Golden Handshake FAQ's – For Public Agency Employers

CalPERS

Two-Years Additional Service Credit

This FAQ is intended to provide basic information for our public agency contracting employers regarding the Two-Years Additional Service Credit optional benefit, also referred to as the Golden Handshake.

When an employer is facing an impending curtailment of services or a change in the manner of performing services, California Government Code (GC) section 20903 allows an employer to provide its employees, who retire during a designated period, two years of additional service credit. The provision permits employers to offer this retirement incentive for eligible employees in order to reduce staff and provide immediate payroll savings if the best interest of the employer would be served by doing so.

How does an employer add the Two-Years Additional Service Credit optional benefit to their pension contract?

An employer must first amend its CalPERS pension contract to include GC section 20903 for the member category in which it wishes to offer the Golden Handshake. The amendment process takes approximately three to four months to complete. An employer can contact CalPERS at pensioncontracts@calpers.ca.gov or send a request in myCalPERS to add the Two-Years Additional Service Credit benefit to its contract. The employer must obtain a Cost Valuation Report from a qualified actuary in accordance with GC 7507. A cost study may be obtained from the CalPERS Actuarial Office and can take up to 60 days to complete. The employer must also comply with the requirements of GC 7507, which in addition to requiring an actuarial valuation, requires public notice, and a written acknowledgment by the person with the responsibilities of a chief executive officer that he or she understands the current and future cost of the benefit.

What type of employers can add the optional Two-Years Additional Service Credit provision to its contract?

The type of employers that the Pension Contracts & Prefunding Programs Division (PCPP) assists include cities, counties, special districts, and other local authorities. For schools, the requirements for offering a Golden Handshake differ. Schools will need to contact CalPERS at pensioncontracts@calpers.ca.gov for future cost determinations prior to opening up the Golden Handshake offering window period. State entities also follow a separate process.

If the employer already has the Two-Years Additional Service Credit benefit in their pension contract, how do they establish the Golden Handshake window?

An employer that decides to use the benefit will need to contact CalPERS at pensioncontracts@calpers.ca.gov to request a Two-Year additional Service Credit (Golden Handshake) packet. As noted above, the employer is also required to certify compliance with GC section 7507, which includes obtaining a Cost Valuation Report from a qualified actuary. A Cost Valuation Report may be obtained from the CalPERS Actuarial Office and can take up to 60 days to complete. After the Cost Valuation report has been received and reviewed, the employer can contact CalPERS and request a packet that includes the resolution and required certifications to establish the offering window period. The window period time frame is a minimum of 90-days and no longer than 180-days in which eligible employees must retire to receive the Two-Years Additional Service Credit.

Is there a cost for the Golden Handshake Cost Valuation Report?

No, there is no fee for the Golden Handshake Cost Valuation Report prepared by the CalPERS Actuarial Office.

Is the employer required to demonstrate financial savings before they can re-hire employees to their workforce again?

The Golden Handshake process requires an employer to make the cost, as determined by the actuary, of the Two-Year Additional Service Credit public at a governing body board meeting and certify the actual cost for all eligible members. Employers are required to obtain a Cost Valuation Report from a qualified actuary. A Cost Valuation Report may be obtained from the CalPERS Actuarial Office and can take up to 60 days to complete. Please note, the Golden Handshake may result in an increase to the long-term pension liability, which will depend, in part, on whether the employer's vacated positions resulting from the benefit remain unfilled. The employer is responsible for ensuring that it can demonstrate a financial savings if it decides to re-hire employees.

What options does an employer have for the payment of the Golden Handshake?

The employer's payment for the costs of the Golden Handshake will be included in their total employer contribution amount as part of their unfunded actuarial liability (UAL). This change in the UAL dollar amount will be amortized over a period of five years from the date of the actuarial valuation after this benefit is implemented.

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Can an employer backfill the vacant positions created by Golden Handshake?

The employer is responsible for ensuring that the best interest of the employer is served by offering a Golden Handshake, including the extent to which such projected savings may be impacted if an employer backfills a vacated position created by the Golden Handshake.

Additionally, an employer is required to certify its intent that at the time the Two-Years Additional Service Credit benefit becomes available that, if any early retirements are granted after receipt of such service credit pursuant to GC section 20903, that any vacancies thus created or at least one vacancy shall remain permanently unfilled thereby resulting in an overall reduction in the workforce of the department or organizational unit.

If a member accepts the Golden Handshake and retires, then reinstates, what happens to the Two-Years Additional Service Credit they received?

If a member received the Two-Years Additional Service Credit and returns to work for a CalPERS employer, the additional service credit is forfeited.

What are the minimum requirements for a member to be eligible to receive the Golden Handshake?

The member must be employed and retire during the designated window period established by the employer with a minimum of five years of service credit, and eligible for service retirement. The member's retirement date may not be the first day of the designated period. A member cannot receive the Two-Years Additional Service Credit under Government Code Section 20903 if the member receives any unemployment insurance payments during the designated period.

- NEW Members - Five years service credit and age 52
- CLASSIC Members - Five years service credit and age 50