

STATE CONTROLLER'S OFFICE
PERSONNEL/PAYROLL SERVICES DIVISION
P. O. BOX 942850
Sacramento, CA 94250-5878

DATE: June 23, 2006

PERSONNEL LETTER #06-008
CIVIL SERVICE ONLY

TO: All Agencies in the Uniform State Payroll System

FROM: JOHN R. HARRIGAN, Chief
Personnel/Payroll Services Division

RE: **EMPLOYEE RETIREMENT CHANGE FOR RANK AND FILE BARGAINING UNIT 2**

This letter provides information concerning employee retirement changes pursuant to passage of Assembly Bill 146, the MOU bill for Bargaining Unit 2. The changes are effective July 1, 2006 and will increase the employee contribution amount by 1% for current CalPERS and Alternate Retirement Plan (ARP) members. All rank and file Bargaining Unit 2 employees hired on or after July 1, 2006 will also be subject to the higher contribution rate plus their retirement formula will be based on the highest salary during a 36-month consecutive period. These changes do not pertain to S02, M02, or other excluded employees affiliated with Bargaining Unit 2.

New retirement account codes must be established for CalPERS to specifically identify the new retirement formula based on the highest salary during a 36-month consecutive period and the current retirement formula based on the highest salary during a 12-month consecutive period for employees hired prior to July 1, 2006. The information below explains the changes and identifies the account codes.

Current CalPERS and ARP Members

Current CalPERS and ARP members in the following account codes will be moved to new account codes by the State Controller's Office that reflect the new employee contribution rate. Employees hired prior to July 1, 2006 in a non-Bargaining Unit 2 position that transfer to Bargaining Unit 2 on or after July 1, 2006 should be placed in one of the new account codes identified below. The exclusion amounts are not changing.

Old Account Code	New Account Code	Old Rate	New Rate
10	1A	6%	7%
19	6J	6%	7%
30	6K	6%	7%
40	4K	6%	7%
45	4G	5%	6%
49	9A	5%	6%
TK	TE	5%	6%
TP	TF	5%	6%

Safety Employees Hired On or After July 1, 2006

All safety employees hired on or after July 1, 2006 should be placed into one of the CalPERS retirement account codes identified below. Agencies are responsible for entering the appropriate retirement account code on the appointment transaction.

Account Code	Rate	Exclusion Amount
6L (Subject to Medicare)	7%	\$317
6M (Not subject to Medicare)	7%	\$317

Miscellaneous and Industrial Employees Hired On or After July 1, 2006 With No Prior CalPERS Service

All miscellaneous and industrial employees hired on or after July 1, 2006 with no prior CalPERS service should be placed in the ARP account codes identified below. Agencies are responsible for entering the appropriate account code on the appointment, 405, or via 505 transaction if the employee does not become an ARP participant until a later date (i.e., employee is intermittent and placed in PST until the required number of hours are worked for CalPERS eligibility).

Account Code	Rate	Exclusion Amount
TG (Miscellaneous subject to Social Security and Medicare)	6%	\$513
TH (Industrial subject to Social Security and Medicare)	6%	\$513

Miscellaneous/Industrial Employees Hired On or After July 1, 2006 With Prior CalPERS Service

An employee hired on or after July 1, 2006 must be placed into ARP account codes TG or TH by the agency. CalPERS will process an R01 transaction if they determine the employee has prior CalPERS service. Below are the retirement account codes for these employees.

Account Code	Rate	Exclusion Amount
4H (Miscellaneous subject to Social Security and Medicare)	6%	\$513
9B (Industrial subject to Social Security and Medicare)	6%	\$513

PROCESSING

The State Controller's Office will process an Employment History mass update on June 26, 2006 to post 505 transactions for current PERS and ARP members. Turnaround PARS for this mass update will be generated following the July 1, 2006 general salary increase (GSI) for Bargaining Unit 2 and will include the new retirement account codes. Employees with appointment or separation expiration dates prior to July 1, 2006 will not be included in the mass update. Therefore, agencies must determine if the employees are to be re-appointed or separated and key enter the appropriate transaction. If re-appointed,

key enter a 505 transaction effective July 1, 2006 that reflects the correct account code identified above. After the 505 and GSI have been posted, any new out-of-sequence transactions must have the salary rate entered if allowed on the transaction. If not entered, the salary rate information per the GEN transaction will be reflected on the new transaction and could create an overpayment situation. Also, any transactions entered with a 07/01/2006 effective date should have the GSI code O (alpha) entered when allowable on the transaction.

The State Controller's Office will post 505 transactions to the Employment History Data Base based on transactions processed prior to the June 26 mass update. If an employee's most current transaction reflects an effective date equal to or before July 1, 2006, the 505 transaction will be posted by the mass update process. If an employee's most current transaction is effective after July 1, 2006, the 505 transaction will be posted by the Controller's Office beginning June 27, 2006. Also, subsequent transactions will be corrected as needed.

Agencies are responsible for updating the Employment History Data Base with the correct retirement account code information for transactions keyed after the June 26 mass update.

CONTACTS

If you have any questions concerning the eligibility criteria, please contact the Department of Personnel Administration. Please reference the Payroll Procedures Manual (PPM) or Personnel Letter 04-009, dated August 20, 2004 for questions concerning the ARP program. If you have any questions concerning this letter, please contact Lynn Black at (916) 327-3926 or by email at lblack@sco.ca.gov.

For PAR documentation assistance, contact the Personnel Liaison Unit at (916) 322-6500. Revisions to the PPM and the Personnel Action Manual are forthcoming.

JRH:LB:PMAB