

Public Employee Pension Reform Act of 2012 (Highlights)

Caps Pensionable Salaries

- Caps pensionable salaries at the Social Security contribution and wage base of \$110,100 (or 120 percent of that amount for employees not covered by Social Security).

Establishes Equal Sharing of Pension Costs as the Standard

- California state employees are leading the way and are paying for at least 50 percent of normal costs of their pension benefits. Requires new employees to contribute at least half of normal costs, and sets a similar target for current employees, subject to bargaining.
- Eliminates current restrictions that impede local employers from having their employees help pay for pension liabilities.
- Permits employers to develop plans that are lower cost and lower risk if certified by the system's actuary and approved by the legislature.
- Provides additional authority to local employers to require employees to pay for a greater share of pension costs through impasse proceedings if they are unsuccessful in achieving the goal of 50-50 cost sharing in 5 years.
- Directs state savings from cost sharing toward additional payments to reduce the state's unfunded liability.

Unilaterally Rolls Back Retirement Ages and Formulas

- Increases retirement ages by two years or more for all new public employees.
- Rolls back the unsustainable retirement benefit increases granted in 1999 and reduces the benefits below the levels in effect for decades.
- Eliminates all 3 percent formulas going forward.
- For local miscellaneous employees: 2.5 percent at 55 changes to 2 percent at 62; with a maximum of 2.5 percent at 67.
- For local fire and police employees: 3 percent at 50 changes to 2.7 percent at 57.
- Establishes consistent formulas for all new employees going forward.

Ends Abuses

- Requires three-year final compensation to stop spiking for all new employees.
- Calculates benefits based on regular, recurring pay to stop spiking for all new employees.
- Limits post-retirement employment for all employees.
- Felons will forfeit pension benefits.
- Prohibits retroactive pension increases for all employees.
- Prohibits pension holidays for all employees and employers.
- Prohibits purchases of service credit for all employees.