

**SBCERA Summary of AB340- California
Public Employee's Pension Reform Act of
2013 and Draft LAFCO Resolution No. 3173**

Attachment 3



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

Issue	Existing Members-Tier 1* (membership prior to January 1, 2013)	New Members-Tier 2* (membership January 1, 2013 and later)
Existing vs. New Member	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.
Contribution Rates	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).
Benefit Formulas	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>Final Average Salary</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>Compensation Earnable vs. Pensionable Compensation</p>	<p>Suggestion Award pay item excluded from compensation earnable. No other changes to <u>compensation earnable pay items</u>.</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>Replacement Benefit Plan (RBP)</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>

<p>Working after Retirement</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>	<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>Additional Retirement Credit (ARC)</p>	<p>Not available for purchase after December 31, 2012.</p>	<p>Not available for purchase.</p>
<p>Felony Convictions</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>	<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>Current Retired Members</p>	<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>

30-year Members	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.

RECIPROCITY

While you cannot transfer (“roll over”) contributions earned in a public retirement system to and/or from another retirement system, you may be eligible to establish reciprocity with the new system. Reciprocity allows you to link public retirement systems to preserve and enhance your total retirement benefits. Essentially, it gives you portability by allowing you to leave your retirement contributions on deposit, regardless of your length of service, and to take a deferred retirement.

Advantages of Reciprocity

- The **service credit** earned in one system **may** be used to meet the service credit requirements for vesting and/or retirement eligibility in another system. However, when calculating your benefit amount, each system will only use the years of service credit earned with their system.
- Your **highest final average compensation** from either system **may** be used by both (or all) systems to determine your retirement benefit.
- If you were a member of an eligible reciprocal public retirement system prior to January 1, 2013 and establish reciprocity, you **may be eligible for the tier and benefit levels in place prior to January 1, 2013**. Therefore, those entering SBCERA as Tier 2 members who establish reciprocity with another public retirement system, where they were a member prior to January 1, 2013, may be eligible for Tier 1 SBCERA membership. Upon doing so, your SBCERA contribution rate will likely change based on the tier you are placed in. Be aware that you may owe additional contributions or receive a refund for overpayment of contributions due to the change in your contribution rate.

Requirements to Establish Reciprocity

To establish reciprocity between SBCERA and another eligible public retirement system, you must meet the following requirements:

- You must elect to establish reciprocity with an eligible public retirement system. It is not automatic.
- The time between leaving one public retirement system and entering another cannot exceed six months, or 180 days.
- There cannot be any overlapping service credit. You must have a clean break in service from the previous system before entering the new one. For example, you cannot be on vacation time with the previous system while working at the new system. SBCERA may be able to delay your membership date for up to six weeks.

- Your contributions from the previous system must be “on deposit” with that system, meaning you did not withdraw them when you terminated your employment.
- You cannot be retired from the other system earning your retirement benefit.

Electing to Establish Reciprocity

To elect to establish reciprocity, you must complete one of the following steps:

- **New SBCERA members or returning SBCERA members:** Complete the appropriate section regarding reciprocity (prior public agency employment) on the SBCERA Membership Enrollment Affidavit provided to you by your employer when you begin your employment.
- **Current SBCERA members:** Submit a written request to SBCERA including the name of the system with which you wish to establish reciprocity.
- **Members leaving SBCERA-covered employment:** Complete a Request to Defer Retirement form and indicate the reciprocal retirement system you want to establish reciprocity with.

Upon submitting your request, SBCERA will work closely with the other public retirement system to complete all necessary processes. SBCERA will inform you if, and when, reciprocity has been established. **This process can take up to 8 to 10 months to complete.**

Eligible Public Retirement Systems

SBCERA has reciprocal agreements with the following systems for those entering into membership with SBCERA:

- California Public Employees' Retirement System (CalPERS)
- California State Teachers' Retirement System (CalSTRS)
- Judge's Retirement System (JRS) and the Judge's Retirement System II (JRS II)
- Any pension plan that has reciprocity with CalPERS
- Retirement systems in the other 19 counties operated under the County Employee's Retirement Law of 1937 (1937 Act), which includes:

Alameda
Contra Costa
Fresno
Imperial
Kern
Los Angeles
Marin
Mendocino

Merced	Sacramento
Orange	San Diego
	San Joaquin
	San Mateo
	Santa Barbara
	Sonoma
	Stanislaus
	Tulare
	Ventura

IMPORTANT: Tier 2 members leaving employment with an SBCERA participating employer may or may not be able to establish reciprocity with the systems listed above. Please check with the other public retirement system regarding whether they will allow reciprocity with SBCERA.

Retiring with Reciprocity

You must retire concurrently from both (or all) systems on the same date. You should provide proper notification to both (or all) agencies of your intended effective retirement date in order to start the retirement process with all systems at the same time.

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RESOLUTION NO. 3173

**A RESOLUTION OF THE LOCAL AGENCY FORMATION
COMMISSION FOR SAN BERNARDINO COUNTY,
STATE OF CALIFORNIA, AMENDING ITS
POLICY AND PROCEDURE MANUAL, HUMAN RESOURCES POLICY AND
PROCEDURES, BENEFIT PLAN SECTION 8**

On Wednesday, April 17, 2013, on motion of Commissioner _____, duly seconded by Commissioner _____, and carried, the following resolution is adopted:

SECTION 1. The Local Agency Formation Commission for San Bernardino County, State of California, hereby finds and determines that it wishes to amend its Benefit Plan Section 8 – Retirement based upon passage of AB 340, the California Public Employees' Pension Reform Act of 2013.

SECTION 2. The Local Agency Formation Commission for the County of San Bernardino hereby resolves and orders that Section 8 of the Benefit Plan division of the Human Resources Policy and Procedures is amended to read as follows:

- A. *SB LAFCO CONTRIBUTIONS*** (Amended August 17, 2005; May 16, 2007; June 16, 2011; April 17, 2013)

...

Pursuant to the California Public Employees' Pension Reform Act of 2013 (AB 340), SB LAFCO establishes a two-tier system for retirement contribution as follows:

Tier 1 employees are employees with an SBCERA membership date prior to January 1, 2013.

Tier 2 employees are employees with an SBCERA membership date on or after January 1, 2013.

SBCERA membership date is determined based on the following:

