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Date: June 9, 2009  
Reference No.:  
Circular Letter No.: 200-032-09  
Distribution: V, VI  
Special:

# **Circular Letter**

**TO: ALL CONTRACTING PUBLIC AGENCIES**

**SUBJECT: PUBLIC NOTICE OF FUTURE ANNUAL COSTS OF PROPOSED BENEFIT CHANGES; ACTUARY REQUIRED TO PROVIDE STATEMENT OF ACTUARIAL IMPACT ON FUTURE ANNUAL COSTS FOR RETIREMENT AND OTHER POST EMPLOYMENT BENEFITS (OPEB)**

This Circular Letter describes the public notice requirements prior to making changes to employee benefits as specified in Government Code section 7507 and highlights recent changes made by Senate Bill 1123 (Stats. 2008, Ch. 371). Among the changes that took effect January 1, 2009, are the following:

- Requirement that an actuary be present at the public meeting to provide information.
- Requirement that a local public agency's chief executive officer acknowledge in writing that he or she understands the current and future cost of the retirement benefit or OPEB as determined by the actuary.
- Requirement that adoption of any retirement or OPEB benefit not be placed on the consent calendar.
- Requirement to use an actuary and the new definition of "future annual costs" as to any proposed change in retirement benefits or in OPEB.
- Expansion of the definition of the term "future annual costs" to include "normal cost and any change in accrued liability".

If your agency is considering changes in retirement plan benefits or OPEB, be aware that before adopting benefit changes for your employees, you must secure the services of an actuary to prepare and provide a statement of the actuarial impact of the changes upon future annual costs to your agency. The actuary need not be a CalPERS actuary. The actuary's statement of costs must be made public at a public meeting at least two weeks before adoption of benefit changes.

If future costs of the proposed changes will exceed 1/2 of 1% of the future annual costs of existing benefits, then an actuary must be present in person or available by phone or other means at the public meeting in which the adoption of the change will be

considered in order to provide information about the costs of changes. It is the responsibility of the employer to determine which format of presence is permissible. Proposed benefit changes must appear on your agency's meeting agenda as an item to be separately considered by your agency's governing body and not as an item on the consent calendar.

If a benefit change requires amendment to your CalPERS contract, then CalPERS will require that your agency certify compliance with Government Code section 7507. In addition to the certification, you must also submit the written acknowledgement signed by your agency's chief executive officer acknowledging that he or she understands the current and future costs of the changes in retirement benefits.

CalPERS will provide information and detailed instructions to guide you through the contract amendment process. If you have any questions, please feel free to contact the CalPERS Employer Contact Center at **888 CalPERS** (or **888-225-7377**).

Lori Mc Gartland, Chief  
Employer Services Division