Comparison Governor Brown's Pension Reform Proposals with UCRP
February 2012

	Governor Brown's Pension Reform Proposal <u>Feb 2012</u>	**UCRP New Tier Approved by Regents Dec 2010**	**UCRP Current**
1. Cost- Sharing	Employer (ER) and Employee (EE) each to contribute 50% of Normal Cost (NC)* – *current and new employees* 3-yr phase-in allowed to get EE contribution to 50%	NC= 15.1% of Covered Compensation <u>2013-2014 Rates</u> ER = 12%, EE=7%	NC= ~18% <u>2011-2012 Rates</u> ER = 7%, EE=3.5% <u>2012-2013 Rates</u> ER = 10%, EE=5% <u>2013-2014 Rates</u> ER = 12%, EE=6.5%
2. Plan Design	Hybrid Plan – Defined Benefit (DB) & Defined Contribution (DC) components – *new employees only* Target Benefit =75% of final salary after 35 years, to a maximum of 100% of the Social Security wage base	DB plan only (+ voluntary DC) Benefit at age 65/35 years service = 87.5% of highest three-year average compensation Feasibility of a DC plan choice option for new policy-covered Clinical Enterprise employees is being studied	DB plan only (+ voluntary DC) Benefit at age 60/35 years service = 87.5% of highest three-year average compensation
3. Full Benefit Retirement Age	Age 67 to align with SS full benefit retirement age – *new employees only*	Age 65	Age 60
4. Earliest Retirement Age	Age 57 – *new employees only*	Age 55	Age 50
5. Compensation Used for Benefit Calculation	Highest average compensation over a 3-year period – *new employees only*	Highest average compensation over a 3-year period	Same as New Tier
6. Covered Compensation	Normal base pay, excluding bonuses, unplanned overtime, payouts for vacation or sick leave and other pay perks – *new employees only*	Normal base pay plus any administrative stipends. Excluded: bonuses, all overtime, payouts for vacation, or any other types of pay Unused sick leave is converted to service credit	Same as New Tier
7. Post-Retirement Employment	If retired from public service, limited to 960 hours or 120 days with a public employer – *current and new employees*	Restrictive. Re-employment with UC normally limited to 43% time for no longer than 12 months; no limits on employment with other public employers	Same as New Tier

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8. Felon Pension Forfeiture	Pension forfeited if felony connected with obtaining salary or pension benefits – *current and new employees*	No felon forfeiture provision	Same as New Tier
9. Retroactive Pension Increases	Prohibited – *current and new employees*	Not prohibited	None since 2001, but not prohibited
10. Pension Contribution Holidays	No suspension of contributions necessary to fund annual costs – *current and new employees and all employers*	Funding Policy requires contributions equal to Normal Cost and a 30-year amortization of any surplus or unfunded liability (effectively prevents contribution holidays)	Same as New Tier
11. Purchases of Service Credit ("Air Time")	Prohibits purchase of service credit for time while not employed ("air time") – *current and new employees.*	Not allowed	Never allowed
12. Pension Board Independence and Expertise	Add two independent public members (no financial ties to CalPERS) with financial expertise to CalPERS Board.	Regents are unpaid and, with the exception of the UC President and two faculty advisors, are not UC employees or members of UCRP. Many have significant financial expertise.	Regents are unpaid and, with the exception of the UC President and two faculty advisors, are not UC employees or members of UCRP. Many have significant financial expertise.
13. Retiree Health Care Cost	15 years service for any employer contribution; 25 years for maximum contribution – *new state employees only*	Age 56 and 10 years service for any employer contribution; age 65 and 20 years service for maximum contribution. Also applies to current employees, effective July 1, 2013, with less than 5 years service and whose age + service < 50 as of that date. Plan to ramp down to 70% of retiree premium.	Age 50 and 10 years service for any employer contribution; age 50 and 20 years service for maximum contribution. Plan to ramp down to 70% of retiree premium.

*Normal Cost: the cost allocated under the Actuarial Cost Method to each year of active member service.