THE CALIFORNIA STATE UNIVERSITY
Office of the Chancellor
401 Golden Shore
Long Beach, California 90802-4210
(562) 951-4411

Date: April 29, 2005

Code: **TECHNICAL LETTER HR/Benefits 2005-08**

To: Human Resources Directors
Benefits Representatives

From: Cathy Robinson
Assistant Vice Chancellor
Human Resources Administration

Subject: **Retirement Plan Change for CSU Part-Time/Seasonal/Temporary Employees Enrolled in the University of California's 401(a) Defined Contribution (UCDC) Plan**

As announced in HR 2005-15, effective July 1, 2005, the Part-time, Seasonal and Temporary (PST) Program administered by the Department of Personnel Administration's Savings Plus Program, will replace the University of California's Defined Contribution (UCDC) Plan and become California State University's (CSU) exclusive part-time employee retirement program for employees excluded from California Public Employees' Retirement System (CalPERS) membership. This change is the result of an agreement between the CSU and the exclusive representative for certain collective bargaining groups. The purpose of this technical letter is to provide campuses with transition guidance and processing instructions.

Overview of the CSU Part-Time Employee Retirement Program

The Federal Omnibus Budget Reconciliation Act (OBRA) of 1990 requires that public employees who are not members of a retirement system be covered either by a qualified retirement program or by Social Security. This requirement applies to the California State University (CSU). Currently, employees who are excluded from CalPERS membership because they do not meet eligibility requirements (i.e., work less than one half-time, are seasonal, or employed on an intermittent or temporary basis) are required to participate in either the PST Program or the UCDC Plan.

Employees who are enrolled in the UCDC Plan or the PST Program are required to contribute 7.5% of gross wages that are withheld automatically on a pre-tax basis and deposited into an appropriate retirement plan account on the employees' behalf. Account balances consist of deductions from gross wages, plus any interest earned. No employer contributions are made by the CSU. Deductions continue until the employee is deemed CalPERS eligible as a CSU employee or CSU employment ends.

Transition of UCDC Plan Participants to the PST Program

Currently, UCDC participants that will be affected by the July 1, 2005, transition to the PST Program include eligible employees in the following groups:

Distribution:

CSU Presidents
Vice Chancellor, Human Resources
Vice Presidents, Administration
Benefit Officers
Payroll Managers
Director, SOSS
State Controller's Office

- California Federation of the Union of American Physicians and Dentists (Unit 1)
- CSU Employees Union (CSUEU - Units 2, 5, 7 and 9)
- State Employees Trade Council (Unit 6)
- International Union of Operating Engineers (Unit 10)
- Non-represented employees (hired on or before May 24, 1996)

Subsequent to the transition, the PST Program will continue to serve as the part-time employee retirement program for eligible employees in the following groups:

- California Faculty Associate (Unit 3)
- Academic Professionals of California (Unit 4)
- Statewide University Police Association (Unit 8)
- Academic Student Employees (Unit 11)
- Non-represented employees (hired after May 24, 1996)

UCDC Plan participants will begin making pre-tax contributions to the PST Program effective with the June 2005 pay period for an effective date of July 1, 2005. Therefore, the May 2005 pay period will be the last pay period that contributions will be made to the UCDC Plan. Additionally, eligible CSU employees hired on or after June 1, 2005, must be enrolled in the PST Program with contributions commencing with the June 2005 pay period or later, as appropriate.

Please note: due to processing deadlines, the PST Program has agreed to accept payroll deductions for intermittent employees prior to the official July 1, 2005, transition date. Consequently, the April 2005 pay period will be the last pay period that contributions will be made to the UCDC Plan on behalf of intermittent employees. Therefore, eligible intermittent CSU employees hired on or after May 1, 2005, must be enrolled in the PST Program.

Processing Instructions

The State Controller's Office (SCO) will terminate the UCDC retirement account codes effective May 30, 2005. As a result, the UCDC retirement codes will be invalid effective with the June 2005 pay period. In the interim, the SCO will process an update of the retirement account codes on employees' records in PIMS, based on worksheets provided by HR-ISA. For intermittent employees this update will be processed with an effective date of May 1, 2005. Keying will begin no sooner than May 4, 2005, and will be concluded by May 17, 2005. The remaining employees will be processed with an effective date of June 1, 2005. Keying will begin no sooner than June 7, 2005, and will be concluded by June 14, 2005. Campuses may access Compendium Report Code X93 cycles 0505 and 0506 using the F1 Express Function. Campuses are responsible for updating their CMS Baseline system, as appropriate. Detailed processing instructions are provided in Attachment A.

Please note: due to the processing deadlines previously discussed in this technical letter, it is important that the UCDC retirement account code not be used to appoint any intermittent employees during the May pay period.

The chart following provides important transition dates:

UCDC to PST Program Transition Chart	
Transition Dates for Timebase Employees	
May 2005 Pay Period	Last month employee retirement contributions will be made to the UCDC Plan.
June 2005 Pay Period	First pay period UCDC Plan participants will begin making contributions to the PST Program.
June 1, 2005, and thereafter	Eligible employees hired on or after June 1, 2005, must be enrolled exclusively in the PST Program.
June 2005 Pay Period	SCO will process an update of retirement account codes on employees' records in PIMS.
Transition Dates for Intermittent Employees	
April 2005 Pay Period	Last month employee retirement contributions will be made to the UCDC Plan.
May 2005 Pay Period	First pay period UCDC Plan participants will begin making contributions to the PST Program.
May 1, 2005, and thereafter	Eligible employees hired on or after May 1, 2005, must be enrolled exclusively in the PST Program.
May 2005 Pay Period	SCO will process an update of retirement account codes on employees' records in PIMS.

Retroactivity Processing

Subsequent to the transition, information regarding retroactive adjustments and payments will be discussed in a supplemental technical letter.

Additional Information Regarding the PST Program and UCDC Plan

As a result of the transition, currently enrolled UCDC Plan participants will have two (2) retirement plans, an "active" plan with the PST Program and an "inactive" plan with the UCDC Plan. Under current Department of the Treasury regulations, however, funds from the UCDC Plan account cannot be transferred into the new PST Program account, and vice versa.

The PST Program

The PST Program will be the "active" plan and will accept ongoing contributions effective the June 2005 (May 2005 for intermittent employees) pay period and later. Employee deductions will be invested in the Dwight Stable Asset Fund, a conservative fixed income fund with a current annualized rate of 4.5%.

Ongoing deductions will be deposited in the PST Program account until the employee separates from CSU, or becomes CalPERS eligible. Once CalPERS eligible, 100% of the employee's PST Program account balance will be transferred automatically to the Savings Plus 457 Plan. The Savings Plus 457 Plan is a voluntary defined contribution plan that offers an array of investment options to CalPERS members. The plan allows participants to defer up to the maximum 457 Plan annual limit, currently $14,000 of annual income.

In addition, as a CalPERS member, an eligible employee has the option to use those funds to purchase service credit with CalPERS.

Upon separating from ALL state (California) service, an employee can opt to either:

- ✓ Request a withdrawal of funds without being subject to federal or state early withdrawal tax penalties, or;
- ✓ Roll over the funds into another 457 plan, IRA, 403(b) or 401(k) plan (as long as the entity sponsoring the plan accepts 457 funds).

The PST Program will issue account statements on a semi-annual basis. The initial statement for the period of July 1, 2005, through December 31, 2005, will be mailed in February 2006. Thereafter, statements will be mailed in August and February of each year. Account information can be also obtained via the voice response system (VRS) or the Website.

In preparation, the Department of Personnel Administration has updated the PST Program website at **www.sppforu.com** with a "Welcome" notice addressed to transitioning UCDC participants

The UCDC Plan

The UCDC Plan will be the "inactive" plan and will maintain existing account balances until employees leave the CSU. Employees with "inactive" accounts may continue to invest their funds in available plan funding options. When employees separate from the CSU, they will have various distribution options available or may continue to leave their account balances with the UCDC Plan subject to Internal Revenue Service (IRS) regulations.

After enrollment in the PST Program, the existing funds in employees' UCDC Plan account(s) will continue to be maintained and invested in available options offered by UCDC Plan. Funds will remain in the UCDC Plan account until CSU employment ends.

Upon separation from CSU employment, an employee can opt to either:

- ✓ Request a withdrawal of funds (may be subject to tax and/or penalties for early withdrawal); or
- ✓ Roll over the funds into another 401(a) plan, IRA, 403(b) or 401(k) plan (as long as the entity sponsoring the plan accepts 401(a) funds); or
- ✓ Leave funds on account in the UCDC Plan if account balance is at least $2,000. (Balances less than $2,000 must be distributed or rolled over.)

Effective July 1, 2005, Fidelity Investments Tax-Exempt Services Company (FITSCO) will assume the account and recordkeeping services for the UCDC Plan. The University of California will soon notify all UCDC participants, including CSU employees with inactive accounts, of this change. The new arrangement will provide participants with simplified account management and an expansion of investment fund choices.

In May, FITSCO will mail a detailed "Transaction Information" kit to participants' current mailing address. Also, information will be posted on the University of California's At Your Service Website **(http://atyourservice.ucop.edu)**.

Employees will continue to receive statement information from the UCDC Plan regarding account balances.

Employee Communication

Employees transitioning to the PST Program have been notified by Human Resources

Administration (HRA), and were provided with the following contact information for both plans:

Part-Time/Seasonal/Temporary Retirement Plan Contact Information		
	UCDC	**PST Program**
Mailing Address	UCHR/Benefits P.O. Box 24570 Oakland, CA 94623-1570	DPA – PST Program 1800 15th Street Sacramento, CA 95814
Website Address	http://atyourservice.ucop.edu	http://www.sppforu.com
Telephone	(800) 888-8267	(866) 566-4777
E-mail	customer.service@ucop.edu	N/A
Facsimile	N/A	(916) 327-1885

The Chancellor's Office is making every attempt to notify all active UCDC Plan participants of this transition. However, campuses are being asked to notify UCDC Plan participants who are hired after April 1 and will have made a contribution to the UCDC Plan before the transition to the PST Program. Campuses may use all or a portion of the participant letter provided in Attachment B to notify these employees.

HRA will update the appropriate CSU benefits materials in the near future.

Questions regarding this technical letter may be directed to Michelle Hamilton at (562) 951-4413. This technical letter also is available on the Human Resources Administration's Web site at **http://www.calstate.edu/HRAdm/memos.shtml**.

CR/mh
Attachments

PROCESSING INSTRUCTIONS

I – RETIREMENT ACCOUNT CODE CHANGE

PAY SCALES IMPACT:	
Change Summary:	N/A
Class Code(s):	N/A
CBID:	N/A
Pay Scales Effective Date:	N/A
Date in Production:	N/A
Pay Letter:	N/A

EMPLOYMENT HISTORY (EH)/PAYROLL IMPACT:	
Processing Responsibility:	SCO for current active employees
Processing Date(s):	May implementation: 05/04/2005 thru 05/17/2005 June implementation: 06/07/2005 thru 06/14/2005
Effective Date:	05/01/05 and 06/01/05
PIMS Transaction:	505
Detailed Transaction Code (Item 719)	N/A
EH Remarks (Item 215)	HR/Benefits 2005-08
Pay Amount:	N/A
Pay Form:	N/A
Lump Sum Earnings ID:	N/A
Employees on Leave:	Process the 505 transaction effective on the same date as the return from leave transaction.
Additional Information:	• Change Item 505 from TX to TD • Change Item 505 from TY to TM
SCO Personnel Letter:	N/A

COMMON MANAGEMENT SYSTEMS (CMS) INSTRUCTIONS:	
Pay Scales Impact:	N/A
GSI/SSI Load Impact:	None
CMS Action/Reason:	Campus-determined

TECHNICAL LETTER
HR/Benefits 2005-08
ATTACHMENT B

Date

<First Name> <Last Name>
<Address>
<City, State Zip>

Re: New Retirement Program for California State University Employees Not Covered By a Retirement System or Social Security

Dear <First Name> <Last Name>,

Our records indicate that you currently are enrolled as an active participant in the University of California's Defined Contribution (UCDC) Plan. The UCDC Plan is a 401(a) defined contribution retirement program for certain California State University (CSU) employees not covered by the California Public Employees' Retirement System (CalPERS) or by Social Security.

As the result of an agreement between the CSU and your collective bargaining exclusive representative, your current retirement plan will change. **Effective July 1, 2005**, you will be enrolled in the ***Part-time, Seasonal, and Temporary Employees Retirement Program (PST Program)*** that is administered by the Department of Personnel Administration's (DPA) Savings Plus Program. The PST Program is an eligible 457 deferred compensation plan (457 Plan) under the Internal Revenue Code. The PST Program, like the UCDC Plan, qualifies as a Social Security alternative plan under the federal Omnibus Budget Reconciliation Act (OBRA) of 1990 that requires part-time, seasonal or temporary employees, who are not members of a retirement system, be covered by a qualified retirement plan or Social Security.

Your transition to the PST Program from the UCDC Plan as an active participant will be automatic and does not require any action from you. The May 2005 pay period will be the last pay period that contributions will be made to the UCDC Plan. If you are an intermittent employee, however, due to payroll processing deadlines, the April 2005 pay period will be the last pay period that contributions will be made to the UCDC Plan.

The PST Program will begin accepting ongoing deferrals on your behalf beginning with the June 2005 pay period. As of July 1, 2005, you will have two (2) retirement plans, an "active" plan with the PST Program and an "inactive" plan with the UCDC Plan.

Currently, from each pay warrant you receive as an employee of CSU, 7.5% of your gross wages are withheld automatically on a pre-tax basis, deposited in your UCDC Plan account and invested for you. Please be advised that this 7.5% deduction from your gross wages will continue, but now will be deposited into a PST Program account on your behalf. Your deductions will be deposited in the Dwight Stable Asset fund, a conservative fixed income fund with an annualized rate of return of 4.5% (as of March 2005). Your account balance(s) will consist of deductions from your gross wages, plus any interest earned.

No employer contributions are made by the CSU to the UCDC Plan, nor will CSU make employer contributions to the PST Program.

Under current Department of the Treasury regulations, funds from your UCDC Plan account cannot be transferred into the new PST Program account, and vice versa.

Information Regarding the PST Program

As a PST Program participant, ongoing deductions will be deposited in your account until you separate from CSU, or become CalPERS eligible. If you become CalPERS eligible, 100% of your PST Program account balance will be transferred automatically to the Savings Plus 457 Plan. The Savings Plus 457 Plan is a voluntary defined contribution plan that offers a wide array of investment options to CalPERS members. The plan allows you to defer up to the maximum 457 Plan annual limit, currently $14,000 of your annual income.

In addition, as a CalPERS member, you also can opt to use those funds to purchase service credit with CalPERS.

Upon separating from ALL state (California) service, you can opt to either:

- ✓ Request a withdrawal of funds without being subject to federal or state early withdrawal tax penalties, or;
- ✓ Roll over the funds into another 457 plan, IRA, 403(b) or 401(k) plan (as long as the entity sponsoring the plan accepts 457 funds).

Account statements will be issued on a semi-annual basis. The initial statement for the period of July 1, 2005, through December 31, 2005, will be mailed in February 2006. Thereafter, statements will be mailed in August and February of each year. You also can obtain account information via the voice response system (VRS) or the Website.

Additional forms and information, including the Beneficiary Designation form, are available by contacting the PST Program. Please note that death benefits will be paid to your survivor(s) in a designated order, unless you designate otherwise.

Current Contact Information for the PST Program:

Mailing Address	**Savings Plus Program – PST Program** **1800 15th Street** **Sacramento, CA 95814**
Telephone – Voice Response System	**(866) 566-4777, available anytime**
Telephone – Live Customer Service	**(866) 566-4777, 8:30 a.m. – 4:00 p.m.** **(Pacific time), Monday-Friday**
Fax	**(916) 327-1885**
Website Address	**http://www.sppforu.com**

Information Regarding the UCDC Plan

Currently, your UCDC Plan account is part of the University of California Retirement System (UCRS). However, effective July 1, 2005, recordkeeping and administration will be handled by Fidelity Investments Tax-Exempt Services Company (FITSCO). Written notification from the UCDC Plan regarding this information will be provided to you in the near future.

After your enrollment in the PST Program, the existing funds in your UCDC Plan account will continue to be maintained and invested in available options offered by UCDC Plan.

Your funds will remain in your UCDC Plan account until your CSU employment ends.

Upon separation from CSU employment, you can opt to either:

- ✓ Request a withdrawal of funds (may be subject to tax and/or penalties for early withdrawal); or
- ✓ Roll over the funds into another 401(a) plan, IRA, 403(b) or 401(k) plan (as long as the entity sponsoring the plan accepts 401(a) funds); or
- ✓ Leave funds on account in the UCDC Plan if account balance is at least $2,000. (Balances less than $2,000 must be distributed or rolled over.)

You will continue to receive statement information from the UCDC Plan regarding your account.

Current Contact Information for the UCDC Plan

Mailing Address	**UCHR/Benefits** **P.O. Box 24570** **Oakland, CA 94623-1570**
Telephone	**(800) 888-8267, 9:00 a.m. - 4:00 p.m. (Pacific time), Monday-Friday**
Website Address	**http://atyourservice.ucop.edu/**

If you have additional questions regarding this notification, please contact your campus Benefits Representative.

Sincerely,

Campus Representative