Public Employee Pension Reform Act of 2013 (PEPRA), AB 340
Frequently Asked Questions

This summary is provided for information only and is based on an analysis that attempts to accurately interpret PEPRA according the legislative intent. To the extent that amendments are passed by the legislature or a different interpretation is made by a court of law, this information will be updated accordingly.

1. **Q. Does PEPRA apply to the County of San Luis Obispo and the San Luis Obispo County Pension Trust?**
   A. Yes. The law applies to all public retirement systems in California except for those established by a charter city or charter county. San Luis Obispo County is a general law County and thus subject to the provisions of PEPRA effective January 1, 2013. Changes resulting from PEPRA and approved by the Board of Supervisors will be incorporated into the San Luis Obispo County Pension Trust Plan, which is an independent retirement system administered through Pension Trust.

2. **Q. Who is covered by the provisions of PEPRA?**
   A. New employees hired on or after January 1, 2013. Specifically, new employees who have never been employed by any public employer prior to January 1, 2013 or new employees hired on or after January 1, 2013 who had been employed by a previous public employer but who were not subject to reciprocity. New employees who fall into this description will become "new members."[1] Those provisions that apply to current employees go into effect on Jan 1, 2013. See summary document for further information.

3. **Q. Are current employees affected by the provisions of PEPRA?**
   A. Yes. There are some provisions that impact current employees. Specifically, those include 1) limits on post-retirement employment, 2) felony convictions, and 3) breaks in service and reciprocity. See summary document for further information.

4. **Q. Does PEPRA affect existing benefits for employees who are currently retired?**
   A. No. PEPRA does not include provisions that impact current retirees.

5. **Q. As a current employee, will PEPRA change my salary cap?**
   A. No. The salary cap that is in place prior to December 31, 2012 will remain in effect and is as follows:

Tier	Miscellaneous	Safety (non-sworn)	Safety (sworn)	Probation
Tier 1	80% of final compensation* 100% of income**	90% of final compensation	90% of final compensation	90% of final compensation
Tier 2	90% of final compensation	90% of final compensation	90% of final compensation	90% of final compensation

*Miscellaneous members in BU 01, 02, 05, 13 (SLOCEA), BU14, 21, 22 (DSA-Non Safety)

**Miscellaneous members in BU04 (SLOGAU), BU07 (Ops & Staff), BU08 (General Mgmt), BU09 (Appointed Dept Heads), BU10 (Elected), BU11 (Confidential), BU12 (DCCA), BU17 (Board of Supervisors)

[1] The legislation defines a new member as a person who becomes a member of a public retirement system on or after January 1, 2013 and was not a member of a public retirement system prior to that date. New member also means a person who becomes a member of a public retirement sys on or after January 1, 2013 and who was a member of another public retirement system prior to January 1, 2013 but who was not subject to reciprocity.

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6. Q. What is the salary cap for new employees effective Jan 1, 2013 under PEPRA?

A.

Tier	Miscellaneous	Safety (non-sworn)	Safety (sworn)	Probation
Tier 3	$113,700 for all groups and adjusted each year based on CPI[2]			

7. Q. As a current employee, will PEPRA change my current benefit formula?

A. No. The benefit formulas that are in place prior to December 31, 2012 will remain in effect and are as follows:

Tier	Miscellaneous	Safety (non-sworn)	Safety (sworn)	Probation
Tier 1	2% at 55	3% at 55	3% at 50 3% at 55*	3% at 55
Tier 2	2% at 60	2.7% at 55	3% at 55	N/A

*DA Investigators and Chief DA Investigator

8. Q. What benefit formulas will be in effect for new employees beginning January 1, 2013?

A.

Tier	Miscellaneous	Safety (non-sworn)	Safety (sworn)	Probation
Tier 3	2% at 62	2.7% at 57	2.7% at 57	2.7% at 57

9. Q. Does PEPRA require pension cost sharing between the employee and the County?

A. Yes. This provision applies to new employees hired after January 1, 2013. Effective on or after Jan 1, 2013, new employees will pay 50% of normal costs of the plan. For current Tier 1 and Tier 2 employees, there are provisions in all bargaining unit MOUs that already identify cost sharing of pension rate increases.

10. Q. What is the actual cost for new employees to pay 50% of normal costs?

A. An actuarial evaluation is currently underway to obtain that information. Once that information is received, it will be posted on our website.

[2] Consumer Price Index

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11. Q. Will the County's "pick-up" of my employee share of pension continue for current employees?

A. Yes. For current Tier 1 and Tier 2 employees, the Employer Paid Member Contribution ("EPMC" also referred to as "Pick-up") will continue.

12. Q. Will the County's "pick-up" of employee share of pension be provided to new employees?

A. EPMC is provided to new employees hired on or after Jan 1, 2013 only if an MOU exists for the employee's bargaining unit and will be paid only through the expiration of the MOU.
IMPORTANT NOTE: No EPMC will continue to be provided after expiration of the bargaining unit's MOU and thereafter as mandated by PEPRA.
IMPORTANT NOTE: Unrepresented new hires on or after Jan 1, 2013 will not receive pick-up upon hire and thereafter.

13. Q. Does PEPRA affect the DROP program for current Tier 1 employees?

A. No. Tier 1 employees currently in DROP are not impacted. Those Tier 1 members eligible to participate in the DROP program will continue to be eligible to participate in DROP. Tier 2 members are currently not eligible for DROP. Tier 3 members will not be eligible for DROP.

14. Q. Does PEPRA allow for retroactive pension enhancements?

A. No. PEPRA contains an explicit prohibition against the enactment or adoption of retroactive benefit enhancements. Pension enhancements apply only to service performed on or after the date of the enhancement (i.e. any future pension plan enhancement are not retroactive to prior time in service). The current Pension Plan already includes this provision. PEPRA specifically states that post retirement cost of living adjustments will not be considered retroactive benefit enhancements.

15. Q. Does PEPRA impact retiree Cost of Living Adjustments (COLA's)?

A. No. Retiree COLA's are not affected by PEPRA. COLA's will continue to be provided to retired participants based on the year and the pension plan Tier from which they retired.

16. Q. Does PEPRA change the "working after retirement as a temporary employee" rules?

A. Yes. Currently, the Retirement Plan requires that a person retiring from service prior to "normal age" of retirement be required to wait for 60 days before becoming eligible to work in a temporary capacity within the same Agency. Effective January 1, 2013, that waiting period will increase to 180 days for all members, regardless of the age at retirement (Safety and Probation Officer members are excluded from this provision for all tiers).

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17. Q. Does PEPRA eliminate the ability to buy "Air Time" or my ability to buy back leave time?

A. Yes. "Air time" is defined as the ability to buy service credit without having rendered any service, and has never been permitted by the Pension Trust plan. However, leave time is not considered "air time" because it is time that otherwise would have been credited had the individual not been on the leave. Purchase of time while on an approved leave of absence as a County employee, or provisions for purchase of military leave, are not affected in the Pension Trust plan as a result of PEPRA.

18. Q. What is "Pensionable Compensation" under PEPRA?

A. Pensionable Compensation includes "…the normal monthly rate of pay or base pay…for services rendered on a full-time basis…" This definition excludes all other types of compensation, such as uniform allowance, auto allowance, shift differential, bonuses, overtime, etc. The current pension plan also excludes these types of compensation as pensionable, which will be specified with the plan revisions. This does not represent a change for current employees.

"Pensionable Compensation" is limited under the legislation, for new hires on or after January 1, 2013, to the Social Security wage base as of January 1, 2013. For January 1, 2013, that amount is $113,700. No compensation over this amount may be recognized for contribution deductions and for final compensation. This limit is subject to adjustment annually by the Board of Trustees based on the All Urban CPI.

19. Q. If existing public employees move to other public agencies after Jan 1, 2013, do they enter in as a new employee with the provisions of PEPRA?

A. Public employees who leave their current employer and leave their retirement contributions on deposit, and <u>within 6 months</u> become a retirement member of another public agency with reciprocity, will enter into the agency's pension plan in existence for new hires as of December 31, 2012 for that bargaining unit.
Note: Reciprocity is only within the State of California.

20. Q. What is considered a break in service?

A. A break in service is when a member of the Pension Trust ceases to be a County employee and therefore ceases to be a Member. A break in service <u>is not</u> catastrophic leave, sick leave, or any other approved leave of absence.