

# TAKE BACK OUR CALIFORNIA!

## PENSION REFORM: WHERE WE ARE HEADING



As part of his overall reform package, Governor Brown has asked the Legislature to enact his 12-point pension reform plan. Most recommendations in the plan, such as banning pension spiking, make sense and we support them.

Three possible significant changes to pension include:

- ◆ Employer/Employee sharing half the normal cost of pension
- ◆ Hybrid Pension
- ◆ Raising retirement age

1. **Half the normal cost:** The Governor is proposing that all employees contribute half the normal cost of their pension. Normal cost is the base cost of providing the agency's pension plan. Currently the "normal cost" is between 13-16%. Most SEIU Local 521 members already pay "half the normal cost," or from 6.5-8%. For chapters that are not yet paying at this level, members will see an increase in their pension contributions. This would apply to all current and new employees.

**SEIU has taken the position that any changes to pensions for current employees MUST be negotiated at the bargaining table.**

2. **Hybrid:** The Governor is proposing a Social security/pension/401K hybrid plan for all new employees. A likely plan that may move forward is a "stacked hybrid" plan, which would be a regular defined benefit pension for miscellaneous (non safety) employees who earn \$110,000 in wages. For non-safety employees whose salary exceeds \$110,000, retirement benefits earned after that would come from a 401K type plan. Applies only to new hires.

**There are few SEIU Local 521 members who would be affected by this change at this time.**

3. **Raising retirement age:** Instead of raising the retirement age, SEIU is advocating for a modification to the formula for new hires that encourages them to work to 65 but does not severely penalize employees who retire before that age. The pension formula would allow those who could afford it to retire earlier and earn less in benefit. Applies only to new hires.

**NOTE:** The Governor has no authority to implement pension changes on his own. It is the State Legislative Committee on Pension Reform that will make a recommendation directly to the Legislature for an up or down vote. That is expected to happen by May 2012.



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