

California Public Employees' Retirement System

P.O. Box 942709 Sacramento, CA 94229-2709 (888) CalPERS (or 888-225-7377)

TTY: (877) 249-7442 www.calpers.ca.gov

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Circular Letter

December 11, 2012

TO: ALL SCHOOL EMPLOYERS

SUBJECT: EMPLOYEE AND EMPLOYER CONTRIBUTION RATES FOR NEW

SCHOOL MEMBERS UNDER THE PUBLIC EMPLOYEES' PENSION

REFORM ACT OF 2013

The purpose of this Circular Letter is to inform you about the impact that the recent passage of Assembly Bill (AB) 340 will have on employee and employer contribution rates to CalPERS.

AB 340 created the Public Employees' Pension Reform Act of 2013 (PEPRA) that implemented a new benefit formula and final compensation period, as well as new contribution requirements, for school employees that meet the definition of a new member under PEPRA. Please refer to the Pension Reform Impacts section of the CalPERS website for more information, including details regarding when an employee will be considered a new member under PEPRA.

The table below provides information on the benefit formula, final compensation period, and the employer and member contribution rates effective January 1, 2013, for any school employee that meets the definition of a new member under PEPRA.

Benefit Formula	2% at Age 62
Final Compensation Period	3 Year Final Compensation
Employer Contribution Rate as a	11.417% of reportable compensation
percentage of payroll	
Member Contribution Rate as a	6% of reportable compensation
percentage of payroll	

The employer rate listed above will be good until June 30, 2013. The employer contribution rate for fiscal year July 1, 2013 through June 30, 2014, is expected to be available in May 2013.

In accordance with CalPERS interpretation of applicable PEPRA provisions, the member contribution rate shown in the above table was set at 50% of the expected total normal cost for the 2% at age 62 formula rounded to the nearest quarter of one percent. The total normal cost used for this calculation is 11.9% of payroll as disclosed in the actuarial cost analysis of AB 340. For information on how the normal cost was derived, please refer to the Actuarial Cost Analysis of AB 340 that can be found on Pension Reform Impacts on the CalPERS website.

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Note that the member contribution rate may change over time if the total normal cost for new members fluctuates by more than one percent of payroll over the current 11.9% of payroll. The total normal cost will be impacted over time by the actual demographics of the new school members and the actuarial assumptions used in the funding of the retirement benefits. The member rate will be reviewed once a year when the actuarial valuation of the schools pool is performed.

For more information, you may visit the CalPERS website at www.calpers.ca.gov. If you have questions, please contact the CalPERS Customer Contact Center at 888 CalPERS (or 888-225-7377).

ALAN MILLIGAN Chief Actuary