

Government Employee Pension Reform Act of 2012, Option #1

Summary

The Government Employee Pension Reform Act of 2012 will stop pension system abuses, reduce the costs and debts of government employee pensions and give government employees the same type of retirement benefits earned by most private sector employees. The reforms apply to all state and local government and special district employees, including school districts, the UC and CSU systems.

New Employees as of July 1, 2013

- The new retirement plans cannot incur debts or unfunded liabilities, so defined contribution plans will be the most likely option, though defined benefits and annuities underwritten by third parties would be allowed.
- The employer and employee would make equal contributions to all benefit costs, up to a 6% of salary cap on employer contributions to non-safety employees and 9% of salary for public safety employees.
- Employees not participating in Social Security would get a replacement benefit that matches the Social Security payment they would otherwise earn, except that full career public safety employees would receive their full benefit at age 60.
- Death and disability benefits must be provided outside the pension system.

Current Employees

- Ends spiking by requiring a three year averaging of a government employee' highest income and excluding from pension calculations all but base wages.
- Government employers and their employees will equally share the cost of retirement benefits, except while their pension funds are less than 80% funded using federal standards for private sector pension funds, when employees could be required to pay more.
- When a government agency's pension plan is less than 80% funded, its contribution to government employee pensions will be capped at 6% of salary for most employees and 9% for public safety employees. Government employees not earning Social Security would get a normal cost contribution equal to the cost of the replacement benefit being provided to new workers. Government employees would have to pick up the remainder of normal cost until their pension fund exceeds 80% funding.
- Current employees facing higher costs for current benefits are able to agree on lower cost defined benefits or transfer to plan being offered to new employees.

For All Employees

- Death and disability benefits for current employees are not subject to the cost limitations of this initiative.
- No retroactive benefits may be granted or payments may be made.
- Employees convicted of felonies pertaining to their public duties shall lose the employer contribution value of their retirement plan.
- Any annual increase in retiree pension payments cannot exceed the Cost of Living Adjustment provided for Social Security recipients during the same time period.
- The initiative does not impact health care benefits being provided to employees and retirees.

Government Employee Pension Reform Act of 2012, Option #2

Summary

The Government Employee Pension Reform Act of 2012 will stop pension system abuses, reduce the costs and debts of government employee pensions and increase retirement ages for government employees. The reforms apply to all state and local government and special district employees, including school districts, the UC and CSU systems.

New Employees as of July 1, 2013

- Retirement benefits estimated to provide 75% replacement income after a full career would come from three sources – a defined contribution plan, a traditional pension and Social Security if applicable. A full career for safety employees would be 30 years, ending at age 58. A full career for non-safety employees would be 35 years, ending at age 67. Five year early retirement would be allowed.
- The maximum pension payment is capped at \$100,000 with cola. For government employees with Social Security coverage, no more than 25 percent of replacement income comes from the pension. For those without Social Security, 50% would come from the pension.
- The employee and employer must equally share all costs for the plan, including unfunded liabilities.
- Requires low cost defined contribution plans that provide a wide range of professionally managed options, including annuities that provide stable, lifetime income.

Current Employees

- The initiative does not change the benefits being earned by current employees, only the way the costs are split between government employees and government employers.
- Government employers and their employees will equally share the cost of retirement benefits, except while their pension funds are less than 80% funded using federal standards for private sector pension funds, when employees could be required to pay more for their same benefits and for a share of unfunded liabilities.
- When a government agency's pension plan is less than 80% funded, its contribution to government employee pensions will be capped at 6% of salary for most employees and 9% for public safety employees. Government employees not earning Social Security would get a normal cost contribution equal to the cost of the replacement benefit being provided to new workers. Government employees would have to pick up the remainder of normal cost until their pension fund exceeds 80% funding.
- Current employees facing higher costs for current benefits are able to agree on lower cost defined benefits or transfer to the hybrid plan being offered to new employees.