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## CITY of CHINO

August 31, 2021

The Honorable Freddie Rodriguez  
Assembly District 52  
State Capitol, Room 2188  
Sacramento, CA 95814

**RE: Senate Bill 278 (Leyva), as revised August 26, 2021 - Public Employees' Retirement System. Disallowed Compensation. Benefit Adjustments. OPPOSE. Assembly Floor, 3<sup>rd</sup> Reading.**

Dear Assembly Member Rodriguez:

The City of Chino respectfully requests your NO vote on SB 278 (Leyva), which would require public agencies to directly pay retirees and/or their beneficiaries disallowed retirement benefits using General Fund dollars. Our objections to this measure are rooted in policy, operational cost, and legal concerns that will impact Chino and other local government agencies should it be signed into law.

### **Removes Incentive for CalPERS to Properly Calculate Benefit Payments**

SB 278 would place 100 percent of the total liability for disallowed retirement benefits on public agencies—abdicating all responsibility previously held by CalPERS to ensure that retirement benefits are calculated and administered correctly. As such, SB 278 is a de facto and retroactive benefit enhancement measure that would further strain our budget at a time when the impacts of COVID-19 and retirement obligations are making it exceedingly difficult to effectively provide critical services for the public.

### **Requirements Under SB 278 will Create Compliance and Implementation Issues**

SB 278 would require us to issue direct General Fund payments to retirees, which would trigger GASB 68 reporting requirements. Given the unique circumstances surrounding these overpayments, we would have to track and report these liabilities. Such additional responsibilities will require us to hire costly outside actuarial and legal experts to ensure that they follow federal reporting laws.

This measure also fails to consider the common practice of employees moving from jurisdiction to jurisdiction throughout their careers. Under normal circumstances, CalPERS pays out the benefit if an employee works for multiple agencies that share reciprocity. However, under SB 278, it is unclear how payments would be handled in these cases. Such confusion will lead to compliance, legal and implementation challenges. The lack of accountability by the administrator



of public retirement benefits would exacerbate confusion and compliance challenges for public agencies.

Furthermore, requiring Chino and other cities to make disallowed benefit payments to former employees and/or their beneficiaries would constitute a gift of public funds, in violation of Section 6, Article 16 of the California Constitution. Such a violation would leave a public agency to defend itself from costly litigation lawsuits filed by members of the public.

For these reasons, the City of Chino must respectfully oppose SB 278 (Leyva).

Sincerely,



Eunice Ulloa

Mayor

cc: The Honorable Connie Leyva, Senate District 20  
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