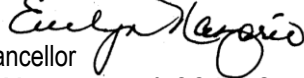


Date: August 29, 2013

Code: TECHNICAL LETTER
HR/Benefits 2013-10

Reference: HR/Benefits 2013-07
HR/Benefits 2012-16
HR/EHDB 2012-03

To: Human Resources Officers
Benefits Officers

From: Evelyn Nazario 
Associate Vice Chancellor
Human Resources Management & CO HR Services

Subject: Public Employees Pension Reform Act of 2013 (PEPRA) - Elimination of Offset Related to Monthly Retirement Contributions

Overview

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

Action Items: None (Information only)

Affected Employee All employees eligible for California Public Employees' Retirement System (CalPERS) retirement coverage on or after January 1, 2013, who also meet the Public Employees' Pension Reform Act of 2013 (PEPRA) definition of a new CalPERS member

Groups/Units:

Summary

This technical letter announces the elimination of offset from the calculation of monthly CalPERS retirement contributions for employees subject to PEPRA, effective with the September 2013 pay period (October pay warrant). The State Controller's Office (SCO) will implement the changes. This technical letter should be read in its entirety by staff personnel responsible for explaining benefits changes evidenced on pay warrants.

Currently, monthly retirement contributions for California State University (CSU) employees who are CalPERS members and also subject to Social Security are not withheld on the first \$513 of the employee's gross salary – this is known as the "offset amount," and this amount varies based upon the employee's retirement formula in effect.

Recently, CalPERS determined that CalPERS members who are impacted by PEPRA (meets the [definition](#)¹ of a new CalPERS member on or after January 1, 2013) and enrolled in any of the new retirement formulas that went into effect as of January 1, 2013, are not subject to the offset. Therefore, monthly retirement contributions must be calculated based on the employees' gross salary – this includes the employees' portion of the retirement contribution.

¹ Refer to HR/Benefits 2012-16 for additional information on PEPRA

Distribution:

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

Vice Presidents, Administration
Payroll Managers
Budget Officers

State Controller's Office

As a result of this change, CalPERS announced the elimination of the offset amount for PEPRA-impacted employees in Circular Letter [200-024-13](#), and also implemented a transition period in order for the CSU and the SCO to collaborate on required system updates. At this time, CalPERS has a “dual validation” rule in place and is accepting retirement contributions with and/or without the offset. However, the “dual validation” rule will be removed effective October 20, 2013, and CalPERS will only post service credit and retirement contributions on behalf of PEPRA-impacted employees based on the gross salary.

The SCO will update the State’s payroll system to calculate the monthly retirement contributions on behalf of PEPRA-impacted employees effective with the September 2013 pay period (October 1, 2013, issue date) to ensure that CalPERS continues to post service credit and retirement contributions as appropriate to affected employees’ retirement accounts.

With the exception of Unit 8 (Statewide University Police Association (SUPA)) employees, campuses will need to notify PEPRA-impacted employees regarding the elimination of the offset and the impact this change will have on employees’ take home (net) salary.

Please note that PEPRA provided an exception to certain provisions of Pension Reform to collective bargaining agreements (CBA) already in effect on January 1, 2013. Therefore, per the current terms of the Unit 8 CBA, the CSU will continue to pay the employees’ portion of the retirement contribution through the June 30, 2014, expiration date of the agreement. Upon ratification of the new contract, campuses will receive further instruction regarding such notification to Unit 8 employees.

Action

- Review the list of impacted employees provided by your campus contact (Donelle George, Michelle Hamilton or Renae Klemm).
- Notify employees by Friday, September 6, 2013, of this change, as there is impact to the employees’ net salary.
- See Attachment A for a communication template and example that can be used for this purpose.

Additional Information - Final Compensation for Retirement

As a result of the elimination of the offset for PEPRA-impacted CalPERS members, the offset is no longer applicable to the final compensation calculation for retirement. Per CalPERS, all members retiring, regardless of retirement date, will not have an offset to the final compensation for any service credited to his/her account under the new PEPRA formula. CalPERS is in the process of updating myCalPERS to ensure that the offset is removed.

CMS Processing Instructions

This technical letter has no impact on CMS Baseline.

General Information

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 website at: <http://www.calstate.edu/HRAdm/memos.shtml>.

EN/mh

Attachment

EMPLOYEE COMMUNICATION TEMPLATE: ELIMINATION OF RETIREMENT CONTRIBUTION OFFSET

Dear (insert Employee's Name)

You are receiving this notification because you are enrolled in one of the new CalPERS retirement formulas that went into effect on January 1, 2013, as a result of the Public Employees' Pension Reform Act of 2013 (PEPRA) as shown below:

- 2% at 62 Miscellaneous Tier 1 (Faculty and Staff employees, except Public Safety employees)
- 2% at 57 State Safety (E99 Intermittent Police/Peace Officers)
- 2.5% at 57 Police Officer/Fire Fighter (PO/FF) (MPP Public Safety Employees)

Currently, a portion of your salary is excluded from the calculation of monthly retirement contributions that is deducted from your pay warrant - this is known as the "offset amount." This "offset amount" varies by retirement formula.

Recently, CalPERS determined that employees subject to the PEPRA ("new member" of CalPERS) provisions are not subject to the offset. Therefore, your portion of the monthly retirement contribution must be calculated based on your gross salary.

CalPERS allowed the CSU a brief transition period in order to collaborate with the State Controller's Office to update the State's payroll system. During the transition, CalPERS agreed to post retirement contributions as reported by the CSU, which included the offset. In order to ensure that your service credit continues to post to your CalPERS retirement account in the future, the CSU is required to implement this change on your behalf by October 20, 2013.

This change in calculation of your portion of the retirement contribution will take effect with the September 2013 pay period and you will notice a change to your take home salary for the September 2013 pay period issued October 1, 2013.

Listed below is an example of the retirement contribution calculated with and without the offset:

With the "offset" (prior to September 2013 pay period)		Without the "offset" (September 2013 pay period and beyond)	
Gross Earnings:	\$3,000	Gross Earnings:	\$3,000
"Offset Amount:"	\$513	"Offset Amount:"	\$0
Amount Subject to Retirement Contribution:	\$2,487	Amount Subject to Retirement Contribution:	\$3,000
6% Retirement Contribution Amount:	\$149.22	6% Retirement Contribution Amount:	\$180.00

Please contact your campus HR Benefits Office if you have questions regarding this notification.

Sincerely,

XXX
HRO