June 23, 2011

The Honorable Mark Leno
Chair, Joint Legislative Budget Committee
State Capitol, Room 5035
Sacramento, California 95814

Re: Bargaining Unit 5 Cadets Retirement Contribution:
Addendum to Memorandum of Understanding – Non Fiscal

The current Bargaining Unit 5 Memorandum of Understanding between the State and the California Association of Highway Patrolmen does not address the employee retirement contribution for California Highway Patrol cadets. BU 5 cadets are the group of employees who undergo the six-month CHP training academy. During this training period, cadets are classified as Miscellaneous employees for CalPERS retirement purposes. Upon graduation from the CHP Academy, cadets are promoted to the position of officer and become Patrol members of CalPERS.

During negotiations that culminated in the current BU 5 MOU, the State and BU 5 intended that the funding methodology for the cadets' retirement contribution would correspond with that of the Patrol officers. The current BU 5 MOU suspends the retiree health prefunding contributions from employees (2% of monthly pay) that were agreed to by the CAHP and the State in 2009. This suspension continues for the duration of the BU 5 MOU until July 2013. Under the agreement, the 2% employee contributions that otherwise would have been directed to retiree health prefunding is directed to CalPERS to fund Unit 5 pensions; in addition to the regular employee contributions to CalPERS that resulted from BU 5's 2006 MOU. For BU 5 Patrol members, their contribution increases from 8% of monthly pay to 10%. For the cadets, their contribution increases from 5% to 7% of monthly pay. The added employee pension contributions offset pension contributions that otherwise would have to be made by the State. This contribution methodology continues for the duration of the current BU 5 MOU.

Unfortunately, the parties' intent on the cadets' retirement contribution issue did not translate onto the agreement nor in the 2010 legislation that ratified the BU 5 MOU (SB 846 - Correa). The legislation states that BU 5 cadets will contribute 10% of monthly pay toward their pensions (not the intended 7%). The legislation also provides that the parties may agree to a different rate of contribution without legislative action if such an agreement does not require an additional expenditure of funds (See Government Code section 20677.7(b)). In the ongoing process of administering State employee bargaining agreements, DPA was notified of the parties' oversight in this matter by the State Controller's Office.

Fortunately the attached MOU addendum (Attachment 1) does not require an additional expenditure of funds. DPA's fiscal analysis of the BU 5 MOU that was transmitted to the Legislative Analyst and the Legislature is based on the cadets contributing an additional 2% of monthly pay toward their pensions (i.e., an increase from 5% to 7%). (Attachment 2). Therefore DPA's fiscal analysis conforms to the attached addendum as well as the parties' intent on this issue. The attached addendum does not change the costing of the BU 5 MOU that the Legislature ratified last year.

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In order that the BU 5 MOU correctly reflects the parties' intent as well as the costing that DPA submitted to the Legislature for S.B. 846, the attached addendum is submitted for the Joint Legislative Budget Committee's review according to Government Code Section 3517.63(b). If you have any questions, please contact Tom Dyer, Legislative Coordinator, at (916) 327-2348.

Sincerely,

Ronald Yank
Director

Attachments

cc:  Members
    Joint Legislative Budget Committee
    Jody Martin, Principal Consultant
    Joint Legislative Budget Committee

ecc:  Nick Schroeder, Consultant
      Office of the Legislative Analyst
      Marianne O'Malley, Director Gen. Government
      Office of the Legislative Analyst
      Richard Gillihan, Asst. Program Budget Manager
      Department of Finance
      Craig Cornett, Chief Fiscal Policy Advisor
      Office of the Pro Tem
      Charles Wright, Chief Consultant
      Office of the Pro Tem
      Chris Woods, Budget Director
      Office of the Speaker
      Greg Campbell, Chief Consultant
      Office of the Speaker
      Seren Taylor, Staff Director
      Senate Republican Fiscal Office
      Chantele Denny, Consultant
      Senate Republican Fiscal Office
      Anthony Archie, Consultant
      Assembly Republican Fiscal Office
      Peter Schaafsma, Staff Director
      Assembly Republican Fiscal Office
      Keely Bosler, Staff Director
      Senate Budget Committee

Gareth Elliot, Legislative Affairs Secretary
Office of Governor Brown

Mac Taylor, Legislative Analyst
Office of the Legislative Analyst

Kris Kuzmich, Consultant
Senate Budget Committee

Christian Griffith, Staff Director
Assembly Budget Committee

Mark Ibele, Consultant
Assembly Budget Committee

Bob Franzoia, Staff Director
Senate Appropriations Committee

Maureen Ortiz, Consultant
Senate Appropriations Committee

Roger Dunstan, Consultant
Assembly Appropriations Committee

Pamela Schneider, Chief Consultant
Senate PE&R Committee

Karon Green, Chief Consultant
Assembly PER&SS Committee

Scott Chavez, Consultant
Senate Republican Caucus

Terry Mast, Consultant
Assembly Republican Caucus
ATTACHMENT 1
Agreement Clarification
Between
State of California (State)
And the
California Association of Highway Patrolmen (CAHP)

This letter is to clarify the agreement between the State and CAHP on the retirement contribution for Unit 5 California Highway Patrol (CHP) Cadet Miscellaneous Members. During negotiations, we agreed that CHP Cadets' increased retirement contribution would conform to the same funding methodology as that of Patrol members, which is outlined in the current Unit 5 Memorandum of Understanding. Accordingly, for Unit 5 Cadets, the normal rate of contribution shall be 5% on monthly reportable income in excess of $513. In addition, the funds deposited into the Unit 5 California Employers' Retiree Benefits Trust account (OPEB), on behalf of CHP Cadets, to prefund retiree health benefits will be redirected as an employee contribution toward retirement for a total of 2% effective with the September 2010 pay period. This 2% contribution shall offset the State's contribution toward retirement and will be in addition to the 5% CHP Cadet normal rate contribution identified above.

Effective July 1, 2013, CHP Cadets' normal rate of retirement contribution shall be 7% of monthly reportable income in excess of $513 and OPEB retiree health benefit prefunding shall continue as outlined in Section 42 of the Unit 5 MOU.

This letter clarifies the intent of the Unit 5 MOU (effective July 3, 2010 through July 3, 2013) and conforms to the Unit 5 MOU fiscal analysis DPA provided to the Legislature when the Legislature ratified the Unit 5 MOU.

Julie Chapman
Department of Personnel Administration

Jon Harms
California Association of Highway Patrolmen

Date: 6/15/2011
Date: 6/14/11
ATTACHMENT 2
New Proposal

Includes the following:

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<th>Beginning Unit</th>
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New Proposal includes the following:

2010-11
1) Additional 2% increase to employee retirement contribution effective September pay period (October 1st Warrant)
Data Source: Position Benefits file, May 2010
2) Other Post Employee Benefits (OPEB) GC Section 22944.3 (a)
3) Other Post Employee Benefits (OPEB) GC Section 22944.3 (b)

2011-12
1) 2% increase to employee retirement contribution (effective 09/01/11) and then included a 2% SSA @ Max (effective 01/01/12)
Source of Data: Position Benefits file, May 2010
2) Other Post Employee Benefits (OPEB) GC Section 22944.3 (a)
3) Other Post Employee Benefits (OPEB) GC Section 22944.3 (b)

2012-13
1) 2% increase to employee retirement contribution (effective 09/01/11) and then included a 2% SSA @ Max (effective 01/01/12)
Source of Data: Position Benefits file, May 2010
2) Other Post Employee Benefits (OPEB) GC Section 22944.3 (a)
3) Other Post Employee Benefits (OPEB) GC Section 22944.3 (b)

2013-14
1) 2% increase to employee retirement contribution (effective 09/01/11) and then included a 2% SSA @ Max (effective 01/01/12)
Source of Data: Position Benefits file, May 2010
2) Other Post Employee Benefits (OPEB) GC Section 22944.3 (a)
3) Other Post Employee Benefits (OPEB) GC Section 22944.3 (b)

2014-15
1) 2% increase to employee retirement contribution (effective 09/01/11) and then included a 2% SSA @ Max (effective 01/01/12)
Source of Data: Position Benefits file, May 2010
2) Other Post Employee Benefits (OPEB) GC Section 22944.3 (a)
3) Other Post Employee Benefits (OPEB) GC Section 22944.3 (b)

2015-16
1) 2% increase to employee retirement contribution (effective 09/01/11) and then included a 2% SSA @ Max (effective 01/01/12)
Source of Data: Position Benefits file, May 2010
2) Other Post Employee Benefits (OPEB) GC Section 22944.3 (a)
3) Other Post Employee Benefits (OPEB) GC Section 22944.3 (b)
## Department of Personnel Administration
### Bargaining Unit 5

**Estimated Value of 2% Temporary Redirect of Employee Retirement Contribution with 2% SSA**

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<th>CBID</th>
<th>Class Code</th>
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<th>Adj Total Avg Monthly Base Pay</th>
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Data from Pos Ben file May 2010
Redirct employee contribution toward retirement effective with the September pay period (October 1 Warrant)
FY 2010-11 calculated at 10 months, FY 2011-12 calculated at 2 months
FY 2011-12 includes 2% SSA eff. 01/01/2012 for 6 months
FY 2012-13 includes 2% SSA additional 6 months

### Other Post Employee Benefits Section 22944.3 (a)

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<th>CBID</th>
<th>2010-11 Value - All</th>
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<th>2012-13 Value - All</th>
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Data from Position Benefit file May 2010
All values equal Special Fund
Calculated based on current 2010-11 salary survey
The 2010-11, 2011-12 and 2012-13 totals are based on estimated survey results
* Per MOU Agreement Article VII Section 37(c) Effective 07-03-06 to 07-02-10 Section 22944.3 (a)