AB340: Pension Reform

California Public Employees' Pension Reform Act of 2013 (PEPRA)

Q: Of the pension systems covering Local 521, which ones are impacted?

All chapters covered by CalPERS and "1937 Act" county systems, such as the counties of San Mateo and Kern, are covered by PEPRA. School employees, such as those working for County Office of Education, are also covered.

NOT COVERED are charter cities, such as San Jose and San Diego, which operate their own pension systems and are exempt from PEPAR. However, the framework of the new pension rules will likely affect bargaining.

Q: How does this agreement affect current employees?

Retirement benefits for current employees and employee contributions to pension plans remain UNCHANGED during the life of your contract. If you are hired after Jan. 1, 2013, please see "New Employees" section on side 2.

For current employees:

1. Encourages negotiation of equal sharing of normal cost (50-50) of the pension plan for employer and employee, but does not require it.

After Jan. 1, 2018, the employer will be able to impose equal sharing after the regular bargaining has reached impasse. This means we have five years to negotiate the employee share, but the employer cannot impose the 50-50 share of cost until 2018. *At that time **the employer may choose** to impose that the employee share be 50% of normal costs, or 8%, whichever is lower.*

2. Eliminates ability to purchase "airtime"

Currently employees can purchase up to five years of additional service credits. This is expensive to purchase as one has to pay not only his share but the employer's share.

3. Felony

A public employee who commits a felony arising out of performing official duties will forfeit retirement benefits accrued after the date the felony occurred.

4. Retired Annuitants

Will be limited to 960 hours in a consecutive 12 month period. A person who retires after January 1, 2013 is prohibited from returning to work as a retired annuitant for a period of 180 days.

5. Eliminates spiking from special compensation (current and new employees)

Requires that compensation for all public sector employees be defined as the normal rate of regular, recurring pay and bonuses. Special bonuses, unplanned overtime, payouts for unused vacation or sick leave, and other pay perks will no longer be considered pensionable compensation.

6. Eliminates retroactive pension increases (current and new employees)

Eliminates retroactive pension increases; prohibits applying pension improvements to prior service.

7. Eliminates "pension holidays" (current and new employees)

Prohibit all employers from suspending employer and employee contributions necessary to fund annual pension costs.

Q: How does this agreement affect new employees hired after January 1, 2013?

First, the provisions above will also affect new employees. Additionally, the following provisions were enacted:

1. **Increases retirement ages:**
   New employees hired after January 1, 2013 will have their retirement benefits calculated based on the following formulas:
   - The earliest an employee would be eligible to retire is age 52 at 1.0% (currently age 50 at 1.0% for CalPERS).
   - Implements a 2% at age 62 formula.
   - Increases the retirement age for top benefits to age 67 at 2.5%.

2. **Caps pensionable income:**
   Caps pensionable income – requires all new public sector workers to participate in a new formula that is capped at $110K of pensionable income for those in Social Security and $132K for those without Social Security. If the new employee makes less than $110,000, then there would be no impact.

3. **Eliminates spiking final compensation:**
   Requires that final compensation be defined for all new employees as the highest average annual compensation over a three year period.

4. **Spiking from special compensation, retroactive pension increases, and "pension holidays"**
   Similar provisions as for current employees, **see Side 1, # 5, 6 & 7.**

Q: What if I take a new position that pays over the $110,000 cap? Am I considered a new employee?

No.

Q: What determines if someone is a new employee?

- Your first date of hire with any PEPRA agency is after Jan. 1, 2013
- You stop working for any PEPRA agency for a period of more than six months.
- You move from one PEPRA agency to another and they do not have reciprocity agreements.

Q: What does AB 340 NOT do?

- Increase vesting period and contributions for Retiree Healthcare;
- Establish a hybrid 401k pension system; and
- Change the composition of the CalPERS Board of Administration.

Q: How does PEPRA affect Social Security?

PEPRA is a state plan and Social Security is federal. PEPRA does not change your eligibility or benefits for Social Security.

Q: Does SEIU support this reform?

No. AB340 is not a bill we would have written. But it is a negotiated compromise. Most of the issues with pensions in the State of California have been caused by employers giving generous benefits to non-represented management. We support good government and campaigned against abuses in the system. We believe common-sense reform was needed. Most important, we successfully defended our right to collectively bargain any future pension changes.

Q. When does the new law go into effect?

Jan. 1, 2013