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Controller Urges Support for CalPERS, CalSTRS Reform

SACRAMENTO – State Controller John Chiang today announced he is sponsoring two bills to improve the performance of and the public's confidence in the nation's two largest public pension funds – the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS). The bills would cap the amount of gifts members and staff may receive each year, and require a pension fund board member or employee to wait two years after leaving before working with a firm that has business with the funds.

"The appearance of impropriety by some former board members and investment staff of CalPERS raises concerns that members and staff may be using their past relationships and positions of power to influence decisions regarding the investment of public pension funds," Chiang said. "I believe these bills are a critical step toward restoring the public's confidence in the professionalism of all of our activities on behalf of the retired public employees and teachers, and the taxpayers of California."

Authored by Senator Gloria Negrete McLeod, chair of the Senate Public Employment and Retirement Committee, one bill will lower the amount of gifts CalPERS' and CalSTRS' members and staff are allowed to receive under the Political Reform Act. By reducing the amount from the current $420 a year to $50 a year, the bill will address the influence-peddling practices revealed when the placement agent scandal broke in the spring of 2009.

"California's public pension systems are the largest in the country and should be held to a higher standard," said Negrete McLeod. "Limiting gifts from individuals and organizations trying to influence the decisions of pension boards and government employees is the right thing to do."

The second measure, by Assembly Member Furutani, chair of the Assembly Public Employees, Retirement and Social Security Committee, would prohibit, for two years, CalPERS' and CalSTRS' board members and employees from accepting a job with any employer who had substantial contracts or investments in the five years the employee or board member worked at the fund. Employees or board members who had worked with placement agents during the 10 years prior to leaving CalPERS or CalSTRS would be prohibited from going to work for the agent or the agent's firm for two years after leaving the public pension system.

"Public trust and government accountability within the nation's largest pension systems are critical to any of the reform proposals that are on the table," Furutani said. "Implementing a 'cooling-off period' would ensure that decisions being made by board members and staff are being made for the right reasons and not to encourage future employment opportunities."

In letters to CalPERS' and CalSTRS' officials sent late last week, Chiang noted that the placement agent scandal has eroded the public's confidence in the handling of public funds. "These measures were developed with the principal goal of protecting (CalPERS and CalSTRS) investments from unsound influence and restoring the system's credibility in the public eye," Chiang wrote.

The legislation may be discussed at the CalSTRS meetings this week and at the next CalPERS meetings that start February 14. The bills are expected to be in print within the next two weeks.

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