



Public Employees' Pension Reform Act of 2013 - Update

Organization, Personnel and Technology
Committee
Item 6a
December 10, 2012

2013 Pension Reform

- AB 340 – Public Employees' Pension Reform Act of 2013 (PEPRA)
- Signed into law on September 12, 2012 with an effective date of January 1, 2013 for most items
- Initial presentation to OP&T committee on October 8, 2012
- CalPERS has provided further clarification

2013 Pension Reform

- Most changes will only affect new members
 - New member is defined if any of the following are true as of January 1, 2013:
 - Never been in any California public retirement system:
 - New in this system (e.g. CalPERS) and not subject to reciprocity;
 - Returned to work for a different employer after more than a 6-month break in service

Formula Changes for New Members

- Imposes a uniform 2% @ 62 formula for new members hired after January 1, 2013
- Minimum retirement age is 52
- Increases incrementally to a maximum benefit factor of 2.5% @ 67
- CalPERS clarification:
 - Confirmed new members must be enrolled in 2% @ 62 regardless of MOU
 - Confirmed new employees from other CalPERS agencies, or individuals with reciprocity, may be grandfathered into 2% @ 55 formula

Cost Sharing

- After current MOU expires (12/31/16) new members hired will be subject to:
 - Contributing 50% of the normal cost
- Existing employees contribution subject to negotiation
- CalPERS clarification:
 - Confirmed that existing employees are not impacted by cost sharing at this time
 - All new employees will continue to pay their 7% employee contribution
 - Normal cost definition clarified and may be lower in the future

Normal Cost Clarification

- Normal Cost = cost of providing benefits for the current year
- Normal Cost has two (2) components
 - Employee Contribution
 - Employer Normal Cost
- Does not include costs of Unfunded Liability
- 50% of Metropolitan's current (FY 12/13) normal cost
 - 7.194%
- New employees contribute 7% as of 1/1/12

Pensionable Compensation

- Pensions based on 3-year consecutive average for new members
- Caps on compensation used for pension calculation for new members
 - For 2013: \$136,440. Adjusted annually
- Excludes various items in pensionable compensation for new members
- CalPERS Clarification:
 - Employees that earn more than \$136,440 will only contribute 7% based on the cap

Additional Clarification from CalPERS

- At the time of MOU negotiation, Metropolitan has additional flexibility to create cost sharing arrangements by:
 - Bargaining Unit
 - Benefit Tier (based on hire date)
- Metropolitan has the ability to impose cost sharing up to 8% maximum after 1/1/2018

Next Steps

- Continue monitoring CalPERS implementation of new provisions
- Review future financial impacts after further details on provisions are released
- Determine if benefit package changes are needed to recruit new or retain existing employees
- Report back to OP&T

Questions?

