

# CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM 2001 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 that are available to contracting agencies through various sections of the Public Employees' Retirement Law. Legislative changes may alter the information in this document. 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 the Board funding policy effective June 30, 1997. To the extent that your employees' demographics differ significantly from the averages used, the actual cost figures for your agency may differ significantly from the estimate provided. Please note that the cost information, when possible, includes both a long-term measure of cost (normal cost) and the immediate impact upon the total employer contribution rate.

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), with the exception of Employer Paid Member Contributions Converted to Payrate During the Final Compensation Period (Section 20692).

## **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 to 80% of the recipient's initial purchasing power. The measure of whether current purchasing power is below 80% 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 monthly benefit. That individual may simply receive less PPPA and more COLA but the same monthly benefit (to maintain 80% of 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 write or fax the request for an 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. The Government Code Section number and the title as it appears in the listing of Optional Contract Provisions; 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.

### **Agencies - direct the request to:**

California Public Employees' Retirement System  
Actuarial and Employer Services Division  
Contract Maintenance  
P.O. Box 942709  
Sacramento, CA 94229-2709

Telephone 888 CalPERS (or 888-225-7377)  
FAX (916) 795-1523

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.*

**Employee organizations - direct the request along with \$200 for each valuation to:**

California Public Employees' Retirement System  
Fiscal Services Division, Attn: Cashier  
P.O. Box 942703  
Sacramento, CA 94229-2703

**ALSO SEND A COPY OF THE REQUEST TO THE ACTUARIAL AND EMPLOYER SERVICES DIVISION AT: P.O. BOX 942709, SACRAMENTO, CA 94229-2709.**

Valuations requested by an employee organization will be sent to both the employee organization and the agency.

**AMENDING THE CONTRACT**

***Contract Maintenance 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 would 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 **Contract Maintenance** 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 20 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.

# 2001 OPTIONAL CONTRACT PROVISIONS

## CONTENTS

<b>A. Optional Benefit Provisions</b>		<b>Page</b>
1.	Section 20042 One-Year Final Compensation.....	1
2.	Section 20325 Optional Membership for Part-Time Employees .....	1
3.	Section 20356 Extension of Reciprocity Rights for Elective Officers .....	1
4.	Section 20475 Different Level of Benefits Provided for New Employees.....	2
5.	Section 20503 Removal of Contract Exclusions Prospectively Only.....	3
6.	Section 20515 Full Formula Plus Social Security .....	3
7.	Section 20516 Employees Sharing Cost of Additional Benefits.....	4
8.	Section 20530.1 Credit for Local Retirement System Service for Employees of Agencies Contracted on a Prospective Basis.....	5
9.	Section 20680 Employee Contribution Rate for CSUC Auxiliary Organizations Reduced to State Member Level .....	5
10.	Section 20692 Employer Paid Member Contributions Converted to Payrate During the Final Compensation Period .....	5
11.	Section 20903 Two Years Additional Service Credit.....	7
12.	Section 20936 Prior Service Credit for Employees of an Assumed Agency or Function	9
13.	Section 20938 Limit Prior Service to Members Employed on Contract Date .....	10
14.	Section 20965 Credit for Unused Sick Leave .....	10
15.	Section 20996 Military Service Credit as Prior Service .....	10
16.	Section 21001 Credit for War Relocation Leave.....	11
17.	Section 21022 Public Service Credit for Periods of Layoff.....	11
18.	Section 21023.5 Public Service Credit for Peace Corps or AmeriCorps: VISTA Service .....	11
19.	Section 21024 Military Service Credit as Public Service.....	12
20.	Section 21025 Public Service Credit for Employees of an Assumed Agency or Function .....	12
21.	Section 21026 Public Service Credit for Service Rendered to a California Nonprofit Corporation.....	12
22.	Section 21027 Military Service Credit for Retired Persons .....	13
23.	Section 21031 Public Service Credit for Limited Prior Service.....	13
24.	Section 21037 Cancellation of Payment for Optional Service Credit Upon Retirement for Industrial Disability.....	13
25.	Section 21100 1.5% @ 65 Formula for Local Miscellaneous Members.....	13
26.	Section 21118 Partial Service Retirement .....	14
27.	Section 21131 Age 60 Mandatory Retirement for Local Safety Members .....	15
28.	Section 21151 Industrial Disability Retirement for Local Miscellaneous Members .....	15
29.	Section 21317 One-Time 15% Increase for Certain Safety Members Who Retired for Service Retirement .....	15
30.	Section 21318 One-Time 15% Increase for Certain Safety Members Who Retired for Service, Industrial or Nonindustrial Retirement .....	16
31.	Section 21319 One-Time 15% Increase for Miscellaneous Members Who Retired or Died Prior to July 1, 1971 .....	16
32.	Section 21322 One-Time 4% Increase for Members Who Retired or Died Prior to January 1, 1981 .....	16
33.	Section 21325 One-Time 3% to 15% Increase for Members Who Retired or Died Prior to January 1, 1974.....	17
34.	Section 21326 One-Time 1% to 7% Increase for Members Who Retired or Died Prior to July 1, 1974 .....	17
35.	Section 21327 One-Time Increase for Members Who Retired or Died Prior to January 1, 1975 .....	18

36.	Section 21328 One-Time 1% to 6% Increase for Members Who Retired or Died Prior to January 1, 1998.....	19
37.	Section 21335 Annual Cost-of-Living Allowance Increase.....	19
38.	Section 21353 2% @ 60 Full, Supplemental or Modified Formula for Local Miscellaneous Members.....	20
39.	Section 21354 2% @ 55 Full, Supplemental or Modified Formula for Local Miscellaneous Members.....	20
40.	Section 21362 2% @ 50 Full, Supplemental or Modified Formula for Local Safety Members.....	21
41.	Section 21362.2 3% @ 50 Full, Supplemental or Modified Formula for Local Safety Members.....	21
42.	Section 21363.1 3% @ 55 Full, Supplemental or Modified Formula for Local Safety Members.....	22
43.	Section 21369 2% @ 55 Full, Supplemental or Modified Formula for Local Safety Members.....	22
44.	Section 21427 Improved Nonindustrial Disability Allowance.....	23
45.	Section 21428 Increased Industrial Disability Allowance to 75% of Final Compensation .....	23
46.	Section 21430 Improved Industrial Disability Allowance for Local Safety Members.....	24
47.	Section 21536 Local System Service Credit Included in Basic Death Benefit .....	24
48.	Section 21540.5 Special Death Benefit for Local Miscellaneous Members .....	24
49.	Section 21547.7 Alternate Death Benefit for Local Fire Members Credited with 20 or More Years of Service .....	25
50.	Section 21548 Pre-Retirement Optional Settlement 2 Death Benefit .....	25
51.	Section 21574 Fourth Level of 1959 Survivor Benefits .....	26
52.	Section 21574.5 Indexed Level of 1959 Survivor Benefits.....	27
53.	Section 21580 1959 Survivor Benefits to Surviving Spouse at Age 60.....	28
54.	Section 21583 Additional Opportunity to Elect 1959 Survivor Benefits.....	28
55.	Section 21622 \$600 Retired Death Benefit.....	28
56.	Section 21623.5 \$2,000, \$3,000, \$4,000, or \$5,000 Retired Death Benefit .....	28
57.	Sections 21624, 21626 & 21628 Post-Retirement Survivor Allowance.....	29
<b>B.</b>	<b>Miscellaneous Member Classifications Optionally Reclassified to Safety by Amendment to the Contract.....</b>	<b>31</b>
<b>C.</b>	<b>Special Item - CalPERS Health Program.....</b>	<b>33</b>
<b>D.</b>	<b>Special Item – Circular Letter No. 200-071-01 .....</b>	<b>35</b>

## **A. OPTIONAL BENEFIT PROVISIONS**

### **1. 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:	Impact on Employer Normal Cost: <ul style="list-style-type: none"><li>• 0.4% to 0.7% of payroll for miscellaneous groups</li><li>• 0.7% to 1.3% of payroll for safety groups</li></ul> Impact on Total Employer Contribution Rate: <ul style="list-style-type: none"><li>• 0.7% to 1.7% of payroll for miscellaneous groups</li><li>• 1.3% to 2.9% of payroll for safety groups</li></ul>
Member Cost:	None.

### **2. 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. After the contract has been amended, the member may obtain cost information by contacting Member Services Division. 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.

### **3. 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.

#### **4. 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 membership categories:
  - (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.
- 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; and
- c. An agency may amend its contract for 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.

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

A contracting agency may remove a membership exclusion prospectively and not incur a liability for the employee's earlier service. When an exclusion is removed prospectively, Section 21020 enables the previously excluded members to elect to purchase earlier service as "public service". After the contract has been amended, the member may obtain cost information by contacting Member Services Division. Some employer liability may be generated by such a purchase and would be incorporated into the agency's rate in future valuations.

Employer Cost: Valuation may be required. (Employee data will be needed.)  
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.

**6. 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's 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: Impact on Employer Normal Cost:

- Roughly 0.1% of payroll for all groups. The increase may be up to 1.2% of payroll if the agency's contract includes Post-Retirement Survivor Allowance (Sections 21624, 21626 and 21628)

Impact on Total Employer Contribution Rate:

- 0.2% to 1.5% of payroll for all groups. The increase may be up to 4.0% of payroll 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.

## 7. Section 20516 Employees 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.

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.

There are several points to be emphasized:

- a. This provision requires that the employer and the employees agree in writing to share the cost of the applicable benefits.
- b. The increase in the member contribution rate will be effective as of the effective date of the amendment to the contract. To reduce the percentage the employees have agreed to cost share at a later date, the agency will need to request an 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 and Post-Retirement Survivor Allowance, may not be applicable to all employees. However, if the agency includes such benefits in conjunction with Section 20516, the contribution rate would increase for all employees in the applicable member group.
- 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% @ 50, 3% @ 55 or 3% @ 50 formula with its local safety members and the 2% @ 55 with its local miscellaneous members. A contracting agency may amend its contract to share the cost of either the 2% @ 55, 2% @ 50, 3% @ 55 or 3% @ 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 include 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 an amendment to the contract. Any such agreement in a memorandum 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 a contract amendment.

**8. Section 20530.1 Credit for Local Retirement System Service for Employees of Agencies Contracted on a Prospective Basis**

An agency whose contract provides for participation of its employees on a prospective basis may provide credit for service prior to the date the employees became members of this system. If the employees were or are members of a local retirement system and received service and contribution credits under that local retirement system, the system administrator must certify that the local system contributions may be transferred and two-thirds majority of the affected employees must vote in favor of the transfer.

The contributions to be credited to employees' accounts are to be transferred to CalPERS as of the effective date of the contract amendment. The Board may approve the contributions to be credited to the employer account to be transferred over an appropriate period following the effective date of the contract amendment, if the transfer is not possible without hardship to the agency.

This benefit shall apply only to members employed by the contracting agency on the effective date of the contract amendment.

Employer Cost: Valuation required.  
Member Cost: None.

**9. 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: Impact on Employer Normal Cost:

- 1.6% to 2.5% of payroll for all miscellaneous groups

Impact on Total Employer Contribution Rate:

- 1.9% to 3.0% of payroll for miscellaneous groups

Member Cost: Reduction in member contributions as discussed above.

**10. 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, therefore, 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 Government Code 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, the labor policy or agreement must be reviewed to determine whether the requirements of Section 20692 have been met. The labor policy or agreement, identified for the purpose of compensation conversion should be submitted to: CalPERS, Actuarial and Employer Services Division, Compensation Review Unit, P.O. Box 942709, Sacramento, CA 94229-2709.

Employer Cost:	Valuation required.
Rough Estimate:	Impact on Employer Normal Cost: <ul style="list-style-type: none"><li>• 0.6% to 1.1% of payroll for miscellaneous groups</li><li>• 1.8% to 2.3% of payroll for safety groups</li></ul> Impact on Total Employer Contribution Rate: <ul style="list-style-type: none"><li>• 1.3% to 2.3% of payroll for miscellaneous groups</li><li>• 1.8% to 5.8% of payroll for safety groups</li></ul>
Member Cost:	Increase in member payrate will increase the amount of member contributions.

#### **11. Section 20903 Two Years Additional Service Credit**

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 retired 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 certify that it has complied with the provisions of Government Code Section 7507 and has disclosed the additional employer contributions and the funding of those employer contributions, at a public meeting.
- e. 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 of 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 reenters 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 2-year period with the minimum of annual installments. All accounts, except lump sum payments remitted within 30 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 can be estimated as follows:

1. Identify 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, (annual pay rate) X (cost factor) = estimated cost.
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**

### **MISCELLANEOUS MEMBERS**

	<b><u>2% @ 60</u></b> <b><u>formula</u></b>	<b><u>2% @ 55</u></b> <b><u>formula</u></b>
<b>Ages</b>	<b><u>All</u></b>	<b><u>All</u></b>
50-54	0.33	0.44
55-59	0.42	0.54
60-64	0.54	0.56
65+	0.52	0.52

### **SAFETY MEMBERS**

	<b><u>2% @ 55</u></b> <b><u>formula</u></b>	<b><u>2% @ 50</u></b> <b><u>formula</u></b>	<b><u>3% @ 55</u></b> <b><u>formula</u></b>	<b><u>3% @ 50</u></b> <b><u>formula</u></b>
<b>Ages</b>	<b><u>All</u></b>	<b><u>All</u></b>	<b><u>All</u></b>	<b><u>All</u></b>
50-54	0.43	0.61	0.70	0.80
55-59	0.50	0.68	0.75	0.75
60-64	0.47	0.63	0.70	0.70
65+	0.42	0.57	0.63	0.63

## **12. 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.

**13. 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.

**14. 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 85% 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: Impact on Employer Normal Cost:

- 0.1% to 0.2% of payroll for all groups

Impact on Total Employer Contribution Rate:

- 0.2% to 0.7% of payroll for all groups

Member Cost: None.

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

**16. Section 21001 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: Individual calculation required. After the contract has been amended, the member may obtain cost information by contacting Member Services Division.

**17. 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.

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 laid off employees returning 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.

**18. Section 21023.5 Public Service Credit for Peace Corps or AmeriCorps: VISTA Service**

A member may elect to purchase up to three years of service credit for any volunteer service in the Peace Corps or AmeriCorps: Volunteers In Service To America.

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

**19. 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. 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 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. This amendment would allow current employees to elect within 90 days to receive credit under the former statute 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: Individual calculation required. After the contract has been amended, the member may obtain cost information by contacting Member Services Division.

**20. 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.

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.

**21. 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.

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

**23. 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.

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.

**24. 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.

**25. 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 of 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.

## **26. 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.

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

An agency may specify age 60 as the mandatory retirement age for local safety members if the agency has obtained a final determination in federal court that age is a bona fide occupational qualification for a given job or has obtained approval or certification from the Equal Employment Opportunity Commission.

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

**28. 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 (Government Code Section 21417). Outside earnings are not limited and do not affect the amount of the CalPERS allowance.

Employer Cost: Valuation required.  
Rough Estimate: Impact on Employer Normal Cost:

- 0.3% to 0.6% of payroll

Impact on Total Employer Contribution Rate:

- 0.4% to 0.7% of payroll

Member Cost: None.

**29. 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.

**30. 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.

**31. 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: Impact on Employer Normal Cost:

- No impact

Impact on Total Employer Contribution Rate:

- 0.3% to 1.0% of payroll

Member Cost: None.

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

**32. 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: Impact on Employer Normal Cost:  
     • No impact  
 Impact on Total Employer Contribution Rate:  
     • Up to 1.5% of payroll for all groups  
 Member Cost: None.

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

**33. 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: Impact on Employer Normal Cost:  
     • No impact  
 Impact on Total Employer Contribution Rate:  
     • Up to 1.5% of payroll for all groups  
 Member Cost: None.

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

**34. 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: Impact on Employer Normal Cost:  

- No impact

Impact on Total Employer Contribution Rate:  

- Up to 1.0% of payroll for all groups

Member Cost: None.

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

**35. 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%
6 months ending December 31, 1974 .....	1.31%

Employer Cost: Valuation required.  
Rough Estimate: Impact on Employer Normal Cost:  

- No impact

Impact on Total Employer Contribution Rate:  

- Up to 0.8% of payroll for all groups

Member Cost: None.

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



**36. Section 21328 One-Time 1% to 6% Increase for Members Who Retired or Died Prior to January 1, 1998**

As of January 1, 2000, a contracting agency may provide a one-time allowance increase with respect to members who retired or died prior to January 1, 1998. The increase ranges from 1.0% to 6.0% 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, 1974 .....	6%
120 months ending December 31, 1984.....	5%
60 months ending December 31, 1989.....	4%
60 months ending December 31, 1994.....	3%
24 months ending December 31, 1996.....	2%
12 months ending December 31, 1997.....	1%

- Employer Cost: Valuation required.
- Rough Estimate: Impact on Employer Normal Cost:
  - No impact
 Impact on Total Employer Contribution Rate:
  - Up to 1.7% of payroll for all groups
- Member Cost: None.

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

**37. 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 provided 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 2001 is chosen, the first cost-of-living allowance increase would be effective April 1, 2003.

- Employer Cost: Valuation required. The valuation request needs to specify the base year.

Rough Estimate: Impact on Employer Normal Cost:

- 3% COLA: 0.9% to 1.2% of payroll for miscellaneous groups
- 3% COLA: 1.1% to 2.1% of payroll for safety groups
- 4% COLA: 1.2% to 2.0% of payroll for miscellaneous groups
- 4% COLA: 2.0% to 3.7% of payroll for safety groups

Impact on Total Employer Contribution Rate:

- 3% COLA: 1.7% to 3.2% of payroll for miscellaneous groups
- 3% COLA: 1.8% to 6.1% of payroll for safety groups
- 4% COLA: 2.9% to 5.2% of payroll for miscellaneous groups
- 4% COLA: 3.1% to 10.4% of payroll for safety groups

Member Cost: None.

\* An agency with a large proportion of retirees and/or long service active members will have a higher cost.

**38. 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.

**39. 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. (A formula change affecting the members' contribution rate requires an election of the affected members.)

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: Impact on Employer Normal Cost:

- 1.3% to 1.9% of payroll

Impact on Total Employer Contribution Rate:

- 2.7% to 4.9% of payroll

Member Cost: As discussed above.

**40. 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+.

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. (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.

The total allowance for service retirement under the 2% @ 50 formula cannot exceed 85% of final compensation.

Employer Cost: Valuation required.  
Rough Estimate: Impact on Employer Normal Cost:

- 2.9% to 5.3% of payroll

Impact on Total Employer Contribution Rate:

- 4.2% to 12.7% of payroll

Member Cost: As discussed above.

**41. Section 21362.2 3% @ 50 Full, Supplemental or Modified Formula for Local Safety Members**

This formula provides to local safety members 3% of pay at age 50 for each year of service credited with that employer.

Local safety members subject to the 3% @ 50 Full or Supplemental formulas contribute 9% of reportable earnings. Those covered under the 3% @ 50 Modified formula (coordinated with Social Security) contribute 9% of reportable earnings in excess of \$133.33. (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.

The total allowance for service retirement under the 3% @ 50 formula cannot exceed 85% of final compensation.

Employer Cost: Valuation required.  
Rough Estimate: Impact on Employer Normal Cost:

- 3.9% to 5.3% of payroll for 2% at 50 safety groups

Impact on Total Employer Contribution Rate:

- 10.8% to 16.5% of payroll for 2% at 50 safety groups

Member Cost: As discussed above.

**42. Section 21363.1 3% @ 55 Full, Supplemental or Modified Formula for Local Safety Members**

This formula provides to local safety members 3% 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 2.400% at age 50, which gradually increases for each attained age to 3% at age 55+.

Local safety members subject to the 3% @ 55 Full or Supplemental formulas contribute 9% of reportable earnings. Those covered under the 3% @ 55 Modified formula (coordinated with Social Security) contribute 9% of reportable earnings in excess of \$133.33. (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.

The total allowance for service retirement under the 3% @ 55 formula cannot exceed 85% of final compensation.

Employer Cost: Valuation required.  
Rough Estimate: Impact on Employer Normal Cost:

- 2.0% to 3.1% of payroll for 2% at 50 safety groups

Impact on Total Employer Contribution Rate:

- 4.8 to 8.9% of payroll for 2% at 50 safety groups

Member Cost: As discussed above.

**43. 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 cannot exceed 85% of final compensation. If the member has service under both the 2% @ 55 formula and the 2.5% @ 55 formula (local safety), the combined percentage cannot exceed 85% of final compensation.

Employer Cost:	Valuation required.
Rough Estimate:	Impact on Employer Normal Cost: <ul style="list-style-type: none"><li>• 0.5% to 1.5% of payroll</li></ul> Impact on Total Employer Contribution Rate: <ul style="list-style-type: none"><li>• 1.5 to 3.0% of payroll</li></ul>
Member Cost:	As discussed above.

#### **44. 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:	Impact on Employer Normal Cost: <ul style="list-style-type: none"><li>• 0.2% to 0.4% of payroll for miscellaneous groups</li><li>• 0.04% to 0.08% of payroll for safety groups</li></ul> Impact on Total Employer Contribution Rate: <ul style="list-style-type: none"><li>• 0.3% to 0.8% of payroll for miscellaneous groups</li><li>• 0.08% to 0.4% of payroll for safety groups</li></ul>
Member Cost:	None.

#### **45. 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. If the member is eligible for service retirement, the service retirement allowance is payable if greater than the industrial disability retirement allowance.

Employer Cost: Valuation required.  
Rough Estimate: Impact on Employer Normal Cost:

- 0.2% to 0.3% of payroll for miscellaneous groups
- 1.1% to 2.5% of payroll for safety groups

Impact on Total Employer Contribution Rate:

- 0.3% to 0.9% of payroll for miscellaneous groups
- 1.8% to 3.3% of payroll for safety groups

Member Cost: None.

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

**46. 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: Impact on Employer Normal Cost:

- 1.1% to 2.5% of payroll

Impact on Total Employer Contribution Rate:

- 1.8% to 3.3% of payroll

Member Cost: None.

**47. 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.

**48. 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 Special Death Benefit is payable to the surviving spouse until death or to eligible unmarried children until age 22. To be eligible for this benefit, the spouse must have been married to the member for at least one year prior to death, or prior to sustaining the injury or disease resulting in death.

Employer Cost: Valuation required.  
Rough Estimate: Impact on Employer Normal Cost:

- 0.01% to 0.05% of payroll

Impact on Total Employer Contribution Rate:

- 0.01% to 0.06% of payroll

Member Cost: None.

**49. Section 21547.7 Alternate Death Benefit for Local Fire Members Credited with 20 or More Years of Service**

The surviving spouse or eligible children of a deceased firefighter member, who is credited with 20 or more years of CalPERS covered service and whose death occurs while in the employ of a local agency contracting for this benefit, may elect to receive the Alternate Death Benefit in lieu of the lump sum Basic Death Benefit or the 1957 Survivor Benefit.

If the member had not attained minimum retirement age at the time of death, the Alternate Death Benefit is calculated based on the member's total service credit with all employers (including the service credit earned while in the employ of the agency contracting for this benefit) as though the member had retired at age 50 and elected Option 2W. Option 2W provides the highest monthly allowance to a beneficiary.

If the member had attained minimum retirement age at the time of death, the benefit is calculated as though the member retired on the date of death (from the employing agency and all previous CalPERS covered employers) and elected Option 2W.

If the deceased firefighter had not attained the minimum retirement age at death and had service credit with previous CalPERS agencies, the cost of the Alternate Death Benefit will be the liability of the employing agency, except for a partial offset of costs resulting from a transfer of the member's contributions from all previous employers to the employing agency. The increase in liability not offset by this transfer will be paid by the agency contracting for this benefit and employing the member on the date of his/her death.

If the deceased firefighter had attained minimum retirement age at death, the increased cost of the benefit (regardless of whether the member has service credit with another CalPERS employer) is the liability of the agency contracting for this benefit and employing the member on the date of his/her death.

Employer Cost: Valuation required.  
Rough Estimate: Impact on Employer Normal Cost:

- 0.02% to 0.07% of payroll

Impact on Total Employer Contribution Rate:

- 0.05% to 0.10% of payroll

Member Cost: None.

**50. 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.

Employer Cost: Valuation required.  
 Rough Estimate: Impact on Employer Normal Cost:
 

- 0.1% to 0.2% of payroll for miscellaneous groups
- 0.01% to 0.02% of payroll for safety groups

 Impact on Total Employer Contribution Rate:
 

- 0.2% to 0.4% of payroll for miscellaneous groups
- 0.02% to 0.06% of payroll for safety groups

 Member Cost: None.

**51. 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.

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. For agencies first contracting for the 1959 Survivor Program, 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).

A spouse is eligible if he or she (1) has care of eligible children, or (2) is age 60 or older. Children are eligible if under age 22 and unmarried.

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

Spouse with two or more eligible children; or three or more eligible children only .....	\$2,280
Spouse with one eligible child; or two eligible children only .....	\$1,900
One eligible child only; or surviving spouse at age 60 or older or, dependent parents .....	\$950

Employer Cost: \$5.00 per month per covered member for fiscal year 2001/2002. If the contract currently provides a lower level of 1959 Survivor Benefits, the actuary must also conduct a valuation to determine the funding status of the agency's 1959 Survivor Benefit Account. The agency will still be responsible for any existing Unfunded Actuarial Liability at their current level. (There is no fee for this valuation.)  
 Member Cost: \$2.00 monthly, \$1.00 semi-monthly, \$.93 bi-weekly (non-refundable).

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 due in June following the effective date of the amendment and the remaining four payments due by June 30, of each year. 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.

## **52. Section 21574.5 Indexed Level of 1959 Survivor Benefits**

This provision provides 1959 Survivor Benefits to survivors of a member who dies prior to retirement and includes an automatic cost-of-living feature to avoid erosion due to inflation. The increase will be 2 percent per year for both beneficiaries already receiving the benefit and for potential beneficiaries of members who die in the future.

The benefit is paid in addition to the Basic Death Benefit, the 1957 Death 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.

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. For agencies first contracting for the 1959 Survivor Program, 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).

A spouse is eligible if he or she (1) has care of eligible children, or (2) is age 60 or older. Children are eligible if under age 22 and unmarried.

The monthly allowance payable to eligible survivors under this section is as follows for 2001:

Spouse with two or more eligible children; or three or more eligible children only.....	\$1,530
Spouse with one eligible child; or two eligible children only.....	\$1,020
One eligible child only; or surviving spouse at age 60 or older; or dependent parents.....	\$510

Employer Cost: For existing agencies that contract for this level of 1959 Survivor Benefits before June 30, 2003, the cost will be zero. However, they will still be responsible for any existing Unfunded Actuarial Liability at their current level. Valuation required. (There is no fee for this valuation.)  
\$4.70 for new contracting public agencies.

Member Cost: \$2.00 monthly, \$1.00 semi-monthly, \$.93 bi-weekly (non-refundable).

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

**53. 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. This provision is optional for agencies that provide the First, Second or Third Levels of 1959 Survivor Benefits.

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.

**54. Section 21583 Additional 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.

**55. 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 benefit would be applicable to deaths occurring after the effective date of the contract amendment.

Employer Cost: Valuation required.

Rough Estimate: Impact on Employer Normal Cost:

- 0.001% to 0.002% of payroll for all groups

Impact on Total Employer Contribution Rate:

- 0.001% to 0.01% of payroll for all groups

Member Cost: None.

**56. Section 21623.5 \$2,000, \$3,000, \$4,000, or \$5,000 Retired Death Benefit**

The lump sum death benefit paid to beneficiaries of retired members will be \$2,000, \$3,000, \$4,000 or \$5,000. This benefit would be applicable to deaths occurring after the effective date of the contract amendment.

The actuarial valuation request must specify the selected benefit amount.

Employer Cost: Valuation required.  
 Rough Estimate: Impact on Employer Normal Cost:
 

- \$2,000 - 0.01% to 0.02% of payroll for all groups
- \$5,000 - 0.02% to 0.06% of payroll for all groups

 Impact on Total Employer Contribution Rate:
 

- \$2,000 - 0.04% to 0.14% of payroll for all groups
- \$5,000 – 0.05% to 0.16% of payroll for all groups

 Member Cost: None.

**57. 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, 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 surviving spouse, eligible children, or dependent parents and elected an optional settlement, no allowance under this section shall be paid.

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, all together, 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: Impact on Employer Normal Cost:
 

- 0.8% to 1.2% of payroll for miscellaneous groups
- 1.6% to 2.3% of payroll for safety groups

Impact on Total Employer Contribution Rate:

- 1.7% to 5.4% of payroll for miscellaneous groups
- 4.3% to 10.9% of payroll for safety groups

(These estimates are based on survivors receiving one-half of the retired member's unmodified allowance based on service not subject to the modification for Social Security. To the extent the allowances payable are based on survivors receiving one-quarter of the retired member's unmodified allowance based on service not subject to Social Security, the costs should be less.)

Member Cost: None.

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

## **B. MISCELLANEOUS MEMBER CLASSIFICATIONS OPTIONALLY 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. Juvenile bureau officers or employees as "Local Police Officers" (Section 20427).
5. 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 who were in employment on January 1, 1976, as "Local Police Officers" (Section 20429).
6. City jail, detention or correctional facility employees as "Local Police Officers" (Section 20431).
7. 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).
8. Any officers or employees of a fire department employed to perform duties of hazardous materials services as "Local Fire Fighters" (Section 20434.5).
9. Any officers or employees of a contracting agency performing a fire training function as "Local Fire Fighters" (Section 20435).
10. 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).
11. Constables, deputy constables, marshals and deputy marshals as "County Peace Officers" (Section 20437).
12. Probation officers, deputy probation officers, assistant probation officers, juvenile hall employees and persons employed as peace officers pursuant to Section 830.5 of the Penal Code as "County Peace Officers" (Section 20438).

13. County jail, detention or correctional facility employees as "County Peace Officers" (Section 20439).
14. Bailiffs as "County Peace Officers" (Section 20440).

**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.

**All classifications defined in the government code will be reclassified. The agency will need to submit copies of the job descriptions for review to determine whether the positions meet the definition of local safety. Separate actuarial valuations are required to determine the affect to the employer rates for local miscellaneous members and local safety members.**

Employer Cost:	Valuations required for the miscellaneous group <u>and</u> 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.

An individual member election is provided when an agency reclassifies a group of miscellaneous employees to a safety formula other than the 2% @ 50, 3% @ 55 or 3% @ 50 formulas (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).

## C. 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 "1 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 members' 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 Cross 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 safety members through the *Peace Officers Research Association of California (PORAC)* – *Police and Fire Health Plan*. 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 CalSTRS 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 Benefits Program if they meet the CalPERS definition of an elected official.

For further information on participating in the CalPERS Health Benefits 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) 658-1233

*or*

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

***Donna Beaumont***    ***(916) 658-1497***                      ***Rose Racina***        ***(916) 341-2617***

***Rosie Jimenez***        ***(916) 326-3364***                      ***Karla Purcell***        ***(916) 326-3613***



## D. Special Item – Circular Letter 200-071-01

P.O. Box 942709  
Sacramento, CA 94229-2709  
888 CalPERS (or 888-225-7377)  
Telecommunications Device for the Deaf  
No Voice (916) 795-3240  
[www.calpers.ca.gov](http://www.calpers.ca.gov)

Date: July 6, 2001  
Reference No.:  
Circular Letter No.: 200-071-01  
Distribution: I, II-B, VI

Special:

# Circular Letter

TO: ALL PUBLIC AGENCIES

SUBJECT: NEW CALPERS' BOARD RESOLUTION CONCERNING VALUE OF ASSETS  
USED IN CALCULATION OF COST OF CONTRACT AMENDMENTS

On June 20, 2001, the CalPERS' Board adopted a new resolution concerning the value of assets to be used in determining the employer contribution rate due to benefit increases for amendments to public agency contracts. This letter provides information about the new resolution and its potential impact upon public agencies' employer rates. The purpose of Resolution 01-03-BD is to provide a means to temporarily delay the full impact of the cost of benefit improvements on the employer's contribution rate. The delay is accomplished by using, in the determination of the employer's contribution rate, an actuarial value of assets chosen by the employer, rather than following the regular actuarial asset-smoothing method. As of the most recently completed actuarial valuation, for most plans the actuarial value of assets is less than market assets due to the delayed recognition of investment gains over the past several years.

This new resolution does not apply to any amendment cost analysis based on the June 30, 1999 annual valuation. Such amendments were covered by the prior Board resolution, which involved the use of an actuarial value of assets equal to 95% of market value. That prior resolution expired on June 30, 2001. If your agency notified CalPERS on or before June 30, 2001 that you intended to amend your contract based upon the June 30, 1999 valuation, the prior resolution utilizing the 95% of market value will be honored. If no such notification was provided by June 30, 2001, amendments based upon the June 30, 1999 valuation and effective after June 30, 2001, will have no adjustment made to the actuarial value of assets used in calculating the new employer contribution rate.

This new resolution does apply to all contract amendments based upon the June 30, 2000 annual actuarial valuation and for which a Resolution of Intent to amend is filed with CalPERS by June 30, 2002. It is anticipated that all June 30, 2000 annual valuations establishing employer rates for fiscal 2002-03 will be mailed by October 31, 2001. After those annual valuation results are completed, each amendment cost analysis provided will set forth all of the choices available to the employer with regard to asset values and corresponding employer contribution rates upon implementation of a contract amendment.

The full text of the resolution is included in Attachment A and will not be repeated here. Instead, what follows is a brief description of the choices made available by the resolution to employers implementing plan amendments.

The previous resolution, which expired on June 30, 2001, provided an actuarial value of assets equal to 95% of the market value of assets for any amendment increasing the present value of benefits, as determined by the Board. In some instances this produced a situation whereby a very small benefit increase resulted in a very large increase in the value of assets. The new resolution is designed to coordinate the size of the increase in assets recognized for rate setting with the size of the benefit increase produced by the amendment. Specifically, the increase in the actuarial value of assets to be used for rate setting is equal to twice the increase in the present value of benefits produced by the amendment. So, a small increase in benefits will at most produce a correspondingly small increase in assets, and a large increase in benefits will, at the option of the employer, produce a large increase in assets.

It should be emphatically stated that, under the new resolution, the employer has the option of taking no increase in the actuarial value of assets and allowing the regular asset smoothing method to operate as it normally would. In addition, the employer may limit the actuarial value of assets used for rate setting purposes to 100% of market value if normal application of the resolution would otherwise exceed this limit. Under no circumstances will an actuarial value of assets in excess of 110% of market value be utilized.

The table below demonstrates the rate choices upon implementation of a contract amendment. To understand the table, the reader should realize that the choices available to the employer are determined by the size of the actuarial value of assets after increasing them by twice the present value of benefits. Please refer to Attachment B for a glossary of actuarial terms used in this letter.

<b>Actuarial Value of Assets increased by twice the increase in the Present Value of Benefits due to the amendment.</b>	<b>Choices available to employer for how the employer contribution rate will be calculated</b>
Is less than 100% of market value	Either 1) No increase in asset value, or 2) Actuarial Value of Assets increased by twice the increase in the Present Value of Benefits due to the amendment
Is greater than 100% of market value, but less than 110% of market value	Either 1) No increase in asset value, or 2) 100% of market value, or 3) Actuarial Value of Assets increased by twice the increase in the Present Value of Benefits due to the amendment
Is greater than 110% of market value	Either 1) No increase in asset value, or 2) 100% of market value, or 3) 110% of market value

Subject only to the conditions previously stated, the available rate choices will be offered for all proposed amendments and apply to those amendments adopted by the agency during the window period. Further, the new resolution will apply to agencies whether or not they utilized the 95% asset value offered in the previous resolution.

The employer should carefully consider its choices in choosing its new rate under the options made available by the new resolution. For many plans at CalPERS, the financial soundness of the plan will not be jeopardized regardless of the choice made by the employer. However, it is possible that, for some plans, some choices under the resolution would represent poor financial decisions. While the choice will remain with the employer, you are strongly encouraged to have in-depth discussions with your CalPERS actuary about the consequences of each cost analysis disclosure you receive.

A word about asset smoothing and the impact of utilizing asset values other than those produced by the regular asset smoothing method is in order. The purpose of all asset-smoothing methods is to dampen the impact of market fluctuations on the employers' rates. During the bull market that ended in the year 2000, the smoothing method built up a cushion (the difference between market value and the actuarial value of assets) to protect against a substantial downturn in the markets. The utilization of that cushion to dampen the impact of benefit improvements will substantially reduce or completely eliminate the ability of the smoothing method to dampen the impact of the market downturn that has occurred during fiscal 2000-01.

For most CalPERS' public agency plans, the June 30, 2000 actuarial value of assets is expected to be around 93% to 94% of the market value of assets. While we do not have final investment returns for fiscal 2000-2001, there will be a negative return for the year. Under the usual actuarial asset smoothing technique, a -6% return for fiscal 2000-2001, would produce an actuarial asset value on June 30, 2001 of approximately 105% of market value of assets. Because the smoothed asset value will increase from 93% of market to 105% of market value, much of the market shortfall will be absorbed, and the amount of the market shortfall immediately passed into the employer rate is substantially dampened.

However, if the June 30, 2000 actuarial value of assets is moved to 100% of market value due to a contract amendment under the new resolution, the smoothing method will result in an actuarial value of assets on June 30, 2001 of 110% of market value. So, the smoothed asset value will increase from 100% of market to 110% of market and much more of the market shortfall will be passed immediately into the employer rate. If the June 30, 2000 smoothed assets are moved to as high as 110% of market value, then the June 30, 2001 smoothed value will also be 110% of market value. In this case, a substantial market shortfall will be passed immediately into the employer rate. In other words, accelerating recognition of past investment gains on June 30, 2000 will reduce the cushion that could be used to soften the effect of investment losses known to have occurred during fiscal 2000-01. Investment losses during this period affect the employers' fiscal 2003-04 rates.

Over the next several months, the CalPERS actuaries will be working on a new format for the year 2000 basis amendment cost disclosures. Our goal will be to provide a document that clearly expresses the cost impact upon the plan of the proposed contract amendment, and to provide a clear distinction between the choices provided by the new resolution. If you have any questions concerning the new resolution, please contact your plan actuary. A list of contact names and telephone numbers is available by checking the CalPERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov) (go to the Employer Information tab), or you may refer to Attachment C.

Again, we strongly encourage you to engage in a discussion with your CalPERS actuary regarding each amendment cost disclosure you receive. Our actuaries are available by telephone to assist you in understanding the financial implications of amending your contract with CalPERS.

Kenneth W. Marzion, Chief  
Actuarial and Employer Services Division

Attachments

## Attachment A

### RESOLUTION By the Board of Administration of the California Public Employees' Retirement System To The Governor of the State of California and The State Legislature

Subject: Redress of Inequities Within Existing Retirement Programs for **Public Agency** Employees Covered by CalPERS No. 01-03-BD

WHEREAS, the California Constitution provides that the Board of Administration (Board) of the California Public Employees' Retirement System (CalPERS) has the sole and exclusive authority for the administration of CalPERS, including the provision of all actuarial services.

WHEREAS, the California Constitution provides that the Board must discharge its duties with respect to CalPERS solely in the interest of, and for the exclusive purposes of providing benefits to participants and their beneficiaries; minimizing employer contributions to CalPERS; and defraying reasonable administrative expenses.

WHEREAS, the California Constitution provides that the Board's duty to CalPERS participants and beneficiaries shall take precedence over all other duties.

WHEREAS, the purpose of CalPERS, as articulated by the legislature when the System was created in 1932, is to effect economy and efficiency in the public service by assuring that public employees may, when they reach the age of retirement or become incapacitated, retire from the active workforce "without hardship or prejudice."

WHEREAS, the Board's Mission is to advance the financial and health security of all of those who participate in CalPERS.

WHEREAS, although the Board has the authority and duty to interpret and implement existing statutory provisions that establish retirement benefits, it does not have the authority to unilaterally create new benefits.

WHEREAS, during the five year period ended June 30, 2000, CalPERS earned a 15.6% return on its investments, well above the 8.25% assumed actuarial rate of return.

WHEREAS, these investment returns have been significantly higher than the actuarially assumed return rate of 8.5 percent, thus illustrating the sustained strength and growth of the Public Employees' Retirement Fund.

WHEREAS, in March 1998 and following an extensive deliberation of the issue, the Board adopted new economic assumptions, which are used for setting employer contributions rates; in so doing, the Board lowered the assumed investment return rate from 8.5 to 8.25 percent, the assumed inflation rate from 4.5 to 3.5 percent, and the long-term wage growth rate from 4.5 to 3.75 percent.

WHEREAS, there are approximately 1,800 different retirement plans currently being administered by CalPERS on behalf of the public agencies that have elected to contract with CalPERS for retirement system coverage for their employees (Public Agency Employers).

WHEREAS, as a result of CalPERS' continued high investment returns, lower inflation, and the March 1998 economic assumptions, the employer contributions due from Public Agency employers have generally decreased.

WHEREAS, the funded status of Public Agency plans has similarly improved, going from 98.8% aggregated funded as of the June 30, 1996 actuarial valuation, to 128.2% aggregated funding as of the June 30, 1999 valuation; while the funded ratios of each of the 1,800 different plans differ, about 2% of the plans are below 75% funded; approximately 6% of the plans are between 75% and 100% funded, and about 92 % are 100% funded or better.

WHEREAS, although employer contributions vary according to current economic assumptions and actuarial valuations, employee contributions are fixed by statute, and thus even when a plan may be significantly overfunded, employees must continue to contribute.

WHEREAS, the Board's Legislative Policy Standards (approved on June 19, 1996), provide that the Board will sponsor and support legislative action that redresses "inequitable, unfair or discriminatory benefits."

WHEREAS, the terms and conditions of employment for public agency employees who are covered by CalPERS are subject to the collective bargaining process set forth in the California Government Code, sections 3505 et seq.

WHEREAS, California Government Code section 20233 requires the Board to report to the Legislature on whether existing increases to retirement allowances are meeting the objective of preserving the purchasing power of benefits, and also to report on the amount of supplementary increases required to meet that objective.

WHEREAS, the Board has determined that, with a change in actuarial methodology (i.e., increasing assets used in the rate-setting process by twice the increase in the present value of benefits, rather than the current three-year smoothing method using 90-110% of market value) some improvements in benefits can be funded for a period exclusively from current surplus assets and thus not increase the employers' 2002-03 contributions.

NOW THEREFORE BE IT RESOLVED THAT:

The Board of Administration of the California Public Employees' Retirement System (CalPERS) has determined that each public agency plan that adopts an amendment (agency has, at a minimum, filed a Resolution of Intent with CalPERS by June 30, 2002) whose cost estimate is based upon the June 30, 2000 annual actuarial valuation shall, at the option of the employer, have their initial employer contribution rate due to implementation of the amendment determined using one of the following values for the actuarial value of assets:

- 1) their regular June 30, 2000 actuarial value of assets without further adjustment, or
- 2) their regular June 30, 2000 actuarial value of assets increased in dollars by twice the increase in the present value of benefits as of June 30, 2000 due to the contract amendment, but not greater than 110% of the market value of assets as of June 30, 2000, or
- 3) their regular June 30, 2000 actuarial value of assets increased in dollars by twice the increase in the present value of benefits as of June 30, 2000 due to the contract amendment, but not greater than 100% of the market value of assets as of June 30, 2000.

This resolution applies only to estimates based upon the June 30, 2000 annual actuarial valuation.

I hereby certify that on the **20th day of June 2001**, the Board of Administration of the California Public Employees' Retirement System, made and adopted the foregoing Resolution.

Dr. William Crist

---

WILLIAM DALE CRIST  
PRESIDENT  
BOARD OF ADMINISTRATION

## Attachment B

### Glossary of Actuarial Terms

#### **PRESENT VALUE OF BENEFITS**

The total dollars needed today to fund all *past* and *future* benefits for *current* members of the plan.

#### **ACCRUED LIABILITY**

The desired total dollars needed today to fund all *past* benefits for *current* members of the plan.

#### **NORMAL COST**

The annual cost of providing benefits for the upcoming year. Should be viewed as the long-term employer contribution rate.

#### **ACTUARIAL VALUE OF ASSETS**

The actuarial value of assets used for funding purposes is obtained through an asset smoothing technique where investment gains and losses are not fully recognized in the year they are incurred.

This method helps avoiding large fluctuations in employer contribution rate.

#### **UNFUNDED ACCRUED LIABILITY/EXCESS ASSETS**

A plan with an actuarial value of assets below the accrued liability is said to have an unfunded accrued liability and must temporarily increase contributions to get back on schedule.

A plan with an actuarial value of assets in excess of the accrued liability is said to have excess assets and can temporarily reduce future contributions.



**Attachment C****Actuarial Contacts**

<b>Actuary</b>	<b>Team No.</b>	<b>Phone Number</b>
Alan Milligan	1	(916) 341-2113
David Clement	1	(916) 341-2472
Jason Ellement	1	(916) 341-2156
David DuBois	2	(916) 326-3427
Gale Patrick	2	(916) 326-3709
Kung-pei Hwang	3	(916) 326-3411
Barbara Ware	3	(916) 326-3426

<b>County No.</b>	<b>County</b>	<b>Team No.</b>	<b>Actuary Assigned</b>
1	ALAMEDA	2	David DuBois
2	ALPINE	1	David Clement
3	AMADOR	2	David DuBois
4	BUTTE	3	Barbara Ware
5	CALAVERAS	2	Gale Patrick
6	COLUSA	2	Gale Patrick
7	CONTRA COSTA	2	David DuBois
8	DEL NORTE	2	Gale Patrick
9	EL DORADO	2	Gale Patrick
10	FRESNO	1	David Clement
11	GLENN	2	Gale Patrick
12	HUMBOLDT	2	David DuBois
13	IMPERIAL	1	David Clement
14	INYO	1	David Clement
15	KERN	3	Barbara Ware
16	KINGS	2	Gale Patrick
17	LAKE	2	David DuBois
18	LASSEN	1	David Clement
19	LOS ANGELES	3	Kung-pei Hwang
20	MADERA	2	Gale Patrick
21	MARIN	3	Barbara Ware
22	MARIPOSA	2	Gale Patrick
23	MENDOCINO	2	David DuBois
24	MERCED	2	Gale Patrick
25	MODOC	1	David Clement
26	MONO	1	David Clement
27	MONTEREY	3	Barbara Ware
28	NAPA	3	Barbara Ware
29	NEVADA	1	David Clement

<b>County No.</b>	<b>County</b>	<b>Team No.</b>	<b>Actuary Assigned</b>
30	ORANGE	3	Kung-pei Hwang
31	PLACER	1	Jason Ellement
32	PLUMAS	1	David Clement
33	RIVERSIDE	2	David DuBois
34	SACRAMENTO	1	Jason Ellement
35	SAN BENITO	3	Barbara Ware
36	SAN BERNARDINO	2	Gale Patrick
37	SAN DIEGO	1	Jason Ellement
38	SAN FRANCISCO	2	David DuBois
39	SAN JOAQUIN	1	Alan Milligan
40	SAN LUIS OBISPO	3	Barbara Ware
41	SAN MATEO	2	David DuBois
42	SANTA BARBARA	1	Jason Ellement
43	SANTA CLARA	1	David Clement
44	SANTA CRUZ	1	David Clement
45	SHASTA	1	David Clement
46	SIERRA	1	David Clement
47	SISKIYOU	1	David Clement
48	SOLANO	2	Gale Patrick
49	SONOMA	3	Barbara Ware
50	STANISLAUS	3	Barbara Ware
51	SUTTER	3	Barbara Ware
52	TEHAMA	2	Gale Patrick
53	TRINITY	1	David Clement
54	TULARE	2	Gale Patrick
55	TUOLUMNE	3	Barbara Ware
56	VENTURA	1	Alan Milligan
57	YOLO	1	Jason Ellement
58	YUBA	3	Barbara Ware