

Section	Purpose
Govt Code § 7522.02 pp. 20-22	<p data-bbox="472 235 1919 267">APPLICABILITY</p> <p data-bbox="472 267 1919 373">As of January 1, 2013, applies to all state and local public retirement systems and their participating employers, except for those charter cities and counties whose retirement systems are not governed by state statute. The only county not subject to AB 340 and AB 197 is the City and County of San Francisco.</p> <p data-bbox="472 406 1919 446">Provides a new benefit plan for all public employees who are new members as defined.</p> <p data-bbox="472 479 1919 625">Provides that if an employee is employed by a new public employer within six months of leaving a previous public employer, and he or she maintains pension system reciprocity, then the employee would be entitled to the retirement plan that was available to employees of the new employer on or before December 31, 2012, rather than be treated as a new employee subject to the retirement plan provided by AB 340.</p> <p data-bbox="472 657 1919 690">Existing lower cost defined benefit pension plans</p> <ul data-bbox="472 690 1919 1015" style="list-style-type: none"> ▪ An employer may continue to offer an <u>existing</u> defined benefit formula, and is not subject to the cap in 7522.10, if the formula offers a lower benefit factor at normal retirement age and results in a lower normal cost than the defined benefit formula required by AB 340. <ul style="list-style-type: none"> ➤ However, if the employer adopts a new defined benefit formula on or after January 1, 2013, that formula must conform to AB 340 or must be determined and certified by the retirement system's chief actuary and the retirement board to have no greater risk or cost to the employer than the plan offered under AB 340. ➤ New members of the defined benefit plan may only participate in the lower cost plan that was in place before January 1, 2013, or a defined benefit formula that conforms to the requirements of AB 340 or is approved by the Legislature. <p data-bbox="472 1047 1919 1079">Existing lower cost defined contribution benefit plans</p> <ul data-bbox="472 1079 1919 1388" style="list-style-type: none"> ▪ An employer may continue to offer <u>existing</u> pension benefits that consist <u>solely</u> of a defined contribution plan. <ul style="list-style-type: none"> ➤ However, if the employer adopts a new defined benefit plan or defined benefit formula on or after January 1, 2013, that plan or formula must conform to AB 340 or must be determined and certified by the retirement system's chief actuary and the retirement board to have no greater risk or cost to the employer than the plan offered under AB 340. ➤ New members of the employer's plan may only participate in the defined contribution plan that was in place before January 1, 2013, or a defined contribution plan or defined benefit formula that conforms to the requirements of AB 340.

California Public Employees' Pension Reform Act of 2013

[AB 340](#) and [AB 197](#)

Section	Purpose
Govt Code § 7522.04 pp. 22-24	<p data-bbox="472 235 640 259">DEFINITIONS</p> <p data-bbox="520 272 1787 334">(a) "Defined benefit formula" means a retirement benefit based on age, years of service, and pensionable compensation.</p> <p data-bbox="520 342 1835 406">(b) "Employee contributions" means contributions required to be paid by a member either by law, regulation, administrative action, contract, contract amendment, or other written agreement.</p> <p data-bbox="520 414 1150 443">(c) "Federal system" means Social Security benefits.</p> <p data-bbox="520 451 1822 480">(d) "Member" means any public employee who is a member of any type of public retirement system or plan.</p> <p data-bbox="520 488 850 518">(e) <i>New employee means:</i></p> <ul style="list-style-type: none"> <li data-bbox="569 526 1885 589">➤ An employee, including one who is elected or appointed, of a public employer who is first employed on or after January 1, 2013, and who <u>was not</u> previously employed by any other public agency prior to that date. <li data-bbox="569 597 1885 696">➤ An employee , including one who is elected or appointed, of a public employer who is first employed on or after January 1, 2013, and who <u>was</u> previously employed by another public employer, but who <u>was not</u> subject to reciprocity. <p data-bbox="520 704 835 734">(f) <i>New member means:</i></p> <ul style="list-style-type: none"> <li data-bbox="569 742 1902 805">➤ An individual who becomes a member of any public retirement system on or after January 1, 2013, and who <u>was not</u> previously a member of any other public retirement system prior to that date. <li data-bbox="569 813 1896 912">➤ An individual who becomes a member of a public retirement system for the first time on or after January 1, 2013, and who <u>was</u> previously a member of a public retirement system, but who <u>was not</u> subject to reciprocity. <li data-bbox="569 920 1885 984">➤ An individual who was an active member in a public retirement system and who, after a break in service of more than six months, returned to active membership in that system with a <u>new</u> employer. <p data-bbox="520 992 1864 1055">(g) "Normal cost" means the portion of the present value of projected benefits under the defined benefit that is attributable to the current year of service.</p> <p data-bbox="520 1063 1843 1127">(h) "Public employee" means an officer, including one who is elected or appointed, or an employee of a public employer.</p> <p data-bbox="520 1135 877 1164">(i) "Public employer" means</p> <ul style="list-style-type: none"> <li data-bbox="569 1172 1835 1235">➤ The state and every state entity, the Legislature, the judicial branch, including judicial officers, and the California State University. <li data-bbox="569 1243 1864 1343">➤ Any political subdivision of the state, city, county, city and county, a charter city, a charter county, school district, community college district, joint powers authority, and any public agency, authority, board, commission, or district. <li data-bbox="569 1351 1402 1380">➤ Any charter school that participates in a public retirement system. <p data-bbox="520 1388 1801 1417">(j) "Public Retirement system" means any pension or retirement system of a public employer, including an</p>

California Public Employees' Pension Reform Act of 2013

[AB 340](#) and [AB 197](#)

Section	Purpose
	independent retirement plan offered by a public employer or a system of benefits for public employees that is governed by Section 401 (a) of Title 26 of the United States Code.
CAP ON PENSIONABLE INCOME FOR NEW EMPLOYEES	
Govt Code §7522.10 pp. 24-25	<p>Limits the pensionable compensation used to calculate the defined benefit paid to a <u>new</u> member who retires from the system to the following:</p> <ul style="list-style-type: none"> ▪ For those whose employer participates in Social Security, one hundred percent of the social security contribution and benefit base as specified for January 1, 2013 (\$113,700). ▪ For those whose employer <u>does not</u> participate in Social Security, one hundred twenty percent of the social security contribution and benefit base as specified for January 1, 2013 (\$136,440). ▪ The cap will be adjusted annually based on changes to the Consumer Price Index for All Urban Consumers. <p>Requires each public pension system, on or after January 1, 2013, to modify its plan or plans to comply with the cap on pensionable income.</p> <p>States that the Legislature may modify the requirements of the cap, except that the Legislature may not modify the provisions in a manner that would result in a decrease in benefits accrued prior to the effective date of the modification.</p> <p>Prohibits a public employer from offering a defined benefit, including any offered by a private provider, in excess of the cap.</p> <p>Authorizes a public employer to provide a defined contribution plan with contributions in excess of the cap.</p> <ul style="list-style-type: none"> ▪ An employee shall not have a vested right to employer contributions. ▪ Contributions shall not, when combined with the employer's contribution to the employee's retirement benefits below the compensation limit, exceed the employer's contribution level, as a percentage of pay, required to fund the retirement benefits of employees with income below the compensation limits.
SUPPLEMENTAL DEFINED BENEFIT PLANS	
Govt Code §7522.18 pp. 25	Prohibits a public employer that <u>does not</u> offer a supplemental defined benefit plan before January 1, 2013 from offering that plan to <u>any</u> employee on or after January 1, 2013.

California Public Employees' Pension Reform Act of 2013

[AB 340](#) and [AB 197](#)

Section	Purpose
	Prohibits a public employer that provides a supplemental defined benefit plan, including a defined benefit plan offered by a private provider, before January 1, 2013, from offering that plan to <u>any additional</u> employee group to which the plan was not provided before January 1, 2013.
NEW DEFINED BENEFIT PENSION FORMULAS	
<p>Govt Code §7522.20 pp. 25-27</p> <p>Govt Code §7522.25 pp. 27-31</p>	<p>Establishes new pension formulas for new employees hired on or after January 1, 2013.</p> <ul style="list-style-type: none"> ▪ All new employees in the miscellaneous classification will receive a 2% @ 62 benefit formula with a full benefit of 2.5% @ 67 and a minimum retirement age of 52. ▪ New safety employees will receive one or more of the following formulas: <ul style="list-style-type: none"> ➤ The Basic Safety Plan provides a full benefit of 2% @ 57. ➤ The Safety Option Plan One provides a full benefit of 2.5% @ 57. At the minimum retirement age the benefit is 2% @ 50. ➤ The Safety Option Plan Two provides a full benefit of 2.7% @ 57. At the minimum retirement age the benefit is 2% at 50 and at age 55 the benefit is 2.5% at 55. ▪ The minimum retirement age for safety members is 50. ▪ The formula offered to a new safety member shall be the one that is closest to and provides a lower benefit at 55 years of age than the one provided to members in the same classification on December 31, 2012. ▪ On and after January 1, 2013, an employer and its employees may negotiate the lower of the safety formula options. For example, employers who offer Safety Option Plan Two on January 1, 2013 could bargain for Safety Option Plan One or the Basic Safety Plan during future negotiations. The lower formula may not be imposed by the employer; agreement with the employee representative is required. ▪ An employer shall not provide a different defined benefit for nonrepresented, managerial, or supervisory employees than the employer provides for other public employees, including represented employees, of the same employer who are in the same membership classifications.
REQUIRED NORMAL COST SHARING FOR NEW EMPLOYEES	
Govt Code §7522.30 pp. 31-32	Requires new employees employed on and after January 1, 2013 to have an initial contribution rate of a least 50 percent of the normal cost rate rounded to the nearest quarter of one percent or the current contribution rate of similarly situated employees, whichever is greater.

California Public Employees' Pension Reform Act of 2013

[AB 340](#) and [AB 197](#)

Section	Purpose
	<p>➤ This provision sets a standard that employees pay at least 50 percent of normal costs, however if current employees pay more than 50 percent, the greater contribution rate will continue and is allowed for new employees.</p> <p>Prohibits employers from paying the 50 percent employee share on the employees' behalf.</p> <p>Once established the 50 percent employee contribution rate can be adjusted if the normal cost rate increases or decreases by more than 1 percent of payroll.</p> <p>Employers may not use impasse procedures to increase an employee contribution rate above the 50 percent; however, employers and employee representatives may agree to higher contribution rates.</p> <p>An employer shall not contribute at a greater rate to the plan for nonrepresented, managerial, or supervisory employees than the employer contributes for other public employees, including represented employees, of the same employer who are in related retirement membership classifications.</p> <p>If the terms of a contract between a public employer and its employees that is in effect on January 1, 2013 would be impaired by Govt Code 7522.30, then that provision shall not apply until the expiration of the contract. A renewal, amendment, or any other extension of the contract is subject to the requirements.</p>
MINIMUM 3-YEAR AVERAGING OF FINAL COMPENSATION	
Govt Code §7522.32 pp. 32-33	<p>For the purposes of determining a retirement benefit for employees hired on or after January 1, 2013, final compensation shall mean the highest average annual pensionable compensation earned by the member during a period of at least 36 consecutive months immediately preceding retirement or last separation from service if earlier or any other period of at least 36 months during the member's applicable service that the member designates on the application for retirement.</p> <p>Any employer that currently requires three or more years averaging for final compensation, shall not, on or after January 1, 2013, modify a benefit plan to allow less than 3-year averaging of final compensation.</p>
PENSIONABLE COMPENSATION FOR NEW EMPLOYEES	
Govt Code §7522.34 pp. 33-34	Pensionable compensation of a new member means the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis

Section	Purpose
	<p>during normal working hours, pursuant to publicly available pay schedules.</p> <p>Compensation that has been deferred shall be deemed pensionable compensation when earned rather than when paid.</p> <p>Pensionable compensation does <u>not</u> include:</p> <ul style="list-style-type: none"> ▪ Any compensation determined by the retirement board to have been paid to increase a member's retirement benefit. ▪ Compensation that had previously been provided in kind or compensation paid to a third party, other than the retirement system, and which was converted to and received by the member in the form of a cash payment. ▪ Any one-time or ad hoc payments made to a member. ▪ Severance or any other payment in connection with or in anticipation of separation from employment that is received while employed. ▪ Payments for unused vacation, annual leave, personal leave, sick leave, or other compensatory time off, however denominated, whether paid in a lump sum or otherwise, regardless of when reported or paid. ▪ Payment for services rendered outside of normal working hours. ▪ Any employer-provided allowance, reimbursement, or payment, including, but not limited to, housing, vehicle, or uniforms. ▪ Compensation for overtime work, other than as defined in Section 207 (k) of Title 29 of the US Code related to employees engaged in fire protection or law enforcement. ▪ Employer contributions to deferred compensation or defined contribution plans. ▪ Any bonus paid in addition to the normal monthly rate of pay or base pay described above. ▪ Any other form of compensation a retirement board determines is inconsistent with the requirements of the definition of pensionable compensation described above. ▪ Any other forms of compensation a retirement board determines should not be pensionable income.
	HEALTH BENEFIT VESTING
Govt Code §7522.40 p. 34	Prohibits employers from providing to a public employee who is elected or appointed, a trustee, excluded from collective bargaining, exempt from civil service, or a manager any health benefit vesting schedule that is more advantageous than that provided generally to other public employees, including represented employees, of the same public employer who are in related retirement membership classifications.
	FEDERAL CONTRIUBTION AND BENEFIT LIMITS
Govt Code §7522.42;	Federal compensation limits under Internal Revenue Code (IRC) 401 (a) (17).

California Public Employees' Pension Reform Act of 2013

[AB 340](#) and [AB 197](#)

Section	Purpose
7522.43 p. 34-35	<p>IRC 401 (a) (17) limits the amount of annual compensation that may be taken into account for determining retirement benefits paid by a pension plan.</p> <ul style="list-style-type: none"> ▪ Requires retirement systems adhere to federal limits in the amount of salary, compensation, or payrate taken into account when determining a benefit paid to a member who joins the retirement system on or after January 1, 2013. <ul style="list-style-type: none"> ➤ The limit in 2012 is \$250,000 and is updated annually. ➤ Note—employees hired after July 1, 1996 are currently subject to this limit and new employees are subject to the lower limits discussed in the earlier section. ▪ Prohibits employers from seeking an exception to the limit on or after January 1, 2013. ▪ Prohibits employers from making contributions to <u>any</u> retirement plan on amounts that exceed the limit for any member who joins the retirement system on or after January 1, 2013. <p>Federal compensation limits under Internal Revenue Code (IRC) 415. IRC 415 limits the annual benefit a member can receive from a pension plan.</p> <ul style="list-style-type: none"> ▪ For new employees, prohibits an employer from offering a replacement benefit plan (RBP) for members, survivors, or beneficiaries whose benefits are limited by Section 415 of the IRC. ▪ Authorizes a public retirement system to continue to administer an existing RBP for employees first hired prior to January 1, 2013. ▪ An employer that does not offer a RBP prior to January 1, 2013, shall not offer a RBP for any employee on or after January 1, 2013. ▪ An employer that offers a RBP prior to January 1, 2013 shall not offer a RBP to any additional employee group to which the RBP was not provided prior to January 1, 2013.
RETROACTIVE BENEFIT INCREASES	
Govt Code §7522.44 p. 35	<p>Any increase in an employee's retirement formula or retirement benefit adopted on or after January 1, 2013 shall apply only to service performed on or after the operative date of the enhancement.</p> <p>If a change to a member's retirement membership classification or a change in employment results in an enhancement in the retirement formula or retirement benefit to that member, the enhancement shall apply only to service performed on or after the operative date of the enhancement.</p> <p>Defines operative date in a collective bargaining agreement as specified.</p> <p>An increase to a retiree's annual cost-of-living adjustment within statutory limits is not considered a retirement benefit</p>

California Public Employees' Pension Reform Act of 2013

[AB 340](#) and [AB 197](#)

Section	Purpose
	enhancement.
NONQUALIFIED SERVICE CREDIT PURCHASES	
Govt Code §7522.46 p. 36	Prohibits the purchase of nonqualified service credit, or “air-time” on or after January 1, 2013. Requests received by the retirement system prior to January 1, 2013 may be approved after January 1, 2013.
RECIPROCITY LIMITS FOR ELECTED MEMBERS OF CITY COUNCILS AND BOARDS OF SUPERVISORS	
Govt Code §7522.48 p. 36	<p>Restricts reciprocity benefits for individuals first elected to the City Council or Board of Supervisors on or after January 1, 2013. Prohibits a city council member or supervisor from collecting a pension using his or her highest final salary from other public employment for the years of service in an elected position. This provision could result in a member having two final compensation amounts.</p> <ul style="list-style-type: none"> ➤ This restriction on reciprocity is currently in place within CalPERS agencies, the proposal would extend it to other retirement systems. <p>Requires 3-year averaging of final compensation unless the time in offices is less than three years, in which case the final compensation period is the entire length of service.</p>
PENSION CONTRIBUTION HOLIDAY	
Govt Code §7522.52 pp. 36-37	<p>Prohibits contribution holidays; requires the employer’s contributions to the retirement system, when combined with any employee contributions, to be the full normal cost rate of the defined benefit plan for that year.</p> <ul style="list-style-type: none"> ➤ Pension boards may suspend contributions if a plan is 120 percent funded or if the retirement system determines that additional contributions would jeopardize the tax status or otherwise harm the plan.
POST-RETIREMENT PUBLIC EMPLOYMENT (RETIRED ANNUITANTS)	
Govt Code §7522.56 p. 37-39	<p>Limits on post-retirement public employment.</p> <p>A retired person who is receiving a pension benefit from a public retirement system shall not serve, be employed by, or be employed through a contract directly by, a public employer in the <u>same</u> public retirement system from which the retiree receives the benefit without reinstatement from retirement except:</p> <ul style="list-style-type: none"> ▪ Upon appointment by the appointing power of a public employer either during an emergency to prevent stoppage of public business or because the retired person has skills needed to perform work of limited duration. <ul style="list-style-type: none"> ➤ Appointments shall not exceed 960 hours total, for all employers in that public retirement system, based on a calendar or fiscal year, depending on the administrator of the system. ➤ The rate of pay for the appointment shall not be less than the minimum nor greater than the maximum paid

Section	Purpose
	<p>to other employees performing comparable duties, divided by 173.333 to equal an hourly rate.</p> <ul style="list-style-type: none"> ➤ No service credit or retirement rights shall be acquired by the retiree unless he or she reinstates from retirement. ➤ In no case is a retired person eligible for appointment if he or she received any unemployment insurance compensation arising out of prior employment during the 12-month period prior to an appointment. <p>Requirements for a 180-day “sit-out” period before a retiree can return to work for a public agency. A retired person is not eligible to be employed for a period of 180 days following the date of retirement unless he or she meets one of the following criteria:</p> <ul style="list-style-type: none"> ▪ The employer certifies that the appointment is necessary to fill a critically needed position before 180 days has passed and the appointment has been approved by the governing body of the employer in a public meeting and not on a consent calendar. ▪ If the retiree is a public safety officer of firefighter the 180 day “sit-out” period does not apply. ▪ A retiree who accepted a retirement incentive (golden handshake, cash incentive) is subject to the 180 day requirement, without exception. ▪ There are additional exemptions from the 180 day “sit-out” that do not apply to county employees and are not discussed here.
SERVICE ON STATE BOARDS AND COMMISSIONS WITHOUT REINSTATEMENT	
<p>Govt Code §7522.57 pp. 39-40</p>	<p>Service on a part-time state board or commission. Prohibits a retired individual first appointed on or after January 1, 2013 to a salaried position on a state board or commission from serving without reinstatement unless the appointment is to a part-time position.</p> <ul style="list-style-type: none"> ▪ If part-time is not otherwise defined, it means the position has a salary of no more than \$60,000 per year with an annual adjustment based on the general salary increase provided for state employees. ▪ No benefits, service credit, or retirement rights may be acquired from the appointment. <p>Service on a full-time state board or commission. Limits a CalPERS retiree from serving on a board or commission on a full-time basis, without reinstatement, unless that person serves as a nonsalaried member and receives only the per diem authorized to all members of the board.</p> <ul style="list-style-type: none"> ▪ No benefits, service credit, or retirement rights may be acquired from the appointment. <p>For retirees from systems other than CalPERS, the retiree may either 1) serve as a nonsalaried member and continue to receive his or her retirement allowance, in addition to any per diem authorized to all members or 2) suspend his or her</p>

Section	Purpose
	<p>retirement allowance and instate as a new member of the CalPERS system for the service period on the board or commission. The pensionable compensation would not be subject to reciprocity with any other system.</p> <p>Neither limitation applies to members of the Board of Parole Hearings.</p>
NEW INDUSTRIAL DISABILITY BENEFIT	
<p>Govt Code §7522.66; 21400 pp. 40; 56</p>	<p>Current law allows local safety members who become disabled as a result of work-related injury or illness to receive the greater of either 50 percent of the member's compensation as a paid lifetime benefit or, if the member is eligible to retire for service retirement, the member's retirement allowance.</p> <p>AB 340 provides a third option for an actuarially reduced benefit and specifies that a safety member who retires for industrial disability shall receive a retirement benefit equal to the greater of the following:</p> <ul style="list-style-type: none"> ➤ Fifty percent of his or her final compensation, plus an annuity purchased with accumulated contributions, if any; ➤ A service retirement allowance, if qualified for service retirement; or ➤ An actuarial reduced factor, as determined by the actuary for each quarter year that his or her service age is less than 50 years of age, if the amount would be higher than 50 percent.
FORFEITURE OF PENSION BENEFITS FOR INDIVIDUALS CONVICTED OF SPECIFIED FELONIES	
<p>Govt Code §1243; 7522.72; 7522.74 pp. 18-19; 40-45</p>	<p>Expands felony forfeiture provisions that currently apply to elected public officials by increasing the scope of felonies covered and applying them to all current and future public employees.</p> <p>The list of felonies included are:</p> <ul style="list-style-type: none"> ➤ A felony for conduct arising in the performance of the employee's official duties, in pursuit of the office of appointment, or in connection with obtaining salary, disability retirement, service retirement, or other benefits; and ➤ A felony that was committed within the scope of a public employee's official duties against or involving a child who he or she has contact with as part his or her official duties. <p>A conviction in state or federal court would result in the forfeiture of all the retirement benefits earned or accrued after the date of the commission of the felony. The employee's contributions would be refunded as specified.</p> <p>The public employer that employs or employed the individual is required to notify the retirement system within 90 days</p>

Section	Purpose
	of the conviction.
CalPERS COST SHARING AGREEMENTS	
Govt Code §20516 pp. 2-4 of AB 197	<p>This section appears in both AB 340 and AB 197. It is expected the bills will be signed in order for AB 197 to be controlling; please refer to AB 197 for this section.</p> <p>Authorizes a CalPERS contracting agency and its employees to agree to share the costs of the employer contribution. The employer contribution includes the Unfunded Actuarial Accrued Liability (UAAL). Previously, agreements to share the UAAL had to be tied to a past benefit enhancement.</p> <p>Any cost sharing pursuant to this section cannot be imposed on employees through collective bargaining procedures and must be reached by agreement.</p> <p>Agreements may be reached bargaining unit-by-bargaining unit, rather than requiring all safety or all miscellaneous employees agree.</p>
CalPERS NORMAL COST SHARING FOR CURRENT EMPLOYEES	
Govt Code §20516.5 p. 49	<p>Sets as a standard that current employees pay at least 50 percent of normal costs and that employers not pay any part of the required employee contribution.</p> <ul style="list-style-type: none"> ▪ Beginning on January 1, 2018, a contracting agency <u>may</u> require that members pay 50 percent of the normal costs of benefits except the contribution by the member shall not be greater than: <ul style="list-style-type: none"> ➤ 8 percent of pay for local miscellaneous members; ➤ 12 percent of pay for local police officers, local firefighters, and county peace officers; and ➤ 11 percent of pay for all local safety members other than police officers, firefighters, and county peace officers. <p>Unlike the cost-sharing agreements authorized in 20516, after 2018, the employer could impose 50 percent of normal costs, up to the new caps, after completing the good faith bargaining process as required by law, including any impasse procedures requiring mediation and factfinding.</p> <p>The authority to impose up to the new caps does not apply to a bargaining unit whose members are already paying 50 percent of their normal pension costs or are subject to a cost sharing agreement reached pursuant to 20516.</p>

Section	Purpose
SIGNIFICANT INCREASE IN ACTUARIAL LIABILITY	
Govt Code §20791 pp. 51-52	<p>Requires CalPERS to define significant increase in actuarial liability due to increased compensation paid to a nonrepresented employee as determined on or after January 1, 2013.</p> <ul style="list-style-type: none"> ➤ This provision attempts to establish a process to ensure that employers who increase compensation for an individual do not cause a significant increase in actuarial liability for a previous employer who would be forced to pay greater pension benefits under reciprocity rules.
COMPENSATION EARNABLE FOR CURRENT EMPLOYEES IN 1937 ACT RETIREMENT SYSTEMS	
Govt Code §31461 pp. 4-5 of AB 197	<p>This section appears in both AB 340 and AB 197. It is expected the bills will be signed in order for AB 197 to be controlling; please refer to AB 197 for this section.</p> <p>Amends the definition of “compensation earnable” for current employees in 1937 Act Retirement Systems.</p> <p>“Compensation earnable” does not include, in any case, the following:</p> <ul style="list-style-type: none"> ▪ Any compensation determined by the board to have been paid to enhance a member’s retirement benefit under that system. That compensation may include: <ul style="list-style-type: none"> ➤ Compensation that had previously been provided in kind or compensation paid to a third party, other than the retirement system, and which was converted to and received by the member in the form of a cash payment. ➤ Any one-time or ad hoc payment made to a member, but not to all similarly situated members in the member’s grade or class. ➤ Any payment that is made solely due to the termination of the member’s employment, but is received by the member while employed, except those payments that do not exceed what is earned and payable in each 12-month period during the final average salary period regardless of when reported or paid. ▪ Payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off, however denominated, whether paid in a lump sum or otherwise, in an amount that exceeds that which may be earned and payable in each 12-month period during the final average salary period, regardless of when reported or paid. ▪ Payments for additional services rendered outside of normal working hours, whether paid in a lump sum or otherwise. ▪ Payments made at the termination of employment, except those payments that do not exceed what is earned and payable in each 12-month period during the final average salary period, regardless of when reported or paid. <p>States that the definition of “compensation earnable” is intended to be consistent with and not in conflict with the</p>

California Public Employees' Pension Reform Act of 2013

[AB 340](#) and [AB 197](#)

Section	Purpose
	<p>holdings in <i>Salus v. San Diego County Employees Retirement Association</i> (2004) 117 Cal.App.4th 734 and <i>In re Retirement Cases</i> (2003)110 Cal.App.4th 426.</p>
1937 ACT RETIREMENT BOARD AUTHORITY	
<p>Govt Code §31542; 31542.5; 31543 pp. 57-58</p>	<p>Provides the 1937 Act retirement boards of counties with new authority to assess and determine whether pension spiking has occurred, including the authority to audit the county or district.</p> <p>Requires a county, in its compensation report to the retirement system, to identify the pay period in which compensation was earned regardless of when it was reported or paid.</p> <p>Authorizes retirement boards to assess a county or district a reasonable fee to cover the cost of audit, adjustment, or correction to new requirements for reporting compensation to the retirement system.</p>
1937 ACT COST SHARING AGREEMENTS	
<p>Govt Code §31631 p. 59</p>	<p>Authorizes an employer in 1937 Act Retirement systems and its employees to agree to share the costs of the employer contribution. The employer contribution includes the UAAL. Previously, agreements to share the UAAL had to be authorized by the Legislature.</p> <p>Any cost sharing pursuant to this section cannot be imposed on employees through collective bargaining procedures and must be reached by agreement.</p> <p>Agreements may be reached bargaining unit-by-bargaining unit, rather than requiring all safety or all miscellaneous employees agree.</p>
1937 ACT NORMAL COST SHARING FOR CURRENT EMPLOYEES	
<p>Govt Code §31631.5 p. 59-60</p>	<p>Beginning on January 1, 2018, a county or district <u>may</u> require that members pay 50 percent of the normal costs of benefits except the contribution by the member shall not be greater than:</p> <ul style="list-style-type: none"> ➤ 14 percent above the applicable normal rate of contribution for local general members; ➤ 33 percent above the applicable normal rate of contribution for local police officers, local firefighters, and county peace officers; and ➤ 37 percent above the applicable normal rate of contribution for all local safety members other than police officers, firefighters, and county peace officers. <p>▪ This section is intended to be similar to the authority provided to CalPERS contracting agencies. Because 1937 Act</p>

California Public Employees' Pension Reform Act of 2013

[AB 340](#) and [AB 197](#)

Section	Purpose
	<p>members pay different rates depending on age of entry, the statute authorizes the relative increase provided in the CalPERS section to be applied to members in 1937 Act systems. For example, each non-safety member could be required under this section to pay 50 percent of normal costs, but not to exceed 14 percent above what the statute already requires them to pay based on age of entry (14 percent equal the relative increase of going from a 7 to 8 percent cap in CalPERS).</p> <p>Unlike the cost-sharing agreements authorized in 31631, after 2018, the employer could impose 50 percent of normal costs, up to the new caps, after completing the good faith bargaining process as required by law, including any impasse procedures requiring mediation and factfinding.</p> <p>The authority to impose up to the new caps does not apply to a bargaining unit whose members are already paying 50 percent of their normal pension costs or are subject to a cost sharing agreement reached pursuant to 31631.</p>
SEVERABILITY	
p. 60	States that the provisions of the act are severable and if any provision of the act or its application is held invalid, that invalidity shall not affect the other provisions or applications of the act.

Sections 1-8 (pages 8-18) apply to teachers and school administrators; sections 16-19 (pages 45-47) relate to the closing of the Legislator's Retirement System; and sections 22-23 (pages 49-51) apply to state employee bargaining units. None of these sections have not been included in this document.

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