

BUDGET LETTER

		NUMBER: 15-18
SUBJECT: EMPLOYER RETIREMENT CONTRIBUTIONS	DATE ISSUED: August 21, 2015	
REFERENCES: CONTROL SECTION 3.60, BUDGET ACT OF 2015	SUPERSEDES: BL 14-25	

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.

The Department of Finance (Finance) is issuing this BL to assist departments with scheduling 2015-16 retirement rate adjustments as part of the 2016-17 budget process.

<i>Deadlines and Deliverables</i>	
September 25, 2015	Control Section (CS) 3.60 adjustment worksheets and supporting documentation due to your Department of Finance (Finance) budget analyst.

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 2014-15 and 2015-16:

-A-	-B-	-C-
Retirement Category	2014-15 Retirement Rates	2015-16 Retirement Rates
Miscellaneous, Tier 1	24.280%	25.150%
CSU, Miscellaneous, Tier 1	24.280%	25.150%
Miscellaneous, Tier 2	24.237%	25.278%
State Industrial	18.134%	18.656%
State Safety	19.338%	19.264%
Peace Officer/Firefighter	36.827%	38.985%
CSU, Peace Officer/Firefighter	36.827%	38.985%
Highway Patrol	43.494%	46.725%

Glossary Relevant to this BL

Consistent with BL 15-06, the following terms are used throughout this BL:

BBA	=	Baseline Budget Adjustments. Baseline expenditure adjustments previously collected on a planning estimate worksheet.
DP	=	Decision Package. An adjustment in this context.
BR	=	Budget Request. A component within a Decision Package identifying estimated changes to expenditures, positions, or revenues/transfers/loans.
BU	=	Business Unit. This is equivalent to an organization code/entity.
Category	=	An account code in the new Chart of Accounts.
ENY	=	Enactment Year. Formerly Year of Appropriation.

B. General Instructions

To request funding for eligible adjustments, departments must complete and submit CS 3.60 Baseline Adjustment Worksheet (Attachment 1) and at least one Baseline Budget Adjustment Upload Template along with related supporting documentation to their Finance budget analyst **no later than September 25, 2015**. 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.

Checklist

Departments should utilize the following checklist when completing Attachment 1 and the associated BBA Upload Templates:

1. **Retirement Rate Adjustments:** Must be entered in whole dollars and rounded to thousands in Attachment 1 and all BBA Upload Templates. For example, \$1,987 should be rounded to \$2,000.
2. **Adjustment Category Codes:** Category code 51506XX (Retirement) must be used for Retirement Rate Adjustments.
3. **Reimbursements:** Category code 48XXXXX (Reimbursements) must be used to schedule reimbursements to the associated program/category spending those funds.
4. **Distributed Administration Costs:** Program number 9900100 (positive adjustment) and 9900200 (negative adjustment) must be used, along with entries for the program that directly pays for various distributed cost. Additionally, category code 5342500 should be used to reflect the positive dollars within the program(s) associated with the cost allocation plan and the negative distributed line to reflect the total distributed costs to the other program(s).
5. **BBA Upload Template Type:** Adjustments in the CS 3.60 Fund Split Worksheet must be scheduled in a BBA Upload Template. Select the appropriate BBA type, "Retirement Rate Adjustments".
6. **Decision Package/Budget Request Descriptions:** When completing a BBA Upload Template, the title must be "Section 3.60 pension contribution adjustment" for Retirement Rate Adjustments.
7. **ENY:** When completing the BBA templates, unless scheduling to a continuous or continuing appropriation, select an ENY of 2015 for adjustments entered in the Baseline Adjustments Current Year tab and an ENY of 2016 for adjustments entered in the Baseline Adjustments BY0-4 tab.

C. CS 3.60 Baseline Adjustment Worksheets (Attachment 1)

CS 3.60 Employer Retirement Rate Contribution Adjustment Worksheet

On this worksheet, for the 2015-16 Salary Base, use the total salaries in the Regular/Ongoing Positions (see highlighted cell in Schedule 7A example) in the current year column (2015-16) from the 2016-17 Salaries and Wages (Schedule 7A).

Schedule 7A Example

ORGANIZATIONAL UNIT Classification	NUMBER OF POSITIONS			EXPENDITURES		
	Filled 2014-15	Authorized 2015-16	Proposed 2016-17	Actual 2014-15	Estimated 2015-16	Proposed 2016-17
	(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>FISCAL Current Service Level Adjustment</i>	-	-	-	-	-	-
BASELINE 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
Budget Position Transparency		-2.5	-2.5		-151,738	-161,597
BASELINE BUDGETED POSITIONS		3.5	3.5		\$219,000	\$219,000

Note that the 2016-17 Schedule 7A display will be modified to include an adjustment for budget position transparency (Control Section 4.11). A forthcoming BL will provide further instructions.

All cells in the worksheet are formula driven except for the 2015-16 Salary Base; 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 categories that can be used for adjustments are 51506XX (Retirement) or 48XXXXX (Reimbursements). If reimbursement adjustments are necessary, a corresponding category code 51506XX adjustment must be made. The Total, Net of Reimbursements Funds Total from the CS 3.60 Fund Split Worksheet must tie to the CS 3.60

Adjustment in the CS 3.60 Employer Retirement Rate Contribution Adjustment Worksheet. Generally, this process is similar to the Planning Estimate Worksheets from prior years.

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 as well as all applicable adjustment/reimbursement categories to select rather than keying in manually. The fund classification will auto populate based on the fund/category 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).

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

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.

D. Instructions—BBA Upload Templates

General Information

After completing the CS 3.60 Baseline Adjustment Worksheets, departments are required to complete a Decision Package (DP) and at least one separate Budget Request (BR) for Retirement Rate Adjustments. If adjustments include reimbursements which are spread between multiple fund sources, the reimbursement portion must have its own BR. The reimbursement dollars and associated program/category spending must be self-contained within the same BR without other components. This provides clear documentation as to the program/category spending to be funded with reimbursements. If the adjustment is entirely funded with reimbursements, only one BR is needed. Adjustments within each BBA Upload Template should correspond to the adjustments listed on the CS 3.60 Fund Split Worksheet. Please refer to the latest BBA Upload Template <http://www.dof.ca.gov/budgeting/forms/view.php>. The DP and BRs 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 when the issue is originated (e.g., GB for Governor’s Budget).

Example of one DP and one BR necessary for the CS 3.60 Adjustment

Decision Package	2222-001-BBA-DP-2016-GB
Budget Request	2222-001-BBA-BR-2016-GB (Retirement Baseline Adjustments)

Example of one DP and multiple BRs necessary for the CS 3.60 Adjustment

Decision Package	2222-001-BBA-DP-2016-GB
Budget Request	2222-001-BBA-BR-2016-GB (Retirement Baseline Adjustments)
	2222-002-BBA-BR-2016-GB (Reimbursements)

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, please use “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 and BY0-4)

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, except to accurately reflect reimbursements, the only acceptable Category type to select is 51506XX (Retirement). Determine the dollars that should be scheduled in the current year and budget years. Adjustments in the Baseline Adjustments Current Year and Budget Year Worksheets should be entered in whole dollars and rounded to the nearest thousand. All ongoing dollars in the Baseline Adjustments Budget Year Worksheet should be copied to the BY0-4 columns.

Baseline Adjustments—Reimbursements

If the adjustment has multiple fund sources that include reimbursements, all reimbursement dollars and the associated program/category spending must be self-contained within a separate BR with the appropriate Baseline Adjustment Type (Retirement Rate Adjustments).

Within the Reimbursement Current Year and Budget Year tabs for each BBA template, specify the Reference, Fund, ENY, Program, and Category for the fund/program receiving the reimbursement. The category code on the reimbursement worksheets must be 48XXXXX. Additionally, total reimbursements must also be reflected in the Baseline Adjustments Current Year and Budget Year with the associated spending category code 51506XX. Adjustments should be entered in whole dollars and rounded to the nearest thousand. All ongoing dollars in the Reimbursement Budget Year Worksheet should be copied to the BY0-4 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 number 9900100 (positive adjustment) and category code(s) 51XXXXX to show the positive total being distributed to a particular program(s), program number 9900200 (negative adjustment) and category code 5342500 to reflect the total distributed cost, and the program (positive adjustment) that pays for various distributed cost with category code 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/FISCAL_Resources/.

E. Questions

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

/s/ Justyn Howard

Justyn Howard
Program Budget Manager

Attachment