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Distribution: **SPECIAL**

Special:

TO: PUBLIC EMPLOYERS IDENTIFIED AS HAVING SUPERFUNDED RATE PLAN(S)

SUBJECT: INSTRUCTIONS FOR REQUESTING THE TRANSFER OF ASSETS FOR SUPERFUNDED RATE PLANS

Chapter 231 (Assembly Bill 2099, Statutes of 1998) became effective January 1, 1999, and amended Government Code Section 20816. This section provides that, if the Chief Actuary determines that an employer's rate plan is superfunded (actuarial value of assets exceeds the present value of benefits) as of the most recently completed valuation, the employer may cover their employees' normal member contributions (defined as **required** member contributions) using their employer assets. This would necessitate transferring assets within the Public Employees' Retirement Fund (PERF) from the employer account to the member accumulated contribution accounts.

Our Actuarial Office has identified your agency as having a superfunded rate plan(s) for the rate plan year of July 1, 2003, through June 30, 2004, based on the actuarial valuation as of June 30, 2001.

Because of the investment returns for 2001/2002 and 2002/2003, we are concerned that some employer contribution rates will increase substantially over the next few years. In a period of rising employer contribution rates, some additional caution is advisable. **We urge you to contact your CalPERS' actuary to discuss what may happen to your rates before you decide to use employer assets to pay normal member contributions.**

Attached to this circular letter are 26 vouchers (PERS-AESD-V0203-PC) for each rate plan in your agency that has been identified as being superfunded. Twenty-six vouchers are included for those employers who report contributions to CalPERS on a bi-weekly basis (26 reporting periods per fiscal year); an employer who reports on a semi-monthly, quad-weekly or monthly basis, all 26 vouchers will not be needed. If you decide to use these vouchers to pay normal member contributions, instructions for completion and submittal of these forms are provided on page 2 and 3 of this letter.

You may request a transfer of employer assets for any payroll period that has an ending date on or after July 1, 2003, but no later than June 30, 2004.

Completed payroll reports **must be received at CalPERS' Headquarters no later than July 31, 2004**, in order to qualify for this transfer. Completed payroll reports include:

Summary Report (PERS-AESD-626), media [tape, diskette or Pre-list (PERS-AESD-625A)], hard-copy report and voucher (PERS-AESD-V0304-PC). For those employers who are using the ACES system to transfer their payroll detail, a completed payroll report would include Summary Report (PERS-AESD-626), voucher (PERS-AESD-V0304-PC) and payroll detail transmitted through ACES. Additional information regarding reporting deadlines can be found on page 3.107 of your CalPERS' *Procedures Manual*.

Please remember that this superfunded status applies **only to the rate plan indicated on the voucher and cannot be used for any other rate plan**. For example, an employer that has superfunded status for their miscellaneous rate plan but not their safety rate plan can only use the superfunded voucher for the contributions of their miscellaneous members and must pay the contributions for their safety members. If you decided to request a transfer of employer assets, it must be for all members of the appropriate group or class of employees and must be for **100 percent** of those employees' required normal member contributions. In addition, the superfunded status is **only for the rate plan year of July 1, 2003, through June 30, 2004**. Detailed information regarding the status of your superfunded rate plan(s) can be found on page 5 of your June 30, 2001, actuarial valuation report. If you have any questions regarding the actuarial valuation report, please contact the actuary assigned to your agency.

Instructions for completion of Form PERS-AESD-V0304-PC

For your convenience, a completed sample voucher is attached. Please note that the rate plan has been pre-printed on each voucher. If your agency has **more than one rate plan identified as being superfunded**, you must submit **a separate voucher for each rate plan**.

Please refer to the attached sample voucher for assistance in completion of the following fields:

#1 – Signature: An authorized representative of the agency must sign this line. Without the authorizing signature, CalPERS cannot transfer assets. Failure to sign will prevent the processing of your payroll report, which could delay CalPERS from providing accurate benefits to your members.

#2 - Service Period: This line must be completed with the service period (month, year and type) for which the voucher is to be applied. The service period must correspond with the service period indicated on the accompanying summary report in order for CalPERS to transfer properly the appropriate amount of assets.

#3 - Coverage Group: You may choose to transfer assets to only cover certain groups or classes of employees within a rate plan, but you must cover all the employees in those groups or classes. You must identify **each coverage group** within the rate plan (there may be more than one coverage group for each rate plan) for which you wish to transfer assets (this includes those agencies that only have one coverage group within the rate plan). Please remember to use the appropriate rate plan voucher for the corresponding coverage groups identified on each voucher. For example, you would need to indicate all

miscellaneous coverage groups, for which you want assets transferred, on the voucher with the *miscellaneous* rate plan indicated in the center section of the voucher.

#4 - Amount: Indicate the total dollar amount of employer assets to be transferred (for this payroll period and coverage group identified). The amount indicated must be to cover 100 percent of the required normal member contributions for every employee in the group or class being paid for. This amount cannot exceed the total normal and tax-deferred member contributions reported on the accompanying payroll report for the coverage group indicated. *Any employer assets to be transferred should not be shown on lines 14a or 14b of the Summary Report (PERS-AESD-626).*

No changes are necessary to the Summary Report (PERS-AESD-626). The voucher will serve as payment. However, the voucher cannot be used to offset payments for member paid service credit purchases or member paid survivor contributions.

Should you have any questions regarding completion of the voucher, please contact the payroll representative assigned to your agency.

Kenneth W. Marzion, Chief
Actuarial and Employer Services Division

Attachments