

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
1998 OPTIONAL PUBLIC AGENCY CONTRACT PROVISIONS  
AND AMENDMENT PROCEDURES

**INTRODUCTION**

All section references are to the California Government Code.

The following optional contract provisions are intended to provide basic information regarding the benefits which are available to contracting agencies through various sections of the Public Employees' Retirement Law. When possible, a rough estimate of the annual cost of the benefit to the employer is included. **This estimate should be used as a guide only and not as an absolute.** The rough estimates provided in this document are based on a uniform funding for the unfunded liability of 20 years, reflecting new Board funding policy effective June 30, 1997. To the extent that your employee's demographics differs significantly from the averages used, the actual cost figures for your agency may differ significantly from the estimate provided. Costs for your agency must be determined by an actuarial valuation which will provide the expected increase to the employer contribution rate if the contract is amended. The increase in the employer contribution rate due to a contract amendment will be effective as of the contract amendment effective date.

Employer rates are determined by actuarial valuation and based on the experience of the agency's members within the miscellaneous, fire, police, local safety, or county peace officer groups.

**MEMBER GROUPS ELIGIBLE FOR SEPARATE BENEFITS**

Unless otherwise specified, a contracting agency may provide any of the optional benefits independently to members in each of the following classifications:

- (1) Local Miscellaneous Members
- (2) Local Police
- (3) Local Fire
- (4) County Peace Officers
- (5) Local Safety other than Local Police, Local Fire, or County Peace Officers.

An agency cannot provide different retirement benefits for any subgroup, including, but not limited to bargaining units or unrepresented groups, within the membership classifications listed above (Section 20479).

## **PURCHASING POWER PROTECTION ACCOUNT AND AMENDMENTS TO PROVIDE COST-OF-LIVING ALLOWANCE INCREASES**

The Purchasing Power Protection Account (PPPA) is a statutory cost-of-living program which, for all public agencies under pension contract with CalPERS, provides cost-of-living benefits over and above the cost-of-living allowances (COLA) contracted for by the agency. These additional PPPA benefits are intended to restore the purchasing power of the recipient to 75% of their initial purchasing power.

The measure of whether current purchasing power is below 75% includes all current COLAs being received by the recipient. Therefore, if an amendment to retroactively increase COLAs is adopted, an individual already receiving PPPA may not receive any increase in their monthly benefit. That individual may simply receive less PPPA and more COLA but the same monthly benefit (to maintain 75% of their initial purchasing power).

You and your retirees should be aware of this situation, which could cause an increase in employer cost without an immediate increase in some retiree's monthly benefits.

### **CONTRACT AMENDMENT PROCEDURES AND INFORMATION**

#### **REQUESTING AN ACTUARIAL VALUATION**

If the proposed benefit requires an actuarial valuation, an authorized representative of the agency may call or write to request the actuarial valuation. An employee organization may also request an actuarial valuation by submitting a valuation fee of \$200.00 along with the request. The cost analysis furnished for each valuation requested will provide the expected increase to the employer contribution rate if the contract is amended. To request an actuarial valuation, the following is needed:

1. A description of the proposed benefit(s). If possible, provide the Government Code Section number and the title as it appears in the Optional Benefits Listing; and
2. The member groups to which the benefits are to apply, e.g. miscellaneous members, all safety members, police members only, fire members only, etc.

**Direct the request to:** California Public Employees' Retirement System  
Actuarial and Employer Services Division  
Public Agency Contract Services  
P.O. Box 942709  
Sacramento, CA 94229-2709  
  
Telephone (916) 326-3420

Allow 8 - 10 weeks for receipt of the actuarial valuation.

When the request for the actuarial valuation is acknowledged, the agency will be advised of the fee for conducting the actuarial valuation. Each agency may receive one actuarial valuation per fiscal year, at no cost, for each member group. For each additional actuarial valuation, the fee is \$200.00. After the completed report is sent to the agency, an invoice will follow, if applicable. *Payment should not be submitted prior to receipt of the billing invoice.*

An employee organization's request for an actuarial valuation and receipt of the required fee for conducting the valuation will be acknowledged. Copies of the valuation will be sent to both the employee organization and the agency.

## **AMENDING THE CONTRACT**

***Public Agency Contract Services will provide the documents for adoption by the agency's governing body.*** If the agency attempts to expedite the amendment process by proceeding without the documents provided by CalPERS, legal review may be required which could delay the anticipated effective date of the amendment.

If an actuarial valuation is not required for the optional benefit, contact the **Public Agency Contract Services** office. A proposed schedule of anticipated agency actions is needed to start the amendment process. If an actuarial valuation is required, a schedule for the agency to complete and return will be provided with the valuation report. Four weeks lead time is required to prepare the initial documents.

The initial set of documents includes a Resolution of Intention declaring the agency's intent to amend the contract, an exhibit copy of the amended contract, various certification forms, ballots when required, and detailed instructions.

Follow the instructions precisely, call if you have questions, and return the necessary documents promptly.

The final set of documents includes two original contracts as amended for execution by the governing body and any other forms necessary to complete the amendment. The completed documents will be reviewed for compliance with the Government Code and one of the two original contracts signed by the agency will be returned to the agency after it has been executed by CalPERS.

### **EMPLOYEE ELECTIONS**

An amendment to the contract which changes the employees' rate of contribution requires a secret ballot election among the employees affected. The contract cannot be amended if a majority of the affected members vote to disapprove the proposed plan. This election must follow adoption of the Resolution of Intention and precede adoption of the final documents.

### **PUBLICATION OF COSTS**

Government Code Section 7507 requires the future annual costs of the proposed contract amendment be made public at a public meeting at least two weeks prior to adoption of the final documents.

### **FINAL ACTION**

Government Code Section 20471 requires adoption of the final documents (final reading of the Ordinance - counties, cities or towns; final Resolution - districts or other agencies) be no earlier than twenty days after adoption of the Resolution of Intention to amend the contract.

### **AMENDMENT EFFECTIVE DATE**

*No change in employee or employer contribution rates* - the effective date of the amendment may be as early as the day following the effective date of the final action of the governing body.

*Change in employee or employer contribution rates* - the effective date of the amendment cannot be earlier than the first day of a payroll period following the effective date of the final action of the governing body.

### **OPERATIVE DATE**

Amendments which require an adjustment to the retiree/beneficiary monthly benefit payments shall become operative the first of the month

following the date which is 30 days after receipt of the final documents in the CalPERS Sacramento office.

## 1998 OPTIONAL CONTRACT PROVISIONS

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## OPTIONAL BENEFIT PROVISIONS

### **Section 20042 One-Year Final Compensation**

The period for determining the average monthly pay rate when calculating retirement benefits would change from the 36 highest paid consecutive months to the 12 highest paid consecutive months. (Applicable only to members retiring or whose death occurs after the effective date of the contract amendment.)

Employer Cost: Valuation required.  
 Rough Estimate: 1.1% to 1.5% of payroll for miscellaneous groups;  
 1.8% to 2.5% of payroll for safety groups.  
 Member Cost: None.

### **Section 20325 Optional Membership for Part-Time Employees**

Regular part-time employees who are excluded from CalPERS membership because they work less than an average of 20 hours per week (pursuant to Government Code Section 20305) may individually elect to become members if the agency contracts for this benefit.

If this benefit is being considered as an alternative to mandatory Social Security coverage, CalPERS benefits may not meet the minimum requirements for part-time employees. Part-time employees who elect CalPERS membership may still be required to continue participation in Social Security.

Individuals who elect membership will receive partial service credit, have the same contribution rate as other employees in the same member

classification, and are eligible to purchase previously excluded part-time service. Those part-time employees may exercise their membership election anytime while in employment.

Employer Cost: Costs will emerge in future valuations.

Member Cost: See description above.

### **Section 20356**

#### **Extension of Reciprocity Rights for Elective Officers**

The current maximum period of six months between a local member's CalPERS service and service under a reciprocal retirement system, to ensure reciprocity privileges, would be extended to one year for elective officers if the CalPERS agency includes Section 20356 in its contract and the reciprocal system adopts a similar provision.

The local member must have formerly been an elective officer of a CalPERS agency and within one year becomes a member of a reciprocal retirement system upon commencement of service in an elective office on or after January 1, 1977.

Employer Cost: No valuation required.

Member Cost: None.

### **Section 20475**

#### **Different Level of Benefits Provided for New Employees**

A contracting agency may amend its contract to provide a different level of benefits to its new employees. Such amendments:

- a. May reduce benefits, terminate provisions which are available only at the option of a public agency, provide different benefits, or provide any combination of such changes from the benefits and provisions applicable to members who were in employment prior to such contract amendment.
- b. May only be effective after the contracting agency has fully discharged all of its obligation under the Meyers-Milias-Brown Act. CalPERS will accept the agency's certification that it complies in this respect, except for obvious deficiencies.
- c. Shall apply uniformly with respect to all members within each of the following classifications:

- (1) Local Miscellaneous Members
- (2) Local Police
- (3) Local Fire
- (4) County Peace Officers
- (5) All Local Safety Members other than Local Police, Local Fire, and County Peace Officers.

d. Shall apply only to members who:

- (1) Receive service credit for the first time within an affected category after the effective date of this contract amendment; or,
- (2) Return to service within an affected category following a refund of contributions. However, if the member has redeposited or elects to redeposit withdrawn contributions prior to 90 days after returning to service, that member will not be subject to this amendment.

Several issues and questions have been raised in connection with this section:

- a. All CalPERS benefits may not be terminated in favor of only Social Security coverage.
- b. Amendments may not substitute a miscellaneous service retirement formula for a safety formula.
- c. An agency may amend its contract to this section only once every three years with respect to each category of employees.
- d. An actuarial valuation is not required for this contract amendment. Agencies may request an actuarial study for an estimate of the rate change based on current employee data of the agency. The actual change will not be reflected in the employer rate until enough new employees have been hired to affect the data.

Employer Cost: No rate change at time of amendment.  
 Member Cost: None.

**Section 20503  
 Removal of Contract Exclusions Prospectively Only**

A contracting agency may remove a membership exclusion prospectively and not incur a liability for the employees earlier service. When an exclusion is removed prospectively, Section 21020 enables the previously excluded members to elect to purchase earlier service as "public service". The purchase of such service can be made by the member under the provisions of Sections 21032 and 21033. Some employer liability may be generated by such a purchase and would be incorporated into the agency's rate in future valuations.

Employer Valuation required.  
Cost:  
Rough Estimate: Up to 1.0% of payroll for all groups. The increase does not include up to 0.3% impact of added payroll or liability from an elected official having either past or future full-salaried CalPERS-covered employment.  
Member Cost: None.

**Section 20515**  
**Full Formula Plus Social Security**

A contracting agency may provide full CalPERS coverage for past and future service of its employees who are employed on or after the effective date of the contract amendment. Because this benefit changes the employee's contribution, an employee election is required.

The agency will be "deemed" not to have Social Security coverage for all purposes, with the exception of 1959 Survivor Benefits. Benefits for service prior to the effective date of the contract amendment will be computed as if there were no Social Security coverage.

Should the agency' contract currently provide Post-Retirement Survivor Allowance (Sections 21624, 21626 and 21628) or later amend for this benefit, eligible employees would be entitled to 50% survivor continuance rather than 25% survivor continuance.

Employer Cost: Valuation required.  
Rough Estimate: Up to 0.8% of payroll for all groups. The rate may increase up to 4.0% if the agency's contract includes Post Retirement Survivor Allowance (Sections 21624, 21626 and 21628).  
Member Cost: Member contributions will increase approximately \$10.00 per month.

**Section 20516**

## Employee Sharing Cost of Additional Benefits

This benefit allows a contracting agency, or an agency that initially contracts with CalPERS, to share the cost of additional retirement benefits with the employees as a result of a written agreement with the employee group. This sharing of costs applies only to the current service employer rate. There are two methods of requesting an actuarial study:

- a. If the agreement with the employees specifies a definite percentage increase in the employee rate, such as 1.0%, 2.0%, etc., the valuation can be done on that basis.
- b. If the agreement with the employee group is indefinite, the agency may wish to request several valuations, with the employees paying 0.5%, 1.0%, 1.5%, etc. of the current service costs.

There are several points to be emphasized:

- a. Amendment to this section requires that the employer and the employees agree in writing to share the cost of the applicable benefits. CalPERS will accept the agency's certification as to this agreement, except for obvious deficiencies. The employer may also reduce the rate the employees have agreed to cost share. This may be accomplished by an amendment at a later date.
- b. The increase in the member contributions will be effective as of the effective date of the amendment to the contract.
- c. The increased member contributions will be credited to each member's account as normal contributions and will be included in the refund of accumulated contributions to members who separate from CalPERS covered employment and elect to withdraw their contributions.
- d. Some of the optional benefits available, such as 1959 Survivor Benefits, Military Service Credit and Post-Retirement Survivor Allowance may not be applicable to all employees. However, if the agency provides any of these in conjunction with Section 20516, the contribution rate would increase for all employees in the applicable member category.
- e. It is also possible to share the cost of a formula. A new contracting public agency may only share the cost of either the 2.5% @ 55 or 2% @ 50 formula with its local safety members and the 2% @ 55 with its local miscellaneous members. A contracting agency

amending its contract may share the cost of either the 2% @ 55, 2.35% @ 56, 2.5% @ 55, or 2% @ 50 formula with its local safety members and the 2% @ 55 formula with its local miscellaneous members.

- f. This section shall not apply to any optional benefit which is elected by a contracting agency prior to the date the contract is amended to provide Section 20516.

Section 20516 also permits an employer to make an independent agreement with its employees to share the cost of any optional benefit without requiring amendment to the contract. However, any such agreement in a Memoranda of Understanding which is inconsistent with this section shall not be a part of the contract between the agency and this system.

Employer Cost: Valuation required.  
Member Cost: The amount the members agree to pay is a fixed rate increase. This rate can be decreased at a later date only by an amendment to the contract.

**Section 20692**  
**Employer Paid Member Contributions Converted to Payrate During the Final Compensation Period**

A contracting agency that has elected to pay all or a portion of the normal contributions of members of a group or class of employment pursuant to Section 20691, may, pursuant to a labor policy or agreement, stop paying those contributions during the final compensation period and instead increase the payrate of the members by the amount of employer paid member contributions (EPMC). This results in a higher average monthly payrate for the purpose of computing the member's retirement allowance. Government Code Section 20692 requires the following:

- a. The amount of EPMC converted to payrate must be the same amount (percent) of EPMC being paid by the employer, unless there is a written labor agreement in existence and in effect on June 30, 1993 allowing the conversion of a smaller amount of EPMC than what is being paid.
- b. The employer is to inform all persons hired after the effective date of the contract amendment how this benefit relates to their total compensation and benefit package.

- c. The unfunded actuarial liability costs (temporary increase to the employer contribution rate) attributable to this benefit will be amortized over the agency's current funding horizon.
- d. Full disclosure of the benefit, the cost implications, and the funding therefor must be made public at two consecutive public meetings at least two weeks prior to adoption of the final documents. As the member payrates will be increased for all purposes, the agency will need to notice the increase in the employer contribution rate due to providing this benefit and any other costs resulting from the increase in the member payrates.
- e. The employer contribution rate will be adjusted to include the cost of this benefit commencing with the effective date of the amendment to the contract.

The contract amendment must also conform with the following standards:

1. The period of final compensation must be the 12 months or 36 months immediately preceding the effective date of retirement.
2. The provision must be fully funded for the group or class of employees, based on CalPERS' actuarial assumptions with the right of review set forth in Section 20692(g).
3. The provision must conform to federal Internal Revenue Code standards for "qualified plan status" of the System in Section 401(a), including "non-discrimination testing".
4. The provision must be contained in applicable current written labor agreements as well as in adopted resolutions.
5. The conversion of EPMC to compensation earnable is an increase in payrate for all purposes.
6. If an employee does not provide 12 months or 36 months notice of retirement, the employer shall make necessary corrections to the payrate and report adjustments to CalPERS.
7. If an employee cancels his/her retirement date, this provision shall be applied to his/her new final compensation period.

Before the agency may proceed with the contract amendment, Member Services Division must review the labor policy or agreement to determine whether the requirements of the Senate Bill 53 have been met. The labor

policy or agreement, identified for the purpose of compensation conversion pursuant to Section 20692, should be submitted to: CalPERS, Member Services Division, Compensation Review Unit, P.O. Box 942704, Sacramento, CA 94229-2704.

Employer Cost:	Valuation required.
Rough Estimate:	1.4% to 2.3% of payroll for miscellaneous groups; 2.7% to 4.6% of payroll for safety groups.
Member Cost:	Increase in member payrate will increase the amount of member contributions.

**Section 20680**  
**Employee Contribution Rate for CSUC Auxiliary Organizations**  
**Reduced to State Member Level**

Auxiliary organizations of the CSUC system may reduce the employee contribution rate for active members to the level applicable to State miscellaneous members. For members who are not covered by Social Security, the employee contribution rate would become 6% of monthly earnings in excess of \$317.00 (current rate: 7% of monthly earnings). For members covered by Social Security, the employee contribution rate would become 5% of monthly earnings in excess of \$513.00 (current rate: 7% of monthly earnings in excess of \$133.33).

Employer Cost:	Valuation required.
Rough Estimate:	Up to 5.0% of payroll for miscellaneous groups.
Member Cost:	Reduction in member contributions as discussed above.

**Section 20903**  
**Two Years Additional Service Credit**  
(To be repealed effective January 1, 1999)

An agency may amend its contract to provide two years additional service credit to members who retire during a designated period because of impending mandatory transfers, layoffs, or demotions and the following requirements are met:

- a. The member is employed in a specified job classification, department, or other organizational unit, and retires within the period designated by the governing body. The designated period must be subsequent to the effective date of the contract amendment



and can not be less than 90 nor more than 180 days in length. (The benefit cannot be provided on the basis of employee organization or unrepresented groups).

- b. The governing body must certify that it is electing to be subject to the provisions of this section due to mandatory transfers, layoffs, and/or demotions that constitute at least one percent of the job classification, department, or organizational unit.
- c. The governing body must certify that it is the intention at the time Section 20903 becomes operative that any vacancies created by retirements under this section or at least one vacancy in any position in any department or organizational unit shall remain permanently unfilled thereby resulting in an overall reduction in the work force of such department or organizational unit.
- d. The governing body must transmit an amount to the Retirement Fund that is the actuarial equivalent of the difference between the allowance the member will receive and the allowance the member would have received without the additional service credit.

To be eligible for this service credit, a member must have at least five years service credit, be in employment status with the providing agency for at least one day during the designated period, and retire during the designated period. The member's retirement date may not be the first day of the designated period.

A member cannot receive credit under this section if the member 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: The agency will receive an invoice for the exact cost after all eligible members have received the additional service credit. Payments may be remitted over a two year period with the minimum of annual installments. All accounts, except lump sum payments remitted within thirty days of billing, will be subject to interest assessment at the current employer crediting rate.

Member Cost: None.

**NOTE:** In addition, there is a \$10.00 actuarial valuation fee for each member who retires during the designated period and receives the additional service credit.

### **Procedures for Calculation of Estimated Employer Cost**

The cost of providing the two years additional service credit is calculated based on the member's annual reportable compensation, the cost factor and whether the agency's contract provides the Post-Retirement Survivor Allowance (Survivor Continuance) and/or an increased Cost-of-Living Allowance of 3%, 4% or 5%.

The employer cost may be estimated as follows:

1. Determine all individuals who meet the minimum eligibility for retirement and who are employed in the designated classification, department or organizational unit.
2. Determine the annual pay rate for each person. "Pay Rate" indicates that amount of compensation a member is paid for a full unit of time. Always use the member's FULL TIME pay rate.
3. Determine the age for each person and locate the appropriate factor on the Cost Factor Chart.
4. Multiply the annual pay rate by the cost factor.
5. Determine whether your agency's contract provides for the Post-Retirement Survivor Allowance. If yes, proceed to step #7.
6. If your agency's contract does not provide for the Post-Retirement Survivor Allowance, multiply the value determined in step #4, above, by 0.95.
7. Determine whether your agency's contract provides for the increased Cost-of-Living Allowance of 3%, 4% or 5%. If not, no further calculations are needed.
8. If your agency's contract provides the 3% cost-of-living allowance, multiply the value determined above by 1.07 to estimate the cost of providing the additional service credit.

If your agency's contract provides the 4% cost-of-living allowance, multiply the value determined above by 1.14 to estimate the cost of providing the additional service credit.

If your agency's contract provides the 5% cost-of-living allowance, multiply the value determined above by 1.21 to estimate the cost of providing the additional service credit.

**COST FACTOR CHART**

		<b>MISCELLANEOUS MEMBERS 2% @ 60 formula</b>				<b>SAFETY MEMBERS</b>	
		<b>With Social Security Coverage</b>		<b>Without Social Security Coverage</b>		<b>2% @ 55 formula</b>	<b>2% @ 50 formula</b>
<b>Ages</b>	<b>Males</b>	<b>Females</b>	<b>Males</b>	<b>Females</b>	<b>All</b>	<b>All</b>	
50-54	0.30	0.32	0.31	0.33	0.40	0.59	
55-59	0.37	0.40	0.39	0.41	0.45	0.63	
60-64	0.46	0.51	0.49	0.52	0.42	0.58	
65+	0.42	0.47	0.45	0.49	0.38	0.52	

<b>MISCELLANEOUS MEMBERS 2% @ 55 formula</b>					
		<b>With Social Security Coverage</b>		<b>Without Social Security Coverage</b>	
<b>Ages</b>	<b>Males</b>	<b>Females</b>	<b>Males</b>	<b>Females</b>	
50-54	0.40	0.43	0.41	0.44	
55-59	0.47	0.51	0.49	0.52	
60-64	0.47	0.52	0.50	0.54	
65+	0.42	0.47	0.45	0.49	

**Section 20936  
Prior Service Credit for Employees of an Assumed Agency or Function**

An agency may provide credit for service rendered with a public agency if that agency or a function of that agency is, or was, assumed by the

contracting agency. The cost for prior service credit is the liability of the contracting agency.

Employer Cost: Valuation required.  
Member Cost: None.

**Section 20938**  
**Limit Prior Service to Members Employed on Contract Date**

A contracting agency may limit prior service credit (service rendered to the agency prior to its contract date with CalPERS) to persons in employment with the agency on the effective date of its CalPERS contract, or amendment to contract.

This benefit can be provided in the initial contract or by amendment for agencies that provide 0% prior service and now wish to provide all or a portion of prior service credit to current employees only. This option may also be applied upon the removal of an exclusion of a member group or classification.

Employer Cost: Valuation required.  
Member Cost: None.

**Section 20965**  
**Credit for Unused Sick Leave**

Unused accumulated sick leave at time of retirement may be converted to additional service credit at the rate of 0.004 year of service credit for each day of unused sick leave (i.e., 250 days of sick leave equals one additional year of service credit). The employer must report only those days of unused sick leave that were accrued by the member during the normal course of employment. Additional days of unused sick leave reported for the purpose of increasing the member's retirement benefit are prohibited.

Most safety member formulas limit the member benefits to a maximum of 75% of final compensation. The addition of this benefit does not increase the maximum percentage allowable.

This section applies to members whose effective date of retirement is within four months of separation from employment and who retire after the effective date of the contract amendment.

Employer Cost: Valuation required.  
Rough Estimate: 0.2% to 0.4% of payroll for all member groups.

Member Cost: None.

**Section 20996**  
**Military Service Credit as Prior Service**

Employees who are/were on a military leave at the time the agency contracts for CalPERS coverage and return to employment with the agency within six months after discharge from active military duty, can receive service credit for the period of their absence. If the agency provides this benefit, former employees employed by other CalPERS employers would also be eligible to claim service credit. The agency would be liable for the cost.

Employer Cost: Valuation required.  
Rough Estimate: 1.0% of payroll for miscellaneous groups; 2.0% of payroll for safety groups. Actual costs will emerge in future valuations.

Member Cost: None.

**Section 21006**  
**Credit for War Relocation Leave**

A member is permitted to purchase all the time he/she was absent from service due to war relocation leave. The member must have been in employment status with the contracting agency on March 5, 1942, and returned to such employment by July 1, 1947. "War Relocation Leave" is defined as the period of absence from service occasioned by the evacuation and relocation of a local member of Japanese descent pursuant to orders issued by the Western Defense Command.

Employer Cost: No valuation required. Actual costs will emerge in future valuations.  
Member Cost: The amount required to purchase the credit is determined in accordance with Section 21033.

**Section 21007**  
**Refund of Contributions Made for War Relocation Credit**

A refund of all or a portion of the employer contributions that were made by members or retired persons in order to receive credit for war relocation may be made to the member, retired person or the spouse of such persons during the 12 months following the date that this section is made applicable to the employees of a contracting agency. The refund shall be a charge against the agency's current service reserve account.

Employer Cost: Valuation required.  
Member Cost: None.

**Section 21022**  
**Public Service Credit for Periods of Layoff**

A member may receive up to one year of public service credit for each period of layoff from employment on or after January 1, 1981. Public service is granted upon individual election by the member (Section 21033).

To be eligible to receive the service credit, the member must meet the following conditions:

- a. The member must return within 12 months of the date of layoff to full-time employment under the procedures of the employer for returning laid off employees to work. (A certification will be supplied to the employer to ensure compliance with this provision.)
- b. The member must elect to purchase the credit within 3 years of returning to work or the effective date of the contract amendment to become subject to this section.
- c. The member must redeposit any CalPERS contributions withdrawn during the period of layoff.

Employer Cost: No valuation required. Actual costs will emerge in future valuations.  
Member Cost: Individual calculation required. After the contract has been amended, the member may obtain cost information by contacting Member Services Division.

**Section 21024**  
**Military Service Credit as Public Service**

A member may elect to purchase up to four years of service credit for any continuous active military or merchant marine service prior to employment. The member must contribute an amount equal to the contribution for current and prior service that the employee and the employer would have made with respect to that period of service.

The member's payment will be calculated by CalPERS based upon the employer's contribution rate at the time of the member's election, and the member's compensation and contribution rate at the first period of service

with the employer after the military service. Interest on both employer and employee contributions will be calculated from the date of membership with the current employer to date of the member's election, and included in the member cost. The member may pay for the service in lump sum or by monthly payments not to exceed 96 months. This benefit applies only to active members while in employment with an employer providing this benefit in its contract.

Those agencies which provided this benefit as it read prior to January 1, 1977, may amend to become subject to the provisions of Section 21024, Statutes of 1976, if it is agreed to by the employees or their representatives. The amendment would allow current employees to elect within 90 days after the effective date of the amendment to receive credit under the provisions of Section 21024 as it read prior to January 1, 1977, wherein the employer funded the entire cost for military service predating the employer's original contract date.

Employer Cost: No valuation required. Actual costs will emerge in future valuations.

Member Cost: It is not uncommon for the cost to the member to exceed \$5,000.00 for each year of military service. After the contract has been amended, the member may obtain cost information by contacting Member Services Division.

### **Section 21025 Public Service Credit for Employees of an Assumed Agency or Function**

Employees of a contracting agency are permitted to purchase as "public service credit", service rendered as employees of a public agency, or a function of an agency, that is assumed by a contracting agency. Public service is granted upon individual election by the member (Sections 21032 and 21033), and is partially funded by the member.

If the agency later amends its contract to provide Section 20936, the member would receive a refund of his/her public service contributions, plus interest.

Employer Cost: No valuation required. Actual costs will emerge in future valuations.

Member Cost: Individual calculation required. After the contract has been amended, the member may obtain cost information by contacting Member Services Division.



### **Section 21026**

#### **Public Service Credit for Service Rendered to a California Nonprofit Corporation**

Employees of a contracting agency are permitted to purchase as "public service credit", service rendered to a California nonprofit corporation serving fire fighters employed by state and local agencies.

Employer Cost: No valuation required. Actual costs will emerge in future valuations.

Member Cost: Individual calculation required. After the contract has been amended, the member may obtain cost information by contacting Member Services Division.

### **Section 21027**

#### **Military Service Credit for Retired Persons**

A contracting agency which is subject to Section 21024 may amend its contract to permit certain retired persons to purchase up to four years of service credit for any continuous active military or merchant marine service prior to employment. The former local member must have retired before the employer's contract included the provisions of Section 21024 and immediately following service with the employer providing this option.

The retired person must contribute an amount equal to the contributions for current and prior service that the employee and the employer would have made with respect to that period of service. The retiree must not receive credit for the same military service with another publicly funded retirement system. The retired person's allowance would be increased only with respect to the allowance on or after the effective date of the election to purchase the service credit.

Employer Cost: See cost information for Section 21024.

Member Cost: See cost information for Section 21024.

### **Section 21031**

#### **Public Service Credit for Limited Prior Service**

This option permits employees to purchase prior service (service rendered to the agency prior to its contract date with CalPERS) which was limited in the agency's contract. The member is required to pay two times the normal employee contributions based on the contribution rate and compensation at the time the member elects to receive the credit.

If a contracting public agency later amends its contract to provide all or a portion of prior service, any member who has purchased the service will be reimbursed including interest, an amount proportionate to the prior service provided by such agency.

Employer Cost: No valuation required. Actual costs will emerge future valuations.

Member Cost: Individual calculation required. After the contract has been amended, the member may obtain cost information by contacting Member Services Division.

### **Section 21037 Cancellation of Payment for Optional Service Credit Upon Retirement for Industrial Disability**

Members who retire or retired for industrial disability are permitted to cancel their election for optional service credit. Members who elected installment payments may cancel their election prospectively from the effective date of their retirement for industrial disability.

This benefit would be applicable to active and retired local members who retire or retired directly from service with such agency without intervening employment.

Employer Cost: No valuation required.

Member Cost: None.

### **Section 21118 Partial Service Retirement**

A member can reduce his/her work time by at least 20% but not more than 80%, continue working, and receive a partial service retirement allowance. To be eligible, the member must be at least age 50 with 20 years of service credit, or have the necessary years of service credit and have reached the necessary attained age for retirement and the member's age and years of service credit totals 65 years or more. The partial retirement allowance is based on the reduction of work time.

For example, if the member's work time is reduced by 30% (works 70% of full time), the allowance would be 30% of what it would have been if the member had retired with a full service retirement.

Employer Cost: No valuation required. Actual costs will

emerge in future valuations.  
Member Cost: None.

**Section 21131**  
**Age 60 Mandatory Retirement for Local Safety Members**

An agency may specify 60 as the mandatory retirement age for local safety members if the agency has established that the age of a local safety member is "a bona fide occupational qualification reasonably necessary to the normal operation of the principal services provided by safety members".

Employer Cost: No valuation required.  
Member Cost: None.

**Section 21151**  
**Industrial Disability Retirement for Local Miscellaneous Members**

This benefit provides that an industrially disabled member qualifies for a retirement allowance regardless of age or length of employment. The industrial disability retirement allowance is generally 50% of final compensation, however, the allowance of a miscellaneous member whose membership date is after January 1, 1980 shall not exceed the service retirement allowance that would be payable if the member's service had continued until age 63.

This limit may cause the allowance to be less than 50% of final compensation (G. C. sec. 21417). Outside earnings are not limited and do not affect the amount of the CalPERS allowance.

Employer Cost: Valuation required.  
Member Cost: None.

**Section 21317**  
**One-Time 15% Increase for Certain Safety Members Who Retired for Service Retirement**

A contracting agency may provide a 15% allowance increase to a local safety member whose retirement for service or nonindustrial death before retirement occurred before the agency contracted for the 2% @ 50 retirement formula. The increase applies to beneficiaries and survivors of such retirees as well as survivors of such members. The increase does not apply to those members who retired under disability retirement or to those survivors receiving the Special Death Benefit.

Employer Cost: Valuation required.

Member Cost: None.

An operative date for this benefit is established at the time of amendment.

**Section 21318**

**One-Time 15% Increase for Certain Safety Members Who Retired for Service, Industrial or Nonindustrial Retirement**

A contracting agency may provide a 15% allowance increase to a local safety member whose retirement for service or nonindustrial death before retirement occurred, or who retired for industrial or nonindustrial retirement before the agency contracted for the 2% @ 50 retirement formula. The increase applies to beneficiaries and survivors of such retirees as well as survivors of such members.

The increase does not apply to those survivors receiving a Special Death Benefit.

Employer Cost: Valuation required.

Member Cost: None.

An operative date for this benefit is established at the time of amendment.

**Section 21319**

**One-Time 15% Increase for Miscellaneous Members Who Retired or Died Prior to July 1, 1971**

A contracting agency may provide a 15% allowance increase to local miscellaneous members who retired or died prior to July 1, 1971 and whose allowances were calculated on the 1/60th retirement formula. The increase applies to beneficiaries and survivors of such retirees as well as survivors of such members. The increase also applies to beneficiaries of such retirees and to survivors of a member whose death occurred prior to July 1, 1971 with the survivor allowances calculated under the 1/60th formula.

Employer Cost: Valuation required.

Rough Estimate: 0.25% to 1.0% of payroll.

Member Cost: None.

An operative date for this benefit is established at the time of amendment.

**Section 21322**

**One-Time 4% Increase for Members Who Retired or Died Prior to January 1, 1981**

A contracting agency may provide a 4% allowance increase to members who retired or died prior to January 1, 1981. The increase also applies to beneficiaries and survivors. The increase is retroactive to July 1, 1981, and is payable until April 1, 1982. As of April 1, 1982, the increase would become part of the base allowance for calculation of any adjustments effective on and after April 1, 1982.

Employer Cost: Valuation required.  
 Rough Estimate: Up to 1.5% of payroll.  
 Member Cost: None.

An operative date for this benefit is established at the time of amendment.

**Section 21325**  
**One-Time 3% to 15% Increase for Members Who Retired or Died Prior to January 1, 1974**

A contracting agency may provide a one-time allowance increase with respect to members who retired or died prior to January 1, 1974. The increase ranges from 3.0% to 15.0% on a graduated scale based on the member's date of retirement or death. The increase applies to beneficiaries and survivors of such retirees as well as survivors of such members.

<u>Period During Which Retirement Or Death Occurred</u>	<u>Percentage</u>
On or before December 31, 1965	15%
12 months ending December 31, 1966	14%
12 months ending December 31, 1967	13%
12 months ending December 31, 1968	12%
12 months ending December 31, 1969	5%
12 months ending December 31, 1970	6%
12 months ending December 31, 1971	5%
12 months ending December 31, 1972	4%
12 months ending December 31, 1973	3%

Employer Cost: Valuation required.  
 Rough Estimate: Up to 1.5% of payroll.  
 Member Cost: None.

An operative date for this benefit is established at the time of amendment.

**Section 21326**

**One-Time 1% to 7% Increase for Members Who Retired or Died Prior to July 1, 1974**

A contracting agency may provide a one-time allowance increase with respect to members who retired or died prior to July 1, 1974. The increase ranges from 1.0% to 7.0% on a graduated scale based on the member's date of retirement or death. The increase applies to beneficiaries and survivors of such retirees as well as survivors of such members.

<u>Period During Which Retirement Or Death Occurred</u>	<u>Percentage</u>
On or before December 31, 1965	7%
12 months ending December 31, 1966	6%
12 months ending December 31, 1967	5%
12 months ending December 31, 1968	4%
12 months ending December 31, 1969	3%
18 months ending June 30, 1971	2%
36 months ending June 30, 1974	1%

Employer Cost: Valuation required.  
 Rough Estimate: Up to 1.0% of payroll.  
 Member Cost: None.

An operative date for this benefit is established at the time of amendment.

**Section 21327 One-Time Increase for Members Who Retired or Died Prior to January 1, 1975**

A contracting agency may provide a one-time allowance increase with respect to members who retire or died prior to January 1, 1975. The increase applies to beneficiaries and survivors of such retirees as well as survivors of such members. The increase is based on the member's date of retirement or death as follows:

<u>Period During Which Retirement Or Death Occurred</u>	<u>Percentage</u>
12 months ending December 31, 1967	1.51%
12 months ending December 31, 1968	1.26%
12 months ending December 31, 1969	1.86%
12 months ending December 31, 1970	2.55%
6 months ending June 30, 1971	1.91%
6 months ending December 31, 1971	7.05%
12 months ending December 31, 1972	6.76%
12 months ending December 31, 1973	4.45%
6 months ending June 30, 1974	0.47%

<u>Period During Which Retirement Or Death Occurred</u>	<u>Percentage</u>
6 months ending December 31, 1974	1.31%

Employer Cost: Valuation required.  
Rough Estimate: Up to 0.8% of payroll.  
Member Cost: None.

An operative date for this benefit is established at the time of amendment.

**Section 21335  
Annual Cost-of-Living Allowance Increase**

Allowances for retired members are currently covered by an annual 2.0% maximum cost-of-living increase providing the Consumer Price Index (CPI) factor increases at least 2.0%. Section 21335 would grant a 3.0%, 4.0% or 5.0% maximum annual cost-of-living increase in lieu of the 2.0% maximum. Should the CPI factor increase less than the percentage adopted by the agency, the individual allowances would be limited to an amount equal to the base allowance increased by 3.0%, 4.0% or 5.0% per year compounded for the number of years between the end of the base year and the beginning of the calendar year in which the adjustment is made.

Section 21335 permits contracting agencies to provide the increased cost-of-living allowance beginning on a date specified. This has the effect of permitting the agency to provide the increase retroactive to a date specified in the contract or to any future date specified. For example, if the base year 1998 is chosen, the first cost-of-living allowance increase would be effective April 1, 2000.

Employer Cost: Valuation required. The valuation request needs to specify the base year.  
Rough Estimate: 3% - 1.0% to 2.0%\* of payroll for miscellaneous groups;  
2.0% to 4.0%\* of payroll for safety groups.  
4% - 2.0% to 5.0%\* of payroll for miscellaneous groups;  
5.0% to 9.0%\* of payroll for safety groups.  
5% - 3.0% to 8.0%\* of payroll for miscellaneous groups;  
8.0% to 13.0%\* of payroll for safety groups.  
Member Cost: None.

\* The high cost is attributable to the increased benefits for retirees and for members not yet retired. An agency with a large proportion of retirees and/or long service active members will have a higher cost.

## **Section 21100**

### **1.5% @ 65 Formula for Local Miscellaneous Members**

A contracting agency which has local miscellaneous members who are covered under Social Security may include in its contract the 1.5% @ 65 formula if it is agreed to in a written memorandum or understanding entered into by an employer and representatives of employees. Members who are not covered under Social Security will be subject to the current formula applicable to miscellaneous members or, for new contracting agencies, either the 2% @ 60 formula or the 2% @ 55 formula for local miscellaneous members. This formula provides to local miscellaneous members 1.5% of pay at age 65 for each year of service credited with that employer. For members who retire earlier, the percentage of pay is reduced to .500% at age 50 which gradually increases for each attained age to 1.5% at age 65+.

Agencies amending for this formula are providing an alternate level of benefits pursuant to Government Code Sections 21091-21099. The following provisions are applicable:

- a. All future hires who are first-time CalPERS members will be subject to this benefit. Eligible members employed prior to the effective date of the agency's contract amendment shall have the right to elect to be subject to this benefit for future service only.
- b. A member must be at least age 55 with five years of CalPERS credited service to be eligible for a service retirement. For those members who voluntarily elected to be subject to the 1.5% @ 65 formula, the minimum requirement is age 50 with five years of CalPERS credited service.
- c. In determining the benefits payable under this formula, the final compensation shall be a period of 36 consecutive months.
- d. The disability retirement benefit for members with at least five years of credited service is 1.35% of final compensation. The maximum percentage for members who have between 10.000 and 24.691 years of credited service is one-third of final compensation. The disability retirement allowance cannot be more than the service retirement allowance if the member were to continue in employment and retire at age 65.
- e. The annual cost-of-living allowance increase is a maximum of 2.0%.



- f. The member contribution rate is 2% of reportable earnings.
- g. Other optional benefits currently provided in the agency's contract will be applicable to members covered under this formula, e.g. Section 20965 (Credit for Unused Sick Leave) and Sections 21624, 21626 & 21628 (Post-Retirement Survivor Allowance).

Employer Cost: No rate change at time of amendment. Costs will emerge in future valuations.

Member Cost: As discussed above.

**Section 21353**

**2% @ 60 Full, Supplemental or Modified Formula for Local Miscellaneous Members**

This formula provides to local miscellaneous members 2% of pay at age 60 for each year of service credited with that employer. For members who retire earlier, the percentage of pay is reduced to 1.092% at age 50 which gradually increases for each attained age to the maximum of 2.418% at age 63+. (A formula change affecting the members' contribution rate requires an election of the affected members.)

This formula is mandated for local miscellaneous members unless the employer has contracted to provide the 2% @ 55 formula (Section 21354) or the 1.5% @ 65 formula (Section 21100). Local miscellaneous members subject to the 2% @ 60 Full or Supplemental formulas contribute 7% of reportable earnings.

Those covered by the 2% @ 60 Modified formula (coordinated with Social Security) contribute 7% of reportable earnings in excess of \$133.33.

Employer Cost: Valuation required.

Member Cost: As discussed above.

**Section 21354**

**2% @ 55 Full, Supplemental or Modified Formula for Local Miscellaneous Members**

This formula provides to local miscellaneous members 2% of pay at age 55 for each year of service credited with that employer.

For members who retire earlier, the percentage of pay is reduced to 1.426% at age 50 which gradually increases for each attained age to the maximum of 2.418% at age 63+. Members age 63 or older will receive the same allowance as under the 2% @ 60 formula.

Local miscellaneous members who retire after the effective date of the contract amendment will be subject to this formula.

Local miscellaneous members subject to the 2% @ 55 Full or Supplemental formulas contribute 7% of reportable earnings. Those covered by the 2% @ 55 Modified formula (coordinated with Social Security) contribute 7% of reportable earnings in excess of \$133.33.

Employer Cost: Valuation required.  
Rough Estimate: 2.5% to 4.0% of payroll for miscellaneous groups.  
Member Cost: As discussed above.

**Section 21362**  
**2% @ 50 Full, Supplemental or Modified Formula for Local Safety Members**

This formula provides to local safety members 2% of pay at age 50 for each year of service credited with that employer. The percent per year of service gradually increases for each attained age from 2% at age 50 to 2.7% at age 55+. (A formula change affecting the members' contribution rate requires an election of the affected members.)

Local safety members who retire after the effective date of the contract amendment will be subject to this formula.

Local safety members subject to the 2% @ 50 Full or Supplemental formulas contribute 9% of reportable earnings. Those covered under the 2% @ 50 Modified formula (coordinated with Social Security) contribute 9% of reportable earnings in excess of \$133.33.

The total allowance for service retirement under the 2% @ 50 formula cannot exceed 75% of final compensation.

Employer Cost: Valuation required.  
Rough Estimate: 7.0% to 12.0% of payroll for safety groups.  
Member Cost: As discussed above.

**Section 21363**  
**2.5% @ 55 Formula for Local Safety Members**

This formula provides to local safety members 2.5% of pay at age 55 for each year of service credited with that employer. For members who retire earlier, the percentage of pay is reduced to 2% at age 50 which gradually increases for each attained age to 2.5% at age 55+. (A formula change

affecting the members' contribution rate requires an election of the affected members.) Local safety members who are covered under the ½ @ 55 formula may choose, by individual election, to remain at the old formula. All future hires will be subject to the 2.5% @ 55 formula.

Local safety members subject to the 2.5% @ 55 formula contribute 8% of reportable earnings in excess of \$238.00.

The total allowance for service retirement under the 2.5% @ 55 formula and the 2% @ 55 formula, combined, cannot exceed 75% of final compensation.

Employer Cost: Valuation required.  
Rough Estimate: 7.0% to 12.0% of payroll for safety groups.  
Member Cost: As discussed above.

### **Section 21369**

#### **2% @ 55 Full, Supplemental or Modified Formula for Local Safety Members**

This formula provides to local safety members 2% of pay at age 55 for each year of service credited with that employer. For members who retire earlier, the percentage of pay is reduced to 1.426% at age 50 which gradually increases for each attained age to 2% at age 55+.

Local safety members who are covered under the 1¼% @ 60 formula and/or the ½ @ 55 formula may choose, by individual election, to remain at the old formula. All future hires will be subject to the 2% @ 55 formula.

Local safety members subject to the 2% @ 55 Full or Supplemental formulas contribute 7% of reportable earnings. Those covered under the 2% @ 55 Modified formula (coordinated with Social Security) contribute 7% of reportable earnings in excess of \$133.33.

The total allowance for service retirement under the 2% @ 55 formula and the 2.5% @ 55 formula, combined, cannot exceed 75% of final compensation.

Employer Cost: Valuation required.  
Rough Estimate: 1.5% to 3.0% of payroll for safety groups.  
Member Cost: As discussed above.

### **Section 21370**

#### **2.35% @ 56 Modified Formula for Local Safety Members**

A contracting agency which has local police members or county peace officers, who are local safety members and who were participating in Social Security in April, 1983, may amend its contract to provide the 2.35% @ 56 formula.

This formula provides to the member 2.35% of pay at age 56 for each year of service credited with that employer. For members who retire earlier, the percentage of pay is reduced to 1.713% at age 50 which gradually increases for each attained age to 2.35% at age 56+. (A formula change affecting the members' contribution rate requires an election of the affected members.) Local safety members who are covered under the ½ @ 55 formula may choose, by individual election, to remain at the old formula. All future hires will be subject to the 2.35% @ 56 formula.

Local safety members subject to the 2.35% @ 56 Modified formula will contribute 7% of reportable earnings in excess of \$133.33.

The total allowance for service retirement under the 2.35% @ 56 formula cannot exceed 75% of final compensation.

This section shall not apply to a public agency or its employees until the public agency and the representative employee organization agree by MOU to be subject to the terms and conditions specified in this section by an amendment to the CalPERS contract. CalPERS will accept the agency's certification that it complies with the MOU requirements, except for obvious deficiencies.

Employer Cost: Valuation required.  
Member Cost: As discussed above.

### **Section 21427 Improved Nonindustrial Disability Allowance**

The disability retirement allowance of a local miscellaneous and local safety member would be raised to 30% of final compensation for the first five years of service credit, plus 1% for each additional year of service to a maximum of 50% of final compensation.

If the member is under age 60, the disability retirement allowance cannot be more than the service retirement allowance would be if the member were to continue in employment and retire at age 60. If the regular disability retirement allowance is greater than the improved disability allowance, CalPERS will pay the greater amount. This section shall apply only to members who retire for disability on and after the date the agency elects to be subject to this section.

Employer Cost: Valuation required.  
Rough Estimate: 0.3% to 0.4% of payroll for miscellaneous groups;  
0.05% to 0.10% of payroll for safety groups.  
Member Cost: None.

**Section 21428**  
**Increased Industrial Disability Allowance to 75% of Final Compensation**

Upon the retirement of a local safety or local miscellaneous\* member for industrial disability, if the member is totally disabled, he/she would receive a disability retirement allowance equal to 75% of his/her final compensation in lieu of the disability retirement allowance otherwise provided.

Employer Cost: Valuation required.  
Rough Estimate: 3.0% to 8.0% of payroll.  
Member Cost: None.

\* The agency's contract must include Section 21151 for a local miscellaneous member to be eligible.

**Section 21430**  
**Improved Industrial Disability Allowance for Local Safety Members**

If the Workers' Compensation Appeals Board permanent disability rating percentage is greater than 50%, the same percentage (up to a maximum of 90%) will be used as the percentage of final compensation to calculate the CalPERS industrial disability retirement allowance. This section shall apply only to members who retire for disability on and after the date the agency elects to be subject to this section.

Employer Cost: Valuation required.  
Rough Estimate: 3.0% to 8.0% of payroll.  
Member Cost: None.

**Section 21536**  
**Local System Service Credit Included in Basic Death Benefit**

Local system service credit will be used in the computation of benefits payable under the basic death benefit for all local members (miscellaneous and safety) who were members of a local retirement system at the time the local system was discontinued.

Employer Cost: Minimal, no valuation required.  
Member Cost: None.

**Section 21540.5**  
**Special Death Benefit for Local Miscellaneous Members**

If the death of a local miscellaneous member was a direct consequence of a violent act while on the job, the special death benefit payable to an eligible surviving spouse is a monthly allowance equal to ½ of the member's final compensation. If there are eligible children in addition to the spouse, the allowance may be increased to a maximum of 75%. The benefits provided by this section shall be applicable to any acts that occurred on and after July 1, 1993.

The Special Death Benefit is payable to the surviving spouse until death or remarriage, or to eligible unmarried children until age 22. To be eligible for this benefit, the spouse must have been married to the member prior to the onset of the injury or illness which resulted in death.

The benefit would not cease upon remarriage if the agency's contract includes Section 21551 (Continuation of Pre-Retirement Death Benefits After Remarriage of Survivor).

Employer Cost: Valuation required.  
Rough Estimate: 0.01% of payroll.  
Member Cost: None.

**Section 21548**  
**Pre-Retirement Optional Settlement 2 Death Benefit**

The spouse of a deceased member, who was eligible to retire for service at the time of death, may elect to receive the Pre-Retirement Optional Settlement 2 Death Benefit in lieu of the lump sum Basic Death Benefit. The benefit is a monthly allowance equal to the amount the member would have received if he/she had retired for service on the date of death and elected Optional Settlement 2, the highest monthly allowance a member can leave a spouse.

This benefit would not cease upon remarriage if the agency's contract includes Section 21551 (Continuation of Pre-Retirement Death Benefits After Remarriage of Survivor).

Employer Cost: Valuation required.  
Rough Estimate: 0.1% to 0.3% of payroll.  
Member Cost: None.

**Section 21551**

**Continuation of Pre-Retirement Death Benefits After Remarriage of Survivor**

If the surviving spouse remarries, death benefits being paid to the spouse of a member who died prior to retirement will not cease.

Surviving spouses who elected to receive a reduced allowance which would not end upon remarriage shall have their allowance restored to the lifetime allowance to which he or she was originally entitled for all benefits payable on or after the date this section becomes operative for the agency.

If the spouse is entitled to continued health benefits coverage and remarries, he or she may not add the new spouse or stepchildren as family members under the continued health benefits coverage.

Employer Cost: No valuation required. Actual costs will emerge in future valuations.

Member Cost: None.

An operative date for this benefit is established at the time of amendment.

**Section 21573**

**Third Level of 1959 Survivor Benefits**

Concurrent coverage under this section and Social Security is prohibited, but an agency may provide the benefit for the full formula members of a divided miscellaneous member group. Members in employment prior to the effective date of the amendment may elect not to be covered, however, participation is required for all future hires who are not covered under Social Security (Section 21577).

This benefit provides a monthly allowance to survivors of a member who dies prior to retirement. The benefit is paid in addition to the Basic Death Benefit, the 1957 Survivor Benefit, or, if applicable, the Pre-Retirement Optional Settlement 2 Death Benefit but would be reduced by the amount of the Special Death Benefit, if payable.

The monthly allowance payable to eligible survivors is as follows:

Spouse with two or more children; or three or more dependent children, alone	\$840
Spouse with one dependent child; or two dependent children alone	\$700
One dependent child; or surviving spouse at age 62*, or older until remarriage**;	\$350

or dependent parents

\* The benefit would be payable to a surviving spouse at age 60 if the agency's contract includes Section 21580 (1959 Survivor Benefits to Surviving Spouse at Age 60).

\*\* The benefit would not cease upon remarriage if the agency's contract includes Section 21551 (Continuation of Pre-Retirement Death Benefits After Remarriage of Survivor).

The surviving spouse may elect (within 24 months of the date of the member's death) a 25% reduction to the monthly allowance in lieu of cessation of the allowance in the event of remarriage. If the agency later amends its contract to include Section 21551, surviving spouses who elected to receive the reduced allowance would have their allowance restored to the lifetime allowance to which he or she was originally entitled.

Effective January 1, 1994, this benefit is mandatory for public agencies first contracting or any contracting agency amending its contract to remove exclusions of member classifications for employees who become CalPERS members and who are not covered under Social Security. The agency may elect to provide Section 21574 (Fourth Level of 1959 Survivor Benefits).

Employer Cost: \$0 per month per covered member effective July 1, 1997. Valuation required if the contract currently provides a lower level of 1959 Survivor Benefits to determine the funding status of the agency's 1959 Survivor Benefit Account. (There is no fee for this valuation.)

Member Cost: \$2.00 monthly (non-refundable).

The employer cost is based on a term insurance valuation method of a large experience pool rather than the experience of your agency, the rate is less likely to have large fluctuations, though it may vary from year to year depending on mortality experience of the pool. The actual employer costs for agencies currently providing 1959 Survivor Benefits who amend to provide the Third Level will vary depending upon each agency's 1959 Survivor funding level.

If there is a deficit in the agency's 1959 Survivor funding (an unfunded accrued liability) based on the Third Level benefit, this unfunded liability shall be either, 1) paid for completely by the agency at or prior to the effective date of the amendment or, 2) amortized and paid for over a period of five years, the first payment to be made at or prior to the effective date



of the amendment and subsequent payments on the anniversary of the effective date of the amendment. In addition, an employer per member, per month cost (if any) will be imposed.

If there is a surplus in the agency's 1959 Survivor funding, this surplus shall be used to offset any employer required first-year contributions.

An operative date for this benefit is established at the time of amendment.

**Section 21574**  
**Fourth Level of 1959 Survivor Benefits**

This benefit provides a higher level of 1959 Survivor Benefits to survivors of a member who dies prior to retirement. The benefit is paid in addition to the Basic Death Benefit, the 1957 Survivor Benefit, or, if applicable, the Pre-Retirement Optional Settlement 2 Death Benefit but would be reduced by the amount of the Special Death Benefit, if payable.

The monthly allowance payable to eligible survivors under this section is as follows:

Spouse with two or more children; or three or more dependent children, alone	\$2,280
Spouse with one dependent child; or two dependent children alone	\$1,900
One dependent child; or surviving spouse at age 60, or older until remarriage*; or dependent parents	\$950

\* The benefit would not cease upon remarriage if the agency's contract includes Section 21551 (Continuation of Pre-Retirement Death Benefits After Remarriage of Survivor).

The surviving spouse may elect (within 24 months of the date of the member's death) a 25% reduction to the monthly allowance in lieu of cessation of the allowance in the event of remarriage. If the agency later amends its contract to include Section 21551, surviving spouses who elected to receive the reduced allowance would have their allowance restored to the lifetime allowance to which he or she was originally entitled.

Employer Cost: \$3.50 per month per covered member effective July 1, 1997. Valuation required if the contract currently provides a lower level of 1959 Survivor Benefits to determine the funding status of the agency's 1959 Survivor Benefit Account. (There

is no fee for this valuation.)  
Member Cost: \$2.00 monthly (non-refundable).

As with Section 21573, public agencies contracting or amending to provide the Fourth Level will receive a single employer rate based on term insurance rates. This rate will be calculated on the pool experience rather than individual employer experience. The actual employer cost for agencies currently providing 1959 Survivor Benefits who amend to provide the Fourth Level will vary depending upon each agency's 1959 Survivor funding level.

If there is a deficit in the agency's 1959 Survivor funding (an unfunded accrued liability) based on the Fourth Level benefit, this unfunded liability shall be either, 1) paid for completely by the agency at or prior to the effective date of the amendment or, 2) amortized and paid for over a period of five years, the first payment to be made at or prior to the effective date of the amendment and subsequent payments on the anniversary of the effective date of the amendment. In addition, an employer per member, per month cost (if any) will be imposed.

If there is a surplus in the agency's 1959 Survivor funding, this surplus shall be used to offset any employer required first-year contributions.

An operative date for this benefit is established at the time of amendment.

### **Section 21580 1959 Survivor Benefits to Surviving Spouse at Age 60**

The eligibility age of a surviving spouse is reduced to 60 years of age for the 1959 survivor allowance, otherwise payable to a surviving spouse at 62 years of age.

Employer Cost: No valuation required. Actual costs will emerge in future valuations.  
Member Cost: None.

An operative date for this benefit is established at the time of amendment.

### **Section 21583 Second Opportunity to Elect 1959 Survivor Benefits**

Members eligible to participate in the original election and who elected not to be covered by the 1959 Survivor Benefits will have the opportunity to elect to be covered by the 1959 Survivor Benefits. The effective date of

coverage will be the date the member first became eligible for the 1959 Survivor Benefits.

Employer Cost: No valuation required. Actual costs will emerge in future valuations.  
Member Cost: \$2.00 monthly (non-refundable). Plus \$2.00 for every month from the date of original eligibility.

**Section 21622**  
**\$600 Retired Death Benefit**

The lump sum death benefit paid to beneficiaries of retired members will be \$600 instead of the statutory \$500. This section is applicable only to deaths which occur after the effective date of the contract amendment.

Employer Cost: Valuation required.  
Rough Estimate: Up to 0.05% of payroll for miscellaneous and safety groups.  
Member Cost: None.

**Sections 21624, 21626 & 21628**  
**Post-Retirement Survivor Allowance**

Upon the death of a member after retirement, an allowance shall be continued to the surviving spouse. A "surviving spouse" means, for service retirements subject to this section, a husband or wife who was married to the member at least one year prior to the member's retirement and continuously to the date of the retired member's death, and for disability retirements subject to this section, a husband or wife who was married to the member on the date of his or her retirement and continuously to the date of his or her death.

If there is no surviving spouse, or if the spouse later dies or remarries, the allowance shall be continued to the eligible unmarried children collectively until all have reached age 18. Eligible children include disabled children over age 18 if the disability begins prior to age 18.

If there is no surviving spouse or eligible child or children, the benefit would be paid to the surviving parent or parents of the deceased member who were dependent upon the member for support. If, at effective date of retirement, the member has no eligible spouse, eligible children, or eligible dependent parents, no survivor allowance shall be paid under this benefit.

The allowance payable to the survivor(s) of a member who retires after the employer includes Sections 21624, 21626 and 21628 in its contract is determined as follows:

- a. One-quarter of the retired member's unmodified allowance based on service subject to the modification for Social Security; or
- b. One-half of the retired member's unmodified allowance based on service not subject to the modification for Social Security.

In accordance with Section 21628, the allowance payable to a retired member who chose Option 2, 3, or 4; or the beneficiary of such retirees, shall be increased by 15%. For retirees who chose the Unmodified Allowance or Option 1, there is no increase in the retirement allowance but their eligible survivor(s) would receive the post-retirement survivor allowance upon the retired member's death.

Sections 21624, 21626 and 21628 are applicable, by amendment, to contracting agencies. Sections 21624 and 21626 only are available to new contracting public agencies.

Employer Cost: Valuation required.  
Rough Estimate: 1.0% to 2.5% of payroll for miscellaneous groups;  
3.5% to 6.5% of payroll for safety groups.  
Member Cost: None.

An operative date for this benefit is established at the time of amendment.

**Section 21635**  
**Post-Retirement Survivor Allowance to Continue After Remarriage**

If the surviving spouse remarries, the Post-Retirement Survivor Allowance will not cease. However, the surviving spouse may not add the new spouse or step-children as family members under any continued health benefits coverage of the surviving spouse. This section is applicable only to remarriages that occur on or after the effective date of the contract amendment.

Employer Cost: No valuation required. Actual costs will emerge in future valuations.  
Member Cost: None.

**B. MISCELLANEOUS MEMBER CLASSIFICATIONS RECLASSIFIED TO SAFETY BY AMENDMENT TO THE CONTRACT**

Miscellaneous members in the following classifications who meet the definition of local safety members, as defined in the applicable section, may be reclassified from local miscellaneous to local safety and past "qualifying service" is converted to local safety service for those members transferred into the safety group:

1. Ocean beach lifeguards of a city as "Local Safety Members" (Section 20421). This section is only applicable by amendment to public agencies whose contract effective date is prior to September 18, 1959.
2. Employees designated as Emergency Medical Technician I, II or Emergency Medical Technician-Paramedic as "Local Safety Members" (Section 20422).
3. Harbor or Port Police Officers as "Local Safety Members" (Section 20423).
4. Employees of a city police department who were employed to perform identification or communication duties on August 4, 1972, as "Local Police Officers" by individual election (Section 20020).
5. Juvenile bureau officers or employees as "Local Police Officers" (Section 20427).
6. Any officers or employees who are Peace Officers, as defined in the Penal Code, of a public agency other than a city or a county as "Local Police Officers" (Section 20429).
7. City jail, detention or correctional facility employees as "Local Police Officers" (Section 20431).
8. Any officers or employees of a fire department employed to perform duties of firefighting, fire prevention, fire training, hazardous materials, emergency medical services, or fire or arson investigation services as "Local Fire Fighters" (Section 20434).
9. Any officers or employees of a fire department employed to perform duties of hazardous materials services as "Local Fire Fighters" (Section 20434.5).
10. Any officers or employees of a contracting agency performing a fire training function as "Local Fire Fighters" (Section 20435).

11. Employees of a sheriff's office who were employed to perform identification or communication duties on August 4, 1972, as "County Peace Officers" by individual election (Section 20436).
12. Constables, deputy constables, marshals and deputy marshals as "County Peace Officers" (Section 20437).
13. Probation officers, deputy probation officers, assistant probation officers and juvenile hall employees as "County Peace Officers" (Section 20438).
14. County jail, detention or correctional facility employees as "County Peace Officers" (Section 20439).
15. Bailiffs as "County Peace Officers" (Section 20440).

### **Reclassification**

An individual member election is provided when an agency reclassifies a group of miscellaneous employees to a safety formula other than the 2% @ 50 formula (Section 20443). Members employed in positions affected by such reclassification may elect to remain covered by the miscellaneous service retirement formula by making an irrevocable election in writing no later than 90 days after notification by this system. Members who elect to remain subject to the miscellaneous service retirement formula will be covered by safety industrial benefits (e.g. disability and death benefits).

Employer Cost: Valuations required for the miscellaneous group and the safety group.

Rough Estimate: Up to 3.0%\* of safety payroll. The miscellaneous payroll may be affected.  
\* does not include up to 3.0% impact of added safety payroll.

Member Cost: See cost information under the appropriate formula.

**NOTE:** For agencies providing Social Security coverage for their miscellaneous group only, employees reclassified from miscellaneous to safety will continue to be covered by Social Security unless the position has been determined to be fireman/policeman for Social Security purposes.

### **C. OPTIONAL BENEFITS - PROVIDED BY RESOLUTION**

**Section 20903.5**  
**One to Four Years Additional Service Credit**

Effective September 24, 1997, Government Code Section 20903.5 (added by Chapter 458, Senate Bill 1192) provides authority for contracting agencies to grant one to four years of additional service credit to eligible employees who retire for service. The additional credit may not be granted to employees who retire due to a disability or an industrial disability. The additional service credit shall not be combined with any additional service credit granted under Section 20903.

This provision is intended to provide a retirement incentive option to public agencies facing potential employee layoffs due to the current fiscal climate and budget shortfalls. This option will be available only until June 30, 1999.

Agency requirements:

- a. specify the number of whole years of additional service credit being provided.
- b. specify the eligible member category(ies) (miscellaneous, fire, police, county peace officers).
- c. specify the beginning and ending date of the designated period. (The earliest date the designated period may begin is the day after the Resolution granting the additional service credit is adopted. The latest date the designated period may end is 120 days after the date the Resolution granting the additional service credit is adopted).
- d. specify the eligible department(s), program(s) and position classification(s). If the eligible employees are not being limited to certain department(s), program(s) or position classification(s), the Resolution should state that members in any department, program and/or position classifications are eligible.

The agency must also certify to the following requirements:

1. the extent the savings will exceed the payment to CalPERS;
2. the specific measures to be taken to assure the savings will exceed the payments to CalPERS;
3. either:

- a. sufficient positions have been deleted with a total cost that equals or exceeds the lump-sum actuarial cost of the additional service credit granted; or
  - b. all positions vacated due to the additional service credit granted pursuant to this section shall remain vacant for at least five years and until the lump-sum actuarial cost of the additional service credit granted has been recaptured from position vacancy salary savings;
4. the agency agrees to transmit to the retirement fund:
- a. an amount determined by the Board to equal the actuarial equivalent of the difference between the allowance the member receives after receipt of the additional service credit and the amount the member would have received without the additional service credit; and,
  - b. administrative costs.

(Note: At the time of billing, agencies will be offered the option to remit a lump sum payment or scheduled payments. If the payment in full is not received within 30 days of the invoice, interest shall be charged on the unpaid balance. The administrative charges for this benefit have not yet been determined but are expected to be minimal.)

The additional requirements to be agreed to and met by the agency are:

- 1. to maintain records for each worker retiring pursuant to this section (name, social security number, retirement effective date, cost of additional service credit);
- 2. to provide verification of its certifications through independent review if the Board so requires;
- 3. to certify to CalPERS that the eligible employees do not receive unemployment insurance payments anytime within two years of the governing body's adoption of the Resolution granting the additional service, due to employment with any employer participating in the CalPERS retirement program; and
- 4. to certify the amount of actual savings and the measures taken to achieve the savings **at such time the governing body has achieved savings** that are more than adequate to meet necessary payments to the board, **or five years after commencement of the 120 day period** described above, **whichever occurs first**.



Member requirements:

1. Is employed in the category of employees, and in the departments, programs and position classifications specified in the Resolution.
2. Is at least age 50. (The one to four years additional service credit will not increase the member's age nor will it be used to meet the minimum age requirement.)
3. Is credited with 10 or more years of CalPERS-credited service. (The one to four years additional service credit will not be used to meet the minimum service credit requirement.)
4. Retire for service (not disability) within the designated period specified in the Resolution.
5. Cannot receive unemployment insurance payments anytime within two years of the governing body's adoption of the Resolution granting the additional service, due to employment with any employer participating in the CalPERS retirement program.
6. Cannot be reemployed in any capacity, either under contract or any other basis including as a volunteer, without forfeiting the additional service credit.
7. Cannot be temporarily reemployed as an annuitant with the agency from which he/she has received the additional service credit for five years following the date of retirement.

Employer Cost: The agency will receive an invoice for the exact cost after all eligible members have received the additional service credit. Payments may be remitted over a two year period with the minimum of annual installments. All accounts, except lump sum payments remitted within thirty days of billing, will be subject to interest assessment at the current employer crediting rate.

Member Cost: None.

**PROCEDURES FOR CALCULATION OF ESTIMATED  
EMPLOYER COST  
OF ADDITIONAL SERVICE CREDIT**

The cost of providing one to four years additional service credit is calculated based on the member's annual reportable compensation, the cost factor multiplied by the number of years additional credit being provided and whether the agency's contract provides the Post-Retirement Survivor Allowance (Survivor Continuance) and/or an increased Cost-of-Living Allowance of 3%, 4% or 5%.

The employer cost may be estimated as follows:

1. Determine all individuals who meet the minimum eligibility for retirement and who are employed in the designated category (e.g. miscellaneous, fire, police, county peace officer), and in the departments, programs and position classifications specified in the Resolution.
2. Determine the annual pay rate for each eligible member. "Pay Rate" indicates that amount of compensation a member is paid for a full unit of time. Always use the member's FULL TIME pay rate.
3. Determine the number of years of service credit being granted (1, 2, 3, or 4).
4. Locate the appropriate factor on the Cost Factor Chart for each eligible member.
5. Multiply the number of years (#3 above) by the factor (#4 above) to determine the cost factor.
6. Multiply the annual pay rate by the cost factor to determine the estimated dollar cost.
7. Determine whether your agency's contract provides for the Post-Retirement Survivor Allowance. If yes, proceed to step #9.
8. If your agency's contract does not provide for the Post-Retirement Survivor Allowance, multiply the estimated dollar cost determined in step #6, above, by 0.95.
9. Determine whether your agency's contract provides for the increased cost-of-living allowance of 3%, 4% or 5%. If not, no further calculations are needed.
10. If your agency's contract provides a 3% cost-of-living allowance, multiply the dollar cost determined above by 1.07 to estimate the employer cost of providing the additional service credit.

If your agency's contract provides a 4% cost-of-living allowance, multiply the dollar cost determined above by 1.14 to estimate the employer cost of providing the additional service credit.

If your agency's contract provides a 5% cost-of-living allowance, multiply the dollar cost determined above by 1.21 to estimate the employer cost of providing the additional service credit.

**COST FACTOR CHART**

Ages	MISCELLANEOUS MEMBERS 2% @ 60 formula				SAFETY MEMBERS	
	With Social Security Coverage		Without Social Security Coverage		2% @ 55 formula	2% @ 50 formula
	Males	Females	Males	Females	All	All
50-54	0.15	0.16	0.16	0.17	0.20	0.30
55-59	0.19	0.20	0.20	0.21	0.23	0.32
60-64	0.23	0.26	0.25	0.26	0.21	0.29
65+	0.21	0.24	0.23	0.25	0.19	0.26

Ages	MISCELLANEOUS MEMBERS 2% @ 55 formula			
	With Social Security Coverage		Without Social Security Coverage	
	Males	Females	Males	Females
50-54	0.20	0.22	0.21	0.22
55-59	0.24	0.26	0.25	0.26
60-64	0.24	0.26	0.25	0.27
65+	0.21	0.24	0.23	0.25

D. SPECIAL ITEM - CALIFORNIA PUBLIC EMPLOYEES'  
RETIREMENT SYSTEM HEALTH BENEFITS PROGRAM

***You may be able to save significantly on your costs while continuing to provide quality health care by teaming up with CalPERS.***

With over 30 years experience in providing health benefits, CalPERS actively manages coverage for over “one million” employees, retirees and dependents enrolled in our self-funded Preferred Provider Organizations (PPO), Health Maintenance Organizations (HMO) and Association plans. Joining this program provides agency employees and retirees access to all available health plans CalPERS offers, without you having to contract and negotiate with each plan individually.

Once enrolled, CalPERS mails participant health plan information and other publications directly to member homes. Agencies enjoy a single, itemized monthly invoice that includes all pertinent information for their enrolled active and retired members.

***We offer the following types of coverage:***

***PERSCare and PERS CHOICE*** - CalPERS offers two self-funded Preferred Provider Organization plans. These plans offer a PPO network through Blue Shield of California with nationwide affiliations. Plans offer out-of-area and worldwide coverage.

***Health Maintenance Organizations (HMOs)*** - CalPERS offers many HMOs, each serving specific geographic areas. Except for out-of-area emergencies, HMO members receive all care from HMO doctors with a small copayment for most services and supplies.

***Association Plans*** - CalPERS offers employee association health plans to public agency members of *California Professional Firefighters Association (CPFA)* and *Peace Officers Research Association of California (PORAC)*. Worldwide coverage is available to association members.

***Who Can Join:***

***Public Agencies*** participating in CalPERS retirement system or another qualified retirement system.

***School Employers*** participating in CalPERS and STRS retirement systems.

*California Counties and Special Districts* subject to the County Employees' Retirement Law of 1937.

*Members of governing bodies* of both CalPERS and non-CalPERS agencies may participate in the CalPERS Health Program if they meet the CalPERS definition of an elected official.

For further information on participating in the CalPERS Health Program contact:

**California Public Employees' Retirement System  
Public Agency Information/Marketing**

P. O. Box 942714  
400 P Street, Suite 1120  
Sacramento, CA 94229-2714  
(916) 795-1313

*or*

**any one of the following public agency representatives:**

<i>Donna Beaumont</i>	<i>(916) 795-1497</i> <i>(916) 795-4068</i>	<i>Ed Bielski</i>
<i>Rosie Jimenez</i>	<i>(916) 795-3364</i> <i>(916) 795-3613</i>	<i>Chris Speece</i>