

Date: December 23, 2010

Code: TECHNICAL LETTER  
HR/Benefits 2010-18

To: Human Resources Directors  
Benefits Officers

From: Evelyn Nazario   
Assistant Vice Chancellor  
Human Resources Management

Subject: Pension Reform – Changes to CalPERS Retirement Plans

Overview

**Audience:** Human Resources Directors, Benefits Officers, or campus designees responsible for administering retirement benefits

**Action Item:** Information only

**Affected Employees:** Most employees first employed on or after January 15, 2011, whose appointments make them eligible for CalPERS pension plans

Summary

The Governor recently signed pension reform legislation that is applicable to individuals first employed by the State of California after specified dates, including the California State University (CSU), with certain exceptions. The following CalPERS pension plans become effective, as denoted below, for most CSU new hires based on type of position:

- 2% @ 60 Miscellaneous Tier 1 – For most newly hired CSU employees (except Public Safety employees) employed for the first time on or after January 15, 2011
- 2.5% @ 55 POFF – For most newly hired CSU employees appointed into MPP Public Safety positions employed for the first time on or after January 15, 2011
- 2.5% @ 55 POFF – For most newly hired CSU employees appointed into Unit 8 Public Safety positions employed for the first time on or after July 1, 2011

Campus designees responsible for administering retirement programs should review the remainder of this Technical Letter for additional information.

The Governor signed SBX6 22, a pension reform bill that reduced California Public Employees' Retirement System (CalPERS) retirement benefits by implementing specified pension plans for new State employees employed for the first time on or after January 15, 2011, in most cases. This law is applicable to the California State University (CSU). **Current CSU employees are excluded from its provisions.**

**Distribution:**

Chancellor  
CSU Presidents  
Executive Vice Chancellor, CFO  
Vice Chancellor, Human Resources

All Campus Vice Presidents  
Associate Vice Presidents/Deans of Faculty  
Payroll Officers

CalPERS will be publishing a Circular Letter outlining the specifics of the pension plan changes for new State employees, including CSU. Our office is providing preliminary information to assist campuses in making pension plan level determinations for individuals who will be employed on or after January 15, 2011. **Please note:** the following information is based upon the provisions of the bill signed into law and information obtained from CalPERS. CalPERS is responsible for interpreting and administering the regulations governing the CalPERS pension plans. Once CalPERS releases the pension reform Circular Letter, our office will provide additional information, as appropriate.

### **Delayed Effective Date of Plan Change for Unit 8 Employees – Statewide University Police Association (SUPA)**

According to the pension bill, individuals employed for the first time as a CSU employee in a Unit 8 Public Safety position will continue to be placed in the 3% @ 50 Peace Officer and Firefighter pension plan through June 30, 2011, the expiration date of the CSU-SUPA collective bargaining agreement. Effective July 1, 2011, individuals first employed by the CSU in Unit 8 positions and become a member (of CalPERS) will be placed in the 2.5% @ 55 Peace Officer and Firefighter pension plan.

### **PENSION PLAN CHANGES AND EFFECTIVE DATES**

#### **1. Miscellaneous Tier 1 – 2% @ 60 Pension Plan**

Effective on and after January 15, 2011, individuals first employed with the State (CSU) and become a member (of CalPERS) will be placed in the 2% @ 60 Miscellaneous Tier 1 pension plan. This plan will cover the majority of newly hired CSU employees, excluding individuals hired into Public Safety positions. The following exceptions apply:

- Former CSU employees previously employed prior to January 15, 2011, including individuals employed by the State, who return to employment on or after January 15, 2011, and who were not subject to the 2% @ 60 pension plan are excluded.
- Employees on an approved leave of absence employed prior to January 15, 2011, who return to active employment on or after January 15, 2011, who were not subject to the 2% @ 60 pension plan are excluded.

Please note: Prior to January 1, 2000, CSU employees, excluding Public Safety employees, were subject to the Miscellaneous Tier 1 - 2% @ 60 pension plan.

#### **2. Peace Officer and Firefighter (POFF) 2.5% @ 55 Pension Plan**

##### **MPP Public Safety Employees**

Effective on and after January 15, 2011, individuals first employed with the State (CSU) in Management Personnel Plan (MPP) Public Safety positions and become a member (of CalPERS) will be placed in the 2.5% @ 55 POFF pension plan. The following exceptions apply:

- Former CSU employees previously employed prior to January 15, 2011, including individuals employed by the State, who return to employment on or after January 15, 2011, and who were not subject to the 2.5% @ 55 pension plan are excluded.
- Employees on an approved leave of absence employed prior to January 15, 2011, who return to active employment on or after January 15, 2011, who were not subject to the 2.5% @ 55 pension plan are excluded.

Please note: Prior to January 1, 2000, MPP Public Safety employees were subject to the POFF – 2.5% @ 55 pension plan.

##### **Unit 8 Public Safety Employees**

Effective on and after July 1, 2011, upon the expiration of the current CSU-SUPA agreement, individuals first employed with the State (CSU) in Unit 8 positions and become a member (of CalPERS) will be placed in the 2.5% @ 55 POFF pension plan. The following exceptions apply:

- Former CSU employees previously employed prior to July 1, 2011, including individuals employed by the State, who return to employment on or after July 1, 2011, and who were not subject to the 2.5% @ 55 POFF pension plan are excluded.
- Employees on an approved leave of absence employed prior to July 1, 2011, who return to active employment on or after July 1, 2011, who were not subject to the 2.5% @ 55 POFF pension plan are excluded.

Please note: Prior to January 1, 2000, Unit 8 Public Safety employees were subject to the POFF – 2.5% @ 55 pension plan.

### **3. State Safety 2% @ 55 Pension Plan**

Effective on and after January 15, 2011, individuals first employed with the State (CSU) in the Police Officer Intermittent – Non Represented classification and become a member (of CalPERS) will be placed in the 2% @ 55 State Safety pension plan. Please note that the multiple State Safety pension plans apply only to individuals appointed in the Police Officer Intermittent - Non Represented classification (class code 8347) as this classification is excluded from the POFF pension plans. The following exception applies:

- Former employees previously employed prior to January 15, 2011, including individuals employed by the State (non CSU), who return to employment on or after January 15, 2011, in the above classification and who were not subject to the 2% @ 55 State Safety pension plan are excluded.

Because appointments to the State Safety plans are rare, campuses are encouraged to contact Human Resources Management for guidance.

## **36-MONTH AVERAGE COMPENSATION EARNABLE FACTOR PROVISION CHANGES**

### **1. Miscellaneous Tier 1 - 2% @ 60, MPP POFF - 2.5% @ 55, and State Safety - 2% @ 55 Pension Plans**

Effective on or after January 15, 2011, individuals first employed with the State (CSU) and become a member (of CalPERS) are subject to the 36-month average compensation earnable period. The following exceptions apply:

- Former CSU employees previously employed prior to January 15, 2011, including individuals employed by the State, who return to employment on or after January 15, 2011, are excluded.
- Employees on an approved leave of absence employed prior to January 15, 2011, who return to active employment on or after January 15, 2011, are excluded.

### **2. Peace Officer and Firefighter (POFF) - 2.5% @ 55 Plan – Unit 8 Employees**

Effective on and after July 1, 2011, individuals first employed with the State (CSU) and become a member (of CalPERS) are subject to the 36-month average compensation earnable period. The following exceptions apply:

- Former CSU employees previously employed prior to July 1, 2011, including individuals employed by the State, who return to employment on or after July 1, 2011, are excluded.
- Employees on an approved leave of absence employed prior to July 1, 2011, who return to active employment on or after July 1, 2011, are excluded.

## **CMS PROCESSING INFORMATION**

This Technical Letter does have impact to Baseline. It is anticipated that new Retirement Codes will be added. Additional information will be provided in a future communication.

## **GENERAL INFORMATION**

It is a campus responsibility to determine the CalPERS membership status of new hires and ACES will continue to be available for this purpose until the new PSR system is implemented. Campuses also may contact the CalPERS' Employer Contact Center at (888) 225-7377 for assistance.

As additional information becomes available, including the creation of new Retirement Account codes, campuses will be updated in a forthcoming Technical Letter.

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

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