

# California Public Employees' Pension Reform Act of 2013



# AB340 Pension Proposal Summary

Pension Proposal	Current Employees	New Hires (01-01-2013)	Impact to OCTA
Pension Cap		YES	\$132,120 cap; no supplemental DB plans, DC plans within Federal limit
Increase Retirement Age		YES	Maximum retirement age factor 2.5% at age 67 vs. 2.4% at age 65
Cost Sharing	YES	YES	50 % of normal cost
3-Year Average		YES	<b>No change</b> (vs. Tier 2)
“Double Dipping”	YES	YES	180 day “sit out” required
Final Compensation		YES	Base pay only; list of exclusions
Felony Forfeiture	YES	YES	Forfeit pension benefits
Eliminate Airtime	YES	YES	<b>No change</b> ; currently not allowed
No Retroactive Increases		YES	<b>No change</b> ; OCTA never increased pension benefits
No Pension Holidays	YES	YES	Limited contribution suspensions

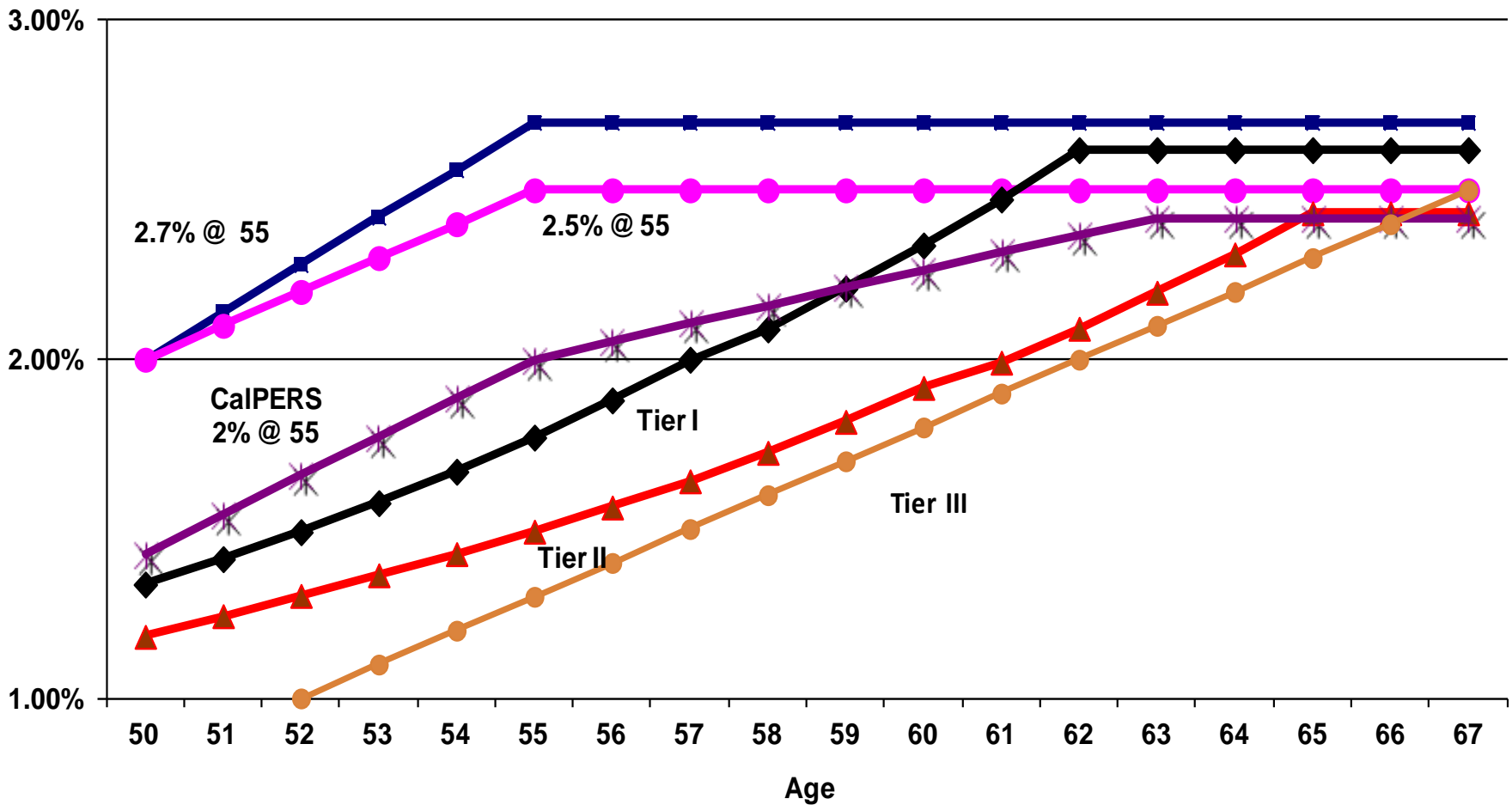
# OCTA Pension Facts

- Retirement Formula
  - Tier 1 – 52 employees (3% - hired prior to 09/21/1979)
  - Tier 2 – 1,454 employees (97%)
- Employee Contribution
  - 1,058 Union employees (70%)- employee pays
  - 448 Administrative employees (30%) - OCTA pays
    - Salary grades P and above (243 – 54%)
      - FY1993-94 – 3% in lieu of merit pool
      - FY1994-95 – 3% in lieu of merit pool
      - FY1995-96 – balance in lieu of merit pool
    - Salary grades below P (205 – 46%)
      - FY2004-05 – OCTA began paying full employee contribution due to equity concerns

# Employee Pension Benefit

- Based on three factors
  - Final Average Salary
    - Tier 1 – highest 1 year
    - Tier 2 – highest average over 3 years
    - Tier 3 – highest average over 3 years
  - Years of Service
  - Age at Retirement
    - Tier 1 – minimum 1.34% @ 50, maximum 2.62% @ 65
    - Tier 2 – minimum 1.18% @ 50, maximum 2.43% @ 65
    - Tier 3 – minimum 1.0% @ 52, maximum 2.5% @ 67

# Age Factor Curves



# Cost Sharing Issues

- Clearly define “normal cost”
  - Cost of a current year of service under the plan*
    - Does this include unfunded liability cost?
      - No, it does not include any UAAL contribution*
- Clarify employee contribution limits
  - 8 percent for miscellaneous members (*CalPERS*)
  - 14 percent above the normal rate established for general members (*37Act*)
- Implementation time frame for existing employees – 01/01/2013 vs. 01/01/2018

# “Normal Cost” Sharing – Tier 1

Entry Age	Employee Normal	Employer Normal	Employer UAAL	Total	Total Normal Cost	50 % of Normal Cost	Employee Normal +14%
20	4.52%	10.96%	10.00%	25.48%	15.48%	7.74%	5.15%
25	4.96%	10.96%	10.00%	25.92%	15.92%	7.96%	5.65%
30	5.45%	10.96%	10.00%	26.41%	16.41%	8.21%	6.21%
35	5.98%	10.96%	10.00%	26.94%	16.94%	8.47%	6.82%
40	6.58%	10.96%	10.00%	27.54%	17.54%	8.77%	7.50%
45	7.23%	10.96%	10.00%	28.19%	18.19%	9.10%	8.24%
50	7.98%	10.96%	10.00%	28.94%	18.94%	9.47%	9.10%
55	8.65%	10.96%	10.00%	29.61%	19.61%	9.81%	9.86%
60	8.38%	10.96%	10.00%	29.34%	19.34%	9.67%	9.55%

# “Normal Cost” Sharing – Tier 2

Entry Age	Employee Normal	Employer Normal	Employer UAAL	Total	Total Normal Cost	50 % of Normal Cost	Employee Normal +14%
20	6.08%	10.96%	10.00%	27.04%	17.04%	8.52%	6.93%
25	6.68%	10.96%	10.00%	27.64%	17.64%	8.82%	7.62%
30	7.33%	10.96%	10.00%	28.29%	18.29%	9.15%	8.36%
35	8.05%	10.96%	10.00%	29.01%	19.01%	9.51%	9.18%
40	8.84%	10.96%	10.00%	29.80%	19.80%	9.90%	10.08%
45	9.70%	10.96%	10.00%	30.66%	20.66%	10.33%	11.06%
50	10.67%	10.96%	10.00%	31.63%	21.63%	10.82%	12.16%
55	11.19%	10.96%	10.00%	32.15%	22.15%	11.08%	12.76%
60	11.77%	10.96%	10.00%	32.73%	22.73%	11.37%	13.42%



# Final Compensation Issues

- Clarify what is excluded from final compensation for current employees
  - Pay-outs
  - Allowances
  - Special Performance Awards
- *The new compensation earnable definition (Section 7522.34), which applies to “new members”, **does not impact current employees.***
- *The amended definition of compensation earnable (Section 31461), which does apply to current members, will not impact OCERS members, as **OCERS is already analyzing compensation earnable in accordance with the statute.***

# Next Steps

- Continue to monitor AB 340
- Work with OCERS
- Implement required near term changes prior to 01/01/2013
- Develop longer term strategy for compliance by 01/01/2018