

SECOND ADDENDUM TO THE INITIAL STATEMENT OF REASONS

Proposed Amendment to add Article 1.5 to Subchapter 2 of Chapter 2 of Division 1 of Title 2 of the California Code of Regulations (CCR) and to adopt Section 592.1 under Article 1.5

State Social Security Administration (SSSA) Fees

This Second Addendum to the Initial Statement of Reasons explains the basis for proposing the \$650 fee set forth in CCR sections 592.1(c)(1) and 592.1(c)(2) of the proposed regulation for public agencies to establish initial or modify existing coverage under the state’s Section 218 Agreement. The proposed \$650 fee was included in the proposed regulation made available during the 45-day comment period conducted from November 1, 2019 through December 17, 2019, and the 15-day comment period conducted from February 27, 2020 to March 13, 2020. The basis for proposing the \$650 fee is being made available during the 15-day comment period conducted from November 10, 2020 to November 25, 2020.

PURPOSE AND NECESSITY

The purpose of CCR sections 592.1(c)(1) and 592.1(c)(2) is to specify the fee for public agencies to establish initial or modify existing coverage under the state’s Section 218 Agreement. The proposed additions of CCR sections 592.1(c)(1) and 592.1(c)(2) are necessary to ensure that public agencies are aware of the cost to establish initial or modify existing coverage under the state’s Section 218 Agreement. The most recent public agencies who have established coverage under the state’s Section 218 Agreement have been smaller employers with 100 employees or less. The average cost for CalPERS as the State Social Security Administrator to assist an employer of this size with establishing coverage is estimated to be approximately \$620, as set forth in more detail below. This estimate includes two trips to the employer, one to conduct the information session and one to conduct the election. The cost estimates below include travel costs only and exclude hourly staff labor costs, which are recovered via the annual fee set forth in section 592.1(c)(3) of the proposed regulation.

# of Employees at the Employer	Information Session		Election		# of CalPERS Team Members	Total Cost
	# of Days	Travel Cost per Person	# of Days	Travel Cost per Person		
Under 100	1	\$311.00	1	\$311.00	1	\$622.00

	Airfare	Per Diem	Transportation		Total
			Car Rental	Mileage (to and from Airport)	
Travel Cost per Trip	\$200.00	\$41.00	\$30.00	\$40.00	\$311.00

It is uncertain if the trend of smaller employers establishing coverage under the state’s Section 218 Agreement will continue. Medium or larger sized employers may opt to establish coverage. The cost to assist medium and larger sized employers is higher because the information session and election administration require two CalPERS team members instead of one CalPERS team

member to travel. In addition, for larger sized employers, the election takes longer to administer, which would require lodging costs. Therefore, it is reasonable to charge \$650 to cover current and future costs to assist employers with establishing initial or modifying existing coverage under the state's Section 218 Agreement.