

## Pension Reform 2012-Governor's 12 Point Plan Compared to Democrat Conference Committee Proposal

| Policy Point                                 | Gov. Brown's Proposal Language as seen word for word in<br>SB 1176 & SCA 18 (Huff)<br>AB 2224 & ACA 22 (Smyth and Conway)   | Democrat's Conference Proposal  |
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| <b>Vote Requirement to change provisions</b> | 2/3 vote required to change statutes referenced in Constitutional Amendment – i.e. the enabling language.   | Changes can be made with a majority vote  |
| <b>Exempted Public Agencies</b>              | Schools   | Exempts charter cities and counties that do not participate in CalPERS or 37 Act Counties. The UC system is also exempt.<br><br><u>Exempt Counties:</u> San Francisco<br><u>Exempt Cities:</u> Fresno, Los Angeles, San Diego, San Jose, San Francisco<br>Note: The proposal also addresses special districts. We do not believe any would be exempt.   |
| <b>**Legislative Approval</b>                | <b>None</b>   | Requires all new pension plans adopted by local governments to be approved by the Legislature. Includes local ballot initiatives (Exempt agencies not included)   |
| <b>**Give Aways</b>                          | <b>None</b>   | <ul style="list-style-type: none"> <li>• Disability benefit increase</li> <li>• Fire Fighter Income Disregard Increase (From \$200-\$800)</li> </ul>  |
| <b>Equal Sharing of Pension Costs</b>        | <b>New Employees and Current Employees:</b> Require employees to contribute at least 50 percent of the annual cost of their pension benefits. (phase in)  | <b>New Employees and Current Employees:</b> In 2018, requires employees to contribute at least 50 percent of the annual cost of their pension benefits. Prior 2018, subject to collective bargaining.   |
| <b>Hybrid</b>                                | <b>New Employees:</b> Mandatory Hybrid with 75% replacement income target, based on full retirement. Integrate Defined Benefit, Defined Contribution and Social Security or alternative component.” | <b>Rejected</b>   |
| <b>Retirement Benefit Cap</b>                | <b>New Employees:</b> Benefit cap tied to social security (SS).<br>\$106k for SS participants (non-safety)<br>\$127k for non-SS participants (i.e. safety and teachers).                            | <b>New Employees:</b> Subject to CPI for urban consumers (Legislature could raise CPI index)<br><br>\$110,000 for non-safety<br>\$132,120 for safety<br><br>In addition, public employers can establish a program with an employer match on top of their Defined Benefit Pension. Limited to first \$250K of an employee's regular salary.  |
| <b>Increased Retirement Age</b>              | <b>New Employees:</b><br>Non-safety: 35 years of service 2% @ 67 years old<br>Safety – 30 years of service 3% @ age 57<br><br>No teacher proposal   | <b>New Employees:</b><br>Non-safety: 2% at 62 (Cap of 2.5% @ 67 years old)<br><b>Note:</b> Under existing law, the non-safety state benefit for new hires is currently 2% @ 60 (Cap of 2.418% @ 63)<br><br>Safety –2.7% @ age 57<br><b>Note:</b> Under existing law, state safety new hires have a normal retirement benefit of 2.5% at 55. (Cap of 2.5%)<br><br>Teachers 2.4% @ 65<br><b>Note:</b> Under existing law, teacher normal retirement is 2% @ 60. (cap at 2.4% @ 65) Includes a longevity |

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|   |   | incentive.  |
| <b>Final Compensation</b>   | <b>New Employees:</b> Highest average compensation over 36-month period.  | <b>New Employees:</b> Highest average compensation over 36-month period   |
| <b>Calculate Benefits Based on Regular, Recurring Pay to Stop Spiking</b> | <b>New Employees:</b> Final compensation (base salary) does not include bonuses, unplanned overtime, or payments for unused sick leave or vacation.   | <b>New Employees:</b> Final compensation does not include "special bonuses," unplanned overtime, payouts for unused vacation or sick leave.   |
| <b>Limit Post-Retirement Employment</b>                                   | <b>All Employees:</b> Retired annuitant must reinstate unless, emergency or skills needed. Applies current state practices to all retirement systems - 960-hours or 120 days w/in any consecutive 12 month period.  | <b>All employees:</b> Retired annuitant must reinstate unless, emergency or skills needed. Applies current state practices to all retirement systems - 960-hours or 120 days w/in any consecutive 12 month period.<br><br>One-year sit out for employees receiving a golden handshake or retirement incentive |
| <b>Forfeit Pension for job-related felony convictions</b>                 | <b>All Employees:</b> Forfeit pension from time of crime forward public elected and public employees.   | <b>All Employees:</b> Forfeit pension from time of crime forward public elected and public employees.   |
| <b>Prohibits retroactive benefit increases</b>                            | <b>All Employees:</b> Prohibits future retroactive pension benefit increases on all public employees.   | <b>All Employees:</b> Prohibits future retroactive pension benefit increases on all public employees.   |
| <b>Prohibits Pension Holidays – (current employers &amp; employees)</b>   | <b>All Employees:</b> Requires employers and employees to continuously contribute the normal costs of pension benefits. AND Prohibits employers from making employee contributions.   | <b>All Employees:</b> Requires employers and employees to continuously contribute the normal costs of pension benefits. AND Prohibits employers from making employee contributions.   |
| <b>Prohibit Purchase of Service Credit (Airtime)</b>                      | <b>All Employees:</b> Prohibits employees buying future unearned service credits for the teacher's retirement system. Does not affect previous airtime purchases.   | <b>All Employees:</b> Prohibits employees buying future unearned service credits. Does not affect previous airtime purchases.   |
| <b>Increase Pension Board Independence</b>                                | Eliminates the State Board of Personnel appointee and insurance industry rep and adds sets for the state Finance Department director, a health insurance expert, a representative from a government agency that contracts with CalPERS and two "independent" public representatives without CalPERS ties – all appointed by the governor. | Requires the current Governor's appointees to have financial expertise and be independent of the retirement system. Replaces the State Personnel Board position on CalPERS Board with the Director of the Department of Finance but does not add two additional Governor's appointments to the Board.         |
| <b>Reduce Retiree Health Care Costs</b>                                   | <b>New Employees:</b> Requires Retirees to pay more for health care.  | <b>Rejected</b>   |
| <b>Retiree Health Vesting for</b>   | <b>New Employees:</b> 15 year partial, 25 year full.  | <b>Rejected</b>   |