

Public Pension Reform (AB 340 and AB 197): A Primer

	Page
Contents	
I. <u>Overview and Bill Summary</u>	5
1. <u>Pensionable Income Cap; Restrictions on Supplemental Defined Benefit (DB) Plans; Limits on Employer Contributions</u>	6
2. <u>New Retirement Formulas for Miscellaneous and Safety Members</u>	7
3. <u>Cost Sharing and Employer Paid Member Contributions (EPMC)</u>	7
4. <u>Final Average Earnings (FAE) Calculation for New Members</u>	8
5. <u>Working after Retirement; Retirees</u>	8
6. <u>Regular, Recurring Pay</u>	9
7. <u>Forfeiture of Retirement Benefits upon Felony Conviction</u>	9
8. <u>Elimination of Purchasing Unqualified Service Credit or "Airtime"</u>	10
9. <u>Retroactive Benefit Increases</u>	10
10. <u>Pension Holidays</u>	10
11. <u>Equal Health Vesting</u>	10
12. <u>Industrial Disability Retirement (IDR)</u>	10
13. <u>Current Members v. New Members</u>	11
14. <u>Comparing League Policy and the New Law</u>	12
II. <u>Action Steps Agencies Should Consider before Jan. 1, 2013</u>	13
1. <u>Identify current employees</u>	13
2. <u>Identify new hires and determine retirement contributions</u>	13
3. <u>Considerations for affected retirees returning to work after Dec. 31</u>	14
4. <u>Establish a process for retirees who return to work after Dec. 31</u>	14
5. <u>Report pensionable compensation for new members</u>	14
6. <u>Determine "significant" compensation increases for unrepresented employees</u>	14
7. <u>Report convicted felons</u>	14
8. <u>Amend replacement benefit plans and supplemental defined benefit plans</u>	15
III. <u>Duty to Bargain and Scope of Representation under New Law</u>	16
1. <u>Introduction</u>	16
2. <u>Statutory Mandates –Non-Negotiable</u>	16

3.	<u>Negotiable Subject</u>	17
IV.	<u>Frequently Asked Questions</u>	19
1.	<u>Current Members and New Members</u>	19
2.	<u>Collective Bargaining and Memorandums of Understanding (MOUs)</u>	21
	i. <u>Employer and Employee Contributions</u>	21
	ii. <u>New Retirement Formulas and Optional Benefits</u>	23
3.	<u>Employer and Employee Contributions</u>	25
	i. <u>Normal Cost Rate</u>	25
	ii. <u>Cost Sharing</u>	26
	iii. <u>Contribution Limits</u>	28
	iv. <u>Employer Paid Member Contributions (EPMC)</u>	29
	v. <u>Employer Contribution Rate</u>	29
4.	<u>New Retirement Formulas</u>	29
	i. <u>Current Members and Lateral Hires</u>	29
	ii. <u>Adopting Different Retirement Formulas than New Law</u>	31
5.	<u>Pensionable Compensation</u>	31
	i. <u>Compensation Cap</u>	31
	ii. <u>Current Members</u>	32
	iii. <u>Leave Time</u>	32
	iv. <u>Significant Increases in Compensation</u>	32
	v. <u>Overtime Compensation</u>	32
6.	<u>Supplemental Retirement Benefits</u>	33
7.	<u>Working after Retirement; Retirees</u>	34
8.	<u>Service Credit and Airtime</u>	34
9.	<u>Equal Health Vesting Schedule</u>	34
10.	<u>Industrial Disability Retirement (IDR) for Public Safety</u>	35
V.	<u>Endnotes</u>	36
VI.	<u>Index</u>	41