ARTICLE 17 – RETIREMENT

Retirement benefit formulas and contribution rates for State employees are specified in the Government Code as summarized below. No provision of this Article shall be deemed arbitrable under the grievance and arbitration procedure, except that any provision that defines the contribution rates shall be grievable to CalHR's level.

17.1 State Miscellaneous/Industrial - First Tier A Retirement Formula (2% at age 55), First Tier B Retirement Formula (2% at age 60), and Public Employees' Pension Reform Act (PEPRA) First Tier Retirement Formula (2% at age 62)

A. Miscellaneous/Industrial First Tier members first employed by the State prior to January 15, 2011 are subject to the First Tier A Retirement Formula.

B. Miscellaneous/Industrial First Tier retirement members first employed by the State on or after January 15, 2011 and prior to January 1, 2013 are subject to the First Tier B Retirement Formula. The First Tier B Retirement Formula does not apply to:

- Former state employees who return to state employment on or after January 15, 2011.
- State employees hired prior to January 15, 2011, who were subject to the Alternate Retirement Program (ARP).
- State employees on approved leave of absence prior to January 15, 2011, who return to active employment on or after January 15, 2011.
- Persons who are already members or annuitants of the California Public Employees' Retirement System (CalPERS) as a state employee, prior to January 15, 2011.

The above four categories are subject to the First Tier A Retirement Formula.

C. Employees who are brought into CalPERS membership for the first time on or after January 1, 2013 and who are not eligible for reciprocity with another California public employer as provided in Government Code section 7522.02(c) shall be subject to the "PEPRA Retirement Formula." As such, the PEPRA changes to retirement formulas and pensionable compensation caps apply only to new CalPERS members subject to PEPRA as defined under PEPRA.

D. The table below lists the First Tier age/benefit factors for First Tier A, First Tier B, and PEPRA retirement formulas.

Age at Retirement	First Tier A Formula (2% at age 55)	First Tier B Formula (2% at age 60)	PEPRA Formula (2% at age 62)
	Employees hired prior to January 15, 2011	Employees first hired on and after January 15, 2011 and prior to January 1, 2013	Employees eligible for CalPERS Membership for the first time on and after January 1, 2013
50	1.100	1.092	N/A
51	1.280	1.156	N/A
52	1.460	1.224	1.000
53	1.640	1.296	1.100
54	1.820	1.376	1.200
55	2.000	1.460	1.300
56	2.064	1.552	1.400
57	2.126	1.650	1.500

58	2.188	1.758	1.600
59	2.250	1.874	1.700
60	2.314	2.000	1.800
61	2.376	2.134	1.900
62	2.438	2.272	2.000
63	2.500	2.418	2.100
64	2.500	2.418	2.200
65	2.500	2.418	2.300
66	2.500	2.418	2.400
67 and over	2.500	2.418	2.500

E. There are factors for attained quarter ages, such as 52 ¾. The retirement quarter 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 quarter factors also apply to past service that is credited under the First Tier A, First Tier B, and the PEPRA First Tier retirement formulas.

F. Employee Retirement Contributions

1. As stated in Government Code section 20677.71, effective November 2, 2010, miscellaneous and industrial members in the First Tier retirement or the ARP subject to social security shall contribute eight percent (8%) 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 nine percent (9%) of monthly compensation in excess of three hundred seventeen dollars ($317) for retirement.
2. As stated in Government Code section 20683.2, effective July 1, 2013, First Tier industrial members, including ARP members, shall pay an additional one percent (1%) retirement contribution. Accordingly, effective July 1, 2013, industrial members who participate in social security shall contribute nine percent (9%) of monthly pensionable compensation in excess of five hundred thirteen dollars ($513) and Industrial members who do not participate in social security shall contribute ten percent (10%) of monthly pensionable compensation in excess of three hundred seventeen dollars ($317). This provision shall not apply to First Tier industrial members in Bargaining Unit 21.
3. Effective July 1, 2023, the employee contribution rates described in 17.1(F)(1) and (F)(2) for miscellaneous and industrial retirement members, including ARP members, shall be increased by one half percent (0.50%). Miscellaneous members subject to social security shall contribute eight and one half percent (8.50%) of pensionable compensation in excess of five hundred thirteen dollars ($513) for retirement. Miscellaneous members not subject to social security shall contribute nine and one half percent (9.50%) of pensionable compensation in excess of three hundred seventeen dollars ($317) for retirement. Industrial members (excluding Bargaining Unit 21) subject to social security shall contribute nine and one half percent (9.50%) of pensionable compensation in excess of five hundred thirteen dollars ($513) for retirement. Industrial members (excluding Bargaining Unit 21) not subject to social security shall contribute ten and one half percent (10.5%) of pensionable compensation in excess of three hundred seventeen dollars ($317) for retirement. Industrial members in

Bargaining Unit 21 subject to social security shall contribute eight and one half percent (8.5%) of pensionable compensation in excess of five hundred thirteen dollars ($513) for retirement. Industrial members in Bargaining Unit 21 not subject to social security shall contribute nine and one half percent (9.5%) of pensionable compensation in excess of three hundred seventeen dollars ($317) for retirement.

G. Final Compensation

First Tier employees first hired on or after January 15, 2011 and prior to January 1, 2013, will, after completion of participation in the ARP, be subject to the two percent (2%) at age sixty (60) retirement formula with benefits based on the highest average monthly pay rate during thirty-six (36) consecutive months of employment.

First Tier employees in employment prior to January 15, 2011, will remain subject to the two percent (2%) at age fifty-five (55) retirement formula with benefits based on the highest average monthly pay rate during thirty-six (36) consecutive months of employment.

First Tier employees in employment prior to January 1, 2007, will remain subject to the two percent (2%) at age fifty-five (55) retirement formula with benefits based on the highest average monthly pay rate during twelve (12) consecutive months of employment.

17.2 Second-Tier Retirement Plan

The Union and the State agree to participate in the Second-Tier retirement plan as prescribed by law.

A. Second Tier members first employed by the State and subject to CalPERS membership prior to January 1, 2013 are subject to the Pre-PEPRA Second Tier retirement formula.
B. Employees who are brought into CalPERS membership for the first time on or after January 1, 2013 and who are not eligible for reciprocity with another California public employer as provided in Government Code section 7522.02(c) shall be subject to the “PEPRA Retirement Formula.” As such, the PEPRA changes to retirement formulas and pensionable compensation caps apply only to new CalPERS members subject to PEPRA as defined under PEPRA.
C. The table below lists the Second Tier age/benefit factors for the Pre-PEPRA and PEPRA retirement formulas.

Age at Retirement	Pre-PEPRA Formula (1.25% at age 65)	PEPRA Formula (1.25% at age 67)
	Employees first hired and subject to CalPERS Membership prior to January 1, 2013	Employees eligible for CalPERS Membership for the first time on and after January 1, 2013
50	0.5000	N/A
51	0.5500	N/A
52	0.6000	0.6500
53	0.6500	0.6900
54	0.7000	0.7300
55	0.7500	0.7700
56	0.8000	0.8100
57	0.8500	0.8500
58	0.9000	0.8900
59	0.9500	0.9300
60	1.0000	0.9700
61	1.0500	1.0100
62	1.1000	1.0500
63	1.1500	1.0900

64	1.2000	1.1300
65	1.2500	1.1700
66	1.2500	1.2100
67 and over	1.2500	1.2500

D. As stated in Government Code section 20683.2, effective July 1, 2013, Second Tier members, including ARP members, shall contribute one and one-half percent (1.5%) of monthly pensionable compensation for retirement, and will increase by one and one-half percent (1.5%) points annually. The final annual increase in the contribution rate shall be adjusted as appropriate to reach fifty percent (50%) of normal cost.

17.3 First Tier Eligibility for Employees in Second Tier

A. New employees who meet the criteria for CalPERS membership have the right to make an election to be covered under a Second Tier Retirement Plan. If the employee does not enroll in a Second Tier Retirement Plan within one hundred eighty (180) days after the date of initial eligibility, the employee shall remain enrolled in the First Tier plan, as provided under CalPERS law.

B. An employee enrolled in the Second Tier retirement plan may exercise the First Tier right of election. An employee who makes this election is eligible to purchase past Second Tier service. The parties will work with CalPERS to establish more flexible purchase provisions for employees. These include, but are not limited to, increasing the installment period from ninety-six (96) months (8 years) to one hundred forty-four (144) months (12 years), and allowing employees to purchase partial amounts of service.

C. Employees who purchase past service are required to pay the amount of contributions the employees would have paid had the employees been First Tier members during the period of service that the employees are purchasing. As required by CalPERS law, the amount includes interest at six percent (6%), annually compounded.

17.4 State Safety A Retirement (2.5% at age 55), State Safety B Retirement (2% at age 55), and PEPRA Retirement (2% at age 57) Formulas

A. State Safety members first employed by the State prior to January 15, 2011, are subject to the State Safety A Retirement Formula.
B. State Safety retirement members first employed by the State on or after January 15, 2011, and prior to January 1, 2013, are subject to the "State Safety B Retirement Formula." The State Safety B Retirement Formula does not apply to:
   - Former state employees who return to state employment on or after January 15, 2011.
   - State employees hired prior to January 15, 2011, who were subject to the ARP.
   - State employees on approved leave of absence prior to January 15, 2011, who return to active employment on or after January 15, 2011.
   - Persons who are already members or annuitants of the CalPERS as a state employee prior to January 15, 2011.

   The above four categories are subject to the State Safety A Retirement Formula.
C. Employees who are brought into CalPERS membership for the first time on or after January 1, 2013, and who are not eligible for reciprocity with another California public employer as provided in Government Code section 7522.02(c) shall be subject to the "PEPRA Retirement Formula." As such, the PEPRA changes to retirement formulas and pensionable compensation caps apply only to new CalPERS members subject to PEPRA as defined under PEPRA.
D. The table below lists the State Safety age/benefit factors for State Safety A, State Safety B, and PEPRA Safety retirement formulas.

Age at Retirement	State Safety A Formula (2.5% at age 55)	State Safety B Formula (2% at age 55)	PEPRA State Safety Formula (2% at age 57)
	Employees hired prior to January 15, 2011	Employees first hired on and after January 15, 2011, and prior to January 1, 2013	Employees eligible for CalPERS Membership for the first time on and after January 1, 2013
50	1.700	1.426	1.426
51	1.800	1.522	1.508
52	1.900	1.628	1.590
53	2.000	1.742	1.672
54	2.250	1.866	1.754
55	2.500	2.000	1.836
56	2.500	2.000	1.918
57 and over	2.500	2.000	2.000

E. There are factors for attained quarter ages, such as 52 ¾. The improved retirement quarter 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 quarter factors also apply to past service that is credited under the State Safety retirement category.

F. Employee Retirement Contribution

1. As stated in Government Code section 20677.91, effective November 2, 2010, State Safety members shall

contribute nine percent (9%) of monthly compensation in excess of three hundred seventeen dollars ($317) for retirement.

2. As stated in Government Code section 20683.2, effective July 1, 2013, State Safety members shall pay an additional one percent (1%) retirement contribution making the employee's total contribution rate ten percent (10%) of monthly pensionable compensation in excess of three hundred seventeen dollars ($317).

3. As stated in Government Code section 20683.2, effective July 1, 2014, State Safety members shall pay an additional one percent (1%) retirement contribution making the employee's total contribution rate eleven percent (11%) of monthly pensionable compensation in excess of three hundred seventeen dollars ($317).

4. Effective July 1, 2023, the employee contribution rates described in 17.4(F)(3) for State Safety A, State Safety B, and PEPRA State Safety retirement formulas shall be increased by one half percent (0.5%). State Safety members shall contribute eleven and one half percent (11.5%) of pensionable compensation in excess of three hundred seventeen dollars ($317) for retirement.

G. Final Compensation

State Safety employees first hired on or after January 15, 2011, and prior to January 1, 2013, will, be subject to the two percent (2%) at age fifty-five (55) retirement formula with retirement benefits based on the highest average monthly pay rate during thirty-six (36) consecutive months of employment. State Safety employees in employment prior to January 15, 2011, will remain subject to the two and one-half percent (2.5%) at age fifty-five (55) retirement formula with benefits based on the highest average monthly pay rate during the thirty-six (36) consecutive months of employment.

State Safety employees hired prior to January 1, 2007, will remain subject to the two and one-half percent (2.5%) at age fifty-five (55) retirement formula with benefits based on the highest average monthly pay rate during twelve (12) consecutive months of employment.

17.5 State Safety Retirement

Enrollment in the State Safety Retirement category shall be prospective only and prior service shall remain under the miscellaneous or industrial retirement category.

17.6 Enhanced Industrial Retirement

Eligible employees shall be covered by Government Code section 20047 "Enhanced Industrial Disability Retirement."

17.7 Public Employees' Pension Reform Act (PEPRA) of 2013

A. PEPRA Definition of "Pensionable Compensation"
   Retirement benefits for employees subject to PEPRA are based upon the highest average pensionable compensation during a thirty-six (36) month period. Pensionable compensation shall not exceed the applicable percentage of the contribution and benefit base specified in Title 42 of the United States Code section 430 (b). The 2016 limits are $117,020 for members subject to social security and $140,424 for members not subject to social security. The limit shall be adjusted annually based on changes to the Consumer Price Index for all Urban Consumers.
B. Alternate Retirement Program (ARP) – New Employees
   Employees first hired on or after July 1, 2013 shall not be subject to the ARP. Existing ARP members are required to complete the twenty-four (24) month enrollment period. Upon completion of the twenty-four (24) month period, the employee shall make contributions to CalPERS. ARP members shall continue to be eligible for payout options beginning the first day of the forty-seventh (47th) month of employment and ending on the last day of the forty-ninth (49th) month of employment following the employee's initial ARP hired date.
C. Equal sharing of Normal Cost
   As stated in Government Code sections 7522.30 and 20683.2, equal sharing between the State employer and State employees of the normal cost of the defined benefit plans shall be the standard for all plans and employees. It shall be the standard that all employees pay at least fifty percent (50%) of the normal cost and the State employer shall not pay any of the

required employee contributions. “Normal cost” is determined annually by CalPERS.

17.8 Tax Treatment of 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 for 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 regulations 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 to Employee Contributions
   a. Pursuant to the provision of this Agreement, the Employer shall make employee contributions on behalf of employees, and such contribution 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. Employee contributions made under paragraph A of this Article shall be paid from the same source of funds as used in paying the wages of affected employees.
   c. Employee contributions made by the employer under paragraph A 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. “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 to 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 Benefit - Fifth Level

A. Employees who are members of the Public Employees' Retirement System (PERS) will be covered under the Fifth Level of the 1959 Survivor 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 Memorandum of Understanding 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 in the cost of the program.
   The rate of contribution for the State will be determined by the PERS board.
C. The survivors' 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 - $1,800.
   2. A spouse with one eligible child, or two (2) eligible children not in the care of the spouse - $1,500.

3. One (1) 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 60 - $750.

17.11.21 Education Leave: Conversion at Retirement (Unit 21)

The State and the Union agree to the implementation that would allow the conversion of educational leave into retirement service credit under the CalPERS. Upon the retirement of an employee whose educational leave balance was not limited, as specified in section 8.28.21, all of the accrued hours of educational leave will be converted to CalPERS service. This conversion shall be at the same rate of conversion as is presently done with sick leave.

Unused Education Leave for State Members.

Pursuant to Government Code section 20963.1, a Unit 21 employee whose effective date of retirement is within four (4) months of separation from employment of the State, shall be credited at the employee’s retirement with 0.004 year of service for each unused day of educational leave credit, as certified to the board by the employer. The provisions of this section shall be effective for eligible State members who retire directly from State employment on and after January 1, 2000, provided a MOU has been agreed on by the State employer and the recognized employee organization to become subject to this section.

17.12.3 Retirement Systems: State Teachers’ Retirement System (STRS) and Public Employees’ Retirement System (PERS) (Unit 3)

The State and the Union agree to expansion of the provisions of Chapter 838, statutes of 1997 to include all State employees who are eligible for membership in both STRS and PERS.

17.12.21 Retirement Systems: State Teachers’ Retirement System (STRS) and Public Employees’ Retirement System (PERS) (Unit 21)

The State and the Union agree to expansion of the provisions of Chapter 838, statutes of 1997 to include all State employees who are eligible for membership in both STRS and PERS.

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.

17.14 Streamlining the State Safety Retirement Process

A. The Union agrees to the State safety retirement membership process as outlined in the provisions of Government Code sections 19816.20 and 20405.1 and will not be subject to the provisions of Government Code section 18717.
B. For those positions recommended by the Union pursuant to the provisions of A above, the State agrees to review positions that potentially meet requirements for safety retirement and to place all positions meeting safety retirement criteria into the safety retirement category following establishment by the SPB of the appropriate parenthetical safety classes.