

State of California

MEMORANDUM

Date: July 1, 1991
Reference Code: 91-42

To: PERSONNEL MANAGEMENT LIAISONS

THIS MEMORANDUM SHOULD BE DISTRIBUTED TO

Employee Relations Officers
Personnel Officers

From: Department of Personnel Administration
Office of the Director

Subject: Mandatory Second Tier

AB 702, passed by the Legislature and signed by the Governor as part of the 1991-1992 Budget Bill, requires that all newly hired State miscellaneous and industrial members of the Public Employees' Retirement System (PERS) be placed in the Second Tier retirement benefit level. This legislation is effective July 1, 1991. In addition, the bill provides for the development of an alternative to the Second Tier retirement plan to be developed by the Department of Personnel Administration and in conjunction with recognized employee organizations by June 30, 1992. In the event that an alternative retirement plan is developed, employees in the Second Tier will be allowed to opt for the alternative plan.

Please provide a copy of the attached memorandum to all persons hired in the affected categories after July 1, 1991.

The booklet PERS-MEM-42(ABC) is outdated and must not be used.

Departmental questions on the program may be directed to Ann McWherter of my staff at (916) 324-9367 or ATSS 454-9367.



for David J. Tirapelle
Director


Attachment

State of California

MEMORANDUM

To: NEW MEMBERS OF PERS MISCELLANEOUS AND
INDUSTRIAL RETIREMENT CATEGORIES

Date: July 1, 1991

From: *for* David J. Tirapelle 
Department of Personnel Administration
Office of the Director

Subject: Second Tier Retirement

You are being appointed to a position in State service covered by a retirement program which was changed by law on July 1, 1991. This memorandum describes the change, and your retirement program eligibility.

Until July 1, 1991, the Public Employees' Retirement System (PERS) miscellaneous and industrial categories provided two retirement options for new employees. The First Tier required contributions from both the employee and the State. The Second Tier provided a reduced benefit funded only by State (employer) contributions. Effective July 1, all newly hired employees in the miscellaneous and industrial categories will be mandatorily placed in the Second Tier.

The definition of newly hired employee includes employees who have not previously worked for the State, and former employees being rehired into State service who were either (1) Second Tier members or (2) First Tier members who withdrew their contributions upon permanent separation. Former employees in First Tier who left their contributions for prior service on deposit have the option of continuing First Tier upon reinstatement.

In addition, the new law provides for further study of the retirement benefits of Second Tier employees. Specifically, the Government Code provides as follows:

"20013.75. (a) It is the intent of the Legislature that the Department of Personnel Administration, in conjunction with the recognized state employee organizations, develop alternatives to the Second Tier retirement plan by June 30, 1992. The alternative plan may include enhanced benefits or provide benefits under a defined contribution program. However, the state employer's contribution to the alternative plan shall not be greater than the state's contribution rate to the current Second Tier. At the time that an alternative plan is agreed to and implemented, employees who were placed in the Second Tier shall be given an opportunity to elect coverage in the new alternative plan. In the event no alternative plan is implemented by June 30, 1992, employees shall remain in the Second Tier."

Employees will be informed of the results of this effort.

Further information covering the retirement requirements and benefits is available from your department's personnel office and PERS.