



Agenda Item 9

March 19, 2013

ITEM NAME: PEPRA Implementation Update

PROGRAM: Enterprise

ITEM TYPE: Information

EXECUTIVE SUMMARY

This information item provides a status on the implementation of pension reform within the California Public Employees' Retirement System (CalPERS).

STRATEGIC PLAN

This item supports Goal A of the CalPERS Strategic Plan, "Improve long-term pension and health benefit sustainability." In addition, pension reform implementation was added to the 2012-2014 Business Plan and aligned to the Strategic Plan in October 2012.

BACKGROUND

On September 12, 2012, Governor Brown signed into law Assembly Bill (AB) 340 the Public Employees' Pension Reform Act (PEPRA). This legislation adds, amends, and repeals numerous sections of the Government Code relating to public employees' retirement. This agenda item will provide an update on implementation efforts within CalPERS including process updates, employer training and education, updates to forms and publications, regulation development, and conforming and clean-up legislation.

This month, the project team (team) operationalized most of the day-to-day work associated with administration of pension reform legislation. Enrollments, payroll, and employer education functions have all incorporated pension reform changes into their normal operating procedures. Fewer new requests from employers for PEPRA-specific presentations were received, and frequently asked questions from employers have been answered and posted to the CalPERS external website. Internally, additional detailed procedural questions are posted for staff in the my|Info knowledge base.

The team continued working on regulations required to properly administer the PEPRA laws. Subsequent to the Board's approval in February to proceed with the regulation process for a set of six regulations, the team completed the Office of Administrative Law (OAL) package. The proposed regulations are scheduled to be posted in the California Regulatory Notice Register on March 15, 2013. This will begin the initial 45-day comment period.

The initial comment period will run through April 29, 2013. A public hearing will be scheduled for May 14, 2013, at 10:00 a.m. to coincide with the May Pension and Health Benefits Committee.

As previously reported, the regulation package presented in February was the first of many, however, as the team continues to analyze PEPRAs, they have determined additional time will be required for communications and research with stakeholders before finalizing additional regulations. The OAL package must contain an analysis of all reasonable alternatives for each regulation. In order to complete this analysis, the team will need to discuss potential alternatives with employer groups, member groups, legislative committee members, and other California retirement systems. After all reasonable alternatives are identified, the team must fully justify why the alternative definitions in the proposed regulations are the most reasonable. The team plans additional regulations for items such as clarifying the definition of pensionable compensation or defining the process for applying pensionable compensation limits. The process to develop these regulations will require extensive analysis and discussion to complete the OAL documentation. It is also expected the regulations could result in a significant amount of public comment. A strategy is being developed to determine the best way to coordinate multiple regulations and regulation packages. A verbal update will be provided on the updated plan for regulations during the discussion on this agenda item.

Finally, the project team continues to develop conforming legislation for the Public Employees' Retirement Law and Judges Retirement Law; monitoring changes associated with Senate Bill (SB) 13, the clean-up legislation for PEPRAs, as it makes its way through the Senate and Assembly. The team expects additional amendments before the bill is signed into law. A verbal update on any additional amendments to SB 13 will be provided during the discussion on this agenda item.

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