September 18, 2012

RE: 2012 Pension Reform - Assembly Bill 340

StanCERA Members & Plan Sponsors:

As you may already know, AB 340 which sets forth comprehensive pension reform for California public employees was approved by the legislature on August 31, 2012 and signed into law by Governor Brown on September 12, 2012. For the most part, the new law lowers the benefit calculations for new members of StanCERA hired on and after January 1, 2013.

With respect to our current members, the reduced benefit formulas do not apply. You will continue to accrue your retirement benefit under the same formula/tier that you are a member of now. However, there are some questions on what may be included in the calculation of your final compensation which in turn, ultimately determines your retirement benefit. Additionally, there are some parts of the new law that may require current employees to share half of the normal cost (one component of the overall cost of the benefit), however, it appears that most employees are already doing that now.

For our retired members, there will be no change to your benefits or any future COLA’s you may be entitled to. There are some new rules regarding when retirees can return to work after retirement, but they will in no way affect the benefit you receive from StanCERA.

There are still many parts of the legislation that need clarification and StanCERA staff is working diligently to understand the new law, how it may ultimately affect our members and how we can prepare for implementation. Within the next several weeks, we intend to present a precise summary of the law to our Board and members. In the meantime, I encourage you to review our legal counsel’s summary of the bill as they interpret it today.

Rick Santos, CFA, ASA, MAAA
Executive Director, StanCERA