

# PAYROLL USERS GROUP

Tuesday, May 24, 2016

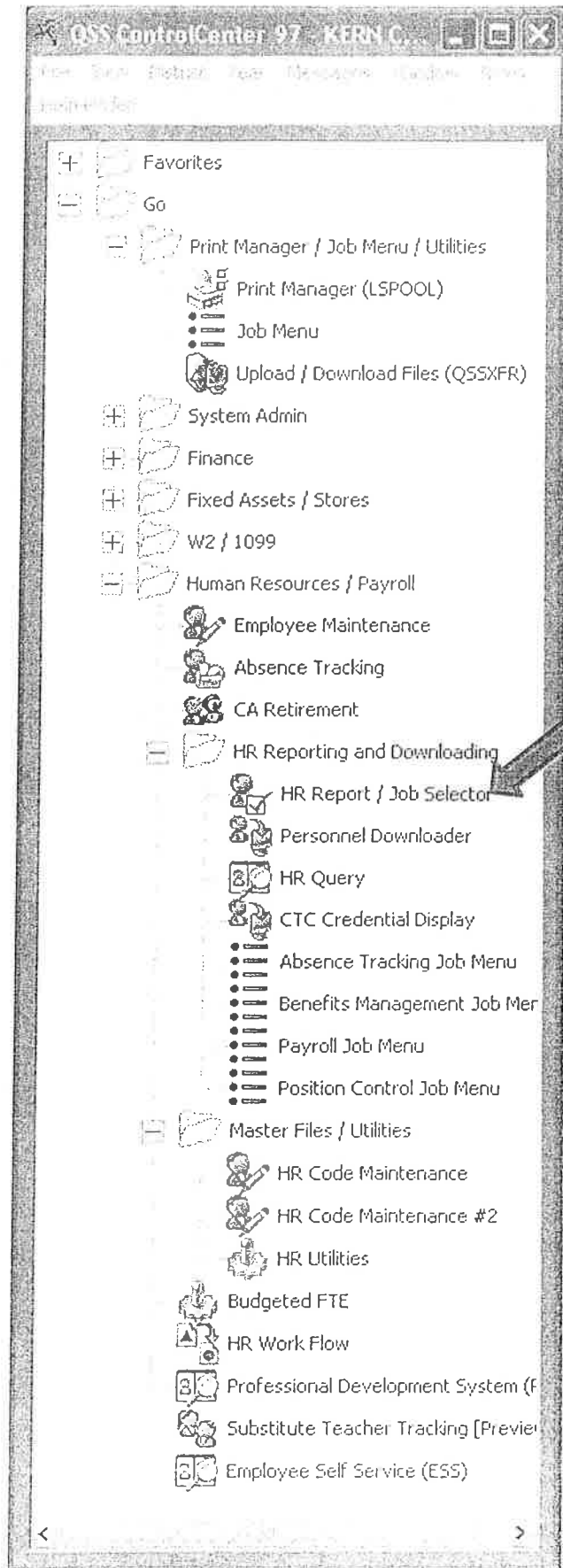
9:00 A.M.

City Centre, 1B

## Agenda

- 1) Child Support Electronic Submission (SDU)
- 2) CalPERS 2016-17 Rate 13.88%
- 3) W-4 do NOT change until after MID payroll
- 4) Direct Deposit – Delete Send over Stub
  - Make sure to put correct net pay on form
- 5) Rolling Pay Lines
- 6) Listings - Contracts
- 7) Deferred Pay – Net Pay No Voluntary Deductions
- 8) Terminating Employees w/Summer Pay
- 9) Current Liability Payrolls
  - Please note on payroll
  - Processing all in one day
- 10) Reduced Workload – Must be approved prior to school year starting
- 11) Verify direct deposit accounts on rehires
- 12) Permissive Election Forms
- 13) CalPERS Separation Dates

# COPY PAYLINES



## COPY PAYLINES

**HR Report/Job Selector**      97 - KERN CSOS TRUST/SERVICE FUNDS      QSS/OASIS

File Edit View Help

Home Back Forward Stop Print Refresh Cancel OK

○ Reports | Quick Reports | Report Selection | Print | Employee Sub menu | Custom Selection Screen | Schedule Job

Show Reports Show Jobs Category:

ID	Name	Description	Category	Access
501	PER680ST	Update Employee Experience	PER	No
502	PER990ST	Reset Job Code --> Job Category Relationship	PER	No
503	R994ST	Update PER-PAY Data From Employee's Prime Position	PER	No
504	500ST	Request Repair of Orphaned Positions	ABT	No
505	505ST	Reset Deduction Accumulators	DED	No
▶ 506	PL0900ST	Copy Paylines	PAY	Yes
507	PCT900ST	Re-Calculate Employee Projections	PAY	Yes
508	PCT920ST	Update D-EMP-POSITION with Bonus Recalculations	PAY	Yes
509	PL0402ST	Load Payline Data from Position Control (ENH)	PAY	No
510	ABT994ST	Update Employee Leave Pay Rate	ABT	No
511	PER810ST	Batch Employee Termination	PER	No
512	PER804ST	Reset Calendar Relationships	PER	No
513	PTI100ST	Payroll Timesheet Import	PAY	Yes
514	PCT902ST	Re-Calculate Employee Projections (EH PosCtl)	PAY	Yes
515	PL0400ST	Load Payline Data from Position Control (STD)	PAY	Yes
516	PER800ST	Update Per-Pay Data from Employee Payroll/Pos Data	PER	No

Yr:2014 Dist:97 Site:0 5/27/2014 9:26 AM

# COPY PAYLINES

HR Report/Job Selector 97 KERN CSDS TRUST/SERVICE FUNDS DSS/OASIS

Reports | Job Selection | Job Selection | Job Selection | Job Selection | Custom Selection Screen | Job Selection

Job: PL0900ST - Copy Paylines

Roll Selected Pay Lines to New Year

Required Data	Optional Data
Report Title: COPY PAYLINES	
Run Mode: Update/Report	Report Type: Source/Target
From Year: 14 To Year: 15	Non-Terminated Empl Only: <input type="checkbox"/>
Active/Inactive Paylines: Active	Make Inactive Active: <input type="checkbox"/>
Position Number Selection: Position	Zero the Pos Number: <input type="checkbox"/>
Exclude All Pay Lines with SP-EP: <input type="checkbox"/>	Blank the SP-EP: <input type="checkbox"/>
Balance of Contract Pay Line Selection: No Contract	

Yr:2014 Dist:97 Site:0 5/27/2014 9:29 AM

You should run the job in Report Only mode first and check the report to see if the result is correct. If report only mode shows odd entries do not proceed to update.

# COPY PAYLINES

HR Report/Job Selector 97 - KERN CSOS TRUST/SERVICE FUNDS QSS/OASIS

File Options Help-Video

Reports | Global Settings | Field Selection | Districts | Employee Selection | Custom Selection Screen | Schedule Job

Job: PL0900ST - Copy Paylines

Roll Selected Pay Lines to New Year

Required Data				Optional Data			
Bargaining Unit:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Pay Code:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Retirement System:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Pay Location:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Control Group:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Pay Type:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Schedule:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Sta. Ded. Profile:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
SP-EP:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Rate Type:	<input type="text"/>			Rates From:	<input type="text"/>	To:	<input type="text"/>
Units Treatment:	<input type="text"/>			Units From:	<input type="text"/>	To:	<input type="text"/>

Yr:2015 Dist:97 Site:0 5/26/2015 10:06 AM

This is where you can roll only certain lines.



California Public Employees' Retirement System  
P.O. Box 942709  
Sacramento, CA 94229-2709  
(888) CalPERS (or 888-225-7377)  
TTY: (877) 249-7442  
[www.calpers.ca.gov](http://www.calpers.ca.gov)

Circular Letter No.: 200-023-16  
Distribution: XII, XVI

## Circular Letter

May 13, 2016

TO: **SCHOOLS EMPLOYERS**

SUBJECT: **2016-17 SCHOOL EMPLOYER AND EMPLOYEE CONTRIBUTION RATES**

The purpose of this Circular Letter is to inform you of the following employer and employee contribution rates in respect of pension benefits that were approved by the California Public Employees' Retirement System's (CalPERS) Board of Administration on April 20, 2016. This rate becomes effective with the first payroll period that ends in July 2016 and is in effect for Fiscal Year (FY) 2016-17:

<u>MEMBER CATEGORY</u>	<u>EMPLOYER CONTRIBUTION AS A PERCENTAGE OF COMPENSATION</u>
School Members	13.888%

The employer contribution rate will continue to vary annually. Employee contribution rates remain unchanged for the FY 2016-17. School employees that meet the definition of a new member under the Public Employees' Pension Reform Act (PEPRA) will continue to contribute 6 percent of reportable compensation. Classic employees will continue to contribute 7 percent of reportable compensation.

Additional information can be found in the agenda item that was presented to the CalPERS Board. This can be found at [www.calpers.ca.gov](http://www.calpers.ca.gov). Further, the complete actuarial valuation report is expected to be available on the CalPERS website this summer.

If you have any questions, please call our CalPERS Customer Contact Center at **888 CalPERS** (or 888-225-7377).

ALAN MILLIGAN  
Chief Actuary

# Reduced Workload Program Eligibility Certification

ES 1161 (REV 04/16)

# CALSTRS

California State Teachers' Retirement System  
P.O. Box 15275, MS 17  
Sacramento, CA 95851-0275  
800-228-5453  
CalSTRS.com

Please thoroughly read the attached instructions before completing this form. Please type or print legibly in dark ink. This form must be submitted to CalSTRS prior to the member's first day of performing service in the Reduced Workload Program.

## SECTION 1: MEMBER INFORMATION

MEMBER NAME (LAST, FIRST, INITIAL)

CLIENT ID OR SOCIAL SECURITY NUMBER

COUNTY CODE/NAME

DISTRICT CODE/NAME

## SECTION 2: REDUCED WORKLOAD PROGRAM ELIGIBILITY REQUIREMENTS

YES

NO

1. The governing board of the employer or a county superintendent of schools established regulations which allow employees who are members of the DB program to participate in the Reduced Workload Program.

2. Member has:

- Attained age 55 prior to the Effective Date of Workload Reduction.
- At least 10 years of service credit prior to the Effective Date of Workload Reduction.
- Been employed in a full-time position without a break in service for each of the five years immediately preceding the Reduced Workload Program effective date.
- Salary not greater than that of School principal (K-12), pursuant to Education Code section 44922. Community colleges have no limit.

3. Agreement:

- Exists between employer and member.
- Is in effect prior to the beginning of the academic year.
- Requires member to work at least 50 percent of full time position.

4. Reduction in workload is not more than 10 years.

Note: If the response to any of the above items is "NO," the member may not be eligible to participate in the Reduced Workload Program. Please contact CalSTRS immediately for final determination.

AGREEMENT EFFECTIVE DATE	ACADEMIC YEAR BEGIN DATE	EFFECTIVE DATE of WORKLOAD REDUCTION	FULL-TIME SALARY	PERCENTAGE OF FULL- TIME CONTRACT
			\$	%

## SECTION 3: EMPLOYER CERTIFICATION AND SIGNATURE

I hereby certify by submitting this form that the member mentioned above is eligible to participate in the Reduced Workload Program as described in Education Code sections 22713, 44922 (K-12), and 87483 (community college). **I understand that this certification must be completed and approved by CalSTRS before the member begins working a reduced schedule.** I understand it is a crime to fail to disclose a material factor to make any knowingly false material statements for the purpose of altering a benefit administered by CalSTRS and it may result in penalties, including restitution, up to one year in jail and a fine up to \$5,000 (Education Code section 22010).

OFFICIAL'S NAME & TITLE	OFFICIAL'S SIGNATURE	DATE

CalSTRS USE ONLY	CalSTRS SIGNATURE	APPROVAL DATE



ES1161

# Reduced Workload Program Eligibility Certification -Instructions

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Read these instructions before completing this form. Print or type in dark ink. Initial all corrections.

Use this *Reduced Workload Program Eligibility Certification* form to verify the member's eligibility for the Reduced Workload Program, per Education Code section 22713, 44922, and 87483. This form must be submitted to CalSTRS prior to the member's first day of performing service in the Reduced Workload Program.

## SECTION 1—MEMBER INFORMATION

Enter member's full name, Client ID or Social Security Number, County code and name, and District Code and name.

## SECTION 2—REDUCED WORKLOAD PROGRAM ELIGIBILITY REQUIREMENTS

Per Education Code section 22713, 44922, and 87483, specific requirements must be met for any member to participate in the Reduced Workload Program. Review each part 1 through 4, and check the corresponding "YES" or "NO" box that is applicable to the member meeting each requirement. If the response to any of the requirements is "NO", the member may not be eligible to participate in the Reduced Workload Program. Please contact CalSTRS immediately for final determination.

**Agreement Effective Date** is the date in which the agreement between the employer and member is established for the member to participate in the Reduced Workload Program. The agreement effective date must be before the academic year begin date.

**Academic Year** is interpreted to mean the period of time beginning the first day, and ending the last day, creditable service is required to be performed. The academic year begin date is the first day of the academic year.

**Effective Date of Workload Reduction** is the first day of instruction in which the member has reduced his or her workload. The RWP effective date must either be on or after the academic year begin date.

**Full-Time Salary** is the annual pay rate the member participating in the Reduced Workload Program would have earned if he or she were to be employed on a full-time basis.

**Percentage of Full-Time Contract** means the percentage of time the member will be reducing his or her full-time contract to. The member must work at least 50% of a full-time contract.

## SECTION 3—EMPLOYER CERTIFICATION AND SIGNATURE

Sign and date this form before submitting it to CalSTRS. This form will not be accepted without a signature and date.

## SUBMIT

**This form must be submitted to CalSTRS prior to the member's first day of performing service in the Reduced Workload Program.**

Mail form:  
CalSTRS  
P.O. Box 15275, MS 17  
Sacramento, CA 95851-0275

Fax form:  
(916) 414 - 5476

Transmit form via secure messaging by means of the Secure Employer Website (SEW)

## QUESTIONS

For information regarding the Reduced Workload Program or this form, please contact your CalSTRS Employer Services representative.



# Permissive Membership

ES0350 (Rev. 1/16)

# CALSTRS

California State Teachers' Retirement System  
P.O. Box 15275, MS 17  
Sacramento, CA 95851-0275  
800-228-5453  
CalSTRS.com

## PERMISSIVE ELECTION AND ACKNOWLEDGEMENT OF RECEIPT OF CALSTRS DEFINED BENEFIT PLAN MEMBERSHIP INFORMATION

An employee who performs creditable service (Education Code Section 22119.5), and who is excluded from mandatory membership pursuant to Section 22601.5, 22602, or 22604, may elect membership in the California State Teachers' Retirement System (CalSTRS) Defined Benefit Program at any time while employed to perform creditable service. If you elect membership below, then your election becomes irrevocable until you terminate employment and receive a full refund of your accumulated contributions.

### EMPLOYEE CERTIFICATION

NAME (LAST, FIRST, INITIAL)		CLIENT ID OR SOCIAL SECURITY NUMBER	
MAILING ADDRESS		POSITION TITLE	
CITY, STATE, ZIP CODE		HOME TELEPHONE	
E-MAIL ADDRESS			
<p>I certify that I have received information from my employer on my eligibility to elect membership in CalSTRS Defined Benefit Program and that I am making the following election. I fully understand this election is irrevocable and applies to all future creditable service performed for all CalSTRS covered employers until I terminate employment and refund my CalSTRS contributions.</p> <p>I understand it is a crime to fail to disclose a material fact or to make any knowingly false material statements for the purpose of altering a benefit administered by CalSTRS and it may result in penalties, including restitution, up to one year in jail and a fine of up to \$5,000 (Education Code Section 22010).</p>			
I elect membership <input type="checkbox"/>		I decline membership at this time <input type="checkbox"/>	
SIGNATURE		DATE	

### TO BE COMPLETED BY EMPLOYER

I certify that the above-named employee has been provided with the membership criteria for the CalSTRS Defined Benefit (DB) Program and was informed within 30 days of hire that they may elect membership in the Program at any time while employed to perform creditable service. (Education Code Section 22455.5). I understand this form, containing the above-named employee's election, must be on file with CalSTRS before contributions can be submitted into the program.

OFFICIAL'S SIGNATURE		TITLE				
COUNTY (or Other Employing Agency)		DISTRICT				
EMPLOYEE #	SEX MALE      FEMALE	BIRTHDAY (MM/DD/YY)	MEMBERSHIP DATE (MM/DD/YY)	ASSIGNMENT FT      PT      SUB		



ES0350

ES350 • REV 1/16

# Retirement System Election

ES0372 (rev 03/16)

# CALSTRS®

California State Teachers' Retirement System  
P.O. Box 15275, MS 17  
Sacramento, CA 95851-0275  
800-228-5453  
CalSTRS.com

## RETIREMENT SYSTEM ELECTION AND ACKNOWLEDGEMENT OF RECEIPT OF CALSTRS DEFINED BENEFIT PLAN MEMBERSHIP INFORMATION AND OTHER PUBLIC RETIREMENT SYSTEM INFORMATION

PLEASE READ THE ATTACHED INSTRUCTIONS BEFORE COMPLETING THIS FORM. PLEASE TYPE OR PRINT LEGIBLY IN DARK INK.

### SECTION 1: MEMBER INFORMATION AND ELECTION (to be completed by employee)

NAME (LAST, FIRST, INITIAL)

FULL SOCIAL SECURITY NUMBER

HIRE DATE

EFFECTIVE DATE OF POSITION

POSITION TITLE

☐ Credentialed  
Service

☐ Classified

☐ State

Employment in the California public school system is generally subject to coverage by either the California State Teachers' Retirement System (CalSTRS), or a different public retirement system including but not limited to the California Public Employees' Retirement System (CalPERS).

A member of CalSTRS who becomes employed by the same or a different school district, a community college district, a county superintendent of schools or limited state employment, as defined in Education Code Section 22508, to perform service that requires membership in a different public retirement system will have that service credited with that other public retirement system unless he/she files a written election (within 60 days from the date of hire in the new position) to have the service credited with CalSTRS.

A member of CalPERS who is employed by a school employer, Board of Governors of Community College Districts or State Department of Education or has at least five years of CalPERS credited service, as defined in Government Code Section 20309, and who subsequently becomes employed to perform creditable service that requires membership in CalSTRS, will have that service credited with CalSTRS unless he/she files a written election (within 60 days of the date of hire in the new position) to have the service credited with CalPERS.

I am a member of CalSTRS who has accepted employment to perform service that requires membership in a different public retirement system but am eligible to elect to continue retirement system coverage under CalSTRS.

I elect coverage in: (please choose one)

☐ CA State Teachers' Retirement System (CalSTRS)

☐ CA Public Employee's Retirement System (CalPERS) \*

☐ Other: \_\_\_\_\_

OR

I am a member of CalPERS who has accepted employment to perform service that requires membership in CalSTRS but am eligible to elect to continue coverage under CalPERS.

I elect coverage in: (please choose one)

☐ CA State Teachers' Retirement System (CalSTRS)

☐ CA Public Employee's Retirement System (CalPERS) \*

With my signature below, I certify that I have received information from my employer regarding my eligibility to elect membership for this position as described on this form. I fully understand that this election is irrevocable. I understand it is a crime to fail to disclose a material fact or to make any knowingly false material statements for the purpose of altering a benefit administered by CalSTRS and it may result in up to one year in jail and a fine of up to \$5,000. (Education Code section 22010).

EMPLOYEE SIGNATURE

DATE

### SECTION 2: EMPLOYER CERTIFICATION (to be completed by employer and County Office of Education)

I certify that the employee meets the qualifications to make a retirement system election.

CO/DIST/STATE DEPT NAME

CALSTRS REPORT UNIT CODE

SCHOOL/STATE OFFICIAL'S NAME

TITLE

PHONE NUMBER

SIGNATURE OF SCHOOL/STATE OFFICIAL

DATE

COUNTY OFFICIAL'S NAME

TITLE

PHONE NUMBER

SIGNATURE OF COUNTY OFFICIAL

\*CalPERS Employer Code:



ES0372

## Retirement System Election – Information and Instructions

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The following instructions are to assist you and your employer in completing the *Retirement System Election* form (ES372). Please read the instructions and information for retirement system coverage before completing the form.

Please type or print legibly in dark ink. Do not use light colors of ink, pencil, felt pen, or erasable ink. If you should make a mistake on the form, line through the error and initial.

### INFORMATION

A member of the CalSTRS Defined Benefit Program who becomes employed by a school district, a community college district, a county superintendent of schools or limited state departments to perform service that requires membership in a different public retirement system, may elect to receive credit under the CalSTRS Defined Benefit Program for such service by submitting a *Retirement System Election* form (ES372) to CalSTRS, within 60 days of the effective date of employment in the position requiring membership in the other system. If the CalSTRS member does not elect to continue as a member of CalSTRS, all service subject to coverage by the other public retirement system will be reported to that retirement system. (Education Code section 22508)

A member of CalPERS who was employed by a school employer, Board of Governors of California Community Colleges, or State Department of Education or has at least five years of CalPERS credited service and who accepts employment to perform creditable service that requires membership by the CalSTRS Defined Benefit Program, may elect to receive credit under CalPERS for such service by submitting a *Retirement System Election* form (ES372) to CalPERS, within 60 days of the effective date of employment in the position requiring membership in the other system. If the CalPERS member does not elect to continue as a member of CalPERS, all CalSTRS creditable service will be reported to CalSTRS. (Government Code section 20309).

### SECTION 1: MEMBER INFORMATION AND ELECTION

Section 1 of the form must be completed by the employee with assistance from the employer. Please complete all entries in Section 1. Keep a copy of the form for your records.

**EMPLOYEE NAME and SOCIAL SECURITY NUMBER** – Enter employee's full name, and full Social Security Number.

**HIRE DATE** – Enter the date the employee was hired in the position.

**EFFECTIVE DATE OF POSITION** - Enter the effective date of the new position. This is the first date that service was/will be performed by the employee in the new position.

**POSITION TITLE** – Enter employee's new position title and check the box next to the applicable position type.

#### RETIREMENT SYSTEM COVERAGE:

If you are a member of CalSTRS and have accepted employment to perform service that requires membership in a different public retirement system, enter an "X" in the box next to the coverage you elect.

If you are a member of CalPERS and have accepted employment to perform service that requires membership in CalSTRS, enter an "X" in the box next to the coverage you elect.

**EMPLOYEE SIGNATURE** – Sign and date the *Retirement System Election* form (ES372). By signing this document, you understand this election is irrevocable for this employer, and that it is a crime to fail to disclose a material fact or to make any knowingly false material statements for the purpose of altering a benefit administered by CalSTRS and it may result in up to one year in jail and a fine of up to \$5,000. (Education Code section 22010)

Submit the signed and dated *Retirement System Election* form (ES372) to your employer. Retain a copy for your records.

For further information, contact CalSTRS by calling 800-228-5453, or write to CalSTRS at P.O. Box 15275, MS 17, Sacramento, CA 95851-0275.

### SECTION 2: EMPLOYER CERTIFICATION

Section 2 of the form must be completed by the employer and the County Office of Education. Please complete the employer certification only after the employee has completed Section 1. Employees must qualify for membership before they can elect.

#### EMPLOYER:

**CO/DIST CODE/STATE DEPARTMENT** – Enter the appropriate county and district codes. Example: Kern County, Edison Elementary would be 15-012, CA Department of Education 59-174.

**EMPLOYER CERTIFICATION** – Print school or state official's name, title and phone number, sign and date the *Retirement System Election* form (ES372).

Submit the completed *Retirement System Election* form (ES 372) to the County Office of Education or if you represent a state department, send it directly to CalSTRS and send a copy to the other public retirement system.

#### COUNTY OFFICE OF EDUCATION:

Review, sign and date the *Retirement System Election* form (ES372).

Mail the original *Retirement System Election* form (ES372) form to the retirement system elected by the employee and a copy to the retirement system that would normally cover the service. Provide copies for the employer, employee and employee's file.



California Public Employees' Retirement System  
P.O. Box 942709  
Sacramento, CA 94229-2709  
(888) CalPERS (or 888-225-7377)  
TTY: (877) 249-7442  
[www.calpers.ca.gov](http://www.calpers.ca.gov)

Circular Letter No.: 200-015-16  
Distribution: V, VI, XII, XVI

## Circular Letter

May 4, 2016

**TO: PUBLIC AGENCIES, SCHOOL EMPLOYERS, NON-CENTRAL STATE AGENCIES, AGRICULTURAL DISTRICTS, SENATE RULES COMMITTEE, AND ASSEMBLY RULES COMMITTEE**

**SUBJECT: REPORTING PERMANENT SEPARATION DATES IN my|CALPERS**

The purpose of this Circular Letter is to reiterate the importance of reporting permanent separation dates in my|CalPERS. With the integration of our membership, health, payroll, and benefit systems in my|CalPERS, an employee's permanent separation date must be reported consistently and uniformly by all Business Partners.

### **Permanent Separation Dates**

Permanent separations should be reported once an employee ends employment with your agency, for any reason, so that accurate membership details are captured in the employee's my|CalPERS account. Accurate reporting of permanent separation dates will ensure that benefits are administered timely and accurately, especially for those employees nearing retirement.

Please note that if an employee does not return from a leave of absence, a permanent separation date needs to be reported to the employee's my|CalPERS account.

Permanent separations must be reported as the day after the last day an employee works for your agency, which is often the day after the last day on payroll. The permanent separation date will frequently be the same day as a member's retirement date or start date of a new appointment. All transactions within my|CalPERS, including health and retirement, rely on the permanent separation date to be reported in this manner. Therefore, it is imperative that all Business Partners follow this important business rule to avoid transaction errors due to automatic system validations.

### **System Enhancements**

my|CalPERS will be updated with enhancements which are reliant on correct appointment information within my|CalPERS. As a result, it is important that the correct membership appointment details are maintained by employers in my|CalPERS.

**Scenarios**

The following scenarios show examples where entering a permanent separation date on the employee's my|CalPERS account is required. Process a permanent separation if an employee:

- Retires from your agency
- Does not return from a leave of absence
- Has a health only appointment and cancels their health coverage
- Voluntarily terminates their employment
- Is a substitute teacher who will not return to your agency
- Becomes deceased

**Circular Letters**

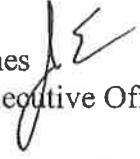
For more information on permanent separation dates, refer to Circular Letter #200-002-13 and Circular Letter #200-070-11.

If you have any questions, please contact the CalPERS Customer Contact Center at **888 CalPERS** (or **888-225-7377**).

Renee Ostrander, Chief  
Employer Account Management Division

February 25, 2016

TO: All County Superintendents of Schools  
District Superintendents of Schools  
County Offices of Education and  
Charter School Administrators

FROM: Jack Ehnes   
Chief Executive Officer

SUBJECT: Employer Directive 2016-04  
***Supersedes Employer Information Circular Volume 28, Issue 1 (EIC12-1)***  
Reorganization and Clarification of Definition of "Creditable Service," Education  
Code Sections 22119.5 and 26113.

### **PURPOSE**

This directive notifies employers of changes to Education Code sections 22119.5 and 26113, the definition of "creditable service," made by Chapter 782, Statutes of 2015 (Assembly Bill 963), that became effective January 1, 2016.

### **SCOPE**

This directive contains information for county superintendents of schools, school districts, charter schools, community college districts and any agency that employs persons to perform creditable service under the CalSTRS Defined Benefit (DB), Defined Benefit Supplement (DBS) and Cash Balance (CB) Benefit programs.

### **DISCUSSION**

Chapter 782, Statutes of 2015, reorganizes Education Code sections 22119.5 and 26113, the definitions of "creditable service" for the DB and CB Benefit programs respectively. The amendments clarify the certification qualifications and minimum standards requirements that need to be met, as well as activities that are considered creditable service.

### **Credentialing Requirements**

Chapter 782 makes more specific the certification qualifications and minimum standards requirements that must be met in order for the activities performed to be creditable to CalSTRS.

Education Code sections 22119.5(a) and 26113(a) now specify that in order for service to be creditable to CalSTRS, members and participants must perform creditable activities for one of the following employers as specified:

1. A prekindergarten through grade 12 employer, including the state, when the service is performed in a position requiring certification qualifications as designated in regulations adopted by the Commission on Teacher Credentialing (CTC) pursuant to Education Code section 44001.
2. A community college employer when the service is performed by a faculty member (defined in Education Code section 87003) in an academic position (defined in Education Code section 87001(b)), or when it is performed by an educational administrator (defined in Education Code section 87002(b)), subject to the appropriate minimum standards adopted by the Board of Governors of the California Community Colleges, or pursuant to a contract between a community college district and the US Department of Defense to provide vocational training.
3. A charter school employer under the provisions of an approved charter for the operation of a charter school which is eligible to receive state apportionment.

#### Creditable Activities

Chapter 782 also updates and clarifies the types of activities that are considered creditable. The notable amendments to the activities that are creditable if performed by an individual who meets the requirements outlined in Education Code sections 22119.5(a) and 26113(a) include (amendments are *italicized*):

- The work of *employees* who plan courses of study to be used in California public schools, or research connected with the evaluation or efficiency of the instructional program.
- The selection, collection, preparation, classification, demonstration, or evaluation of instructional material of any course of study for use in the development of the instructional program in California public schools, or other services related to *California public* school curriculum.
- The examination, selection, in-service training, *mentoring*, or assignment of teachers, principals, or other similar personnel involved in the instructional program.
- The work of nurses, physicians, speech therapists, psychologists, audiometrists, audiologists, and other *California public* school health professionals.
- Services as a *California public* school librarian.
- *Activities connected with the enforcement of the laws relating to compulsory education, coordination of child welfare activities involving the school and the home, and the school adjustment of pupils.*

Creditable service also includes the activities listed in Education Codes sections 22119.5(b) and 26113(b) when they are performed for an employer by (amendments are *italicized*):

- Superintendents of California public schools, *and presidents and chancellors of community college employers.*
- *Consulting teachers employed by an employer to participate in the California Peer Assistance and Review Program for Teachers pursuant to Article 4.5 (commencing with Section 44500) of Chapter 3 of Part 25 of Division 3 or Title 2.*

#### Outgrowth Activities

Chapter 782 also amends Education Code sections 22119.5 and 26113 to require that outgrowth activities are only creditable when they are performed for the same employer for which the member is performing any of the other creditable activities.

#### ACTION

Report service to CalSTRS that meets the definition of “creditable service” as described in Education Code section 22119.5 or 26113. The title of the position has no bearing on the creditability of the service, but the duties of the position should be in accordance with Education Code section 22119.5 or 26113.

If you are unsure to which retirement system you should report the service of some of your employees, please contact the Member Account Services Training and Teachers’ Retirement Law team using the information below, and we will work with you to determine how the service should be reported.

This employer directive does not take precedence over the law. To view Chapter 782, Statutes of 2015 (Assembly Bill 963), in its entirety, please go to <http://leginfo.legislature.ca.gov>.

If you have any questions regarding this employer directive, please contact the CalSTRS Member Account Services Training and Teachers’ Retirement Law team by emailing [MASTrainingandTRL@calstrs.com](mailto:MASTrainingandTRL@calstrs.com) or calling toll free 844-679-7833.



# Employer Information Circular

**Volume 32; Issue 3 February 24, 2016**

**Volume 32; Issue 3**

**February 24, 2016**

### **EXEMPTION TO THE SEPARATION-FROM-SERVICE REQUIREMENT**

In response to concerns about the difficulty employers are having in hiring teachers, including substitute teachers, during the current teacher shortage, the purpose of this circular is to inform employers that existing law provides for an exemption to the separation-from-service requirement imposed immediately after retirement if the retired CalSTRS Defined Benefit Program member or Cash Balance Benefit Program participant receiving an annuity is hired in a critically needed position and meets other eligibility criteria.

#### Separation-from-Service Requirement

Pursuant to Education Code sections 24214.5 and 26812, there is a 180 calendar day separation-from-service requirement for all retired CalSTRS members and participants receiving an annuity, during which the postretirement compensation limit for the performance of retired member and participant activities is zero dollars (\$0). This limitation applies whether the member or participant is providing services either an employee of an employer, an employee of a third party (except under certain circumstances) or as an independent contractor. Any compensation paid to the member or participant during the first 180 calendar days after retirement will result in a dollar-for-dollar reduction in the benefit or annuity paid to the member or participant.

#### Exemption to the Separation-from-Service Requirement

Under certain qualifying circumstances, a narrow exemption from the 180 calendar day separation-from-service requirement for a retired CalSTRS member or participant receiving an annuity would apply.

#### Requirements for Exemption Qualification

In order to qualify for this exemption:

- The retired CalSTRS member or participant must:
  - ☐ Be at or above normal retirement age at the time the compensation is earned.
    - For CalSTRS 2% at 60 members and participants not subject to the Public Employees' Pension Reform Act of 2013, the normal retirement age is age 60.
    - For CalSTRS 2% at 62 members and participants subject to the Public Employees' Pension Reform Act of 2013, the normal retirement age is age 62.
  - ☐ Not begin performing retired member or participant activities until CalSTRS receives all required documentation.
- The governing body of the employer must:
  - ☐ Approve the retired CalSTRS member or participant appointment by adopting a resolution in a public meeting.

- The resolution must (see attached sample resolution):
  - ☐ Be adopted before the retired CalSTRS member or participant begins performing retired member or participant activities under the exemption.
  - ☐ Not be placed on a consent calendar.
  - ☐ Include the following specific information and findings:
    - The intent to seek an exemption for the retired member or participant from the 180 calendar day separation-from-service requirement.
    - The nature of the employment.
    - A finding that the appointment is necessary to fill a critically needed position before the 180 calendar day separation-from-service requirement is fulfilled.
    - A finding that the retired member or participant did not receive a retirement incentive or any financial inducement to retire from any public employer.
    - A finding that the retired member's or participant's termination of employment is not the basis for the need to acquire his or her services.
- \* In order to facilitate the process of reviewing the resolution, specify the retired member's or participant's full name.
- The superintendent, the county superintendent of schools or the chief executive officer of a community college must:
  - ☐ Complete the *Request for Separation-from-Service Requirement Exemption* (SR 1897) form, which is available in "Reference Items" on the Secure Employer Website.
- CalSTRS must:
  - ☐ Receive the *Request for Separation-from-Service Requirement Exemption* form and the aforementioned resolution before the retired CalSTRS member or participant begins performing service under the exemption.
  - ☐ Notify the employer and the retired member or participant within 30 days of receipt of all required documentation that the required documentation is in compliance with the law and the service performed is exempt from the 180 calendar day separation-from-service requirement.

If the separation-from-service requirement exemption is in compliance with the law, the retired CalSTRS member or participant will only be exempt from the separation-from-service requirement. Retired Defined Benefit Program members' earnings during the 180 calendar day period will still be subject to the annual postretirement earnings limit. In 2015-16, the annual is limit is \$40,321, and in 2016-17, the limit is \$41,732.

**NOTE:** If the required documentation is not in compliance with the law prior to performing retired member or participant activities, the exemption to the separation-from-service requirement does not apply, and the retired member or participant is subject to the zero dollar (\$0) earnings limit. In addition, even if the retired member is exempted from the separation-from-service requirement, retired members lose the benefits of CalSTRS Retirement Incentive Program if they were previously granted service credit under the program and return within five years to any job, including substitute teaching, with their school district, community college district, or county office of education that granted the member's incentive credit.

*[NAME OF EMPLOYER]*

**RESOLUTION FOR EXEMPTION TO THE SEPARATION-FROM-SERVICE  
REQUIREMENT PURSUANT TO SECTION 24214.5 OR 26812 OF  
THE EDUCATION CODE**

*[Resolution Number]*

WHEREAS, pursuant to Education Code section 24214.5 and 26812, there is a 180 calendar day separation-from-service requirement for all retired CalSTRS members and participants; and,

WHEREAS, all retired CalSTRS members and participants are subject to a restriction if they perform retired member activities as defined by section 22164.5 of the Education Code or retired participant activities as defined by section 26135.7 of the Education Code, during the first 180 calendar days after their most recent retirement; and,

WHEREAS, if the retired CalSTRS member or participant performed retired member or participant activities during this period, CalSTRS will reduce his or her retirement benefit or annuity one dollar for each dollar earned for performing retired member or participant activities during the 180-day period; and,

WHEREAS, there is an exemption from the 180 calendar day separation-from-service requirement for a member or participant who retires for service and is at or above normal retirement age; and,

WHEREAS, in order to qualify for this narrow exemption, the employer must appoint the retired member or participant to a critically needed position that has been approved by the governing body of the employer in a public meeting as reflected in a resolution; and,

WHEREAS, this approval by the governing body of the employer in a public meeting as reflected in a resolution must be finalized and communicated to CalSTRS before the member or participant commences to perform retired member or participant activities; and,

WHEREAS, the *[TITLE OF CHIEF EXECUTIVE OFFICER OF EMPLOYER]* must complete the *Request for Separation-from-Service Requirement Exemption* form, which must be submitted to CalSTRS and received by CalSTRS before the member or participant commences to perform retired member or participant activities,

NOW, THEREFORE, BE IT RESOLVED that this Board does provide public notice that the district is in critical need of a *[POSITION]* to *[NATURE OF THE POSITION]* because *[DESCRIBE CRITICAL NEED]*;

AND BE IT FURTHER RESOLVED that the Board wishes to meet this critical need by hiring *[NAME OF MEMBER]*, a member or participant who retired for service less than 180 days ago or who will retire;

AND BE IT FURTHER RESOLVED that this appointment is needed to fill this critical need before the 180 calendar day separation-from-service requirement is fulfilled;

[DATE]



California State Teachers'  
Retirement System  
Executive Office  
PO Box 15275  
Sacramento, CA 95851-0275  
www.CalSTRS.com

April 13, 2016

TO: All County Superintendents of Schools  
District Superintendents of Schools  
Charter School Administrators  
Community College Districts and  
Other Employing Agencies

FROM: Jack Ehnes  
Chief Executive Officer

SUBJECT: Employer Directive 2016-05  
Employer Direct Reporting

### **PURPOSE**

This directive notifies employers about the newly adopted regulations that outline the direct reporting requirements that must be met in order to report directly to CalSTRS pursuant to Education Code section 23004 and Sections 27702 through 27705 in Article 1, of Chapter 3, Division 3, Title 5 of the California Code of Regulations (Regulations).

### **SCOPE**

This directive contains information for local school districts and community colleges that wish to request to become a direct reporting source with CalSTRS. These regulations are effective for existing direct reports as well as future applicants moving forward.

### **DISCUSSION**

Sections 27702 through 27705 of the Regulations clarify Education Code Section 23004, which authorizes the Teachers' Retirement Board to approve school districts and community colleges to directly report to CalSTRS.

#### **CalSTRS Employer Direct Reporting Objective**

The regulations specify the CalSTRS Employer Direct Reporting qualification criteria, which can be applied consistently to eligible applicants. This will provide school districts and community colleges with the opportunity to consistently report contributions on an independent basis.

EMPLOYER DIRECTIVE 2016-05

April 13, 2016

Page 3 of 3

If you are unsure whether you meet the CalSTRS Employer Direct Reporting requirements, please contact your CalSTRS Member Account Services Employer Representative.

This employer directive does not take precedence over the regulations governing CalSTRS and the Teachers' Retirement Law (commencing at section 23000 of the Education Code). A copy of the Employer Direct Reporting Regulations is available on SEW under reference items, or online at [calstrs.com/general-information/employer-direct-reporting](http://calstrs.com/general-information/employer-direct-reporting).

If you have any questions regarding this employer directive, please contact the CalSTRS Member Account Services Training and Teachers' Retirement Law team by emailing [MASTrainingandTRL@calstrs.com](mailto:MASTrainingandTRL@calstrs.com) or calling toll free 844-679-7833.

Employer Directive 2016-06

Supersedes Employer Directive 2003-06

**CalSTRS Retirement Incentive Program and Legislative Changes**

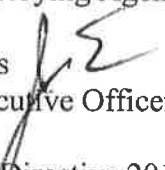




California State Teachers'  
Retirement System  
Executive Office  
PO Box 15275  
Sacramento, CA 95851-0275  
CalSTRS.com

April 13, 2016

TO: All County Superintendents of Schools  
District Superintendents of Schools  
Charter School Administrators  
Community College Districts and  
Other Employing Agencies

FROM: Jack Ehnes   
Chief Executive Officer

SUBJECT: Employer Directive 2016-06  
*Supersedes Employer Directive 2003-06*  
CalSTRS Retirement Incentive Program and Legislative Changes

### **PURPOSE**

This employer directive is intended to inform and remind employers of:

- Procedures regarding the Retirement Incentive Program.
- Legislative changes and the impact on the Retirement Incentive Program.

### **SCOPE**

This directive contains information for county superintendents of schools, school districts, charter schools, community college districts and any employing agencies that employ California State Teachers' Retirement System members who are granted the retirement incentive. The procedures described in this directive supersede those described in the Employer Directive 2003-06 for the Retirement Incentive Program.

### **DISCUSSION**

Chapter 313, Statutes of 2003 (Assembly Bill 1207), made the Retirement Incentive Program permanent, which provides for an additional two years of service credit. Employers, including charter schools, may offer the Retirement Incentive Program. Participating school employers are required to, among other things: demonstrate a cost savings over a period of time, agreed to by the county superintendent, Superintendent of Public Instruction or chancellor, as appropriate; pay for the entire cost, including the administrative fee, in a lump-sum payment or in deferred payments over no more than an eight-year period of time (regular interest compounded monthly will be charged on the balance for the deferred payment plan); and offer the retirement incentive within a designated period of time (referred to as the window period).

the retirement incentive from the employer; CalSTRS is not authorized to accept payments directly from members to pay for the retirement incentive. In instances where the member's benefit increase is forfeited, any remaining balance due to CalSTRS must still be paid by the employer.

The cost of the Retirement Incentive Program for each member will vary depending on his or her specific age, service credit and final compensation. For example, a member who is age 60 with 30 years of service credit and has a monthly final compensation amount of \$5,000 per month would receive an additional \$220 per month for two additional years of service credit. The employer's cost would be approximately \$35,400 for the two years of service credit.

#### **Administrative Fee**

The administrative fee is \$290 for the lump-sum payment and \$360 for the deferred payment plan per member who receives the retirement incentive.

#### **Calculating the Cost for a Specific CalSTRS Member**

The actual cost of the retirement incentive will be provided by CalSTRS after the appropriate forms are submitted. Employers should estimate the cost for any specific eligible employee by following the steps below.

##### For CalSTRS 2% at 60 members:

1. If the member has 25 or more years of credited service, determine the member's highest average annual compensation earnable during any period of 12 consecutive months plus any special compensation creditable to the Defined Benefit Program.

If the member has less than 25 years of credited service, add the member's highest average annual compensation earnable during any period of 36 consecutive months plus any special compensation and divide the sum of the three years' salary by three to get the average yearly salary.

2. If the member has less than 30 years of credited service, multiply the result from number 1 above by the factor from Exhibit A-1, Table 1 (Attachment 1) for the member's age in years and months at retirement.

If the member has 30 or more years of credited service, multiply the result from number 1 above by the factor from Exhibit A-1, Table 2 (Attachment 2) for the member's age in years and months at retirement.

##### For CalSTRS 2% at 62 members (subject to the Public Employees' Pension Reform Act of 2013):

1. Add the member's highest average annual compensation earnable during any period of 36 consecutive months plus any special compensation and divide the sum of the three years' salary by three to get the average yearly salary.

### **Postretirement Employment Restrictions**

According to Education Code section 22714(g), (h) and (i), members who retire and receive the retirement incentive and then return to work in the California public school system will forfeit the benefit increase received, without exception, if any of the following situations apply:

- The member reinstates to active CalSTRS member status. The benefit is forfeited as of the reinstatement date and will not be included in future retirement allowance calculations.
- The member returns to work in **any** job with the school district, community college district or county office of education that granted the Retirement Incentive Program within five years of the retirement date. The benefit increase is forfeited effective on the first day of the month in which the member worked.
- The member receives unemployment insurance payments within one year of the effective date of the formal action of the governing board.

Prior to hiring, employers are required by Education Code section 22461 to notify retired members of the restrictions imposed by the terms of the Retirement Incentive Program. Employers must notify CalSTRS when the employer hires a retired member who is receiving a benefit that includes a retirement incentive. If the employee is not performing retired member activities, the employer must notify CalSTRS immediately at [RetirementIncentive@CalSTRS.com](mailto:RetirementIncentive@CalSTRS.com) to report such a hire. In addition, CalSTRS will obtain notification of retired member activities through the regular reporting of salary information.

Other restrictions on postretirement employment, applicable to all retired members, also apply to members receiving the retirement incentive. Refer to Employer Directive 16-03 for more information on these restrictions. CalSTRS will monitor the earnings of retired members who have been granted the retirement incentive. In instances where the member's benefit increase is forfeited, any remaining balances due to CalSTRS must still be paid by the employer.

### **ACTION**

#### **Employer Qualifying Requirements**

The State Controller's Office, in consultation with the Department of Finance and the Department of Education, annually develop an audit guide and plan to determine that Retirement Incentive Program costs are fairly stated and achieved. The forms submitted to CalSTRS must be made available for audit by participating employers and the State Controller. The State Controller and the county superintendent or chancellor then submit an annual cost analysis report to the Governor and the Legislature.

When an employer offers the Retirement Incentive Program, the benefit must be offered to all employees who have met retirement eligibility requirements.

### **Employer Certification Requirements**

To indicate intent to participate in the Retirement Incentive Program, the employer demonstrates and certifies to the next level of approving authority (county superintendent, Superintendent of Public Instruction, or chancellor) who, in turn, certifies to CalSTRS that the employer and the employee meet all requirements of Education Code sections 22714 and 44929 or 87488.

Certification requires original signatures of both the employer and the next level of authority.

The following forms must be completed, certified and submitted to CalSTRS:

- *Certification of Employer Participation* form (MS 1169-1) no later than 30 calendar days after the last day of the window period as established by formal action of the employer. CalSTRS must also receive a copy of the approved formal action, which may include a resolution or MOU.
  - This form is used to certify the employer meets the requirements under Education Code section 22714 and 44929 or 87488, and formal action was taken (usually in the form of an approved governing board resolution or a completed MOU agreement). The formal action must also indicate the window period.
  - The employer is required to certify, by selecting box #9, that it is participating in the Retirement Incentive Program under the authority of the applicable Education Code section and the formal action will result in projected cost savings to the employer.
- *Certification Information* forms (MS 1169-2 and MS 1169-3) to be sent with the *Certification of Employer Participation* form no later than 30 calendar days after the last day of the window period as established by formal action of the employer.
  - These forms are used to report cost savings information.
  - Note: The *Cost Savings Realization Worksheet* (Exhibit A-2, Attachment 4) supports information reported on these forms, but the *Cost Savings Realization Worksheet* is not submitted to CalSTRS.
- *Employer Certification of Member Eligibility* form (MS 187) must be submitted to CalSTRS no later than 30 calendar days after the last day of the window period as established by formal action of the employer.
  - This form is used to certify the employee meets the requirements under Education Code sections 22714 and 44929 or 87488 and to indicate the payment plan selected by the employer.

### **Employer Payment Requirements**

Employers are required to submit to CalSTRS the actuarial cost of the two additional years of service credit. The cost shall consist of:

- The present value of the benefit increase amount of two additional years of service credit.
- The CalSTRS administrative fee of \$290 for the lump-sum payment or \$360 for the eight-year deferred payment plan.
- Accrued interest, at the rate in effect on the effective date of retirement, applied to:

**LIST OF  
ATTACHMENTS**

<b>Attachment Number</b>	<b>Title of Attachment</b>	
1	Two-Year Retirement Incentive for Less Than 30 Years of Service	EXHIBIT A-1, TABLE 1    Page 10
2	Two-Year Retirement Incentive for 30 or More Years of Service	EXHIBIT A-1, TABLE 2    Page 11
3	Two-Year Retirement Incentive for Members Subject to PEPR	EXHIBIT A-1, TABLE 3    Page 12
4	Cost Savings Realization Worksheet	EXHIBIT A-2                Page 13
5	Domino Effect Example	EXHIBIT A-3                Page 14
6	Retirement Incentive Program Resolution	Page 15-16

# Exhibit A-1, Table 2

Two-Year Retirement Incentive  
for CalSTRS 2% at 60  
Members with 30 or  
More Years of Service

AGE	MONTHS OF AGE						
	0-2	3-5	6-8	9-11			
50	0.415	0.418	0.422	0.425			
51	0.429	0.432	0.436	0.439			
52	0.443	0.446	0.449	0.452			
53	0.455	0.458	0.462	0.465			
54	0.468	0.470	0.473	0.476			
55	0.479	0.486	0.493	0.500			
56	0.507	0.514	0.521	0.528			
57	0.534	0.541	0.547	0.554			
58	0.560	0.560	0.572	0.578			
59	0.584	0.590	0.596	0.602			
60	0.607	0.613	0.620	0.626			
61	0.632	0.638	0.644	0.641			
62	0.638	0.634	0.631	0.628			
63	0.625	0.621	0.618	0.615			
64	0.611	0.608	0.604	0.601			
65	0.598	0.594	0.591	0.587			
66	0.584	0.580	0.577	0.573			
67	0.569	0.566	0.562	0.559			
68	0.555	0.551	0.548	0.544			
69	0.540	0.536	0.533	0.529			
70	0.525	0.521	0.517	0.514			
71	0.510	0.506	0.502	0.498			
72	0.494	0.490	0.486	0.482			
73	0.478	0.474	0.470	0.465			
74	0.461	0.457	0.453	0.449			
75	0.445	0.440	0.436	0.432			
76	0.427	0.423	0.419	0.414			
77	0.410	0.406	0.401	0.397			
78	0.392	0.388	0.384	0.379			
79	0.375	0.370	0.366	0.361			
80	0.357	0.353	0.348	0.344			

**Exhibit A-2**  
**COST SAVINGS REALIZATION WORKSHEET**  
**Retirement Incentive Program**

RETIREE'S NAME:					
REPLACEMENT'S NAME:					
LINE ITEM			FULL PAY PLAN	DEFERRED PAY PLAN	MS1169 – 2&3 COLUMN
Retiree preretirement salary	1				
Retiree preretirement benefits	2	+			
Total retiree salary & benefits	3	=			
Replacement salary	4				
Replacement benefits	5	+			
Total replacement salary & benefits	6	=			
One year salary & benefit savings (line 3 – line 6)	7				13
Savings period in years (no maximum)	8	X			10
Estimated savings	9	=			
Present value cost from Employer Certification of Member Eligibility form (MS 187)	10				
CalSTRS administrative fee	11		\$290	\$360	
Deferred payment interest from Employer Certification of Member Eligibility form (MS 187)	12	+			
SUBTOTAL	13	=			8
Retiree two years postretirement health care cost	14	+			9
Total cost of Retirement Incentive Program	15	=			
Net Savings or Loss (9-15)	16	=			

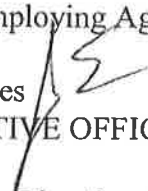
If showing a cost savings from the domino effect, refer to Domino Effect Example (Exhibit A-3) for the formula to use when calculating savings.





April 29, 2016

TO: All County Superintendents of Schools  
District Superintendents of Schools  
Community College Districts and  
Other Employing Agencies

FROM: Jack Ehnes   
EXECUTIVE OFFICE

SUBJECT: Employer Directive 2016-07  
***Supersedes Employer Directives 2015-02***  
Interest and Contribution Rates and Present Value Factor for Fiscal Year 2016-17

## PURPOSE

The purpose of this directive is to communicate the following rates and present value factors for the Defined Benefit (DB), Defined Benefit Supplement (DBS), and Cash Balance (CB) Benefit programs, as set forth by the Legislature and as adopted by the Teachers' Retirement Board:

- Member and Employer Contribution Rates – DB Program and CB Benefit Program
- Contribution Rate – DBS Program
- Regular Interest Rate – DB Program
- Credited Interest Rate – DB Program
- Minimum Interest Rate – CB Benefit Program and DBS Program
- Penalties and Interest Rate – DB Program and CB Benefit Program
- Permissive Service Credit Contribution Rate – DB Program
- Employer Contribution Rates for Elected Officials of Employee Organizations and Reduced Workload Program
- Present Value Factor for Unused Excess Sick Leave Service Credit

## SCOPE

This directive applies to all county superintendents of schools, school districts, community college districts, and other employing agencies that employ persons to perform creditable service under the CalSTRS DB, DBS and CB Benefit programs.

## **DISCUSSION**

### **Member and Employer Contribution Rates - DB Program**

Each employer must contribute to CalSTRS a specified percentage of the total creditable compensation earned by the employees who are members of the DB Program or participants of the CB Benefit Program.

Member and employer contribution rates are set in Education Code sections 22901, 22950 and 22951 for the DB Program. Effective July 1, 2014, Chapter 47, Statutes of 2014 (AB 1469–Bonta), added sections 22901.7 and 22950.5 to the Education Code, which outline the member contribution rate increases for creditable compensation for service performed on or after July 1, 2014, by CalSTRS 2% at 60 and CalSTRS 2% at 62 members and the employer contribution rate increases, respectively.

For the CalSTRS 2% at 62 benefit structure, employer contribution rates are set in statute for the DB Program and will increase pursuant to Education Code section 22950.5. However, members are required to pay one half of the normal cost of pension benefits. The normal cost of the pension benefits is determined each fiscal year, and the CalSTRS 2% at 62 member contribution rate will be adjusted if the normal cost has changed by more than one percent since the last adjustment in the member contribution rate. The percentage increase as set forth in Education Code section 22901.7 will then be applied to the new normal cost.

Please refer to Employer Directive 2014-05 ([ED14-05](#)) for additional information on Chapter 47, Statutes of 2014 (AB 1469–Bonta), including the schedule of member and employer contribution rate percentage increases.

The DB Program member and employer contribution rates are as follows:

<b>Fiscal Year Creditable Service Performed In</b>	<b>DB Member Contribution Rate CalSTRS 2% at 60</b>	<b>DB Member Contribution Rate CalSTRS 2% at 62</b>	<b>DB Employer Contribution Rate</b>
Prior to 7/1/2014	8.00%	8.00%	8.25%
2014-15	8.15%	8.15%	8.88%
2015-16	9.20%	8.56%	10.73%
2016-17	10.25%	9.205%	12.58%

### **Member and Employer Contribution Rates - CB Benefit Program**

Pursuant to Education Code section 26504, the member and employer contribution rates for the CB Benefit Program may be negotiated through the collective bargaining process and may vary by employer, provided all of the statutory minimum contribution rates for the CB Benefit Program are met.

Chapter 559, Statutes of 2013 (AB 1381–PER&SS), amended Education Code section 26504 to allow CB contribution rates that were bargained for prior to January 1, 2014, to remain in effect as outlined in the collective bargaining agreement for CB participants whose bargaining

agreements were still in effect as of January 1, 2014. However, employers cannot negotiate new collective bargaining agreements, or extend, renew or amend current bargaining agreements, in which the employee contribution rate is less than the employer contribution rate.

### **Contribution Rates - DBS Program**

Employer and member contribution rates are set in statute for the DBS Program. Effective July 1, 2014, Chapter 47, Statutes of 2014 (AB 1469–Bonta), specifies the amount of required member contributions creditable to the DBS Program remains 8 percent for CalSTRS 2% at 60 members, and remains half of the normal cost rate, as adopted by the board, for CalSTRS 2% at 62 members pursuant to Education Code section 22901.

The employer contribution rate for compensation that is creditable to the DBS Program for all CalSTRS members remains 8.25 percent pursuant to Education Code sections 22950 and 22951. Of this amount, 8 percent is credited to the member's DBS account, and 0.25 percent goes to the DB Program to pay for the cost of service credit for unused sick leave.

Therefore, if CalSTRS collects contributions in excess of the rates established in Education Code sections 22901, 22950 and 22951 on compensation creditable to the member's DBS account, CalSTRS will return the excess member and employer contribution amounts to the employer, and the employer will return the excess member contributions to the employee.

The DBS Program member and employer contribution rates are as follows:

	<b>Contribution Rate</b>	<b>Education Code Section</b>
DBS Employer Contribution Rate:	8.25%	22905, 22950, 22951
DBS Member Contribution Rate:	8.00%	22901, 22905

### **Interest Rates**

Regular Interest Rate means an interest rate that is equal to the actuarially assumed rate of return on investments on assets of the DB Program and is adopted annually by the board as a plan amendment with respect to the DB Program. The Regular Interest Rate is used by the DB Program to charge interest on (1) previously refunded retirement contributions when a member elects to redeposit those contributions, and (2) installment payments for the (a) redeposit of contributions or (b) purchase of additional service credit. This rate is also used to charge employers interest on delinquent contributions and for reporting penalties. Finally, if there is a delay in the initial allowance payment, CalSTRS pays the benefit recipient interest on the allowance payment at the Regular Interest Rate.

The Credited Interest Rate is the interest that is credited to members' DB accumulated retirement contributions for service performed after June 30, 1935, excluding all contributions that accumulate while being paid an allowance. For the CB Benefit and DBS programs, the board adopts a minimum interest rate that is used to credit employee and employer accounts during the year.

The Minimum Interest Rate with respect to the CB Benefit and DBS programs is the rate used to credit interest to participant and member account balances respectively. The Minimum Interest Rate for both the CB Benefit and DBS programs is adopted annually by the board as a plan amendment.

CalSTRS shall assess penalties and interest on employers for late reports and late or insufficient contributions to both the DB and CB Benefit programs. The interest is assessed at the regular interest rate.

The rates for fiscal year 2016-17 are as follows:

	<b>Rate for FY 2016-17</b>	<b>Rate for FY 2015-16</b>	<b>Education Code Section</b>
Regular Interest Rate	7.50%	7.50%	22162
Credited Interest Rate: Defined Benefit Program	0.72%	0.49%	22216
Minimum Interest Rate: Cash Balance Benefit Program	2.88%	3.15%	26604
Minimum Interest Rate: Defined Benefit Supplement Program	2.88%	3.15%	25005
Interest Rate for Late Remittance Contributions	7.50%	7.50%	23003, 26303
Penalty Rate for Late or Unacceptable Monthly Reports	7.50%	7.50%	23006, 23008, 26301, 26302

#### **Permissive Service Credit Contribution Rate – DB Program**

Members may purchase permissive service credit, which is service credit related to activities that were previously undertaken by the member. Examples of permissive service credit include, but are not limited to, teaching at a state college or university in California, employment in a public school in another state, maternity or paternity leave, and military leave. The board adopted the following contribution rates for fiscal year 2016-17 for the purchase of permissive service credit for the DB Program based upon the age of member at the time of purchase.

FY 2016-17 permissive service credit contribution rates:

Age	CalSTRS 2% at 60		CalSTRS 2% at 62	
	Rates for FY 2016-17	Rates for FY 2015-16	Rates for FY 2016-17	Rates for FY 2015-16
Below 28	17.4%	15.3%	15.0%	12.8%
28	17.8%	16.0%	15.2%	13.4%
29	17.9%	16.2%	15.3%	13.8%
30	18.0%	16.3%	15.4%	13.8%
31	18.1%	16.4%	15.5%	13.9%
32	18.2%	16.7%	15.6%	14.0%
33	18.3%	16.8%	15.7%	14.1%
34	18.4%	16.9%	15.8%	14.1%
35	18.5%	17.0%	15.9%	14.1%
36	18.6%	17.4%	16.0%	14.6%
37	18.7%	17.7%	16.1%	14.8%
38	18.8%	17.9%	16.2%	15.0%
39	18.9%	18.1%	16.3%	15.2%
40	19.0%	18.5%	16.4%	15.6%
41	19.2%	19.2%	16.6%	16.3%
42	19.5%	19.5%	16.8%	16.5%
43	20.0%	19.7%	17.3%	16.8%
44	20.3%	20.0%	17.7%	17.0%
45	20.6%	20.4%	17.8%	17.3%
46	21.0%	20.8%	18.2%	17.6%
47	21.4%	21.2%	18.4%	18.0%
48	21.8%	21.8%	18.8%	18.5%
49	22.3%	22.2%	19.3%	18.9%
50	22.7%	22.9%	19.6%	19.3%
51	23.2%	23.5%	20.0%	19.8%
52	23.8%	24.1%	20.6%	20.4%
53	24.4%	24.7%	21.1%	20.9%
54	25.0%	25.5%	21.6%	21.5%
55	25.6%	26.1%	22.0%	22.1%
56	26.2%	26.8%	22.7%	22.7%
57	26.9%	27.4%	23.3%	23.3%
58	27.6%	28.3%	23.9%	24.0%
59	28.4%	29.0%	24.5%	24.6%
60	29.1%	29.8%	25.2%	25.3%
61	29.8%	30.6%	25.8%	26.0%

(FY 2016-17 permissive service credit contribution rates continued on next page...)

Fiscal Year 2016-17 permissive service credit contribution rates for the DB Program, continued:

Age	CalSTRS 2% at 60		CalSTRS 2% at 62	
	Rates for FY 2016-17	Rates for FY 2015-16	Rates for FY 2016-17	Rates for FY 2015-16
62	30.5%	31.2%	26.5%	26.7%
63	30.8%	30.8%	27.4%	27.4%
64	30.2%	30.2%	28.5%	28.5%
65	29.5%	29.5%	28.8%	28.8%
66	28.9%	28.9%	28.2%	28.2%
67	28.1%	28.1%	27.5%	27.5%
68	27.4%	27.4%	26.8%	26.8%
69	26.6%	26.6%	26.1%	26.1%
70	25.7%	25.7%	25.4%	25.4%
71	25.1%	25.1%	24.6%	24.6%
72	24.2%	24.2%	23.8%	23.8%
73 and above	22.3%	22.3%	21.9%	22.0%

#### Employer Contribution Rates for Elected Officers and RWP

Each year, the board adopts employer contribution rates for members who are on a compensated leave of absence to serve as an elected officer of an employee organization and for members who participate in the Reduced Workload Program (RWP) during the new fiscal year.

Please note because a DB Program member who wishes to participate in RWP must have been employed on a full-time basis to perform creditable service for at least 10 years prior to participation in the program, CalSTRS 2% at 62 members are not eligible to participate in RWP until at least 2023. Therefore, the board has not established a separate employer contribution rate at this time for such members.

The employer contribution rates for Elected Officers and RWP are as follows:

	Rate for FY 2016-17		Rate for FY 2015-16		Education Code Section
	CalSTRS 2% at 60	CalSTRS 2% at 62	CalSTRS 2% at 60	CalSTRS 2% at 62	
Employer Contribution Rate for:					
Elected Officer of Employee Organization	12.58%	12.58%	10.73%	10.73%	22711
Reduced Workload Program	12.58%	n/a	10.73%	n/a	22713

**Unused Sick Leave Service Credit**

The board also adopts the present value factor used to calculate the cost of the member's allowance attributable to unused excess sick leave days. The cost of unused excess sick leave service credit must be paid to CalSTRS by the employer before the member can receive the benefit. The present value factor for unused excess sick leave service credit for July 1, 2012, through June 30, 2017, is:

	<b>Rate for 7/1/2012 – 6/30/2017</b>	<b>Education Code Sections</b>
Present Value Factor for Unused Excess Sick Leave Service Credit	0.301	22718

**ACTION**

This employer directive does not take precedence over the law. A copy of the current Teachers' Retirement Law is available on SEW under reference items, or online at [calstrs.com/information-about-calstrs](http://calstrs.com/information-about-calstrs).

If you have any questions regarding this employer directive, please contact your CalSTRS Member Account Services Employer Representative.