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Circular Letter

TO: ALL CONTRACTING PUBLIC AGENCIES

SUBJECT: BENEFIT MENU SIMPLIFICATION AND RISK POOLING

On December 19, 2001, the CalPERS Board of Administration approved, **as a first reading**, the following staff recommendations:

- Creation of master contracts and regulations that will create cost sharing pools of assets and liabilities across employers as set forth in Appendix A.
- Sponsorship of legislation mandating participation in one of the pools for all new agencies contracting with CalPERS in the future as well as all existing plans at CalPERS with fewer than 100 active participants.

The following were also approved on a conceptual basis with details to be provided in subsequent Board agenda items:

- Adoption of a Board actuarial policy for establishing the individual employer rates within each pool based on a phase-in approach. This phase-in approach could potentially be used in combination with a side fund.
- Sponsorship of legislation simplifying the benefit menu from which public agencies choose their plans. Specifically, this legislation should eliminate antiquated provisions that have never been chosen in any contract with CalPERS, simplify the coordination of these plans with Social Security as well as simplify the ancillary benefit provisions that hinder customer service.
- Adoption of a Board policy assessing a substantial administrative surcharge for all existing plans at CalPERS that do not join a pool within 3 years after the pools are established and available to them.

A full copy of the agenda material and attached reports can be found in the Board agenda archive for the December 2001 Benefits and Program Administration Committee on the CalPERS web site by accessing the following address
<http://www.calpers.ca.gov/whatshap/calendar/board/boardarchive.htm>

The second and final reading of this agenda item will be held at the Benefits and Program Administration Committee meeting on February 20, 2002 in Sacramento. We urge all interested parties to make their comments or concerns known to CalPERS staff by contacting Chief Actuary, Ron Seeling, at 916-795-4177 or Division Chief, Ken Marzion at 916-795-3500. We also welcome interested parties to voice their comments on this proposal either by attending the February committee meeting on February 20 or the full Board meeting the next day February 21, 2002.



Kenneth W. Marzion
Chief, Actuarial and Employer Services Division

APPENDIX A-1

LIST OF MISCELLANEOUS POOLS

Pool Number	Retirement Formula	FAC	PRSA
Pool 1	2% at age 60	3 Years	0%
Pool 2	2% at age 60	3 Years	25%
Pool 3	2% at age 60	3 Years	50%
Pool 4	2% at age 60	1 Year	0%
Pool 5	2% at age 60	1 Year	25%
Pool 6	2% at age 60	1 Year	50%
Pool 7	2% at age 55	3 Years	0%
Pool 8	2% at age 55	3 Years	25%
Pool 9	2% at age 55	3 Years	50%
Pool 10	2% at age 55	1 Year	0%
Pool 11	2% at age 55	1 Year	25%
Pool 12	2% at age 55	1 Year	50%
Pool 13	2.5% at age 55	3 Years	0%
Pool 14	2.5% at age 55	3 Years	25%
Pool 15	2.5% at age 55	3 Years	50%
Pool 16	2.5% at age 55	1 Year	0%
Pool 17	2.5% at age 55	1 Year	25%
Pool 18	2.5% at age 55	1 Year	50%
Pool 19	2.7% at age 55	3 Years	0%
Pool 20	2.7% at age 55	3 Years	25%
Pool 21	2.7% at age 55	3 Years	50%
Pool 22	2.7% at age 55	1 Year	0%
Pool 23	2.7% at age 55	1 Year	25%
Pool 24	2.7% at age 55	1 Year	50%
Pool 25	3% at age 60	3 Years	0%
Pool 26	3% at age 60	3 Years	25%
Pool 27	3% at age 60	3 Years	50%
Pool 28	3% at age 60	1 Year	0%
Pool 29	3% at age 60	1 Year	25%
Pool 30	3% at age 60	1 Year	50%

APPENDIX A-2

LIST OF SAFETY POOLS

Pool Number	Retirement Formula	FAC	PRSA
Pool 1	2% at age 55	3 Years	0%
Pool 2	2% at age 55	3 Years	50%
Pool 3	2% at age 55	1 Year	0%
Pool 4	2% at age 55	1 Year	50%
Pool 5	2% at age 50	3 Years	0%
Pool 6	2% at age 50	3 Years	50%
Pool 7	2% at age 50	1 Year	0%
Pool 8	2% at age 50	1 Year	50%
Pool 9	3% at age 55	3 Years	0%
Pool 10	3% at age 55	3 Years	50%
Pool 11	3% at age 55	1 Year	0%
Pool 12	3% at age 55	1 Year	50%
Pool 13	3% at age 50	3 Years	0%
Pool 14	3% at age 50	3 Years	50%
Pool 15	3% at age 50	1 Year	0%
Pool 16	3% at age 50	1 Year	50%