


Circular Letter

California Public Employees' Retirement System
P.O. Box 942709
Sacramento, CA 94229-2709
888 CalPERS (or 888-225-7377)
Telecommunication Device for the Deaf
No Voice (916) 795-3240

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Special:

TO: ALL CONTRACTING PUBLIC AGENCIES

SUBJECT: ONE TO FOUR YEARS ADDITIONAL SERVICE CREDIT

Government Code Section 20903.5 (added by Chapter 458, Senate Bill 1192) provides authority for contracting agencies, other than schools, to grant one to four years of additional service credit to eligible employees who retire for service. The amount of additional service credit shall not be more than four years and shall not be combined with any additional service credit granted under Section 20903. The additional credit may not be granted to employees who retire due to a disability or an industrial disability.

This provision is intended to provide a retirement incentive option to public agencies facing potential employee layoffs due to the current fiscal climate and budget shortfalls. This option will be available only until June 30, 1999.

The benefit may be provided by adoption of a resolution; no contract amendment is needed. The requirements, employer cost information and procedures for contracting agencies to grant one to four years additional service credit and the employee eligibility criteria are enclosed. Contracting agencies may request the necessary certification documents and the resolution for adoption by their governing bodies by completing and returning the enclosed request form.

This new provision does not replace the two-years additional service credit provision (Section 20903) which has been available to contracting agencies for many years.

The administrative and member eligibility requirements for the one to four years additional service credit are quite different from those for the two-years additional service credit and we encourage agencies to consider both provisions. Please refer to your CalPERS Procedure Manual for requirement and cost information on the two-years additional service credit provisions of Section 20903.

If you have questions about this benefit, please contact Public Agency Contract Services. Members with questions regarding benefit calculations should be directed to the nearest CalPERS Regional Office.

Kenneth W. Marzion, Chief
Actuarial & Employer Services Division

ONE TO FOUR YEARS ADDITIONAL SERVICE CREDIT GOVERNMENT CODE SECTION 20903.5

Agencies may provide one to four years of additional service credit as an early retirement incentive to avoid layoffs due to the curtailment of or change in the manner of performing service.

AGENCY REQUIREMENTS

- I. Adopts a resolution after September 24, 1997 and before July 1, 1999 which:
 - A. designates the categories of employees (e.g. miscellaneous, fire, police, county peace officer, etc.) and the department(s), programs and position classifications in which employees would be eligible for this benefit. If eligibility is applicable to all members of a category such as miscellaneous, fire, police, county peace officer no additional description is necessary.
 - B. specifies a period beginning at least one day **after** adoption of the resolution and ending not more than 120 days **after** adoption of the resolution, during which eligible employees must retire to be entitled to the additional service credit.
 - C. specifies the number of whole years of additional service credit being granted, not to exceed four years. The amount of additional service credit shall not be more than four years and shall not be combined with any additional service credit granted under Section 20903.
- II. Certifies:
 - A. the extent the savings will exceed the payment to CalPERS;
 - B. the specific measures to be taken to assure the savings will exceed the payments to CalPERS;
 - C. costs were made public at least two weeks prior to adoption of the Resolution granting the additional service credit in compliance with Government Code Section 7507;
 - D. either:
 - 1. sufficient positions have been deleted with a total cost that equals or exceeds the lump-sum actuarial cost of the additional service credit granted; or
 - 2. all positions vacated due to the additional service credit granted pursuant to this section shall remain vacant for at least five years and until the lump-sum actuarial cost of the additional service credit granted has been recaptured from position vacancy salary savings.

- E. the amount of actual savings and the measures taken to achieve the savings at such time the governing body has achieved savings that are more than adequate to meet necessary payments to the board, or five years after commencement of the 120 day period described above, whichever occurs first.
 - III. Maintains records for each worker retiring pursuant to this section (name, social security number, retirement effective date, cost of additional service credit).
 - IV. Transmits to the retirement fund in a manner and time period, not to exceed five years, acceptable to the governing body and the CalPERS Board of Administration:
 - A. an amount determined by the Board to equal the actuarial equivalent of the difference between the allowance the member receives after receipt of the additional service credit and the amount the member would have received without the additional service credit; and,
 - B. administrative costs.
- If payment is not received within 30 days of the invoice, interest shall be charged on the unpaid balance.
- V. Agrees to provide verification of its certifications through independent review if the Board so requires. The Controller is to perform a post-audit verifying the savings equals or exceeds the lump-sum actuarial cost of the additional service credit granted and the contracting agencies shall pay the cost of the post-audits.

MEMBER REQUIREMENTS

- VI. Is employed in the category of employees, and in the departments, programs and position classifications specified in the Resolution.
- VII. Is at least age 50. (The one to four years additional service credit will not increase the member's age nor will it be used to meet the minimum age requirement.)
- VIII. Is credited with 10 or more years of CalPERS-credited service. (The one to four years additional service credit will not be used to meet the minimum service credit requirement.)
- IX. Retire for service (not disability) within the designated period specified in the Resolution.
- X. Cannot receive unemployment insurance payments anytime within two years of the governing body's adoption of the Resolution granting the additional service, due to employment with any employer participating in the CalPERS retirement program.
- XI. Cannot be reemployed in any capacity, either under contract or any other basis including as a volunteer, without forfeiting the additional service credit.
- XII. Cannot be temporarily reemployed as an annuitant with the agency from which he/she has received the additional service credit for five years following the date of retirement.

PROCEDURES FOR CALCULATION OF ESTIMATED EMPLOYER COST

OF ADDITIONAL SERVICE CREDIT

The cost of providing one to four years additional service credit is calculated based on the member's annual reportable compensation, the cost factor multiplied by the number of years additional credit being provided and whether the agency's contract provides the Post-Retirement Survivor Allowance (Survivor Continuance) and/or an increased Cost-of-Living Allowance of 3%, 4% or 5%.

The employer cost may be estimated as follows:

1. Determine all individuals who meet the minimum eligibility for retirement and who are employed in the designated category (e.g. miscellaneous, fire, police, county peace officer), and in the departments, programs and position classifications specified in the Resolution.
2. Determine the annual pay rate for each eligible member. "Pay Rate" indicates that amount of compensation a member is paid for a full unit of time. Always use the member's FULL TIME pay rate.
3. Determine the number of years of service credit being granted (1, 2, 3, or 4).
4. Locate the appropriate factor on the Cost Factor Chart for each eligible member.
5. Multiply the number of years (#3 above) by the factor (#4 above) to determine the cost factor.
6. Multiply the annual pay rate by the cost factor to determine the dollar cost.
7. Determine whether your agency's contract provides for the Post-Retirement Survivor Allowance. If yes, proceed to step #9.
8. If your agency's contract does not provide for the Post-Retirement Survivor Allowance, multiply the dollar cost determined in step #6, above, by 0.95.
9. Determine whether your agency's contract provides for the increased cost-of-living allowance of 3%, 4% or 5%. If not, no further calculations are needed.
10. If your agency's contract provides a 3% cost-of-living allowance, multiply the dollar cost determined above by 1.07 to estimate the employer cost of providing the additional service credit.

If your agency's contract provides a 4% cost-of-living allowance, multiply the dollar cost determined above by 1.14 to estimate the employer cost of providing the additional service credit.

If your agency's contract provides a 5% cost-of-living allowance, multiply the dollar cost determined above by 1.21 to estimate the employer cost of providing the additional service credit.

**COST FACTOR CHART
FOR ONE TO FOUR YEARS ADDITIONAL SERVICE CREDIT**

<u>MISCELLANEOUS MEMBERS</u> <u>2% @ 60 formula</u>					<u>SAFETY MEMBERS</u>	
Ages	With Social Security Coverage		Without Social Security Coverage		<u>2% @ 55 formula</u>	<u>2% @ 50 formula</u>
	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>	<u>All</u>	<u>All</u>
50-54	0.15	0.16	0.16	0.17	0.20	0.30
55-59	0.19	0.20	0.20	0.21	0.23	0.32
60-64	0.23	0.26	0.25	0.26	0.21	0.29
65+	0.21	0.24	0.23	0.25	0.19	0.26

<u>MISCELLANEOUS MEMBERS</u> <u>2% @ 55 formula</u>				
Ages	With Social Security Coverage		Without Social Security Coverage	
	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>
50-54	0.20	0.22	0.21	0.22
55-59	0.24	0.26	0.25	0.26
60-64	0.24	0.26	0.25	0.27
65+	0.21	0.24	0.23	0.25

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Actuarial and Employer Services Division

Public Agency Contract Services

P.O. Box 942709

Sacramento, CA 94229-2709

888 CalPERS (or 888-225-7377)

Agency Name _____ Employer # _____

Complete and return this form to the above address to request the documents necessary to provide:

SECTION 20903.5 (ONE TO FOUR YEARS ADDITIONAL SERVICE CREDIT)

Indicate member groups:

_____ Local miscellaneous members _____ Local fire members only
_____ Local safety members _____ Local police members only

Enter dates:

1. _____ THE DATE YOUR AGENCY NEEDS THE RESOLUTION FROM THIS _____
OFFICE TO INCLUDE IN AGENDA FOR YOUR GOVERNING BODY. This
date must be at least three weeks from the date this form is received in the office
of Public Agency Contract Services.
2. _____ COSTS MADE PUBLIC AT LEAST TWO WEEKS PRIOR TO ADOPTION OF
RESOLUTION.
3. _____ ADOPTION OF RESOLUTION.

Proposed designated period will begin on _____ and end on _____.

Signature

Mailing address

Title

Date

Telephone

THIS OFFICE WILL PREPARE ALL NECESSARY DOCUMENTS. IF YOUR AGENCY ATTEMPTS TO EXPEDITE THE PROCESS BY PROCEEDING WITHOUT THE DOCUMENTS PROVIDED BY THIS OFFICE, LEGAL REVIEW MAY BE REQUIRED WHICH COULD DELAY THE PROPOSED DESIGNATED PERIOD.