

BUDGET LETTER

		NUMBER: 23-20
SUBJECT: EMPLOYER RETIREMENT CONTRIBUTIONS	DATE ISSUED: August 24, 2023	
REFERENCES: CONTROL SECTION 3.60, 2023 BUDGET ACT	SUPERSEDES: BL 22-21	

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 2023-24 Control Section (Section) 3.60 retirement rate adjustments as part of the 2024-25 budget process.

Deadlines and Deliverables	
September 22, 2023	Due to Finance Budget Analysts: <ul style="list-style-type: none">• Section 3.60 Employer Retirement Rate Contribution Adjustment Workbook (Attachment 1)• Adjustments in Hyperion• Supporting documentation, including but not limited to Management Information Retrieval System (MIRS) reports

A. Background

Retirement Rates Have Been Adopted

The 2023 Budget Act reflects the employer retirement contribution rates consistent with the rates adopted by California Public Employees' Retirement System (CalPERS).

Pursuant to Section 3.60 of the 2023 Budget Act, departmental appropriations will be adjusted, if necessary, 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. The following table displays the retirement rates for 2022-23 and 2023-24 for reference. Although most retirement contribution rates are unchanged from the prior fiscal year, departments must still complete the requirements of this BL.

Retirement Category	2022-23 Retirement Rates	2023-24 Retirement Rates
Miscellaneous, Tier 1	32.00%	32.00%
CSU, Miscellaneous, Tier 1	32.00%	32.00%
Miscellaneous, Tier 2	32.00%	32.00%
State Industrial	21.00%	21.00%
State Safety	22.75%	22.75%
Peace Officer/Firefighter	50.00%	50.00%
CSU, Peace Officer/Firefighter	50.00%	50.00%
Highway Patrol	67.54%	71.78%

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 2024-25).
- Category = An account code in the Chart of Accounts.
- CY = Current Year (Fiscal Year 2023-24).
- ENY = Enactment Year (formerly Year of Appropriation).

B. General Instructions

If the 2023-24 retirement rate for a retirement category is identical to the 2022-23 retirement rate, a department is only required to provide the CY salary base in the Section 3.60 Employer Retirement Rate Contribution Adjustment Workbook (Attachment 1). Once completed and verified against the Schedule 7A (see instructions in section C below), departments must submit Attachment 1 to their Finance Budget Analyst **no later than September 22, 2023**.

To request funding for eligible adjustments, departments must complete and submit the 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 22, 2023**. 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 complete the requirements of this BL by the deadline, Finance will calculate and schedule the adjustment; in such instances, departments may not have an opportunity to adjust any calculations and scheduling prepared by Finance.

C. Section 3.60 Employer Retirement Rate Contribution Adjustment Workbook (Attachment 1) Instructions

3.60 Checklist

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. Prior to submission, departmental accounting management must approve the items to ensure proper posting to SCO's legacy system. This requirement is incorporated in the 3.60 Checklist.

3.60 Contribution Adjustment Worksheet

When 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 (2023-24) from the Schedule 7A (see highlighted cell in Schedule 7A example) for the 2023-24 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., active CalSTRS members or active CalPERS members not in one of the referenced Retirement Categories). Do not modify formulas in the worksheet; all cells are formula driven, except for the 2023-24 Salary Base. Augmentations will not be provided for limited-term and temporary help blanket positions.

Schedule 7A Example

ORGANIZATIONAL UNIT Classification	POSITIONS			EXPENDITURES		
	Filled 2022-23	Authorized 2023-24	Proposed 2024-25	Actual 2022-23	Estimated 2023-24	Proposed 2024-25
				(Salary Range)		
TOTALS, AUTHORIZED POSITIONS	1,258.7	1,409.0	1,430.0	\$128,410,251	\$140,086,923	\$146,840,507
Regular/Ongoing Positions	1,107.7	1,293.0	1,314.0	115,398,068	129,603,805	135,843,069
Temporary Help	151.0	116.0	116.0	12,752,209	10,286,232	10,800,552
Overtime	-	-	-	259,974	196,886	196,886

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 rather than keying in manually. The fund classification will auto-populate based on the fund/category selected; federal funds and bond funds will be 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, please contact your Finance Budget Analyst prior to submission.

3.60 Crossies Worksheet

To ensure that all adjustments within Attachment 1 agree, the formula-driven crossies 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 distributed through the Budget Operations mailing list (after Governor's Budget in late January/early February and after Budget Enactment in late July/early August).

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-2024-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-2024-GB. See [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. 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 BY1-4 columns.

Distributed Administrative Costs

Departments that continue to 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. Questions

Please direct questions to your Finance Budget Analyst.

/s/ Jennifer Whitaker

Jennifer Whitaker
Program Budget Manager

Attachment