

SCHOOL AND COMMUNITY COLLEGE RETIREMENT SYSTEMS

Two state systems govern the primary retirement plans of school and community college district employees. Certificated employees are covered under the California State Teachers' Retirement System (CalSTRS) Defined Benefit (DB) or Cash Balance (CB) plan, as offered by the employer, and Medicare. Classified employees are covered under the California Public Employees' Retirement System (CalPERS), Social Security, and Medicare.

Bulletins are issued periodically updating the rules and laws governing the California State Teachers' Retirement System and the California Public Employees' Retirement System. Information pamphlets are available from the respective systems. Laws governing CalSTRS are in the Education Code; CalPERS laws are found in the Government Code. These sources should be consulted when decisions related to retirement are being made.

Districts and employees are strongly encouraged to become familiar with the informative CalSTRS and CalPERS Web sites (see Additional Resources). These Web sites present the latest system benefit information and provide on-line benefit estimates, buy-back service credit estimates, downloadable forms, directives, board meeting agendas, etc. For convenience, links to the downloadable forms referenced in the discussion that follows are provided in Exhibit 1, Table of Online Forms.

The San Diego County Office of Education (SDCOE) is responsible to each retirement system for the collection and remittance of employee and employer contributions. This office must also furnish information relating to the salaries, contributions, and service of every member. [EC §§ 22455-7, 23000; GC § 20610]

Procedures in the payroll system enable SDCOE to obtain information from the districts regarding the membership status of each employee. The description of these procedures presented in the SDCOE *Payroll/Personnel System User Reference Manual* provided to system users, in conjunction with the general information set forth in this section, will assist school districts in counseling employees and fulfilling payroll reporting requirements of CalSTRS and CalPERS. [GC §§ 22550.5, 22554]

Retirement membership and employment data for all school employees in San Diego County is maintained at SDCOE in an online retirement database file.

Reciprocity

Reciprocity is intended to encourage career public service by granting members retirement benefits derived from service credits earned in two or more related retirement systems, such as CalPERS and CalSTRS. Reciprocity preserves the rights

and benefits due an employee moving from one retirement system to another and defines the financial obligation of those systems with respect to the employee.

Details related to the conditions under which reciprocity applies are outlined in the *CalPERS Procedures Manual*. Forms and additional information are provided in the CalPERS Refund/Rollover Election Package, which is available from the SDCOE Retirement Reporting Unit (see Additional Resources).

Right of Election

At employment, eligible classified employees are generally enrolled in CalPERS, and eligible certificated employees are enrolled in CalSTRS. When a member of one retirement system is subsequently employed to perform service that requires membership in a different system, the employer has ten days from date of hire to notify the employee of the eligibility to exercise the choice between CalSTRS and CalPERS. The employee must be given written information to assist in making an election and must acknowledge receipt of the information on Form MS 373 (see Exhibit 1). The employee has 60 days from date of hire to make the election. The election, which is irrevocable, is made on CalSTRS Retirement System Election, Form ES 372, which is signed and filed through the SDCOE (see Exhibit 1).

A member of CalSTRS who is employed to perform service that requires membership in CalPERS must be enrolled in that system unless he/she makes an election within 60 days to have that service subject to coverage by CalSTRS DB. [EC § 22508(a)]

A member of CalPERS who is employed to perform “creditable service” subject to coverage by the DB program of CalSTRS must be enrolled in CalSTRS DB unless he/she makes an election within 60 days to have that service subject to coverage by CalPERS. [EC § 22508(c)]

The above situations refer to a transfer of position within K-14 school employment, except as follows:

1. A state or university member of CalPERS who has five years of service credit may elect to remain in CalPERS for K-14 certificated work. [EC § 22508(c)(2)]
2. Employees of the Board of Governors of the California Community Colleges who accept employment in a community college district or vice versa may also elect within 60 days to remain in their present retirement plan. [EC § 22508.5]

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

The San Diego County Office of Education maintains a permanent retirement record of service performed for each certificated person who has served in the San Diego County schools since July 1, 1935. San Diego Unified School District and the Palomar and San Diego Community College Districts maintain their own records.

Each school employer should have a CalSTRS-provided procedure manual, *Benefit Program Employer Manual*. Information can also be obtained from the SDCOE Retirement Reporting Unit or on the CalSTRS Web site (see Additional Resources).

Retirement Plans

Defined Benefit (DB)

The CalSTRS Defined Benefit (DB) plan provides retirement and disability benefits to its members. All teachers, nurses, and certificated librarians employed in the public schools of California and all other employees who hold valid and unrevoked credentials and who are employed 50 percent or greater of each month in positions requiring certificated qualifications are members of the CalSTRS DB Program.

Employee contributions are eight percent of creditable earnings. Employees hired on or after April 1, 1986 are covered under Medicare. Only part-time, less than 50 percent monthly, and substitute employees hired prior to this date are covered under Medicare. Those who are not members of either the CalSTRS Cash Balance (CB) or Defined Benefit plans are subject to Social Security tax or a district-sponsored Alternative Retirement System (ARS). [EC §§ 22500-1]

Defined Benefit Supplement (DBS)

The Defined Benefit Supplement (DBS) plan was established effective July 2002 for members of the Defined Benefit plan. [EC § 25000 et seq.] Members receive supplemental retirement, disability, final, or termination benefits. This benefit has no effect on service credit or the computation of benefits for the DB account.

Prior to July 2002, service credit was not awarded and contributions were not collected on compensation for activities such as summer school, intersession, extended contract days, community college overload assignments, performance pay, car allowances, additional assignments over the full-time monthly contract assignment, and many other stipend payments. Under the DBS plan, all certificated salaries and most other compensation are subject to the employee and employer contribution rates each payday. [EC § 22115 et seq.]

Two percent of the eight percent school member contributions are credited to the DBS account for pay periods from January 2001 through January 2011. [EC § 22901.5] When a member reaches one-year of service credit, the contributions on the excess service credit are also placed in the Defined Benefit Supplement (DBS) account.

CalSTRS reviews each member's service credit at the end of every fiscal year. The monies in the DBS account appear in a separate CalSTRS annual statement mailed to members.

Cash Balance (CB)

The Cash Balance (CB) plan is an optional plan that replaces Social Security or a district ARS plan for part-time and substitute certificated employees. [EC § 26000 et seq.] District board action is required to implement the plan. Under the CB plan, all certificated new hires who do not qualify for the CalSTRS DB plan are enrolled in the CB plan. CalSTRS DB members who are currently employed less than half time have a one-time choice to elect out of the CalSTRS DB plan, as long as they are not employed by another school employer subject to the DB plan.

Contributions to the CB plan are a minimum of eight percent, of which four percent is the employer minimum, with the employee contributing the balance. The employer could contribute five percent and the employee three percent, or any other negotiated amount subject to the employer minimum.

The CB plan does not require the employer to monitor the employee time worked; only the employee's job assignment is monitored. When the basis of employment changes to 50 percent or more full-time equivalent, the employee is enrolled in the DB plan.

Definitions

Creditable Service

"Creditable service" means any of the following activities performed for an employer in a position requiring a credential, certificate, or permit pursuant to the Education Code or under the appropriate minimum standards adopted by the Board of Governors of the California Community Colleges or under the provisions of an approved charter for the operation of a charter school for which the employer is eligible to receive state apportionment, or pursuant to a contract between a community college district and the United States Department of Defense to provide vocational training. [EC § 22119.5]

1. The work of teachers, instructors, district interns, and academic employees employed in the instructional program for pupils, including special programs such as adult education, regional occupation programs, child care centers, and prekindergarten programs pursuant to Education Code section 22161.
2. Education or vocational counseling, guidance, and placement services.
3. The work of directors, coordinators, and assistant administrators who plan courses of study to be used in California public schools, or research connected with the evaluation or efficiency of the instructional program.
4. The selection, collection, preparation, classification, demonstration, or evaluation of instructional materials of any course of study for use in the development of the instructional program in California public schools, or other services related to school curriculum.
5. The examination, selection, inservice training, or assignment of teachers, principals, or other similar personnel involved in the instructional program.
6. School activities related to, and an outgrowth of, the instructional and guidance program of the school when performed in addition to other activities described in this section.
7. The work of nurses, physicians, speech therapists, psychologists, audiometrists, audiologists, and other school health professionals.
8. Services as a school librarian.
9. The work of employees who are responsible for the supervision of persons or administration of the duties described in Education Code section 22119.5.

“Creditable service” also means the work of superintendents of California public schools.

The Teachers’ Retirement Board shall have final authority for determining creditable service to cover any activities not already specified. [EC § 22119.5(c)]

Class of Employees

“Class of employees” means a number of employees considered as a group because they are employed to perform similar duties, are employed in the same type of program, or share other similarities related to the nature of the work being performed.

A class of employees may be comprised of one person if no other person employed by the employer performs similar duties, is employed in the same type of program, or shares other similarities related to the nature of the work being performed and that same class is in common use among other employers.

The Teachers' Retirement Board shall have the right to override the determination by an employer as to whether or not a group or an individual constitutes a "class of employees." [EC § 22112.5]

Full-time Equivalent

"Full time" means the days or hours of creditable service the employer requires to be performed by a class of employees in a school year in order to earn the compensation earnable as defined in section Education Code section 22115 and specified under the terms of a collective bargaining agreement or employment agreement. For the purpose of crediting service under this part, "full time" shall not be less than the minimum standards specified in Education Code section 22138.5.

The minimum standard for full time in kindergarten through grade 12 shall be:

1. One hundred seventy-five days per year or 1,050 hours per year except as provided in paragraphs 2 and 3 below.
2. a. One hundred ninety days per year or 1,520 hours per year for all principals and programs managers, including advisors, coordinators, consultants, and developers or planners of curricula, instructional materials, or programs, and for administrators except as provided in paragraph 2b below.

b. Two hundred fifteen days per year or 1,720 hours per year including school and legal holidays pursuant to the policy adopted by the employer's governing board for administrators at a county office of education.
3. One thousand fifty hours per year for teachers in adult education programs.

The minimum standard for full time in community colleges shall be:

1. One hundred seventy-five days per year or 1,050 hours per year except as provided in paragraphs 2, 3, 4, 5, and 6. Full time shall include time for duties the employer requires to be performed as part of the full-time assignment for a particular class of employees.
2. One hundred ninety days per year or 1,520 hours per year for all program managers and for administrators, except as provided in paragraph 3 below.

3. Two hundred fifteen days per year or 1,720 hours per year including school and legal holidays pursuant to the policy adopted by the employer's governing board for administrators at a district office.
4. One hundred seventy-five days per year or 1,050 hours per year for all counselors and librarians.
5. Five hundred twenty-five instructional hours per school year for all credit instructors employed on a part-time basis. If an instructor receives compensation for office hours pursuant to Education Code section 87880 et seq., the minimum standard shall be increased appropriately by the number of hours required annually for the class of employees.
6. Eight hundred seventy-five instructional hours per school year for all adult education instructors. If an instructor receives compensation for office hours pursuant to Education Code section 87880 et seq., the minimum standard shall be increased appropriately by the number of office hours required annually for the class of employees.

The minimum standard for full time in adult education programs in any school district or community college district shall be 30 hours per week for 35 weeks per year, or 1,050 hours per year.

The Teachers' Retirement Board shall have final authority to determine full time for purposes of crediting service if full time is not otherwise specified. [EC § 22138.5]

Service Credit

An employee can receive only one year of service credit in any given year. The minimum school year shall be 175 days or 1,050 hours. [5 CCR § 20521]

Service credit for part-time employees is calculated by dividing the salary subject to retirement (excluding extra compensation) by the projected annual contract salary. For example, if a full-time employee who works 6.75 hours a day for 185 days (1242 hours per year) earns a full year of service credit, service credit for an employee working less than the full-time equivalent, would be prorated as follows:

1.	<u>Full Time Service Hours</u> 1242	<u>Hourly Rate</u> × \$21.50	=	<u>Full Time Salary</u> \$26,703
2.	<u>Hours Worked</u> 1100	<u>Hourly Rate</u> × \$21.50	=	<u>Salary Earned</u> \$23,650

3.	<u>Salary Earned</u> \$23,650	<u>Full Time Salary</u> ÷ \$26,703	<u>Service Credit Earned</u> = 0.886
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Assignments to positions with different base days may occur during the year, which generally affects service credit. When the base days change, a Report of Change of Base Assignment, Form ES 331 (see Exhibit 1) must be completed and forwarded to SDCOE for transmittal to CalSTRS. If subsequent salary changes are negotiated or additional job assignment changes occur, additional forms must be completed and submitted. Failure to follow this procedure will result in the member's receiving less than one year of service credit.

To ensure accurate calculations of service credit, it is important that payroll procedures are adhered to and that the proper payroll transaction documents are used in all adjustments made to an employee's salary pay rate as prescribed in the SDCOE *Payroll/Personnel System User Reference Manual*.

Compensation Earnable

Compensation earnable is defined in Education Code section 22115 as follows:

1. "Compensation earnable" means the annual creditable compensation a person could earn in a school year for creditable service performed on a full-time basis, excluding service for which contributions are credited by the system to the Defined Benefit Supplement Program.
2. The board may determine compensation earnable for persons employed on a part-time basis.
3. When service credit for a school year is less than 1.000, compensation earnable shall be the product obtained when creditable compensation paid in that year is divided by the service credit for that year, except as provided in number 4 below.
4. When a member earns creditable compensation at multiple pay rates during a school year and service credit at the highest pay rate is at least .900 of a year, compensation earnable shall be determined as if all service credit for that year had been earned at the highest pay rate. This rule applies only for purposes of determining final compensation. When a member earns creditable compensation at multiple pay rates during a school year and service credit at the highest pay rate is less than .900 of a year, compensation earnable shall be determined according to number 3 above.

The compensation for any absence of a member shall be based on the daily compensation that would be earnable if the employment were on a full-time basis and the member worked full time. [EC § 45041]

Compensation and salary mean remuneration in cash payable by the employer to the member for actual work performed or time served, up to the full-time equivalent for the position. The salaries are derived from uniform salary schedules, which may be based on years of training and years of experience as specified in Education Code section 45028. This includes any amount deducted from the member's salary for the purpose of purchasing an annuity contract, tax-deferred retirement plans, or other insurance programs for the member that meet the requirements of Section 125, 401(k), or 403(b) of the Internal Revenue Code.

Creditable Compensation

Effective July 1, 2002, "creditable compensation" means remuneration that is payable in cash by an employer to all persons in the same class of employees and is paid to an employee for performing creditable service. [EC § 22119.2]

Creditable compensation shall include:

1. Salary paid in accordance with a salary schedule or employment agreement.
2. Remuneration that is paid in addition to salary, providing it is payable to all persons who are in the same class of employees in the same dollar amount, the same percentage of salary, or the same percentage of the amount being distributed.
3. Remuneration that is paid for the use of sick leave, vacation, and other employer-approved leave, except remuneration that is paid for unused accumulated leave.
4. Member contributions that are picked up by an employer pursuant to Education Code section 22903 or 22904.
5. Amounts that are deducted from a member's compensation, including, but not limited to, salary deductions for participation in a deferred compensation plan; deductions to purchase an annuity contract, tax-deferred retirement plan, or insurance program; and contributions to a plan that meets the requirements of Section 125, 401(k), or 403(b) of Title 26 of the United States Code.
6. Any other payments the Teachers' Retirement Board determines to be creditable compensation.

For purposes of Education Code section 22119.2, remuneration shall be considered payable if it would be paid to any person who meets the qualifications or requirements specified in a collective bargaining agreement or an employment agreement as a condition of receiving the remuneration.

This definition of creditable compensation reflects sound principles that support the integrity of the retirement fund. Those principles include, but are not limited to, consistent treatment of compensation throughout a member's career, consistent treatment of compensation among an entire class of employees, preventing adverse selection, and excluding from compensation earnable remuneration that is paid for the principal purpose of enhancing a member's benefits under the plan. The Teachers' Retirement Board shall determine the appropriate crediting of contributions between the Defined Benefit Program and the Defined Benefit Supplement Program according to these principles, to the extent not otherwise specified in the Education Code.

Education Code section 22119.2(c) defines remuneration that is not included in the definition of creditable compensation.

Any salary or other remuneration determined by the Teachers' Retirement Board to have been paid for the principal purpose of enhancing a member's benefits under the plan shall not be credited under the Defined Benefit Program. Contributions on that compensation shall be credited to the Defined Benefit Supplement Program. A presumption by the board that salary or other remuneration was paid for the principal purpose of enhancing the member's benefits under the plan may be rebutted by the member or by the employer on behalf of the member. Upon receipt of sufficient evidence to the contrary, this presumption may be reversed.

An employer or individual who knowingly or willfully reports compensation in a manner inconsistent with Education Code section 22119.2 shall reimburse the plan for benefit overpayments that occur because of that inconsistent reporting and may be subject to prosecution for fraud, theft, or embezzlement in accordance with the Penal Code.

Membership

Any person employed to perform creditable service on a full-time basis who is not already a member of the Defined Benefit Program shall become a member as of the first day of employment, unless excluded from membership by Education Code sections 22601, 22601.5, or 22604.

Certificated employees who are full-time members of another public retirement system are also considered for CalSTRS enrollment. Former Education Code section 22605 previously excluded employees in this situation.

DB membership Information is available on the CalSTRS Web site (see Additional Resources). Procedures and requirements for enrollment are discussed below in the section entitled, "Employment Procedures."

Exclusion from Membership – CalSTRS DB

Persons who were not previously enrolled as members of the CalSTRS DB system are excluded from membership if they fall within one of the following employment categories: [EC §§ 22601, 22601.5, 22602, 22604]

1. Substitutes, until they render 100 complete days of service in one school district during the year and qualify by performing one day in any following month of the school year.
2. Hourly and part-time employees, until they render 60 hours or 10 days of service in one school district within a pay period and qualify by performing additional service in any following month of the school year.
3. Exchange teachers from outside California.
4. Teacher assistants employed under Education Code section 44926.
5. Student teachers employed under Education Code section 44320.

Election of DB Membership

Daily, hourly, and part-time employees who do not qualify for DB membership may elect membership at any time while employed to perform creditable service subject to coverage under the DB plan. [EC § 22515] This election will preclude CalSTRS CB (when offered), Social Security, or ARS membership on or after January 1, 1992. Form ES 350, Permissive Election and Acknowledgment of Receipt of CalSTRS Defined Benefit Plan Membership Information, is used to elect membership (see Exhibit 1).

Employment Procedures

1. Notification - The district human resources office shall formally notify an employee within 30 days of hire of his or her right to voluntarily elect CalSTRS DB membership. The employer is liable for employee and employer

contributions and administrative costs when an audit or complaint by the employee reveals that the employer has failed to comply with notification requirements. [EC § 22455.5]

2. Enrollment - Membership election is exercised on CalSTRS Form ES 350, which is then forwarded to SDCOE for processing of the enrollment and submission of the form to CalSTRS (see Exhibit 1).

If an employee last served in another California county district, the employee must complete Form 308, Verification of Membership Status in a California Public Retirement System (see Exhibit 1). If the employee is a current retirement system member with funds on deposit, the SDCOE Retirement Reporting Unit should be consulted for proper retirement enrollment.

If an employee served in another San Diego County district immediately prior to employment or has never served in California and qualifies for CalSTRS membership, no retirement forms need to be completed. The Payroll System will enroll the employee as indicated by the position and/or the system's retirement data for that employee.

3. CalSTRS Set-up - SDCOE compares retirement coding and employee data with the online retirement master file. All new hire data and employee data changes are sent to CalSTRS each payroll cycle to set up accounts and verify retirement status. CalSTRS returns to SDCOE an exception listing for corrections of retirement coding and employee data; employee contributions are adjusted accordingly. Names, birth dates, and Social Security numbers are verified as requested.
4. Social Security Number - The employee's Social Security card should be copied and kept in the district employment records. To ensure credit for quarterly Social Security and Medicare earnings, retirement, and W-2 reporting, the employee's name as placed on the district employment records must be consistent with the name appearing on the Social Security card.

When an employee is hired without a Social Security card, he or she must apply for a Social Security number at a local Social Security office. The employee should obtain a receipt showing that the application has been filed and submit it to the district office for entering of employee data in the payroll system. The school district should not enter fictitious Social Security numbers in the payroll system. The employee cannot be paid in the payroll system until the district is in receipt of a Social Security card.

Employees who have changed their names should immediately notify the local Social Security office. The SDCOE Retirement Reporting Unit will change the Social Security name in the payroll system after the employee submits an Employee Social Security Name or Number Correction Request and a copy of his or her new Social Security card (see Exhibit 1). The school district may change the warrant name at any time.

5. Spousal Signature - The spouse/registered domestic partner of the member shall sign applications for a refund, service retirement, election, change or cancellation of a pre-retirement option, or for modification of a service retirement allowance payable by the system. If there is no spouse/registered domestic partner or the spouse/domestic partner is not available, CalSTRS Form MS1125A, Justification for Non-signature of Spouse or Registered Domestic Partner, must be completed and filed with the appropriate CalSTRS applications (see Exhibit 1). [EC § 22453]

Monthly CalSTRS DB Review of Nonmembers

Payroll records of nonmembers should be examined to determine whether any of the following circumstances have resulted in DB membership eligibility.

1. Assignment Change - A contract employee whose creditable service job assignment changes to fifty percent or more of the full-time equivalent for the position shall become a member on the first day of the pay period in which the change in the basis of employment occurred. [EC § 22601.5]
2. Substitutes - When a nonmember works 100 days in one school district within a school year and works one more day in any of the remaining months, CalSTRS DB membership is established on the first of that month. The district should keep a count of days worked and establish a membership date. [EC § 22602] Districts on the county payroll should verify days worked with SDCOE.
3. Hourly - Payroll time entries should be checked for hourly employees who have worked 60 or more qualifying hours in a given month. If the employee performs hourly service the following month within the school year, the district should establish a membership date. [EC § 22604] Districts on the county payroll should verify hours worked with SDCOE.

Employment after Retirement

A CalSTRS retirant may be re-employed within the public schools as a certificated employee or as a consultant to perform services not disallowed by law. A retirant hired under a consultancy contract is considered an employee and is subject to the

earnings limitation. These earnings must be reported to the system at the end of each month on the Monthly Report of Retirement Contributions. This report is generated through the SDCOE payroll system. Refer to *CalSTRS Employer Directive 2007-07*, Post Retirement Earnings Limit, available from the SDCOE Retirement Reporting Unit (see Additional Resources).

When a retired CalSTRS member is reemployed, the retirement status is not affected unless she or he earns more than \$27,940 (as of July 2007) per school year. The retirant's allowance shall be reduced by the amount of earnings in excess of this limit. [EC § 24214]

A CalSTRS retirant may not be employed by any school district in a classified position except as an aide in one of the following circumstances: [EC §§ 45134, 88033]

1. An aide is needed in a classroom with a high pupil-teacher ratio.
2. An aide is needed to provide one-on-one instruction in remedial classes or for underprivileged students.

Earnings limit waivers cover various aspects of employment directly related to K-12 classroom instruction programs and emergency appointments to administrative positions for vacancies due to circumstances beyond the control of the employer. [EC §§ 24216-6.6] Most of these waivers were effective January 1, 2001, have sunset dates, require collective bargaining language, and must go through the CalSTRS approval process before the retirant is employed.

A retired CalSTRS member who performs no CalSTRS creditable service in California public schools for twelve "consecutive" months is not subject to postretirement compensation limitation provisions when employed in a certificated position. [EC § 24214] Refer to *CalSTRS Employer Directive 2007-07*, Post Retirement Earnings Limit, available on the SDCOE Retirement Reporting Unit Web site, for information on the waiver that can facilitate the employment process of CalSTRS retirants (see Additional Resources).

A retirant may be re-employed only if able to pass a physical examination upon initial employment. This examination is valid until the employee terminates employment. Completing the Certification of Freedom from Contagious or Infectious Disease, Form I-30, available from the State Board of Education, within the preceding six-month period and filing it with SDCOE will satisfy the examination requirement (see Exhibit 1). The SDCOE payroll system will not issue salary warrants until Form I-30 is on file.

Other district-required examinations are at the expense of the school district unless the retirant terminates employment and is reemployed. [EC §§ 44839.5, 87408.5]

Contributions

The governing board of each school district shall deduct the contributions required from the salary of CalSTRS members and remit those contributions, plus the required employer contributions, to the system. [EC § 23000 et seq.]

Rates

The employee pays eight percent of salary, excluding compensation for overtime. The employer pays eight and one-quarter percent of the total of the salaries upon which members' contributions are based. [EC §§ 22900-1.5, 22950-1]

For pay periods on and after January 2001, the employee contribution of eight percent is split; six percent goes to the CalSTRS DB plan, and two percent is credited to the CalSTRS Supplemental (DBS) plan. [EC § 22901.5]

Time of Payment

Each month, an estimated payment of not less than 95 percent of total contributions is due in the CalSTRS office five working days after the close of the month. The balance is due in 15 working days. The SDCOE Retirement Reporting Unit performs this function by depositing warrants at a local bank on behalf of districts. [EC § 23002]

Tax Deferred Employee Contributions

Employee normal contributions and contributions for purchase of prior service to CalSTRS may be tax deferred, under Internal Revenue Code section 414(h)(2), as employer-paid member contributions. Each school district governing board may adopt a resolution to participate as prescribed by CalSTRS. The resolution is adopted for future payrolls and cannot be made retroactive. [EC § 22903]

Refund of Contributions

CalSTRS DB Refund Application, Form RF 1360, is completed by a member who has terminated all employment in California (see Exhibit 1). The school district enters the employee's termination date on the employee screen, as described in the SDCOE *Payroll/Personnel System User Reference Manual*, and files the form with SDCOE for processing. All of the eight percent contributions prior to January 1, 2001 plus interest are refunded. For contributions made on or after January 1,

2001, only the six percent contributions are refunded from the CalSTRS DB plan. The two percent contributions in the CalSTRS DB Supplement Program are processed one year after the last day of employment. If the employee is re-employed, the CalSTRS DBS refund process is canceled. [EC §§ 23100-4]

CalSTRS Cash Balance Benefit Program Termination Benefit Application, Form CB 585, is completed by a member who has terminated all California school employment (see Exhibit 1). The form is signed and processed by the school employer and sent to CalSTRS. The refund is processed one year after the last day of employment in a California school. If the employee is re-employed with a new CalSTRS membership, the application is canceled.

Members who have been granted a leave of absence by a district may not apply for a refund until they have terminated their leave of absence.

Effective January 1, 1993, pension plan refunds are taxed up front at 20 percent federal tax unless the employee rolls the money directly over to another plan.

Before applying for a refund, an employee should be aware of the tax liability on the picked-up contributions plus earned interest. Refer to the information and instructions provided on the CalSTRS Refund Application, Form RF 1360 (see Exhibit 1).

Redeposit of Withdrawn Contributions

When a former member who has received a refund reenters a position requiring membership in the system, he or she may elect to redeposit the refunded contribution with regular interest from the date of refund to the date of payment. If the member elects to redeposit, the member shall repay all accumulated contributions that were previously refunded plus the amount deducted for administrative expense. [EC §§ 23200-3]

The employer may adopt a board resolution to allow these deposits to be tax deferred under Internal Revenue Code 414(h)(2). When a board resolution is adopted, all payroll deductions for redeposit are tax deferred. If the employee does not desire the tax deferral, he or she would remit personal payments directly to CalSTRS. Refer to CalSTRS Employer Directive 2002-02, Employer Pick-Up of Receivable Payments, available from the SDCOE Retirement Reporting Unit (see Additional Resources).

Benefits

Service Retirement Benefits

A member may retire if he or she has credit for five years or more of service in CalSTRS and has attained age 55. [EC § 24201] Application for service retirement may be executed not more than six months in advance of the requested effective date of retirement. The retirement date may not be earlier than the first day of the month in which the application is received in the office of CalSTRS but may be the day following the last day of paid service as long as the application is received by the last working day of the retirement month. Members should submit the application via certified mail.

Retirement applications, Form SR 0059, are available on the CalSTRS Web site (see Exhibit 1). CalSTRS retirement counseling appointments may be made at the San Diego County Office of Education (see Additional Resources). Questions on the application process and benefits should be directed to the CalSTRS Sacramento headquarters. A CalSTRS benefit estimate can be calculated on the CalSTRS Web site (see Additional Resources).

Reduced Workload with Full Service Credit

Members who reduce their workload from full time to part time may receive the service credit they would have received if they were employed on a full-time basis. Their retirement allowance, as well as any other benefits they are entitled to, will be based on the salary that they would have received if employed on a full-time basis. Members and their employers must both elect to contribute the amount that would have been contributed if the member were employed on a full-time basis. Each year, CalSTRS sets a separate employer contribution rate to cover the cost of this benefit. This higher rate is computed on the participant's rate of pay, not earnings

A reduced workload agreement is signed by the employee and approved by the governing board at least 30 days prior to the beginning of the employee's contract effective date or participation in the program. Two copies of the agreement and board minutes are forwarded to the SDCOE Retirement Reporting Unit. One copy is sent to CalSTRS prior to the deadline. All agreements and board minutes must be received by CalSTRS 15 days prior to the employee's participation in the program. CalSTRS has not made an exception to this deadline in the past.

Participation is limited to ten years and shall be applicable only to members who are age 55 or older and have the eligibility criteria of ten years of service credit, including five years of "full time" employment immediately preceding the participation date. Retirement shall be considered a break in service. A retired member who reinstates

to membership shall accrue five years of full-time creditable service before he/she is eligible to participate in this program. The responsibility for eligibility determination rests with the employer subject to CalSTRS approval.

Retirement under this program cannot be effective until one school year of participation has been completed. The member may cancel participation and receive the service actually earned for retirement.

Specific eligibility guidelines; report procedures; and CalSTRS Administrative Directive 91-7, Reduced Workload Program (Amended), are available from the SDCOE Retirement Reporting Unit (see Additional Resources). [EC §§ 22713, 44922, 87483, 89516]

Unused Sick Leave Service Credit

A member shall be credited at retirement for each day of accumulated and unused sick leave to which he or she was entitled on the final day the member performed service for the school district. This benefit applies to members who retire on or after January 1, 1999; it does not apply to members with membership dates established on or after July 1, 1980, and who retired prior to January 1, 1999. Service credit is calculated by dividing the unused sick leave days by the member's "final" full-time contract work year days, such as 182 teaching days. The divisor shall not be less than 175 days. [EC § 22717]

The Express Benefit Report, CalSTRS Form SR 0554E, is completed by the employee and given to the district for certification of unused sick leave. The original is returned to the employee, with a copy to the SDCOE Retirement Reporting Unit. If the Express Benefit Report is not used, CalSTRS will send Form SR 0554, Employment Termination and Sick Leave Report, to SDCOE (see Exhibit 1). This form is forwarded to the school district for completion and signature and is then returned to SDCOE for processing and forwarding to CalSTRS. Revisions to reported unused sick leave are submitted on Form SR 0559 (see Exhibit 1).

Disability Benefits

A member can receive disability benefits at any age under 60 if he or she is mentally or physically incapacitated for performance of duty and has a minimum of five years of California service credit. The Application for Disability Benefits, CalSTRS Form DS 0260, is available on the CalSTRS Web site (see Exhibit 1). [EC §§ 24001-13]

When an employee has been approved for disability benefits, CalSTRS will send Form DS 0889, Certification of Last Day of Paid Service, to SDCOE (see Exhibit 1).

This form is also sent to the school district for completion and returned to SDCOE for certification of the last day of employment. The completed form is then forwarded to CalSTRS.

Designation of Beneficiary

Members must designate the recipient(s) to receive the DB Program one-time death benefit payable in the event of the member's death. The designation also applies to benefits payable under the DBS Program. [EC §§ 23300-1] If a beneficiary designation, Form MS0002, (see Exhibit 1) is on file, it remains in effect until a subsequent beneficiary designation is filed to replace it. The name of a member's current beneficiary may be obtained from CalSTRS, where beneficiary records are maintained.

A member's or retirant's marriage, divorce, or annulment of marriage/domestic partnership does not revoke a beneficiary designation. If no beneficiary designation is in effect on the date of death, any benefit payable shall be paid to the estate of the member. [EC § 23304]

Pursuant to Family Code section 297.5, a legally recognized domestic partner of a CalSTRS member is eligible for the benefits that would be available to a spouse of that member. The domestic partnership must be registered with the California Secretary of State (see Additional Resources).

A change in beneficiary or beneficiaries may be affected at any time by completing the One-Time Death Benefit Recipient, CalSTRS Form MS0002 (see Exhibit 1).

Employer Reports

Monthly Report

Upon completion of processing the payroll data received from school districts, a monthly report is audited and updated. A final report is produced by SDCOE and sent to CalSTRS. This report contains contributions, pay rates, salaries, and service of each certificated employee in San Diego County, including service defined as overtime, whether or not the employee is a member. A line entry on this report is required for every CalSTRS member in the district of employment at each rate of pay. The data supplied is posted to the individual accounts in CalSTRS and is used in the computation of service credit, retirement allowance, death benefits, and refund of contributions.

Total employee contributions on the monthly report are balanced to the total employee contributions as shown on the payroll register. Total salaries (excluding those paid to nonmembers) are balanced to those paid as shown on the CalSTRS Remittance advice. A copy of this report is retained at the San Diego County Office of Education to be used in conjunction with payroll registers or individual payroll earnings records for verification of service when required by CalSTRS in connection with applications for retirement or for determination of effective dates of membership.

The Teachers' Retirement Board may assess penalties, based on the sum of the employee and employer contributions required by the report for late or unacceptable reports, at a rate of interest equal to the regular interest rate or a fee of five hundred dollars (\$500), whichever is greater. [EC § 23006]

Monthly Report Correction Process

When the county superintendent or other employing agency determines that more or less than the required employee contributions specified in Education Code sections 23008 and 44987 have been paid to the system based on any payment of creditable compensation to a member, proper adjustments on the monthly report shall be made within 60 days. Any refund adjustments shall be made to the member by the employing agency within the same time period.

Penalties assessed for late or improper adjustments shall be no more than the regular interest as defined in Education Code section 22162.

If a required report contains erroneous information and the system disburses funds based on that information, the county superintendent or other employing agency that submitted the report shall reimburse the system in full for the amount of the disbursement. Reimbursement shall be made immediately upon notification by the system. [EC § 23008]

Statement of Account

When the monthly reports from all of the counties in the state have been processed at the end of the school year, the individual accounts are posted with the contributions reported for the year. A statement of the Defined Benefit plan and the Defined Benefit Supplement plan is then prepared for each member for whom contributions were reported showing the balances in each fund as of the end of the school year and the amount of service credit calculated for that year. The statement shows normal employee contributions that have been taxed and tax deferred or

picked up contributions. Each winter CalSTRS mails these statements to the member's home address. The information contained in these statements is confidential and retained only by CalSTRS in Sacramento.

CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

The San Diego County Office of Education is the contracting agency with CalPERS on behalf of all the school and community college districts in the county. SDCOE maintains a permanent record for each classified employee who is a current member of CalPERS. San Diego Unified School District, San Diego Community College District, and Palomar Community College District maintain their own records. [GC § 20610]

Specific information on retirement provisions is contained in the *CalPERS Procedures Manual* (see Additional Resources). This section addresses topics of particular importance and procedures for reporting to SDCOE.

Definitions

Compensation

"Compensation" means the remuneration paid out of funds controlled by the employer in payment for the member's services performed during normal working hours or for time during which the member is excused from work because of: holidays; sick leave; industrial disability leave, during which time benefits are payable pursuant to section 4800 and 4850 of the Labor Code or the Government Code, commencing with section 19869; vacation; compensatory time off; or leave of absence. [GC § 20630]

Under Government Code section 19872, an employee may elect to supplement industrial disability leave payments from the 23rd workday with accrued leave credits including annual leave, vacation, sick leave, or compensatory time off in any amount necessary to approximate the employee's full net pay. When compensation is reported to the board, the employer shall identify the pay period in which the compensation was earned regardless of when reported or paid. Compensation shall be reported in accordance with Government Code sections 20636 and 20636.1 and shall not exceed compensation earnable, as defined in these sections. [GC § 20630]

Payrate

"Payrate" means the normal monthly rate of pay or base pay of the member paid in cash to similarly situated members of the same group or class of employment for services rendered on a full-time basis during normal working hours. For a member

who is not in a group or class, it means the monthly rate of pay or base pay of the member pursuant to publicly available pay schedules. [GC §§ 20636-6.1]

Service Credit

One year of service credit shall be granted for service rendered in a fiscal year in full time employment for any of the following: [GC § 20962]

1. Ten months of service for persons paid on a monthly basis.
2. 215 days of such service for persons paid on a daily basis.
3. 1,720 hours of service for persons paid on an hourly basis.

A fractional year of service credit shall be given for service rendered in a fiscal year for less than the time prescribed above.

For accurate payroll and retirement reporting, districts must properly record the time worked to the correct month. For example, time sheets that cover the 16th of the previous month to the 15th of the current month should be entered in the payroll system as two separate entries, one for the previous month's time worked (16th - 30th) and one for the current month (1st - 15th). If an hourly employee becomes a member between the time sheet cutoff date (15th) and first of the following month, his or her membership form should indicate the first of the following month as the effective date of membership. These procedures will ensure correct membership enrollment and calculation of service credit.

Creditable Earnings

Full-time employment for classified employees shall be a 40-hour week. Salary schedules are to be based on 2,080-hour work year; monthly employees receive 10, 11, or 12 monthly payments according to the number of months they are normally in a paid status. Salaries shall not be paid in advance of services performed. Part-time monthly employees are to receive the appropriate percentage of time actually worked. Hourly pay rates shall be derived from annual salary schedules divided by 2,080 hours.

Summer earnings are subject to CalPERS. Ten-month employees who start work a few days early in August should be designated as eleven-month employees, with time not worked in August docked from their monthly salaries. This same procedure would apply to eleven-month employees who start work in July, i.e., they should be considered twelve-month employees. The time worked can also be at an hourly pay rate.

For retirement purposes, overtime is any time worked in excess of full time for each month. For example, 21 days x 8 hours would be full time. If an employee is part-time, all extra time for a monthly pay period would be considered for CalPERS creditable earnings up to the full-time equivalent for each month. All earnings, including overtime, are subject to Social Security and Medicare taxes.

Special Compensation

Special compensation is limited to that which is received by a member pursuant to a labor policy or agreement or as otherwise required by state or federal law, to similarly situated members of a group or class of employment that is in addition to the payrate. Special compensation shall be for services rendered during normal working hours. The employer must identify the pay period in which the special compensation was earned. [GC §§ 20636-6.1] Off-schedule bonus pay is considered creditable earnings and is limited to six percent per year.

Membership

Classified employees who are CalPERS members are categorized as follows:

1. Employees under the full retirement formula without Social Security or Medicare coverage.
2. Full retirement formula members with survivor benefit coverage.
3. Modified retirement formula members with Social Security and Medicare coverage. Effective for all pay periods from January 2001, school and community college members were changed to the full retirement formula with Social Security and Medicare coverage.

Newly hired classified employees who qualify for membership automatically come under the combined program of CalPERS, Social Security, and Medicare. Contributions to these plans are withheld from salary starting at the effective date of membership.

Governing board members who elect membership in CalPERS are to be paid by the month. All governing board members are subject to Social Security even if they do not elect CalPERS membership. [EC §§ 35120, 72425]

Qualifications for Membership

It is mandatory that every employee be brought into system membership unless the employee is specifically excluded by statute or agency contract. Employees enter membership upon appointment to a position with one of the following conditions:

1. The appointment/employment fixes a term of full-time continuous employment in excess of six months.
2. The position requires regular, part-time service for at least an average of 20 hours per week (or its equivalent) for one year or longer.

Employees who exceed 125 days of a per diem basis or 1,000 hours within the fiscal year (including overtime) shall become members the first day of the following month. An employee who works an average of 20 hours or more per week and holds an appointment that is for one year or longer becomes a member immediately. The accumulation of time worked encompasses all districts of employment within the county.

Employees who are already members of CalPERS are not excluded from membership because they are working less than full time. [GC §20305(a)(1)]

Employees in positions that do not have a fixed term of employment longer than six months should be monitored. If full time employment actually continues for more than six months, membership is compulsory. The effective date is not later than the first day of the first pay period of the seventh month of employment.

The district is responsible for establishing membership and submitting the membership form to SDCOE. The *CalPERS Procedures Manual* should be used by the district for accurately establishing or excluding membership in the system based upon the various employment situations at each site (see Additional Resources).

Any employer that fails to enroll an employee into membership when he or she becomes eligible, or within 90 days thereof, when the employer knows or can reasonably be expected to have known of that eligibility, shall be required to pay all arrears costs for member contributions and administrative costs of \$500 per member. [GC §§ 20283]

Exclusion from Membership

Exclusions from membership do not apply to employees who are already CalPERS members, regardless of any changes that occur in their employment status. The following employment is excluded: [GC §§ 20300, 20305-6, 20322(c)]

1. Full-time employment for six months or less.
2. Part-time employment for less than 20 hours per week.
3. Irregular basis employment (seasonal, limited-term on-call, emergency, intermittent, substitute, etc.).
4. Elected officers on or after July 1, 1994.
5. Teacher assistants (student teachers).
6. All persons who are members of CalSTRS, as to the service in which they are members.

An employee excluded from membership shall receive CalPERS Form AESD-139, Notice of Exclusion from CalPERS Membership, which states the reason the employee does not qualify for membership (see Exhibit 1). Membership exclusion provisions are not intended to establish a probationary period free of CalPERS coverage for new or rehired employees.

Employees excluded from membership may elect membership in CalPERS if the school district adopts a resolution to be subject to this provision of CalPERS law. [GC § 20325]

Effective April 1, 1986, newly hired employees who do not qualify for CalPERS membership or Social Security are covered under Medicare. On January 1, 1992, Social Security was mandated for all nonmembers of a pension plan. Districts may provide an Alternative Retirement System to replace Social Security for employees who do not qualify for CalPERS membership.

Service Prior to Membership

Service performed prior to membership in CalPERS can be purchased by a member at any time prior to retirement. Detailed information concerning service prior to membership may be obtained by addressing an inquiry to the Actuarial and Employer Services Branch of CalPERS (see Additional Resources).

Employment Procedures

1. Enrollment - The district human resources office should obtain a completed Form 308, Verification of Membership Status in a California Public Retirement System, for each new-hire employee. This form is available online from the SDCOE Retirement Reporting Unit (see Exhibit 1). [GC § 20221]

If an employee is already a member or qualified for membership based on the information furnished on Form 308, CalPERS Form AESD-1, Member Action Request, should be completed (see Exhibit 1). The original is forwarded to the SDCOE Retirement Reporting Unit and a copy is retained by the school district for the member's file. Procedures for completing the CalPERS Form AESD-1 are contained in the *CalPERS Procedures Manual* (see Additional Resources).

If an employee is transferring from another school district in San Diego County, the payroll system is responsible for membership enrollment. CalPERS members transferring between school districts and SDCOE must also have a CalPERS Form AESD-1 completed as a new hire of the new district of employment.

2. Monthly Employees - If an employee is a new hire in a qualified position, the CalPERS membership date should be the date the employee first performed service in that position.

If an employee is currently employed as a nonmember of CalPERS and qualifies for membership during the month, the membership date should be established as the first day of the following month. The CalPERS Form AESD-1 should be submitted to the SDCOE the same month (see Exhibit 1).

3. Hourly Employees - Under payroll processing procedures, employees paid at an hourly rate are generally paid on or about the fifth of the month following the month in which the service was rendered. Districts generally establish a cutoff date of about the 15th of each month for processing time-worked entries to the payroll system. However, for retirement purposes, the monthly reports to CalPERS should cover the calendar month in which the payroll was processed.
4. Social Security Number - The employee's Social Security card should be copied and kept in the district employment records. To ensure credit for quarterly Social Security and Medicare earnings, retirement, and W-2 reporting, the employee's name as placed on the district employment records must be consistent with the name appearing on the Social Security card. [GC § 20223]

When an employee is hired without a Social Security card, he or she must apply for a Social Security number at a local Social Security office. The employee should obtain a receipt showing that the application has been filed and submit it to the district office for entering of employee data in the payroll system. The school district should not enter fictitious Social Security numbers in the payroll system. The employee cannot be paid in the payroll system until the district is in receipt of a Social Security card.

Employees who have changed their names should immediately notify the local Social Security office. The SDCOE Retirement Reporting Unit will change the Social Security name in the payroll system after the employee submits an Employee Social Security Name or Number Correction Request and a copy of his or her new Social Security card (see Exhibit 1). The district may change the warrant name at any time.

CalPERS is notified of a change of name by the use of the Member Action Request, CalPERS Form AESD-1 (see Exhibit 1), as described in the *CalPERS Procedures Manual* (see Additional Resources). The original form is forwarded to the SDCOE Retirement Reporting Unit and a copy is retained by the school district for the member's file.

5. Spousal Signature - The Beneficiary Designation, CalPERS Form BSD-241, is provided to members upon enrollment (see Exhibit 1). It must contain the signature of the spouse/domestic partner or indicate that there is no spouse/domestic partner or that the spouse/domestic partner is not available for signature. If the spouse/domestic partner is not available for signature, Form BSD-800-A must be submitted (see Exhibit 1). These same requirements also apply when contributions are refunded to members by CalPERS.
6. Birthdate Correction - A discrepancy in a member's date of birth is corrected by obtaining a copy of the birth certificate or other acceptable data as outlined in the *CalPERS Procedures Manual* (see Additional Resources). The documentation is forwarded to the SDCOE Retirement Reporting Unit, which records the change and forwards the data to CalPERS.

Employment after Retirement

A person who has been retired under CalPERS for service or for disability shall not be employed in any capacity thereafter by a school district or by a contracting agency unless such employment, without reinstatement, is authorized by law. A retired person whose employment without reinstatement is authorized shall acquire no service credit or retirement rights with respect to such employment. The following exceptions apply:

1. A retired person may be employed as a school crossing guard. [GC § 21151]
2. A retired person may serve without reinstatement from retirement or loss or interruption of benefits provided by the system upon appointment by a school employer either during an emergency to prevent stoppage of public business or because the retired employee has skills needed in performing specialized work of limited duration. Such appointment shall not exceed 960 hours in any fiscal year for school employers. The retired person's rate of pay for such employment shall not be less than the minimum, nor exceed that paid by the employer to other employees performing comparable duties. [GC § 21229]

The intent of these exceptions is to allow employment for a specific function and period of time. They do not authorize on-call or as-needed employment situations. Documentation of retirants' or disabilitants' employment under the above provisions is each school district's responsibility. Documentation should include: the emergency or special skills of the retirant; position title; duties to be performed; and the time period of employment.

Unlawful post-retirement employment will result in penalties as follows:

1. Violation of the employment provisions will reinstate the retirant to CalPERS membership.
2. The retirant will be required to pay back the retirement allowance to the day of the violation. [GC § 21202]
3. The retirant and the employer will be required to pay the normal CalPERS contribution due on earnings retroactive to the new membership date. [GC § 21220]
4. The retirant and employer will be required to pay an administrative fee.

Contributions

Rates

Employer contributions are calculated each month on the total subject wages paid using the current contribution rate. The current rate may be obtained by contacting the SDCOE Retirement Reporting Unit.

Employee contributions are computed at seven percent on monthly wages earned excluding overtime pay, defined by CalPERS. For members working under the full retirement formula, the contribution rate is applied to wages. For those members

who have survivor benefit coverage, the contribution rate is applied to wages, plus \$2.00 is deducted each month for survivor benefits. For school members who had pay periods prior to January 2001 and Social Security and Medicare Coverage, a modified formula is used as follows:

1. If monthly wages were less than \$400, the contribution rate was applied to two-thirds of wages.
2. If monthly wages were \$400 or more, \$133.33 was deducted from wages and the contribution rate was applied to the remainder.

For school members with pay periods on and after January 2001 and who have Social Security and Medicare coverage, the full retirement formula is used. [GC § 20677]

If more or less than the correct amount of contributions required of members or any contracting agency is paid, proper adjustment shall be made in connection with subsequent payments. [GC § 20163]

Time of Payment

Estimated payment of at least 90 percent of member and employee contributions shall be received in the CalPERS office on or before 15 calendar days following the last day of the payroll period. The final payment of contributions and payroll reports is to be filed on or before 30 calendar days following the end of the payroll period. Interest shall be charged on late payments, and a cost assessment shall be charged on late reports. The SDCOE Retirement Reporting Unit is responsible for remitting the contributions and filing the reports. [GC § 20617]

Tax Deferred Employee Contributions

An employee contribution to CalPERS may be sheltered under Internal Revenue Code section 414(h)(2) as employer-paid member contributions. A school district governing board may adopt a resolution to participate as prescribed by CalPERS. The adopted resolution cannot be retroactive.

An employer may also elect to pay the employee contributions. Under this arrangement, contributions would no longer be tax deferred. [GC § 20691]

Refund of Contributions

When an employee terminates employment or is on a leave of absence for one month or more, a Member Action Request, CalPERS Form AESD-1, must be sent to

SDCOE (see Exhibit 1). An employee on leave of absence may not receive a refund of contributions until the leave exceeds six months. The school district completes CalPERS Form AESD-1 as described in the *CalPERS Procedures Manual* and forwards the form to SDCOE for processing and forwarding to CalPERS (see Additional Resources). This form is the only document used in notifying the system of an employee's separation from employment other than for retirement or death. Upon receipt by the system of a CalPERS Form AESD-1, a letter with a refund application package is mailed to the member. The Refund/Rollover Election Package is available on the SDCOE Retirement Reporting Unit Web site (see Additional Resources). The system notifies SDCOE of members who have had refund payments processed.

Before applying for a refund, an employee should be aware of the tax liability on the picked-up contributions plus earned interest. Tax law requires 20 percent federal tax on the taxable portion of refunds unless the member directly rolls the refund to another plan such as an IRA. For more information, refer to the Refund/Rollover Election Package.

Redeposit of Withdrawn Contributions

Current CalPERS members have the right to redeposit contributions previously withdrawn at any time prior to retirement. The redeposit amount is the amount withdrawn plus interest from the date of withdrawal to date of final payment. Interest is calculated at the annual interest rate in effect on the date of election.

The redeposit payment, when made by payroll deduction, may be tax deferred under Internal Revenue Code section 414(h)(2) at the option of the employee. The employee must sign a tax-deferred agreement with CalPERS, which notifies SDCOE of the benefit election. An employee may obtain a redeposit estimate by entering personal data on the CalPERS Service Credit Web page (see Additional Resources).

Benefits

Service Retirement Benefits

A member may retire if he or she has credit for five years or more of service and has attained the age of 50. [GC § 21060] An application for service retirement may be executed not more than 90 days in advance of the requested effective date of retirement. This may not be earlier than the first day of the month in which the application is received in the office of CalPERS. Members should submit the application by certified mail.

The Service Retirement Election Application, CalPERS Form BSD-369-S (see Exhibit 1), is included in the CalPERS booklet, *Stepping Into Retirement: A Guide to Completing Your CalPERS Service Retirement Election Application* (Additional Resources).

Unused Sick Leave Service Credit

A member who retires on or after January 1, 1999, shall be credited at his or her retirement with .004 year of service credit for each unused day of sick leave to which he or she was entitled on the final day of employment, as long as retirement is within four months of separation of employment. [GC § 20963] The employer certifies the member's unused sick leave days on the member's Service Retirement Election Application, Form BSD-369-S (see Exhibit 1). In the absence of a completed Service Retirement Election Application, CalPERS will request completion of Requested Employer Certification, CalPERS Form BSD-200 (see Exhibit 1).

Disability Benefits

A member incapacitated for the performance of duty shall be retired for disability if he or she is credited with five years of service credit, regardless of age. [GC § 21150] The Disability Retirement Election Application, Form BSD-369-D (see Exhibit 1), is included in the CalPERS booklet, *Guide to Completing Your CalPERS Disability Retirement Election Application* (see Additional Resources).

A person retired for disability who has not attained the mandatory age for retirement and whom the board finds not disabled for employment, may be employed by any employer without reinstatement from retirement in a position other than that from which he or she retired or a position in the same member classification. The disability retirement pension shall be reduced during such employment to an amount which, when added to the compensation received, shall equal the maximum compensation earnable by a person holding the position that the disabilitant held at the time of retirement.

Designation of Beneficiary

If a member dies before retirement, the law provides for payment of death benefits to surviving beneficiaries. Members may designate or change beneficiaries at any time by submitting CalPERS Form BSD-241, Beneficiary Designation (see Exhibit 1). The names of the beneficiary or beneficiaries on a current Beneficiary Designation may be obtained from CalPERS, where the record is maintained (see Additional Resources).

Pursuant to Family Code section 297.5, a legally recognized domestic partner of a CalPERS member is eligible for the same benefits that would be available to a spouse of that member. The CalPERS Web site provides specific benefit information. The domestic partnership must be registered with the California Secretary of State (see Additional Resources).

If no beneficiary designation is in effect on the date of death, any benefit payable shall be paid to the survivors of the member in the order specified in Government Code section 21493. Form BSD-241 may be used to designate beneficiaries other than the statutory beneficiaries or to designate beneficiaries in a different order from that prescribed by law. Any person, corporation, or the member's estate may be named as beneficiary, and, upon request to the system, children or grandchildren may be named as a group or class. A guardian may not be designated by use of this document to receive the benefit for another person.

If there is no effective beneficiary designation and there are no survivors entitled to the benefit, the benefit shall be paid to the estate of the member.

A member's marriage/registration of domestic partnership, dissolution or annulment of marriage/domestic partnership, or the birth or adoption of a child will constitute a revocation of a member's designation of beneficiaries. In this case, the statutory beneficiary would become the designated beneficiary unless a new beneficiary designation form is submitted.

Employer Reports

Monthly Report

Upon the completion of processing the payroll data received from school districts each month, a monthly report is audited and updated by the Retirement Reporting Unit. A final report is produced by SDCOE and sent to CalPERS. This report contains contributions, salaries, and service of each classified employee of a school district who is a CalPERS member. A line entry for each member in each district at each rate of pay is required on this report. Overtime and nonmember service are not reported to CalPERS. The data are posted to the individual accounts in CalPERS and used in the computation of service credit, retirement allowances, death benefits, and refund of contributions.

Total employee contributions on the monthly report are balanced to the total employee contributions as shown in the payroll register. Total salaries are balanced to those paid as shown on the CalPERS Remittance Advice. A copy of the monthly report is retained by SDCOE and is used in conjunction with payroll registers for

verification of service when required by CalPERS in connection with applications for retirement, determination of effective dates of membership, and verification of service prior to membership for redeposit requests.

Statement of Account

When the monthly reports from all the public agencies in the state have been processed at the end of the fiscal year, individual accounts are posted with the contributions reported for the year. A statement is then prepared for each member showing the balances of contributions and interest and the accumulated service credit at the end of the fiscal year covered by the report.

Statements are mailed by the system to members' home addresses each fall. The information contained in these statements is confidential and is retained only by CalPERS in Sacramento.

SOCIAL SECURITY AND MEDICARE

Medicare became effective April 1, 1986, for all newly hired employees excluding student workers. Medicare-only employees (except student workers) are generally CalSTRS DB and CB members hired with CalSTRS memberships established on or after April 1, 1986. Part-time and substitute employees hired prior to April 1, 1986, who are not performing substantial and regular service are also subject to Medicare.

Effective January 1, 1992, all nonmembers of a public retirement system, excluding student workers, were enrolled in Social Security and Medicare. The Medicare taxable base was removed in 1994.

The FICA tax is split to Social Security and Medicare, using separate taxable wage bases. Employees' W-2s may show both tax amounts on the same W-2. [GC § 22550.5]

Information on Social Security and Medicare coverage and reporting can be found in the Internal Revenue Service and Social Security Administration *Federal-State Reference Guide*, IRS Publication 963, and on the Social Security Administration (SSA) Web site (see Additional Resources).

Contributions

Social Security and Medicare contributions are computed on wages paid to CalPERS members and, with the exception of districts that have an Alternative Retirement System, on any wages for classified nonmembers and ineligible CalSTRS members.

Medicare contributions are mandatory for all employees, with the exclusion of student workers.

The maximum taxable wage and contribution rate has been subject to frequent changes. The following schedule shows rates for the last five calendar years:

<u>Year</u>	<u>Social Security/Medicare Taxable Wage</u>	<u>Social Security/Medicare Employees</u>	<u>Social Security/Medicare Employers</u>
2004	\$87,900/No Limit	6.20/1.45%	6.20/1.45%
2005	\$90,000/No Limit	6.20/1.45%	6.20/1.45%
2006	\$94,200/No Limit	6.20/1.45%	6.20/1.45%
2007	\$97,500/No Limit	6.20/1.45%	6.20/1.45%
2008	\$102,000/No Limit	6.20/1.45%	6.20/1.45%

A deposit of employee and employer Social Security and Medicare taxes is made at a federal reserve bank within one banking day of each payroll pay date, following the same schedule as the federal tax deposit.

Since Social Security and Medicare wages are reported when paid, no current liability is set up for the June daily/hourly payroll employer contributions. They are treated as a current expense for the new school year.

Employer Reports

The Calendar Year-to-Date (YTD) report is audited, corrected, and balanced to employee Social Security and Medicare contributions and wages each payroll cycle. A calendar year report of Social Security and Medicare gross wages and employee contributions is prepared by SDCOE, with W-2 data sent electronically to SSA. When the Social Security and Medicare data have been extracted, the tape is sent to the IRS for processing. A copy of the Calendar YTD is furnished monthly to each school district, and the Federal YTD is furnished when W-2s are issued.

Corrections on W-2 Forms

Corrections to W-2s, which include corrections to taxable Social Security and Medicare wages and contributions, are reported on IRS Form W-2c, Corrected Wage and Tax Statement, and summarized on Form W-3c, Transmittal of Corrected Wage and Tax Statements (see Exhibit 1). Corrections include workers' compensation payments, salary overpayments, canceled warrants, 403(b), 125(c), etc.

These forms are completed and signed by the district. Copy A of W-2c and original copies of W-3c are forwarded to the SDCOE Retirement Reporting Unit. All other copies should be distributed per the instructions on the forms. SDCOE forwards the forms to the IRS and SSA.

Each quarter and/or each June and December, the district's W-3c forms, with W-2c forms for prior calendar year adjustments, are sent to SSA and summarized on a form 941c, Supporting Statement to Correct Information, which is sent to the IRS. The school district will receive a refund of any overpaid taxes from the IRS. The current year tax deposits are balanced to each 941, Employer's Quarterly Federal Tax Return, and to the current year W-2s. The 941 figures for all four quarters must balance at year-end to the W-2s and the grand total of all tax deposits (see Exhibit 1). The San Diego County Office of Education performs these functions for districts on the county payroll system.

ADDITIONAL RESOURCES

1. California Secretary of State, Domestic Partners Registry. Available: <<http://www.ss.ca.gov/dpreistry/>>
2. CalPERS Sacramento headquarters for benefit, disability, and death benefit information call: 1-888-225-7377
3. California Public Employees' Retirement System (CalPERS) Web site:

Actuarial and Employer Services Branch. Available: <<http://www.calpers.ca.gov/index.jsp?bc=/employer/actuarial-gasb/home.xml>> or call 1-888-225-7377.

CalPERS Procedures Manual, California Public Employees' Retirement System, May 2005, complete manual and ordering information (accessible in "School District Employer" view). Available: <<http://www.calpers.ca.gov/index.jsp?bc=/employer/er-forms-pubs/pubs/manuals/ret-manual.xml>>

Employer Forms and Publication Directory (to access, select agency type). Available: <<http://www.calpers.ca.gov/index.jsp?bc=/employer/er-forms-pubs/home.xml>>

Home page for benefits and services for members and resource information for employers (accessible in "School District Employer" view). Available: <<http://www.calpers.ca.gov>>

Retirement planning calculator (to access, select current member status and member category). Available:

<<http://www.calpers.ca.gov/index.jsp?bc=/member/retirement/planning/rpcs/home.xml>>

Service Credit Cost Estimator for redeposit estimate and other service credit purchase options (to access, select current member status and member category). Available:

<<http://www.calpers.ca.gov/index.jsp?bc=/member/service-credit/scce/home.xml>>

Guide to Completing Your CalPERS Service Retirement Election Application, Publication 43, California Public Employees' Retirement System, April 2008.

Available: <https://www.calpers.ca.gov/mss-publication/pdf/xlI9JAw1Zx12_pub-43-2008%204%201.pdf>

Understanding Domestic Partner Benefits (to access, select current member status and member category). Available:

<<http://www.calpers.ca.gov/index.jsp?bc=/member/domestic-partner/home.xml>>

A Guide to Completing Your CalPERS Disability Retirement Election Application, Publication 35, California Public Employees' Retirement System, December 2006.

Available: <https://www.calpers.ca.gov/mss-publication/pdf/xEUi3QMUjWTGK_pub-35-2006.12.1.pdf>

4. CalSTRS Sacramento headquarters:

Benefit, disability, and death benefit information. Call toll free: 1-800-228-5453

Teletalk Service for application and benefit information. Call toll free, 24-hours a day, seven days a week: 1-800-222-8844

5. California State Teachers' Retirement System (CalSTRS) Web site:

Benefit calculator and other estimators. Available:

<<http://www.calstrs.com/Calculators/index.aspx>>

Cash Balance Benefit Program Employer Information (employer password required; available from CalSTRS at 1-800-228-5453). Available:

<<http://www.calstrs.com/Employers/ereast/ERCB/employerinfo.aspx>>

Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and other membership Information. Available:

<<http://www.calstrs.com/Members/index.aspx>>

Forms and publications. Available:
<http://www.calstrs.com/Help/forms_publications/index.aspx>

Home page for member and employer information, legislation, and news. Available:
<<http://www.calstrs.com>>

6. *Federal-State Reference Guide*, IRS Publication 963, Social Security Administration, Internal Revenue Service, and National Conference of State Social Security Administrators, October 2006. Available: <<http://www.irs.gov/pub/irs-pdf/p963.pdf>>

7. Retirement Reporting Unit, San Diego County Office of Education:

CalPERS Refund/Rollover Election Package for information on reciprocity and tax liability on refunded contributions. Available: <https://www.calpers.ca.gov/mss-publication/pdf/xtA7O21Bave73_refund_rollover_election.pdf>

CalSTRS Administrative Directive 91-7, Reduced Workload Program (Amended), March 9, 1994; CalSTRS Employee Directive 2002-02, Employer Pick-Up of Receivable Payments, January 14, 2002; and other retirement program assistance. Call 858-292-3691

CalSTRS Post Retirement Earnings Limit and Legislative Changes for 2007-2008 school/fiscal year, December 6, 2007. Available:
<<http://www.sdcoe.net/business2/dfs/rr/CalSTRS-Exempt-Limit.pdf>>

Forms, charter school reporting information, and links to key retirement documents. Available: <<http://www.sdcoe.net/business2/dfs/?loc=rr&m=9&pi=rr>>

Retirement Incentive Programs for CalSTRS Members Authorized by Assembly Bill 1207 (Chapter 313, Statutes of 2003). Available:
<http://www.calstrs.com/Help/forms_publications/eread/ED2003-06%20_Retirement%20Incentive.pdf>

8. San Diego County Office of Education, to schedule CalSTRS retirement counseling appointments, call: (619) 718-6783. Home page for member information. Available: <<http://www.sdcoe.net/hrt2/calstrs/?loc=home>>
9. Social Security Administration (SSA) information related to retirement benefits. Available: <<http://www.ssa.gov/retirement>>

LIST OF EXHIBITS

Exhibit 1 Table of Online Forms

Table of Online Forms

California State Board of Education (SBE), Bureau of Teacher Education and Certification

I-30 Certification of Freedom from Contagious or Infectious Disease
<http://www.sdcoe.net/business2/dfs/rr/FormI-30.xls>

California Public Employees' Retirement System (CalPERS)

AESD-1 Member Action Request
<http://www.calpers.ca.gov/eip-docs/employer/er-forms-pubs/forms/aesd-1.doc>

AESD-139 Notice of Exclusion from CalPERS Membership
<http://www.calpers.ca.gov/eip-docs/employer/er-forms-pubs/forms/aesd-139.doc>

BSD-200 Requested Employer Certification
<http://www.calpers.ca.gov/eip-docs/employer/er-forms-pubs/forms/pers-bsd-200.pdf>

BSD-241 Beneficiary Designation
https://www.calpers.ca.gov/mss-publication/pdf/xU8O80d7lqDfd_beneficiary-desig-bsd-241.pdf

BSD-369-S Service Retirement Election Application
http://www.calpers.ca.gov/mss-publication/pdf/xxLfvG5YJz9Uu_pub-43-booklet.pdf

BSD-369-D Disability Retirement Election Application
https://www.calpers.ca.gov/mss-publication/pdf/xEUi3QMUjWTGK_pub-35-2006.12.1.pdf

BAS-438T Refund Election Form available in Refund/Rollover Election Package
http://www.calpers.ca.gov/mss-publication/pdf/xXbvU5f162cmb_refund-election.pdf

BSD-800-A Justification for Absence of Spouse's or Registered Domestic Partner's Signature
https://www.calpers.ca.gov/mss-publication/pdf/xghFDVZakQcv4_pers-bsd-800a.pdf

California State Teachers' Retirement System (CalSTRS)

CB 585 Cash Balance Benefit Program Termination Benefit Application available in Termination Benefit Package
http://www.calstrs.com/help/forms_publications/Forms/TerminationBenefitPackage.pdf

DS 0260 Application for Disability Benefits
http://www.calstrs.com/Help/forms_publications/Forms/DS0260_DisabilityBenApp.pdf

DS 0889 Certification of Last Day of Paid Service
<http://www.sdcoe.net/business2/dfs/rr/CalSTRS-DS-0889.pdf>

- ES 331 Report of Change of Base Assignment
<http://www.sdcoe.net/business2/dfs/rr/CalSTRS-ES-331.pdf>
- ES 350 Permissive Election and Acknowledgment of Receipt of CalSTRS Defined Benefit Plan Membership Information
<http://www.sdcoe.net/business2/dfs/rr/CalSTRS-ES350.pdf>
- ES 372 Retirement System Election
<http://www.sdcoe.net/business2/dfs/rr/CalSTRS-MR372.pdf>
- MS0002 One-Time Death Benefit Recipient
http://www.calstrs.com/help/forms_publications/Forms/OTDB_MS0002.pdf
- MS1125A Justification for Non-signature of Spouse or Registered Domestic Partner
http://www.calstrs.com/help/forms_publications/Forms/MS1125A_2007.pdf
- MS 373 Acknowledgement of Receipt of Election Information Retirement System Coverage
http://www.calstrs.com/help/forms_publications/forms/ms373.pdf
- RF 1360 Refund Application Information and Instructions
http://www.calstrs.com/help/forms_publications/Forms/RF1360.pdf
- SR 0554 Employment Termination and Sick Leave Report
<http://www.sdcoe.net/business2/dfs/rr/CalSTRS-SR-554.pdf>
- SR 0554E Express Benefit Report
http://www.calstrs.com/help/forms_publications/Forms/ExpBen_SR0554E.pdf
- SR 0559 Employment Termination or Sick Leave Data Correction
[http://www.calstrs.com/help/forms_publications/forms/SR0559\(rev1199\).pdf](http://www.calstrs.com/help/forms_publications/forms/SR0559(rev1199).pdf)
- SR 0059 Retirement Application
http://www.calstrs.com/help/forms_publications/Forms/SRapp_SR0059_2007.pdf

Internal Revenue Service (IRS)

- 941 Employer's Quarterly Federal Tax Return
<http://www.irs.gov/pub/irs-pdf/f941.pdf>
- 941c Supporting Statement to Correct Information
<http://www.irs.gov/pub/irs-pdf/f941c.pdf>
- W-2c Corrected Wage and Tax Statement
<http://www.irs.gov/pub/irs-pdf/fw2c.pdf>
- W-3c Transmittal of Corrected Wage and Tax Statements
<http://www.irs.gov/pub/irs-pdf/fw3c.pdf>

San Diego County Office of Education (SDCOE)

308 Verification of Membership Status in a California Public Retirement System
<http://www.sdcoe.net/business2/dfs/rr/SDCOE308.pdf>

Employee Social Security Name or Number Correction Request
<http://www.sdcoe.net/business2/dfs/rr/SSCorrection.pdf>