



California Public Employees' Retirement System
P.O. Box 942709
Sacramento, CA 94229-2709
(888) CalPERS (or **888-225-7377**)
TTY: (877) 249-7442
www.calpers.ca.gov

Reference No.:
Circular Letter No.: 200-024-13
Distribution: VI, X
Special:

Circular Letter

May 28, 2013

TO: ALL PUBLIC AGENCIES AND CALIFORNIA STATE UNIVERSITIES

**SUBJECT: PUBLIC EMPLOYEES' PENSION REFORM ACT OF 2013 –
ELIMINATION OF OFFSETS**

The purpose of this Circular Letter is to inform employers on upcoming system changes as a result of the Public Employees' Pension Reform Act (PEPRA) of 2013. This change affects members receiving service credit under PEPRA "New Member" formulas.

Currently, local public agencies whose members have been included in the Federal Social Security System, do not generally collect CalPERS employee contributions on the first third of a member's payroll up to \$400 per month. For California State University (CSU) members, employers do not collect contributions on the first \$513 per month.

When calculating the final compensation for retirement for both local public agency members and CSU members, there is typically a reduction of the first third of a members' final compensation up to \$400 per month. For the vast majority of members, this equates to a reduction of \$133.33 to his/her monthly final compensation calculation.

In the original implementation of the new PEPRA formula and contribution requirements, contribution and benefit offsets remained in effect for local public agencies, and CSU. However, after further review, we believe those contribution and final compensation offsets are generally not applicable to members enrolled in any of the new PEPRA formulas.

Understanding employers may require some time to implement their own administrative and system changes, CalPERS has established the following transition schedule for contribution reporting:

June 30, 2013 – CalPERS will establish a dual validation rule within my|CalPERS. When an employer is posting payroll for a "new member", my|CalPERS will validate the reported contribution against the expected contribution both with and without the offset. If it matches one of the amounts, it will successfully post.

October 20, 2013 – CalPERS will remove the dual validation rule. Any payroll posted after that date will be matched to the expected contribution without the offset. This will include payroll adjustment files for previously posted payroll.

For Final Compensation offsets, we are in the process of updating my|CalPERS to not apply an offset when calculating a members' final compensation amount under the new PEPRAs formulas. All members retiring, regardless of retirement date, will not have an offset to the final compensation for any service credited to his/her account under the new PEPRAs formula.

We encourage you to visit the [Pension Reform Impacts](http://www.calpers.ca.gov) page on CalPERS On-Line at www.calpers.ca.gov for the latest PEPRAs information and updates.

If you have any questions, please call our CalPERS Customer Contact Center at **888 CalPERS** (or **888-225-7377**).

KAREN DeFRANK, Chief
Customer Account Service Division