



**STANISLAUS COUNTY  
EMPLOYEES' RETIREMENT ASSOCIATION**  
832 12<sup>th</sup> Street, Suite 600  
Modesto, CA 95354  
P.O. Box 3150 Modesto, CA 95353-3150

Phone (209) 525-6393  
Fax (209) 558-4976  
www.stancera.org  
e-mail: retirement@stancera.org

---

Date: November 30, 2012

Subject: California Public Employees' Pension Reform Act (PEPRA) and the effects of the new legislation on current and retired StanCERA members.

From: Rick Santos, Executive Director, StanCERA

On September 1, 2012, the California State Legislature approved AB 340 and AB 197 which changes the way pension benefits may be calculated. The Governor subsequently approved both bills on September 12, 2012, effectively putting them into law as of January 1, 2013.

Over the past several months, StanCERA staff and legal counsel have been working hard to understand every aspect of these bills and how to move forward and begin implementation next year. After consultation with legal staff, communication with other Retirement Systems, meetings with the Legislative Committee Staff and final consideration and approval by the StanCERA Board of Retirement, we are ready to begin implementation of these two important pieces of legislation. Note that there are still some unresolved questions and pending legislative clarification that could occur next year that could change what you read here today.

Be aware that this transmittal is not intended to be completely comprehensive. Not every aspect of the two pieces of legislation are covered here, however, nearly all relevant or significant pieces that could have some effect on your pension benefit are discussed. Should you require a more thorough analysis, we encourage you to read the bills for yourself. As always, if you have any questions please contact StanCERA staff at 209-525-6393.

### **Implementation and Interpretation of AB 340 and AB 197**

AB 340 and AB 197 changes the way pension benefits are calculated for new members hired on or after January 1, 2013 and excludes some pay elements that can be used in the pensionable compensation for both new and current members. For our retired members, there are no changes other than the ability to return to work while simultaneously receiving a retirement benefit from StanCERA.

#### ***Retired Members***

As mentioned earlier, very little is changing for retired members. Your retirement benefit will not change and you will still be entitled to future cost of living adjustments as required by County Retirement Law. There are some changes regarding when a retiree may return to work while receiving a retirement benefit from StanCERA. In general, retirees receiving a benefit from StanCERA and not already working for a StanCERA employer on or before December 31, 2012, will not be allowed to return to work for a StanCERA employer after December 31, 2012. However, there are some exceptions to this rule.

Exceptions - If 180 days have passed since your retirement effective date and your employer certifies to StanCERA that your skills are needed to perform work of a limited duration or to prevent an emergency stoppage of public business, then you may be able to return to work for a period not to exceed 960 hours a year. If 180 days have not passed since your retirement effective date and the governing body of your employer declares in a public meeting that your skills are necessary to fill a critically needed position,

then you may be able to return to work for a period not to exceed 960 hours a year. Public safety officers or firefighters are exempt from the “less than 180-day rule”.

### ***Current Members as of December 31, 2012***

#### **Pensionable Compensation**

The formula used to calculate your future pension benefit will not change. Additionally, all elements of special pay that have normally been used in the calculation of your pensionable compensation will remain. The only change to pay elements that may be included in pensionable compensation are bonuses. As of January 1, 2013, bonuses, regardless of when they were received, will no longer be allowed in the calculation of your pensionable compensation. However, the new legislation does allow the member the right to appeal this exclusion to the Board of Retirement.

#### **Employee Contributions**

Typically, employee contribution rates are determined by an actuarial valuation and do not change unless the actuary changes the assumptions regarding the expected experience of the plan. The rates you are paying currently will remain in effect until June 30, 2013. After that point, based on a new actuarial experience study, those rates may change.

Regarding AB 340, the new legislation sets a “standard” that current employees should pay at least 50% of the total normal cost of the plan and that the employer should no longer “pick up” these contributions. However, after June 30, 2018, AB 340 does allow your employer the right to require 50% employee sharing of the total normal cost of your plan. The normal cost is the amount required to fund the additional year of service credit (or retirement benefit) you will earn in the coming year. The normal cost of the plan is related to the benefit level offered by your plan. The higher the benefit level, the higher the normal cost. Currently, StanCERA does not report out the total normal cost for any of the retirement plans we offer, but if this is necessary in the future, we will begin doing so.

AB 340 also allows, through the collective bargaining process, the ability for the employees to share any and all of the costs of the retirement plan. In addition to the total normal cost, this includes any unfunded liability that may exist.

#### **Reciprocity**

AB 340 specifically defines what a new member is. As a consequence, any member defined under AB 340 as “new”, will automatically earn future retirement benefits laid out by the new legislation.

The only change from today’s reciprocity rules relates to past StanCERA membership. If at some point in the future, you leave StanCERA membership, leave your past service contributions on deposit and return after a break in service of more than 6 months to a *different* StanCERA employer, you will be considered a new member for future retirement service accruals and be placed in the new tier defined by AB 340. This differs from today’s rules where if a member returns in this type of situation, they would be reinstated into their old tier, regardless of the StanCERA employer that the member returns to.

#### ***Summary***

It should be clear that AB 340 and AB 197’s intent was to leave current member’s benefits intact as much as possible. StanCERA staff felt that it was important to get this message out to our current members and retirees as soon as we felt we had a workable interpretation and implementation plan at

hand. Within the next couple weeks, StanCERA staff will be producing a similar document outlining the extensive changes required of new members hired after December 31, 2012.

Staff is also putting together a “Frequently asked questions” document which may answer some common questions you have regarding the effects of the new legislation for our current members and retirees. You will find this document on our website at <http://www.stancera.org/> on December 6th. Again, should you have any questions, StanCERA staff can be reached at 209-525-6393.