



Contra Costa County Office of Education

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Lynn Mackey, Superintendent of Schools

Business and Administrative Services

March 15, 2019

TO: District Business Officials
District Payroll
Contra Costa County School Districts

FROM: Lina Gramatikova
Lead Payroll Audit Specialist, District Payroll Services

SUBJECT: CalSTRS Employer Directives – December 2018

The following is a summary of the most recent CalSTRS Employer Directives and Circulars, published during the month of February 2019. The documents are also attached for reference.

1. CalSTRS Employer Information Circular, Volume 35; Issue 1 – Pension Plan Limits for Tax Year 2019

The following limits apply to benefits paid and compensation creditable to the Defined Benefit, the Defined Benefit Supplement and the Cash Balance Benefit programs.

1.1. Internal Revenue Code Section 401(a)(17) Compensation Limit

- **Creditable Compensation Limit for all who became participants after July 1, 1996 (Defined Benefit (CalSTRS 2% at 60) members or Cash Balance Benefit Participants)**

The annual compensation limit in effect for July 1, 2018, through June 30, 2019, is \$275,000. The annual compensation limit in effect for July 1, 2019, through June 30, 2020, is \$280,000.

- **Creditable Compensation Limit for CalSTRS 2% at 62 Members and Cash Balance Benefit Participants Subject to the California Public Employees' Pension Reform Act of 2013**

The annual compensation limit in effect for July 1, 2018, through June 30, 2019, is \$146,230. The annual compensation limit in effect for July 1, 2019, through June 30, 2020, will be published in a separate employer information circular.

For employees who will earn compensation in excess of these limits, employers must contact their CalSTRS Member Account Services representative for reporting instructions.

2.1. Internal Revenue Code Section 415(b) Retirement Benefit Limit

- The limitation on the annual benefit for CalSTRS members or participants, age 65, who participate in the Defined Benefit or Cash Balance Benefit programs is \$191,290 for the 2019 calendar year.

2. Employer Information Circulars and Employer Directives No Longer Available via Mail

CalSTRS will no longer be issuing hard copies of employer information circulars and employer directives by mail beginning on July 1, 2019.

If you wish to receive a notification when new employer information circulars and employer directives are available, [Click here to subscribe](#).

Please be aware that employers are responsible for updating their contact information for emailed employer information circulars and employer directives. Additionally, employer information circulars and employer directives are available online at <https://www.calstrs.com/employers>.

Attachments

PENSION PLAN LIMITS FOR TAX YEAR 2019

The purpose of this circular is to alert employers to the Internal Revenue Service pension plan limits for tax year 2019 and to inform employers of the creditable compensation limit under the Teachers' Retirement Law for California State Teachers' Retirement System (CalSTRS) members and participants who are subject to the California Public Employees' Pension Reform Act of 2013 (PEPRA). CalSTRS is not authorized to give tax advice; accordingly, if you have any questions about these or any other Internal Revenue Code (IRC) sections, please contact your tax advisor or the Internal Revenue Service.

The following limits apply to benefits paid and compensation creditable to the Defined Benefit, the Defined Benefit Supplement and the Cash Balance Benefit programs.

Internal Revenue Code Section 401(a)(17) Compensation Limit

IRC section 401(a)(17) limits creditable compensation that may be counted toward a CalSTRS retirement benefit for all persons who became a CalSTRS Defined Benefit member or Cash Balance Benefit participant on or after July 1, 1996.

The annual compensation limit in effect for July 1, 2018, through June 30, 2019, is \$275,000. The annual compensation limit in effect for July 1, 2019, through June 30, 2020, is \$280,000.

If you have an employee who will earn compensation in excess of this limit *and* the employee became a CalSTRS member or participant on or after July 1, 1996, please contact your CalSTRS Member Account Services representative for reporting instructions. Do not remit employer or member contributions to the Defined Benefit, Defined Benefit Supplement or Cash Balance Benefit programs on any compensation that exceeds the limit.

Creditable Compensation Limit for CalSTRS 2% at 62 Members and Cash Balance Benefit Participants Subject to the California Public Employees' Pension Reform Act of 2013

PEPRA limits creditable compensation that may be counted toward a CalSTRS retirement benefit for all CalSTRS Defined Benefit members and Cash Balance Benefit participants subject to the act. All persons first hired on or after January 1, 2013, are subject to PEPRA and are known as CalSTRS 2% at 62 members and Cash Balance Benefit participants subject to PEPRA.

The creditable compensation limit is applicable to compensation creditable to the Defined Benefit, Defined Benefit Supplement and Cash Balance Benefit programs combined and is based on 120 percent of the 2013 Social Security contribution and benefit base, adjusted annually for changes to the Consumer Price Index for All Urban Consumers: U.S. City Average.

The creditable compensation limit for CalSTRS 2% at 62 members and Cash Balance Benefit participants subject to PEPRA for July 1, 2018, through June 30, 2019, is \$146,230.

If you have an employee who will earn creditable compensation in excess of this limit, please contact your CalSTRS Member Account Services representative for reporting instructions. Do not remit employer or member contributions to the Defined Benefit, Defined Benefit Supplement or Cash Balance Benefit programs on any compensation that exceeds the limit.

CalSTRS will publish a separate employer information circular to inform employers of the compensation limits for CalSTRS 2% at 62 members and Cash Balance Benefit participants subject to PEPRA that will be effective July 1, 2019.

Internal Revenue Code Section 415(b) Retirement Benefit Limit

IRC section 415(b) limits the amount of annual retirement benefits that may be received from a tax-qualified pension plan. The annual retirement benefits payable from the CalSTRS Defined Benefit and Cash Balance Benefit programs are subject to the dollar limits imposed by IRC section 415(b).

The limitation on the annual benefit for CalSTRS members or participants, age 65, who participate in the Defined Benefit or Cash Balance Benefit programs is \$191,290 for the 2019 calendar year.

The limit assumes a 2% at 60 benefit formula and is actuarially adjusted for retirement before and after age 65. For example, the 2019 limit for members age 55 with less than 30 years of service is \$113,585; the 2019 limit for members at age 55 with more than 30 years of service is \$115,443; and the 2019 limit for members age 70 is \$195,468.

Any retirement benefits in excess of the limit that are payable to CalSTRS 2% at 60 members and Cash Balance Benefit participants not subject to PEPRA are payable from the Replacement Benefits Program administered by CalSTRS. No action is required by employers to initiate payment of benefits under the Replacement Benefits Program.

Under federal law, if members or participants were paying the Medicare Part A payroll tax when employed, payments from the Replacement Benefits Program will also be subject to the payroll tax deduction. CalSTRS will work with the member regarding any tax deductions under this part. CalSTRS 2% at 62 members and Cash Balance Benefit participants subject to PEPRA are not eligible for the Replacement Benefits Program.


If you have any questions regarding this circular, please contact your CalSTRS Member Account Services representative.



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January 28, 2019

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 Information Circulars and Employer Directives No Longer Available via
Mail

The purpose of this letter is to inform employers that CalSTRS will no longer be issuing hard copies of employer information circulars and employer directives by mail beginning on July 1, 2019.

Discontinuing delivery of employer information circulars and employer directives by mail is an extension of our ongoing sustainability efforts to conserve environmental resources.

Employers are responsible for keeping themselves informed and apprised of changes in the law. Employer information circulars and employer directives are intended to serve as a reference only; they do not take precedence over the law.

If you wish to receive a notification when new employer information circulars and employer directives are available, subscribe to email updates online at www.calstrs.com/menu-pod/sign-email-updates. Please be aware that employers are responsible for updating their contact information for emailed employer information circulars and employer directives. Additionally, employer information circulars and employer directives are available online at www.calstrs.com/employers.

If you have any questions, please contact your CalSTRS Employer Services Representative.