



CALIFORNIA ASSOCIATION OF  
PROFESSIONAL SCIENTISTS

June 28, 2010

Rob Feckner, President  
California Public Employees Retirement System  
400 P Street  
Sacramento, CA 95814

Re: Minimum Wage Relief

Dear President Feckner:

We request CalPERS take immediate action and make short term, low or no interest loans available to any state employee who gets a minimum wage paycheck during July and any subsequent month. It appears to us that CalPERS is the single entity with the assets, motivation and ability to quickly put together a program to help our members and tens of thousands of state employees from the financial calamity of receiving one or more minimum wage payments. We urge you to marshal CalPERS' resources and talent to make short-term loans available so that employees do not suffer because the legislature and the governor do not adopt a timely state budget.

As you probably know, Governor Schwarzenegger, through the Department of Personnel Administration, on June 23 told our members and all state employees that they can expect federal minimum wage in the event a state budget is not in place for the July pay period. In light of the sizeable budget deficit to be addressed, there is a significant likelihood that there will be no budget in place and thus the prospect of seeing minimum wage paid increases as each day passes. Federal minimum wage is \$7.25 per hour for hourly employees. After months of unpaid furloughs, receiving minimum wage for even one month will financially devastate tens of thousands of state employee families.

Governor Schwarzenegger has aggressively pursued the legal authority to pay minimum wage through the courts. The decision that could finally enable the Governor to direct Controller John Chiang to make minimum wage payments could be rendered shortly by the Third District Court of Appeal, with oral argument having been heard on June 21.

Our efforts to ensure in full and on time paychecks to our members and all state employees is embodied in two legislative bills, AB 1699 and AB 790. It appears neither

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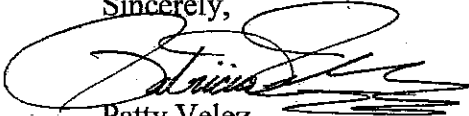
Rob Feckner  
June 28, 2010  
Page 2

of these bills will pass in time to provide the necessary relief we seek. It also appears Governor Schwarzenegger would not sign either bill.

CAPS' attorney, Gerald James, has already discussed this matter with your General Counsel. Attached is an outline of a possible Board resolution which would allow for implementation of this investment program.

As minimum wage checks could be issued as early as the July payroll (received by employees on or about August 1), we ask that you take immediate action to implement this loan program. We look forward to your response and working with you on the details of implementing this program.

Sincerely,



Patty Velez  
CAPS President

Attachment: Draft Resolution Authorizing a Short Term Member Loan Program

**Proposed Board Action:     Short Term Member Loan Program**

Pursuant to the Board's authority in Section 20190, the Board authorizes the investment of assets of the retirement fund by utilizing the retirement fund to provide short term loans to system members who do not receive their pay warrants, in full or at all, as a result of the state budget not being in place for a fiscal year beginning July 1. The loan program established pursuant to this investment authorization shall be in place to provide loans should members receive less than full paychecks for the July 2010 pay period and thereafter.

Loans issued pursuant to this investment program shall provide a benefit to currently employed members consistent with the Board's role as fiduciary for all members and annuitants, the sound investment of the retirement fund, and the financial integrity of the program.

For purposes of this loan program, "system member" means a person who is in active state service as defined in Section 20069 of the Government Code and contributing to the Public Employees' Retirement System ("System") on the date of the application of the loan and on the date of the funding of the loan by the System and a state miscellaneous or industrial member of the System who is participating in the alternative retirement program pursuant to Section 19999.3.

Each borrower shall be eligible for a monthly loan up to the amount of the difference between their full salary and the amount the employee is scheduled to receive on their regular payday pursuant to any instruction issued by the State of California Department of Personnel Administration. Each borrower shall file an application for a monthly loan amount. Borrowers shall certify in their loan application that they are securing their loan with the salary they receive when the Budget Act is adopted for the fiscal year.

Loans issued pursuant to this investment shall carry interest rates set in advance, from time to time, by the Board's Investment Committee to ensure the investment is sound and any costs incurred in administering this program are recouped. Until the Board Investment Committee acts to set a rate, the initial loan rate under this program shall be 5 percent per annum.

Each borrower's loan and all accrued interest as calculated by the Board, shall be due within 30 days of the borrower's receipt of the salary amounts withheld prior to the adoption of the Budget Act.

The Board, pursuant to Section 20099 of the Government Code, hereby delegates to the Executive Officer the administration of the program to act finally in accordance with these regulations and the instructions and supervision of the Board's Investment Committee. The Executive Officer may, in turn, delegate to subordinates the ministerial functions of the program.