



Base Pay for New Tier 2 Members

SJCERA Employer Notice

Retirement Calculated on Base Pay for New Members Starting in 2022

Retirement benefits for Tier 2 members who first become SJCERA members on or after January 1, 2022, will be calculated using base pay only. At its May 7, 2021 meeting, the Board of Retirement amended its determination of Pensionable Compensation to exclude special pay items for this group of new Tier 2 members. The letter “b” for “base pay” will be used by SJCERA to refer to this group of new Tier 2 members (“Tier 2b members”). The majority of Tier 2 members do not receive special pays and will be unaffected by this change.

Tier 2 Retirement Eligibility and Benefit Formula Unchanged

All Tier 2 members, including Tier 2b members, are entitled to the same age and service-based benefit formula and retirement eligibility rules, in accordance with the Public Employees’ Pension Reform Act of 2013 (PEPRA). The Board of Retirement’s decision only affects the compensation used to calculate retirement benefits of Tier 2b members. For more information about Tier 2 retirement benefits read the [Retirement Plan Summary](#) fact sheet or visit the Active Members pages of www.sjcera.org.

Base Pay Explained

Base pay is the hourly rate paid in cash to all similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours, pursuant to available pay schedules. For example, for County positions, this is the hourly rate published on the Salary Grade Table. The rate applies to regular hours (REG), as well as paid days off (e.g., sick, vacation, holidays).

Employers may still pay Tier 2b members special pay types. Neither the member nor the employer will pay retirement contributions on special pay types paid to Tier 2b members. Because the member does not pay contributions on these pay types, their take-home pay while working will be slightly higher and, when they retire, their retirement benefit will be slightly lower because the calculation excludes all special pays.

Special Pay Examples

There are hundreds of special pay types. A few of the more common ones include:

- ✓ Pay for holding a certain certification, degree, or license (e.g., CPA, POST certification, BSN degree; Class B License)
- ✓ Time and a half pay for working on a holiday
- ✓ Bilingual pay
- ✓ Longevity Pay
- ✓ Special Assignment-Type Pay (e.g., Shift Differential, Work Above Class; Extra pay when assigned to a particular facility or unit)

Tier 2b’s Effect on Employers

For employers, Tier 2b primarily affects payroll departments. Payroll systems must be updated to exempt from retirement contributions all special pay items for Tier 2 members who first become SJCERA members on or after January 1, 2022 (Tier 2b members). Those same special pay items must remain retirement eligible for Tier 1 members and those Tier 2 members who first entered SJCERA membership before January 1, 2022 (including those that terminate and later return to SJCERA membership after 2022).

For hiring managers/supervisors and human resources departments, this is primarily an informational item. Look for updated information on www.sjcera.org by the end of 2021.

Implementation

- ✓ **Employers:** Continue using the existing process to determine if your employee is Tier 1 or Tier 2.
- ✓ **Payroll:** Program payroll systems to make special pay items ineligible for retirement for Tier 2 members first hired into SJCERA membership positions on/after 1/1/2022.
- ✓ **SJCERA:** Update member and employer communications; update procedures and system processes.

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Tier 2b's Effect on Members

As explained in this Notice, Tier 2b applies to members first entering SJCERA membership on or after January 1, 2022. However, many members go in and out of membership with one or more retirement systems over the course of their careers. The following examples are intended to help employers understand how, or if, Tier 2b will affect members under various scenarios.

Tier 1 and Existing Tier 2 Members Unaffected. The Board of Retirement's decision does not affect the retirement-eligible earnings of any active, deferred or retired Tier 1 or Tier 2 members who first became SJCERA members before January 1, 2022. Additionally, employees who first become SJCERA Tier 1 members on or after January 1, 2022, by establishing reciprocity between SJCERA and another California public retirement system for membership that began prior to 2013, are also unaffected by Tier 2b.

Incoming Reciprocal PEPRA Members with No Prior SJCERA Membership are Tier 2b. Members of reciprocal retirement systems who are subject to PEPRA, who first become SJCERA members on or after January 1, 2022 will be Tier 2b members. Establishing reciprocity will not affect these members inclusion in the base pay group of Tier 2 members; however, reciprocity still offers other benefits—read the [Reciprocity](#) fact sheet for more information.

Incoming Reciprocal Members with Prior SJCERA Membership Return to Prior SJCERA Tier. Reciprocal members with prior SJCERA membership who are returning to same employer, will return to the same tier they were previously in at SJCERA provided they did not refund their contributions or retire from SJCERA. (See information below regarding refunded members who redeposit.)

Returning Refunded Members are Tier 2b, Unless They Redeposit. Former SJCERA members who have refunded their retirement contributions and subsequently returned to full time, permanent employment with a SJCERA employer, will be Tier 2b members upon returning to active membership. If they choose to redeposit their contributions plus interest they will return to their original tier (Tier 1 or Tier 2).

Purchasing Previous County Service Does Not Change Base Pay Eligibility. Membership is based on hire date into a full-time permanent position. Part-time, seasonal, per diem and temporary employees who become full-time employees on or after January 1, 2022, will be Tier 2b members. Electing to purchase service credit for their previous non-membership service with a SJCERA employer does not affect their inclusion in the base pay group of Tier 2 members (Tier 2b), even though that service was prior to 2022.

Retired Members Returning to Active Membership are Tier 2b. Retired members who return to active membership, will be Tier 2b members for their current period of employment, regardless of which tier they retired from. Refer to the [Retired Members-Working After Retirement](#) page on www.sjcera.org for more information about working after retirement.

This Employer Notice is intended to provide employers with general information regarding SJCERA benefits. The laws governing retirement systems are complex. If a conflict arises between the applicable law and any statements in this notice, the law will govern.

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