

HUMAN RESOURCES MEMORANDUM 13-002		DATE ISSUED: February 5, 2013
SUBJECT: California Public Employees' Pension Reform Act of 2013		REFERENCE: None
TO: All Department of General Services Employees		SUPERCEDES: None

PLEASE ENSURE THAT THIS INFORMATION IS SHARED WITH YOUR EMPLOYEES

Purpose of document

On September 12, 2012, Chapter 296, Statutes of 2012 (AB 340 Furutani), was signed into law by the Governor. This legislation established the "Public Employees' Pension Reform Act of 2013" (PEPRA). This memorandum provides an overview of PEPRA along with the preliminary impact to current, new, and retired state employees. A majority of the retirement changes under PEPRA will impact new employees effective January 1, 2013; however, there are certain changes that will be effective at a later date as specified in the overview below. Links to obtain additional information are also provided.

Impact to current, new, and retired employees

- Forfeit Retirement Benefits – There is a new felony provision that will apply to all public employees and elected officials. An individual who commits a job-related felony including felonies against or involving a minor may be subject to retirement benefit forfeiture.
- Re-employment after Retirement – A retiree will be required to wait 180-days before he or she can return to work unless the appointment is necessary to fill a critically needed position and has been approved by CalHR. Also, retirees may not work in excess of 960 hours in a fiscal year. CalHR will develop a policy to define "critically needed position" along with other details.
- Prohibits Retroactive Benefit Increases – Prohibits the employer from providing retroactive retirement benefit enhancements that apply to service performed prior to the date of the enhancement.
- Employee Retirement Contribution – PEPRA will require employees to pay at least 50 percent of the normal cost to fund the employee's retirement benefit. CalPERS actuarial staff must determine the required employee and employer retirement contributions each fiscal year.
- Purchase Additional Service Credit (also known as "airtime") – Currently CalPERS members have the option of purchasing up to five years of additional service credit. Effective January 1, 2013, this option will be eliminated; however, an official application received by CalPERS by December 31, 2012, will be grandfathered as long as the employee is eligible to purchase service credit.
- Equal Health Vesting Schedule – Prohibits employers from providing a better health benefit vesting schedule to non-represented employees than it does for represented employees. The State is currently in compliance.

Impact to new state employees who are new CalPERS members

- New retirement formulas with benefits based on highest average 3-years of compensation.

- Miscellaneous/Industrial Members = 2% at age 62 up to 2.5% at age 67
- Safety Members = 1.426% at age 50 up to 2% at age 57
- Peace Officers = 2% at age 50 up to 2.5% at age 57
- Firefighters = 2% at age 50 up to 2.7% at age 57
- Patrol = 2% at age 50 up to 2.7% at age 57
- New Retirement Compensation Cap – A new cap on the annual compensation that can be used to calculate retirement benefits will be based on the Social Security Wage Index. The 2013 Social Security Wage Index is \$113,700 for state employees who participate in Social Security and \$136,440 for state employees not in Social Security. The compensation cap will be adjusted annually in accordance with the wage index adjustment. Judges are excluded from this provision.
- Eliminates the Replacement Benefit Plan (RBP) – CalPERS currently administers the RBP for members who exceed the benefit limit provided under Internal Revenue Code Section 415. The benefit limit for 2013 is \$205,000. The RBP will be eliminated for new members hired on and after January 1, 2013.
- Alternate Retirement Program (ARP) – Currently, new state employees under the miscellaneous or industrial retirement category are subject to ARP for a 24-month period. ARP will be closed to new employees first hired on and after July 1, 2013. New employees will have membership in CalPERS.
- Legislator’s Retirement System will be closed to new members first elected on and after January 1, 2013. New members will still have optional membership in CalPERS.

Additional CalPERS Information

In order to assist CalPERS-covered employers, CalPERS has created a “[pension reform page](#)” on their website that provides additional information related to PEPRA along with Frequently Asked Questions and answers.

CalPERS has also issued Circular Letter 200-055-12; IMPLEMENTATION OF PUBLIC EMPLOYEES' PENSION REFORM ACT OF 2013 which provides CalPERS current interpretation of the Public Employees' Pension Reform Act of 2013 (PEPRA) and related Public Employees' Retirement Law (PERL) amendments in Assembly Bill (AB) 340.

Questions

If you have any questions, you may contact the CalPERS Customer Contact Center at 888 CalPERS (or 888-225-7377).

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cc: Personnel Specialists
Personnel Liaisons.
Attendance Clerks