Summary of Pension Revisions Under Assembly Bill 340
Future Members

Applicable to new members as of January 1, 2013:

- Normal retirement age increased to age 62 with a 2% age factor
- Minimum retirement age increased to age 55
- Age for maximum age factor increased from 63 to 65
# Current and New Age Factors

<table>
<thead>
<tr>
<th>AGE</th>
<th>52</th>
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<tbody>
<tr>
<td>CURRENT</td>
<td>1.22%</td>
<td>1.28%</td>
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<td>1.64%</td>
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<td>NEW</td>
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<td>n/a</td>
<td>1.16%</td>
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</tr>
<tr>
<td>NEW</td>
<td>1.76%</td>
<td>1.88%</td>
<td>2.00%</td>
<td>2.13%</td>
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<td>2.40%</td>
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</tbody>
</table>
Future Members

• No career factor
• Compensation cap equal to 120 percent of 2013 Social Security wage base (equal to $132,120 in 2012)
  – Adjusted annually by changes to Consumer Price Index
  – No defined benefits on compensation above cap
Future Members

• Only salary paid on salary schedule counts toward CalSTRS benefit
  – Excludes allowances, bonuses, cash in-lieu payments
• Three-year final compensation for all future members, regardless of years of service
• No Replacement Benefits Program
All Current and Future Members

• AB 178 changes continued
  – Increased post-retirement earnings limit
    • Based on 50 percent of average final compensation, rather than 50 percent of average active member’s salary
    – Some third party contract employees may be excluded from earnings limit
• AB 178 limited exemption extended through 2013-14, and includes additional restrictions based on the receipt of retirement incentives
• $0 earnings limit during first 180 days of retirement, regardless of age
  – Governing body can request exemptions for critical vacancies for members above normal retirement age
All Current and Future Members

- No airtime purchases after 2012
  - Request to purchase must be received prior to January 1
  - Does not affect purchase of other service credit
- Forfeiture of benefits for work-related felony convictions
- No retroactive benefit enhancements
- No pension holidays
Contribution Rates

• Contribution rate of future members
  – Based on greater of either:
    • At least 50 percent of normal cost of new plan, or
    • Current member contribution rate
  – Contribution rate rounded to nearest quarter percent
  – Adjusted after each valuation if normal cost increases or decreases by more than one percent
  – Higher member rate subject to collective bargaining
Contribution Rates

- Contribution rate of current members remains at 8 percent by contract
- Public Employer
  - At least equal to normal cost less member contribution rate
Fiscal Impact of Proposal

- Reduction in normal cost of benefits for future members from 18.51 percent to 15.9 percent
  - $22.7 billion in savings over 30 years ($12.0 billion in savings in 2013 inflation-adjusted dollars)
  - Reduced contributions over 30 years (in millions)
    - Increased required contributions to fully fund DB Program over 30 years reduced by $4.9 billion, based on current actuarial assumptions

<table>
<thead>
<tr>
<th></th>
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<tr>
<td>Future members</td>
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<tr>
<td>Employers of future members</td>
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CALSTRS
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