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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