Ventura Benefits: Impact of 2012 Pension Reform

This document was published prior to January 1, 2013, the original effective date of the new state pension reform law. ACERA's implementation of the new law will be delayed until a lawsuit filed against ACERA is resolved. The effective date of ACERA's implementation of the law will be determined by the court. It's possible the date could be set retroactively to January 1, 2013. ACERA members should understand that the amount of payment for unused vacation that can be included in the retirement calculation will have more limitations for members retiring after the law takes effect.

1 Understanding the Retirement Allowance Calculation

Retirement Formula

To understand how payment for unused vacation works in your retirement calculation, you first need to understand how your retirement allowance will be calculated. When you retire, ACERA will perform the following calculation for you:

Age Factor Percentage X Years of Service X Highest Average Monthly Salary = Monthly Retirement Allowance for Life

Your Age Factor Percentage is based on whether you are a General or Safety member, your Tier (I, II, or III), and how old you are when you retire—the older you are at retirement, the higher your percentage, up to a Tier maximum (see page 40 of the ACERA Member Handbook).

Your Years of Service (Service Credit) is a measure of how many years of service credit you've earned working in your retirement eligible position(s), plus any service credit you have purchased. It's measured to a fraction of a work day, so will have a few decimal places after it.

Your Highest Average Monthly Salary (Final Average Salary) is an average of how much you've made per month in base salary and eligible pay differentials (not overtime) during your Final Compensation Period.

Final Compensation Period

Tier I and Tier III	Tier II
Highest 1 year of pay: Highest 26 bi-weekly or 12 monthly consecutive pay periods	**Highest 3 years of pay:** Highest 78 bi-weekly or 36 monthly consecutive pay periods

For most members, this period of highest pay is at the very end of the career.

Background Information on Ventura Benefits

Ventura Benefits began when a court in Ventura County decided that certain items should be included in Final Average Salary. If you earn regular vacation, and do not take that vacation, and are then paid for it during your Final Compensation Period, your total salary is higher. Therefore, your average monthly salary over that period is also higher, and when we multiply it in the 3-factor retirement formula shown above, your monthly retirement allowance will also be higher.

Vacation Compensation

There are two ways of your employer will compensate you for earned, unused vacation: vacation sell and vacation payoff.

Vacation Sell is when you sell your earned vacation to your employer while you're still actively working and receive monetary compensation for it.

Vacation Payoff happens when you have vacation time that is still on the books when at the time you stop working (i.e., at retirement). At that time, your employer will compensate you monetarily for it.

Both of these ways your employer may compensate you for your unused vacation will result in a higher average salary if you receive payment during your Final Compensation Period. For more information on being compensated for your unused vacation, contact your department's payroll clerk.

2 Understanding Limitations to Vacation Compensation: Before and After Pension Reform

Members Retiring Before Pension Reform Takes Effect (Possibly Before December 31, 2012)

When ACERA is calculating your salary for use in the retirement formula, the maximum amount of vacation compensation that can be included in your Final Average Salary is the amount of vacation you **earn** during your Final Compensation Period and are **paid** for through a combination of Vacation Sell and Vacation Payoff. For Tier I and Tier III, that's one year's worth of vacation. For Tier II, that's three years' worth of vacation. Anything over that maximum, you are still compensated for by your employer, but it doesn't increase your Final Average Salary. To summarize, it's limited by what vacation accruals are **earned and paid.**

Members Retiring After Pension Reform Takes Effect (Possibly After January 1, 2013)*

After the law takes effect, there will be further limitations on the amount of vacation compensation that can be included in your Final Average Salary to what is **earned and payable**, whichever is lesser. The new "payable" limitation is the amount of vacation your employer allows you to sell in one fiscal year (for Tiers I and III) or three fiscal years (Tier II) during your Final Compensation Period while still actively working. That amount is typically set forth in your Memorandum of Understanding (MOU), although some employers may set up this limitation in their employee policies or through resolutions adopted by their governing bodies. Vacation you are paid through a combination of Vacation Sell and Vacation Payoff during the Final Compensation Period will be included in your Final Average Salary up to the new limitation. (Note that your employer may limit the amount of Vacation Payoff to double your annual vacation accrual.)

Before and After Charts

Below are two charts illustrating the maximum amounts of vacation compensation in weeks that can be included in the Final Average Salary calculation for members who retire before or after the new pension reform law takes effect.

Maximum Weeks Vacation Pay in Retirement Calculation

Before Pension Reform		
Earned	**Maximum Weeks Which Can Be Included**	
Annual Weeks You Earn	Tier I and III (1 year)	Tier II (3 years)
2	2	6
3	3	9
4	4	12
5	5	15
6	6	18

After Pension Reform			
Earned	**Payable**	**Maximum Weeks Which Can Be Included**	
Annual Weeks You Earn	Annual Weeks Employer Allows You to Sell	Tier I and III (1 year)	Tier II (3 years)
2	0	0	0
	1	1	3
	2	2	6
	3	2	6
	4	2	6
3	0	0	0
	1	1	3
	2	2	6
	3	3	9
	4	3	9
4, 5, or 6	0	0	0
	1	1	3
	2	2	6
	3	3	9
	4	4	12

Scenarios: How Member Ventura Benefits Will Be Limited After Pension Reform

Tier I or Tier III Member retires after pension reform takes effect:
(1 year Final Compensation Period)

Scenario 1: If you earn 2 weeks of vacation annually, and you can sell 3 weeks of vacation during your Final Compensation Period, ACERA will include only 2 weeks of vacation when calculating your retirement allowance, if you sell it and/or are paid off for it at retirement.

Scenario 2: If you earn 2 weeks of vacation annually, and you can sell 0 weeks of vacation during your Final Compensation Period, ACERA will not include any vacation when calculating your retirement allowance.

Scenario 3: If you earn 5 weeks of vacation annually, and you can 3 sell weeks of vacation during your Final Compensation Period, ACERA will include only 3 weeks of vacation when calculating your retirement allowance, if you sell it and/or are paid off for it at retirement.

Tier II Member retires after pension reform takes effect:
(3 year Final Compensation Period)

Scenario 1: If you earn 2 weeks of vacation annually, and you can sell 3 weeks of vacation per fiscal year, ACERA will include only 6 weeks of vacation when calculating your retirement allowance, if you sell it and/or are paid off for it at retirement.
(Note: Earned and Payable = 2 weeks earned x 3 years Final Compensation Period)

Scenario 2: If you earn 2 weeks of vacation annually, and you can sell 0 weeks of vacation per fiscal year, ACERA will not include any vacation when calculating your retirement allowance.
(Note: Earned and Payable = 0 weeks payable x 3 years Final Compensation Period)

Scenario 3: If you earn 5 weeks of vacation annually, and you can 3 sell weeks of vacation per fiscal year, ACERA will include only 9 weeks of vacation when calculating your retirement allowance, if you sell it and/or are paid off for it at retirement.
(Note: Earned and Payable = 3 weeks payable x 3 years Final Compensation Period)

3 What Does This Mean For You? – Getting Retirement Estimates for Before and After Pension Reform

Web Member Services

The most efficient way to get estimates of your retirement allowance before and after the pension reform law takes effect is through ACERA's Web Member Services app on our website. Simply click here, or visit www.acera.org, and click on the blue Member Login button in the upper right corner. **Just remember that there is a chance that the effective date will be set by the court decision retroactively to January 1, 2013. Consequently, all retirement estimates may be "after" estimates, so keep this in mind when getting a "before" estimate.**

If you haven't already created a login, it takes 5 minutes to go through our secure process. Once you're logged in to Web Member Services, click on the link for Benefit Estimator.

Getting a "Before" Pension Reform Estimate

1. In the Separation Date blank, enter a projected separation date, which would be your final day of work on your employer's payroll. The date should be within the first weeks of 2013.

2. Enter a projected retirement date which is the next day immediately after your last day of work.

3. Click continue, select Service Retirement from the drop down, and click continue again.

The estimator calculates how many years of service you would have earned based on the dates you entered. For salary, it uses an average of your current salary.

4. In the blank next to Hour of Cash Vacation Compensation, enter the amount of hours of vacation you would get compensated for through Vacation Sell or Vacation Payoff. But please read the **Don't Overestimate page** before adding any hours to the blank.

5. Safety Members in the Sheriff's Department can add sick leave hours, after they click the question mark to read the helpful popup.

6. Complete the rest of the form, click view, and the estimator will take a few moments to calculate. The estimate that you get is a PDF file that you can now save or print.

Leave that estimate one open and click on Benefit Estimator again to get an estimate for another retirement date.

Getting an "After" Pension Reform Estimate

Follow the same instructions, but choose separation and retirement dates after your "before" date. When you get to step 4, make sure you don't put more vacation hours in the blank then you can get salary credit for under the new limitations detailed above in section 2 of this document.

Safety Members in the Sheriff's Department should not add sick leave hours in the sick leave hours blank, as this compensation will no longer be included in the retirement calculation after the new law takes effect.

Benefit Estimates From ACERA

You can make a request for a benefit estimate calculated by an ACERA Retirement Specialist by clicking on the Web Forms link in Web Members services, and then the Retirement Estimate Request link. Alternatively, you can submit a manual Retirement Estimate Request Form to ACERA staff. Keep in mind that a plethora of members are making estimate requests currently, so there may be delays in fulfilling them. We recommend using Web Member Services because it's available 24/7, it uses the same database and calculator that our Retirement Specialists use, and you can get as many estimates as you like instantly with the touch of a few buttons.

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