

Sonoma County Office of Education
Business Services

EXTERNAL PAYROLL AND FINANCE UPDATES

DBUG MEETING: May 28, 2020

UPDATES:

CalSTRS and CalPERS 2020/2021 Contribution Rates:

CalSTRS 2020/2021 contribution rates posted earlier this week. Please find attached CalSTRS Employer Directive 2020-04 announcing the School Employer and Employee Contribution Rates effective 7/1/2020. The DB (Defined Benefit) Employer Contribution Rate for Fiscal Year 2020/2021 is **18.40%**.

IMPORTANT TO NOTE: The 2020-2021 state budget may impact some of the rates outlined in the directive. CalSTRS will publish an amended directive if, based on the passage of the 2020-2021 state budget, the rates change.

CalPERS has delayed posting their Employer and Employee Contribution Rates for Fiscal Year 2020/2021. However, tentatively the employer contribution rate will be 22.68% effective 7/1/2020. As soon as an official Circular Letter comes out, I will forward to all districts.

CalPERS Administrative Fees to cover cost associated with administering the State Social Security Administrator Program (SSSA) (CalPERS Circular Letter 200-022-19):

Social Security Administration regulations require a State Social Security Administrator (SSSA), but no funding has been provided. Previously, SSSA operating funds came from interest earned from the Social Security and Medicare tax holding account. These funds can no longer cover SSSA program operating expenses. State Legislature does not allow CalPERS to use retirement funds to cover expenses. CalPERS has now been authorized to collect fees.

The Annual Maintenance Fee is based on the number of employees, both classified and certificated, currently employed with your district. The employee count information is obtained from CalPERS payroll records, the California Department of Education and the State Controller's Office. Invoices went out this month. Attached is a sample invoice. Please pay with check.

REMINDERS:

Reporting Out-of-Class Hours Worked (Circular Letter 200-018-19):

There is a new myCalPERS reporting process to provide employers the ability to report Out-of-Class hours worked in vacant positions in accordance with Gov Code Section 20480. Employers are required to certify Out-of-Class appointments in my CalPERS by July 30 for the prior fiscal year.



May 26, 2020

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

FROM: Jack Ehnes EXECUTIVE OFFICE

SUBJECT: Employer Directive 2020-04
Supersedes Employer Directive 2019-02
Interest and Contribution Rates and Present Value Factor for Fiscal Year 2020-21

PURPOSE:

This directive communicates the following rates and present value factors for the Defined Benefit (DB), Defined Benefit Supplement (DBS) and Cash Balance (CB) Benefit programs, as set forth by the Legislature and as adopted by the Teachers' Retirement Board:

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

Please note the factors used to calculate the cost of CalSTRS Two-Year Retirement Incentives are included in a separate directive.

IMPORTANT:

The 2020-21 state budget may impact some of the rates outlined in this directive. CalSTRS will publish an amended directive if, based on the passage of the 2020-21 state budget, the rates change.

SCOPE:

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

DISCUSSION:

Member and Employer Contribution Rates - DB Program:

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

Member and employer contribution rates are set in Education Code sections 22901, 22950 and 22951 for the DB Program. Effective July 1, 2014, Chapter 47, Statutes of 2014 (AB 1469– Bonta), added Sections 22901.7 and 22950.5 to the Education Code, which mandate additional member and employer contributions for creditable compensation for service performed on or after July 1, 2014.

Pursuant to Chapter 47, Statutes of 2014 (AB 1469–Bonta), CalSTRS 2% at 60 member contributions will no longer increase after July 1, 2016. CalSTRS 2% at 62 members are required to pay one half of the normal cost of their benefits as a result of the Public Employees’ Pension Reform Act of 2013 (PEPRA), and CalSTRS is required to adjust the contribution rate accordingly.

Pursuant to Chapter 47, Statutes of 2014 (AB 1469–Bonta), the employer contribution rate will increase by a statutorily defined amount annually through 2020-21, after which time the board may make additional annual adjustments not to exceed a maximum amount of 20.25%.

Please refer to Employer Directive 2014-05 ([ED14-05](#)) for additional information on Chapter 47, Statutes of 2014 (AB 1469–Bonta).

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

Fiscal Year Creditable Service Performed In	DB Member Contribution Rate CalSTRS 2% at 60	DB Member Contribution Rate CalSTRS 2% at 62	DB Employer Contribution Rate
Prior to 7/1/2014	8.00%	8.00%	8.25%
2014-15	8.15%	8.15%	8.88%
2015-16	9.20%	8.56%	10.73%
2016-17	10.25%	9.205%	12.58%
2017-18	10.25%	9.205%	14.43%
2018-19	10.25%	10.205%	16.28%
2019-20	10.25%	10.205%	17.10%*
2020-21	10.25%	10.205%	18.40%*

*The Budget Act of 2019 provided supplemental payments to CalSTRS to reduce the unfunded actuarial obligation of the system and reduce contribution rates for employers and the state.

Based on the additional amounts paid to CalSTRS, the employer contribution rate was adjusted to 17.10% for fiscal year 2019-20 and 18.40% for fiscal year 2020-21. Please note the 2020-21 employer contribution rate may change as part of the 2020-21 state budget. CalSTRS will publish an amended directive if the rate changes.

Member and Employer Contribution Rates - DBS Program:

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

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

If CalSTRS collects contributions in excess of the rates established in Education Code sections 22901, 22950 and 22951 on compensation creditable to the member’s DBS account, CalSTRS is required to return the excess member and employer contribution amounts to the employer, and the employer is required to return the excess member contributions to the employee.

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

	Contribution Rates for 2% at 60	Contribution Rates for 2% at 62	Education Code Section
DBS Employer Contribution Rate:	8.25%	8.25%	22905, 22950, 22951
DBS Member Contribution Rate:	8.00%	9.00%	22901, 22905

Member and Employer Contribution Rates - CB Benefit Program:

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

Chapter 559, Statutes of 2013 (AB 1381–PER&SS), amended Education Code section 26504 to allow CB contribution rates that were bargained for prior to January 1, 2014, to remain in effect as outlined in the collective bargaining agreement for CB participants whose bargaining agreements were still in effect as of January 1, 2014. However, employers cannot negotiate new collective bargaining agreements or extend, renew or amend current bargaining agreements in contribution rate is less than the employer contribution rate.

Interest Rates:

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

The *Credited Interest Rate* is the interest that is credited to members' DB accumulated retirement contributions for service performed after June 30, 1935, excluding all accumulated contributions while being paid an allowance. The Credited Interest Rate is adopted annually by the board as a plan amendment with respect to the DB Program.

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

CalSTRS shall assess penalties and interest on employers for late reports and late or insufficient contributions to the DB, DBS and CB Benefit programs. The interest is assessed at the Regular Interest Rate.

The rates for fiscal year 2020-21 are as follows:

	Rate for FY 2020-21	Rate for FY 2019-20	Education Code Section
Regular Interest Rate	7.00%	7.00%	22162
Credited Interest Rate: Defined Benefit Program	1.80%	2.60%	22216
Minimum Interest Rate: Cash Balance Benefit Program	2.44%	3.12%	26604
Minimum Interest Rate: Defined Benefit Supplement Program	2.44%	3.12%	25005
Interest Rate for Late Remittance Contributions	7.00%	7.00%	23003, 26303
Penalty Rate for Late or Unacceptable Monthly Reports	7.00%	7.00%	23006, 23008, 26301, 26302

Permissive Service Credit Contribution Rate - DB Program:

Members may purchase permissive service credit, which is service credit related to activities that were previously undertaken by the member. Examples of permissive service credit include, but are not limited to, teaching at a state college or university in California, employment in a public school in another state, maternity or paternity leave, and military leave. The board adopted new permissive service credit rates for fiscal year 2020-21.

The permissive service credit contribution rates for fiscal year 2020-21 are as follows:

Age	CalSTRS 2% at 60 Rates for FY 2020-21	CalSTRS 2% at 62 Rates for FY 2020-21
Below 28	21.5%	18.8%
28	21.5%	18.8%
29	21.5%	18.8%
30	21.5%	18.8%
31	21.5%	18.8%
32	21.5%	18.8%
33	21.5%	18.8%
34	21.5%	18.8%
35	21.5%	18.8%
36	21.5%	18.9%
37	21.6%	18.9%
38	21.8%	19.0%
39	21.9%	19.2%
40	22.1%	19.3%
41	22.3%	19.5%
42	22.6%	19.8%
43	22.8%	20.0%
44	23.1%	20.3%
45	23.5%	20.6%
46	23.8%	20.9%
47	24.2%	21.3%
48	24.7%	21.7%
49	25.1%	22.1%
50	25.6%	22.5%
51	26.1%	23.0%
52	26.7%	23.5%
53	27.2%	24.0%
54	27.8%	24.5%
55	28.5%	25.1%
56	29.1%	25.7%
57	29.8%	26.3%

Age	CalSTRS 2% at 60 Rates for FY 2020-21	CalSTRS 2% at 62 Rates for FY 2020-21
58	30.6%	27.0%
59	31.3%	27.7%
60	32.1%	28.4%
61	32.9%	29.1%
62	33.8%	29.9%
63	34.7%	30.7%
64	34.3%	31.5%
65	33.6%	32.4%
66	32.9%	32.3%
67	32.2%	31.6%
68	31.5%	30.9%
69	30.8%	30.2%
70	30.0%	29.5%
71	29.2%	28.7%
72	28.4%	28.0%
73 and above	27.6%	27.2%

Employer Contribution Rates for Elected Officials and Reduced Workload Program:

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

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

The employer contribution rates for CalSTRS 2% at 60 and CalSTRS 2% at 62 Elected Officials and RWP participants are as follows:

	Employer Rate for FY 2020-21	Employer Rate for FY 2019-20	Education Code Section
Elected Officials of Employee Organization	18.40%	17.10%	22711
Reduced Workload Program	18.40%	17.10%	22713

Unused Excess Sick Leave Service Credit:

The present value factor used to calculate the cost of a member's allowance attributable to unused excess sick leave days for July 1, 2020, through June 30, 2021, increased from the previous fiscal year. The cost of unused excess sick leave service credit must be paid to CalSTRS by the employer before the member can receive the benefit.

The present value factor for unused excess sick leave service credit is as follows:

	Rate for 7/1/2020 – 6/30/2021	Rate for 7/1/2019 – 6/30/2020	Education Code Section
Present Value Factor for Unused Excess Sick Leave Service Credit	0.335	0.333	22311.7, 22718

Factors used to calculate the cost of CalSTRS Two-Year Retirement Incentives will be included in a separate directive.

ACTION:

When reporting the member contribution rates for creditable compensation reported to the DB Program for creditable service performed on or after July 1, 2020, report the rates as follows on the F496:

- Retirement formula 2% at 60 rate of 10.25%: Report as 1025, blank or zeros
- Retirement formula 2% at 62 rate of 10.205%: Report as blank or zeros

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

If you have any questions regarding this employer directive, please contact EmployerHelp@CalSTRS.com.



California Public Employees' Retirement System
P.O. Box 942715 | Sacramento, CA 94229-2715
888 CalPERS (or 888-225-7377) | TTY: (877) 249-7442
www.calpers.ca.gov

Announcements

Circular Letter

July 10, 2019

Circular Letter: 200-022-
19 Distribution: V, VI,
XII, XVI

To: Subject:

**Public Employers With an Existing Section 218
State Social Security Administrator Program Funding**

Purpose

The purpose of this Circular Letter is to inform your agency of the implementation of administrative fees effective July 1, 2019, to cover the cost associated with administering the State Social Security Administrator Program (SSSA).

Background

The Social Security Administration (SSA) requires each state to designate an official to act for the state in administering the Section 218 Agreement. A Section 218 Agreement is a voluntary agreement between the state and the SSA to provide Social Security and Medicare coverage for state and local government employees. In 1955, the Governor's Office designated the California Public Employees' Retirement System (CalPERS) as the SSSA, per Government (Gov.) Code section 22004 of the Public Employees' Retirement Law (PERL). As the official SSSA, CalPERS has the following roles and responsibilities:

- Serve as the liaison between SSA, Internal Revenue Service (IRS), public entities, and stakeholders
- Process modifications for public entities to provide coverage for their employees
- Maintain Section 218 related records
- Perform education and outreach

- Conduct the Annual Information Request (AIR) to ensure tax compliance with respect to Social Security and Medicare withholding.

From 1955-1986, the SSSA was also responsible for collecting Social Security and Medicare withholdings for all public employers in California. The Omnibus Budget Reconciliation Act of 1986 moved the responsibility of collecting taxes from the SSSA to IRS. The SSSA has been operating since 1987 using the interest that was earned from the Social Security and Medicare tax holding account. The fund has diminished, and it can no longer pay for the expenses required to continue to operate the SSSA program. The SSA does not provide any funding for the SSSA program. Additionally, per Gov. Code section 20176 of the PERL CalPERS is prohibited from using any retirement funds to cover expenses which are not related to the cost of the administration of the retirement system. Gov. Code sections 22551 and 22552 authorize CalPERS to collect administrative and contracting fees.

Fees

There will be two types of fees that will be assessed. The first fee is a contracting fee of \$650 to establish a new Section 218 Agreement or to amend an existing Section 218 Agreement for Social Security and/or Medicare coverage. The second fee is an annual maintenance fee for all employers that have an existing Section 218 Agreement. This fee will be based on the number of employees currently employed with your agency. Annual maintenance fees will be assessed using the criteria below. The invoice will be generated annually when the SSSA AIR is sent to your agency.

Annual Maintenance Fees

Number of employees	Fee
1 – 4	\$200
5 – 9	\$250
10 – 19	\$300
20 – 49	\$400
50 – 99	\$500
100 – 249	\$1,000
250 - 499	\$1,500
500 – 999	\$2,000
1000+	\$2,500

Payment of Fees

Payments can be submitted through the Electronic Funds Transfer (EFT) debit method, automated clearing house (ACH) method, or by check. The EFT debit method is the preferred method by setting up your payment account in my|CalPERS with no additional charge. The ACH

method option is initiated through your financial institution and should include the my|CalPERS ID* receivable ID*\$\$\$ separated by an asterisk (*) in the addendum record field or similar information field of the payment instruction for each payment being remitted. Please call CalPERS at **888 CalPERS** (or **888-225-7377**) or email FCSD_Cashiers@CalPERS.CA.GOV to request the ACH method payment.

If you are submitting payments via check, please ensure the invoice is attached and mailed to:

California Public Employees' Retirement System
Cash & Payment Processing/FRAS
P. O. Box 942703
Sacramento, CA 94229-2703

Questions

To learn more, read our [Understanding State Social Security Fees](#).

If you have any additional questions, please contact the SSSA Office via email at SSSA@calpers.ca.gov or call the SSSA Office directly at 916-795-0810. You may also call our CalPERS Customer Contact Center at **(888) CalPERS** (or **888-225-7377**).

Renee Ostrander, Chief
Employer Account Management Division



**Official State Social Security Administrator
California Public Employees' Retirement System**

P.O.Box 720720
Sacramento, CA 94229-0720

Phone: (916) 795-0810 | Fax: (916) 795-3005
888 CalPERS (or 888-225-7377) | TTY: (877) 249-7442
www.calpers.ca.gov/ssa

March 13, 2020

District Name
District Address

Business Partner ID: 123456789
Invoice Number: 100000ABCD123
Invoice Date: March 13, 2020
Payment Due Date: April 12, 2020

Description	Amount
Social Security Administration 218 - Annual Fee	\$1,000.00
Total Due	\$1,000.00

Pursuant to Government Code 22551, your agency is assessed a fee for the administration of the federal Old Age & Survivors' Insurance Program. Invoices are to be paid in full by the payment due date.

Please remit an electronic funds payment to CalPERS. There are two methods of electronic fund payments available: Automated Clearing House (ACH) Method or Electronic Funds Transfer (EFT) Debit. The EFT Debit method is preferred for its accuracy and ease of use. Per CalPERS, can pay with check

For more information on EFT payment processing, please refer to <https://www.calpers.ca.gov/docs/course-107.pdf>.

For questions concerning your invoice, please call our CalPERS Customer Contact Center at 888 CalPERS (or 888-225-7377).

myCalPERS 2651



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Announcements

Circular Letter

June 7, 2019

Circular Letter: 200-
018-19 Distribution: VI,
XII, XVI

To: All Public Agencies and School Employers
Subject: Reporting Out-of-Class Hours Worked (New myCalPERS Functionality)

Purpose

The purpose of this Circular Letter is to inform you of new myCalPERS functionality designed to provide employers the ability to report Out-of-Class hours worked in accordance with Government (Gov.) Code section 20480. The new functionality within myCalPERS allows you to:

- Certify there are Out-of-Class hours to report
- Submit records for employees who meet Out-of-Class hours worked criteria
- Associate labor agreements and salary schedules to Out-of-Class records
- View penalties that may be assessed in accordance with Gov. Code section 20480
- View receivables and pay invoices for assessed penalties

Prior Communication

On April 27, 2018, the California Public Employees' Retirement System (CalPERS) published Circular Letter [200-021-18 \(PDF\)](#) to inform Public Agencies and School Employers that Gov. Code section 20480 became effective January 1, 2018. The letter detailed employer responsibilities for tracking and reporting hours worked in a vacant position.

As an attachment to the Circular Letter, CalPERS provided an *Out-of-Class Appointment Employer Certification* form designed to allow employers the ability to manually submit information to CalPERS.

Effective July 1, 2019, the *Out-of-Class Appointment Employer Certification* form will no longer be accepted. Employers are required to certify Out-of-Class appointments through myCalPERS.

Letters to Employers

Beginning June 2019, CalPERS will mail up to two (2) notification letters to each employer's preferred address on file, as identified in myCalPERS.

Letter	When	What
Annual Notice	During the month of June	The notice informs employers to report all Out-of-Class appointments in myCalPERS by July 30 for the prior fiscal year.
Failure to Comply Notice	During the month of August	The notice informs non-compliant employers that CalPERS has yet to receive required information and that penalties and/or administrative fees may be assessed.

Gov. Code section 20480

Gov. Code section 20480 of the Public Employees' Retirement Law (PERL) defines an Out-of-Class appointment to mean an appointment to an upgraded position or higher classification by an employer or governing board or body due to a vacancy for a limited duration.

For purposes of this section, a "vacant position" refers to a position that is vacant during a recruitment for a permanent appointment. A vacant position does not refer to a position that is temporarily available due to another employee's leave of absence.

Penalties

Employers who violate this provision must make payments to the system equal to three times the employee and employer contributions that would otherwise be paid to the system on the difference between the compensation paid for the Out-of-Class appointment and the compensation that otherwise may have been paid and reported to the system for the employee's permanent position in accordance with a publicly available pay schedule. The penalty shall be applied for the entire period the employee works in an Out-of-Class

appointment. In addition, the employer will be responsible for a fee of \$200 to cover administrative expenses.

Penalties paid to the system are not normal contributions or additional contributions that would normally be credited to an employee's individual PERS account. The employee shall bear no liability, obligation, or expense because of the unlawful actions of the employer.

Additional Resources

The following resources are available on the CalPERS website for employers:

- [myCalPERS Reporting Out-of-Class Appointments Student Guide \(PDF\)](#) provides detailed steps on how to use the new employer verification pages.
- [Out-of-Class Reporting Data Element Definitions Document \(PDF\)](#) is a myCalPERS technical resource that provides electronic file data element definitions found within an Out-of-Class record.
- [Out-of-Class Reporting Frequently Asked Questions \(PDF\)](#) provides a list of the most commonly asked questions submitted by Public Agencies and School Employers.

To view Gov. Code section 20480 in its entirety, go to leginfo.legislature.ca.gov.

Questions

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

Renee Ostrander, Chief
Employer Account Management Division