

Summary of ACA 8X (Richman)

- On and after July 1, 2007, public employees can enroll only in a hybrid plan or a defined contribution plan.
- Normal retirement age increased to 55 for public safety and 65 for all others. An employee may not retire from the hybrid plan until they have reached normal retirement age, except for disability.
- Administered by CalPERS, CalSTRS, or local governments can contract with private fund managers.
- 14% maximum contribution for public safety excluded from Social Security
- 10% maximum for teachers and other employees excluded from Social Security
- 7% maximum for all other public employees
- Increased contributions can be made only with a majority vote in statewide election, 2/3 vote in local election, or by a vote of UC Regents
- Disability and death benefits shall be provided, but the cost of these benefits shall be paid from a portion of the employer's contribution to the plan, unless otherwise provided by the State. **Does not specify whether these are disability and death retirement benefits (tax consequences). Does not specify the amount of these benefits. Does not provide how much an employee's retirement benefit will be reduced in order to pay for these benefits.**
- The aggregate employer and employee contributions shall equal the actuarial normal cost and payments for any unfunded liability. In any fiscal year in which the actuarial value of assets exceeds the accrued actuarial liability by 25% or more, the contributions shall be reduced to 90% of normal cost. **Since employer contributions are capped, the employee is burdened with 100% of the actuarial costs above the employer maximum when costs go up. However, the employer gets to share reductions when actuarial costs go down.**
- Defined benefits shall be based on the employee's highest average salary over a period of three consecutive years.
- An employee hired on or after July 1, 2007 shall not be eligible for employer paid retiree health benefits until he or she reaches normal retirement age and retirees (55 for public safety, 65 for all others).