Summary of Pension Initiative

11-9-09

- Limits retirement benefits for new public employees hired after July 1, 2011. Does not limit retirement benefits for existing public employees or new employees who have been full time public employees prior to July 1, 2011 (including those that are no longer in a public pension plan.)

- Does not limit disability or survivor benefits

- Applies to retirement pension benefits provided to new employees under a defined benefit plan, which is defined as equivalent to the DB Program

- The maximum benefit paid CalSTRS members, not being in Social Security, would be 1.65 percent per year of employment of the highest three consecutive years of base wages, excluding bonuses and allowances and similar pay in excess of the base wage, if, for most people, they retire at age 67 or older. The benefit would not be less than the Social Security benefit payable for the service (which would probably not be applicable)

- Members could retire as early as age 62 with a reduced benefit. This reduced benefit would be approximately 1 percent of the highest average base wage. This is a 56 to 58 percent reduction from the current 2.267 percent and 2.4 percent (with 30 years service) at age 62

- For the average retiree with 29 years of service retiree at minimum age 62 (which is one year older than the current average), the resulting replacement ratio would be about 30 percent, as opposed to the current average of 62 percent

- Benefits could not exceed 75 percent of the average base wage, which would require about 45 years of service

- Members must work at least 5 consecutive years of full-time employment to receive retirement benefits

- No new retroactive increases in pension benefits for current or new employees under any existing or new defined benefit plan

- Beginning June 30, 2011, each public agency (including school districts) would be required to make payments that will equal or exceed the normal cost for that fiscal year for the defined benefits under that plan for all current and new employees

- No payments required to address unfunded actuarial liabilities from prior to July 1, 2011

- Minimum employee contributions required in all cases would be at least 4 percent of base salary

- Cost of living adjustments are limited to an increase in the CPI from the prior year, up to a maximum 3 percent, beginning no earlier than 5 years after retirement

- Health care will only be available to new employees upon age 67. An actuarially reduced health benefit could be paid provided at as early as age 62

- The member must have at least 5 consecutive years immediately preceding retirement *and* an aggregate 10 years of full-time employment with a public agency

- No retroactive increases to retiree health care benefits for current or new employees

- Beginning June 30, 2011, public agencies shall make payments that will equal or exceed the normal cost for that fiscal year for any retiree health care plan benefits projected to be paid by that public agency for all current and new employees

- No payments required to address unfunded actuarial liabilities from prior to July 1, 2011

- Public agency may modify the limitations upon two-thirds or majority approval of voters in the jurisdiction at the next statewide general election