



# **Circular Letter**

Date: January 29, 1999

California Public Employees' Retirement System  
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Special:

**TO: PERSONNEL AND PAYROLL MANAGERS, FINANCE DIRECTORS,  
ALL CONTRACTING PUBLIC AGENCIES, STATE AGENCIES, STATE  
UNIVERSITIES, SCHOOLS, SCHOOL DISTRICTS, AND  
AGRICULTURAL ASSOCIATIONS**

**SUBJECT: Implementation of Government Code Section 20283  
(Penalties for Improperly Withholding Membership)**

This letter is being sent to provide additional clarification regarding the manner in which the California Public Employees' Retirement System (CalPERS) will administer Government Code Section 20283<sup>1</sup>, to assist those agencies that may not have been adequately informed in the past, and to provide procedural uniformity. Please refer to Circular Letter 800-024, dated October 3, 1997, (copy attached) for additional information regarding Section 20283.

CalPERS staff has given much thought to this process and discussed the issues at length with numerous CalPERS employers. It was necessary to balance the right of the members to receive the service credit to which they are entitled under the Government Code without simultaneously causing undo financial hardship for CalPERS employers. The special process identified below has been established to alleviate any problems associated with possible miscommunication in the past and provides what we consider to be the best overall method of solving the numerous challenges associated with the Section 20283 issues.

1. The following information will apply to all arrears cases:

- Section 20283 applies ONLY to employment on or after July 1, 1994<sup>2</sup>.

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<sup>1</sup> All references are to the Government Code

<sup>2</sup> If the arrears period is both prior to and after July 1, 1994, the entire period will be treated as post July 1, 1994 service.

- Section 20283 applies ONLY when an employee is not enrolled within 90 days of qualification when the employer “actually knew or can reasonably have been expected to have known” of the member’s eligibility.
  - CalPERS staff will determine the application of Section 20283 on a case-by-case basis.
  - CalPERS staff will calculate the service in arrears from payroll information supplied by employers. The attached form must be used to supply this system with the data necessary to perform the calculations. We will also accept an electronic version of the form on a 3.5 inch diskette in the same format as the attached form. If you have more than 50 employees to report, or a few employees with numerous lines of payroll, the diskette format is a requirement.
  - A new or “corrected” MSD-1 must accompany all payroll information in order to keep CalPERS records correct if you have not already done so. An MSD-1 correcting a previous membership date must be clearly marked as “CORRECTING MEMBERSHIP DATE”. You may also enroll them on-line through the COMET system.
  - Retroactive pay raises effective during the arrears period can be reported to this system even though no initial payroll has been reported for the period in question.
  - Disputes regarding the application of Section 20283 will be resolved equitably on the merits of each individual case.
2. The following special process will be used for all Section 20283 cases identified to CalPERS prior to July 1, 1999:
- Employers WILL NOT be billed separately for employer or member contributions for service that is covered by Section 20283. This liability will be funded through the employer rate during the normal valuation process.
    - If an employer reports Member Normal Contributions, service will be posted to the members’ accounts with no contributions.
    - If the employer provides Employer Paid Member Contributions, or Employer Pickup, the appropriate amount of member contributions will be transferred to the members’ accounts from the employer account. Employers will receive notification of the amounts transferred.
  - The \$500 per member administrative fee will be waived for all cases identified prior to July 1, 1999.
3. For cases identified on and after July 1, 1999, the \$500 administrative fee will be charged and employers will be billed for the lump sum amount including both the member and employer contributions due.

Thank you for your patience and your continued cooperation in this regard. If you have any questions, please contact Bobbie Talbert at (916) 326-3128.

Kenneth W. Marzion, Chief  
Actuarial & Employer Services Division

Attachments