The information provided in this publication is for your convenience and reference as a general guide only and cannot be relied upon as an authoritative source for the law, practices, or policies of CalPERS. While CalPERS tries to include only accurate, timely and complete information in its publications, summaries, guidelines and other advisory printed materials, sometimes information provided in printed materials may be or become inaccurate, untimely, incomplete, unclear or misleading. In all instances, the law then in effect, not this publication, controls the application of the Public Employees’ Retirement Law. It is the reader’s responsibility to independently verify the accuracy of the information contained in this publication before engaging in a course of action.
In order to contract for retirement benefits with CalPERS, an employer must be an agency or instrumentality of a State or a political subdivision of a State, under Internal Revenue Code (IRC) section 414(d), and meet the definition of a Public Agency as defined by the California Public Employees’ Retirement Law (PERL) which states:

Pursuant to Government Code (G.C.) section 20056, “Public agency” means any city, county, district, other local authority or public body of or within this state.

Retirement benefits can be provided for two general categories, miscellaneous and safety. Contracts vary depending upon the:
- member categories covered
- formula the agency elects to provide
- optional benefit provisions selected

These optional benefits may be provided at the time the original contract is established or they may be added later through the contract amendment process (see Amendments and Valuation Requests).

Public agencies may include various contract options in their retirement plan or plans. You may have a miscellaneous plan for employees, who are not in a hazardous occupation, and one or more safety plans for police, firefighters, peace officers, and other safety employees.

Statutes stipulate certain components be incorporated in the public agency plans; others are optional.

The agency must select whether to:
- Provide service credit for unused sick leave
- Permit employees to purchase various military or other forms of additional service credit
- Permit industrial disability retirement for miscellaneous members
- Offer the maximum cost of living adjustment

The agency must also determine the amount of the lump sum death benefit for retired members and the level of benefits to provide to survivors of employees not covered by Social Security.

Through myCalPERS (CalPERS’ computer application), your agency has immediate access to all of its current contract information.

**INITIATE NEW CONTRACT**

To initiate the contract process, you are required to complete the initial Applicant Questionnaire to assist CalPERS in the first of two phases of the application process (see Circular Letter 200-022-13. The information received will aid CalPERS in determining your agency’s eligibility under IRC section 414(d) and the Public Employees’ Retirement Law (PERL), to participate in the CalPERS retirement program.

Your agency must be a public agency as defined by California Public Employees’ Retirement Law (PERL). Defined public agencies include: city, county, town or special district. Refer to PERL Code Sections 20056 and 20057 for a complete description.

If you're unsure whether your agency meets the criteria, you should contact our Customer Contact Center at 888 CalPERS (or 888-225-7377).

Agencies that meet contracting requirements must initiate the contract process by contacting their Retirement Contract Analyst to request a new agency packet. The packet includes an Agency Questionnaire, Optional Benefits Listing, Summary of Major Provisions, and copies of applicable benefit booklets and publications.

Depending upon the complexity of your contract, the entire process can take 12 months to complete. If your agency chooses to pursue contracting with CalPERS, you must complete and provide timely Applicant Questionnaire responses, including supporting documentation, along with the Employer Certification (signed by the presiding officer of your governing body). CalPERS cannot continue processing the contract request until the Public Agency’s first phase of the application documents is completed.

The retirement contract process includes (but is not limited to):
- Confirmation/validation of questionnaire information
Public Agency Contract Information

- Determination of contract provisions and benefits
- An actuarial valuation
- Review of required documents
- Establishing contract effective date

As you near the end of the contracting process, a CalPERS Representative will contact you to schedule training.

If a unit of your agency has evolved into a separate entity independent from the CalPERS reporting employer, please contact our Customer Contact Center at 888 CalPERS (or 888-225-7377) for more information.

AMENDMENTS AND VALUATION REQUESTS

You may request a contract amendment, actuarial valuation or to terminate a contract using my|CalPERS. The required documents and associated contracts will be uploaded to the system to automatically begin the process.

You may also research in my|CalPERS the:
- contract change status
- current phase of the contract amendment process
- contract elements under review
- request for additional information
- approval of the contract amendment
- contract amendment activation date

For additional information visit the CalPERS Website at www.calpers.ca.gov or contact the CalPERS Customer Contact Center at 888 CalPERS (or 888-225-7377).

The Optional Benefits Listing (PERS-CON-40) contains all of the benefits your agency can contract for and is available on the CalPERS Website (www.calpers.ca.gov).

Additionally, you may request multiple valuations and confirm your intent to pay for the valuation using my|CalPERS. A notification will be sent electronically when the valuation is ready to view online. Please note that CalPERS must receive payment before the valuation request can be processed.

PUBLIC EMPLOYEES’ PENSION REFORM ACT OF 2013 (PEPRA)

Public employers will be prohibited from granting retroactive pension benefit enhancements that apply to service performed prior to the effective date of the retirement contract amendment (G.C. section 7522.44).

PEPRA G.C. section 7522.02 reduces benefit formulas and increases retirement age provisions and G.C. section 7522.15 creates new defined benefit formulas for all new miscellaneous (non-safety) and safety members on and after January 1, 2013.

NOTE: Please see the Membership chapter of this Guide for the definition of a new member under PEPRA.

For new safety members, G.C. section 7522.25 the law provides for three possible retirement formulas and requires that new safety members be provided with the new formula that is closest to the formula offered to classic members of the same classification, and provides a lower benefit at 55 years of age than the formula offered to classic members. The three new defined benefit formulas for new safety members include an early retirement age of 50 and a maximum benefit factor at age 57.

For all new miscellaneous members, G.C. section 7522.20 states that the new defined benefit formula is 2% at age 62, with an early retirement age of 52 and a maximum benefit formula of 2.5% at age 67.

The new formulas will be implemented in my|CalPERS and took effect on January 1, 2013. Effective December 31, 2012, legislatively mandated formulas and provisions were merged with your agency’s existing optional provisions, with some exceptions, to create the new benefit groups.

RESOLUTIONS

In my|CalPERS, you can upload and submit resolutions online. Sample resolutions are available on the CalPERS Website, such as Employer Paid Member Contributions or Tax Deferred Member Contributions. These on-line resolutions, located under Forms and Publications, are available for your downloading, completing, and obtaining your governing body’s retirement contracting approval. Once the signed resolutions are submitted electronically via my|CalPERS,
my|CalPERS will confirm receipt by displaying the status.

**RISK POOLING (G.C. SECTIONS 20840, 20841, 20842)**

Risk pooling is the process of combining assets and liabilities across employers to produce large risk sharing pools. Most CalPERS employers are in a “risk pool”. These risk pools help reduce or eliminate the large fluctuations in the employer’s contribution rate caused by unexpected demographic events.

The CalPERS Board is authorized to create risk pools for public agencies and mandate participation for all plans with less than 100 active members. Your agency will be assigned to risk pools based on your service retirement formula and member category. An agency may have more than one risk pool in its plan. G.C. section 20840(e) requires that each pool contain certain benefits; however, agencies can amend their contracts for optional benefits.

For additional information visit the CalPERS Website at [www.calpers.ca.gov](http://www.calpers.ca.gov) or contact the CalPERS Customer Contact Center at 888 CalPERS (or 888-225-7377).

**CONTRACT DETAILS**

Your agency’s retirement contract information may be accessed via my|CalPERS at any time. Access to my|CalPERS will be granted by your agency’s System Access Administrator.

To review your agency’s contract in my|CalPERS, select the Profile global navigation tab, then the Retirement Contract local navigation tab. The Business Partner Retirement Contract Report will include:

- member categories
- benefit formulas
- final compensation
- cost of living adjustments
- employer and employee contribution rates
- whether in a risk pool
- resolutions on file

**EMPLOYEE COST SHARING**

G.C. section 20516 (Employees Sharing Additional Cost) permits employees to share a portion of their employer’s pension cost. There are two methods: Amendment Method and Memorandum of Understanding (outside CalPERS).

**AMENDMENT METHOD:**

The employer and employees have agreed in writing to share additional cost. The agreement must be reviewed and approved by CalPERS before any agency may proceed with the amendment.

The increased member contributions will be credited to each member’s account as normal contributions and will be refundable to members who separate from CalPERS covered employment and elect to withdraw their contributions.

If an employer adopts an IRC section 414(h)(2) resolution, the members contributions (including the cost sharing portion) are tax deferred.

**MEMORANDUM OF UNDERSTANDING (OUTSIDE CALPERS):**

G.C. section 20516 (f) also permits an employer to make an independent agreement with its employees to share the employer cost without requiring an amendment to the contract. If an employer chooses this method, the increased member contributions will NOT be credited to each member’s account and will NOT be refundable to members who separated from CalPERS covered employment and elect to withdraw their contributions. Any such agreement in a memorandum of understanding shall not be a part of the contract between the employer and CalPERS. The Contracts staff has been instructed to advise employers to check with the IRS about the tax consequences in this method of cost sharing.

**NOTE:**

Any questions regarding establishing a contract or requesting an amendment should be directed to the CalPERS Customer Contact Center at 888 CalPERS (or 888-225-7377) or visit the CalPERS Website at [www.calpers.ca.gov](http://www.calpers.ca.gov)
COUNTY SCHOOL COVERAGE

The County Superintendents of Schools were mandated into the California Public Employees’ Retirement System (CalPERS), effective July 1, 1949, by the State (G.C. section 20063) to provide for classified positions. Retirement coverage of CalPERS school members is uniform throughout the State with the exception of those County Superintendents of Schools who have contracted for Two Years Additional Service Credit (G.C. section 20904; see Optional Contract Provisions for County Schools).

The following provisions are mandated benefits provided to school members (classified) by legislation:

**Military Service Credit (G.C. Section 20997)**
If a member was granted a military leave of absence under G.C. section 20990, entered the military within 90 days of leaving the agency and returned within 6 months of his/her discharge, the agency will pay all the contributions for the absence.

**1959 Survivor Benefits (G.C. Section 21574.7)**
Members covered by the 1959 Survivor Benefit are not covered by Social Security. This benefit consists of a monthly allowance payable to eligible family members if the member’s death occurs during employment.

**Sick Leave Credit (G.C. Section 20963)**
Pursuant to G.C. section 20963.5, G.C. section 20963 shall apply to school members who retire on or after January 1, 1999, and will receive additional service credit at the rate of 0.004 years for each day of unused sick leave.

**Sick Leave Credit - School Safety Members (G.C. Section 20963.5)**
Service credit for unused sick leave is not applicable to school safety members employed on July 1, 1980, and who retired prior to January 1, 1999. Credit for unused sick leave may apply to school safety members who retire after January 1, 1999. At retirement, each school safety member will receive 0.004 years of service credit for each day of unused sick leave.

**Retired Death Benefit (G.C. Section 21623)**
This section provides that the death benefit paid to beneficiaries of retired members will be $2,000.

**Post-Retirement Survivor Allowance (G.C. Sections 21629 and 21630)**
The Post-Retirement Survivor Allowance benefit provides that upon the death of a member after retirement for service or disability, an allowance shall be continued to the surviving spouse/domestic partner.

For service retirement, the surviving spouse/domestic partner must be married/registered to the member for one year prior to the member’s retirement and be married continuously to the date of the retired member’s death.

For disability retirement, there is no marriage vesting requirement. The surviving spouse/domestic partner who was married/registered to the member on the date of their retirement and continuously to the date of the member’s death is entitled to this benefit.

Natural or adopted unmarried children under age 18 are eligible if the member has no eligible spouse. The children will receive this monthly benefit until their marriage or age 18. An unmarried child who was disabled prior to age 18 and whose disability has continued, without interruption, will receive this benefit until the disability ends or until their marriage. Qualifying dependent parents are eligible if the member has no eligible spouse or eligible children.

**Final Compensation (G.C. Section 20035.5)**
Final Compensation is the highest annual compensation earned by the school member during a consecutive 12-month period of employment immediately preceding the effective date of their retirement or any other highest paid consecutive 12-month period of CalPERS covered employment.

NOTE:
The Public Employees’ Pension Reform Act of 2013 (PEPRA) that took effect on January 1, 2013 implemented a 3-year final compensation period for school employees that meet the definition of a new member under PEPRA.
REDUCED WORKTIME PROGRAM  
(G.C. SECTION 20905)
A full-time school member may reduce their work 
schedule to part-time employment and for that 
period of part-time employment, receive the credit 
he or she would have received if he or she was 
employed on a full-time basis.

The school member’s retirement allowance, as 
well as any other benefits he or she is entitled to, 
will be based upon the full-time salary as long as 
both the employer and the school member make 
contributions to the retirement fund that would 
have been contributed if the member was 
employed on a full-time basis for that period of 
part-time employment. See the program 
requirements in the Payroll Reporting chapter.
The following provisions are optional benefits that county schools may contract for:

OPTIONAL MEMBERSHIP FOR PART-TIME EMPLOYEES (G.C. SECTION 20325)

Regular part-time employees who are excluded from CalPERS membership because they work less than an average of 20 hours per week (pursuant to G.C. section 20305) may individually elect to become members if a County Superintendent of Schools, a school district, or a community college district adopts a resolution and transmits it through the County Superintendent of Schools to the CalPERS Board. The resolution will not be effective until received by CalPERS. A sample resolution may be obtained from CalPERS upon request.

Compulsory Social Security coverage will result for regular part-time employees regardless of whether they elect to join CalPERS.

Individuals who elect membership will have the same contribution rate as other employees in the same member classification. Individuals may exercise their membership election rights anytime while in employment. Individuals who become members may purchase previously excluded part-time service.

Employer Cost: School districts subject to this benefit must pay Social Security contributions for their part-time employees in addition to CalPERS contributions (if the member elects to join CalPERS).

Member Cost: The employee contribution rate will be at least 50% of the normal cost. Members subject to a safety formula other than the 2% @ 57, 2.5% @ 57, or 2.7% @ 57 formula, will have the right to elect to remain subject to the miscellaneous formula should they determine that the reclassification will be to their disadvantage.

SCHOOL POLICE AS “SCHOOL SAFETY MEMBERS” (G.C. SECTION 20444)

A school district or community college district which has a police department, pursuant to Education Code Section 39670 or 72330, may enter into a contract with CalPERS to reclassify those employees whose principal duties consist of active law enforcement as a “school safety member.” G.C. section 7522.44(b) (Prohibition on Retroactive Benefits Increases) only allows a change to a member’s retirement membership classification to be handled prospectively. Therefore, the reclassification of active school police to become safety members is prospective only.

Adoption of this provision will require the district to join a risk pool as a contracting agency with a higher safety benefit formula factor than the schedule for the miscellaneous formula.

Districts may also provide any of the optional benefits listed which are available to “local safety members.”

To initiate the process to enter into a contract, refer to the Contract Amendment Procedures (PERS-CON-41) available on the CalPERS Website.

Employer Cost: Valuation required.

Member Cost: The employee contribution rate will be at least 50% of the normal cost. Members subject to a safety formula other than the 2% @ 57, 2.5% @ 57, or 2.7% @ 57 formula, will have the right to elect to remain subject to the miscellaneous formula should they determine that the reclassification will be to their disadvantage.

TWO YEARS ADDITIONAL SERVICE CREDIT, A.K.A. GOLDEN HANDSHAKE (G.C. SECTION 20904)

The County Superintendent of Schools may amend its contract to grant up to two years additional service credit to school members if the following conditions exist:

- The member is employed in a job classification or other organizational unit designated by the County Superintendent of Schools and retires within the period designated by the County Superintendent of Schools. (This benefit cannot be provided on the basis of employee organization or non-represented groups.) The designated period must be subsequent to the amendment date and cannot be less than 90 days nor more than 180 days in length.

- The County Superintendent of Schools must transmit an amount to the Retirement Fund that is the actuarial equivalent of the difference between the allowance the member would receive under this section and the allowance the member would receive without this section.
The County Superintendent of Schools must certify that the retirements under this section will either: (1) result in a net savings to the district or County Superintendent of schools, or (2) result in an overall reduction in the workforce of the organizational unit because of impending mandatory transfers, demotions, and layoffs that constitute at least one percent of the designated job classification, resulting from the curtailment of, or change in the manner of performing its services.

In order to be eligible to receive this service credit, the employees must already have at least five years of service credit. Because the member must be in employment status with the County Superintendent of Schools (office or their school district) during the designated period, the retirement date cannot be the first day of the designated period. A member cannot receive credit under this section if he/she receives any unemployment insurance payments during the designated period. If the retired member subsequently re-enters membership, the additional service credit is forfeited.

Employer Cost: This amendment does not affect the employer contribution rate since the cost of the benefit is payable in lump sum or by installments. The cost of the benefit will be calculated after the expiration of the designated period and after the additional service credit has been credited to all eligible members.

If paying by installments, payment in-full must be made within 30 days of the billing date to avoid interest charges. Otherwise, semi-annual installment payments including interest charges can be scheduled for up to five years from the billing date.

Member Cost: None.

**Cost Estimate Factors Two Years Additional Service Credit, A.K.A. Golden Handshake**

The following chart may be used to estimate the cost of providing the two years additional service credit benefit. Multiply the total annual pay rate for each person by the corresponding factor (always use the full-time pay rate). The result is the approximate cost of the benefit.

<table>
<thead>
<tr>
<th>School Members (2% @ 55 Formula)</th>
<th>Ages</th>
<th>Factor</th>
</tr>
</thead>
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<tr>
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<td>0.60</td>
</tr>
<tr>
<td></td>
<td>65–69</td>
<td>0.56</td>
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</tbody>
</table>

**Amendment Procedures for G.C. 20904**

The procedures for contracting for G.C. section 20904 are as follows:

1. The County Superintendent of Schools must request to amend its CalPERS contract to provide G.C. section 20904. Individual districts must work in conjunction with the County Superintendent’s Office to ensure that correct information is provided to CalPERS.

2. G.C. section 7507 requires that cost implications incurred by an increase in retirement benefits must be made public at a public meeting at least two weeks prior to the adoption of the final resolution.

3. In addition to providing a Certification of Publication of Costs, the County Superintendent will be required to:
   - Certify that because of an impending curtailment of, or change in the manner of performing service, the best interests of the County Superintendent of Schools would be served by granting such additional service credit.
   - Certify that it is the intention at the time G.C. section 20904 becomes operative that the retirements under this section will either: (1) result in a net savings to the district or County Superintendent of Schools, or (2) result in an overall reduction in the workforce of the organizational unit because of impending mandatory transfers, demotions, and layoffs that constitute at least one percent of the designated job classification, resulting from the curtailment of, or change in the manner of performing its services.

4. The Government Code provides that the final documents, which actually amend the agency’s contract, cannot be adopted by the governing body earlier than 20 days following the adoption of the Resolution of Intention documents. Upon receipt of the properly
adopted Resolution of Intention with the required certifications, CalPERS will upload or mail the final documents and instructions.

5. After the contract has been amended to include G.C. section 20904, the County Superintendent of Schools may contact CalPERS to request a Two Year Additional Service Credit packet to open a window period. You will be able to select the designated period and employee classifications within that school district. If the resolution does not identify a specific district and/or classifications, all employees who retire during the designated period will receive the additional service credit. Since CalPERS contracts with the County Superintendent of Schools and not the individual school districts, the resolutions must be adopted by the Office of the County Superintendent of Schools. Any number of designated periods may be established, but not overlap.

6. After the expiration of each designated period, the Office of the County Superintendent of Schools will be notified of the actual cost of the additional two years of service credit which was granted to the eligible members who retired during that period. Payment in full may be remitted within 30 days to avoid an interest charge; or semi-annual installment payments including interest charges can be scheduled for up to five years from the billing date.

$3,000, $4,000, OR $5,000 RETIRED DEATH BENEFIT (G.C. SECTION 21623.6)

The lump sum death benefit paid to beneficiaries of retired members will be $3,000, $4,000, or $5,000. This benefit would be applicable to deaths occurring after the effective date of the contract amendment. The actuarial valuation request must specify the selected benefit amount. The benefit must be applicable to all districts under the jurisdiction of the County Superintendent.

**Employer Cost:** Valuation required.
**Member Cost:** None.