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Circular Letter

TO: SCHOOL EMPLOYERS AND CALIFORNIA STATE UNIVERSITIES

SUBJECT: TIME PERIOD FOR THE PAYMENT OF COSTS ASSOCIATED WITH TWO YEARS ADDITIONAL SERVICE CREDIT (GOLDEN HANDSHAKE)

This Circular Letter is to update school employers and the California State University (CSU) about the maximum repayment time frame for liabilities associated with the cost of Two Years Additional Service Credit (Golden Handshake).

Government Code Section 20901 provides that an additional two years of service credit can be granted to State employees if the Governor, by executive order, determines that the best interest of the State would be served by encouraging the early retirement of state employees and provided that other statutory conditions are met. No specific repayment time period is provided in section 20901.

Government Code Section 20904 permits a county superintendent of schools to amend its contract to grant a Golden Handshake and to provide up to two years of additional service credit to school members if certain conditions identified in the statute are met.

Section 20904(b) requires the county superintendent of schools to transfer funds to CalPERS to cover the increase in actuarial liabilities created by the cost of the Golden Handshake. Section 20904 also requires that the transfer of funds be made in a manner and time period acceptable to the employer and the CalPERS Board. No specific repayment time period is provided in section 20904.

In 1976, the CalPERS Board adopted a policy providing that the time period for the repayment of Golden Handshake liabilities for all employers should not exceed two years. Thereafter, in 1992, Government Code Section 20907 was added to the Public Employees' Retirement Law. Section 20907 specifies that repayment of Golden Handshake liabilities for state and CSU employees, legislative employees and school members shall be paid over a period acceptable to the employer and the Board, but in no case shall the repayment period exceed five years.

On August 18, 2009, the Board revised the existing Board policy by extending the maximum repayment time period for Golden Handshake liabilities from two years to five years for school employers and the California State University.

If you have any questions, please feel free to contact the CalPERS Employer Contact Center at **888 CalPERS** (or **888-225-7377**).

Lori McGartland, Chief
Employer Services Division