The California Secretary of State announced yesterday that three public sector pension reform initiatives have been successfully processed. These measures are now entering into the signature-gathering stage to qualify for the November ballot.

All three measures exempt current public employees and only pertain to individuals employed after July 1, 2011. The measures also place substantial limits on retiree health care benefits.

Here is a summary of the elements of the three initiatives. The first two have the same title and are almost identical in substance.

“New Public Employees Benefit Reform Act”

- Limits retirement formula for new peace officers and firefighters to \(2.3\% \times \text{years of service at age 58}\), as compared with the standard in most jurisdiction of 3% at age 50.

- Limits retirement formula for all other peace officers (such as park rangers) to \(1.8\% \text{ at age 60}\), as compared with some jurisdictions that have 2.5% at age 55.

- Non-safety employees would have their pensions limited to:
  - Social Security retirement age; and
  - A formula of \(1.25\% \times \text{years of service}\) for those in Social Security, and \(1.65\%\) for those not in Social Security.
• Calculates an employee’s base pay for pension on the highest three consecutive years, and eliminates any pay differentials, specialty pay and longevity pay, accrued sick leave, and vacation from the base.

• Establishes an absolute cap of 75% of base pay as a pension, with an increase after retirement based on a capped CPI of 3%.

• Requires a minimum employee contribution of 4% of pay.

• Disallows any early retiree option that involves a normal cost greater that what would be the cost of retirement at full retirement age.

• Prohibits any retroactive increases in pension benefits for current employees.

• Establishes new limits on retiree medical benefits, including:
  • Eligibility of at least five consecutive years immediately before retiring, and ten years of service;
  • Employer must pay into a fund or trust an amount that will meet or exceed the actuarial normal costs for those benefits.

• Requires two-thirds of the public agencies’ voters in a statewide general election to change any of the above limits, or for state and University of California, a three-fourths vote of the legislature.

“Limits Pension Payments That New Public Employees May Receive Upon Retirement”

• Limits the pension of any new state or local public employee to $100,000 per year with an annual CPI escalator up to a maximum of $165,000.

• Requires the vote of three-fourths of both houses of the legislature to change the above limit.

EDITOR’S COMMENTS

These proposed changes mirror many of the issues that surfaced in the “San Diego Pension Wars” and have now reverberated statewide, especially with the recent investment losses in the public sector pension plans and the decline in local and state revenues.

The Governor and a number of local public entities have recently proposed or have begun to explore pension benefit modifications for new hires only. Current employees have been excluded from these calculations because the state courts have protected those benefits as being vested.
Current Academy Schedule

January 29, 2010
Labor Relations Academy 6
Bargaining Your Way Through Economic Crisis
CarrAmerica Conference Center
Pleasanton, California

February 5, 2010
Labor Relations Academy 6
Bargaining Your Way Through Economic Crisis
Embassy Suites San Diego Bay-Downtown
San Diego, California

February 19, 2010
Labor Relations Academy 5
PERB Unfair Practice Charges
Centre at Sycamore Plaza
Lakewood, California

March 5, 2010
Labor Relations Academy 5
PERB Unfair Practice Charges
CALPELRA Offices (Exponent Building)
Menlo Park, California

March 19, 2010
Labor Relations Academy 3
The Negotiations Process
CALPELRA Offices (Exponent Building)
Menlo Park, California

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