

“New Member” Benefits – New Rules Effective January 1, 2013

New Members of FCERA will be enrolled in the new General Tier V and Safety Tier V retirement plans, which were mandated by the State Legislature in the Public Employee Pension Retirement Act (PEPRA).

Following is a general summary of some of the new PEPRA provisions. This summary is for informational purposes only; the text of the new law and the Board of Retirement's official policies and actions will govern members' rights and obligations under the law.

Who is a “new member” that must enroll in “Tier V”?

- A person who becomes a member of FCERA for the first time on or after January 1, 2013 and does not have service under a reciprocal retirement system before January 1, 2013; or
- A person who becomes a member of FCERA for the first time on or after January 1, 2013 and has service with a reciprocal agency before January 1, 2013, but does not establish reciprocity with FCERA based on that reciprocal service; or
- A formerly active FCERA member who had service with an FCERA employer before January 1, 2013, but who returns to work for a different FCERA employer after a break in service of more than 6 months (and who is not otherwise entitled to a superior benefit tier based on reciprocity).

What is Tier V?

- Consecutive three-year “final compensation” period
- Final compensation based “pensionable compensation” (see discussion below)
- A cap on “pensionable compensation” based on Social Security taxable limits
- Does not include COLA (this was not mandated by PEPRA, but COLA was eliminated for new members of FCERA by the County Board of Supervisors).
- Does not include the supplemental benefit available to some other tiers, commonly referred to as the “\$3 health benefit”
- Provides a benefit for new “general” members according to a table beginning at 1% of final compensation for retirement at age 52 and topping out at 2.5% of final compensation at age 67 or older.
- Provides a benefit for new “safety” members according to a table beginning at 2% of final compensation for retirement at age 50 and topping out at 2.7% of final compensation for retirement age at 57 or older
- “General” members eligible to retire at age 52 with 5 years of service credit
- “Safety” members eligible to retire at age 50 with 5 years of service credit
- Does not qualify for any Replacement Benefit Retirement Plan
- Member contributions initially to be set to be approximately half of “normal cost” of benefits (i.e., the expected long term cost of the benefits earned each year), with potential future increases agreed to in collective bargaining

What is “pensionable compensation”?

The FCERA Board of Retirement is currently in the process of determining whether any other pay items beyond base salary will be included in “pensionable compensation.” What is clear at this time is that “pensionable compensation” does **NOT** include:

- Payments made solely to increase an employee's retirement benefit
- Payments the employer makes to a third party on an employee's behalf (for example, insurance premiums)
- In kind benefits (items of value that are not received in cash)
- Additional cash payments to the employee based on conversions of benefits that were previously provided to the employee paid to a third party or in kind
- Employer contributions to deferred compensation or defined contribution plans
- One time, ad hoc payments and bonuses (incentive, performance pay)
- Payments that are made in anticipation of a separation
- Payments for unused leave of any kind
- Payments for additional service that are performed outside normal working hours (for example, standby and on call)
- Overtime pay, other than as defined in section 207(k) of Title 29 of the United States Code (FLSA)
- Any employer-provided allowance or reimbursement (for example, Car Allowance, Uniform Allowance, Cell Phone Allowance, out of town expenses)
- Any amounts the Board of Retirement determines should not be pensionable compensation