

## Understanding Your Retirement Benefits: A Fact Sheet for New California State Employees

This fact sheet explains the **Alternate Retirement Program (ARP)**, a program for specified State of California employees hired on or after August 11, 2004.

### 1. What is the Alternate Retirement Program?

The Alternate Retirement Program, or ARP, is a retirement savings program that certain State employees are automatically enrolled in for their first two years of employment with the State of California.

It's an "alternate" retirement program because it provides two years of retirement *savings* in lieu of two years of retirement *service credit* under the California Public Employees' Retirement System (CalPERS). Even though you don't earn retirement service credit with CalPERS during this period, you're still a CalPERS member (see question 9).

The Savings Plus Program (SPP), in the Department of Personnel Administration, administers ARP.

### 2. Which new employees are in the Alternate Retirement Program?

You're automatically in ARP if you meet **all** the conditions listed below:

- First hired by the State on or after August 11, 2004;
- Qualify for CalPERS membership in the State Miscellaneous or State Industrial category (ask your Personnel Office if you need this point explained); and
- Meet the definition of "State employee" in Government Code section 19815, which includes Executive branch employees who are not elected to office and others.

Your Personnel Office can confirm your ARP eligibility. Coverage in ARP is mandatory; you cannot opt out.

If you're directly appointed by the Governor, you're not automatically covered by CalPERS but you have the option to become a member (see Government Code section 20320 (a)). If you elect to become a member and you're subject to ARP, your two-year ARP enrollment begins on the date you elect CalPERS membership.

### **3. Which new employees are excluded from the Alternate Retirement Program?**

You're **not** in ARP if you meet any of the following conditions, even if you're hired on or after August 11, 2004:

- Qualify for CalPERS membership in the State Safety, State Patrol, or State Peace Officer/Firefighter category
- Current or prior member of CalPERS
- Member of a CalPERS' reciprocal retirement system within the prior six months
- Member of the Judges' Retirement System, Judges' Retirement System II, Legislators' Retirement System, California State Teachers' Retirement System, or the University of California Retirement Plan
- Employed by California State University
- Employed by the California legislative or judicial branch of government
- Employed as a California Highway Patrol cadet
- Non-resident alien employed on an F-1, J-1, M-1, or Q-1 visa and not coordinated with Social Security

### **4. How does the Alternate Retirement Program work?**

During the two years of State employment when you're covered by ARP, roughly five percent of your paycheck is deducted each month (pre-tax) and deposited in an ARP account for you. Your deduction may vary depending upon your bargaining unit.

The ARP account is automatically set up for you as a 401(a) Plan, a type of retirement savings account governed by federal IRS rules. SPP invests your ARP funds in SPP's Short Term Investment Fund for this purpose.

At the end of this two-year period, your paycheck deductions stop going to ARP and begin going to CalPERS instead. (It happens automatically; you won't receive any notice.) At this time, you start to earn retirement service credit with CalPERS. Your Personnel Office will give you CalPERS Publication 52, *State Miscellaneous & Industrial Members Retirement Benefit Election Package*. If you don't receive it, contact your Personnel Office.

## 5. What happens to the money in my Alternate Retirement Program account?

Under IRS rules, the money in your ARP account, including any interest it earns, must remain in that account for two years after the date your last payroll deduction was deposited to your ARP account (about four years after you first qualified for CalPERS membership and were enrolled in ARP).

There are three options, described below, for what happens to the funds in your account. You'll have a three-month decision period to submit the required form indicating which option you select. This three-month period:

- **begins** on the first day of the 47<sup>th</sup> month after you first qualified for CalPERS membership (typically the day you were hired); and
- **ends** on the last day of the 49<sup>th</sup> month after you first qualified for CalPERS membership.

This schedule applies to all ARP participants regardless of employment status (unless you leave State employment and take a distribution of your ARP account).

Here are your options:

- **Option 1:** Transfer all funds in your ARP account to CalPERS to receive retirement service credit for the time you were enrolled in ARP.<sup>1</sup> The State would fund the portion of the liability not paid for by your ARP account.
- **Option 2:** Receive a lump-sum distribution of all funds in your ARP account, which may subject you to additional taxes for early withdrawal.
- **Option 3:** Transfer all your ARP funds to a Savings Plus 401(k) account. If you already have a SPP 401(k) account, your ARP funds will go there; if not, and you're currently employed with the State, SPP will set up a 401(k) account for you.

## 6. How can I get more information about my ARP account?

Go to [www.sppforu.com](http://www.sppforu.com) and click on "alternate retirement program" for up-to-date ARP information, including your account balance. To access your account for the first time, select "new user setup" under Account Access and follow the prompts.

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<sup>1</sup> If you opt not to receive the service credit during this three-month decision period, you remain eligible to purchase it in the future. However, purchasing it after the three-month decision period has elapsed means you will be responsible for funding the total cost of the service credit (i.e., both the employee and employer share of costs).

## **7. Will I receive anything in the mail if I'm in the Alternate Retirement Program?**

Yes. You will receive:

- Annual statements, mailed each August, which show your total account balance as of June 30 of that year. Your account balance consists of the amount you contributed via payroll deductions plus any interest it's earned, along with the ARP newsletter.
- A notification prior to your three-month decision period to let you know your ARP Payout Selection kit will be arriving soon.
- Your ARP Payout Selection kit which will include your ARP Payout Selection form and ARP Payout Options booklet explaining your options and instructions for completing the form.

It's important that Savings Plus has your current mailing address on record to ensure these mailings reach you. If your address changes and you're still employed with the State and contributing to ARP, notify your departmental personnel or payroll office of the new address.

If you're no longer contributing to ARP or are no longer employed by the State, you have three ways to change your address with Savings Plus:

- Online at [www.sppforu.com](http://www.sppforu.com). Logon to your account, select "Online Profile," and then "Change Personal Information." Alternately, click on the "change it" link on the Account Information page next to your personal information, or
- Call Savings Plus toll-free at 1-866-566-4777; press \*0 to reach customer service M-F; 8:30 a.m. - 4:00 p.m. Pacific Time, or
- Send a letter to Savings Plus. Include your full name, Social Security number, daytime phone number (including area code), your former address, and new address. Be sure to sign and date your letter. Mail it to:

Nationwide Retirement Solutions  
P.O. Box 182797  
Columbus, OH 43218-2797

## **8. Are there employer contributions to my ARP account or any fees involved?**

There are no employer contributions or matching funds; your account consists entirely of money you've contributed via monthly payroll deductions and any interest earnings.

Your employer pays the administrative fees. There are no fees assessed to you.

## **9. Does the Alternate Retirement Program affect my eligibility for other benefits?**

No. You're eligible for all other benefits even while you're covered by ARP. For example, even though you're not earning retirement service credit with CalPERS during your first two years of State employment, you still are a member of CalPERS, with all the other benefits that such membership entails, including health insurance. Please contact your Personnel Office if you want to know more about these benefits.

Also, being in ARP does **not** limit your ability to sign up for and contribute to a Savings Plus 401(k) and/or 457 plan, a 403(b) plan, or an IRA. To sign up for a Savings Plus 401(k) and/or 457 plan, go to the "sign up" tab at [www.sppforu.com](http://www.sppforu.com).

Your Personnel Office can give you more details about all your benefits.

## **10. How can I get my money if I leave State employment?**

You may request a distribution (i.e., payout) if you separate from State service. Fill out the form in the *ARP 401(a) Benefit Payment Booklet (for separated employees)*, available from your Personnel Office or at [www.sppforu.com](http://www.sppforu.com) (under "alternate retirement program," "forms and publications.") Read the booklet carefully: it explains the consequences and tax implications of taking a distribution of your account.

## **11. What happens to my ARP funds if I die before the account is closed?**

If you die, your ARP assets will be paid in a lump sum to your closest surviving family member in the following order: (1) your spouse or registered domestic partner, (2) natural and adopted children, (3) parents, (4) brothers and sisters, (5) probate estate, (6) your trust, if one exists, (7) stepchildren, (8) grandchildren, (9) nieces and nephews, (10) great-grandchildren, (11) cousins, or (12) in accordance with State law.

*This fact sheet provides an overview of the Alternate Retirement Program. The official plan documents and State law control the actual benefits provided to you, so please check with your Personnel Office if you have questions. The State reserves the right to amend, suspend, or terminate ARP, although such changes will not affect amounts deposited under ARP.*

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