PUBLIC EMPLOYEE PENSION REFORM ACT (PEPRA)

AN OVERVIEW

Pension Oversight Committee
May 29, 2013
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Overall impact

PEPRA was passed in the Fall of 2012, to be effective January 1,2013. It will reduce the cost of employee pensions for newly hired Government employees.

Primary Changes

- Applicable for New Hires on or after January 1, 2013

- Reduced benefit formulas and increased retirement ages
  - Fire 2% @ 57
  - Police 2% @ 57
  - Misc. 2% @ 62

  There are subcategories within each but these are the primary formulas

- Caps the annual salary used to calculate final compensation
  - $113,700 contribute to Social Security
  - $136,440 do not contribute to Social Security
  - CPI adjustments are allowed annually

- Contribution Rates
  - Requires equal sharing of normal contributions
  - Prohibits employer paid member contributions (EPMC)
  - Classic member contribution rates are not required to change
  - Effective 1/1/2018 employers can require classic employees to pay 50% of normal contributions (with some limits)
  - Permits employees to share the cost of employer contributions when agreed upon
- Cost Sharing of Employer Contributions
  - Permits the sharing of employer contributions
  - This sharing is in addition to the member contribution rate