looming over the Legislature, bills are cycling fast as Members try and move over 2600+ bills through policy and fiscal committees. Deadlines dominate this time of year, with May 3rd being the deadline for all bills to move out of policy committees and report to either the floor or fiscal committees. Appropriations committees have until May 10th to hear all fiscal bills, and we expect the release of the Suspense File on the 15th. Finally, the House of Origin deadline is May 24th. It is anticipated a significant number of bills will be “held” this year, due to fiscal constraints and this year’s looming election (voting on some of the more controversial bills might jeopardize vulnerable Members).

Budget Update

In early-April, the Administration and Legislative Leadership came to an early agreement to trim \$17 billion from the state’s unknown, but massive deficit. This Early Action Agreement, includes:

- \$3.6 billion in Reductions from Multi-Year Budget Commitments, which include some climate programs, CalWORKs reversions, broadband and a housing foreclosure program.
- \$3.1 billion in Delays of funding to areas such as the Transit and Intercity Rail Capital Program, Behavioral Bridge Housing and Continuum programs, Broadband Last Mile to mention a few.
- \$5.2 billion in Revenue /Borrowing with the Managed Care Organization tax bringing in \$3.8 billion of that total.
- \$3.4 billion in Fund Shifts from the Greenhouse Gas Reduction Fund, Medi-Cal Drug Rebate Program, Retirement Contributions, etc.



- \$2.1 billion in Deferrals which include statewide payroll deferral and UC/CSU deferrals.

While this early agreement is a positive and proactive plan to address the state's growing deficit, there is more uncertainty than answers at this point. This uncertainty is firmly predicated on the actual size of our deficit. The Administration in recent weeks has conceded that their original estimate of \$38 billion has grown with monthly projections overstating incoming revenue – it is nothing compared to LAO's assertion that it is upwards of \$73 billion. Before April, state revenues from all sources were running \$5.6 billion below what Newsom had projected for the current fiscal year in his proposed 2024-25 budget, according to the Governor's budget staff.

The immense disparity between the Newsom Administration's budget picture and the LAO remains unresolved. However, the net personal income tax collections tracked by the controller's office so far in April appear to be hitting the Administration's estimate of \$16.3 billion for the month.

What happens in the remaining six weeks before the June 15 constitutional budget deadline will center on two related factors: settling on a deficit number and deciding what actions can be taken that would reduce it to zero.

SACRS is tracking the following bills:

- **AB 2770 (Committee on Public Employment and Retirement)** – This is the annual housekeeping bill that includes various technical amendments for CalPERS, CalSTRS, and '37 Act systems. SACRS is a co-sponsor of the bill. The bill removes the "return receipt" requirements as part of current procedures in statute that systems must follow to locate members and beneficiaries. The bill also conforms the sunset date of January 1, 2025 to the Labor Code for the recently added disability presumption for post-traumatic stress disorder. Status: Approved by Assembly; pending in Senate Committee.
- **AB 2474 (Lackey)** – This is a SACRS-sponsored bill and was amended in Committee to allow LACERA-only to deposit retirement allowances into prepaid accounts until January 1, 2028, as a pilot program. The bill also provides clarity regarding the ability of a system to deposit pension payments in a member's living trust bank account. The bill also clarifies potential consequences when a retiree exceeds



the 960-hour post-retirement employment limit and provides systems with administrative flexibility on that matter. This bill continues to be discussed with amendments forthcoming. Status: Approved by Assembly; pending in Senate Committee.

- **AB 2284 (Grayson)** – The bill amends the definition of “compensation earnable” to define a work classification “grade” to mean a number of employees considered together because they share similarities in job duties, schedules, unit recruitment requirements, work location, collective bargaining unit, or other logical work-related grouping. The SACRS Legislative Committee has been engaged with the bill’s author and sponsors regarding compliance with PEPR and the *Alameda* decision. Status: Pending on Assembly Floor.
- **AB 3025 (Valencia)** – This bill creates a framework for making benefit corrections and contribution refunds when disallowed compensation is inadvertently included in pension calculations. This bill includes a penalty to be paid by the employer to the member if compensation is later determined to be disallowed. The bill also includes language that is intended to protect a system’s *Alameda* correction process currently underway. The SACRS Legislative Committee is working with the bill’s author and sponsor on amendments to ensure ’37 Act systems can properly implement the bill, consistent with IRS regulations. Status: Pending on Assembly Floor.
- **AB 2301 (Nguyen)** – This bill, the Sacramento Area Sewer District Pension Protection Act of 2024, provides for the continuation of benefits and pension obligations for employees transferring from the County of Sacramento to the Sacramento Area Sewer District. Status: Approved by Assembly; pending in Senate Committee.
- **SB 1189 (Limon)** – This bill authorizes the Ventura County Employees’ Retirement Association to appoint a chief technology officer. Status: Approved by Senate; pending in the Assembly.

SACRS is also monitoring the following bills that do not impact the ’37 Act systems but are of interest:

- **AB 817 (Pacheco)** and **SB 537 (Becker)** – These bills provide flexibility for local government agencies to conduct remote meetings under Open



Meeting laws. Status: Approved by Assembly, pending in Senate Committee (AB 817); Ordered to the Assembly Inactive File (SB 537).

- **SB 252 (Gonzalez)** – This bill prohibits CalPERS and CalSTRS from making new investments in a fossil fuel company and requires those systems to divest from fossil fuel companies by July 1, 2031, unless the board determines in good faith that the action is inconsistent with the board’s fiduciary responsibilities. Status: Approved by Senate, pending in Assembly Committee.
- **SB 1240 (Alvarado-Gil)** – This bill provides for the continuation of pension benefits for employees of El Dorado County Fire Protection District and the Diamond Springs Fire Protection District under a new consolidated district. Status: Approved by Senate, pending in the Assembly.