

Memorandum 91-26

Subject: Personnel Matters (Early Retirement)

Assembly Bill 599 would encourage early retirement of state employees before April 30, 1991, as a means of helping to solve current and future state budget problems. The bill is described in the letter from Assembly Member Elder which is attached as Exhibit 1.

The bill would make it possible for the Commission to live within the anticipated greatly reduced appropriation for the 1991-92 fiscal year without greatly curtaining its existing level of program. See the letter to the Department of Finance which is attached as Exhibit 2.

Briefly stated, the Governor's budget for 1991-92 gives the Commission \$36,000 less than the Commission's appropriation for the current (1990-91) fiscal year. The Commission can achieve this \$36,000 reduction if the Executive Secretary retires during the 1990-91 fiscal year and the vacancy is filled at the lowest level for a legal position.

The Executive Secretary had planned to retire sometime during the 1991-92 fiscal year. This is because a change in the state retirement law effective on July 1, 1991, gives a person who retires after that date approximately five percent more in the monthly retirement benefit.

When the Executive Secretary retires he will be entitled to a payment for unused vacation of approximately \$20,000. If this amount is paid during the 1991-92 fiscal year, it will have a disastrous effect on the Commission's program (because of the \$36,000 anticipated reduction in the funds that will be available for that year). It would greatly benefit the Commission if the unused vacation could be paid from funds available for the 1990-91 fiscal year.

Assembly Bill 599 will remove the compelling incentive to defer retirement until after July 1, 1991. In fact, the bill will strongly encourage retirement before April 30, 1991. Retirement of the Executive Secretary before April 30, 1991, would make it possible to pay his accrued vacation and any costs of early retirement out of the funds appropriated for 1990-91, thereby permitting the Commission to live within the Governor's proposed budget for 1991-92.

Assembly Bill 599 is tailor-made to deal with the Commission's budget problem. We do not know for sure that the bill will pass the Legislature and be signed by the Governor. Nevertheless, the staff recommends that the Commission authorize the Chairperson to approve any documents that need to be approved to permit the Law Revision Commission to utilize the early retirement option offered by Assembly Bill 599 if that bill becomes law. Also, the staff recommends that the Commission authorize the Chairperson to approve any documents that need to be approved to permit the Executive Secretary to take advantage of the early retirement program provided by Assembly Bill 599 if that bill becomes law.

Respectfully submitted,

John H. DeMouilly
Executive Secretary

STATE OF CALIFORNIA

March 26, 1991



Mr. John De Moully
4000 Middlefield Road, Suite D-2
Palo Alto, CA 94303

**ASSEMBLY
COMMITTEE ON
PUBLIC EMPLOYEES,
RETIREMENT, AND
SOCIAL SECURITY**

Dear Mr. De Moully:

DAVE ELDER

Thank you for your interest in my AB 599 which I introduced to help solve our current and future budget dilemma. This bill was heard in my Assembly Public Employees, Retirement and Social Security Committee on March 20, 1991 and passed unanimously. The bill will be heard in the Assembly Committee on Ways and Means on April 3, 1991.

State employees have already had their salaries frozen, may soon be facing salary reduction and very likely the prospect of layoff.

My bill, which moves forward the one year final compensation provision and actually permits the salary that went into effect on January 1, 1991 to be deemed to have been in effect for one year for purposes of computing final compensation, would also provide a two-year service credit to those state employees who retire early. I have amended the bill to extend the deadline date to apply for retirement through April 30. The bill permits each state department to elect to offer this program to you.

I am receiving tremendous support for the bill but would appreciate you encouraging your state agency to formally express its interest and support for the bill to the Legislature, the State Department of Finance and to the Governor.

Together we can put this bill into law to minimize the impact of the State's fiscal crisis and protect our valuable state work force.

Thank you again.

Sincerely,

**DAVE ELDER, Chairman
Public Employees, Retirement and
Social Security Committee**

DAE:mbh

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(916) 445-7454

CALIFORNIA LAW REVISION COMMISSION

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March 18, 1991

Department of Finance
915 L. Street
6th Floor LIRU
Sacramento, CA 95814
ATTN: Robert Wiens

Re: Assembly Bill No. 599

Dear Mr. Wiens:

At your suggestion, I am writing to advise you of the beneficial effect to the California Law Revision Commission of Assembly Bill No. 599 (PERS: accelerated and early retirements).

The Governor's budget proposes to reduce the appropriation for the Law Revision Commission from \$657,000 in 1990-91 (net) to \$621,000 for 1991-92. This will require the Commission to reduce its expenditures in 1991-92 by \$36,000.

It would be possible to achieve this reduction if the Commission's Executive Secretary were to retire in 1990-91 and his position were filled in 1991-92 by a staff promotion and the vacancy thereby created were filled at the lowest level for a legal position (graduate legal assistant). The savings the Commission would thereby realize would be approximately \$37,000. But the \$37,000 savings could be realized only if the Executive Secretary were to retire during the current fiscal year (1990-91). This is because the Executive Secretary's accrued vacation (which must be paid in cash when he retires) will be approximately \$20,000, and if he retires in 1991-92, this would reduce the \$37,000 savings for 1991-92 by \$20,000.

The existing statutory provisions strongly encourage the Executive Secretary to continue working until December 1991. If the Executive Secretary were to retire before July 1, 1991, he would suffer a significant reduction in retirement benefits. This is because, effective July 1, 1991, retirement compensation will be computed using the compensation for the highest 12 month period. If an employee retires before July 1, 1991, retirement compensation will be computed using the highest 36 month period. (We understand that retirement benefits will be approximately five percent higher if retirement is deferred until after July 1, 1991.)

In view of the existing statutory situation, the Executive Secretary has decided to continue to work until after July 1, 1991, perhaps until December 1991, so that his retirement compensation will be computed using a 12-month compensation (that includes the pay raise that took effect on January 1, 1991), rather than a 36-month compensation that includes the periods of lower compensation before January 1, 1991.

Assembly Bill 599 would strongly encourage the Executive Secretary to retire within the next few months. This would make it possible to pay his accrued vacation and any costs of early retirement out of the funds appropriated for 1990-91, thereby permitting the Commission to live within the Governor's proposed budget for 1991-92.

I believe that this is the type of situation that Assembly Member Elder has in mind in proposing Assembly Bill No. 599. The bill is optional with the particular state agency. Its enactment would give the Law Revision Commission a useful option (which the Commission itself could elect to exercise should it conclude that this was in the best interest of the agency) as a method of dealing with the significant reduction in the Commission's budget for the 1991-92 fiscal year.

Sincerely,

John H. DeMouilly
Executive Secretary

jd409
File: Adm.

cc: Assembly Member Elder

8830 CALIFORNIA LAW REVISION COMMISSION

The primary objective of the California Law Revision Commission is to study the statutory and decisional law of this state, to discover defects and anachronisms and to recommend legislation to effect needed reforms.

The Commission consists of a member of the Senate, a member of the Assembly and seven additional members appointed by the Governor with the advice and consent of the Senate. The Legislative Counsel is an ex officio member of the Commission.

The Commission assists the Legislature in keeping the law up to date by studying complex and controversial subjects, identifying major policy questions for legislative attention, gathering the views of interested persons and organizations and drafting recommended legislation for legislative consideration. The efforts of the Commission permit the Legislature to determine significant policy questions rather than to concern itself with the technical problems in preparing background studies, resolving intricate legal problems and drafting needed legislation. The Commission thus enables the Legislature to accomplish legal reform that otherwise might not be made because of the heavy demands on legislative time. In some cases the Commission's study discloses that no new legislation on a particular topic is needed, thus avoiding the need for further study.

The Commission may study only topics which the Legislature authorizes by concurrent resolution. The Commission currently has an agenda of 26 topics.

During the 1990-91 fiscal year, more than 4000 statute sections were affected by legislation enacted upon Commission recommendation. The enacted legislation included a new Probate Code.

In the 1991-92 fiscal year, the Commission plans to work on administrative procedure, on a new Family Code, on probate law, and on issues related to other topics.

Authority

Section 8280, Government Code.

SUMMARY OF PROGRAM REQUIREMENTS

	1989-90*	1990-91*	1991-92*
10 California Law Revision Commission	\$584	\$657	\$634
Trigger reduction	-	-	-13
NET TOTALS, PROGRAMS (General Fund)	\$584	\$657	\$621
Personnel years	6.9	7.9	7.7

SUMMARY BY OBJECT

1 STATE OPERATIONS						
PERSONAL SERVICES	89-90	90-91	91-92	1989-90*	1990-91*	1991-92*
Authorized positions	6.9	9.0	8.0	\$365	\$446	\$414
Salary increase adjustments	-	-	-	-	11	20
Total, Adjusted Authorized Positions	6.9	9.0	8.0	\$365	\$457	\$434
105141 Estimated salary savings	-	-1.1	-0.3	-	-48	-18
Net Totals, Salaries and Wages ..	6.9	7.9	7.7	\$365	\$409	\$416
103101 Staff benefits	-	-	-	92	119	105
100000 Totals, Personal Services	6.9	7.9	7.7	\$457	\$528	\$521
OPERATING EXPENSES AND EQUIPMENT						
General expense				\$13	\$12	\$12
Printing				19	24	18
Communications				2	2	2
Postage				11	9	9
Travel—in-state				14	14	12
Travel—out-of-state				1	2	2
Facilities operation				17	18	18
Cons & prof svcs—interdept'l				20	19	19
Cons & prof svcs—external				13	20	14
Data processing				9	9	7
Equipment				8	-	-
300000 Totals, Operating Expenses and Equipment				\$127	\$129	\$113
TOTALS, EXPENDITURES				\$584	\$657	\$634
Unallocated trigger reduction				-	-	-13
NET TOTALS, EXPENDITURES				\$584	\$657	\$621

RECONCILIATION WITH APPROPRIATIONS

1 STATE OPERATIONS						
001 General Fund						
APPROPRIATIONS				1989-90*	1990-91*	1991-92*
001 Budget Act appropriation				\$574	\$660	\$621
Allocation for employee compensation				13	18	-
Reduction per Section 3.60				-1	-1	-
Reduction per Section 3.80				-	-20	-
Totals Available				\$586	\$657	\$621
Unexpended balance, estimated savings				-2	-	-
TOTALS, EXPENDITURES (State Operations)				\$584	\$657	\$621

REVENUE AND TRANSFER STATEMENT

001 General Fund			
141200 Sale of Documents			\$5
100000 Totals, Revenue			\$5