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Service Employees International Union Local 1000 (SEIU)
To
The State of California

August 17, 2010
Comprehensive Package Proposal for Settlement #5

Retirement

17.XX (New) Pension Spiking Legislation

The State agrees to support legislation to prevent pension spiking (SB 1425)

17 (New) Legislation - Administrative Fees for Personal Service Contracts

The State agrees to support legislation to place an administrative fee on personal service/consulting contracts. The fee will be placed into CalPERS.

17.1 First Tier Retirement Formula (2%@55) (2%@60)

The Union and the State agree to support legislation that provides the following changes to the retirement formula and employee retirement contributions.

- A. Effective with the pay period following legislative ratification, First Tier retirement members first employed by the State and qualify for membership would be subject to the "New 2010 First Tier Retirement Formula." The New 2010 First Tier retirement formula would not apply to:
- Former state employees who return to state employment on or after the pay period following legislative ratification.
 - State employees on approved leave of absence who return to active employment on or after the pay period following legislative ratification.
 - Persons who are already members or annuitants of the California Public Employees Retirement System as a state employee.
 - Persons excluded from CalPERS membership.

- B. The table below lists the current and New 2010 First Tier age/benefit factors for employees first hired after legislative ratification of the Contract.

Age at Retirement	Current Factors (2%@ 55)	New 2010 Factors (2%@60)
50	1.100	1.092
51	1.280	1.156
52	1.460	1.224
53	1.640	1.296
54	1.820	1.376
55	2.000	1.460
56	2.063	1.552
57	2.125	1.650
58	2.188	1.758
59	2.250	1.874
60	2.313	2.000
61	2.375	2.134
62	2.438	2.272
63 and over	2.500	2.418

- C. There are factors for attained quarter ages, such as 52 $\frac{3}{4}$. These improved age/benefit factors apply for service rendered on and after the effective date of the 1999-2001 Memorandum of Understanding between the State and the Union. The improved factors also apply to past service that is credited under the First Tier, New 2010 First Tier, and the Modified First Tier.
- ~~D. The amount of member contributions required of employees covered under these factors continue to be five percent (5%) of monthly compensation in excess of five hundred thirteen dollars (\$513).~~
- E. Miscellaneous and industrial members in the First Tier retirement, or the Alternative Retirement Plan (ARP), subject to social security shall contribute ~~five percent (5%)~~ seven percent (7%) of monthly compensation in excess of five hundred thirteen dollars (\$513) for retirement. Miscellaneous and Industrial members in the First Tier retirement or the ARP not subject to social security shall contribute ~~six percent (6%)~~ eight percent (8%) of monthly compensation in excess of three hundred seventeen dollars (\$317) for retirement.
- F. Employees first hired after the pay period following legislative ratification, will, after completion of participation in the ARP, be subject to the two percent (2%) at 60 retirement formula with retirement benefits based on the highest average monthly pay rate during thirty-six (36) consecutive months of employment.
- G. New eEmployees hired on or after January 1, 2007, will, after completion of participation in the ARP, be subject to the two percent (2%) at 55 retirement formula with retirement benefits based on the highest average monthly pay rate during thirty-six (36) consecutive months of employment.

H. Employees in employment prior to January 1, 2007, will remain subject to the 2% at 55 retirement formula with benefits based on the highest average monthly pay rate during twelve (12) consecutive months of employment.

~~I. The State and Union agree to support legislation that changes the method of computing the average annual compensation earnable for new Miscellaneous and Industrial Members hired on or after January 1, 2007, inclusive of those in the ARP.~~

17.2 Second-Tier Retirement

The Union proposes to maintain current contract language.

17.4 State Safety Retirement

A. The Union and the State agree to participate in the State Safety retirement formula as prescribed by law.

B. The table below lists the current State Safety age/benefit factors and the proposed age/benefit factors for employees first hired after the legislative ratification of the Contract.

Age at Retirement	Current Factors	New Factors (2.5% @ 60)
50	1.700	1.426
51	1.800	1.522
52	1.900	1.628
53	2.000	1.742
54	2.225	1.866
55	2.500	2.0
56	2.500	2.1
57	2.500	2.2
58	2.500	2.3
59	2.500	2.4
60 and over	2.500	2.5

C. There are factors for attained quarter ages, such as 52 ¾. These improved age/benefit factors apply for service rendered on and after the effective date of the 1999-2001 MOU between the State and the Union. The improved factors also apply to past service that is credited under the State Safety retirement category.

- ~~D. The amount of member contributions required of employees covered under these factors continues to be six percent (6%) of monthly compensation in excess of \$317.~~
- E. State safety members shall contribute ~~six percent (6%)~~ eight percent (8%) of monthly compensation in excess of \$317 for retirement.
- F. Employees first hired after the pay period following legislative ratification, will be subject to the two and one half percent (2.5%) @ 60 retirement formula with, retirement benefits based on the highest average monthly pay rate during thirty-six (36) consecutive months of employment.
- G. ~~New~~Employees hired on or after January 1, 2007, will be subject to the two and one half percent (2.5%) @ 55 retirement formula with retirement benefits based on the highest average monthly pay rate during thirty-six (36) consecutive months of employment.
- H. Employees in employment prior to January 1, 2007, will remain subject to the two and one half percent (2.5%) @ 55 retirement formula with benefits based on the highest average monthly pay rate during twelve (12) consecutive months of employment.
- ~~I. The State and Union agree to support legislation that changes the method of computing the average annual compensation earnable for new State safety members hired on or after January 1, 2007.~~

17.8 Employer-Paid Employee Retirement Contributions

The purpose of this article is to implement the provisions contained in section 414(h)(2) of the Internal Revenue Code concerning the tax treatment of employee retirement contributions paid by the State of California on behalf of employees in Bargaining Units 1, 3, 4, 11, 14, 15, 17, 20, and 21. Pursuant to section 414(h)(2) contributions to a pension plan, although designated under the plan as employee contributions, when paid by the employer in lieu of contributions by the employee, under circumstances in which the employee does not have the option of choosing to receive the contributed amounts directly instead of having them paid by the employer, may be excluded from the gross income of the employee until these amounts are distributed or made available to the employee.

Implementation of section 414(h)(2) is accomplished through reduction in wages pursuant to the provisions of this article.

1. Definitions. Unless the context otherwise requires, the definitions in this article govern the construction of this article.

- a. "Employees." The term "employees" shall mean those employees of the State of California in Bargaining Units 1, 3, 4, 11, 14, 15, 17, 20, and 21 who make contributions to the STRS/CalPERS.
- b. "Employee Contributions." The term "employee contributions" shall mean those contributions to the STRS/CalPERS which are deducted from the salary of employees and credited to individual employee's accounts.
- c. "Employer." The term "employer" shall mean the State of California.
- d. "Gross Income." The term "gross income" shall mean the total compensation paid to employees in Bargaining Units 1, 3, 4, 11, 14, 15, 17, 20, and 21 by the State of California as defined in the Internal Revenue Code and rules and regulation established by the IRS.
- e. "Retirement System." The term "retirement system" shall mean the STRS as made applicable to the State of California under the provisions of the State Teachers' Retirement Law (California Education Code section 22000, et seq.) and CalPERS as made applicable to the State of California under the provisions of the California Public Employees' Retirement Law (California Government Code Section 20000, et seq.).
- f. "Wages." The term "wages" shall mean the compensation prescribed in this Agreement.

2. Pick Up ~~Te~~ Of Employee Contributions

- a. ~~e.~~ Pursuant to the provisions of this Agreement, the Employer shall make employee contributions on behalf of employees, and such contributions shall be treated as employer contribution in determining tax treatment under the Internal Revenue Code of the United States. Such contributions are being made by the employer in lieu of employee contributions.
- b. ~~d.~~ Employee contributions made under paragraph 2A of this article shall be paid from the same source of funds as used in paying the wages of affected employees.
- c. ~~e.~~ Employee contributions made by the employer under paragraph 2A of this article shall be treated for all purposes other than taxation in the same manner and to the same extent as employee contributions made prior to the effective date of this Agreement.
- d. ~~f.~~ "The employee does not have the option to receive the employer contributed amounts paid pursuant to this Agreement directly instead of having them paid to the retirement system."

3. Wage Adjustment

Notwithstanding any provision in this Agreement on the contrary, the wages of employees shall be reduced by the amount of employee contributions made by the employer pursuant to the provisions thereof.

4. Limitations To Operability

This article shall be operative only as long as the State of California pick up of employee retirement contributions continues to be excludable from gross income of the employee under the provisions of the Internal Revenue Code.

5. Non-arbitrability

The parties agree that no provisions of this article shall be deemed to be arbitrable under the grievance and arbitration procedure contained in this Agreement.

17.10 1959 Survivor's Benefits – Fifth Level

- A. Employees who are members of the CalPERS will be covered under the Fifth Level of the 1959 Survivor's Benefit, which provides a death benefit in the form of a monthly allowance to the eligible survivor in the event of death before retirement. This benefit will be payable to eligible survivors of current employees who are not covered by Social Security and whose death occurs on or after the effective date of the MOU for this section.
- B. Pursuant to Government Code section 21581(c), the contribution for employees covered under this new level of benefits will be two dollars (\$2) per month as long as the combined employee and employer cost for this program is four dollars (\$4) per month or less per covered member. If the total cost of this program exceeds four dollars (\$4) per month per member, the employee and employer shall share equally the cost of the program. The rate of contribution for the State will be determined by the CalPERS board.
- C. The survivor's benefits are detailed in the following schedule:
 - 1. A spouse who has care of two (2) or more eligible children, or three (3) or more eligible children not in the care of spouse: one thousand eight hundred dollars (\$1800).
 - 2. A spouse with one eligible child, or two (2) eligible children not in the care of the spouse: One thousand five hundred dollars (\$1500).
 - 3. One eligible child not in the care of the spouse; or the spouse, who had no eligible children at the time of the employee's death, upon reaching age sixty (60): Seven hundred fifty dollars (\$750).

17.13 Exclusion of Sustained Superior Accomplishment

The parties agree that payments made under the sustained superior accomplishment award program will not be considered as compensation for purposes of retirement.