Date: April 24, 2014

Code: TECHNICAL LETTER
HR/Benefits 2014-02

References:
HR/Benefits 2013-10; HR/Benefits 2013-07;
HR/Benefits 2012-16; HR/EHDB 2012-03

To: Human Resources Officers
Benefits Officers
Payroll Officers
Public Safety Directors
Lieutenants

From: Evelyn Nazario
Associate Vice Chancellor
Human Resources Management & CO HR Services

Subject: Elimination of Employer-Paid Monthly Retirement Contributions for New CalPERS Members Covered by the State University Police Association (SUPA, Unit 8) Collective Bargaining Agreement

Overview

Audience: Human Resources Officers, Benefits Officers, Payroll Officers and/or campus designee(s) responsible for administering benefits, retirement and/or payroll related changes

Action Items: Provide notification to employees impacted by this Technical Letter

Affected Employee: Employees covered by the State University Police Association (SUPA) – Unit 8 collective bargaining agreement (CBA) and also categorized as a “New” CalPERS member on or after January 1, 2013

Groups/Units: Specific Unit 8 employees

Summary

This technical letter announces the elimination of employer-paid monthly retirement contributions paid on behalf of SUPA members that are also classified as “New” members by CalPERS, effective July 1, 2014.

This technical letter should be read in its entirety by staff personnel responsible for administering and/or explaining retirement benefits, including associated changes that impact payroll and/or changes evidenced on pay warrants.

The Public Employees Pension Reform Act (PEPRA) provided an exception of certain provisions of Assembly Bill (AB) 340 on behalf of collective bargaining agreements (CBA) that were already in effect on January 1, 2013, in order to prevent an impairment of the memorandum of understanding (MOU). Therefore, per the current terms of the Unit 8 CBA, the CSU continued to pay both the employer’s and the employees’ portion of the monthly retirement contribution for both “Classic” and “New” CalPERS members through the end of the Contract’s June 30, 2014, expiration date.

Distribution:
CSU East Bay President
Cal Maritime Academy President
Executive Vice Chancellor and CFO
Vice Chancellor, Human Resources
Vice Presidents, Administration
State Controller’s Office
Payroll Managers
Budget Officers
Effective July 1, 2014, the CSU will no longer pay the employee’s portion of the monthly retirement contribution for Unit 8 employees who are also considered “New” CalPERS members (CalPERS membership effective on or after January 1, 2013). This change is in accordance with Government Code 7522.30(a) which states:

“This section shall apply to all public employers and to all new members. Equal sharing of normal costs between public employers and public employees shall be the standard. The standard shall be that employees pay at least 50 percent of normal costs and that employers not pay any of the required employee contribution.”

What does this mean for Unit 8 employees subject to PEPRA?

- The employee’s monthly retirement contribution amount will be deducted on a pre-tax basis from the full gross salary and any other compensation considered pensionable (e.g. Post Stipends) starting in July 2014 and thereafter.
- The “offset amount” of $238 will be eliminated from the calculation of retirement contributions for the employee’s share.
- Both the employer’s and the employee’s monthly retirement contribution amount will be stopped when the employee reaches the CalPERS Compensation limit applicable to employees who are not subject to Social Security (currently $138,077 for 2014).

State Controller’s Office (SCO)

Please be advised that the SCO has been notified regarding this pending change and will update its internal processes accordingly.

Action

- Review the list of impacted employees provided by your HRM-Benefits campus contact.
- Notify employees no later than May 1, 2014, of this change, as there is impact to the employees’ net salary.
- See Attachment A for a sample communication template and example that can be used for this purpose.

CMS Processing Instructions

This technical letter has no impact on CMS Baseline. However, information regarding impacts to the retirement contribution rates that are tracked in CMS Baseline will be forthcoming in a future technical letter.

General Information

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 website at:

http://www.calstate.edu/HRAdm/memos.shtml

EN/mh
Dear (insert Employee’s Name)

You are receiving this notification because you are enrolled in the following CalPERS retirement formula that went into effect on January 1, 2013, as a result of the Public Employees’ Pension Reform Act of 2013 (PEPRA):

- **2.5% at 57 Police Officer/Fire Fighter (PO/FF) “New” CalPERS Member**

Per the current State University Police Association (SUPA) - Unit 8 collective bargaining agreement (CBA), the CSU pays your portion of the monthly retirement contribution in addition to the employer’s required contribution.

In order to protect the terms of the CBA through the expiration date of June 30, 2014, the Public Employees Pension Reform Act (PEPRA) exempted certain provisions of Pension Reform, including CSU’s agreement to pay your portion of the monthly retirement contribution.

By law, in accordance with Government Code 7522.30(a), **effective July 1, 2014**, the CSU must discontinue payment of your portion of the monthly retirement contribution. As a result, your portion of the monthly retirement contribution will be deducted from your full gross salary and any other compensation considered pensionable (e.g. Post Stipends) starting in July 2014 and thereafter.

Your portion (currently paid by the CSU) of the monthly retirement contribution is determined by CalPERS and is currently based on **10.5%** of your salary (including any other pensionable compensation). The amount for the 2014/2015 fiscal year will be released by CalPERS shortly.

This change in the calculation of your portion of the retirement contribution will impact take effect with the July 2014 pay period and you will notice a change to your take home salary that will be issued on the pay warrant dated July 31, 2014.

Please contact your campus HR Benefits Office if you have questions regarding this notification.

Sincerely,

XXX
HRO