

**Date:** February 9, 2011

**Code:** TECHNICAL LETTER  
HR/Benefits 2011-03

**To:** Human Resources Officers  
Benefits Representatives

**Reference:** HR/Benefits 2010-18

**From:** Evelyn Nazario   
Assistant Vice Chancellor  
Human Resources Management

**Subject:** Pension Reform – Changes to CalPERS Retirement Plans

**Overview**

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

**Action Items:** None (Information only)

**Affected Employee Groups/Units:** All employees eligible for CalPERS retirement coverage

**Summary**

This Technical Letter provides additional information regarding pension reform applicable to CSU, including new CalPERS Retirement Account Codes for CSU employees.

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

[HR/Benefits 2010-18](#) announced California Public Employees' Retirement System (CalPERS) pension reform legislation applicable to individuals first employed by the State of California after specified dates, including the California State University (CSU). CalPERS has released additional information specifically applicable to CSU.

**CalPERS Circular Letter**

CalPERS Circular Letter 200-009-11, dated January 14, 2011, addresses new CalPERS pension plans and final compensation periods for the majority of new CSU hires. Campus benefits and/or payroll staff must review each new CSU appointment to determine the appropriate CalPERS pension plan to place the new hire, if eligible. Specifically:

- All new CSU employees with the exception of bargaining unit 8 (State University Police Association (SUPA)), who are first employed with the State and become members (of CalPERS) on or after January 15, 2011, are subject to new retirement benefit formulas. The final compensation is based on the highest average compensation during a three (3) year period.
- All new bargaining unit 8 employees (SUPA) (covered by the Peace Officer/Firefighter (PO/FF) pension plan), who are first employed with the State and become members (of CalPERS) on or after July 1, 2011,

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**Distribution:**

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

Vice Presidents, Administration  
Payroll Managers  
Budget Officers

are subject to a new retirement benefit formula (2.5% @ 55) with a final compensation based on the highest average compensation during a three (3) year period.

A copy of the CalPERS Circular Letter is provided as Attachment A.

#### **New CalPERS Retirement Account Codes**

Effective January 15, 2011, multiple new retirement account codes were created specifically for CSU. It is critical that campus benefits and/or payroll staff familiarize themselves with the new retirement account codes and descriptions to ensure that new CSU hires are placed in the appropriate CalPERS pension plan. Failure to properly report CSU employees impacts the timeliness and accuracy of benefits paid and could result in a financial hardship for employees when errors are discovered and corrected as required by law. A copy of the CSU Retirement Account Codes is provided as Attachment B.

#### **Student Employment**

By law, students employed in student classifications are excluded from CalPERS membership. Human Resources Management has confirmed with CalPERS that CSU student employment that does not lead to membership in CalPERS is not considered as previous State employment. As a result, a student previously employed in a CSU student classification who is hired into a non public safety position eligible for CalPERS membership on or after January 15, 2011, is to be placed in the Miscellaneous Tier 1 - 2% @ 60 pension plan. The following student classification codes are exempt from CalPERS membership:

**E99:** 0100, 1868, 1869, 1870, 1871, 1872, 1874, 1875, 1876

**Unit 11:** 1150, 1151, 1152, 1153, 2325, 2326, 2355

Student employees appointed into Unit 11 Teaching Associate classifications are eligible for CalPERS membership and are subject to the State employment prior to January 15, 2011, and CalPERS membership provisions.

#### **Prior State Employees – Impact of Funds on Deposit for Pension Plan Determination**

CalPERS has confirmed that whether a prior State employee has funds on deposit with CalPERS is not a factor in making the pension plan determination. The criteria to be used are: employees first employed with the State and become members (of CalPERS) on or after January 15, 2011 (for Miscellaneous Tier 1 positions and MPP Public Safety or Unit 9 Fire Apparatus Engineer positions eligible for PO/FF); or are employees first employed with the State and become members on or after July 1, 2011 (for Unit 8 positions eligible for PO/FF). For example, a State employee who was in the Miscellaneous Tier 1 – 2% @ 55 pension plan, terminated employment in 2005 and withdrew her CalPERS contributions is hired by CSU into a non public safety position on March 1, 2011. This individual would be placed in the Miscellaneous Tier 1 – 2% @ 55 pension plan as she had prior State employment before January 15, 2011.

Our office continues to work with CalPERS to clarify the impact of pension reform on CSU. As information becomes available, we will update campuses accordingly.

#### **CMS Processing Instructions**

This Technical Letter has impact to CMS Baseline. The new CalPERS Retirement Codes are being added to Oracle/PeopleSoft to support campus processing. Additional information will be provided in a separate CMS communication.

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>

EN/pc  
Attachments



P.O. Box 942709  
Sacramento, CA 94229-2709  
**888 CalPERS** (or **888-225-7377**)  
Telecommunications Device for the Deaf  
and Hearing Impaired (916) 795-3240  
[www.calpers.ca.gov](http://www.calpers.ca.gov)

Date: January 14, 2011  
Reference No.:  
Circular Letter No.: 200-009-11  
Distribution: X

## Circular Letter

**TO: STATE COLLEGES & UNIVERSITIES**

**SUBJECT: NEW RETIREMENT BENEFIT FORMULAS AND FINAL COMPENSATION PERIOD FOR STATE COLLEGES & UNIVERSITY EMPLOYEES**

Recently, new legislation provided changes to the retirement benefits and final compensation period for new California State University (CSU) employees who have no prior State employment.

The purpose of this Circular Letter is to emphasize the importance of correctly reporting your employees. When doing so, it is now essential to pay particular attention to the date the employee was first hired by the State of California and their bargaining unit or affiliation to ensure contributions paid into this System are correct. State employment includes all other State departments such as Department of Education, not just CSU. Failure to properly report your employees impacts the timeliness and accuracy of benefits paid and could result in a financial hardship for your employees when errors are ultimately discovered and corrected as required by law.

CalPERS On-Line contains a chart outlining which account code and/or coverage group to use to help you correctly report your employees. Key changes are provided below to illustrate the complexity and variation in effective dates, retirement benefit formula, and final compensation periods. However, if a current memorandum of understanding (MOU) provides a different formula, the formula in the MOU shall remain in effect until the MOU expires.

- All new CSU employees with the exception of bargaining unit 8, who are first employed with the State and become members on or after January 15, 2011, are subject to new retirement benefit formulas. The final compensation is based on the highest average compensation during a 3-year period.
- All new bargaining unit 8 peace officer/firefighter (PO/FF) employees, who are first employed with the State and become members on or after July 1, 2011, are subject to a new retirement benefit formula (2.5% @ 55) with a final compensation based on the highest average compensation during a 3-year period.

Any questions about bargaining unit agreements should be directed to the Office of the Chancellor. Additional information can be found on their website <http://www.calstate.edu/HRAdm/memos.shtml> under 2010 Benefit Administration letter 2010-18.

If you have any questions about proper reporting to CalPERS, please call our Employer Contact Center at **888 CalPERS** (or **888-225-7377**).

Lori McGartland, Chief  
Employer Services Division

## ACCOUNT CODE CHART – CSU MEMBER

Description	Type of Member	O = SS & Medicare M = Medicare N = Neither	Account Code Effective Date Coverage Group
Employees who are first hired by the State on/before 01/14/11. Employee is excluded from Social Security/Medicare coverage (F-1, J-1, M-1 or Q-1 Visa). Members are subject to a 1 year final compensation, 2% @ age 55 formula and a 6% member contribution rate.	Misc First-Tier	N	00 01/01/32 30001
Employees who are first hired by the State on/before 01/14/11. Members are subject to Social Security and Medicare. Members are subject to a 1 year final compensation, 2% @ age 55 formula and a 5% member contribution rate.	Misc First-Tier	O	08 1/1/56 30002
Employees who are first hired by the state on/after 1/15/11. Employee is excluded from Social Security/Medicare coverage (F-1, J-1, M-1 or Q-1 Visa). Members are subject to a 3 year final compensation, 2% @ age 60 formula and a 6% member contribution rate.	Misc First-Tier	N	2U Eff. 01/15/11 30003
Employees who are first hired by the State on/after 01/15/11. Members are subject to Social Security and Medicare. Members are subject to a 3 year final compensation, 2% @ age 60 formula and a 5% member contribution rate.	Misc First-Tier	O	2Z Eff. 01/15/11 30004
<b>E99</b> Employees who are first hired by the State on/before 01/14/11. Employees in class code <b>8347</b> who were excluded from CBU R08 beginning 07/01/01. Members are subject to Medicare coverage. Members are subject to a 1 year final compensation, 2.5% @ age 55 formula and a 6% member contribution rate.	Safety First-Tier	M	82 07/01/01 12049
<b>E99</b> Employees who are first hired by the State on/after 01/15/11. Employees in class code <b>8347</b> who are excluded from CBU R08. Members are subject to Medicare coverage. Members are subject to a 3 year final compensation, 2% @ age 55 formula and a 6% member contribution rate.	Safety First-Tier	M	1U 01/15/11 12095

## ACCOUNT CODE CHART — CSU MEMBER

Description	Type of Member	O = SS & Medicare M = Medicare N = Neither	Account Code Effective Date Coverage Group
<b>R08</b> Employees who are first hired by the State on/before 06/30/11. Employee has been in constant state employment since on/before 3/31/86 or is excluded from Social Security and Medicare coverage (F-1, J-1, M-1 or Q-1 Visa). Member is subject to 1 year final compensation, 3% @ 50 formula and 8% member contribution rate.	POFF First-Tier	N	51  Eff. 01/01/00  12051
<b>R08</b> Employees who are first hired by the State on/before 06/30/11. Employee entered state employment on/after 04/01/86. Members are subject to Medicare coverage. Member is subject to 1 year final compensation, 3% @ 50 formula and 8% member contribution rate	POFF First-Tier	M	52  Eff. 01/01/00  12051
<b>Non-Unit 8 POFF</b> Employees who are first hired by the State on/before 01/14/11. Employee has been in constant state employment since on/before 3/31/86 or is excluded from Social Security and Medicare coverage (F-1, J-1, M-1 or Q-1 Visa). Member is subject to 1 year final compensation, 3% @ 50 formula and 8% member contribution rate.	POFF First-Tier	N	53  Eff. 01/01/00  12051
<b>Non-Unit 8 POFF</b> Employees who are first hired by the State on/before 01/14/11. Employee entered state employment on/after 04/01/86. Members are subject to Medicare coverage. Member is subject to 1 year final compensation, 3% @ 50 formula and 8% member contribution rate	POFF First-Tier	M	54  Eff. 01/01/00  12051
<b>R08</b> Employees who are first hired by the State on/after 07/01/11. Employee is excluded from Social Security and Medicare coverage (F-1, J-1, M-1 or Q-1 Visa). Member is subject to 3 year final compensation, 2.5% @ 55 formula and 8% member contribution rate.	POFF First-Tier	N	3N  Eff. 07/01/11  12094
<b>R08</b> Employees who are first hired by the State on/after 07/01/11. Employee entered state employment on/after 04/01/86. Members are subject to Medicare coverage. Member is subject to 3 year final compensation, 2.5% @ 55 formula and 8% member contribution rate	POFF First-Tier	M	3P  Eff. 07/01/11  12094

## ACCOUNT CODE CHART – CSU MEMBER

Description	Type of Member	O = SS & Medicare M = Medicare N = Neither	Account Code Effective Date Coverage Group
<p><b>Non-Unit 8 POFF</b>            Employees who are first hired by the State on/after 01/15/11. Employee is excluded from Social Security and Medicare coverage (F-1, J-1, M-1 or Q-1 Visa).            Member is subject to 3 year final compensation, 2.5% @ 55 formula and 8% member contribution rate.</p>	<p>POFF            First-Tier</p>	<p style="text-align: center;">N</p>	<p>3Q             Eff. 01/15/11             12094</p>
<p><b>Non-Unit 8 POFF</b>            Employees who are first hired by the State on/after 01/15/11. Members are subject to Medicare coverage.            Member is subject to 3 year final compensation, 2.5% @ 55 formula and 8% member contribution rate</p>	<p>POFF            First-Tier</p>	<p style="text-align: center;">M</p>	<p>3R             Eff. 01/15/11             12094</p>