



Pension Reform Act 2013 Frequently Asked Questions

General Questions

1. Who is affected?

Most all government agencies in California are affected. The law mandates pension reform statewide, including local governments like us, for new members as of January 1, 2013. The law does exclude the University of California and some charter cities and counties. The law permits [reciprocity](#) for members who join the City of Richmond from another eligible public employer within California after January 1, 2013 or leave the City of Richmond to another public employer with reciprocity. A newly hired employee to the City of Richmond from another public agency will be eligible to enroll in the pension plan that was available on December 31, 2012.

2. Will this Act save the City of Richmond money?

The provisions apply to new, not current, employees. As a result, it does not change our current unfunded liability [Market Value Assets (MVA) Basis] which is \$222.9 million as of June 30, 2012, but it will reduce our costs over the long run. CalPERS initial assessment for its system show that there will be some savings over the long term after January 1, 2013 as new hires replace exiting workers. [CalPERS Actuarial Cost Analysis](#)

Changes Affecting New Employees

3. How will pension benefits change for new employees?

For new, non-reciprocal public employees as of January 1, 2013, the formula will be 2% at age 62 for all new non-safety employees. The earliest an employee would be eligible to retire is age 52, and the maximum retirement factor of 2.5% is provided at age 67.

For new, non-reciprocal safety (Police and Fire) employees, the applicable formula will be 2.7% at 57.

For more information, please visit [CalPERS Actuarial Cost Analysis](#) attachment 2 located on pdf._page 14.

[Summary of Public Employees' Pension Reform Act of 2013 and Related Changes to the Public Employees' Retirement Law.](#)

4. What changes will be made to how pension benefits are calculated?

There will be a limit on the amount of compensation that is used to calculate pension benefits for new, non-reciprocal employees. The cap is equal to the Social Security wage index limit (\$136,440) for employees that do not participate in Social Security.

5. Does the new law include a hybrid option (e.g., an option that allows a pension that is part defined benefit and part defined contribution)?

No, the Act does not include a hybrid option.

6. Does the new law allow for a defined contribution plan?

Yes, it does allow public employers to provide an additional defined contribution (DC) plan for compensation in excess of the cap described above in compliance with federal law. Employees who receive an employer contribution to a DC plan would not have a vested right to the employer contribution. City of Richmond does not currently have a defined contribution plan.

7. Does it affect what new employees pay into their pension?

Yes. It requires new, non-reciprocal employees to share one-half of the normal cost of the pension benefit with the employer. New, non-reciprocal contribution is 6.75% of reportable compensation, and new, non-reciprocal safety (Police and Fire) employee contribution is 12.25% of reportable compensation.

8. Does it change the types of pay that can be used to calculate pension benefits?

Yes. The Act has a stricter definition of “pensionable compensation” and excludes payments that we now consider “pensionable” for new, non-reciprocal employees; for example, vehicle or uniform allowance.

Changes Affecting Existing Employees

9. Does it affect what existing employees must pay into their pension?

Currently, the City of Richmond non-safety classic employees pay the employees’ share of PERS which is currently 8% for classic members. This is in full compliance with the California Public Employees’ Public Reform Act (PEPRA). The Act includes a provision that sets a standard that employers will no longer pay any of the employees’ share of their pension costs (often called “employee pickup”). For safety (Police and Fire) members, the City of Richmond has negotiated increases to the employees’ share over the next three years. By 2018, all safety (Police and Fire) members will be paying the full 12% required by PEPRA.

10. Does it change the types of pay that can be used to calculate pension benefits?

For existing employees, the Act restricts some items of pensionable compensation by allowing only the amount earned and payable in each 12-month period during the final average pay period.

11. If existing public employees move to other public agencies after January 1, 2013, do they receive the reduced benefits discussed above, the same as new employees?

No. Public employees who leave their current employer – while leaving their retirement contributions on deposit and within six months become a retirement member of another public agency with whom a reciprocal agreement has been established with the City of Richmond – will receive the pension benefits that were offered as of December 31, 2012 in the new agency.

Changes Affecting Existing Retirees

12. Does it affect existing benefits for employees who are currently retired?

No, the law does not appear to affect existing benefits for current retirees. For additional information, contact CalPERS at 1-888-225-7377.

13. Does it place greater restrictions on employment of retirees?

Yes. It prohibits any retiree who first returns to work after January 1, 2013 from returning to employment before 180 days (6 months) has passed unless the employer certifies that the appointment is necessary to fill a critically-needed position before 180 days. PEPRA exempts “public safety officers” from the 180-day waiting period. For the purpose of the 180-day waiting period, CalPERS defines “public safety officer” to be the same as the term is defined in G.C. section 3301. G.C. section 3301 defines public safety officer to mean “peace officer” as defined in certain specified sections of the Penal Code. A regulation will be promulgated accordingly.

For more information, please visit:

[CalPERS Actuarial Cost Analysis](#)

[CalPERS Frequently Asked Questions](#)

[Member Reciprocal information](#)

[Public Employees’ Pension Reform Act of 2013](#)

[Summary of Public Employees’ Pension Reform Act of 2013 and Related Changes to the Public Employees’ Retirement Law.](#)