



## Agenda Item 6

February 17, 2016

**ITEM NAME:** State Legislative Proposal: Retirement Options Simplification

**PROGRAM:** Legislation

**ITEM TYPE:** Action

### **RECOMMENDATION**

Sponsor legislation to condense the number of retirement payment options currently in statute and regulations from 13 to 5 for members of the California Public Employees' Retirement System (CalPERS), the Judges' Retirement System and the Judges Retirement System II, that retire for the first time on or after January 1, 2018.

### **EXECUTIVE SUMMARY**

This item is a follow up on the information and recommendations provided to the Pension & Health Benefits Committee (PHBC) at its February and October 2015 meetings. This item describes the additional analysis and stakeholder outreach on the proposed statutory retirement options that CalPERS staff conducted at the request of the Committee.

Approval of this item will allow staff to pursue the necessary legislative and regulatory changes and member outreach and education needed to implement the proposed retirement options.

### **STRATEGIC PLAN**

The review of retirement options supports CalPERS Strategic Goal B, to cultivate a high-performing, risk-intelligent, and innovative organization, as well as, CalPERS' Pension Belief that a retirement system must meet the needs of members and employers to be successful.

### **BACKGROUND**

In February 2015, the initial Retirement Options Simplification agenda item was presented to the PHBC (Attachment 1) introducing the concept of reducing the number of retirement options available to our members to simplify the retirement decision process. This agenda item focused on the number of times each of our 13 options were elected and recommended eliminating those options that were elected less than 100 times over the last 25 years. The Committee was supportive of the recommendation and was interested in staff doing additional research on the remaining options for further simplification.

In October 2015, a second agenda item was presented to the PHBC (Attachment 2) detailing the analysis of the six statutory retirement options and the impacts they've had on our members' retirement decisions. A recommendation was made to the Committee to pursue legislative and regulatory changes to reduce the number of retirement options from 13 to 5. The Committee was supportive of the recommendation; however, based on feedback from stakeholder groups, requested staff to consider adding back in two more options in the legislative proposal and further collaborate with those stakeholder groups before bringing back the final proposal in February 2016.

**ANALYSIS**

Staff provided additional analysis to our stakeholders on the retirement option impacts to specific member populations, specifically school members, and reviewed the various outcomes those options had on their retirees. In addition, stakeholder outreach was conducted with two Judges Associations to share the recommendation as it extends to their membership population. After the continued outreach, staff recommends pursuing the originally proposed legislative and regulatory actions to reduce the number of retirement options from 13 to 5. The five options would be the following:

<b>Retirement Option</b>	<b>Description</b>
Unmodified	Member Only Benefit - Highest Benefit Payable
Option 1	Highest Benefit Payable with Return of Contributions
Option 2W+1	100% Joint Lifetime Benefit with Return of Contributions
Option 3W+1	50% Joint Lifetime Benefit with Return of Contributions
Flexible Beneficiary Option	Joint Lifetime Benefit for Multiple Beneficiaries with choice of dollar amount

**BUDGET AND FISCAL IMPACTS**

Revising the retirement payment options would result in one-time administrative costs to CalPERS. The one-time costs include revising publications, educational materials, training materials, and updating the CalPERS website and myCalPERS.

**BENEFITS/RISKS**

The benefits of eliminating and consolidating retirement options include reducing the complexity of our retirement options for members, improving the customer experience for our retiring members, mitigate member risk in selecting retirement options and simplify our benefit payment processes, education activities and publications.

Potential risks include legislative and regulatory changes necessary to implement changes, updates to educational materials, temporary increased inquiries from members, and implementing system modifications necessary to accommodate revised options.

**ATTACHMENTS**

Attachment 1 – Agenda Item 8, February 18, 2015

Attachment 2 – Agenda Item 5, October 20, 2015

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