Date: July 23, 2014

To: Human Resources Officers
    Benefits Representatives

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

Subject: 1959 Survivor Benefit, Fifth Level, Premium Contribution for Fiscal Year 2014/2015

Overview

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

Action Item: Notify affected non-represented employees that the contribution rate will change for the Fiscal Year 2014/2015, effective July 1, 2014

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

Summary

This technical letter announces that the total premium contribution rate for the 1959 Survivor Benefit, Fifth Level, will change to $11.10, for Fiscal Year 2014/2015.

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

This technical letter announces the Fiscal Year 2014/2015 premium rate for the 1959 Survivor Benefit Program, Fifth Level. Government Code (GC) Sections 21574.7 and 21581 provide benefits to eligible survivors of California Public Employees’ Retirement System (CalPERS) members who do not contribute to Social Security and decease while employed by the California State University (CSU). CalPERS sets the premium rate every year and the Fiscal Year 2014/2015 rate was announced in the CalPERS Circular Letter 200-039-14 (Attachment A). Effective July 1, 2014, the rate will change to $11.10 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GC 21582 allows the premium contribution established in GC 21581 to be superseded through collective bargaining effective on or after January 1, 2006.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.

**Premium Rates**

Deduction Code 077, the current 1959 Survivor Benefit contribution deduction, denotes the $2.00 monthly employee contribution for all employee groups (represented and non-represented). The SCO uses Deduction Code 078 to denote the additional $3.55 non-represented employee contribution. Please note that the total employee monthly contribution of $5.55 will be shown as two deductions ($2.00 and $3.55) for non-represented employees. As a reminder, represented employees will only show one deduction of $2.00.

<table>
<thead>
<tr>
<th>Deduction Code</th>
<th>Employee Group</th>
<th>FY 2014/2015 Employee Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>077</td>
<td>All Employee Groups</td>
<td>$2.00</td>
</tr>
<tr>
<td>078</td>
<td>Non-Represented Employees</td>
<td>$3.55</td>
</tr>
</tbody>
</table>

The total contribution for employees and the CSU is listed in the table below:

<table>
<thead>
<tr>
<th>Employee Group</th>
<th>FY 2014/2015 Employee Premium</th>
<th>FY 2014/2015 CSU Premium</th>
<th>Total Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Represented Employees</td>
<td>$2.00</td>
<td>$9.10</td>
<td>$11.10</td>
</tr>
<tr>
<td>Non-Represented Employees</td>
<td>$5.55</td>
<td>$5.55</td>
<td>$11.10</td>
</tr>
</tbody>
</table>

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

**CMS Processing Instructions**

The 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 their monthly premium contribution rate for Fiscal Year 2013/2014. Employees can be identified by Retirement Account Codes (PIMS Item 505) 00, 20, 51, 52, 53, 54, 82, 83, 1M, 1U, 2U, 4U, 3G, 3H, 3N, 3P, 3Q, 3R, 3W and 3Z.

**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](http://www.calstate.edu/HRAdm/memos.shtml).

|EN/krk|
|Attachment|
Circular Letter

July 3, 2014

TO: ALL STATE EMPLOYERS

SUBJECT: STATE 1959 SURVIVOR MONTHLY PREMIUMS FOR FISCAL YEAR 2014-2015

The purpose of this Circular Letter is to inform you that the CalPERS Board of Administration approved the required premiums for the State 5th Level pool of the 1959 Survivor Program on June 18, 2014. 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 Fiscal Year 2014-15 for the State 5th Level of 1959 Survivor Benefits are $5.55 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 73.1%. 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 information only; the State Controller’s Office will be collecting the required premiums from state agencies at a later date.

To view the full valuation report visit: http://www.calpers.ca.gov/eip-docs/about/pubs/employer/2013-59survivor.pdf

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

ALAN MILLIGAN
Chief Actuary