



# Contra Costa County Office of Education

77 Santa Barbara Road, Pleasant Hill, CA 94523 • (925) 942-3388  
Lynn Mackey, Superintendent of Schools

## Business and Administrative Services

May 2, 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 – March - April 2019

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

### 1. CalSTRS Employer Directive 2019-01 Postretirement Earnings Limit and Disability Allowance Earnings

Limit for the 2018- 19 and 2019-20 Fiscal Years, and Disability Retirement Earnings Limit for the 2019 Calendar Year.

- **The Annual Postretirement Earnings Limit for retired CalSTRS members the 2019–20 Fiscal Year is \$46,451 (up from \$45,022 for the current 2018-2019 Fiscal Year)**

If a retired CalSTRS member earns compensation for performing retired member activities in excess of the annual postretirement earnings limit, Education Code section 24214(g) requires CalSTRS to reduce the member's retirement benefit dollar-for-dollar, until the member has repaid the amount of compensation that was earned in excess of the annual earnings limit. In addition to the postretirement earnings limit, there is a 180-calendar day separation-from-service requirement for all retired CalSTRS members, regardless of age, during which the postretirement for this exemption, the retired CalSTRS member or retired CalSTRS participant must be at or above compensation limit for the performance of retired member activities is zero dollars (\$0). To qualify for this exemption, the retired CalSTRS member or retired CalSTRS participant must be at or

normal retirement age at the time the compensation is earned, and the employer must appoint the retired CalSTRS member or retired CalSTRS 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.

If the employee is a CalSTRS and CalPERS member, employers should encourage the employee to contact CalPERS at 888-225-7377 to determine the impact that returning to work would have on the CalPERS benefit.

Members who retired with a CalSTRS retirement incentive under Education Code section 22714 will lose the increased service credit attributable to the retirement incentive if they return to employment in any job, including substitute teaching, within five years of receiving the incentive with the school district, community college district or county office of education that granted the retirement incentive.

- **The disability retirement earnings limit for the 2019 calendar year is \$31,500.**

Employers are required to notify the retired CalSTRS member of all earnings limits and also the retirement incentive employment restrictions, if applicable; Maintain accurate records of the retired CalSTRS member's earnings; Report those earnings to the retired CalSTRS member and to CalSTRS monthly, using Member Code 2 and Assignment Code 61, regardless of the method of payment or the fund from which the payments were made.

## **2. School Services of CA, Fiscal Report, Vol. 39, No. 8 - Is Sick Leave Earned Under AB 1522 Creditable to CalSTRS or CalPERS?**

Certificated substitutes who have met the CalSTRS thresholds to become members may submit notice of retirement to their employer and CalSTRS. Per CalSTRS Employer Directive 17-06, the sick leave that has accrued under AB 1522 shall be treated in the same manner as all other sick leave. In other words, employers should document substitute leave balances on the CalSTRS Express Benefit Report so the sick leave balance can be included in the retirement calculation.

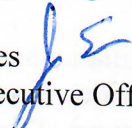
Attachments



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

March 27, 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 Directive 2019-01  
***Supersedes Employer Directive 2018-01***  
Postretirement Earnings Limit and Disability Allowance Earnings Limit for the  
2018-19 and 2019-20 Fiscal Years, and Disability Retirement Earnings Limit for  
the 2019 Calendar Year

### PURPOSE

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

- The application of the earnings limit for retired CalSTRS members.
- The annual postretirement earnings limit for the 2018-19 fiscal year.
- The annual postretirement earnings limit for the 2019-20 fiscal year.
- The postretirement separation-from-service requirement for retired CalSTRS members and retired CalSTRS participants during the first 180 calendar days from their retirement date with CalSTRS.
- Requirements for requesting an exemption from the separation-from-service requirement.
- Restriction on hiring retired CalSTRS members and retired CalSTRS participants in classified positions.
- Retirement incentive restrictions.
- Requirements for employer communication regarding the earnings limits and, if applicable, the retirement incentive restrictions when hiring retired CalSTRS members. Also, the employer requirements regarding maintaining accurate records and reporting postretirement earnings to CalSTRS.
- The CalSTRS postretirement excess earnings notification process.
- The disability retirement earnings limit for the 2019 calendar year.
- The disability allowance earnings limit for the 2018-19 and 2019-20 fiscal years.

## **SCOPE**

This directive contains information for county superintendents of schools, school districts, charter schools, community college districts and any agency that employs retired members of the Defined Benefit (DB) Program (referred to in this directive as “retired CalSTRS members”) or retired participants of the Cash Balance (CB) Benefit Program (referred to in this directive as “retired CalSTRS participants”) to perform retired member or participant activities or that employs CalSTRS members receiving either a Disability Allowance or Disability Retirement benefit in any capacity.

## **DISCUSSION**

### Application of Postretirement Earnings Limits

Sections 24214 and 24214.5 of the Education Code impose limitations on retired CalSTRS members who return to work and perform retired member activities. Section 22164.5 of the Education Code defines “retired member activities” as one or more of the activities identified in subdivision (b), (c) or (d) of Education Code section 22119.5 or subdivision (b), (c) or (d) of Education Code section 26113 when performed as either an employee of an employer, an employee of a third party (except under certain circumstances) or an independent contractor within the California public school system.

Section 26812 of the Education Code imposes limitations on retired CalSTRS participants who return to work and perform retired participant activities. Section 26135.7 of the Education Code defines “retired participant activities” as one or more of the activities identified in subdivision (b), (c) or (d) of Education Code section 22119.5 or subdivision (b), (c) or (d) of Education Code section 26113 when performed as either an employee of an employer, an employee of a third party (except under certain circumstances) or an independent contractor within the California public school system.

The salary being paid for retired member activities or retired participant activities may not be less than the minimum, nor can it exceed the maximum, paid by the employer to other employees performing comparable duties.

Remuneration that is not considered creditable compensation for an active member or participant under Education Code section 22119.2 or 22119.3 or Education Code section 26139 or 26139.5 should not be reported for postretirement employment unless specifically referenced in the Education Code. Notable differences include:

- Education Code section 22164.5, subdivisions (a)(2) and (3).
- Education Code section 24214, subdivision (f)(2).
- Education Code section 24214.5, subdivision (a)(2).
- Education Code section 26135.7, subdivisions (a)(2) and (3).
- Education Code section 26812, subdivision (d)(2).

Retired CalSTRS members and retired CalSTRS participants employed by a third party are excluded from the postretirement earnings limits and related provisions provided they meet all of the following criteria:

- The retired CalSTRS member or retired CalSTRS participant is employed by a third party employer that does not participate in a California public pension system;
- The activities performed by the retired CalSTRS member or retired CalSTRS participant are not normally performed by employees of an employer; and
- The retired CalSTRS member or retired CalSTRS participant performs an assignment of 24 months or less.

Employer reporting of retired CalSTRS members and retired CalSTRS participants who are employed by a third party under the narrow conditions above is not required. CalSTRS has not identified any example of service that would meet these criteria.

#### Annual Postretirement Earnings Limit for the 2018–19 and 2019–20 Fiscal Years

The postretirement earnings limit for retired CalSTRS members for the 2018–19 *fiscal* year is \$45,022.

The postretirement earnings limit for retired CalSTRS members for the 2019–20 *fiscal* year is \$46,451.

Pursuant to Education Code section 24214, the limit is adjusted annually by CalSTRS and is equal to one-half of the median final compensation amount for all members who retired for service during the fiscal year ending in the previous calendar year.

If a retired CalSTRS member earns compensation for performing retired member activities in excess of the annual postretirement earnings limit, Education Code section 24214(g) requires CalSTRS to reduce the member's retirement benefit dollar-for-dollar, until the member has repaid the amount of compensation that was earned in excess of the annual earnings limit. The amount of the reduction in an individual month shall be no more than the monthly allowance payable in that month, and the total amount of the reduction shall not exceed the amount of the annual allowance payable under this part for the fiscal year in which the excess compensation was earned after any reductions due to the separation-from-service requirement.

There is no annual earnings limit for retired CalSTRS participants.

#### Separation-From-Service Requirement

Pursuant to Education Code section 24214.5, there is a 180-calendar day separation-from-service requirement for all retired CalSTRS members, regardless of age, during which the postretirement compensation limit for the performance of retired member activities is zero dollars (\$0).

If a retired CalSTRS member earns compensation for performing retired member activities during the 180-calendar day separation-from-service period, Education Code section 24214.5(h) requires CalSTRS to reduce the member's retirement benefit dollar-for-dollar, until the member has repaid the amount of compensation that was earned during the separation-from-service period. The amount of the reduction in an individual month shall be no more than the monthly

allowance payable in that month, and the total amount of the reduction shall not exceed the amount of the allowance payable during the first 180 calendar days after the most recent retirement date.

This restriction is in addition to the annual postretirement earnings limit. Any amount the retired CalSTRS member receives during the first 180 calendar days of retirement will also count against the annual postretirement earnings limit for the appropriate fiscal year.

Pursuant to Education Code section 26812, the 180-calendar day separation-from-service requirement applies to Cash Balance Benefit Program annuitants, regardless of age.

Pursuant to Education Code section 26806, if a retired CalSTRS participant receives a lump-sum retirement benefit, the benefit is not payable until 180 calendar days after the date employment was terminated. If a participant electing a lump-sum benefit performs creditable service during the 180-calendar day separation-from-service period, the retirement application will be automatically canceled.

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

There is a narrow exemption from the 180-calendar day separation-from-service requirement for a retired CalSTRS member or retired CalSTRS participant under certain circumstances. To qualify for this exemption, the retired CalSTRS member or retired CalSTRS participant must be at or above normal retirement age at the time the compensation is earned, and the employer must appoint the retired CalSTRS member or retired CalSTRS 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. The resolution for the appointment must be adopted before the retired CalSTRS member or retired CalSTRS participant begins performing retired member or participant activities under the exemption. The resolution approving the appointment may not be placed on a consent calendar.

The resolution must express the intent to seek an exemption from the 180-calendar day separation-from-service requirement and include the following specific information and findings:

- The nature of the employment.
- A finding that the appointment is needed to fill a critically needed position before the 180-calendar day separation-from-service requirement is fulfilled.
- A finding that the member or participant did not receive a retirement incentive or any financial inducement to retire from any public employer.
- A finding that the termination of employment of the retired CalSTRS member or retired CalSTRS participant with the employer is not the basis for the need to acquire the services of the member or participant.

When applying for the separation-from-service requirement exemption, 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 this form and the aforementioned resolution indicating the above information to substantiate the

eligibility of the retired CalSTRS member or retired CalSTRS participant for the exemption before the member or participant begins performing service under the exemption. CalSTRS must notify the employer and the retired CalSTRS member or retired CalSTRS participant within 30 days of receiving the resolution and all required documentation whether the activities performed will be subject to or exempt from the 180-calendar day separation-from-service requirement.

If the separation-from-service requirement exemption is approved, the retired CalSTRS member or retired CalSTRS participant will only be exempt from the separation-from-service requirement. Any earnings during the 180-calendar day period will still be subject to the annual postretirement earnings limit for a retired CalSTRS member.

Education Code sections 24214.5 and 26812 clarify what constitutes a “financial inducement to retire” that would prohibit a retired CalSTRS member or retired CalSTRS participant from being eligible for an exemption from the separation-from-service requirement.

#### Classified Position Restrictions

Education Code section 45134 precludes retired CalSTRS members and retired CalSTRS participants from employment in classified positions in the California public school system.

#### Retired CalPERS Postretirement Employment Restrictions

If the employee is a CalSTRS and CalPERS member, please ask the employee to contact CalPERS at 888-225-7377 to determine the impact that returning to work would have on the CalPERS benefit.

#### Retirement Incentive Restrictions

Members who retired with a CalSTRS retirement incentive under Education Code section 22714 will lose the increased service credit attributable to the retirement incentive if they return to employment in any job, including substitute teaching, within five years of receiving the incentive with the school district, community college district or county office of education that granted the retirement incentive. Education Code section 22461 requires the employer to notify retired members of the employment restrictions in Education Code section 22714 upon retaining their services.

#### Employer Requirements for Notification of Postretirement Earnings Limits and Employment Restrictions, and Required Reporting of Postretirement Earnings

Upon retaining the services of a retired CalSTRS member, Education Code section 22461 requires employers to notify the member of the earnings limitations, and the employment restrictions for those who receive retirement incentives, regardless of whether the retired CalSTRS member performs the services as an employee of the employer, an employee of a third party or an independent contractor. Employers must also report the retired member’s earnings to CalSTRS each month. All postretirement earnings must be reported with Member Code 2 and Assignment Code 61.

#### CalSTRS Postretirement Excess Earnings Notification Process

CalSTRS sends an *Initial Postretirement Earnings Letter* to the retired CalSTRS member when postretirement earnings are initially reported by the employer. The *Initial Postretirement*

*Earnings Letter* informs the member of the current earnings limit and describes what occurs if the limit is exceeded. When the employer reports postretirement earnings equal to one-half of the annual postretirement earnings limit, CalSTRS sends a second letter, the *Postretirement Earnings Mid-Limit Letter*, notifying the member of the dollar amount reported to date and reminding the member of the consequences of exceeding the earnings limit.

When a retired CalSTRS member or retired CalSTRS participant violates the 180-calendar day separation-from-service requirement or a retired CalSTRS member exceeds the annual postretirement earnings limit, CalSTRS sends a letter notifying the member or participant that the excess earnings will be withheld from the applicable monthly retirement benefit. CalSTRS gives at least a 30-day notice before commencing collection. If the earnings were reported to CalSTRS in error, the employer is responsible for correcting the previous reporting and notifying CalSTRS that corrected contribution lines were submitted.

#### Application and Amount of the 2019 Disability Retirement Earnings Limit

The disability retirement earnings limit for the 2019 *calendar* year is \$31,500. The limit applies to all earnings regardless of whether the member is self-employed or employed in any capacity in either the public or private sector. The limit is adjusted annually by the Teachers' Retirement Board, if necessary, by the amount of change in the California Consumer Price Index.

#### Application and Amount of the 2018–19 and 2019–20 Disability Allowance Earnings Limit

The disability allowance earnings limit for the 2018–19 and 2019–20 *fiscal* years is calculated individually for each member based on the member's indexed final compensation amount. Members receiving a disability allowance benefit are also subject to individual monthly and continuous six-month earnings limits based on the member's indexed final compensation. The various limits apply to all earnings regardless of whether the member is self-employed or employed in any capacity in either the public or private sector.

### **SUMMARY OF REQUIRED ACTIONS**

In accordance with Education Code section 22461, upon retaining the services of a retired CalSTRS member either as an employee of an employer, an employee of a third party or an independent contractor within the California public school system, the employer is required to:

- Notify the retired CalSTRS member of all earnings limits and also the retirement incentive employment restrictions, if applicable.
- Maintain accurate records of the retired CalSTRS member's earnings.
- Report those earnings to the retired CalSTRS member and to CalSTRS monthly, using Member Code 2 and Assignment Code 61, regardless of the method of payment or the fund from which the payments were made.

To learn more about postretirement earnings limitations, please visit [CalSTRS.com/general-information/working-after-retirement](https://www.calstrs.com/general-information/working-after-retirement). If you have questions regarding the postretirement earnings limit, contact Postretirement by email at [postretirement@calstrs.com](mailto:postretirement@calstrs.com) or leave a voicemail at 916-414-5967.



# *The* FISCAL REPORT *an informational update*

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Volume 39

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No. 8

## **Ask SSC . . . Is Sick Leave Earned Under AB 1522 Creditable to CalSTRS or CalPERS?**

*Q.* With the implementation of the Healthy Families Act (Assembly Bill [AB] 1522), or “substitute sick leave,” is the unused sick leave eligible for retirement credit? Is the employer required to report substitute leave balances on the CalSTRS or CalPERS retirement paperwork?

*A.* The Healthy Workplace Healthy Family Act of 2014 (AB 1522) affords part-time and temporary employees paid sick leave. In most cases, local educational agencies employ part-time and temporary staff as substitutes. Substitutes earn at least one hour of paid leave for every 30 hours worked. Employees covered by collective bargaining agreements are exempt from this law.

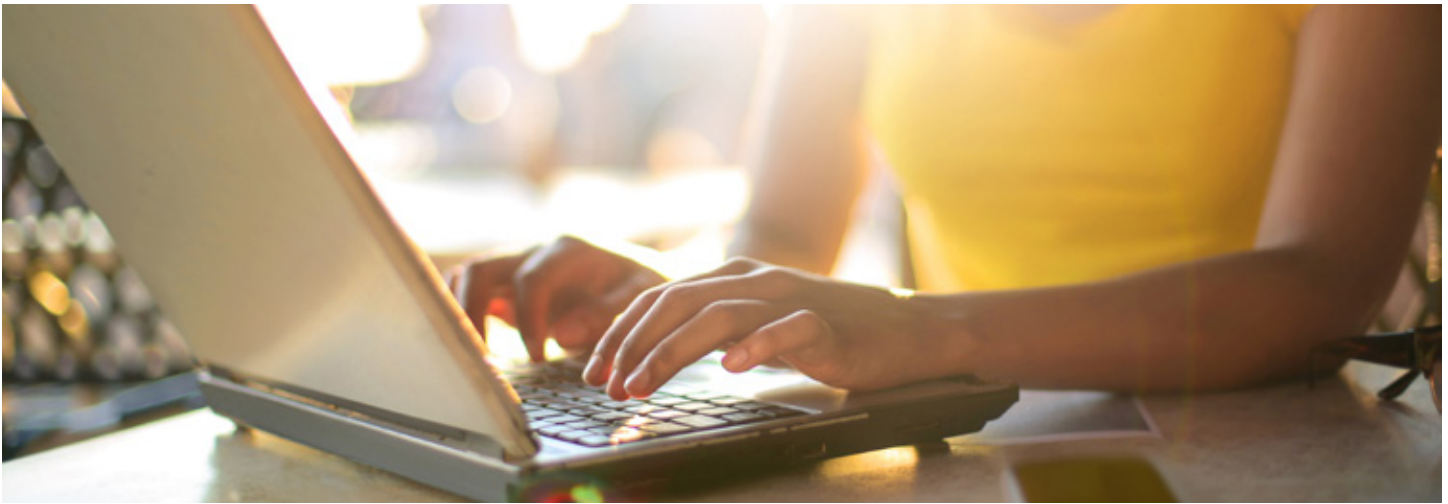
Certificated substitutes who have met the CalSTRS thresholds to become members may submit notice of retirement to their employer and CalSTRS. Per CalSTRS Employer Directive 17-06, the sick leave that has accrued under AB 1522 shall be treated in the same manner as all other sick leave. In other words, employers should document substitute leave balances on the CalSTRS Express Benefit Report so the sick leave balance can be included in the retirement calculation.

Classified substitutes who are members of CalPERS also receive retirement credit for unused sick leave. Per Government Code Section 20963, school and community college employees shall be entitled to receive credit for unused sick leave accrued during employment, provided the member has an accrued sick leave balance. Employers who have received the CalPERS Service Retirement Election form should note the unused sick leave balance on the form.

Depending on the geographical area, some substitutes work for more than one employer. In these cases, and in the scenario when the substitute works frequently, there is an opportunity for them to accrue leave in multiple agencies. In addition, AB 1522 allows a leave balance of three days of substitute sick leave to be carried over. Due to the impacts of leave balances on service credit, it is critical that employers track and report accurate leave balances of substitute employees for retirement purposes.

—*Danyel Conolley*

posted 04/15/2019



# employer CONNECT

Spring 2019

## New Employer Readiness Environment— Coming This Fall

The next phase of the Pension Solution Project, which includes a dedicated Employer Readiness Environment where you can preview and test the new Secure Employer Website, is scheduled to begin in late 2019.

To help prepare employers for using the new employer readiness environment, we conducted targeted outreach, including employer readiness assessments with external reporting partners (direct report employers, payroll software vendors, and third-party administrators). Your participation and feedback guided us in developing strategies to prepare and support you during the testing period, allowed us to learn more about your employer reporting practices and helped us to understand your potential transition challenges. We appreciate your partnership to ensure a successful transition to reporting through a new Secure Employer Website in fall 2021.

As part of this transition to reporting through a new Secure Employer Website, the Teachers' Retirement Board directed staff to initiate the formal rulemaking process to change the regulations that specify the file formats employers are required to use to report

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**CALSTRS**  
HOW WILL YOU SPEND YOUR FUTURE?

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



## New Employer Readiness Environment— Coming This Fall

*(continued from page 1)*

member and contribution data. These changes to the regulations are needed to establish clear authority to implement the new file format. For more information on the rulemaking process, please see the Notice of Proposed Rulemaking documents available online at [CalSTRS.com/regulations](https://www.calstrs.com/regulations) or email [Regulations@CalSTRS.com](mailto:Regulations@CalSTRS.com).

### Key Project Dates:

- **March 8 to April 22, 2019:** The 45-day public written comment period for the new file format regulations
- **April 24, 2019:** Public hearing for the new file format regulations
- **Through fall 2019:** Ongoing readiness assessments and support
- **Fall 2019:** Employer Readiness Environment and training
- **Fall 2021:** New Secure Employer Website goes live

To participate in employer readiness assessments—  
or if you have Pension Solution project questions—  
please email [PSEmployerReadiness@CalSTRS.com](mailto:PSEmployerReadiness@CalSTRS.com).



## Annual Postretirement and Disability Earnings Limits

There are certain restrictions and limits that apply to the service performed by—and to the compensation paid to and earned by—CalSTRS Defined Benefit members and Cash Balance Benefit participants returning to work in a CalSTRS-covered position after retirement. Likewise, there are certain restrictions and limits on compensation that members can earn while receiving a CalSTRS disability retirement benefit or CalSTRS disability allowance.

### Postretirement Earnings Limits

The postretirement earnings limit for retired CalSTRS Defined Benefit members for the 2018–19 fiscal year is \$45,022, and for 2019–20, the limit is \$46,451.

If a retired CalSTRS member earns compensation in excess of the annual postretirement earnings limit for performing retired member activities, we will reduce the member's retirement benefit dollar for dollar until the member has repaid the amount of compensation that was earned above the annual earnings limit.

There is no annual earnings limit for retired CalSTRS Cash Balance Benefit participants.

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# Annual Postretirement and Disability Earnings Limits

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## Disability Earnings Limits

The disability retirement earnings limit for the 2019 calendar year is \$31,500. The limit applies to all earnings regardless of whether the member is self-employed or employed in any capacity in either the public or private sector.

The disability allowance earnings limit for the 2018–19 and 2019–20 fiscal years are calculated individually for each member based on the member’s indexed final compensation amount. Members receiving a disability allowance benefit are also subject to individual monthly and continuous six-month earnings limits. The limits apply to all earnings regardless of whether the member is self-employed or employed in any capacity in either the public or private sector. Members receiving a disability allowance should contact CalSTRS to find out their individual monthly, six-month and annual earnings limitations.

For more information regarding postretirement earnings limits and other postretirement restrictions, please refer to Employer Directive 2019-01, available online at [CalSTRS.com/employer-and-administrative-directives](https://www.calstrs.com/employer-and-administrative-directives), or visit [CalSTRS.com/general-information/working-after-retirement](https://www.calstrs.com/general-information/working-after-retirement).

2018					2019						2020										
Jul	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Postretirement earnings limit for the 2018–19 fiscal year is \$45,022.										Postretirement earnings limit for the 2019–20 fiscal year is \$46,451.											
Disability retirement earnings limit for the 2019 calendar year is \$31,500.																					

Questions regarding the postretirement earnings limit? Contact us at [Postretirement@CalSTRS.com](mailto:Postretirement@CalSTRS.com) or leave a voicemail at 916-414-5967.



## CalSTRS to Discontinue Mailing Hard Copies of Employer Information Circulars and Employer Directives

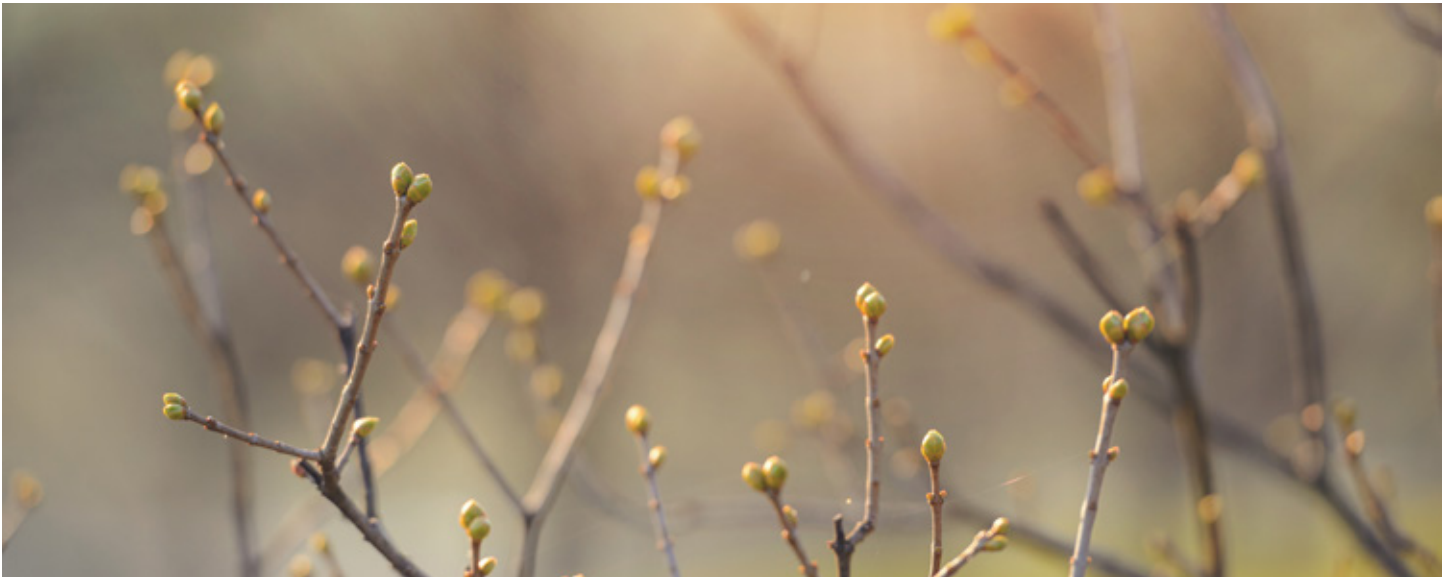
Employer information circulars and employer directives are sent to school employers to provide informal guidance that provides immediate information on a single topic, to convey legal requirements and prohibitions, and to document CalSTRS policy.

As an extension of our ongoing sustainability efforts to conserve environmental resources, beginning on July 1, 2019, CalSTRS will no longer issue hard copies of employer information circulars and employer directives by mail.

Employer information circulars and employer directives are available online at **CalSTRS.com/employers**. If you would like to receive a notification when new employer information circulars and employer directives or other publications are posted, subscribe to email updates online at **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.

Employers are responsible for keeping themselves informed 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 have any questions, please contact your CalSTRS Employer Services representative.



## Crediting of Contributions

As we continue to design the new pension administration system, we are also taking the opportunity to enhance additional business practices, including how CalSTRS processes contributions, penalties and interest, and the return of excess contributions.

Currently, we collect contributions and penalties and interest as they are due and refund the monies that do not reconcile. To better align with best practices, we will be moving toward a crediting method, meaning that when cash is owed back to an employer, we will credit the employer's account with the over-remitted amount, which the employer can apply toward a future remittance. We believe this method will streamline the process and benefit both CalSTRS and employers.

The details of the process change are still being worked out, but we anticipate implementing the change after the start of the 2019–20 fiscal year. We will be conducting outreach and presentations with employers and other external stakeholders to discuss the details of the change and will keep employers informed of updates as they are available.

If you have questions about the crediting process, please contact **[Contributions@CalSTRS.com](mailto:Contributions@CalSTRS.com)**.

# Reporting Contribution Code for Members vs Nonmembers

The current SEW F496 File Specification instructs that when submitting data for a nonmember (Member Code 2), Contribution Code 0 (CC0) should be used or the Contribution Code field could be left blank. Conversely, when submitting data for a CalSTRS member (Member Code 1), Contribution Codes 1 through 6 should be used, depending on the contribution category being reported.

If an employer reports using an invalid Member and Contribution code combination, our current pension system prioritizes the Contribution Code over the Member Code. Therefore, when CC0 is used or the Contribution Code field is left blank on a Member Code 1 line, our current pension system miscategorizes the line as nonmember. The importance of this categorization comes into play when our members retire, as nonmember lines are not taken into consideration when calculating a member's final compensation.

There are no business rule edits currently in SEW to alert employers of an incorrect combination of Contribution Code and Member Code. To reduce the number of member lines being miscategorized as nonmember lines, please:

1. Make sure to leave the Contribution Code field blank or use "0" when reporting a nonmember (Member Code 2) line, and
2. Validate that the Contribution Code field is not "0" or blank when reporting a member (Member Code 1) line.

We understand the time it takes to submit your monthly contribution files and appreciate your help with ensuring the correct Contribution Codes are being used when reporting member versus nonmember lines. Our new system is being designed so that a member line cannot be accompanied by a blank contribution line or a CC0. If you have any questions or need assistance on how to report Contribution Codes, please contact your CalSTRS Employer Services representative.

For additional reference, the latest version of the SEW F496 File Specification is posted in the *File Specifications* section of *Reference Items* on the Secure Employer Website.





## Reminders about the *Permissive Membership* election form (ES350)

The spring 2018 and winter 2019 editions of *Employer Connect* included training tips for the *Permissive Membership* form (ES350). With the recent changes enacted by Chapter 416, Statutes of 2018 (Senate Bill 1165), we've made some changes to our process. Below are some friendly reminders:

The ES350 form is specifically intended for employees who are hired to perform creditable service and are excluded from mandatory membership pursuant to Education Code sections 22601.5, 22602 or 22604.

The ES350 form should only be provided to employees who are eligible to elect membership in the Defined Benefit Program.

- Current CalSTRS members are not eligible to make this election, as their service must be reported to CalSTRS.
- Please do not submit ES350 forms to CalSTRS for employees who are already established CalSTRS members.

We do not need copies of the ES350 when your employee is declining CalSTRS membership.

CalSTRS should not be used in place of your own form repository and employers should maintain copies of forms for their own record-keeping purposes.

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# Reminders about the *Permissive Membership* election form (ES350)

*(continued from page 8)*

Please discontinue use of any forms dated prior to January 2019 as the language on these outdated versions of the form do not reflect the changes enacted by Chapter 416, Statutes of 2018 (Senate Bill 1165) which became effective January 1, 2019.

- The ES350 form provides specific instructions to the employee on how to select a membership date. It is important that the most recent version of the form be provided to new hires to ensure they are aware of the current options when permissively electing membership.
- Using outdated versions of this form may hinder a member's ability to exercise their right to elect the appropriate membership effective date in the CalSTRS Defined Benefit Program.

It is the employer's responsibility to thoroughly review completed forms before submitting them to CalSTRS. Ensure each form is properly completed, including:

- Employee name
- Client ID or Social Security number
- An election
- Elected membership date
- Employee signature and date
- Employer official's signature and date

Incomplete forms may delay processing or result in requests for you to provide us additional information or adjust a member's account.

For more information about the permissive membership election process, and about CalSTRS membership, please refer to Employer Directive 2018–04, available online through the Secure Employer Website or at **[CalSTRS.com/employer-and-administrative-directives](https://www.calstrs.com/employer-and-administrative-directives)**.

If you have any questions, please contact employer services at 877-277-5778 or **[EmployerHelp@CalSTRS.com](mailto:EmployerHelp@CalSTRS.com)**.



## Employer Training Tip: The Lowdown on Overload

Overload can mean something different in the preK-12 world than in the community college world. In either case, a common misconception is that overload is always considered remuneration in addition to salary. However, overload can be considered as salary, remuneration in addition to salary creditable to the Defined Benefit Program, remuneration in addition to salary creditable to the Defined Benefit Supplement Program, or in some cases, it may not be creditable at all.

### Overload as Remuneration in Addition to Salary

Let's assume an agreement allows all instructors in a class of employees to receive compensation for "employment in an assignment in which the number of students enrolled exceeds the contractual amount." The agreement states that the instructors will receive a certain dollar amount each time they exceed the maximum number of students. In this example, the compensation meets the definition of "remuneration in addition to salary" and is available on an ongoing basis.

For CalSTRS 2% at 60 members, the compensation is creditable to the Defined Benefit Program and should be reported using Contribution Code 6 and the applicable assignment code for the employee's position (55, 57, 58, etc.).

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# Employer Training Tip: The Lowdown on Overload

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For CalSTRS 2% at 62 members, the compensation is creditable to the Defined Benefit Program if the employee is paid each pay period in which they perform creditable service and exceeds the maximum number of students in the contract. However, if the employee is not paid every pay period in which the number of students exceeds the contractual amount, the compensation is not creditable at all. If the compensation is creditable, report it to the member's Defined Benefit account using Assignment Code 72 and Contribution Code 6.

## **Overload as Remuneration in Addition to Salary (Limited Term)**

For this scenario, let's again assume an agreement allows all instructors in a class of employees to receive compensation for "employment in an assignment in which the number of students enrolled exceeds the contractual amount." However, this agreement stipulates the compensation is only available for fiscal year 2019–20. In this example, the compensation again meets the definition of "remuneration in addition to salary" but since the compensation is only available for a specified period, and is otherwise not permanent or scheduled to continue, the compensation is considered a limited-term payment.

For CalSTRS 2% at 60 members, limited-term payments are creditable to the member's Defined Benefit Supplement account and should be reported using Assignment Code 71 and Contribution Code 6. Limited-term payments are not creditable compensation for CalSTRS 2% at 62 members and should not be reported to CalSTRS.

## **Overload as Salary**

Our last scenario typically occurs in a community college setting. Let's assume an agreement stipulates that full time is based on the number of load credits an instructor teaches. This type of agreement may allow the instructor to earn supplementary load credits if they teach a class size larger than expected, or if they teach additional classes beyond the full-time load. In some agreements, the additional load credits may either be 1) taken as additional pay above the full-time standard, or 2) banked to be used as paid leave to offset the number of courses an instructor teaches in a future semester. In both situations when the contractual full time is based on load credits or a similar non time-

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## Employer Training Tip: The Lowdown on Overload

*(continued from page 11)*

based measure, the supplementary load credits are associated with additional service and are considered salary for both CalSTRS 2% at 60 and CalSTRS 2% at 62 members.

If an instructor earns supplementary load credits and takes those load credits as additional pay, the compensation should be reported as additional compensation above the full-time standard. In other words, report two salary lines for each applicable pay period—one line with the full-time earnings and full-time pay rate and a separate line with the additional compensation associated with the additional load credits at the full-time pay rate. Use the applicable assignment code for the position and Contribution Code 1 for each reporting line.

If an instructor earns and banks supplementary load credits as leave to offset the number of courses they teach in a future semester, the compensation associated with the banked load credits should be treated as any other compensation related to use of an employer-approved leave of absence. In other words, report the regular compensation and compensation associated with the use of the banked load credits to CalSTRS on one reporting line using the applicable assignment code for the position and Contribution Code 1. Finally, if the employee later chooses to take a buyout of the banked leave, that compensation is not creditable for either CalSTRS 2% at 60 or CalSTRS 2% at 62 members as it is considered remuneration that is paid in exchange for the relinquishment of unused accumulated leave.

For more information please refer to Employer Directive 17-05. If you need further assistance in determining if overload should be reported as salary or remuneration in addition to salary, please contact your Employer Services representative. You can do so by sending an email and documentation to **EmployerHelp@CalSTRS.com** or by sending a secure message and documentation through the Secure Employer Website.



## CalSTRS Calendar of Upcoming Events

### CalSTRS Meetings

Unless otherwise stated, all CalSTRS meetings are held at:

**CalSTRS**

**100 Waterfront Place**

**West Sacramento, CA 95605**

### Teachers' Retirement Board Meetings

**May 8-10**

**July 10-12**

### Client Advisory Committee

CAC dates coincide with

Teachers' Retirement Board meeting dates

**May 8 (tentative)**

**July 10 (tentative)**

### Employer Advisory Committee

**May 1**

### CalSTRS Closed

Memorial Day

Independence Day

**May 27**

**July 4**