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Special:

# Circular Letter

TO: STATE AGENCIES, AGRICULTURAL DISTRICTS, PUBLIC AGENCIES,  
STATE COLLEGES & UNIVERSITIES, COUNTY SUPERINTENDENTS  
OF SCHOOLS AND INDIVIDUAL SCHOOL DISTRICTS

SUBJECT: PAYROLL REPORTING PROJECT

This circular letter is intended to provide you with information regarding the current status of the new contribution reporting system at the California Public Employees' Retirement System (CalPERS). As many of you are aware over a year ago we embarked upon this major effort. We traveled around the State providing educational forums and advising employers that changes in payroll reporting would be required by July 2004. Regretfully, we must report that this project has experienced a real setback.

CalPERS terminated its contract with Tier Technologies Inc. (Tier) because of vendor default. After we attempted to mediate the dispute, Tier sued CalPERS on November 7, 2003. CalPERS will defend the suit vigorously and presently intends to file counterclaims for our damages caused by Tier's default.

While many customer service initiatives at CalPERS have been successfully completed and many others are on track, we are very disappointed in the significant delay in our commitment to deliver this particular payroll reporting customer service initiative. We remain committed to the project. When we know the exact timing of scheduling, you will be provided with ample notification to ensure that you can budget and plan accordingly. We apologize for any inconvenience this may have caused for your agency.

If you have any questions regarding this information, please contact the Employer Contact Center at **888 CalPERS** (or **888-225-7377**).

Kenneth W. Marzion, Chief  
Actuarial and Employer Service Division