PUBLIC EMPLOYEES PENSION REFORM ACT (PEPRA) UPDATE

Prepared by Julie Wyne, OCERS’ Assistant CEO,
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Summary:

On September 12, 2012, Governor Brown signed Assembly Bill 340 (Furutani), creating the Public Employees Pension Reform Act (PEPRA) and amending certain sections of the 1937 Act that OCERS’ operates under. The new law creates a new benefit tier for new employees/members entering public agency employment and public retirement system membership for the first time on or after January 1, 2013. The new tier has a single general member benefit formula and three safety member benefit formulas that must be implemented by all public agency employers unless the formula in existence on December 31, 2012 has both a lower normal cost and a lower benefit factor at normal retirement age. The new tier requires that all new employees/members, hired on or after January 1, 2013, pay at least 50% of the normal cost contribution. The normal cost contribution is the contribution set by the retirement system’s actuary to cover the cost of a current year of service. It does not include the unfunded liability portion of the contribution. The employer can negotiate with current and new employees/members for the payment of additional contributions including the employer’s portion of normal cost and the unfunded liability. New employees/members have their compensation earnable, which OCERS’ uses to calculate retirement benefits, limited to 120% of the Social Security level ($132,120 for 2012), adjusted annually based on changes to the Consumer Price Index for All Urban Consumers, and further limited to base pay. Current employees will not see a change in their compensation earnable. Retired members, on and after January 1, 2013, will have to wait at least 180 days before returning to work for an OCERS’ covered employer on a limited time basis (960 hours or less a fiscal year).

IMPORTANT NOTE: IF YOU ARE CURRENTLY RETIRED, YOUR BENEFITS WILL NOT CHANGE. IF YOU ARE ACTIVELY EMPLOYED ON 12-31-12, YOUR BENEFITS WILL NOT CHANGE.
Questions and Answers:

Question 1: Will my monthly retirement allowance amount be affected by the Public Employees Pension Reform Act (PEPRA)?

Answer 1: No, your monthly retirement allowance will not be affected by the provisions in the PEPRA. OCERS will NOT recalculate your benefit based upon any benefit formula contained in the new law. Your allowance will continue to be calculated in the same way it is calculated today.

Question 2: Will my Cost of Living Adjustment (COLA) be affected by the PEPRA changes?

Answer 2: No, your COLA will not be affected by the provisions in the PEPRA. OCERS will NOT recalculate your COLA benefit based upon any provisions of the new law. Your COLA will continue to be calculated in the same way it is calculated today.

Question 3: Will my Supplemental Targeted Adjustment for Retirees Cost of Living Adjustment (STAR COLA) be affected by the PEPRA changes?

Answer 3: No, your STAR COLA (for those of you who receive one) will not be affected by the provisions in the PEPRA. OCERS will NOT recalculate your STAR COLA benefit based upon any provisions of the new law. Your STAR COLA will continue to be calculated in the same way it is calculated today, and eligibility for the STAR COLA will continue to be determined by the OCERS’ Board of Retirement each year.
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Question 4: Can I return to work for an OCERS’ covered employer for 960 hours or less in a fiscal year, without becoming an active member of OCERS and having my retirement allowance suspended?

Answer 4: Yes, you can return to work for an OCERS’ covered employer for 960 hours or less in a fiscal year, without becoming an active member of OCERS and having your retirement allowance suspended, but after 1-1-13, you will have to wait at least 180 days from retirement before returning to work, unless special circumstances apply.