R-16

City of Long Beach
Working Together to Serve

Memorandum

Office of the City Attorney

DATE: September 18, 2012

TO: Honorable Mayor and City Councilmembers

FROM: Robert E. Shannon, City Attorney RES

SUBJECT: AB 340 – Pension Reform

Under AB 340, the Government Code will be amended, and effective January 1, 2013, the changes enumerated below will be made to the CalPERS pension system. The City Attorney's preliminary analysis of this legislation is as follows:

1) **New members will have reduced benefit formulas**

- New members are defined as (a) individuals employed for the first time in a CalPERS agency, or (b) individuals who were members of CalPERS with a break in service for more than six months.
- Reduced benefits will be applied to new members who join employee associations with open contracts (LBLGA, LBMA, ACE, LBAEE).
- Reduced benefits will be applied to new members who join employee associations with existing contracts once those contracts expire (FFA, POA, IAM, CA, CP).
- Meet and confer is only required on the effects of reduced formulas.

2) **New members will have an increased retirement age**

- New non-safety member retirement age of 67 provides the maximum benefit. New safety member retirement age of 57 provides the maximum benefit.
- Increased retirement age will be applied to new members who join employee associations with open contracts.
- Increased retirement age will be applied to new members who join employee associations with existing contracts once those contracts expire.
- Meet and confer is only required on the effects of the increased retirement age.

3) **No retroactive enhancements to benefit formulas**

4) **Effective January 1, 2013 new members must pay 50% of the annual normal cost**

- Annual normal cost is defined as the present value of the projected benefit for a year of service as determined by a CalPERS actuary.
- New members in unions without a current contract must pay this amount.
- All new members commencing employment after the MOU expires would be subject to this requirement.
- Meet and confer is required on effects of this requirement.

5) **January 1, 2013 through December 31, 2017 - Cost sharing for current employees**

- Once a contract expires, the City and unions may bargain over cost sharing, and after negotiation and impasse procedures, the City can impose 50% of normal costs.
- The City and unions may bargain over cost sharing over 50%, but if there is no agreement by the union, the City cannot impose.

6) **January 1, 2018 – City may require employees to pay at least 50% of normal costs**

- The City may require 50% cost sharing after exhausting meet and confer requirements.
- However, 50% cannot exceed 8% contribution of salary for miscellaneous employees and 12% contribution of salary for safety employees.

7) **New member compensation is capped**

- For employees in the Social Security system, it will be capped at $110,100
- For employees not in the Social Security system, it will be capped at $132,120

8) **New member final compensation will be based on highest annual pensionable compensation earned over consecutive 36 month period**

9) **Retirement supplement plans will be prohibited (PARS)**

10) **Air time will not be for sale**

11) **Post-retirement employment will generally be prohibited for a period of 180 days after the employee's date of retirement**

12) **Pension allowances will be forfeited upon an employee's conviction of a felony.**

Important Note- In cases where there is an existing MOU, the terms of the Government Code cannot be implemented if they would impair the terms of the existing contract.

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