



Board of Administration

Agenda Item 9c2

November 18, 2020

Item Name: State Legislative Proposal: Optional Membership – Enrollment Date

Program: Legislation

Item Type: Action

Recommendation

Sponsor legislation to specify that the membership enrollment date for optional members is the start date for the appointment, elective term, or position, as appropriate, if the membership election is received by the California Public Employees Retirement System (CalPERS) within 90 days of the start date. If the election is received after 90 days, the enrollment date would be the first day of the month in which the election is received by CalPERS.

Executive Summary

This proposal creates a clear statutory timeline for establishing the enrollment date for optional members, providing a 90-day window for the individual to decide and the employer to process a membership election. Current law does not provide deadlines for submission of this election, which has allowed consistent confusion with both employers and optional members. As a result, CalPERS team members have unnecessary workload addressing enrollment issues with optional members. The proposed bill language is included as Attachment 1.

Strategic Plan

This proposal supports the CalPERS Strategic Plan goal to reduce complexity across the enterprise while simplifying programs to improve service, streamline operations to gain efficiencies, improve productivity, and reduce costs.

Background

Current law provides optional membership in CalPERS for executive branch appointees who are exempt from civil service, legislative employees, and local elected officials for contracting agencies. CalPERS team members process approximately 50 optional membership elections per month with short-term increases in the months following the swearing in of newly elected local officials. These individuals must submit an election form to CalPERS to enroll as members. The law does not provide specified deadlines for filing this election. Prior to 2016, CalPERS determined that the enrollment date for optional members was either the date the election form

was signed or the date CalPERS received the election form. Both methods were challenged by employers and members. Since 2016, CalPERS has enrolled optional members on the date the election form is received and have required employers to enroll the member on that same day. Some employers have claimed that they do not have the administrative capacity to submit the election form and enroll the member on the same day. Due to this non-compliance, approximately one-third of optional membership elections require CalPERS team members to process adjustments to payroll or membership date, or both. When optional members are enrolled to membership after their start date, they are eligible to purchase service credit for their service prior to membership. The cost of these service credit purchases depends on the specific terms of the employer's contract with CalPERS, but, in general, the cost to the member is increased due to additional accrued interest.

CalPERS team members continue to work with employers on how to process optional membership elections to avoid discrepancies in payroll, contributions, and membership date for these individuals.

Current law requires CalPERS contracting agencies to enroll employees who are mandatory members within 90 days.

Analysis

This proposal would create a 90-day period for optional members and their employers to complete the election form and enroll the member. If the election form is received by CalPERS within that 90-day period, the member is enrolled to membership on their start date. If the election is received after this 90-day period, the membership date would be the first date of the month in which the election is received.

CalPERS team members would have clear statutory guidance to provide to employers, and employers would have reasonable flexibility to collect the membership election form and enroll the individual. As such, the proposal is intended to reduce workload associated with payroll and membership date corrections. In addition, optional members are more likely to be enrolled in CalPERS on the membership date they choose.

The proposal does not change any member's eligibility to purchase service credit for service prior to membership.

Budget and Fiscal Impacts

Savings

Expected reduction in workload to correct employer's payroll and contribution reporting, members' enrollment dates, or both. This workload includes direct contact and outreach to employers about needed corrections and sending notification letters.

Costs

CalPERS team members will need to update forms, publications, and reference guides. Also, a communication effort would be needed to inform employers of the new law and process.

Benefits and Risks

Benefits:

- Improves the accuracy that members are enrolled with the correct enrollment eligibility date.
- Reduces the number of appeals regarding the optional member enrollment eligibility date.
- Reduces the amount of service credit purchases for the time prior to the enrollment eligibility dates of optional membership.
- Reduces the amount of payroll corrections needed when adjusting the enrollment date.

Risks:

- Continued confusion and appeals related to optional membership elections, regardless of clear statutory guidance.

Attachments

Attachment 1 – Proposed Bill Language

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