

# BUDGET LETTER

|  |                                     |                      |
|--|-------------------------------------|----------------------|
|  |                                     | <b>NUMBER:</b> 24-28 |
| <b>SUBJECT:</b> EMPLOYER RETIREMENT CONTRIBUTIONS        | <b>DATE ISSUED:</b> October 2, 2024 |                      |
| <b>REFERENCES:</b> CONTROL SECTION 3.60, 2024 BUDGET ACT | <b>SUPERSEDES:</b> BL 23-20         |                      |

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 2024-25 Control Section (Section) 3.60 retirement rate adjustments as part of the 2025-26 budget process.

| <b>Deadlines and Deliverables</b> |   |
|-----------------------------------|---|
| <b>October 25, 2024</b>           | <b>Due to Finance Budget Analysts:</b> <ul style="list-style-type: none"><li>• <b>Section 3.60 Employer Retirement Rate Contribution Adjustment Workbook (Attachment 1)</b></li><li>• <b>Adjustments in Hyperion</b></li><li>• <b>Supporting documentation, including but not limited to Management Information Retrieval System (MIRS) reports</b></li></ul> |

## A. Background

### Retirement Rates Have Been Adopted

The 2024 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 2024 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. The following table displays the retirement rates for 2023-24 and 2024-25 for reference. Finance notes the 2024-25 contribution rates reflect the application of a 2023 Supplemental Pension Payment to CalPERS toward the unfunded liability for certain state plans. CalPERS also published these rates in [Circular Letter 200-033-24](#).

**The decrease in certain 2024-25 contribution rates is expected to only impact 2024-25 contribution rates, and these rate levels are likely to increase in 2025-26, pending the CalPERS Board of Administration’s adoption of and the inclusion of those rates in the 2025 Budget.**

| <b>Retirement Category</b>     | <b>2023-24 Retirement Rates</b> | <b>2024-25 Retirement Rates</b> |
|--------------------------------|---------------------------------|---------------------------------|
| Miscellaneous, Tier 1          | 32.00%                          | 26.31%                          |
| CSU, Miscellaneous, Tier 1     | 32.00%                          | 26.31%                          |
| Miscellaneous, Tier 2          | 32.00%                          | 26.31%                          |
| State Industrial               | 21.00%                          | 15.52%                          |
| State Safety                   | 22.75%                          | 18.92%                          |
| Peace Officer/Firefighter      | 50.00%                          | 30.72%                          |
| CSU, Peace Officer/Firefighter | 50.00%                          | 30.72%                          |
| Highway Patrol                 | 71.78%                          | 71.21%                          |
| Judges’ Retirement System II   | 23.58%                          | 23.79%                          |

**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 2025-26).
- Category = An account code in the Chart of Accounts.
- CY = Current Year (Fiscal Year 2024-25).
- ENY = Enactment Year (formerly Year of Appropriation).

**B. General Instructions**

Departments must complete and submit the Section 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 Finance Budget Analysts **no later than October 25, 2024**. This information is necessary to support the scheduling information Finance submits 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 schedules prepared by Finance.

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

**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 Excel 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 Salaries and Wages Spreadsheet (Schedule 7A) are affected by the retirement rate changes listed in this BL, use the Regular/Ongoing Positions salaries in the current year column (2024-25) from the Schedule 7A (see highlighted cell in Schedule 7A example) for the 2024-25 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 2024-25 Salary Base. Augmentations will not be provided for limited-term and temporary help blanket positions.

**Schedule 7A Example**

| ORGANIZATIONAL UNIT<br><br>Classification | POSITIONS    |              |              | EXPENDITURES              |                     |                     |
|---|--------------|--------------|--------------|---------------------------|---------------------|---------------------|
|   | Filled       | Authorized   | Proposed     | Actual                    | Estimated           | Proposed            |
|   | 2023-24      | 2024-25      | 2025-26      | 2023-24<br>(Salary Range) | 2024-25             | 2025-26             |
| <b>TOTALS, AUTHORIZED POSITIONS</b>       | <b>537.5</b> | <b>659.0</b> | <b>659.0</b> | <b>\$61,908,914</b>       | <b>\$69,725,700</b> | <b>\$71,049,289</b> |
| <i>Regular/Ongoing Positions</i>          | 504.3        | 621.0        | 621.0        | 56,560,187                | 66,248,850          | 67,572,439          |
| <i>Temporary Help</i>                     | 33.2         | 38.0         | 38.0         | 4,997,886                 | 2,855,000           | 2,855,000           |
| <i>Overtime</i>                           | -            | -            | -            | 350,841                   | 621,850             | 621,850             |

**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 the accuracy of all adjustments within Attachment 1, the formula-driven crossies 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 (after Governor's Budget in late January/early February and after Budget Enactment in late July/early August). 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-2025-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-2025-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 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