



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 6

MEETING DATE: January 19, 2021

SUBJECT: State Association of County Retirement Systems
Legislative Update – January 2021

SUBMITTED FOR: Consent Deliberation
and Action Receive
and File

RECOMMENDATION

Staff recommends that the Board receive and file the State Association of County Retirement Systems (SACRS) Legislative Update for January 2021.

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

- SACRS Legislative Update – January 2021

Prepared by:

/S/

Eric Stern
Chief Executive Officer



January 8, 2021

LEGISLATIVE UPDATE

Edelstein Gilbert Robson & Smith^{LLC}

With all eyes turned, understandably, to Congress this week, it would be easy to miss recent developments in Sacramento.

Governor Newsom released his 2021-2022 proposed state budget today. We will report on the budget more thoroughly in a separate report when we have had a chance to review it in detail. The Governor was proud to announce that the proposed \$227 billion budget included \$34 billion in “resiliency” funds, though it isn't immediately clear how much of that was new reserves and how much was surplus revenue.

It is clear that the Governor's priority for using one-time surplus revenue is his economic recovery and pandemic response. The proposed budget includes \$14 billion for “economic recovery” investments including \$1.5 billion for electric vehicle investments, \$2.4 billion in direct stimulus payments for individuals, and \$500 million in small business grants among other things. The Governor is proposing that the Legislature adopt \$3.5 billion of this relief as an urgency measure in January. While this requires a 2/3 vote in the Legislature, it means the money would be available immediately rather than at the start of the fiscal year.

We will continue to review the budget and provide a more thorough overview next week.

2021 Legislative Forecast

Legislature Set to Return on January 11

As we reported in December, the Legislature delayed its planned January 4 return to session to January 11. While infection and hospitalization rates continue to remain high, the Legislature has not delayed their return further.

That is a curious choice. Infection and hospitalization rates have not improved dramatically, and we have yet to hit two weeks from the holidays. On top of that, January is usually a very slow time in the Legislature in the first year of the two-year session. In all likelihood, the Legislature does not need to begin holding hearings until March in order to keep up with its normal business.

One possible reason for the Legislature's eagerness to return to session is the impact staying home has on their pay. Legislative salaries are supplemented by per-diem payments for each day the Legislature is in session without recessing for more than four days. For many legislators, this is an important supplement to their income that they rely on to support themselves. When not attending session, they do not receive this supplemental pay.

Regardless of what is motivating the Legislature's return, the Governor calling on them to pass urgency legislation this month gives plenty of cover for them to do so regardless of the risk.

Redistricting

In 2008, the voters approved Proposition 11, which created an Independent Citizens Redistricting Commission responsible for the decennial process of redrawing the boundaries of legislative districts based on the census. The Commission is comprised of four Republicans, four Democrats, and six members who aren't affiliated with either party.

Prior to the passage of Proposition 11, the redistricting process for state legislators, Congress, and the Board of Equalization was in the hands of the state Legislature. Not surprisingly the process was highly political with both parties attempting to set themselves up to win as many seats as possible in the next ten years and individual members looking out for their future interests. Consequently, districts drawn in this way had wildly irrational boundaries intended to create "safe" seats for either party.

In Sacramento, those of us who do not have to run for reelection believe that the Redistricting Commission did a better job creating rational contiguous districts without intentionally biasing the outcome towards either party. Nevertheless, the redistricting process is still high stakes for legislators. If lines are not drawn "correctly," sitting legislators can find themselves without a district to run in or forced to run against a colleague from the same party to keep their seat. They may also have fewer prospects for the future if Congressional seats are eliminated.

California failed to gain seats in Congress for the first time following the 2010 census. In the past ten years, California's population growth has failed to keep pace with the rest of the country as existing residents leave and fewer immigrants migrate into the state. As a consequence, when the redistricting commission completes its work California will have lost at least one congressional seat, and possibly two.

Meanwhile, redistricting could result in a slight shift in power in the Legislature as Assembly and Senate seats shift from coastal communities that have seen little to no growth to inland communities that are still growing slowly.

The Redistricting Commission is scheduled to complete its work in September.