

Your CalPERS Benefits

Alternate Retirement Program





California Public Employees' Retirement System
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PUB 10: Supplemental Information

*Appends the CalPERS member publication **Your CalPERS Benefits – Alternate Retirement Program, Publication 10** (version dated January 2016).*

Alternate Retirement Program Closed to New State Employees

Alternate Retirement Program (ARP) coverage applied to new state miscellaneous and industrial employees hired between August 11, 2004, and June 30, 2013, and lasted for 24 months from the date the employee first qualified for CalPERS membership. If you were hired during this period, the information in this publication may apply to you.

Pursuant to Government Code section 20281.5, the Alternate Retirement Program is closed to new State of California employees first hired on or after July 1, 2013. This includes Part-time, Seasonal, and Temporary (PST) Retirement Program employees first hired prior to July 1, 2013, who became CalPERS members on or after July 1, 2013.

In addition, Chapter 21, Article 4 of the Public Employees' Retirement Law (PERL), also known as the California Public Employees' Pension Reform Act of 2013 (PEPRA), may affect some of the information contained in this publication.

For more information, please visit the **Alternate Retirement Program** section of our website at www.calpers.ca.gov, or call us toll free at **888 CalPERS** (or **888-225-7377**).

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WHAT IS THE ALTERNATE RETIREMENT PROGRAM?

This publication contains important information about a retirement program administered by the California Department of Human Resources (CalHR) for new, first-time state miscellaneous and industrial employees hired on or after August 11, 2004 through June 30, 2013 who qualify for CalPERS membership and do not have prior CalPERS membership.

While these new employees are officially CalPERS members, they are initially enrolled in the Alternate Retirement Program (ARP), which treats employee retirement contributions and service credit differently during their first two years of CalPERS membership.

Four years after their enrollment date in the program, ARP participants will have a one-time opportunity to make an ARP election that may affect the amount of their future CalPERS retirement benefit.

The information in this booklet applies to the vast majority of ARP participants in common situations. For more detailed information that is updated regularly, visit the Alternate Retirement Program section of our website at www.calpers.ca.gov and the CalHR website at www.calhr.ca.gov. Keep in mind that ARP is administered by CalHR, not CalPERS.

WHO IS AFFECTED BY ARP?

If you are a new, first-time state miscellaneous or industrial employee hired between the dates of August 11, 2004 and June 30, 2013, and you qualify for CalPERS membership, and you are not a prior CalPERS member, you are automatically enrolled in ARP for two years from the date you become a CalPERS member.

WHO IS NOT AFFECTED BY ARP?

You are not affected by ARP if you were a CalPERS member at any time prior to your state employment, even if you previously terminated membership by withdrawing your contributions.

In addition, you are not affected by ARP if you established CalPERS membership within six months of separating employment as a member of a CalPERS reciprocal retirement system. You must inform your employer of your reciprocal system membership. For more information regarding reciprocal agencies, visit our website at www.calpers.ca.gov.

You are not affected by ARP if you are a member of a state retirement program such as the Judges' Retirement System, Judges' Retirement System II, or Legislators' Retirement System, or are a member of the California State Teachers' Retirement System or University of California Retirement Plan.

You are not affected if you were employed in a non-exempt position by a state agency prior to August 11, 2004, even if you did not establish CalPERS membership based on that employment, and were later hired by the state as a miscellaneous or industrial employee and established CalPERS membership.

You are not affected if you are hired after June 30, 2013, based on provisions in the Public Employees' Pension Reform Act of 2013, which ends ARP enrollments for new state hires.

Regardless of when you were hired, you may be exempt from ARP membership if you:

- Qualify for CalPERS membership in the state safety, state patrol, or state peace officer/firefighter category or are employed as a California Highway Patrol cadet.
- Have previous CalPERS membership with a public agency (any city, county, district, or other local authority or public body) even if you took a refund of your contributions.
- Are employed by the California legislative or judicial branch of government.
- Are employed by a public school or California State University.
- Are a part-time California National Guard member who elected CalPERS membership.
- Are a non-resident alien employed on an F-1, J-1, M-1, or Q-1 visa and not coordinated with Social Security.

If you believe you are exempt from ARP membership, you should contact your personnel office for further clarification.

HOW ARP WORKS

Typically, CalPERS members make a monthly retirement contribution to CalPERS that can vary depending on their employee bargaining unit. The member also earns retirement service credit. These two provisions do not apply to ARP participants during their first two years of CalPERS membership.

If you are covered by ARP, you do not make CalPERS retirement contributions or receive CalPERS service credit during this period. Instead, the State Controller's Office (SCO) automatically deducts an amount equal to your CalPERS contribution and deposits the money into a special tax-deferred 401(a) ARP savings account managed by CalHR.

While you are enrolled in ARP, you do not earn service credit for the first two years that you are employed with the state. However, CalPERS uses your ARP enrollment date as your retirement and health vesting date. In other words, these two ARP years count as years worked toward retirement and health vesting, but are not used in calculating your future retirement benefits unless you transfer your ARP contributions managed by CalHR to CalPERS. You will

have a one-time opportunity to transfer your ARP contributions to CalPERS so that you receive service credit based on your ARP service, which would then be used to calculate your benefit when you retire.

The two-year ARP period begins on your CalPERS enrollment date and continues uninterrupted even if you separate from state employment and do not contribute to ARP for a period of time.

If you separate from state employment at any time during your ARP period but later resume state employment before the two years have passed since your enrollment date, you automatically contribute to ARP until the conclusion of your ARP period.

If you return to CalPERS membership at any time following the conclusion of your two-year ARP period, you will immediately begin to make CalPERS retirement contributions and receive CalPERS service credit.

TWO YEARS AFTER ENROLLMENT IN ARP

Two years after your enrollment date in ARP, you will transition to full CalPERS membership. Depending on your job classification, you will be designated as a state miscellaneous or an industrial first tier retirement plan member. You will begin making regular monthly retirement contributions to CalPERS and start earning retirement service credit. At this time, you have the option within 180 days to elect the second tier formula. The retirement benefit payable under the second tier formula will be approximately half the amount when compared to the first tier benefit. In either case, the SCO will begin sending your retirement contributions to CalPERS to fund your retirement benefit.

However, all contributions and interest accumulated in your ARP account during your first two years of CalPERS membership remain in your ARP account at CalHR until the conclusion of your ARP election period.

Contact your personnel office for more information.

FOUR YEARS AFTER ENROLLMENT IN ARP

During your three-month election period (first day of the 47th month after your ARP enrollment date and ending on the last day of the 49th month), you will have an important decision to make. This is an important decision because CalPERS provides you with a lifetime retirement benefit based on your pay rate, retirement formula, and years of service. Only during this three-month election period (47th – 49th month) will you have the opportunity to make your ARP election.

You will receive an ARP Payout Selection Kit from CalHR during the 46th month following your enrollment date in ARP. The ARP Payout Selection Kit will describe your ARP election options and is time sensitive. You must complete and mail your ARP election to CalPERS. The postmark date on your mailed ARP election must be no later than the last day of your ARP election period.

Only during your three-month election period (47th – 49th month) will you have the opportunity to make your ARP election following the instructions in CalHR's ARP Payout Selection Kit. If you have questions regarding your ARP election, or if you do not receive your ARP Payout Selection Kit, please call the Savings Plus Program at (855) 616-4776, or call CalPERS at **888 CalPERS** (or **888-225-7377**).

The election process will require you to choose one of the following three options:

- **Option 1 – Receive CalPERS Retirement Service Credit**
Transfer the funds in your ARP account to CalPERS and receive retirement service credit for the time worked during your first two years of CalPERS membership at no additional cost.
- **Option 2 – Take a Distribution of ARP Funds**
Request a lump-sum distribution from your ARP account.
- **Option 3 – Transfer ARP Funds to Savings Plus 401(k) Account**
Transfer the funds in your ARP account to a CalHR-administered Savings Plus Program 401(k) retirement savings account. **Note:** If you purchase the service credit after the three-month election period has elapsed, you will be responsible for paying the total cost of the service credit (i.e., both the employee and employer share of the costs).

If you elect to transfer funds in your ARP account to CalPERS and receive retirement service credit for your first two years of CalPERS membership, the amount of service credit you receive will be based on the actual amount of time worked during your two years of ARP participation—which may be less than two years. For example, if you worked half time during the first two years, 20 hours per week, you would receive approximately one year of service credit.

If you take no action, your employment status determines what happens to your ARP funds. If you are still employed by a state agency, the funds in your ARP account will be automatically transferred into a Savings Plus Program 401(k) account. If you are not employed by a state agency and don't have

an existing 401(k) account with assets, your ARP funds will remain in the 401(a) ARP account and you'll be charged a monthly administrative fee.

Again, you make the decision regarding what you want to do with your ARP account funds during a three-month election period starting on the first day of the 47th month following your enrollment date in ARP and ending on the last day of the 49th month.

If you have separated from state employment at any time after your ARP enrollment date, you are still eligible to participate in the ARP election as long as you have ARP funds at CalHR and you maintain your membership in CalPERS or have established membership with a reciprocal retirement system within six months of separating from CalPERS-covered employment.

As of July 1, 2013, new state employees will no longer be enrolled into ARP at their initial hiring into state employment. Four years from July 1, 2013, the ARP transfer process will be ending; however, if you did not transfer your ARP contributions to CalPERS, you will still have the opportunity to purchase (at the present value cost) the ARP service credit. See the CalPERS publication *A Guide to Your CalPERS Service Credit Purchase Options* or visit the Service Credit section of our website at www.calpers.ca.gov for more information.

SERVICE CREDIT AND YOUR RETIREMENT

While the decision about what you want to do with your ARP account is yours, you should be aware that in most cases, the additional ARP service credit will increase your monthly CalPERS retirement benefit allowance when you retire. Transferring the funds to CalPERS will allow you to receive retirement service credit based on your actual employment during the first two years of ARP participation. Remember, you must make this decision during the three-month period between the 47th and 49th month following your enrollment date in ARP.

If you do not elect to transfer your ARP contributions to CalPERS after the 49th month, you may be eligible to purchase your ARP service credit, but you will be responsible for all costs. The purchase cost may exceed the amount in your ARP account. CalPERS determines the cost using the "present value" method, which is based on your highest monthly full-time pay rate and may include an average of any special compensation (for example, uniform allowance, holiday pay, longevity pay, etc.) that your employer reports to CalPERS.

This provides CalPERS with the best estimate of the potential future final compensation figure that will be used for calculating your retirement benefit when you retire. CalPERS looks at the projected retirement benefit increase you may receive from this additional service credit at retirement and then converts that to a lump-sum cost in today's dollars.

Important: Keep your address updated with your employer and CalHR to ensure that you receive all mailings in a timely manner.

Determining the increase to your future benefits involves a number of actuarial assumptions, including the projected age at retirement, life expectancy, salary inflation, and the assumed rate of return on investments. These are the same assumptions CalPERS uses to ensure that all member benefits are adequately funded.

CalPERS periodically updates the actuarial tables used in the process to reflect benefit changes, new benefits mandated by law, or changes in assumptions due to our current best estimate of future outcomes.

Note that your election to purchase service credit is irrevocable. Once CalPERS processes your election to purchase service credit, any future changes to the assumptions will not affect the cost of your service credit purchase.

HOW SERVICE CREDIT AFFECTS YOUR RETIREMENT BENEFIT

Note: Depending on your bargaining unit agreement, you may have a 2%@60, 2%@55, 2%@62, or other benefit formula. In both Example I and Example II, the results would be similar regardless of your benefit formula if you assume that you retired at age 60 with 20 or 22 years of state service (without or with ARP service credit) and a final compensation average of \$4,000 per month.

The amount of service credit is one of the key factors, along with your benefit factor and final compensation, that CalPERS uses to calculate your retirement benefit allowance.

Let's assume that you work a total of 22 years with the state, and that you retire at age 55 under a 2%@55 tier one formula with a final compensation average of \$4,000 per month. In this example, we compare your Unmodified Allowance without and with two years of ARP service credit.

Remember, the amount of service credit you receive will be based on the actual amount of time worked during your two years of ARP participation.

Example I: 20 years (without ARP service credit)

$$20 \times 2\% = 40\% \times \$4,000.00/\text{month} = \$1,600.00/\text{month}$$

Service Credit	Benefit Factor	Final Compensation	Unmodified Allowance
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Example II: 22 years (with the fund transfer of two years of ARP service credit)

$$22 \times 2\% = 44\% \times \$4,000.00/\text{month} = \$1,760.00/\text{month}$$

Service Credit	Benefit Factor	Final Compensation	Unmodified Allowance
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Note: If you participate in Social Security, your final compensation average for retirement benefit calculation purposes is reduced by \$133.33 per month, as required by law. In order to simplify the illustration above, we have already subtracted the \$133.33 from the final compensation average.

CHARTING YOUR ARP MILESTONES

Four years after your enrollment date in the Alternate Retirement Program (ARP), you will have a one-time opportunity to make a decision that can affect your future CalPERS retirement benefit.



First 24 Months: ARP Period

- Your retirement contributions go into a special ARP account managed by the California Department of Human Resources (CalHR).
- You do not receive CalPERS retirement service credit.
- Your time worked counts toward retirement and health benefit vesting.



Month 25 Forward

- Your retirement contributions begin to go to CalPERS.
- You receive CalPERS retirement service credit.
- Your ARP funds remain at CalHR.



Months 47–49: Decision Time

You have a one-time opportunity to make a decision regarding your ARP funds collected in your first 24 months. Consider your options carefully.

Receive CalPERS Service Credit

Transfer ARP funds to CalPERS and receive retirement service credit for the actual amount of time you worked at no additional cost. More service credit increases your pension benefits.

Distribution of Funds

Receive lump-sum distribution. No service credit earned for ARP period; however, your time worked will count toward your retirement and health vesting.

Transfer to Savings Plus 401(k) at CalHR

No service credit earned for ARP period; however, your time worked will count toward your retirement and health vesting.

My Enrollment Month and Year:

Fill in your enrollment month and year.

Month/Year

Example: March 2008

My CalPERS Service Credit Starts on My 25th Month:

Add 24 months to your enrollment month and year.

Month/Year

Example: March 2010

My Decision Time:

Add 23 months to your service credit start date.

Month/Year

Example: February 2012 – April 2012

For more information on the Alternate Retirement Program, contact the Department of Human Resources or visit their website at www.calhr.ca.gov. You can also visit www.calpers.ca.gov for additional Alternate Retirement Program information or call us at **888 CalPERS** (or **888-225-7377**).

BECOME A MORE INFORMED MEMBER

CalPERS Website

Visit www.calpers.ca.gov for information on all our benefits and services.

my|CalPERS

Log in at my.calpers.ca.gov to access real-time details and balances of your CalPERS accounts. With my|CalPERS you can:

- View, print, and save current and past statements.
- Select mailing preferences for your statements, newsletters, and retirement checks.
- Search for medical premium rates and health plans available in your area and confirm which dependents are covered on your health plan.
- Estimate your future retirement benefit and save the estimates to view later.
- Send and receive secure messages.
- Order and download publications.
- Send account information to third parties, such as banks.
- Apply for service retirement.
- Change your beneficiary designation.
- Retirees can update contact information, set up direct deposit, and change tax withholdings.

CalPERS Education Center

Whether you're in the early stages of your career or getting ready to retire, visit the CalPERS Education Center in my|CalPERS to:

- Take online classes that help you have a better understanding of your CalPERS benefits.
- Register for instructor-led classes at a location near you.
- Download class materials and access information about your current and past classes.
- Schedule a one-on-one appointment with a representative at your nearest CalPERS Regional Office.

Experience CalPERS Through Social Media

-  Facebook: www.facebook.com/myCalPERS
-  Twitter: www.twitter.com/CalPERS
-  Instagram: www.instagram.com/CalPERS
-  YouTube: www.youtube.com/CalPERSNetwork
-  LinkedIn: www.linkedin.com/company/calpers

Reach Us by Phone

Call us toll free at **888 CalPERS** (or **888-225-7377**).
Monday through Friday, 8:00 a.m. to 5:00 p.m.
TTY: (877) 249-7442

Visit Your Nearest CalPERS Regional Office

Fresno Regional Office

10 River Park Place East, Suite 230
Fresno, CA 93720

Glendale Regional Office

Glendale Plaza
655 North Central Avenue, Suite 1400
Glendale, CA 91203

Orange Regional Office

500 North State College Boulevard, Suite 750
Orange, CA 92868

Sacramento Regional Office

Lincoln Plaza East
400 Q Street, Room 1820
Sacramento, CA 95811

San Bernardino Regional Office

650 East Hospitality Lane, Suite 330
San Bernardino, CA 92408

San Diego Regional Office

7676 Hazard Center Drive, Suite 350
San Diego, CA 92108

San Jose Regional Office

181 Metro Drive, Suite 520
San Jose, CA 95110

Walnut Creek Regional Office

Pacific Plaza
1340 Treat Boulevard, Suite 200
Walnut Creek, CA 94597

Visit the CalPERS website for directions to your local office.

Regional Office hours are Monday through Friday, 8:00 a.m. to 5:00 p.m.

INFORMATION PRACTICES STATEMENT

The privacy of personal information is of the utmost importance to CalPERS. The following information is provided to you in compliance with the Information Practices Act of 1977 and the Federal Privacy Act of 1974.

Information Purpose

The information requested is collected pursuant to the Government Code (sections 20000 et seq.) and will be used for administration of Board duties under the Retirement Law, the Social Security Act, and the Public Employees' Medical and Hospital Care Act, as the case may be. Submission of the requested information is mandatory. Failure to comply may result in CalPERS being unable to perform its functions regarding your status. Please do not include information that is not requested.

Social Security Numbers

Social Security numbers are collected on a mandatory and voluntary basis. If this is CalPERS' first request for disclosure of your Social Security number, then disclosure is mandatory. If your Social Security number has already been provided, disclosure is voluntary. Due to the use of Social Security numbers by other agencies for identification purposes, we may be unable to verify eligibility for benefits without the number.

Social Security numbers are used for the following purposes:

1. Enrollee identification
2. Payroll deduction/state contributions
3. Billing of contracting agencies for employee/employer contributions
4. Reports to CalPERS and other state agencies
5. Coordination of benefits among carriers
6. Resolving member appeals, complaints, or grievances with health plan carriers

Information Disclosure

Portions of this information may be transferred to other state agencies (such as your employer), physicians, and insurance carriers, but only in strict accordance with current statutes regarding confidentiality.

Your Rights

You have the right to review your membership files maintained by the System. For questions about this notice, our Privacy Policy, or your rights, please write to the CalPERS Privacy Officer at 400 Q Street, Sacramento, CA 95811 or call us at **888 CalPERS** (or **888-225-7377**).

While reading this material, remember that we are governed by the Public Employees' Retirement Law and the Alternate Retirement Program provisions in the Government Code, together referred to as the Retirement Law. The statements in this publication are general. The Retirement Law is complex and subject to change. If there is a conflict between the law and this publication, any decisions will be based on the law and not this publication. If you have a question that is not answered by this general description, you may make a written request for advice regarding your specific situation directly to CalPERS.

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