# BUDGET LETTER

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| | | **NUMBER:** | 26-22 |
| **SUBJECT:** | EMPLOYER RETIREMENT CONTRIBUTIONS | **DATE ISSUED:** | September 22, 2026 |
| **REFERENCES:** | CONTROL SECTION 3.60, 2026 BUDGET ACT | **SUPERSEDES:** | BL 25-21 |

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

FROM: DEPARTMENT OF FINANCE

**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 2026-27 retirement rate adjustments as part of the 2027-28 budget process.

| ***Deadlines and Deliverables*** | |
|---|---|
| **October 5, 2026** | **Due to Finance Budget Analysts:**<br>• **Section 3.60 Employer Retirement Rate Contribution Adjustment Workbook (Attachment 1)**<br>• **Adjustments in Hyperion**<br>• **Submission in the Employee Compensation Online Management System (ECOMS) – *NEW***<br>• **Supporting documentation used to complete the drill uploaded in ECOMS** |

## A. Background

**<u>Retirement Rates Have Been Adopted</u>**

The 2026 Budget Act, as amended by Chapter 248, Statutes of 2026 (AB 113), reflects the employer retirement contribution rates consistent with the rates adopted by the California Public Employees' Retirement System (CalPERS).

Pursuant to Control Section (Section) 3.60 of the 2026 Budget Act, departmental appropriations will be adjusted to accurately reflect the state's share of retirement costs through the Budget Executive Order process. Current year baseline adjustments are carried forward to the budget year and ongoing.

For reference, the following table displays the retirement rates for past year (2025-26) and current year (2026-27):

| Retirement Category | 2025-26 Retirement Rates | 2026-27 Retirement Rates |
|---|---|---|
| Miscellaneous, Tier 1 | 31.42% | 31.70% |
| CSU, Miscellaneous, Tier 1 | 31.42% | 31.70% |
| Miscellaneous, Tier 2 | 31.42% | 31.70% |
| State Industrial | 21.42% | 21.28% |
| State Safety | 22.85% | 22.78% |
| Peace Officer/Firefighter | 51.01% | 50.65% |
| CSU, Peace Officer/Firefighter | 51.01% | 50.65% |
| Highway Patrol | 70.61% | 65.13% |
| Judges' Retirement System II | 22.62% | 22.18% |

**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 Hyperion. |
| BU | = | Business Unit. This four-digit number is equivalent to an organization code/entity. |
| BY | = | Budget Year (Fiscal Year 2027-28). |
| Category | = | An account code in the Chart of Accounts. |
| CY | = | Current Year (Fiscal Year 2026-27). |
| ENY | = | Enactment Year (formerly Year of Appropriation). |
| ECOMS | = | Employee Compensation Online Management System |

## B. General Instructions

Departments must complete and submit the Section 3.60 Employer Retirement Rate Contribution Adjustment Workbook (Attachment 1) and the related supporting documentation adjustments in ECOMS, as well as enter the adjustments in Hyperion **no later than October 5, 2026.** This information is necessary for Finance to prepare and submit the Budget Executive Order to the State Controller's Office (SCO) for processing well in advance of the fiscal year end. If a department fails to complete the requirements of this BL by the deadline, Finance will calculate and schedule the adjustments. In such instances, departments may not have an opportunity to request additional adjustments to Finance's calculations and the Budget Executive Order to be processed by SCO.

**NEW THIS YEAR:** Departments are required to submit **BOTH** the Section 3.60 Employer Retirement Rate Contribution Adjustment Workbook (Attachment 1), associated entries, and supporting documentation in the ECOMS. See Section E for additional information.

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

### 3.60 Checklist

Departments must utilize the checklist provided in Attachment 1 to verify accurate completion of Attachment 1, the associated Hyperion entries, or the BBA Excel Upload Template, if used. Prior to submission, departmental accounting management must approve the items to ensure proper posting to the FI$Cal system. This requirement is also incorporated in the 3.60 Checklist.

### 3.60 Contribution Adjustment Worksheet

- All cells are formula-driven, except for the 2026-27 Salary Base. Do not modify the formulas in the worksheet.
- Augmentations will not be provided for limited-term and temporary help blanket positions.
- To determine the 2026-27 Salary Base:
    - Departments should begin with the Regular/Ongoing Positions salaries for the current year column (2026-27) as reported in the Schedule 7A Salaries and Wages Spreadsheet (see highlighted cell below for example).

**Schedule 7A Example**

| ORGANIZATIONAL UNIT | POSITIONS | | | EXPENDITURES | | |
|---|---|---|---|---|---|---|
| Classification | Filled 2025-26 | Authorized 2026-27 | Proposed 2027-28 | Actual 2025-26 (Salary Range) | Estimated 2026-27 | Proposed 2027-28 |
| **TOTALS, AUTHORIZED POSITIONS** | **537.5** | **659.0** | **659.0** | **$61,908,914** | **$69,725,700** | **$71,049,289** |
| *Regular/Ongoing Positions* | *504.3* | *621.0* | *621.0* | *56,560,187* | *66,248,850* | *67,572,439* |
| *Temporary Help* | *33.2* | *38.0* | *38.0* | *4,997,886* | *2,855,000* | *2,855,000* |
| *Overtime* | - | - | - | *350,841* | *621,850* | *621,850* |

- If a department has positions that are not affected by the CalPERS 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., active CalSTRS members or active CalPERS members not in one of the referenced Retirement Categories).

### 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 prevent 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 instead of keying the necessary information manually.

The fund classification will auto-populate based on the fund/category selected; federal funds and bond funds are classified as non-governmental cost funds. While this process should help minimize errors, departments must verify each fund classification by reconciling it to the Uniform Codes Manual (UCM). Please refer to the UCM Fund Codes Numerical Order Listing. If a fund does not appear in the drop-down list, contact your Finance Budget Analyst prior to the submission of this drill.

**3.60 Crossties Worksheet**

To ensure the accuracy of all adjustments within Attachment 1, the formula-driven crossties on this worksheet must all reflect "0".

## D. Instructions—BRs in Hyperion and BBA Excel 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 distributed through the Budget Operations mailing list on August 7, 2026. Department staff may also contact their Finance Budget Analyst if they have questions about the latest upload templates.

Departments must use the following for the BR created:

1. Use the standard naming convention to provide a unique BR name (e.g., 2222-XXX-BBA-2027-GB). To improve coordination and reduce system kick outs, departments and Finance Budget Analysts should use BR sequencers that match the last three digits of the BR identifier in Hyperion. For example, BR identifier: BR 0010 with BR Name: 2222-010-BBA-2027-GB. Refer to Budget Request Naming Convention in Hyperion for additional information.

2. For purposes of this BL, the BR Title must be entered exactly as "**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, Request ID, Version, and Year on the Budget Request Details tab. Request ID is the 4-digit BR identifier number assigned in Hyperion when a BR is created.

**Baseline Adjustment Type**

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

**Baseline Adjustments (CY Expenditures and BY to BY+4 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-BY4 columns.

**Distributed Administrative Costs**

Departments that distribute administrative costs will need to reflect the distribution for applicable Retirement Rate Adjustments. To properly reflect the in-and-out nature of distributed administrative costs, a three-entry scheme is required:

1. Program 9900100 (positive adjustment) and Category 51506XX to show the positive total being distributed to a particular program(s).
2. Program 9900200 (negative adjustment) and Category 5342500 to reflect total distributed cost.
3. The program (positive adjustment) that pays for the distributed cost with Category 5342500.

This process results in the dollars associated with a particular program to be included in the program total given the distributed administrative cost display. For more details, refer to Treatment of Distributed Administrative Costs.

## E. Employee Compensation Online Management System (ECOMS) – *NEW THIS YEAR*

Finance launched ECOMS, a new online-based application for the submission of employee compensation and retirement-related drills. The 2026-27 Section 3.60 Employer Retirement Contribution adjustments will be completed in ECOMS. Departments are required to submit **BOTH** the Excel workbook (Attachment 1) and entries in ECOMS. Instructions on completing the drill in ECOMS are available on Finance's public website. Departments should contact and work with their Finance Budget Analyst for any technical issues with ECOMS.

## F. Questions

Please direct questions to your Finance Budget Analyst.

/s/ Rosanna Nguyen

Rosanna Nguyen
Program Budget Manager

Attachment