Public Employee Pension Reform Act of 2013 (PEPRA), AB 340
Summary for Tier 1 and Tier 2 – Current Employees[1]
Information only

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.

	AB 340 Provision	Provision Impacts - Effective January 1, 2013
1	LIMITS ON POST-RETIREMENT EMPLOYMENT (7522.56)	• Prohibits a person who retires from a public retirement system on or after Jan 1, 2013 from returning to work within the same Agency for a period of 180 days after retirement, regardless of age at retirement (does not apply to safety or probation officer members) For example: Mary retires on 1/4/13. Mary cannot return as a temporary help County employee until 7/5/13 (180 days). • Prohibits a retiree from collecting a pension benefit and being employed in the same public retirement system without reinstatement to the pension plan For example: Mary retires on 12/1/12 and receives a monthly pension benefit. Mary returns as an elected Board of Supervisor on 1/1/13. Mary must reinstate into the pension plan and cease receiving a pension benefit. • Prohibits post retirement employment from exceeding 960 hours in a consecutive 12 month period (no change) • If retiree received unemployment benefits, he or she is prohibited from working for 12 months for a public employer from the last date of receiving the unemployment benefit
2	FELONS TO FORFEIT PENSION BENEFITS (7522.72 & 7522.74)	• Requires public officials and employees to forfeit pension and related benefits if convicted of a felony arising out of the performance of official duties • Pension benefits are forfeited from the date of the commission of the felony
3	RECIPROCITY (7522.02)	• If an employee has a break in service of <u>less than 6 months</u>, and returns to public employment, the employee enters into the pension plan that existed for new hires as of 12/31/12 for that bargaining unit For example: Mary left Santa Barbara County under their Tier 1 plan on 2/1/13 and becomes employed by SLO County on 6/1/13, Mary enters into SLO County's Tier 2 pension plan based on the provisions governing reciprocity.[2] • If an employee has a break in service of <u>6 months or more</u>, and returns to public employment, the employee enters into the Tier 3 pension plan For example: Mary left Santa Barbara County under their Tier 1 plan on 2/1/13 and becomes employed by SLO County on 10/1/13, Mary enters into SLO County's Tier 3 pension plan with no reciprocity because her break in service was greater than 6 months. • Note: Reciprocity is only within the State of California

[1] Current employees include any employee hired on or prior to December 31, 2012 either in Tier 1 or Tier 2 pension plan

[2] Reciprocity is an agreement between the San Luis Obispo County Pension Trust and the California Public Employees Retirement System (Cal-PERS). Through sections of the California Government Code cited in the agreement, reciprocity also exists between the Pension Trust and those County Retirement Plans that are established pursuant to the County Employees Retirement Law of 1937 as well as certain other systems that have established reciprocity with Cal-PERS. Reciprocity DOES NOT extend to the State Teachers Retirement System (STRS) or the University of California Retirement Plan (UCRP) nor to systems maintained by or in other states or by the Federal Government. In order to establish reciprocity, an individual must terminate membership in one system (System A) and enter into membership in the second system (System B) within six months. There should be no overlap of service and the break in service between systems cannot be greater than six months.

Public Employee Pension Reform Act of 2013 (PEPRA), AB 340
Information only
Other provisions of PEPRA that do not impact
Current Tier 1 and Tier 2 employees

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1. **Pensionable Compensation**
   - PEPRA places a cap on pensionable compensation at $113,700 for new employees/members hired on or after Jan 1, 2013, which changes each year based on CPI[3]. Regardless of the employee's income in excess of that amount, their pension benefit will be based on the amount of that income capped by PEPRA. Current pensionable compensation caps for Tier 1 and Tier 2 employees will not change and remain as follows:

Tier	Miscellaneous	Safety (non-sworn)	Safety (sworn)	Probation
Tier 1	80% of Final Compensation* 100% of Final Compensation**	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-NonSafety)
**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)

2. **Benefit Formulas**
   - New defined benefit formulas for new employees/members hired on or after January 1, 2013 will be 2% at 62 for Miscellaneous and 2.7% at 57 for Safety and Probation. Tier 1 and Tier 2 benefit formulas will not change and remain as follows:

Pension Group	Tier 1
Misc	2% at 55
Safety	3% at 50 (sworn) 3% at 55 (safety non-sworn)
Probation	3% at 55 (sworn & safety non-sworn)

Pension Group	Tier 2
Misc	2% at 60
Safety	3% at 55 (sworn) 2.7% at 55 (safety non-sworn)
Probation	N/A

3. **Equal sharing of pension costs**
   - Each bargaining unit's MOU identifies cost sharing of pension rate increases for Tier 1 and Tier 2 employees. PEPRA cost sharing provisions do not impact current employees.

4. **Final compensation**
   - Tier 1 and Tier 2 final compensation calculation for pension benefits remains unchanged and is as follows:
     - Tier 1: Single highest year of pensionable compensation
     - Tier 2: Highest average annual pensionable compensation over a consecutive 3-year period
     - Tier 3: Highest average annual pensionable compensation over a consecutive 3-year period

[3] CPI = Consumer Price Index

Public Employee Pension Reform Act of 2013 (PEPRA), AB 340
Information only
Other provisions of PEPRA that do not impact
Current Tier 1 and Tier 2 employees - Continued

5. **Pensionable compensation**
    - PEPRA defines pensionable compensation as normal monthly rate of pay or base pay for services rendered and excludes other specific benefits from the calculation of pensionable income, such as overtime, uniform allowance, etc.
    - SLO County's Pension Trust Plan for Tier 1 and Tier 2 currently excludes the majority of those specific benefits from pensionable compensation. Those provisions will also be in place for Tier 3. There will be no impact to current employees.

Provisions of PEPRA required for Tier 3 that will have no impact on the County's Pension Trust Plan:

- Retroactive pension enhancement
    - Pension enhancements apply only to service performed on or after the date of the enhancement (i.e. any future pension plan enhancement is not retroactive to prior time in service)
    - Current Pension Plan already includes this provision
    - Post retirement cost of living adjustments (COLA) will not be considered retroactive benefit enhancements and are unaffected by PEPRA
- Elimination of air time
    - Prohibits the purchase of non-qualified service credit (i.e., purchase of pension credit prior to service in the retirement system or time not employed by the County)
    - Current Pension Plan does not include a provision for purchasing air time
    - Purchasing of leave time incurred while as a County employee on approved leave of absence is not considered "air time" and is unchanged in the pension plan
- Pension contribution holidays[4]
    - No pension contribution rate holidays from the employer or the employee
    - DROP[5] is not considered pension holiday and remains unchanged for Tier 1 employees
    - There will be no impact to employees currently in DROP or eligible for DROP
- Industrial disability retirement benefits
    - No change for current employees

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[4] A rate holiday is a suspension of the employer and employee contribution to the pension fund. SLO County has not had rate holidays and therefore this provision has no impact.

[5] A Deferred Retirement Option Program (DROP) is an optional, voluntary program that allows you to have your retirement benefits deposited in a special investment account and cease making contributions to the Pension Trust, all while you continue to work in your current position.

Public Employee Pension Reform Act of 2013 (PEPRA), AB 340
Summary for Tier 3 - employees[6] hired on or after January 1, 2013
Information only

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<table>
<tr><th></th><th>AB 340 Provision</th><th>Provision Impacts - Effective January 1, 2013</th></tr>
<tr><td>1</td><td>CAPS PENSIONABLE COMPENSATION (7522.10)</td><td>Caps pensionable compensation at $113,700 (adjusted each year based on CPI) in determining retirement benefit</td></tr>
<tr><td>2</td><td>NEW DEFINED BENEFIT FORMULAS (7522.20 & 7522.25)</td><td>New benefit formulas for Tier 3:
<table>
<tr><th>Pension Group</th><th>Tier 3</th></tr>
<tr><td>Misc</td><td>2% at 62</td></tr>
<tr><td>Safety</td><td>2.7% at 57 (sworn & safety non-sworn)</td></tr>
<tr><td>Probation</td><td>2.7% at 57 (sworn & safety non-sworn)</td></tr>
</table></td></tr>
<tr><td>3</td><td>EQUAL SHARING OF PENSION COSTS (7522.30)</td><td>New hires after Jan 1, 2013 pay 50% of normal costs of the plan
Future increases in employee contribution rates are increased by 50% when normal cost increases are 1% or more; if less than 1%, the normal cost increase is negotiated
<u>IMPORTANT CHANGE</u>. Employer Paid Member Contribution (“EPMC” also referred to as “Pick-up”) is provided to new employees hired on or after Jan 1, 2013 only if an MOU exists for the employee’s bargaining unit and paid only through the expiration of the MOU. No EPMC pick-up will continue to be provided after expiration of the bargaining unit’s MOU and thereafter as mandated by PEPRA
For example: Mary is hired on Jan 15, 2013 as an Account Clerk into bargaining unit 13. A current MOU, which expires June 30, 2013, contains language that includes a County “pick-up” of 8.75% of the employee’s share of pension contributions. That “pick-up” is provided to Mary through June 30, 2013. No “pick-up” will be paid to Mary after the expiration of the MOU beginning July 1, 2013.
<u>IMPORTANT CHANGE</u>. Unrepresented new hires on or after Jan 1, 2013:
Will not receive pick-up upon hire and thereafter
Will share 50% of the normal costs of any future pension rate increases when normal cost increases are 1% or more</td></tr>
<tr><td>4</td><td>FINAL COMPENSATION (7522.32)</td><td>Final compensation is determined by the highest average annual pensionable compensation over a consecutive 3-year period</td></tr>
<tr><td>5</td><td>LIMITS ON POST-RETIREMENT EMPLOYMENT (7522.56)</td><td>Prohibits a person who retires from a public retirement system on or after Jan 1, 2013 from returning to work within the same Agency for a period of 180 days after retirement, regardless of age at retirement (does not apply to safety or probation officer members)
For example: Mary retires on 1/4/13. Mary cannot return as a temporary help County employee until 7/5/13 (180 days).
Prohibits a retiree from collecting a pension benefit and being employed in the same public retirement system without reinstatement to the pension plan
For example: Mary retires on 12/1/12 and receives a monthly pension benefit. Mary returns as an elected Board of Supervisor on 1/1/13. Mary must reinstate into the pension plan and cease receiving a pension benefit.
Prohibits post retirement employment from exceeding 960 hours in a consecutive 12 month period (no change)
If retiree received unemployment benefits, he or she is prohibited from working for 12 months for a public employer from the last date of receiving the unemployment benefit</td></tr>
</table>

[6] Tier 3 employees includes new employees and non-reciprocal new members

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	AB 340 Provision	Provision Impacts - Effective January 1, 2013
6	INDUSTRIAL DISABILITY RETIREMENT BENEFIT (7522.66)	• A safety member who retires as a result of an industrial disability shall receive a retirement benefit in accordance with the current pension plan and any applicable provisions of PEPRA. Specific details will be provided by Pension Trust on a case-by-case basis
7	FELONS TO FORFEIT PENSION BENEFITS (7522.72 & 7522.74)	• Requires public officials and employees to forfeit pension and related benefits if convicted of a felony arising out of performance of official duties • Pension benefits are forfeited from the date of the commission of the felony
8	RECIPROCITY (7522.02)	• If an employee has a break in service of <u>less than 6 months</u>, and returns to public employment, the employee enters into the pension plan that existed for new hires as of 12/31/12 for that bargaining unit For example: Mary left Santa Barbara County under their Tier 1 plan on 2/1/13 and becomes employed by SLO County on 6/1/13, Mary enters into SLO County's Tier 2 pension plan based on the provisions governing reciprocity.[7] • If an employee has a break in service of <u>6 months or more</u>, and returns to public employment, the employee enters into the Tier 3 pension plan For example: Mary left Santa Barbara County under their Tier 1 plan on 2/1/13 and becomes employed by SLO County on 10/1/13, Mary enters into SLO County's Tier 3 pension plan with no reciprocity because her break in service was greater than 6 months. • Note: Reciprocity is only within the State of California
9	FINAL COMPENSATION FOR CITY COUNCIL OR BOS (7522.48)	• Final compensation resulting from service as a City Council or Board of Supervisor shall be based on highest average annual pensionable compensation earned during service in that elected office • Limits the final compensation for each office held to the agency where it was earned

Provisions of PEPRA required for Tier 3 that will have no impact on the County's Pension Trust Plan:

- Retroactive pension enhancement
  - 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)
  - Current Pension Plan already includes this provision
  - Post retirement cost of living adjustments (COLA) will not be considered retroactive benefit enhancements and are unaffected by PEPRA
- Elimination of air time
  - Prohibits the purchase of non-qualified service credit (i.e., purchase of pension credit prior to service in the retirement system or time not employed by the County)
  - Current Pension Plan does not include a provision for purchasing air time
  - Purchasing of leave time incurred while as a County employee on approved leave of absence is not "air time" and is unchanged in the pension plan
- Pension contribution holidays[8]
  - No pension contribution rate holidays from the employer or the employee

[7] Reciprocity is an agreement between the San Luis Obispo County Pension Trust and the California Public Employees Retirement System (Cal-PERS). Through sections of the California Government Code cited in the agreement, reciprocity also exists between the Pension Trust and those County Retirement Plans that are established pursuant to the County Employees Retirement Law of 1937 as well as certain other systems that have established reciprocity with Cal-PERS. Reciprocity DOES NOT extend to the State Teachers Retirement System (STRS) or the University of California Retirement Plan (UCRP) nor to systems maintained by or in other states or by the Federal Government. In order to establish reciprocity, an individual must terminate membership in one system (System A) and enter into membership in the second system (System B) within six months. There should be no overlap of service and the break in service between systems cannot be greater than six months.

[8] A rate holiday is a suspension of the employer and employee contribution to the pension fund. SLO County has not had rate holidays and therefore this provision has no impact.