Date: July 2, 2010

To: Human Resources Directors
   Benefits Representatives

From: Evelyn Nazario
       Assistant Vice Chancellor
       Human Resources Management

Subject: 1959 Survivor Benefit, Fifth Level, Premium Contribution Increase

Overview

Audience: Human Resources Directors, Benefits Representatives, and/or campus designee(s) responsible for administering benefits

Action Item: Notify affected non-represented employees of new contribution rate effective July 1, 2010

Affected Employee Group(s)/Unit(s): All CalPERS members who do not have Social Security coverage

Summary

This technical letter announces an increase in the premium contribution rate from $9.50 to $10.90 per month for the 1959 Survivor Benefit, Fifth Level for CSU and affected employees.

Those campus designees responsible for notifying employees of changes in the 1959 Survivor Benefit, Fifth Level premium contribution rate should read the rest of this technical letter.

This Technical Letter updates the premium rate for the 1959 Survivor Benefit Program, Fifth Level. Government Code (GC) Sections 21574.7 and 21581 provide survivor benefits for California Public Employees’ Retirement System (CalPERS) members who do not have Social Security coverage and die while employed by the California State University (CSU). CalPERS sets the premium rate every year and the new rates were announced in CalPERS Circular Letter 200-047-10 (Attachment A). Effective July 1, 2010, the rate will increase from $9.50 per month to $10.90 per month.

Background

The benefit is intended to serve as a replacement for survivor benefits that would otherwise be provided by Social Security. GC 21581 details the cost sharing formula for the total monthly premium. In general, the law requires employees to pay $2.00 per month for the benefit and the employer pays the remaining premium amount as long as the monthly premium does not exceed $4.00. Once the premium exceeds $4.00, a “cost-sharing” formula takes effect and the employer and employee must evenly split the cost of the total premium.
GC 21582 allows the premium contribution established in GC 21581 to be superseded through collective bargaining effective on or after January 1, 2006. As a result, the CSU began funding all but $2.00 of the survivor benefit for all eligible represented employees. The “cost sharing” premium still applies to all eligible non-represented employees.

**New Premium Rates**
The State Controller’s Office (SCO) will make the necessary changes to employees’ pay warrants effective with the July 2010 pay period. Please note that the total monthly contribution of $5.45 will be shown as two deductions for non-represented employees. Deduction Code 077, the current 1959 Survivor Benefit contribution deduction, denotes the $2.00 monthly employee contribution for all employee groups. The SCO uses Deduction Code 078 to denote the additional $3.45 non-represented employee contribution.

<table>
<thead>
<tr>
<th>Deduction Code</th>
<th>Employee Group</th>
<th>FY 2010-11 Premium</th>
<th>FY 2009-10 Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>077</td>
<td>All Employee Groups</td>
<td>$2.00</td>
<td>$2.00</td>
</tr>
<tr>
<td>078</td>
<td>Non-represented</td>
<td>$3.45</td>
<td>$2.75</td>
</tr>
</tbody>
</table>

Employees can be identified by Retirement Account Codes (PIMS Item 505) 00, 20, 51, 52, 53, 54, 82 and 83.

The employer’s contribution will be charged to the CSU at the end of the fiscal year.

**CMS Processing Instructions**
The new premium rate deductions are generated by the SCO; therefore, there is no impact to CMS Baseline.

**Employee Notification and Processing Update**
Campuses are responsible for notifying employees participating in this benefit of the change in their monthly premium contributions. Employees can be identified by Retirement Account Codes (PIMS Item 505) 00, 20, 51, 52, 53, 54, 82 and 83.

Questions regarding this Technical Letter may be directed to Human Resources Management at (562) 951-4411. This Technical Letter is also available on the Human Resources Management Web site at: [http://www.calstate.edu/HRAdm/memos.shtml](http://www.calstate.edu/HRAdm/memos.shtml).

EN/rk
Circular Letter

TO: ALL STATE AGENCIES

SUBJECT: 1959 SURVIVOR PREMIUMS FOR FISCAL YEAR 2010/2011

The CalPERS Board of Administration approved the required premiums for the State 5th Level pool of the 1959 Survivor Program on June 16, 2010. The 1959 Survivor Benefit Program is an employer contract provision that provides monthly benefits for eligible survivors of participating members who die while actively employed.

The required employer and employee premiums for the 2010/2011 fiscal year (FY 2010/2011) for the 5th Level of 1959 Survivor Benefits are $5.45 each, per member per month.

The employee premium for the 1959 Survivor Program is defined in the Public Employees’ Retirement Law to be $2.00 per member per month until the total required premium for the benefit level exceeds $4.00 per member per month. Once the total premium required exceeds $4.00, the premium is shared equally by the employer and employee.

The funded ratio of the State 5th Level pool on a market value basis is currently 62.7%. The required employer and employee premiums for the 1959 Survivor Program may vary from year to year due to investment returns and mortality gains and losses experienced by the pool.

The purpose of this transmittal is informational only; the State Controller’s Office will be collecting the required premiums from state agencies at a later date.

If you have any questions, please call the Employer Contact Center at 888 CalPERS (or 888-225-7377).

Alan Milligan, Chief Actuary
Actuarial & Employer Services Branch

California Public Employees’ Retirement System
www.calpers.ca.gov