

# BUDGET LETTER

NUMBER:	14-25
DATE ISSUED:	September 24, 2014
SUPERSEDES:	BL 13-17

SUBJECT:	EMPLOYER RETIREMENT RATES
REFERENCES:	CONTROL SECTION 3.60, BUDGET ACT OF 2014

TO: Agency Secretaries  
 Department Directors  
 Departmental Budget and Accounting Officers  
 Department of Finance Budget and Accounting Staff

FROM: DEPARTMENT OF FINANCE

**NOTE: Budget Officers are requested to forward a copy of this Budget Letter (BL) to Human Resources and Labor Relations Offices.**

<i>Deadlines and Deliverables</i>	
October 9, 2014	Control Section (CS) 3.60 adjustment worksheets and supporting documentation due to your Department of Finance (Finance) budget analyst.

This BL provides instructions for fiscal year 2014-15 employer retirement rate adjustments.

## A. Background

### Retirement Rates Have Changed

Through CS 3.60, the Legislature adopted new employer retirement contribution rates that are not yet reflected in departmental base budgets. Pursuant to CS 3.60, departmental appropriations will be adjusted to accurately reflect the State's share of retirement costs through the Budget Executive Order process.

The following table displays the retirement rates for 2013-14 and 2014-15:

-A-	-B-	-C-
Retirement Category	2013-14 Retirement Rates	2014-15 Retirement Rates
Miscellaneous, Tier 1	21.203%	24.280%
CSU, Miscellaneous, Tier 1	21.203%	24.280%
Miscellaneous, Tier 2	21.355%	24.237%
State Industrial	16.446%	18.134%
State Safety	17.905%	19.338%
Peace Officer/Firefighter	31.320%	36.827%
CSU, Peace Officer/Firefighter	31.320%	36.827%
Highway Patrol	35.935%	43.494%

## New FI\$Cal Integration Processes

The methodology for calculating the CS 3.60 retirement adjustment will remain the same for this budget cycle; however, departments must complete additional worksheets used to upload data into the Financial Information System of California (FI\$Cal). Departments must complete the additional worksheets, which are provided in the attachments. These additional worksheets are similar to the Baseline Budget Adjustment (BBA) templates described in BL 14-18. To ensure that budget timelines are met, departments are required to complete the CS 3.60 Baseline Adjustment Worksheets and submit to their Finance Budget Analyst by October 9, 2014. Additional information will be provided at a later time regarding the statewide Executive Order for current year adjustments.

## Glossary Relevant to this BL

There are several new terms and acronyms used throughout this BL that departments should learn as they are commonly used in the FI\$Cal system.

BBA	=	Baseline Budget Adjustments. Baseline expenditure adjustments previously collected on a planning estimate worksheet. (See BL 14-18.)
DP	=	Decision Package. An adjustment within the FI\$Cal system.
BR	=	Budget Request. A component within a Decision Package identifying estimated changes to expenditures.
BU	=	Business Unit. This is equivalent to the four digit organization code/entity.
Category	=	An account code in the new FI\$Cal Chart of Accounts.
ENY	=	Enactment Year. Formerly Year of Appropriation.

## **B. Instructions**

To request funding for eligible adjustments, departments must complete and submit CS 3.60 Baseline Adjustment Worksheets and related supporting documentation to their Finance budget analyst **no later than October 9, 2014**. This information is necessary to support the funding request and to provide the necessary scheduling information to the State Controller's Office (SCO) to process the Budget Executive Order. **If a department fails to meet this deadline, Finance will calculate and schedule the adjustment. Please note that departments may not have an opportunity to adjust any calculations and scheduling performed by Finance.** Please refer to the following instructions for each worksheet within the CS 3.60 Baseline Adjustment Worksheets to calculate the appropriate adjustments:

### CS 3.60 Baseline Adjustment Worksheets (Attachment 1)

- **CS 3.60 Employer Retirement Rate Contribution Adjustment Worksheet**

On this worksheet, for the 2014-15 Salary Base, use the total salaries in the Regular/Ongoing Positions (see highlighted cell in Schedule 7A example) in the current year column (2014-15) from the 2015-16 Salaries and Wages (Schedule 7A).

### Schedule 7A Example

ORGANIZATIONAL UNIT  Classification	NUMBER OF POSITIONS			EXPENDITURES		
	Filled 2013-14	Authorized 2014-15	Proposed 2015-16	Actual 2013-14  (Salary Range)	Estimated 2014-15	Proposed 2015-16
<b>Administration</b>						
Exec Director	0.9	1.0	1.0	\$8,369-9,053	\$105,300	\$105,300
Program Mgr I	0.8	1.0	1.0	5,079-6,127	64,267	67,483
Assoc Program Officer	0.8	2.0	2.0	4,400-5,348	107,140	112,497
Exec Asst	0.6	1.0	1.0	3,288-3,996	45,674	45,674
Staff Services Analyst	0.9	-	-	2,817-4,446	-	-
<b>FI\$Cal Current Service Level Adjustment</b>						
<b>TOTALS, AUTHORIZED POSITIONS</b>	<b>5.0</b>	<b>6.0</b>	<b>6.0</b>	<b>\$294,552</b>	<b>\$370,738</b>	<b>\$380,597</b>
<i>Regular/Ongoing Positions</i>	4.0	5.0	5.0	256,132	322,381	330,954
<i>Temporary Help</i>	1.0	1.0	1.0	25,613	32,238	33,095
<i>Overtime</i>				12,807	16,119	16,548

All cells in the worksheet are formula driven except for the 2014-15 Salary Base and the 2014-15 Total By Fund Class; do not modify any formulas.

The Alternate Retirement Program (ARP) is a mandatory savings program for certain state employees during their first two years of employment with the State of California. If your department has employees enrolled in ARP, include them in the Miscellaneous Tier 1 retirement category total in order to accurately calculate this adjustment. The ARP was eliminated for employees who were hired on or after July 1, 2013, pursuant to AB 340 (Chapter 296, Statutes of 2012).

#### • CS 3.60 Fund Split Worksheet

Provide the unique appropriation item information (Business Unit, Reference, Fund, Program, and Category) for each adjustment. Note that the only category that can be used for this adjustment is "5150600-Retirement-General." This process is similar to the Planning Estimate Worksheets from prior years and is required to calculate the CS 3.60 adjustment by fund classification. The total from the CS 3.60 Fund Split Worksheet must tie to the total from the CS 3.60 Employer Retirement Rate Contribution Adjustment Worksheet.

Generally, both current year (2014-15) and budget year (2015-16) totals should tie; however, because current year is adjusted in whole dollars and budget year is adjusted in whole dollars rounded to thousands, there may be a slight rounding difference.

To correctly classify funds and eliminate errors, the CS 3.60 Fund Split Worksheet includes a drop-down list of all funds by fund number for departments to select from rather than keying in manually. The fund classification will auto populate based on the fund selected by the department. While this process *should* help mitigate errors, departments must verify each fund classification by reconciling it to the Uniform Codes Manual (UCM). Please refer to the UCM, Numerical Fund Listing, found at: [http://www.dof.ca.gov/accounting/uniform\\_codes\\_manual/funds/documents/20fundnum.pdf](http://www.dof.ca.gov/accounting/uniform_codes_manual/funds/documents/20fundnum.pdf). **Federal funds and bond funds will be classified as non-governmental cost funds.** Identify reimbursements separately on the Reimbursements Adjustment Worksheets, Attachment 2.

- **Budget Request Details**

Departments are required to create a Decision Package (DP) and at least one Budget Request (BR) for the CS 3.60 Adjustment within the Budget Request Details Worksheet. The DP and BR must have a BU number (Business Unit/Organization Code), a unique sequencer (001 to 999), a DP type (e.g., BBA), a fiscal year, and a budget cycle for when the issue is originated (e.g., GB for Governor's Budget).

Example of one DP to one BR for the CS 3.60 Adjustment

Decision Package	2222-001-BBA-DP-2015-GB
Budget Request	2222-001-BBA-BR-2015-GB (Retirement Baseline Adjustments)

Example of one DP to multiple BRs at 2015-16 GB

Decision Package	2222-001-BBA-DP-2015-GB
Budget Request	2222-001-BBA-BR-2015-GB (Retirement Baseline Adjustments)
	2222-002-BBA-BR-2015-GB (Reimbursements)
	2222-003-BBA-BR-2015-GB (Non-Add Adjustments)

Departments should complete the following in the Budget Request Details Worksheet:

1. Use unique naming conventions to provide DP and BR Name.
2. DP/BR Description should be a meaningful title. For purposes of this BL, we suggest using "Section 3.60 pension contribution adjustment" as the description.
3. Using the drop-down menu, select the appropriate BU number.

- **Baseline Adjustment Type**

Departments must select a Baseline Budget Adjustment (BBA) type from the drop-down menu in the Baseline Adjustment Type worksheet. For purposes of this BL, the only acceptable BBA type to select is "Retirement Rate Adjustments."

- **Baseline Adjustments (CY, BY, BY+1, BY+2, BY+3, and BY+4)**

Using the drop-down menus, specify the Reference, Fund, ENY, Program, and Category for each unique combination of funding needed to support the adjustment. For purposes of this BL, the only acceptable Category type to select is "5150600-Retirement-General." Enter all dollars in the "OnGoing" column. All ongoing dollars in the Current Year Baseline Adjustments Worksheet should be copied to the Budget Year Baseline Adjustments Worksheet and rounded to thousands. Then all ongoing dollars in the Budget Year Baseline Adjustments Worksheet should be copied to BY+1, BY+2, BY+3, and BY+4 worksheets. **Reimbursements are not included in these worksheets. All reimbursements are adjusted in the Reimbursement Adjustments Worksheets (see instructions below).**

If the adjustment request is for multi-year or continuous appropriation spending authority, interagency agreements, or transfer of funds, please contact your Finance budget analyst for additional instructions.

- **CS 3.60 Employer Retirement Rate Crossties**

To ensure that all adjustments within Attachment 1 agree, the crossties on this worksheet must all reflect "0" for the current year.

**CS 3.60 Reimbursement Worksheets (Attachment 2)**

If the adjustment has multiple fund sources that include reimbursements, the reimbursement portion must have a separate Budget Request (BR). Departments must make all reimbursement adjustments separately using the 3.60 Reimbursement Worksheets. These worksheets are similar to the CS 3.60 Baseline Adjustment Worksheets; however, they only contain adjustments related to reimbursements. All reimbursement dollars and the associated program/category spending must be self-contained within this separate BR. If the adjustment is entirely funded with reimbursements, only one BR is needed.

In the Budget Request Details Worksheet, enter the same Decision Package (DP) name as entered in the CS 3.60 Baseline Adjustment Worksheets. The BR name must be different than what was used in the CS 3.60 Baseline Adjustment Worksheets (see example of one DP to multiple BRs above). In the Baseline Adjustment Type Worksheet, select "Retirement Rate Adjustments."

In the Current Year Baseline Adjustments Worksheet, specify the Reference, Fund, ENY, Program, and Category for the fund/program receiving the reimbursements. For purposes of this BL, the only acceptable Category type to select is "5150600-Retirement-General." All ongoing dollars in the Current Year Baseline Adjustments Worksheet should be copied to the Budget Year Baseline Adjustments Worksheet and rounded to thousands. Then all ongoing dollars in the Budget Year Baseline Adjustments Worksheet should be copied to BY+1, BY+2, BY+3, and BY+4 worksheets.

In the Current Year Reimbursements Worksheet, specify the Reference, Fund, ENY, Program, and Category, which represents the source of the reimbursements, e.g., interdepartmental or local government. The category code on the Reimbursement Worksheets will be 48XXXXX. All ongoing dollars in the Current Year Reimbursements Worksheet should be copied to the Budget Year Reimbursements Worksheet and rounded to thousands. Then all ongoing dollars in the Budget Year Reimbursements Worksheet should be copied to BY+1, BY+2, BY+3, and BY+4 worksheets.

**C. Subsequent Instructions**

As noted above, budget processes are changing as a result of FISCAL implementation. Instructions outlined in this BL represent the current plan for processing retirement rate adjustments; however, they are subject to change. Subsequent instructions will be provided in the event that there is a change in these instructions.

**D. Questions**

Please direct questions related to the treatment of budget documents to your Finance budget analyst. Technical guidance on provisions or attachments of this BL should be directed to David Munoz, Employee Compensation Unit, at (916) 445-3274.

/s/ Justyn Howard

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Attachments