

# CAPS PROPOSAL

**Bargaining Unit:** 10

**Date:** August 11,  
2021; 1:53PM

**Exclusive Representative:** CAPS

**Article:** 8

**Subject:** Retirement

## **8.1 Miscellaneous/Industrial – First Tier Members: First Tier A (2% at age 55), First Tier B (2% at age 60), and (PEPRA) First Tier (2% at age 62) Formulas/Contribution Rate/Final Compensation Earnable**

- A. First Tier retirement members first employed by the State prior to January 15, 2011 are subject to the First Tier A retirement formula.
- B. First Tier retirement members first employed by the State on or after January 15, 2011 and prior to January 1, 2013 are subject to the First Tier B Retirement Formula. The First Tier B Retirement formula does not apply to:
  - Former state employees who return to state employment on or after January 15, 2011.
  - State employees hired prior to January 15, 2011 who were subject to the Alternate Retirement Program (ARP).
  - State employees on approved leave of absence prior to January 15, 2011 who return to active employment on or after January 15, 2011.
  - Persons who are already members or annuitants of the California Public Employees Retirement System as a state employee prior to January 15, 2011.

The above categories are subject to the First Tier A retirement formula.

- C. Employees who are brought into CalPERS membership for the first time on or after January 1, 2013 and who are not eligible for reciprocity with another California public employer as provided in Government Code Section 7522.02(c) shall be subject to the “PEPRA Retirement Formula.” As such, the PEPRA changes to retirement formulas and pensionable compensation caps apply only to new CalPERS members subject to PEPRA as defined under PEPRA.
- D. The table below lists the age/benefit factors for First Tier A, First Tier B, and PEPRA First Tier retirement formulas.

Age at Retirement	First Tier A Formula (2% at age 55)	First Tier B Formula (2% at age 60)	PEPRA Formula (2% at age 62)
	Employees hired prior to January 15, 2011	Employees first hired on and after January 15, 2011 and prior to January 1, 2013	Employees eligible for CalPERS Membership for the first time on and after January 1, 2013
50	1.100	1.092	N/A
51	1.280	1.156	N/A
52	1.460	1.224	1.00
53	1.640	1.296	1.100
54	1.820	1.376	1.200
55	2.000	1.460	1.300
56	2.064	1.552	1.400
57	2.126	1.650	1.500
58	2.188	1.758	1.600
59	2.250	1.874	1.700
60	2.314	2.000	1.800
61	2.376	2.134	1.900
62	2.438	2.272	2.000
63	2.500	2.418	2.100
64	2.500	2.418	2.200
65	2.500	2.418	2.300
66	2.500	2.418	2.400
67	2.500	2.418	2.500

E. Employee Retirement Contribution

- As stated in Government Code Section 20677.71, effective May 16, 2011, miscellaneous and industrial members in the First Tier retirement or the ARP, subject to social security, shall contribute eight percent (8%) of monthly compensation in excess of \$513.00 for retirement. Miscellaneous and Industrial members in the First Tier retirement or the ARP not subject to social security shall contribute nine percent (9%) of monthly compensation in excess of \$317.00 for retirement.

2. As stated in Government Code Section 20683.2, Industrial members shall pay an additional one percent (1%) employee retirement contribution to retirement. Effective July 1, 2013, Industrial members subject to social security shall contribute nine percent (9%) of pensionable compensation in excess of \$513.00 to retirement.
3. Industrial members not subject to social security shall contribute ten percent (10%) of pensionable compensation in excess of \$317.00 to retirement.
4. The employee contribution rates described in 8.1 (E)(1), 8.1 (E)(2), and 8.1 (E)(3) for First Tier A, First Tier B, and PEPR A First Tier retirement formulas shall remain in effect up until the time that CalPERS has determined that (a) the total normal cost rate for the 2016- 17 fiscal year has increased or decreased by 1 percent, and (b) 50 percent of that normal cost rate, rounded to the nearest quarter of 1 percent, is greater than or less than the employee contribution rate described in 8.1 (E)(1), 8.1 (E)(2), or 8.1 (E)(3), respectively. After CalPERS determines (a) and (b) above have been met, the employee contribution rate for miscellaneous or industrial members shall be adjusted to 50 percent of the normal cost rate rounded to the nearest quarter of one percent. Each year thereafter, it shall only be adjusted if CalPERS determines the total normal cost rate increases or decreases by more than 1 percent of payroll above the total normal cost rate in effect at the time the employee contribution rate was last adjusted. Furthermore, the increase or decrease to the employee contribution in any given fiscal year shall not exceed 1 percent per year. Beginning July 1, 2020, the employee contribution shall return to the rate in effect June 30, 2018, as described in 8.1 (E)(1), 8.1 (E)(2), or 8.1 (E)(3), respectively.

F. Final Compensation

Final Compensation for an employee, ~~who is employed by the State for the first time and becomes a member of CalPERS prior to January 1, 2007,~~ is based on the highest average monthly pay rate during twelve (12) consecutive months of employment.

~~Final Compensation for an employee, who is employed by the State for the first time and becomes a member of CalPERS on or after January 1, 2007, is based on the highest average monthly pay rate during thirty six (36) consecutive months of employment.~~