`

Sonoma County Office of Education
Business Services

EXTERNAL PAYROLL AND FINANCE UPDATES
DBUG MEETING: MAY 27, 2021

Reminders:

- Automated Process to Permanently Separate CalPERS Retirement Appointments
    - This a reminder that PERS automatically ends retirement appointments in the system if an employee has not worked for your LEA in 6 months
    - An appointment is required in order to report earnings for CalPERS members
    - Please see attached circular for more detail, Circular Letter: 200-036-20, July 16, 2020

- Final Accounts Payable for 2020-21 due: Tuesday, June 22, 2021 – Please plan accordingly

Updates:

- CalPERS Circular Letter 200-021-21
    - New MyCalPERS Features for Service Credit Purchases
    - Online process for employees to elect and pay for service credit
    - Employer Requirement
        - Member Request tab needs to be monitored daily to ensure all employer certification requests are completed timely
        - All service credit request forms need to be certified by an authorized payroll, personnel or human resources employer representative through myCalPERS within 30 days
        - See CalPERS circular attached

- CalSTRS Employer Directive 2021-03 – Postretirement Earnings Limit
    - 2021-22 Earnings Limit for retired DB members: $48,428
    - Retirees excluded from this limit if they meet ALL of the following:
        - The retired member is employed by a third-party employer that does not participate in the CA public pension system
        - The activities performed by the retired participant are not normally performed by the employees of an employer
        - The retired member performs an assignment of 24 months or less
    - Ed Code does ***not*** include a waiver for these earning limitations during a state emergency

`

- Ed Code section 45134 precludes retired members from employment in classified positions except for as an aide in certain circumstances
- Disability retirement earnings – calendar year earnings limit instead of fiscal year
  - 2021 calendar year limit - $32,850
  - This applies to all earnings, including self-employed, public or private sector earnings
- Directive is attached below

- CalSTRS Employer Directive 2021-04 – Unused Sick Leave
  - Basic Sick Leave vs. Excess Sick leave
    - The days of paid leave of absence due to illness or injury – Basic sick leave
    - The day or total number of paid leave of absence due to illness or injury granted by each employer in excess of 12 days per school year – Excess sick leave
  - Converting sick leave to service credit
    - Ed code 22717 requires CalSTRS to credit members at retirement for each day of unused accumulated sick leave. This is calculated by dividing unused sick leave by the employee's base days from the most recent year. Base days are the number of days the employee's work calendar. This should never be less than 175 days
    - School services explained it well in their fiscal report attached – if an employee ends the year with 93 days of unused sick leave and their calendar is 186 days, you would divide 93 by 186 to get the service credit
      - 93/186= .50 years of service credit for this example employee

  - Reporting sick leave information
    - Ed Code section 22717 requires employers to certify to CalSTRS a member's sick leave information within 30 days after the member's most recent retirement date or the date the retirement application is received by CalSTRS – whichever is later

- Notification of upcoming funds
  - Email notifications will be sent when SCOE receives vouchers from the county for upcoming funds. Voucher back-up is usually received around 3 weeks before the funds hit our accounts. Below is an example of what the excel spreadsheet might look like:

`

Schedule of the Eighth Apportionment for the Comprehensive Support and Improvement Local Educational Agency Grant										
Fiscal Year 2018–19										
County Name	**Fi$Cal Supplier ID**	**Fi$Cal Address Sequence ID**	**County Code**	**District Code**	**School Code**	**Direct Funded Charter Number**	**Service Location Field**	**LEA NAME**	**2018–19 Final Allocation**	**8th Apportionment**
Sonoma	0000011855	6	49	70953	0000000	N/A	70953	Sonoma Valley Unified	$174,545	$250
Sonoma	0000011855	6	49	70870	6109144	1439	C1439	Morrice Schaefer Charter	$174,545	$5,160
Sonoma	0000011855	6	49	70862	0000000	N/A	70862	Petaluma Joint Union High	$698,178	$5,667
Sonoma	0000011855	6	49	70607	0000000	N/A	70607	West Sonoma County Union High	$174,545	$5,870
Sonoma	0000011855	6	49	75358	0000000	N/A	75358	Windsor Unified	$174,545	$14,000
Sonoma	0000011855	6	49	70797	0107284	0653	C0653	California Virtual Academy @ Sonoma	$174,545	$20,846
Sonoma	0000011855	6	49	70821	0000000	N/A	70821	Montgomery Elementary	$174,545	$49,650
									$1,745,448	**$101,443**
California Department of Education										
School Improvement and Support Office										
April 2021										

- Outside Bank Accounts
  - SCOE’s Tax ID used to be associated with district accounts, this changed awhile back – please double check to make sure your outside bank accounts are associated with your school Tax ID and not SCOE’s.

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

Membership

Circular Letter

July 16, 2020
Circular Letter: 200-036-20
Distribution: IV, V, VI, X, XII, XVI

To: **All CalPERS Employers**
Subject: **New Automated Process to Permanently Separate Retirement Appointments that Meet Specific Criteria**

Purpose

The purpose of this Circular Letter is to inform you of a new monthly automated process to permanently separate CalPERS retirement appointments that meet specific criteria. Beginning June 26, 2020, this process occurs on the last business day of every month. You will have the ability to correct or delete the automated permanent separations, if needed.

Background

In our ongoing efforts to ensure myCalPERS data integrity, we are focusing on addressing retirement appointments with unposted payroll and/or missing permanent separations. The absence of posted payroll and permanent separations may result in incorrect employer valuations and rates, retirement benefits, and/or PEPRA determinations.

Permanent Separations

Permanent separations should be reported once an employee ends employment with your agency, for any reason, so accurate membership details are captured within myCalPERS. Timely reporting of permanent separation dates will ensure member benefits are administered timely and accurately. Retirement appointments that meet specific criteria will now be permanently separated through a monthly automated process.

Separation Criteria

CalPERS will permanently separate appointments when one of the following scenarios exists:

- Employees with an active appointment with the start date of six months or greater with no payroll ever reported
- Employees with an active appointment who have not had payroll reported and posted within the last six months
- Employees who have retired and have an appointment that is active or on leave

Exclusions

The automated process **will not** include:

- Retired annuitants
- Non-contributory appointments
- Health-only appointments
- Retirement appointments with an active health enrollment associated to the appointment

You are still responsible for properly maintaining accurate employment data for all employees.

Circular Letters

- 200-002-13 (PDF) Reporting Permanent Separation Dates in myCalPERS and Validating Participant Details in myCalPERS
- 200-015-16 (PDF) Reporting Permanent Separation Dates in myCalPERS
- 200-028-16 (PDF) Reporting Permanent Separation Dates
- 200-003-17 (PDF) Retirement Appointment Reconciliation

If you have any questions, visit **www.calpers.ca.gov**, or contact the CalPERS Customer Contact Center at **888 CalPERS** (or **888**-225-7377).

Renee Ostrander, Chief
Employer Account Management Division

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

April 26, 2021
Circular Letter: 200-021-21
Distribution: IV, V, VI, X, XII, XVI

To: **All CalPERS Employers**
Subject: **New myCalPERS Features for Service Credit Purchases**

Purpose

The purpose of this Circular Letter is to inform you that we have expanded our service credit purchase online features to be entirely paperless and make purchasing service credit quicker than ever. Based on feedback from you and your employees, we fully implemented the electronic service credit purchase process. In January, we began by implementing the ability to request to purchase service credit online, and now functionality to elect and select a payment option for service credit purchases in myCalPERS has been added.

Online Process for Employees to Elect and Pay for Service Credit

After an employee has requested a service credit purchase and all required documents and certification are electronically submitted to CalPERS by their employer, they will have the ability to elect and select a payment option for their purchase. To elect and purchase service credit electronically, employees must log in to myCalPERS, go to the **Retirement** tab, select **Service Credit Purchase** and review the **Request** tab. Under **Your Requests**, employees will view the **Actions** column and select the **Purchase Service** button. They will then follow the screen prompts to complete their election.

Benefits of Requesting, Electing, and Purchasing Service Credit Online

In addition to reducing paper, there are several benefits to purchasing service credit online for both employees and employers.

Benefits to employees include:

- Convenient and secure way to submit requests and upload documents in their myCalPERS account
- Faster response and ability to monitor the status of their request from start to finish
- Accelerated access to election document
- Easily and securely submit a payment using a credit or debit card

Benefits to employers include:

- Conveniently certify employees' purchase requests from your myCalPERS account
- Electronically submit required documents in a secure location

Employer Requirement

The **Member Request** tab should be monitored daily to ensure all employer certification requests are completed timely. If the employer certification is not completed, the employee's request will be closed, and they will be required to submit a new request, which will increase the cost and may impact their eligibility.

All service credit request forms that require employer certification must be certified by an authorized payroll, personnel, or human resources employer representative through myCalPERS within 30 days. Ensure your contact lists are updated in myCalPERS with all authorized employer representatives and their email addresses and phone numbers.

We recommend you encourage your employees to request the purchase of service credit early in their career to ensure the availability of payroll records.

Important Information

There is a new notification method for Start Deduction Notices on new purchases. Instead of being mailed, the notices will be uploaded in the Business Partner Document History in myCalPERS. You will receive an email informing you that a new Start Deduction letter is available.

Resources

Encourage your employees to register for and/or log in to myCalPERS. Benefits of service credit purchases and other resources are available on our website at **www.calpers.ca.gov**.

Questions

If you have any questions about the information provided in this Circular Letter, contact the CalPERS Customer Contact Center at **888 CalPERS** (or **888**-225-7377).

Donald R. Martinez, Chief
Member Account Management Division

CALSTRS
HOW WILL YOU SPEND YOUR FUTURE?

California State Teachers' Retirement System
Executive Office
PO Box 15275
Sacramento, CA 95851-0275
800-228-5453
CalSTRS.com

April 26, 2021

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

FROM: Jack Ehnes
Chief Executive Officer

SUBJECT: Employer Directive 2021-03
Supersedes Employer Directive 2020-02
Postretirement Earnings Limit and Disability Allowance Earnings Limit for the 2020–21 and 2021–22 Fiscal Years, and Disability Retirement Earnings Limit for the 2021 Calendar Year

PURPOSE

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

- The application of the earnings limit for retired DB members.
- The annual postretirement earnings limit for the 2020–21 fiscal year.
- The annual postretirement earnings limit for the 2021–22 fiscal year.
- The postretirement separation-from-service requirement for retired DB members and retired CB participants during the first 180 calendar days from their retirement date with CalSTRS.
- Requirements for requesting an exemption from the separation-from-service requirement.
- Restriction on hiring retired DB members and retired CB participants in classified positions.
- Retirement incentive restrictions.
- Requirements for employer communication regarding the earnings limits and, if applicable, the retirement incentive restrictions when hiring retired DB members. Also, the employer requirements regarding maintaining accurate records and reporting postretirement earnings to CalSTRS.
- The CalSTRS postretirement excess earnings notification process.
- The disability retirement earnings limit for the 2021 calendar year.
- The disability allowance earnings limit for the 2020–21 and 2021–22 fiscal years.

SCOPE

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

DISCUSSION

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

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

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

Notable differences between reportable compensation in active membership and postretirement employment include:
- Education Code section 22164.5, subdivisions (a)(2) and (3).
- Education Code section 24214, subdivision (f)(2).
- Education Code section 24214.5, subdivision (a)(2).
- Education Code section 26135.7, subdivisions (a)(2) and (3).
- Education Code section 26812, subdivision (d)(2).

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

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

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

<u>Annual Postretirement Earnings Limit for the 2020–21 and 2021–22 Fiscal Years</u>
The postretirement earnings limit for retired DB members for the 2020–21 fiscal year is $47,713.

The postretirement earnings limit for retired DB members for the 2021–22 fiscal year is $48,428.

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

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

There is no annual earnings limit for retired CB participants.

<u>Separation-From-Service Requirement</u>
Pursuant to Education Code section 24214.5, there is a 180-calendar day separation-from-service requirement for all retired DB members, regardless of age, during which the postretirement compensation limit for the performance of retired member activities is zero dollars ($0).

If a retired DB member earns compensation for performing retired member activities during the 180-calendar day separation-from-service period, Education Code section 24214.5(h) requires CalSTRS to reduce the member's retirement benefit dollar for dollar, until the member has repaid the amount of compensation that was earned during the separation-from-service period.

The amount of the reduction in an individual month shall be no more than the monthly allowance payable in that month, and the total amount of the reduction shall not exceed the amount of the allowance payable during the first 180 calendar days after the most recent retirement date.

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

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

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

State of Emergency and Postretirement Earnings Limitations

The Education Code does not contain provisions to waive postretirement earnings restrictions during a state of emergency declared by the Governor. Without these provisions or specific inclusion in an Executive Order, the Education Code sections governing postretirement earnings limitations are not suspended and are still in effect.

Exemption to the Separation-From-Service Requirement

There is a narrow exemption from the 180-calendar day separation-from-service requirement for a retired DB member or retired CB participant under certain circumstances. To qualify for this exemption, the retired DB member or retired CB participant must be at or above normal retirement age at the time the compensation is earned (age 60 for a CalSTRS 2% at 60 members and participants not subject to the California Public Employees' Pension Reform Act of 2013 [PEPRA], and age 62 for CalSTRS 2% at 62 members and participants subject to PEPRA). In addition, the employer must appoint the retired DB member or retired CB participant to a critically needed position that has been approved by the governing body of the employer in a public meeting as reflected in a resolution. The resolution for the appointment must be adopted before the retired DB member or retired CB participant begins performing retired member or retired participant activities under the exemption. The resolution approving the appointment may not be placed on a consent calendar.

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

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

- A finding that the termination of employment of the retired DB member or retired CB participant with the employer is not the basis for the need to acquire the services of the member or participant.

When applying for the separation-from-service requirement exemption, the superintendent, the county superintendent of schools or the chief executive officer of a community college must complete the *Request for Separation-From-Service Requirement Exemption* (SR-1897) form, which is available in "Reference Items" on the Secure Employer Website. CalSTRS must receive this form and the aforementioned resolution indicating the above information to substantiate the eligibility of the retired DB member or retired CB participant for the exemption before the member or participant begins performing service under the exemption. CalSTRS must notify the employer and the retired DB member or retired CB participant within 30 days of receiving the resolution and all required documentation whether the activities performed will be subject to or exempt from the 180-calendar day separation-from-service requirement.

If the separation-from-service requirement exemption is approved, the retired DB member will only be exempt from the separation-from-service requirement. Any earnings during the 180-calendar day period will still be subject to the annual postretirement earnings limit for a retired DB member. For the retired CB participant, whose separation-from-service exemption is approved, the exemption is applicable to the separation-from-service requirement only since there is no annual earnings limit for retired CB participants.

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

<u>Classified Position Restrictions</u>
Education Code section 45134 precludes retired DB members and retired CB participants from employment in classified positions in the California public school system except for as an aide in certain circumstances.

<u>Retired CalPERS Postretirement Employment Restrictions</u>
If the employee is a CalSTRS and CalPERS member, ask the employee to contact CalPERS at 888-225-7377 to determine the impact that returning to work would have on the CalPERS benefit.

<u>Retirement Incentive Restrictions</u>
Members who retired with a CalSTRS retirement incentive under Education Code section 22714 will lose the increased service credit attributable to the retirement incentive if they return to employment within five years of receiving the incentive in any job, including substitute teaching or consulting, as an employee, independent contractor or employee of a third party with the school district, community college district or county office of education that granted the retirement incentive.

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

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

CalSTRS Postretirement Excess Earnings Notification Process

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

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

Application and Amount of the 2021 Disability Retirement Earnings Limit

The disability retirement earnings limit for the 2021 *calendar* year is $32,850. The limit applies to all earnings regardless of whether the member is self-employed or employed in any capacity in either the public or private sector. The limit is adjusted annually by the Teachers' Retirement Board, if necessary, by the amount of change in the California Consumer Price Index.

Application and Amount of the 2020–21 and 2021–22 Disability Allowance Earnings Limit

The disability allowance earnings limit for the 2020–21 and 2021–22 *fiscal years* is calculated individually for each member based on the member's indexed final compensation amount. Members receiving a disability allowance benefit are also subject to individual monthly and continuous six-month earnings limits based on the member's indexed final compensation. The various limits apply to all earnings regardless of whether the member is self-employed or employed in any capacity in either the public or private sector.

SUMMARY OF REQUIRED ACTIONS

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

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

To learn more about postretirement earnings limitations, visit CalSTRS.com/general-information/working-after-retirement. If you have questions regarding the service retirement postretirement earnings limits, contact us by email at postretirement@calstrs.com or leave a voicemail at 916-414-5967. For questions regarding the disability allowance or disability retirement earnings limits, email DaSBDisabilitySvcsMlbx@CalSTRS.com or leave a voicemail at 916-414-5785.

CALSTRS
HOW WILL YOU SPEND YOUR FUTURE?

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

April 26, 2021

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

FROM: Jack Ehnes
EXECUTIVE OFFICE

SUBJECT: Employer Directive 2021-04
(*Supersedes Employer Directive 2020-01*)
Unused Sick Leave

PURPOSE

This directive provides information related to unused sick leave.

SCOPE

This directive contains information for county superintendents of schools, school districts, charter schools, community college districts and any agency that employs persons to perform creditable service under the CalSTRS Defined Benefit Program.

DISCUSSION

This directive provides information related to:

- How to distinguish between basic and excess sick leave.
- How sick leave is converted to service credit.
- How the cost of that service credit is funded.
- How to report and correct information related to unused sick leave.

Any time information related to unused sick leave changes, this entire directive will be superseded with an updated version, so employers only have to access one document for unused sick leave information.

NOTE: This directive is for informational purposes only, and the information contained in this directive is subject to change without notice. While CalSTRS makes reasonable effort to provide accurate information in its publications, such information is not meant to replace the law or provide legal, financial, tax or other advice. If, at any time, the information in this directive conflicts with current law, the law takes precedence.

CONTENTS

1. Basic Sick Leave vs. Excess Sick Leave

Chapter 275, Statutes of 2020 (Assembly Bill 2101), amends Education Code section 22170.5, to clarify what constitutes basic sick leave vs. excess sick leave.

Basic sick leave is defined as "the days of paid leave of absence due to illness or injury granted by each employer that are not excess sick leave days." **Excess sick leave** is defined as "the day or total number of days of paid leave of absence due to illness or injury granted by each employer in excess of 12 days per school year."

Based on these definitions, basic sick leave is limited to 12 days in a school year per employee, per employer. Sick leave earned by an employee for an employer in excess of 12 days in a school year is considered *excess* sick leave and must be tracked and reported separately (see *3.a.i. Tracking Sick Leave*). Additionally, subdivision (e) has been added to Education Code section 22717 to clarify that members may not receive service credit in another public retirement system for the same unused sick leave days.

2. Converting Unused Sick Leave to Service Credit

Education Code section 22717 requires CalSTRS credit a member at service retirement for each day of accumulated and unused sick leave days for which full salary is allowed and to which the member was entitled on the member's final day of employment with the employer or employers subject to coverage by the Defined Benefit Program during the last school term in which the member earned creditable compensation pursuant to Section 22119.2 or 22119.3. CalSTRS must accept certification from each employer with which the member has accumulated sick leave days for this period, provided the leave has not been transferred to another employer.

a. Non-State Employees

Education Code section 22717 requires CalSTRS convert unused sick leave to service credit by dividing the unused sick leave days by the employee's base days during the member's most recent year of creditable service.

Education Code section 22106.2 defines **base days** as the number of days of creditable service the employer requires the member's class of employees to perform in a school year to earn one year of service credit.

Base days may not include any school or legal holidays and may not be less than the full-time minimum standard required by Education Code section 22138.5. Standards in Section 22138.5 that are expressed only in terms of hours must be divided by six to determine the number of base days. In any event, base days may never be less than 175 days.

b. State Employees

Education Code section 22717 requires CalSTRS credit 0.004 years of service for each day of unused sick leave certified for members who are last employed with the state in a position in which there are no contracted base service days. Employers must only report days of unused sick leave that were accrued by the member during the normal course of their employment subject to coverage by the Defined Benefit Program.

3. Funding the Cost of Service Credit from Unused Sick Leave

The cost of converting basic sick leave to service credit is considered funded by the 0.25% contribution employers make on creditable compensation pursuant to Education Code section 22951. Education Code section 22718 requires CalSTRS bill employers for the present value of unused excess sick leave that is converted to service credit.

Education Code section 22156.1 defines **present value** as the amount of money needed on the effective date of retirement to reimburse the system for the actuarily determined cost of the portion of a member's retirement allowance attributable to unused excess sick leave days. The present value on the effective date of retirement shall equal the number of unused excess sick leave days divided by the number of base days, multiplied by the prior year's compensation earnable multiplied by the present value factor.

Education Code section 22156.5 defines **prior year's compensation earnable** as the compensation earnable for the most recent school year in which the member earned service credit that precedes the last school year in which the member earned service credit.

Education Code section 22156.2 defines **present value factor** as an overall average rate based upon the demographics of members who recently retired under the Defined Benefit Program and regular interest that shall determine present value on the effective date of retirement.

The present value factor is published each spring in the annual *Interest and Contribution Rates and Present Value Factor* directive available online at CalSTRS.com/employer-and-administrative-directives.

a. Action

i. Tracking Sick Leave

To ensure all unused sick leave converted to service credit is funded, Education Code section 22724 requires employers deduct the days of sick leave used by a member from their accumulated and unused sick leave balance according to the following order:

1. Accumulated and unused sick leave days existing on July 1, 1986, if any.
2. Basic sick leave days granted on or after July 1, 1986.

3. Excess sick leave days granted on or after July 1, 1986.

ii. Estimating the Present Value (Cost) of Unused Excess Sick Leave
Employers should estimate the present value (cost) of unused excess sick leave using the following formula:

Unused Excess Sick Leave Days ÷ *Base Days* × *Prior Year's Compensation Earnable* × *Present Value Factor* = *Present Value (Cost)*

To confirm the prior year's compensation earnable, please contact us at ExpressBenReport@CalSTRS.com.

You may submit the estimated payment to CalSTRS together with the certified *Express Benefit Report* (see *4.a.ii. Submitting the Express Benefit Report*).

iii. Billing the Present Value of Unused Excess Sick Leave
Invoices for unused excess sick leave are posted on the first business day of the month under the Accounts Receivable category of the Manage Reports section of the Secure Employer Website. Employers receive a notification when a new invoice is available. Please submit your payment within 30 calendar days. Education Code section 22718 requires employers to remit the amount due within 30 calendar days after the member's retirement date or the date the employer is notified that certification of unused sick leave information is required, whichever is later.

Subsequent adjustments to reported unused excess sick leave will result in an additional bill or refund, as applicable. If payment is not received within 30 calendar days of the due date, the present value shall be recalculated to include regular interest from the due date to the date full payment is received. If the system has billed the employer for an additional amount, the employer shall remit the additional amount within 30 calendar days after the date of the billing. If payment is not received for the additional amount within 30 calendar days, the present value shall be recalculated to include regular interest from the due date to the date full payment is received.

4. Reporting Sick Leave Information

Education Code section 22717 requires employers to certify to CalSTRS a member's sick leave information within 30 days after the member's most recent retirement date, or the date the retirement application is received by CalSTRS, whichever is later. CalSTRS provides the *Express Benefit Report* (SR 0554E) form for this purpose. The form is available on CalSTRS.com and the Secure Employer Website. Members are encouraged to provide a copy of the *Express Benefit Report* form to their employer when preparing to retire.

Employers are responsible for submitting the *Express Benefit Report* even if the form is not provided by the member or the member has no remaining unused sick leave to report.

a. Action

i. Checking for Retirement Status
Employers receive notification from the Secure Employer Website when an employee's account status changes from "member" to "retired." Employers are able to check for account status changes for multiple members, by report unit or report source, using the Status Change tab of the Employer Notification section of the Secure Employer Website. Employers without access to the Secure Employer Website should contact their county office of education for assistance.

ii. Submitting the Express Benefit Report
The *Express Benefit Report* form is available on CalSTRS.com and the Secure Employer Website and includes instructions on how to complete and submit the form. CalSTRS must receive the form within 30 days after the member's most recent retirement date, or the date the member's retirement application is received, whichever is later.

iii. Correcting Previously Reported Sick Leave Information
Employers can make corrections to previously reported sick leave information using the *Employment Termination or Sick Leave Data Correction* (SR 0559) form, available on CalSTRS.com and the Secure Employer Website. Employers may make changes to previously reported sick leave information at any time, as needed. However, corrections to sick leave data resulting from a CalSTRS audit must be reported within 60 days of notification from CalSTRS.

If you have questions regarding this Employer Directive, please contact the ExpressBenReport@CalSTRS.com mailbox.

Click Here for COVID-19 Related Resources

FISCAL REPORT

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

CalSTRS Releases New Employer Directives

BY ROBERT MCENTIRE, EDD
BY CHARLENE QUILAO

posted May 4, 2021

This week, California State Teachers Retirement System (CalSTRS) released two Employer Directives that impact postretirement earnings, disability earnings, and unused sick leave. Employer Directives convey legal requirements and prohibitions and document CalSTRS policy for school district and community college employers.

Postretirement Earnings Limitations

CalSTRS Employer Directive 2020-03 is applicable to county superintendents of schools, school districts, charter schools, community college districts, and any agency that employs retired members of the Defined Benefit (DB) Program or retired participants of the Cash Balance (CB) Benefit Program. This includes any DB retired members or CB participant who performs retired member or participant activities or that employs CalSTRS members receiving either a disability allowance or a disability retirement benefit in any capacity. Much of the information is known to the field; however, this directive provides a nice summary.

Education Code Sections (EC §) 24214 and 24214.5 of the Education Code impose earnings limitations for DB retired members or CB participants who return to work postretirement—as defined in code as those activities performed by an active employee or an independent contractor, or some activities employees of a third party might perform, which includes a consultant within the California public school system. External qualified earnings over the respective limits reduce retiree benefits on a dollar-for-dollar basis, and members are required to return overpayments in retiree benefits resulting from qualified external earnings.

The rate of pay for retiree work cannot be less or more than the rate paid by the employer to other employees performing comparable duties. There are notable differences between reportable compensation in active membership and for a postretirement employee which can be found in the ED 2020–03.

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

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

Employers are not required to report earnings of retired DB members or CB participants who are employed by a third party as defined in the criteria above. CalSTRS has yet to identify any examples of service that would meet these criteria.

The earnings limitation is adjusted annually by CalSTRS and is equal to one-half of the median final compensation for all members who retired for service during the fiscal year ending the previous calendar year. For the 2020–21 and 2021–22 fiscal years, the limitation is $47,713 and $48,428, respectively. However, the earnings limit in the first 180 calendar days after separation from services is $0.

Pandemic and Emergency Declarations

The Education Code does not include provisions that waive the postretirement earnings limitations during a state emergency declared by the governor, leaving all provisions in effect during the COVID-19 pandemic. However, in rare circumstances, retirees over age 60 for classic members and 62 for retirees who fall under Public Employees’ Pension Reform Act rules, may be exempt from the 180-calendar-day separation requirement. The rules are narrow and specific and should be referenced before pursuing this avenue.

Classified Position Restrictions

EC § 45134 states that retired DB members and retired CB participants cannot obtain employment in classified positions in the California public school system except for as an aide in certain circumstances.

Retirement Incentive Restrictions

Members who retired with a CalSTRS retirement incentive under EC § 22174 are precluded from working five years, and doing so comes at a very high price; the retiree would lose the increased service credit attributable to the retirement incentive. This includes substitute teaching or consulting, as an employee, independent contractor, or employee of a third party with a school district, community college, or county office of education that granted the retirement incentive.

Employer Notification Requirements

One area that has caused many local educational agencies (LEAs) consternation in recent years is the requirement under EC § 22461 for employers to report the earnings limitations and the employment restrictions for those who receive retirement incentives, regardless of whether the retired DB member performs the service as an employee of the employer, an employee of a third party, or as an independent contractor—including as a consultant. Employers are also required to report the retired member's earnings to CalSTRS each month using Member Code 2 and Assignment Code 61. This makes perfect sense for retirees who retired from the agency that they then subsequently work or operate as a directly paid consultant for, but is problematic for fees paid to a third-party company for which the retiree is then paid an often unknown wage amount. This caveat creates a substantial burden and liability for failure to comply, and includes penalties upon audit for the affected LEA.

Disability Retirement Earnings

Unlike DB members and CB participants, disability retirement earnings apply to earnings regardless of the source, whether self-employed or employed in any capacity in the public or private sector. The 2021 disability retirement earnings limit is $32,850. This limit is adjusted by the Teachers' Retirement Board, by the change in the California Consumer Price Index (CPI). The amount of disability paid to retirees is based on the indexed final compensation.

Complete guidance on the Employer Directive can be found here.

Unused Sick Leave

CalSTRS Employer Directive 2021-04 contains information related to unused sick leave for county superintendents of schools, school districts, charter schools, community colleges and any agency that employs persons to perform creditable services under the CalSTRS DB Program.

How to Distinguish Between Basic and Excess Sick Leave

EC § 22170.5 provides the important definitions of sick leave, including both basic and excess sick leave. Basic sick leave is defined as "the days of paid leave of absence due to illness or injury granted by each employer that are not excess sick leave days," while excess sick leave is defined as "the day or total number of days of paid leave of absence due to illness or injury granted by each employer in excess of 12 days per school year." As defined, basic sick leave is limited to 12 days in a school year per employee, per employer. Sick leave earned in excess of the 12-day maximum must be tracked and reported separately, and EC § 22717 states that members may not revive service credit in another public retirement system for the same unused sick leave days.

How Sick Leave is Converted to Service Credit

EC § 22717 requires CalSTRS to credit members at retirement for each day of unused accumulated sick leave for which full salary is allowed at the time of their retirement. Service credit is calculated by dividing unused sick leave by the employee's base days from the most recent year. Base days are the number of days the employee is required to work on their positive work year calendar, and under no circumstances may it be any less than 175 days. As an example, if an employee retired at year-end with 93 days of unused sick leave, and they worked a 186-day calendar, they would earn (186/93) = 0.5 years of service credit. Employees who work a partial year apply EC § 22138.5 for the hourly calculation of base days.

How the Cost of That Service Credit is Funded

The cost of basic sick leave service credit is covered by the 0.25% contribution employers make on creditable compensation under EC § 22951. However, credit for unused excess sick leave is entirely different and requires LEAs to pay the actuarial present value of the benefit at the retirement date per EC § 22718 and 22156.1, respectively. The cost of excess sick leave credit is calculated by (unused excess sick leave days/base year days) times (prior-year compensation earnable times present value factor). The prior-year compensation earnable is not the retirement year, but the school year before retirement. The present value factor is published each spring in the annual *Interest and Contribution Rates and Present Value Factor*. The present value factor is defined in EC § 22156.2 and is an overall average rate based upon the demographics of the members who recently retired under the DB Program and the regular interest income expected.

EC § 22724 attempts to ensure converted service credits are funded by requiring LEAs to deduct days of sick leave used in the following order:

1. Accumulated and unused sick leave days existing on July 1, 1986, if any

2. Basic sick leave days granted on or after July 1, 1986

3. Excess sick leave days granted on or after July 1, 1986

Members can confirm the prior year's compensation earnings by emailing ExpressBenReport@CalSTRS.com.

How to Report and Correct Information Related to Unused Sick Leave

EC § 22717 requires employers to certify to CalSTRS a member's sick leave information within 30 days of the member's retirement date, or the date the retirement application is received by CalSTRS, whichever is later.

Employers use the *Express Benefit Report* (SR 0554E) form and should report even if a member has no remaining unused sick leave to report. Employers receive notice that a member has submitted a retirement application to CalSTRS via the Secure Employer Website, where employers may also access the *Express Benefit Report* form. Employers can make corrections to previously reported sick leave information using the *Employment Termination or Sick Leave Data Correction* (SR 0559) form.

More information about Employer Directive 2021-04 can be found here.

CALIFORNIA DEPARTMENT OF EDUCATION

TONY THURMOND
STATE SUPERINTENDENT OF PUBLIC INSTRUCTION

1430 N STREET, SACRAMENTO, CA 95814-5901 • 916-319-0800 • WWW.CDE.CA.GOV

Example of Letter for Upcoming Funds

Dear County Superintendents of Schools:

EIGHTH APPORTIONMENT FOR EVERY STUDENT SUCCEEDS ACT COMPREHENSIVE SUPPORT AND IMPROVEMENT LOCAL EDUCATIONAL AGENCY FISCAL YEAR 2018–19

This apportionment, in the amount of $7,891,892, is made from federal funds provided to the state under Title I, Part A, of the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the Every Student Succeeds Act (ESSA) (Public Law 114–95). Section 1003 of the ESSA provides grants to local educational agencies (LEAs) to serve schools implementing comprehensive support and improvement (CSI) activities.

Only those LEAs that submitted to the California Department of Education (CDE) the 2018–19 ESSA CSI LEA Application for Funding and met fiscal reporting requirements for Report 6 are included in this apportionment. The amount paid to each LEA was determined based on information reported by the LEA in the Grant Management and Reporting Tool. Each LEA's apportionment is based on claimed expenditures for the performance period October 1, 2020, to January 31, 2021, less the amount paid in previous apportionments. The CDE is implementing cash management in order to reduce the time elapsing between the receipt and disbursement of federal funds, pursuant to the cash management requirements under federal statute and regulations.

The funding formula for this grant is based on the total number of schools eligible for CSI, statewide. Amounts paid in this apportionment are listed on the schedule of apportionment posted on the CDE CSI web page at https://www.cde.ca.gov/fg/fo/r16/csileafundingresults.asp.

Information such as school eligibility, program requirements, school support resources, and Frequently Asked Questions are located on the CDE CSI web page at https://www.cde.ca.gov/sp/sw/t1/csi.asp. Information such as the subgrant description; statutory authority; allowable and disallowable activities and costs; and assurances, certifications, and terms and conditions of the subgrant are located in the 2018–19 ESSA CSI LEA Application for Funding under the Funding Tab at https://www.cde.ca.gov/sp/sw/t1/csi.asp. Information pertaining to approved indirect cost rates are located at https://www.cde.ca.gov/fg/ac/ic/.

The United States Department of Education (ED) grant award number for this funding is S010A180005–18A. The federal award date is October 1, 2018. The Catalog of Federal Domestic Assistance subprogram number is 84.010A (Title I, Part A, Basic Grants to Local Educational Agencies). The funding is appropriated in Provision 6 of Schedule (2) of Item 6100-134-0890 of the Budget Act of 2018, Senate Bill 840 (Chapter 29, Statutes of 2018) as amended by SB 862 (Chapter 449, Statutes of 2018). The California sub-allocation (pass-through) number is Program Cost Account (PCA) 15438.

This subgrant is subject to the provisions of Title I, Parts A and F, and Title VIII, as applicable, of the ESEA, as amended by the ESSA, and the General Education Provisions Act (Public Law 103-382). This subgrant is also subject to Title I regulations in 34 of the *Code of Federal Regulations (CFR)*, Part 200, and the *Education Department General Administrative Regulations* (*EDGAR*) in 34 *CFR*, parts 76 (except for 76.650–76.662, Participation of Students Enrolled in Private Schools), 77, 81, and 82, 2 *CFR* Part 3485, and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards in 2 *CFR* Parts 200 and 3474.

Under the federal Tydings Amendment, Section 421(b) of the General Education Provisions Act (GEPA), any funds that are not obligated at the end of the federal funding period, March 18, 2019, through September 30, 2020, shall remain available for obligation for an additional period of 12 months, through September 30, 2021, within the limits specified in Section 1127 of the ESEA. Pursuant to authority under the Coronavirus Aid, Relief, and Economic Security Act, the CDE was granted a waiver of Section 421(b) of the GEPA. This waiver extends the period of availability of fiscal year (FY) 2018–19 funds from September 30, 2020, through September 30, 2021.

All FY 2018–19 funds must be encumbered, expended, and legally obligated within the dates designated and must not exceed the maximum amount allocated to the LEA. No extensions or carryover of this grant are allowed.

Pursuant to 2 *CFR*, Section 200.305(b)(9), interest earned amounts up to $500 per year may be retained by the non-Federal entity for administrative expense. Any additional interest earned on Federal advance payments deposited in interest-bearing accounts must be remitted annually. LEAs should forward interest payments for remittance to the ED to:

California Department of Education
Cashier's Office
P.O. Box 515006
Sacramento, CA 95851

To ensure proper posting of payments, please indicate the program's PCA number (PCA 15438), and identify the payment as "Federal Interest Returned."

Warrants will be mailed to each county treasurer approximately three weeks from the date of this Notice. For standardized account code structure coding, use Resource Code 3182, ESSA: School Improvement Funding for LEAs, and Revenue Object Code 8290, All Other Federal Revenue.

County superintendents were notified of this apportionment by email. Links to this letter and the accompanying apportionment schedule are posted on the CDE web page at https://www.cde.ca.gov/fg/fo/r16/csileafundingresults.asp.

If you have any questions regarding CSI, this apportionment, or the allocation amounts, contact the School Improvement and Support Office by phone at 916-319-0833 or by email at SISO@cde.ca.gov.

Sincerely,

Rachael Maves, Deputy Superintendent
Instruction and Measurement Branch

RM:ks