

BUDGET LETTER

		NUMBER:	18-24
SUBJECT:	EMPLOYER RETIREMENT CONTRIBUTIONS	DATE ISSUED:	August 6, 2018
REFERENCES:	CONTROL SECTION 3.60, BUDGET ACT OF 2018	SUPERSEDES:	BL 17-23

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 expected to forward a copy of this Budget Letter (BL) to Human Resources and Labor Relations Offices.

This BL provides departments with instructions for scheduling 2018-19 retirement rate adjustments as part of the 2019-20 budget process.

<i>Deadlines and Deliverables</i>	
September 14, 2018	Control Section (Section) 3.60 Employer Retirement Rate Contribution Adjustment Workbook (Attachment 1), adjustments in Hyperion, and supporting documentation, including but not limited to Management Information Retrieval System (MIRS) reports, due to your Finance budget analyst.

A. Background

Retirement Rates Have Changed

The Legislature adopted new employer retirement contribution rates that are not yet reflected in departmental base budgets. Pursuant to Section 3.60 of the Budget Act, 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 2017-18 and 2018-19:

-A-	-B-	-C-
Retirement Category	2017-18 Retirement Rates	2018-19 Retirement Rates
Miscellaneous, Tier 1	28.423%	29.396%
CSU, Miscellaneous, Tier 1	28.423%	29.396%
Miscellaneous, Tier 2	28.423%	29.396%
State Industrial	20.408%	20.431%
State Safety	20.584%	21.534%
Peace Officer/Firefighter	44.245%	45.371%
CSU, Peace Officer/Firefighter	44.245%	45.371%
Highway Patrol	54.104%	55.124%

Glossary Relevant to this BL

The following terms are used throughout this BL:

- BBA = Baseline Budget Adjustment. These are baseline expenditure adjustments such as employee compensation, carryovers, etc.
- BR = Budget Request. These are issues identifying changes to dollar amounts and/or positions for any fiscal year in the system.
- BU = Business Unit. This four-digit number is equivalent to an organization code/entity.
- Category = An account code in the Chart of Accounts.
- ENY = Enactment Year (formerly Year of Appropriation).

B. General Instructions

To request funding for eligible adjustments, departments must complete and submit the CS 3.60 Employer Retirement Rate Contribution Adjustment Workbook (Attachment 1), adjustments in Hyperion, and related supporting documentation, including but not limited to MIRS reports, to their Finance budget analyst **no later than September 14, 2018**. This information is necessary to support the funding request and 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; in such instances, departments may not have an opportunity to adjust any calculations and scheduling performed by Finance.** Please refer to the following instructions.

C. CS 3.60 Employer Retirement Rate Contribution Adjustment Worksheet (Attachment 1)

3.60 Checklist *NEW!!*

Departments should utilize the checklist provided in Attachment 1 to verify accurate completion of Attachment 1, the associated Hyperion entries, and the BBA Upload Template, if used.

3.60 Contribution Adjustment Worksheet

If all positions listed on the Schedule 7A are affected by the retirement rate changes listed in this BL, use the Regular/Ongoing Positions salaries in the current year column (2018-19) from the Schedule 7A (see highlighted cell in Schedule 7A example) for the 2018-19 Salary Base on this worksheet. If a department has positions not affected by the retirement rate changes listed in this BL, the department should exclude those positions and work with their Finance budget analyst to identify the appropriate salary base to be adjusted (e.g., CalSTRS members). **Do not modify formulas in the worksheet**; all cells are formula driven, except for the 2018-19 Salary Base. **Augmentations will not be provided for limited-term positions and temporary help blanket positions.**

Schedule 7A Example

ORGANIZATIONAL UNIT Classification	NUMBER OF POSITIONS			EXPENDITURES		
	Filled 2017-18	Authorized 2018-19	Proposed 2019-20	Actual 2017-18	Estimated 2018-19	Proposed 2019-20
				(Salary Range)		
Administration						
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	-	-
TOTALS, AUTHORIZED POSITIONS	5.0	6.0	6.0	\$294,552	\$370,738	\$380,597
<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

3.60 Fund Split Worksheet

Provide the unique appropriation item information (BU, Reference, Fund, Program, and Category) for each adjustment. **Category 51506XX (Retirement) must be used for these adjustments.** The only exception is scheduling adjustments as Distributed Administrative Costs (Program 9900200), which use Category 5342500 (Indirect Distributed Cost). If reimbursement adjustments are necessary, a Category 51506XX adjustment must be made in Fund 0995. The total from the 3.60 Fund Split Worksheet must tie to the 3.60 Contribution Adjustment worksheet in Attachment 1.

To correctly classify funds and eliminate errors, the 3.60 Fund Split worksheet includes a drop-down list of all funds by fund number as well as all applicable adjustment categories to select rather than keying in manually. The fund classification will auto-populate based on the fund/category selected. 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: http://www.dof.ca.gov/Accounting/Policies_And_Procedures/Uniform_Codes_Manual/Fund_Codes/documents/20fundnum.pdf

Federal funds and bond funds will be classified as non-governmental cost funds.

3.60 Crossties Worksheet

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

D. Instructions—BRs in Hyperion and BBA Upload Templates

General Information

After completing Attachment 1, departments are required to complete a BR in Hyperion for Retirement Rate Adjustments. Adjustments in Hyperion must correspond to the adjustments listed on the 3.60 Fund Split worksheet. If uploading to Hyperion, departments must use the latest BBA Excel Upload Template Workbook available on Finance's website at: http://www.dof.ca.gov/budget/resources_for_departments/budget_forms/.

Departments must use the following for the BR created:

1. Use the standard naming conventions to provide a unique BR name (for example, 2222-00X-BBA-2019-GB).
2. For purposes of this BL, the title must be “**Section 3.60 Pension Contribution Adjustment.**”
3. For departments using the BBA Excel Upload Template, use the drop-down menu to select the appropriate BU.

Baseline Adjustment Type

Departments must select BBA type “**Retirement Rate Adjustments**” from the drop-down menu in the Baseline Adjustment Type tab.

Baseline Adjustments (CY Expenditures and BY-BY4 Expenditures)

Using the drop-down menus, specify the Item, ENY, Program, and Category for each unique combination of funding needed for the adjustment. For purposes of this BL, the only acceptable Category to select is 51506XX (Retirement), unless scheduling adjustments as Distributed Administrative Costs (Program 9900200), which use Category 5342500 (Indirect Distributed Cost). Reimbursements will also be captured in Category 51506XX. Using the dollars scheduled in the current and budget years in Attachment 1, enter the adjustments in the CY Expenditures and BY-BY4 Expenditures tabs in whole dollars and rounded to the nearest thousand. All ongoing BY expenditure dollars should be copied to the BY1-4 columns.

Distributed Administration Costs

Departments that distribute administrative costs will need to reflect that distribution for applicable Retirement Rate Adjustments. To properly reflect the in-and-out nature of distributed administrative costs, a three-entry scheme is required. Departments will use Program 9900100 (positive adjustment) and Category 51506XX to show the positive total being distributed to a particular program, Program 9900200 (negative adjustment) and Category 5342500 to reflect the total distributed cost, and the Program (positive adjustment) that pays for various distributed costs with Category 5342500. This process allows for the dollars associated with a particular program to be included in the program total. For more details, refer to “Treatment of Distributed Administration” found at http://www.dof.ca.gov/Budget/Fiscal_Resources_For_Budget/.

E. Questions

Please direct questions related to the treatment of budget documents to your Finance budget analyst.

/s/ Erika Li

Erika Li
Program Budget Manager

Attachment