

**AB 197 Lawsuit Update:
Calculating Your Retirement Allowance Under AB 197**

FREQUENTLY ASKED QUESTIONS

On September 12, 2012, the Governor signed into law Assembly Bill 197, with an effective date of January 1, 2013. The measure changed how county retirement boards were permitted to calculate their current members' retirement allowances. In November 2012, members and their representative bargaining units filed a lawsuit challenging the validity of the new law. By operation of a court-imposed Stay Order, CCCERA was prohibited from implementing the new law for members whose effective date of retirement was on or before July 11, 2014.

In 2020, the California Supreme Court upheld the statutory exclusions in AB 197, rejected the estoppel claims made by the petitioners, and remanded the case to the trial court to vacate the trial court's judgment and conduct further proceedings consistent with the *Alameda* decision. *Alameda County Deputy Sheriff's Assoc. et al., v. Alameda County Employees' Retirement Assn., et al.*, (2020) 9 Cal.5th 1032 ("*Alameda*").

This Update is designed to assist our members in understanding the requirements of AB 197 and how the law may change the calculation of your retirement allowance from the methods CCCERA used in the past. Of course, we can only provide general guidance through a single website posting – your particular situation may differ. The best information on your own situation will be provided by CCCERA staff, who are ready to assist you with specific questions affecting your own retirement decisions.

General Overview of AB 197

As a CCCERA member, your retirement is calculated in part based on the compensation you received during your Final Average Salary (FAS) period. AB 197 changes the elements of compensation that may be counted towards calculating your retirement allowance. Three important changes were made to the way CCCERA had been calculating retirement allowances in the past:

General Rule #1

CCCERA may not count in the compensation used to calculate your benefit a year's worth of leave paid at termination *plus* payments for leave sold back to your employer in your FAS period. If your employer only allows accrued leave cash outs at termination (i.e., no leave sell backs are allowed during employment), you will not be entitled to have these amounts in your pension calculations. If your employer allows you to sell back leave time during your employment, CCCERA is only allowed to count the lesser of (a) the amount of leave earned in one year and (b) the amount of that earned leave that you are permitted to sell back during

your FAS period. In other words, to be counted towards your retirement allowance, the value of the leave time must be both earned by you and payable to you in cash during service.

General Rule #2

CCCERA may not include compensation paid for “on-call” or “standby” time received in your FAS period towards your retirement calculation. CCCERA will not be permitted to count any compensation received for time worked outside normal working hours as set forth in the applicable regulation, resolution or employment agreement. This means that if the time is not regularly scheduled and required by your employer to be worked by you and every other employee in your same grade and classification, at the same rate of pay during the normal working hours set forth by your employer, CCCERA must not count it towards your retirement calculation.

General Rule #3

The CCCERA Board must consider whether any other items of compensation were paid to enhance your retirement allowance. If the Board finds this to be true, it may exclude the items from the retirement calculation. Examples of such excluded items are one-time or “ad hoc” payments, payments made solely due to termination of employment, compensation that was previously paid in kind (like providing a uniform) or for outside third-party services (like insurance) that is converted to cash during the FAS period, and other items the Board determines were paid to enhance a member’s retirement benefit. Any such Board determination will occur only after a full hearing before the Board, at which the member will be entitled to appear and present evidence and argument.

Please see CCCERA’s Compensation Earnable Policy for the rules governing what elements of pay are included in pension calculations.

FREQUENTLY ASKED QUESTIONS AND ANSWERS

Section A - General Questions

1. Am I a Legacy Member?

For changes regarding leave cash outs, a Legacy Member is an employee with a CCCERA membership date prior to January 1, 2011. Those who became members after that date and before January 1, 2013 came into CCCERA under rules that were consistent with AB 197 and will not be impacted by the Judgment and Writ.

For changes regarding standby/on-call pay or other payments for additional services rendered outside your normal working hours, a Legacy Member is an employee with a CCCERA membership date prior to January 1, 2013.

2. When did the Judgment and Writ go into effect?

The Judgment and Writ issued by the Superior Court went into effect on July 12, 2014.

3. What happens if I retired before July 12, 2014?

If you retire on or before Friday, July 11, 2014, CCCERA will calculate your retirement allowance in accordance with the rules in place before AB 197.

4. What happens to my retirement allowance if I retire after July 11, 2014, but I am a Legacy Member?

CCCERA will calculate your allowance under the AB 197 rules.

5. I heard that the unions have filed an appeal from the Superior Court ruling. How does that affect my rights?

You are correct, appeals were filed and resulted in the *Alameda* decision. CCCERA is required to implement AB 197 pursuant to the *Alameda* decision for all retirements with an effective date of July 12, 2014 or later.

6. I became a member of CCCERA after January 1, 2013, does AB 197 apply to me?

No. Your retirement benefit will be calculated in accordance with the new law that came into effect at the same time as AB 197, called the "California Public Employees' Pension Reform Act of 2013," or "PEPRA." As a PEPRA member, your retirement calculations will not include leave cash outs of any kind or standby/on-call pay.

7. I retired before January 1, 2013. Does AB 197 apply to me?

No. The statutory changes to “compensation earnable” have not been applied to anyone in retirement status on or before December 31, 2012.

Section B - Questions About Leave Cash Outs for Legacy Members

1. How do I know how much leave time I am allowed to earn during my FAS period?

Your Memorandum of Understanding or other employment contract terms will tell you how much leave time you can earn during service in your twelve or thirty-six month FAS period.

2. How do I know how much leave time I am allowed to sell back (“cashout”) during my FAS period?

Your Memorandum of Understanding or other employment contract terms will tell you how much leave time you can cash out during your twelve or thirty-six month FAS period.

3. What is the most cashed-out leave time I will be entitled to count in my FAS period?

Under AB 197, CCCERA is permitted to count the lesser of (a) the amount of leave time you were entitled to earn during the FAS period and (b) the amount of that earned time you were allowed to sell back (cash out) while in service during the FAS period.

4. I earn 240 hours of leave time during my FAS period, and am allowed to sell back 80 of those hours during the period. I’ll get the remaining 160 hours’ worth at termination. How much will count towards my retirement allowance?

80 hours’ worth. That is the lesser of the amount you earn in the FAS period (240 hours) and the amount you can sell back during that period (80), without regard to termination.

5. I earn 240 hours of leave time during my FAS period, and am allowed to sell back 80 of those hours during the period. Will I lose that value if I don’t actually sell it back before I retire?

No. So long as you are permitted to sell back time you earned in your FAS period, it doesn’t matter when you get the cash for it. You can sell it back while in service during your FAS period, or you can just take it in a lump sum with any other amounts owed to you at termination. CCCERA will still count it towards your retirement allowance.

- 6. I earn 240 hours of leave time during my FAS period, and am allowed to sell back 80 of those hours during the period. I have another 80 hours of unused leave on the books from earlier years at the beginning of my FAS period. I take 80 hours of time off during the year, and sell back another 80 hours. At termination, I am paid for the remaining 80 hours' worth of time in cash. How much will count towards my retirement allowance?**

You will have 80 hours' worth counted towards your retirement allowance. The 80 hours you took as time off is presumed to have been your unused time from earlier years, leaving you with 240 hours earned and 80 hours cashable during the FAS period. Those 80 hours' worth you sold back during service will count towards your retirement allowance.

- 7. How much vacation pay at termination is counted towards "compensation earnable" under AB 197?**

CCCERA cannot count any value of time that you can only receive in cash because you are terminating service.

- 8. My MOU says that I earn 20 hours of vacation per month (240 hours per year.) I'm not allowed to sell back any of it during service. When I retire, I will have 400 hours of unused vacation hours on the books and I'll get paid all of that in cash at retirement. If I choose my final year of employment as my FAS period, how many of the 400 hours will CCCERA include in my retirement calculation?**

None. If you can only get the cash at termination, it is not both "earned and payable" during service and cannot be included in your benefit calculation.

- 9. My MOU says that I earn 20 hours of vacation per month (240 hours per year.) I'm allowed to sell back 80 hours during service. When I retire, I will have 400 hours of unused vacation hours on the books and I'll get paid all of that in cash at retirement. If I choose my final year of employment as my FAS period, how many of the 400 hours will CCCERA include in my retirement calculation?**

Pay for 80 hours will be counted towards your retirement allowance. That's the lesser of the amount you can earn in the final twelve month period and the amount of what you can earn that you can sell back during that same period. It doesn't matter when you actually get paid the cash, 80 hours are "earned and payable" during the FAS period and will be counted.

10. My MOU says that I earn 20 hours of vacation per month (240 hours per year.) I'm allowed to sell back 80 hours (1/3rd of my annual accrual) once every calendar year. If I sell back 80 hours in May of 2014 and another 80 hours in January of 2015, can I have all 160 hours' worth of cash counted towards my retirement calculation if I choose to retire in April of 2015?

No. The Board voted at its July 9, 2014 meeting that where the employer allows leave sales annually (for example, once every calendar year) in an amount less than the annual leave accrual, no more than one annual cash out will count as compensation earnable under AB 197. In this example, payment for 80 hours will be included.

11. My MOU says my employer must pay me for all unused sick leave at termination. How much of that payment will be included calculating my retirement allowance?

None. If you can only receive it because of termination of employment, CCCERA cannot include it as compensation for calculating your retirement allowance. Note, however, that the unused sick leave time at retirement will be added to your service credit for calculating your allowance. This additional service credit was not affected by AB 197.

Section C - Questions About "On Call" and "Standby" Pay

1. I am a Legacy Member. In my FAS period, I will have received some compensation for being on-call, ready to return to work if needed. Will that pay be included in calculating my retirement allowance?

On-call pay that is for additional services rendered "outside normal working hours" will not be included in the retirement calculation. CCCERA reviews the employer regulations, resolutions and memoranda of understanding to determine your normal working hours and whether the on-call pay is for services outside normal working hours.

Section D - Questions About Benefit "Enhancements"

1. How can I know if the Board is going to reject compensation because it thinks it was only paid to me to enhance my retirement allowance?

You can't for sure, but there are a few indicators that will alert you to the likelihood that the Board may pull your application for a closer review:

- Did your compensation spike up suddenly in your final year of employment?
- Did you convert some in-kind benefit, like the use of an automobile, receipt of an official uniform, or employer-paid insurance to a cash payment to you in your final year of employment?
- Did you get a special bonus or other compensation only when you announced your impending retirement?

- Did you get a special bonus or other compensation in your final year of employment that others similarly situated to you didn't get?
- Did your employer make any retroactive changes to your employment contract, like granting additional leave time after the fact, in your final year of employment?

2. What happens if the Board rejects some of my compensation from the calculation of my retirement allowance?

The CCCERA Board will not do this without first giving you a fair opportunity to present any facts you think are relevant to the Board's determination. The Board has established a notice and hearing procedure for handling these situations. Pending a final determination by the Board, the Board may (but is not required to) commence payment of the undisputed portion of your retirement allowance to you and/or your beneficiaries.

Section E - Questions About Corrections of Member Contributions

1. I am a Legacy Member. I paid contributions on some compensation for being on-call, ready to return to work if needed. If the pay is not included in my retirement calculation will those contributions be paid to me?

Yes. CCCERA is calculating the correction of contributions with interest and will be issuing a payment to the affected members. In September 2021, the CCCERA Retirement Board adopted Resolution 2021-5 authorizing a correction of member contributions provided to CCCERA from July 12, 2014 to present on on-call pay items. Note that prior to July 12, 2014, on-call pay was pensionable and contributions were required to be provided.

2. I retired on or after July 12, 2014 and on-call pay was not included in my retirement calculation. Will contributions I paid towards on-call pay be paid to me?

Yes. CCCERA is calculating the correction of contributions with interest and will be issuing a payment to the affected members. In September 2021, the CCCERA Retirement Board adopted Resolution 2021-5 authorizing a correction of member contributions provided to CCCERA from July 12, 2014 to present on on-call pay items. Note that prior to July 12, 2014, on-call pay was pensionable and contributions were required to be provided.

3. I am a Legacy Member. Will contributions I paid towards terminal pay that has been excluded be paid to me?

Yes. CCCERA is calculating the correction of contributions with interest and will be issuing a payment to the affected members. In September 2021, the CCCERA Retirement Board adopted Resolution 2021-5 authorizing a correction of member contributions provided to CCCERA from July 12, 2014 to June 30, 2015 on excluded terminal pay items. Note that no contributions on excluded terminal pay items were

provided to CCCERA after June 30, 2015 and prior to July 12, 2014, terminal pay was pensionable and contributions were required to be provided.

4. I retired on or after July 12, 2014 and terminal pay was not included in my retirement calculation. Will contributions I paid towards terminal pay be paid to me?

Yes. CCCERA is calculating the correction of contributions with interest and will be issuing a payment to the affected members. In September 2021, the CCCERA Retirement Board adopted Resolution 2021-5 authorizing a correction of member contributions provided to CCCERA from July 12, 2014 to June 30, 2015 on excluded terminal pay items. Note that no contributions on excluded terminal pay items were provided to CCCERA after June 30, 2015.

5. I am a Legacy Member that closed my CCCERA account. Will I receive a contribution correction?

When a member closes their retirement account **all** contributions are paid to the member or transferred to a tax deferred retirement account. Since CCCERA no longer has any retirement funds a contribution correction will not be processed.

6. What is the timing of the contribution correction payments?

Staff is working through the calculations. It is anticipated that the contribution correction payments will be completed by October 31, 2022.

7. How do I know if I am receiving a contribution correction payment?

Letters will be mailed to all members receiving a payment by March 31, 2022 notifying them of the upcoming payment.

8. Will interest be provided on the contribution correction payment?

Yes, the actuarially assumed interest rate for the overpayment period will be applied.

9. Am I able to rollover my contribution correction to another retirement account?

No, since this payment is considered a correction under the law it cannot be rolled over to another retirement account.

**REMEMBER: FOR ANSWERS TO ALL OF YOUR UNIQUE
RETIREMENT QUESTIONS, PLEASE CONTACT CCCERA AT (925) 521-3960.**

Updated as of February 17, 2022