

Office of the Chancellor, Budget Office

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Coded Memo B04-03

To: Chief Financial Officers

From:  Patrick J. Lenz, Assistant Vice Chancellor, Budget Development

CC: Benefit Officers
Budget Officers
AVPs/Deans of Faculty Affairs

Date: June 03, 2004

Subject: 2004 Early Retirement Program for Faculty (Unit 3) Employees – Financial Impacts

Following is preliminary planning information to assist with preparation of financial impacts of the early retirement program for faculty (Unit 3). When all participants in the program have been confirmed and annuity costs finalized, additional detail regarding campus payment schedules and processes will be provided. Further information regarding the technical aspects of the early retirement program can be found in Human Resources Memos, HR 2004-13 and Supplement #1 on which you were copied

In accordance with the Governor's Executive Order that authorized the early retirement program for faculty, the CSU submitted a program participation plan to the Department of Finance. The CSU plan was found to minimize the possibility of layoffs and damage to CSU instructional programs. Further, CSU calculations reviewed by the Department of Finance demonstrated that faculty personal services costs would be sufficiently reduced as a result of the retirements to generate the resources needed to cover the cost of the two-year service credit provision. Cost savings were based on backfill of vacated tenure/tenure track positions with lecturers, and in the subsequent three years assumes backfill of 75% tenure/tenure track and 25% lecturers.

General Overview of Early Retirement Program

1. The program is available to faculty (Unit 3) employees who meet the retirement eligibility requirements as determined by CalPERS.
 2. The window period for retirement is May 6, 2004 through July 28, 2004.
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3. Participants in the Early Retirement Program will receive an additional two years of CalPERS service credit.
4. Individuals who participate in the Early Retirement Program may not elect to participate in the Faculty Early Retirement Program (FERP).
5. The cost of program will include:
 - Annuity costs
 - Termination payments
6. Each campus will be required to fund its own share of these costs.
7. Annuity costs will be paid centrally pursuant to a pending interagency agreement between CalPERS and the CSU. The agreement requires an initial payment by June 30, 2005 with the balance, plus interest, to be paid over a four-year period ending June 30, 2008.

Payments made earlier in the fiscal year will not yield financial benefit (e.g. interest rate reduction) per CalPERS. However, CalPERS may recalculate interest expense if the amount paid exceeds the amount due. Additional information will be included in the next communication regarding pre-payment parameters.

8. Prior to installment due dates, Systemwide Financial Operations will process a Plan of Financial Adjustment (PFA) to transfer applicable expenditures to each campus.

To assist with identifying employees potentially eligible to participate in the early retirement program, Human Resources' CIRS Compendium Reports (W70 and W71) are available (per HR 2004-13 and Supplement #1). Also, worksheets were sent to campuses to compute the two-year actuarial costs.

Following are CalPERS installment percentages over the four-year period:

	Year 1	Year 2	Year 3	Year 4
4 installments	28.1%	28.1%	28.1%	28.1%

Lastly, the table below provides CalPERS early retirement factors (cost of providing two additional years of service) based on member age at retirement and whether male or female. For example, the annuity cost of a 55-year old female with a monthly final average compensation of \$5,000 would be calculated using the factors from the table as follows:

- Step 1 – Find the early retirement factor on the chart for a 55-year old female
- Step 2 – Multiply the factor (6.4) by the monthly final average compensation (\$5,000)
- Step 3 – The cost for this member is \$32,000

State Miscellaneous and State Industrial Members ¹		
Age of the Member at Retirement	Male	Female
50	3.6	3.7
51	4.1	4.3
52	4.6	4.9
53	5.1	5.4
54	5.6	5.9
55	6.1	6.4
56	6.2	6.5
57	6.2	6.6
58	6.3	6.7
59	6.4	6.8
60	6.5	6.9
61	6.5	6.9
62	6.5	7.0
63	6.6	7.0
64	6.4	6.9
65	6.3	6.8
66	6.1	6.6
67	6.0	6.5
68	5.8	6.3
69	5.6	6.2
70	5.4	6.0
71	5.2	5.7
72	5.0	5.5
73	4.8	5.3
74	4.6	5.1
75	4.5	4.9
76	4.3	4.8
77	4.1	4.6
78	4.0	4.5
79	3.8	4.2
80	3.6	4.0

Please direct questions regarding the Early Retirement Program as follows:

Financial Questions: Mr. Rodney Rideau at (562) 951-4560 or rrideau@calstate.edu;

Faculty Participation Questions: Dr. Cordelia Ontiveros at (562) 951-4503 or contiveros@calstate.edu; and

CalPERS Interagency Agreement and Program Implementation Process Questions: Ms. Beth Ryan at (562) 951-4420 or bryan@calstate.edu.

¹State Miscellaneous Tier 1 is the applicable CalPERS member category for CSU faculty.