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TO: STATE AGENCIES, AGRICULTURAL DISTRICTS, STATE COLLEGES AND UNIVERSITIES

SUBJECT: BENEFIT EQUITY ENHANCEMENTS SUMMARY

This is to summarize the benefit equity enhancements that will become effective on January 1, 2000 due to recent legislation. These benefit equities will apply to California State University, University of California, State of California Executive Branch, Judicial Branch and Legislative Branch employees who participate in the California Public Employees' Retirement System (CalPERS).

The following apply to all of the above employees:

Employees who do not have social security coverage but are covered by the 1959 Survivor Benefit will now have the 5th Level 1959 Survivor Benefit. Please see the brief summary of this benefit. The member contribution for this will remain at \$2.00 a month.

Employees who retired prior to January 1, 1998 will receive a special ad hoc increase that will be effective on January 1, 2000. This payment will be received on the April 1, 2000 warrant retroactive to January 1, 2000. Please see the percentage of the increase.

Persons who reinstate from retirement will have to be credited with one year of service credit after their reinstatement in order for their retirement benefits to be recalculated with the increased benefit factors.

See the break down of benefits applicable to specific groups identified by the current formula.

The State Controller's Office will be doing all necessary transactions (505) to place each active employee in the correct coverage shortly after January 1, 2000. No transactions are necessary for California State University miscellaneous members.

Legislative employers will be contacted with information on how to report their payroll effective with the January 2000 pay period.

No changes are necessary for the University of California employers.

For more information on this legislation, please see the CalPERS Web site at www.calpers.ca.gov.

Kenneth W. Marzion, Chief
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CALIFORNIA STATE UNIVERSITY AND UNIVERSITY OF CALIFORNIA MEMBERS

Please note that California State University Peace Officer Fire Fighters must be in active state employment on January 1, 2000 in order to receive the enhanced benefits. If a member wants to retire with the new benefit his/her retirement date may not be prior to January 2, 2000.

California State University, University of California (State Miscellaneous 2% at age 60 Members)

Persons who retire January 1, 2000 or after will have benefits based on the new State Miscellaneous 2% at age 55 formula. (Please see the benefit factors for the State Miscellaneous 2% at age 55 formula.) All previous California State University and University of California service will be under the new formula for both active and inactive members.

California State University (State Safety 2% at age 55 Members)

Persons who retire January 1, 2000 or after will receive the new State Safety 2.5% at age 55 formula. (Please see the benefit factors for the State Safety 2.5% at age 55 formula.) All previous service will be under the new formula for inactive members.

The California State University does not currently have any employee reported to CalPERS under the State Safety account codes. However the new benefit factors will apply to former State Safety members who separated from your employment prior to 1-1-86.

The final compensation cap will remain at 80%.

California State University (State Peace Officer Fire Fighter (POFF) 2.5% at age 55 Members)

Persons who are active on January 1, 2000 or after will receive the new State POFF 3% at age 55 formula. (Please see the benefit factors for the State POFF 3% at age 55 formula.) All previous state POFF service will be moved to the new formula for employees who are in employment on or after January 1, 2000.

The final compensation cap has been raised to 90% for employees who retire on or after January 1, 2000.

EXECUTIVE BRANCH BENEFITS

Executive Branch employees are state civil service employees. Please note that for the executive branch of government a member must be in active state employment on or after January 1, 2000 in order to receive the enhanced benefits. If a member wants to retire with the new benefit his or her retirement date may not be prior to January 2, 2000.

State Miscellaneous/Industrial (First-Tier 2% at age 60 Members)

Any state miscellaneous/industrial (SM/I) first-tier member who is in state employment on January 1, 2000 or after will receive the new SM/I 2% at age 55 formula. (Please see the benefit factors for the State Miscellaneous/Industrial 2% at age 55 formula.) All previous state miscellaneous/industrial service will be moved to the new formula for members who are active on or after January 1, 2000.

All new miscellaneous/industrial employees hired on or after January 1, 2000 who qualify for CalPERS membership will be appointed to the new SM/I 2% at age 55 formula. Second-tier employees who have been separated for over 90 days and are re-employed will also be subject to the new formula. These employees will be given the right to elect within 180 days of their membership to participate in the SM/I Second-Tier 1.25% at age 65 formula for prospective (i.e. future) service only.

An election for the SM/I 1.25% at age 65 formula will be effective the first of the month after which CalPERS receives the election. CalPERS will not refund any first-tier contributions to an employee who elects to participate in the SM/I Second-Tier 1.25% at age 65 formula.

State Miscellaneous/Industrial (Second-Tier 1.25% at age 65 Members)

State second-tier members who are in active state employment on or after January 1, 2000 will be eligible to elect to participate in the new State Miscellaneous/Industrial (SM/I) 2% at age 55 formula. The member may elect to participate in the SM/I 2% at age 55 formula for all future service or for all past and future service. A member may elect the SM/I 2% at age 55 formula for future service now and at a later date may elect the SM/I 2% at age 55 formula for past service. Either of these elections may be made at any time while the employee is still in state employment and prior to retiring from CalPERS.

State employees who are currently in some other membership classification, such as State Safety, and have previous service credited under the SM/I Second-Tier will also be eligible to elect to have their Second-Tier service credited under the new SM/I 2% at age 55 formula.

Persons who elect the SM/I 2% at age 55 formula for all second-tier service will have to pay the amount of contributions they would have paid if they had been in this formula plus any interest (currently 6%) these contributions would have earned. Payment for this service can be by lump sum or by payroll deductions and may be tax deferred. Another method of repayment is a lifetime reduction in retirement benefits, actuarially reduced to cover buyback costs.

Second-Tier members who return to state employment after a break of over 90 days will

be appointed to the new SM/I 2% at age 55 formula. These employees will be given the right to elect within 180 days of their return to participate in the SM/I Second-Tier 1.25% at age 65 formula for prospective service only.

An election for the SM/I 1.25% at age 65 formula will be effective the first of the month after which CalPERS receives the election. CalPERS will not refund any first-tier contributions to an employee who elects to participate in the SM/I Second-Tier 1.25% at age 65 formula.

CalPERS will be sending first tier election packages to each active second tier member in December 1999. This package will include the cost to have their past second tier service converted to the new SM/I 2% at age 55 formula.

State Miscellaneous/Industrial (Modified First-Tier 2% at age 60 Members)

Modified First-Tier (MFT) members who are in employment on or after January 1, 2000 will be automatically converted to the new State Miscellaneous/Industrial (SM/I) 2% at age 55 formula. (Please see the benefit factors for the State Miscellaneous/Industrial 2% at age 55 formula.) Active members will have all of their past MFT service transferred to the new SM/I 2% at age 55 formula.

Inactive members will have their past MFT service transferred to the SM/I 2% at age 60 formula. If they reenter state employment in any category at some time in the future this service will be transferred to the new SM/I 2% at age 55 formula.

State Safety (2% at age 55 Members)

Any state safety member who is in employment on or after January 1, 2000 will receive the new State Safety 2.5% at age 55 formula. (Please see the benefit factors for the State Safety 2.5% at age 55 formula). All previous state safety service will be moved to the new formula for employees who are in employment on or after January 1, 2000.

The final compensation cap will remain at 80% for service under this formula.

State Peace Officer Fire Fighter (2.5% at age 55 Members)

Any state Peace Officer Fire Fighter (POFF) member who is in employment on or after January 1, 2000 will receive the new State POFF 3% at age 55 formula. (Please see the benefit factors for the State POFF 3% at age 55 formula.) All previous state POFF service will be moved to the new formula for employees who are in employment on or after January 1, 2000.

The final compensation cap has been raised to 90% for employees who retire on or after January 1, 2000.

State Patrol (2% at age 50 Members)

Any state Patrol member who is in employment on or after January 1, 2000 will receive the new State Patrol 3% at age 50 formula. (Please see the benefit factors for the State Patrol 3% at age 50 formula.) All previous state patrol service will be moved to the new

formula for employees who are in employment on or after January 1, 2000.

The final compensation cap has been raised to 90% for service under the new formula for employees who retire on or after January 1, 2000.

JUDICIAL BRANCH BENEFITS

State Miscellaneous (First-Tier 2% at age 60 Members)

Any state miscellaneous first-tier judicial branch member who retires on January 1, 2000 or after will receive the new State Miscellaneous 2% at age 55 formula. (Please see the benefit factors for the State Miscellaneous 2% at age 55 formula.) All previous state miscellaneous judicial branch first-tier service will be under the new formula for both active and inactive members.

State Miscellaneous (Second-Tier 1.25% at age 65 Members)

State second-tier members who are in active state employment on or after January 1, 2000 will be eligible to elect to participate in the new State Miscellaneous 2% at age 55 formula. The member may elect to participate in the State Miscellaneous 2% at age 55 formula for all future service or for all past and future service. A member may elect the State Miscellaneous 2% at age 55 formula for future service now and at a later date may elect the State Miscellaneous 2% at age 55 formula for past service. Either of these elections may be made at any time while the employee is still in state employment and prior to retiring from CalPERS.

Persons who elect the State Miscellaneous 2% at age 55 formula for all past and future service will have to pay the amount of contributions they would have paid if they had been in this formula plus any interest (currently 6%) these contributions would have earned. Payment for this service can be by lump sum payment or by payroll deductions and may be tax deferred. Another method of repayment is a lifetime reduction in retirement benefits, actuarially reduced to cover buyback costs.

State employees who are currently in some other membership classification, such as State Safety, and have previous service credited under the Second-Tier will also be eligible to elect to have their Second-Tier service credited under the new State Miscellaneous 2% at age 55 formula.

Second-Tier members who return to state employment after a break of over 90 days will be appointed to the new State Miscellaneous 2% at age 55 formula. These employees will be given the right to elect within 180 days of their return to participate in the SM/I Second-Tier 1.25% at age 65 formula for prospective service only.

An election for the SM/I 1.25% at age 65 formula will be effective the first of the month after which CalPERS receives the election. CalPERS will not refund any first-tier contributions to an employee who elects to participate in the Second-Tier 1.25% at age 65 formula.

CalPERS will be sending first tier election packages to each active second tier member in December 1999. This package will include the cost to have their past second tier service

converted to the new SM/I 2% at age 55 formula.

State Peace Officer Fire Fighter (2.5% at age 55 Members)

Any State Peace Officer Fire Fighter (POFF) member who retires on or after January 1, 2000 will receive the new State POFF 3% at age 55 formula. (Please see the benefit factors for the State POFF 3% at age 55 formula.) All previous state POFF service will be moved to the new formula for both active and inactive employees.

The final compensation cap has been raised to 90% for employees retire on or after January 1, 2000.

LEGISLATIVE BRANCH BENEFITS

State Miscellaneous (First-Tier 2% at age 60 Members)

Any state miscellaneous first-tier legislative branch member who retires on January 1, 2000 or after will receive the new State Miscellaneous 2% at age 55 formula. (Please see the benefit factors for the State Miscellaneous 2% at age 55 formula.) All previous state miscellaneous legislative branch first-tier service will be moved to the new formula for both active and inactive members who retire on January 1, 2000 or after.

New Peace Officer Fire Fighter Members

The Sergeant at Arms position was reclassified to the Peace Officer Fire Fighter (POFF) formula effective January 1, 2000. (Please see the benefit factors for the State POFF 3% at age 55 formula.) Eligible employees should be reported to CalPERS under the new 3% at age 55 formula effective January 1, 2000. Employees who are in this position effective January 1, 2000 will be reclassified to the new formula but will have the right to elect to be covered under the new State Miscellaneous 2% at age 55 formula. This election must be made within 90 days of notice to the member. Employees who do not elect to return to the state miscellaneous formula will have all of their past qualifying service reclassified to the new POFF 3% at age 55 formula.

SUMMARY OF 1959 SURVIVOR BENEFITS

Fifth Level 1959 Survivor Benefit

The 1959 Survivor Benefit is a death benefit provided to the survivors of state employees who are not covered by Social Security and who die prior to retirement. The eligibility age for a surviving spouse has been changed from age 62 to age 60. The death benefit has been improved to provide the following schedule of monthly allowances:

1. \$1,800 to a surviving eligible spouse who has care of two or more eligible children, or three or more eligible children not in the care of the spouse.
2. \$1,500 to a surviving eligible spouse who has care of one eligible child, or two eligible children not in the care of the spouse.
3. \$750 to one eligible child not in the care of the spouse; or the surviving eligible spouse, who had no eligible children at the time of the employee's death, upon reaching age 60.

These amounts may differ if all children are not in the care of the surviving eligible spouse.

AD HOC RETIREMENT INCREASE

If employees retired from CalPERS within these dates they will receive a special ad hoc increase to their retirement warrant based on their state service. This increase is effective on January 1, 2000.

| Retirement Date | % of Increase |
|--------------------|---------------|
| 12-31-74 or prior | 6% |
| 1-1-75 to 12-31-84 | 5% |
| 1-1-85 to 12-31-89 | 4% |
| 1-1-90 to 12-31-94 | 3% |
| 1-1-95 to 12-31-96 | 2% |
| 1-1-97 to 12-31-97 | 1% |

Since the law becomes effective January 1, 2000, the earliest payment would be included in the February 1, 2000 warrant. However, no payments will be made until the April 1, 2000 warrant. The payment will be retroactive to the January effective date.

BENEFIT FACTORS FOR STATE EMPLOYEES

| Benefit Equity Benefit Factors | | | | |
|--------------------------------|--|---|---------------------------------------|---|
| Age | Miscellaneous Industrial 2% at age 55 Formula | State Safety 2.5% at age 55 Formula | State POFF 3% at age 55 Formula | State Patrol 3% at age 50 Formula |
| 50 | 1.100% | 1.700% | 2.400% | 3.000% |
| 51 | 1.280% | 1.800% | 2.520% | 3.000% |
| 52 | 1.460% | 1.900% | 2.640% | 3.000% |
| 53 | 1.640% | 2.000% | 2.760% | 3.000% |
| 54 | 1.820% | 2.250% | 2.880% | 3.000% |

Benefit Equity Benefit Factors

| Age | Miscellaneous Industrial 2% at age 55 Formula | State Safety 2.5% at age 55 Formula | State POFF 3% at age 55 Formula | State Patrol 3% at age 50 Formula |
|-------------|--|---|---------------------------------------|---|
| 55 | 2.000% | 2.500% | 3.000% | 3.000% |
| 56 | 2.064% | 2.500% | 3.000% | 3.000% |
| 57 | 2.126% | 2.500% | 3.000% | 3.000% |
| 58 | 2.188% | 2.500% | 3.000% | 3.000% |
| 59 | 2.250% | 2.500% | 3.000% | 3.000% |
| 60 | 2.314% | 2.500% | 3.000% | 3.000% |
| 61 | 2.376% | 2.500% | 3.000% | 3.000% |
| 62 | 2.438% | 2.500% | 3.000% | 3.000% |
| 63 and over | 2.500% | 2.500% | 3.000% | 3.000% |