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VIA ELECTRONIC MAIL

September 12, 2012

TO: CASA Member Agencies
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FROM: Mike Dillon, Lobbyist
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RE: **News From the Capitol**

Governor Signs Pension Reform Package

This afternoon Governor Brown held a ceremonial press conference in Los Angeles in which he signed AB 340 (Furutani), the pension reform legislation passed last Friday during the final day of the 2012 Session. In his remarks he stated, "This is the biggest rollback to public pension benefits in the history of California pensions… We're lowering benefits to what they were before I was Governor the first time and reducing costs by up to $55 billion in PERS and billions more in other local pension systems. Under the new rules, employers and employees alike are going to contribute their fair share of the costs, resulting in a more sustainable system."

As previously reported, the pension reform package, effective January 1, 2013, will implement the following changes:

- For new employees, final compensation will be based on their final 36 month average or "during any other period of at least 36 consecutive months during the members applicable service that the member designates on the application for retirement," rather than the current one year allowed by some plans.
- For new employees, compensation used to calculate a retirement benefit will be based only on "regular reoccurring pay" and can no longer include overtime, unused leave or time off, pay for overtime, etc.
- So-called "double dipping" will be prohibited. A person who retires on or after January 1, 2013, would be prohibited from returning to work as a retired annuitant for a period of 180 days.
- So-called "pension holidays," when contributions are not made into the retirement fund, would be eliminated, as would the ability of an employee to purchase "air time," which would be prohibited after January 1, 2013.

- For new employees, there will be a cap on the amount of compensation that can be used to calculate retirement benefits of $110,000 for employees who participate in Social Security, or 120% of that limit ($132,000) if they do not participate in Social Security. These amounts would be indexed for inflation. This is being referred to as the "hard spending cap."
- The retirement age for new members will increase to 62 years of age with a 2% at 30 years of service, with an incentive of 2.5% at age 67 with 30 years of service.
- Requires public employees who are first employed after January 1, 2013, and who contribute to a defined benefit plan, to contribute at least half of the annual actuarially determined costs. It would also allow more flexibility for bargaining increased cost sharing between employers and existing employees.

Over the past few days we have received several inquiries regarding the specific provisions contained in AB 340. The following links may be helpful for those seeking more detailed information.

For those agencies in Cal-PERS, please see the information regarding pension reform on their website here.

For all agencies, including 37 Act Counties, please see the Assembly Public Employees, Retirement, and Social Security Committee's "Chart of Statutory Changes" that was released earlier this week here.