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Circular Letter

TO: STATE AGENCIES, STATE AGRICULTURAL DISTRICTS (NON-CENTRAL STATE AGENCIES), AND CALIFORNIA EXPOSITION AND STATE FAIR

SUBJECT: NEW RETIREMENT BENEFIT FORMULAS AND CONTRIBUTION RATES FOR STATE EMPLOYEES

Recently, new legislation and labor contracts provide retirement contribution increases for employees in certain bargaining units, and changes to the retirement benefits and final compensation period for new employees who have no prior State employment.

The purpose of this Circular Letter is to emphasize the importance of correctly reporting your employees. When doing so, it is now essential to pay particular attention to the date the employee was first hired by the State and their bargaining unit or affiliation to ensure contributions paid into this System are correct. Failure to properly report your employees impacts the timeliness and accuracy of benefits paid and could result in a financial hardship for your employees when errors are ultimately discovered and corrected as required by law.

CalPERS On-Line contains a chart outlining which account code and/or coverage group to use to help you correctly report your employees. Key changes are provided below to illustrate the complexity and variation in effective dates, member retirement contribution rates, and final compensation periods.

- Effective September 1, 2010, employees in units 12, 16, 18, and 19 are subject to a 5% member retirement contribution rate increase. New employees hired on or after September 1, 2010, in these units are subject to a new retirement benefit formula whose final compensation is based on the highest average salary during a 3-year period.
- Effective November 2, 2010, all employees in units 1, 3, 4, 11, 14, 15, 17, 20, and 21 are subject to a 3% member retirement contribution rate increase. New employees hired on or after January 15, 2011, in these units will be subject to a new retirement benefit formula with a final compensation based on the highest average salary during a 3-year period.
- Employees in bargaining units 2, 6, 7, 9, 10, and 13 have not signed new agreements and therefore their retirement contribution rates remain the same. New employees first hired by the State on or after January 15, 2011, in these bargaining units are subject to

new retirement benefit formulas. The final compensation in this formula is based on the highest average salary during a 3-year period.

Information for agencies with bargaining unit 5 or 8 employees:

- Effective September 1, 2010, patrol members in unit 5 are subject to a 2% member retirement contribution rate increase (8% in excess of \$863 plus a redirect of 2% retiree health prefunding contribution to retirement). Excluded patrol members affiliated with unit 5 are subject to a member contribution rate of 8% in excess of \$863, plus a 2% retiree health prefunding contribution. All new patrol, cadet, and excluded employees first hired on or after October 31, 2010, are subject to the new retirement benefit formulas with a final compensation based on the highest average salary during a 3-year period.
- Effective September 1, 2010, miscellaneous, industrial, and Alternate Retirement Program (ARP) employees in unit 8 are subject to a 5% member retirement contribution rate increase. Effective November 2, 2010, excluded employees affiliated with unit 8 miscellaneous, industrial, and ARP employees are subject to a 5% member retirement contribution rate increase. All new employees hired on or after October 31, 2010, are subject to a new retirement benefit formula with a final compensation based on the highest average salary during a 3-year period.
- Effective October 1, 2010, unit 8 peace officer/firefighter (PO/FF) employees are subject to a 4% member retirement contribution rate increase. Effective November 2, 2010, excluded employees affiliated with unit 8 PO/FF employees are subject to a 4% member retirement contribution rate increase. All new employees hired on or after October 31, 2010, are subject to a new retirement benefit formula with a final compensation based on the highest average salary during a 3-year period.
- Effective November 2, 2010, excluded and exempt employees, except those affiliated with bargaining units 5 and 8, are subject to a 3% member retirement contribution rate increase. New employees hired on or after January 15, 2011, in these excluded groups will be subject to a new retirement benefit formula with a final compensation based on the highest average salary during a 3-year period.

Any questions about bargaining unit agreements should be directed to the Department of Personnel Administration (DPA). Additional information can be found on their website www.dpa.ca.gov under Personnel Policies, 2010 PML's and on the State Controller's Office's website www.sco.ca.gov under Pay Letters 2010.

If you have any questions about proper reporting to CalPERS, please call our Employer Contact Center at **888 CalPERS** (or **888-225-7377**).

Lori McGartland, Chief
Employer Services Division

Enclosure:
[Account Code Charts](#) (PDF, 225 KB)