

DEPARTMENT OF PERSONNEL ADMINISTRATION

OFFICE OF THE DIRECTOR

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SACRAMENTO, CA 95811-7258

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.

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	Gareth Elliot, Legislative Affairs Secretary Office of Governor Brown
	Jody Martin, Principal Consultant Joint Legislative Budget Committee	Mac Taylor, Legislative Analyst Office of the Legislative Analyst
ecc:	Nick Schroeder, Consultant Office of the Legislative Analyst	Kris Kuzmich, Consultant Senate Budget Committee
	Marianne O'Malley, Director Gen. Government Office of the Legislative Analyst	Christian Griffith, Staff Director Assembly Budget Committee
	Richard Gillihan, Asst. Program Budget Manager Department of Finance	Mark Ibele, Consultant Assembly Budget Committee
	Craig Cornett, Chief Fiscal Policy Advisor Office of the Pro Tem	Bob Franzoia, Staff Director Senate Appropriations Committee
	Charles Wright, Chief Consultant Office of the Pro Tem	Maureen Ortiz, Consultant Senate Appropriations Committee
	Chris Woods, Budget Director Office of the Speaker	Roger Dunstan, Consultant Assembly Appropriations Committee
	Greg Campbell, Chief Consultant Office of the Speaker	Pamela Schneider, Chief Consultant Senate PE&R Committee
	Seren Taylor, Staff Director Senate Republican Fiscal Office	Karon Green, Chief Consultant Assembly PER&SS Committee
	Chantele Denny, Consultant Senate Republican Fiscal Office	Scott Chavez, Consultant Senate Republican Caucus
	Anthony Archie, Consultant Assembly Republican Fiscal Office	Terry Mast, Consultant Assembly Republican Caucus
	Peter Schaafsma, Staff Director Assembly Republican Fiscal Office	
	Keely Bosler, Staff Director Senate Budget Committee	

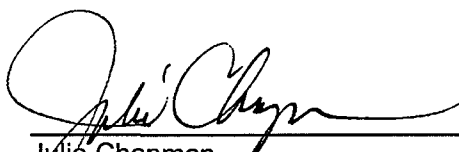
ATTACHMENT 1

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.

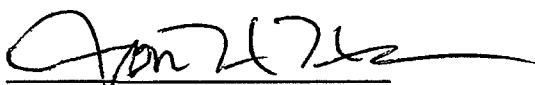
Effective July 1, 2013, CHP Cadets' normal rate of retirement contribution shall be 7% of monthly reportable income in excess of \$513 and OPEB retiree health benefit prefunding shall continue as outlined in Section 42 of the Unit 5 MOU.

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

6/15/2011
Date



Jon Hamm
California Association of Highway Patrolmen

6/14/11
Date

ATTACHMENT 2

Department of Personnel Administration
 Bargaining Unit 5
 California Association of Highway Patrolmen (CAHP)
 MOU Summary AB/SB XXXX
 Cost / (Savings)

Bargaining Unit	Costing Proposal	Eff Date	2010-11			2011-12			2012-13			2013-14			Total Incremental			Total Budgetary					
			GF	OF	Total	GF	OF	Total	GF	OF	Total	GF	OF	Total	GF	OF	Total	GF	OF	Total			
R05	2% Redirect to Employee Retirement Contribution	9/1/2010																					
		7/3/2013	\$0	(\$8,807,505)	(\$8,807,505)	\$0	(\$1,870,925)	(\$1,870,925)	\$0	(\$106,219)	(\$106,219)	\$0	\$11,451,911	\$11,451,911	\$0	\$667,261	\$667,261	\$0	(\$29,603,323)	(\$29,603,323)			
R05	Other Post Employee Benefits 22944.3 (a)	9/1/2010																					
		7/3/2013	\$0	\$6,605,629	\$6,605,629	\$0	\$1,403,194	\$1,403,194	\$0	\$79,664	\$79,664	\$0	(\$8,588,933)	(\$8,588,933)	\$0	(\$500,446)	(\$500,446)	\$0	\$22,202,492	\$22,202,492			
R05	Other Post Employee Benefits 22944.3 (b)	9/1/2010																					
		7/3/2013	\$0	\$2,201,876	\$2,201,876	\$0	\$467,731	\$467,731	\$0	\$26,555	\$26,555	\$0	(\$2,862,978)	(\$2,862,978)	\$0	(\$166,815)	(\$166,815)	\$0	\$7,400,831	\$7,400,831			
R05	Salary Survey GSI	7/1/2011																					
		7/1/2012																					
R05	2% SSA Employees @ Max	1/1/2012																					
		7/1/2013																					
R05	Additional 2% Employee Contribution to Retirement	7/3/2013																					
	State Match of OPEB Sec. 22944.3 (a) and (b)	7/3/2013																					
R05	Total Cost / (Savings)		\$0	\$0	\$0	\$0	\$8,543,149	\$8,543,149	\$0	\$9,302,151	\$9,302,151	\$0	\$41,634,983	\$41,634,983	\$0	\$59,480,284	\$59,480,284	\$0	\$85,868,733	\$85,868,733			

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)
- 4) Salary Survey GSI 0.20% (effective 07-01-11) includes 6 months of 2% SSA @ MAX
Data Source: SCO Table 183 (Apr 2010)
- 5) 2% SSA Employees @ Max (6 months) [Source of Data: SCO Table 183 (April 2010)]

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)
- 4) Salary Survey GSI 0.30% (effective 07-01-12) includes additional 6 months of 2% SSA @ MAX
Data Source: SCO Table 183 (Apr 2010)
- 5) 2% SSA Employees @ Max (6 months) [Source of Data: SCO Table 183 (April 2010)]

2013-14

- 1) Other Post Employee Benefits (OPEB) GC Section 22944.3 (a)
- 2) Other Post Employee Benefits (OPEB) GC Section 22944.3 (b)
- 3) Salary Survey GSI 5.70% (effective 07-01-13)
- 4) Additional 2% Redirect employee retirement contribution (effective 07/03/13)
Data Source: Position Benefits file May 2010
- 5) State match of OPEB GC Section (22944.3 (a) and (b) (effective 07-03-13)

Department of Personnel Administration
Bargaining Unit 5

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

CBID	Class Code	Class Title	AR	Total Avg Monthly Base Pay	2010-11 GSI Offset	Adj Total Avg Monthly Base Pay	2% EE Retirement Annualized	SSA	2%	0.20%	2.00%	0.30%	Total Incremental All Other Funds
								Months	12	10	2	6	
								2010-11	2011-12		2012-13		
R05	8397	OFFICER, CALIFORNIA HIGHWAY PATROL	A	41116221	1.99%	\$41,934,434	\$10,064,264	\$8,386,887	\$1,680,732	\$100,844	\$101,146	\$10,269,609	
R05	8397	OFFICER, CALIFORNIA HIGHWAY PATROL	B	406544	1.99%	\$414,634	\$99,512	\$82,927	\$16,619	\$997	\$1,000	\$101,543	
R05	8397	OFFICER, CALIFORNIA HIGHWAY PATROL	C	581647	2.02%	\$593,396	\$142,415	\$118,679	\$23,783	\$1,427	\$1,431	\$145,321	
R05	8446	CADET, CALIFORNIA HIGHWAY PATROL		1095060	0.00%	\$1,095,060	\$262,814	\$219,012	\$43,890	\$2,633	\$2,641	\$268,177	
R05 Total				43199472		\$44,037,524	\$10,569,006	\$8,807,505	\$1,765,024	\$105,901	\$106,219	\$10,784,649	

Data from Pos Ben file May 2010

Redirect employee contribution toward retirement effective with the Septemeber 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)

CBID	2010-11	2011-12	2012-13 Value -
	Value - All Other Funds	Value - All Other Funds	All Other Funds
R05	\$6,605,629	\$1,403,194	\$79,664

Other Post Employee Benefits Section 22944.3 (b)

CBID	2010-11	2011-12 Value	2012-13 Value
	Value - All Other Funds	- All Other Funds	- All Other Funds
R05	\$2,201,876	\$467,731	\$26,555

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)