

Workers not yet hired will take biggest hit under law passed by legislators with no input from public employee unions

What the new law (AB 340) means to CalSTRS members

CHANGE	IMPACT ON CALSTRS MEMBERS	APPLIES TO
Age factor changes. Retirement age increases from 60 to 62 for 2% and from 63 to 65 for maximum of 2.4%. Early retirement at age 55 drops from 1.4% to 1.16%.	Significant for large number of members. Eliminates option to retire as early as age 50 with 30 years of service.	New members
Require three-year final compensation instead of single highest year for members with 25 years of service.	Moderate impact for many. Over 50% of recent retirees have qualified for 12-month calculation.	New members
Equal sharing of pension costs. Requires new members to pay at least 50% of the normal, ongoing cost of benefits.	Moderate. Current members pay 8% of pay in contributions, which is equal to 44% of pension cost. Other plan changes will probably keep the rate at 8% for new members as well.	New members
Prevents spiking. Calculates benefits based only on regular, recurring pay. Excludes allowances, bonuses and cash-in-lieu of benefits.	Significant for small number, mostly administrators.	New members
Prohibit buying "airtime" previously allowed for non-qualified service.	Moderate to small number. About 700 members have purchased this type of service every year. Interested members must submit paperwork to CalSTRS before December 31, 2012.	Current active and new members
Compensation cap would limit creditable earnings to \$132,120.	Significant for the recipients, mostly administrators, who earn that much.	New members
Prohibit retroactive benefit increases. Would ban pension improvements for prior service.	No immediate impact. Previously benefit enhancements applied to both past and future service.	Current active, retired, and new members
End pension holidays such as occurred during the boom years 1998 and 2000 when CalSTRS allowed reduced contributions from employers and the state.	Minimal. Contribution rates must be set by the Legislature. Since 2002, the contributions from employers and the state have been too little to keep CalSTRS fully funded.	Current active and new members
Limit employment after retirement. Requires a 180-day "sit-out" period for all members, regardless of age. Some exemptions apply.	Moderate impact to small numbers. "Sit-out" rule already applies to members under age 60. This year's limit is \$40,011. Only 1100 retirees exceeded limits in 2010-11.	Current active, retired, and new members
Felons forfeit pensions. Affects members convicted of a felony while carrying out official duties.	Minimal. Felony convictions are very rare. Applies only to benefits that would have accrued after the felony was committed.	Current active and new members
Ends replacement benefits program which CalSTRS currently pays for benefits above the federal limit under a separate program.	Significant impact for few. Future members will not receive any benefits in excess of federal limit, currently \$171,202. Only 317 members currently get benefits under this provision.	New members

>>At press time, CalPERS had issued only a preliminary summary of the impact AB 340 will have on its members. Because of the large number of member groups within CalPERS, the impact is more complicated to determine than it is for CalSTRS members. Look for a summary in a coming issue.