



Judicial Council of California

ADMINISTRATIVE OFFICE OF THE COURTS

OFFICE OF GOVERNMENTAL AFFAIRS

770 L Street, Suite 700 • Sacramento, California 95814-3393

Telephone 916-323-3121 • Fax 916-323-4347 • TDD 415-865-4272

RONALD M. GEORGE
Chief Justice of California
Chair of the Judicial Council

WILLIAM C. VICKREY
Administrative Director of the Courts

RONALD G. OVERHOLT
Chief Deputy Director

KATHLEEN T. HOWARD
Director, Office of Governmental Affairs

August 15, 2005

Hon. Sam Aanestad
Member of the Senate
State Capitol, Room 2054
Sacramento, California 95814

Subject: SB 733 (Aanestad), as amended July 1, 2005
Hearing: Assembly Appropriations Committee – August 17, 2005

Dear Senator Aanestad:

We are writing to inform you that the Judicial Council has concerns with the potential fiscal impact of SB 733.

As introduced, SB 733 would have required the assets and liabilities of Butte court and Butte county employees that are part of a joint Public Employees Retirement System contract be split. As amended, SB 733 includes the Solano court and requires that both courts' employees be included in a risk pool created by CalPERS.

While we have met with staff from CalPERS regarding the technical aspects of the risk pool and the calculation of assets and liabilities, we are unable to determine the change in rates that may affect the Butte and Solano courts if SB 733 passes. CalPERS indicates that rates may or may not go up as a result of participation in the risk pool; however, as both courts are small employers, we are concerned the risk pool will be more costly for both courts. In addition, the courts will be required to remain in a joint contract with the counties. While this bill will cause the assets and liabilities to be split for purposes of rate setting, both courts will still be required to accept whatever retirement benefit changes the counties negotiate with their employees. Until an actuarial study is completed, accurately assessing the new rates that would apply to the courts,

Hon. Sam Aanestad

August 15, 2005

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the courts do not know if it is more fiscally prudent for them to seek new, separate contracts with CalPERS in order to mitigate any possible changes in rate structure. It is important to note that current law allows courts and counties to agree to separate contracts with CalPERS beginning in January 2006. Separating the contracts pursuant to current law would give Butte and Solano counties the ability to separate the assets and liabilities of the contract as required by SB 733, but would also allow the courts time to study the fiscal impact and to resolve any issues with CalPERS regarding the risk pool to which the courts may be assigned.

It is unlikely that the actual fiscal impact of SB 733 can be assessed prior to the end of the Legislative session. If the retirement rates are increased as a result of SB 733, it is likely that the Judicial Council will seek additional funding through the state's budget process to fund these increases.

Sincerely,

A handwritten signature in cursive script, reading "Eraina Ortega".

Eraina Ortega
Manager

EO/lb

cc: Ms. Karen Pank, Deputy Legislative Secretary, Office of the Governor
Ms. Sue Blake, Assistant Director of Legislation, Office of Planning and Research
Ms. Patty Quate, Consultant, Office of Senator Sam Aanestad



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August 15, 2005

Hon. Judy Chu, Chair
Assembly Appropriations Committee
State Capitol, Room 2114
Sacramento, California 95814

Subject: SB 733 (Aanestad), as amended July 1, 2005
Hearing: Assembly Appropriations Committee – August 17, 2005

Dear Assembly Member Chu:

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Hon. Judy Chu, Chair

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Eraina Ortega
Manager

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cc: Members, Assembly Appropriations Committee
Hon. Sam Aanestad, Member of the Senate
Ms. Patty Quate, Consultant, Office of Senator Sam Aanestad
Mr. Steve Shea, Principal Consultant, Assembly Appropriations Committee
Ms. Karen Pank, Deputy Legislative Secretary, Office of the Governor
Ms. Sue Blake, Assistant Director of Legislation, Office of Planning and Research