

BUDGET LETTER

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|--|------------------------------|---------------|
| | | NUMBER: 16-25 |
| SUBJECT: EMPLOYER RETIREMENT CONTRIBUTIONS | DATE ISSUED: August 22, 2016 | |
| REFERENCES: CONTROL SECTION 3.60, BUDGET ACT OF 2016 | SUPERSEDES: BL 15-18 | |

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 2016-17 retirement rate adjustments as part of the 2017-18 budget process.

| <i>Deadlines and Deliverables</i> | |
|-----------------------------------|--|
| September 23, 2016 | Control Section (Section) 3.60 adjustment worksheets and supporting documentation due to your Department of Finance (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, 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 2015-16 and 2016-17:

| -A- | -B- | -C- |
|--------------------------------|--------------------------|--------------------------|
| Retirement Category | 2015-16 Retirement Rates | 2016-17 Retirement Rates |
| Miscellaneous, Tier 1 | 25.150% | 26.728% |
| CSU, Miscellaneous, Tier 1 | 25.150% | 26.728% |
| Miscellaneous, Tier 2 | 25.278% | 26.984% |
| State Industrial | 18.656% | 19.246% |
| State Safety | 19.264% | 19.935% |
| Peace Officer/Firefighter | 38.985% | 41.923% |
| CSU, Peace Officer/Firefighter | 38.985% | 41.923% |
| Highway Patrol | 46.725% | 50.038% |

Glossary Relevant to this BL

The following terms are used throughout this BL:

- BBA = Baseline Budget Adjustments. 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). This is the first fiscal year of enactment or availability, whichever is later. (This may not apply to Proposition 98 funding.)

B. General Instructions

To request funding for eligible adjustments, departments must complete and submit the CS 3.60 Employer Retirement Rate Contribution Adjustment Worksheet (Attachment 1) and a Baseline Budget Adjustment Upload Template along with related supporting documentation to their Finance budget analyst **no later than September 23, 2016**. 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; however, 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:** Fund 0995 must be used to schedule reimbursements to the associated program/category spending those funds. As noted in [BL 16-13](#), starting with the 2017-18 Governor’s Budget process, reimbursements will no longer be reflected under the associated expenditure item or the account category code of 48XXXXX in Hyperion.
4. **Distributed Administration Costs:** See the Distributed Administration Costs section below for more information.
5. **BBA Upload Template Type:** Adjustments in the 3.60 Fund Split Worksheet must be scheduled in a BBA Upload Template. Select the appropriate BBA type, “Retirement Rate Adjustments.”
6. **Budget Request Titles:** 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 2016 for adjustments entered in the CY Expenditures tab and an ENY of 2017 for adjustments entered in the BY-BY4 Expenditures tab.

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

3.60 Contribution Adjustment Worksheet

On this worksheet, for the 2016-17 Salary Base, use the total salaries in the Regular/Ongoing Positions (see highlighted cell in Schedule 7A example) in the current year column (2016-17) from the 2017-18 Salaries and Wages (Schedule 7A) provided that all positions listed on the 2017-18 Salary and Wages are affected by the retirement rate changes listed in this budget letter. If a department has

positions not affected by the retirement rate changes listed in this budget letter, the department should exclude these positions and work with its Finance budget analyst to identify the appropriate salary base to be adjusted (e.g., CalSTRS members).

Schedule 7A Example

| ORGANIZATIONAL UNIT Classification | NUMBER OF POSITIONS | | | EXPENDITURES | | |
|---|---------------------|-----------------------|---------------------|---|----------------------|---------------------|
| | Filled 2015-16 | Authorized 2016-17 | Proposed 2017-18 | Actual 2015-16 (Salary Range) | Estimated 2016-17 | Proposed 2017-18 |
| 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 |

All cells in the worksheet are formula driven except for the 2016-17 Salary Base; do not modify any formulas.

3.60 Fund Split Worksheet

Provide the unique appropriation item information (Business Unit, Reference, Fund, Program, and Category) for each adjustment. Please note that only 51506XX (Retirement) categories can be used for these adjustments. If reimbursement adjustments are necessary, a standard category code 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 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/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 crossties on this worksheet must all reflect "0" for the current year.

D. Instructions—BBA Upload Templates

General Information

After completing Attachment 1, departments are required to complete a budget request (BR) for Retirement Rate Adjustments. Adjustments within each BBA Upload Template should correspond to the adjustments listed on the 3.60 Fund Split worksheet. Departments that have gone live in Hyperion will still be required to do their adjustments in an upload template. Please refer to [BL 16-23](#) for instructions on completing the latest BBA Excel Upload Template Workbook available on Finance's website at: http://www.dof.ca.gov/budget/resources_for_departments/budget_forms/.

Example of BR naming convention

Budget Request 2222-001-BBA-2017-GB (Retirement Baseline Adjustments)

Complete the following in the Budget Request Details Worksheet:

1. Use unique naming conventions to provide BR Name.
2. BR Title: For purposes of this BL, please use "**Section 3.60 Pension Contribution Adjustment**" as the title.
3. Using the drop-down menu, select the appropriate BU number.

Baseline Adjustment Type

Departments must select Baseline Budget Adjustment (BBA) type "**Retirement Rate Adjustments**" from the drop-down menu in the Baseline Adjustment Type worksheet.

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 to support the adjustment. For purposes of this BL, the only acceptable Category type to select is 51506XX (Retirement). Reimbursements will also be captured in category type 51506XX; **not 48XXXXX**. Determine the dollars that should be scheduled in the current and budget years. Adjustments in the CY Expenditures and BY-BY4 Expenditures Worksheets should be entered in whole dollars and rounded to the nearest thousand. All ongoing BY dollars in the Expenditures Worksheet 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 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/Budget/Fiscal_Resources_For_Budget/.

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