



Metro

Los Angeles County
Metropolitan Transportation Authority

One Gateway Plaza
Los Angeles, CA 90012-2952

213.922.2000 Tel
metro.net

MARCH 18, 2015

TO: BOARD OF DIRECTORS

THROUGH: ARTHUR T. LEAHY *AL*
CHIEF EXECUTIVE OFFICER

FROM: DON OTT *DO*
EXECUTIVE DIRECTOR, LABOR/EMPLOYEE
RELATIONS

SUBJECT: CalPERS Circular Letter on Public Employees' Pension
Reform Act (PEPRA)

ISSUE

We are providing the Board with a summary and a copy of the CalPERS Circular Letter regarding transit employees hired on or after January 1, 2013, who are now subject to PEPRA.

DISCUSSION

In a Board box report dated March 6, 2015, we informed the Board that Metro employees hired on or after January 1, 2013 are now subject to PEPRA. This was based on a CalPERS Circular Letter (Circular) dated February 25, 2015 (attached). The Circular notified transit agencies that transit employees' exemption from PEPRA ended when the federal court determined that the U.S. Department of Labor erred in determining that PEPRA prevented certification of California transit agency grant applications under section 13(c) of the Urban Mass Transportation Act.

The letter states that employees hired after January 1, 2013 will retain "classic" employee status through December 29, 2014 when the exemption ended. The CalPERS retirement benefit for Metro's classic employees is their highest three years' average wages multiplied by 2% per year of service at 60 years of age, with Metro paying the employees' share of contributions for their pension benefit. After December 29, 2014, employees hired on or after January 1, 2013 will be limited to PEPRA retirement benefits, which is a reduced formula based on the

highest three years' average wages multiplied by 2% per year of service at 62 years of age, with the employee contributing half the normal cost of their pension benefit, which is now 6.25%.

NEXT STEPS

We will provide the Board with additional information and updates on PEPRA, the impact the loss of the exemption has on our employees in CalPERS (non-represented, AFSCME and Teamsters) and the status of our meetings with the unions whose employees are not covered by CalPERS, i.e., SMART (formerly UTU), ATU, and TCU, in an attempt to negotiate the changes in their pension plans that are now required by PEPRA.

Attachment: CalPERS Circular Letter Dated February 25, 2015



California Public Employees' Retirement System
P.O. Box 942709
Sacramento, CA 94229-2709
(888) CalPERS (or 888-225-7377)
TTY: (877) 249-7442
www.calpers.ca.gov

Reference No.:
Circular Letter No.: 200-006-15
Distribution: VI
Special:

Circular Letter

February 25, 2015

TO: **ALL PUBLIC AGENCY EMPLOYERS**

SUBJECT: **TRANSIT EMPLOYEES HIRED ON OR AFTER JANUARY 1, 2013
NOW SUBJECT TO PEPRA**

The purpose of this Circular Letter is to provide information to employers that employ transit workers impacted by Assembly Bill (AB) 1222. Only employers with certified transit workers are impacted by this Circular Letter.

The recent decision in the *State of California v. United States Department of Labor* (E.D.Cal. Dec. 30, 2014, Civ. No. 2:13-cv-2069 KJM DAD) ends the exemption from the Public Employees' Pension Reform Act (PEPRA) for transit workers resulting from AB 1222 (codified in Gov't Code Section 7522.02, subsection (a)(3)).

In its December 30, 2014, decision, the court concluded that the U. S. Department of Labor erred in determining that PEPRA prevented certification under Section 13(c) of the Uniform Mass Transportation Act. Under Section 7522.02(a)(3)(A), the court's decision triggers the end of the exemption.

Retirement Contracts

Effective immediately, employers will no longer need to submit self-identification letters requesting exemptions for transit employees. Previously received and processed employer letters that identify transit employee exemptions will remain on file. Employers will not be required to submit an additional letter to comply with this new ruling.

Membership

All transit employees with appointments starting on or after January 1, 2013 through December 29, 2014, will retain their classic retirement benefits for this period of time. CalPERS will create new transit employees PEPRA appointments in my|CalPERS, using a December 30, 2014 effective date. (Employers are not required to take any membership enrollment action.) All new members hired on or after December 30, 2014, will be subject to PEPRA retirement benefits.

If you determine any of your employees have been incorrectly given the PEPRA retirement benefits as of December 30, 2014, and should have retained their classic retirement benefits, please call the CalPERS Customer Contact Center at **888 CalPERS** (or **888-225-7377**) for assistance.

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Additionally, employers are no longer required to have employees complete the Transit Employee Certification Form or to update the my|CalPERS enrollment to reflect the employee's exempt status. However, employers should continue to provide the Member Reciprocal Self-Certification Form (PERS-CASD-801) to all new employees.

Payroll

A CalPERS payroll representative will contact all impacted Business Partners to advise on any payroll corrections that are necessary.

Contact Us

If you have any questions, please call the CalPERS Customer Contact Center at **888 CalPERS** (or **888-225-7377**).

DONNA RAMEL LUM
Deputy Executive Officer
Customer Support Services