



**AB340-California Public Employees' Pension Reform Act of 2013 (PEPRA) Summary**

<b>Issue</b>	<b>Existing Members-Tier 1* (membership prior to January 1, 2013)</b>	<b>New Members-Tier 2* (membership January 1, 2013 and later)</b>
<b>Existing vs. New Member</b>	Membership prior to January 1, 2013 or less than 6 month break in service from prior public system or return to previous public employer after any break in service.	New to system on or after January 1, 2013, or had a six month or more break in service from prior public system and did not establish reciprocity.
<b>Contribution Rates</b>	No change to existing rates except for annual valuation adjustments (same as before). Employer pick-up remains the same as before (per respective MOU agreements). Note: on January 1, 2018 employers can unilaterally impose a share of the normal cost rate.	Must pay at least 50% of total normal cost unless collective bargaining agreement or contract is in place on January 1, 2013 (after agreement or contract expires, must pay at least 50% of total normal cost, unless it is collectively bargained for employee to pay more-cannot extend agreement or contract to prevent increase). Note: contributions will cease when hit CAP (see Compensation Earnable vs. Pensionable Compensation below).
<b>Benefit Formulas</b>	No change to current benefit formulas: General - 2% at 55. Safety - 3% at 50.	New benefit formulas: General – 2.5% at age 67. Safety – 2.7% at age 57 .

<p><b>Final Average Salary</b></p>	<p>Based on highest one year average (same as before).</p>	<p>Based on highest three year average. (36 consecutive months) If elected officer, final average salary based on the highest average pensionable compensation from each elective office (may not receive a higher benefit based on compensation earned for any other public employment).</p>
<p><b>Compensation Earnable vs. Pensionable Compensation</b></p>	<p>Suggestion Award pay item excluded from compensation earnable. No other changes to compensation earnable pay items.</p>	<p>The <u>normal monthly rate of pay or base pay</u> of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours. Pay items excluded from pensionable compensation include, but are not limited to: leave cash outs, standby pay, payments rendered for services outside of normal working hours, vehicle, and uniform allowances. CAP – pensionable compensation is capped at \$136,440 for 2013 (adjusted each year for CPI changes).</p>
<p><b>Replacement Benefit Plan (RBP)</b></p>	<p>No change to existing rules if employer has a plan in place by December 31, 2012 (RBP's relate to IRS 415(b) limitations where employer pays the retiree the excess amount of benefit due so retiree does not lose any benefits).</p>	<p>RBP's not allowed for new members (related to IRS 415(b) limitations where employer paid the retiree the excess amount so retiree does not lose any benefits).</p>

<b>Working after Retirement</b>	<p>Must take 180 day (6 month) break prior to returning to same system (safety is exempt unless he/she received a golden handshake or retirement incentive). Exceptions to this rule must be approved by governing body through Brown Act requirements and prove it's a critical need. Hours worked are limited to 960 per year for retirement allowance to continue and rate of pay for hours worked must not be less than minimum or more than maximum paid to other employees. If retiree receives unemployment insurance, they can't be employed for 12 months after benefits cease.</p>	<p>Must take 180 day (6 month) break prior to returning to same system (safety is exempt unless he/she received a golden handshake or retirement incentive).          Exceptions to this rule must be approved by governing body through Brown Act requirements and prove it's a critical need. Hours worked are limited to 960 per year for retirement allowance to continue and rate of pay for hours worked must not be less than minimum or more than maximum paid to other employees. If retiree receives unemployment insurance, they can't be employed for 12 months after benefits cease.</p>
<b>Additional Retirement Credit (ARC)</b>	<p>Not available for purchase after December 31, 2012.</p>	<p>Not available for purchase.</p>
<b>Felony Convictions</b>	<p>If convicted of a felony (related to official duties, seeking an elected office or obtaining salary/pension benefits) on or after January 1, 2013, all accrued benefits from earliest date of commission of the felony will be forfeited.</p>	<p>If convicted of a felony (related to official duties, seeking an elected office or obtaining salary/pension benefits) on or after January 1, 2013, all accrued benefits from earliest date of commission of the felony will be forfeited.</p>
<b>Current Retired Members</b>	<p>No change to a retiree's benefit formula or to the final average salary used to calculate their retirement benefit or to the cost-of-living adjustment provisions.</p>	<p>N/A. Note: no change to cost-of-living adjustment provisions (same as current).</p>

<b>30-year Members</b>	No change, employee contributions not required after 30 years of service.	Contributions will continue to be required after 30 years of service.
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***\* Disclaimer***

*This summary was drafted by the SBCERA staff in order to help members understand complex pension issues surrounding the AB340 legislation effective January 1, 2013. Every effort has been made to ensure the accuracy of the information offered. However, you should not rely solely on the information contained herein. In the event of any discrepancy between the information contained in the above information and AB340, the provisions of AB340 will govern.*