Retirement Plans/Issues

April 12, 2016
Based on **Duties of the Position** not the Person

- **STRS:**
  - Requires Credential, Permit or Certificate
    - Teachers, Administrators, Nurses, Psychologist
- **PERS:**
  - Non-Credential, Meets PERS Qualification
    - Bus Drivers, Office Staff, Instructional Aides
    - Director of Human Resources, Chief Financial Officer
Which Retirement System?

➢ Alternate Retirement/Social Security
  ✓ Does Not Meet STRS or PERS Requirements
    ✓ Part Time Employees - Less Than 20 Hours
    ✓ OASDI (Old Age Survivor Disability Insurance)
      *Ed Code 22455.5*

➢ Dual Retirement
  ✓ Member in One System, Non-member in the Other, or Member in both
  ✓ *Working in both Classified and Certificated must have Dual Escape retirement records*
  ✓ Special Requirements
Defined Benefit vs Defined Contribution

Defined Benefits

STRS/PERS

• Promised Benefit Based on the Following Factors:
  - Age
  - Years of Service
  - Highest Final Compensation Pay

Defined Contribution Plans:

457B Deferred Compensation
403B Taxed Deferred
  – Employee Contributions and Interest
  – Employer Can Participate
STRS – Employer Contributions

- Defined Benefit Program will increase every year, up to 19.1% in 2020–21.
STRS - Qualifications

(See Retirement Qualification Rules)

- **Full Time**
  - Immediately with Full Time 100% Contract

- **Part-time**
  - 50% - 99%
  - Month following (2\textsuperscript{nd} Pay Period) \textit{or}
  - STRS Permissive Election (\textit{Form ES 350}) from day one

\textit{Election can be made at anytime when performing STRS Creditable Service.}
STRS - Qualifications

➢ **Substitute** - Long Term/Daily/Hourly

• 100 Days
  
  *Reference Ed Code 22503(a)*

• With a Single District

• 1\textsuperscript{st} of the Following Month

• During Same FY

• *Escape Report Retire01*
STRS - Qualifications

- Less Than 50% of Contract/Daily/Hourly
  - After 60 Hours/10 Days (in a single pay period)
  - With a Single District
  - 1\textsuperscript{st} of Following Month, unless the following pay period is in the new FY
  - *Escape Report Retire02*

- Funds on Deposit From Previous STRS Employment
  - Compulsory Membership Regardless of the Type of Employment Less Than Half Time
Non Creditable:

- Position is Not Eligible for State Apportionment
- Position Does Not Require Credential, Certificate or Permit
- Position Does Not Meet Community College Standards
  - Walk On Coaches are an example
    - Walk On vs Contract (does not have a STRS position with the District)
STRS - Election

- CalSTRS Audits Election Procedures
- Permissive Election
  - *Form ES 350 for Election* (Must provide within 10 days of hire date)
  - Form is Irrevocable
    - All Future Certificated Work is STRS
  - No Earlier than 1st Day of Pay Period in which Form is Signed
  - Forward Form to County Office
    - Need Employee 99 (Used to be NOE)
    - *Send to Carol Mahan, STRS Technician*
STRS - Election

(See Join CalSTRS? Join CalPERS?)

• CalSTRS Member in PERS Qualifying Classified Position
  • 60 Days to Elect to Stay in STRS
  • New ES-372 Form for Election (Revised March 2016)
  • (Must provide within 10 days of hire date)

• CalPERS Member in STRS Qualifying Certificated Position
  • 60 Days to Elect to Stay in PERS
  • New ES-372 Form for Election (Revised March 2016)
  • (Must provide within 10 days of hire date)

ES-373 Form Discontinued and incorporated into ES372
Issues:

• Assignments Coding
  – Are They Reporting Correctly
    » Daily or Hourly

• Special Compensation / Fringe
  – Pension Spiking
    » Enhancing Member’s Benefits
  – Watch Contract Language
  – Requires Backup to County Offices
Calculating Service Credit

• **Full-time** educators typically earn one year of service credit for teaching one school year.

• **Part-time** educators, service credit for one school year is the hours or days actually taught compared to the full-time equivalent, or what would be required if employed full time in that position.
STRS – Member Contributions
2% at 60

➢ The contribution rates for members vary slightly depending on the benefit structure:
  • CalSTRS 2% at 60 members
    (first hired on or before December 31, 2012)

Member contribution rate for 2016-17:
10.25%

✓ Requires Legislation to Change
California Code of Regulations §27400 Salary

To be considered salary, the compensation must be all of the following:

• Paid for the performance of creditable service
• Explicitly characterized as salary on a contract, salary schedule or employment agreement
• Used as the basis for future pay increases; and
• Paid without a requirement for proof of expenditure.

• If compensation is paid for any outgrowth activities identified in Education Code section 22119.5(a)(6), it does not have to be the basis for future pay increases to still be considered salary.
Education Code §22119.2 defines creditable compensation

- The following are creditable:
  - Salary paid in accordance with a publicly available written contractual agreement; and
  - Remuneration paid in addition to salary provided that it is paid to everyone in the same class of employees and in the same amount or percentage.
Outgrowth Activities identified in Education Code §22119.5(d)

Extra Pay Assignments

• Supports the District’s instructional or guidance program
• Certificated Employee can earn additional service credit

*Can not Exceed 1.0 service credit.*
Extra-pay assignments may include:

• Yearbook or science club adviser
• Coaches
• Band director
• Mentor
• Teacher In Charge
CalSTRS 2% at 62

Members first hired on or after January 1, 2013, to perform STRS creditable service and who never before performed CalSTRS creditable activities under a different retirement system, including Social Security
STRS – Member Contributions
2% at 62

• CalSTRS 2% at 62 members
  (first hired on or after January 1, 2013)
Member must contribute 50% of the normal cost of employee benefits.

2016-17 Anticipated Member Contribution Rate:
9.205%

✓ Requires Legislation to Change
STRS – Reporting
2% at 62

For “New” Members
- Only Creditable Special Compensation are Masters, Doctorate and Longevity
- Reported with Code “72”

SEW
- Secure Employer Web Site (SEW)
- To Check Retirement Status:
  - https://sew.calstrs.com/CalSTRSSewWebUI/Registration/Pages/Register.aspx
Creditable Compensation Cap – Employee Portion Only

• Cap on Compensation is Equal to 120 percent of the 2013 Social Security wages. The cap is adjusted annually based on changes to the Consumer Price Index for All Urban Consumers: U.S. City Average.

• 2015-2016 Compensation Cap is $137,941. The cap is adjusted each July based on changes in the Consumer Price Index for All Urban Consumers U.S. City Average.
STRS – Reduced Workload

➤ Allows eligible members to reduce their workload from full-time to part-time duties
  • Minimum of 50% of full time up to 10 years
  • Normally the last 10 years before retirement
  • Employer must offer the program
  • Employee will receive full time credit, including final compensation.

Note: Failure to work at least 50% as required can have significant consequences.
STRS – Reduced Workload

➢ To be eligible the employee must be:

• Age 55 or older
• Employed to perform creditable service on a full time basis for a minimum of 10 years
• Have been employed full time performing creditable service 5 consecutive years immediately before entering the program
• Have an agreement with their employer to reduce the employees workload in effect at the start of the school year
NOT: 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

<table>
<thead>
<tr>
<th>Employer Contribution Rate:</th>
<th>Rate for FY 2016-17</th>
<th>Rate for FY 2015-16</th>
<th>Education Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>CalSTRS 2% at 60</td>
<td>CalSTRS 2% at 62</td>
<td>CalSTRS 2% at 60</td>
<td>CalSTRS 2% at 62</td>
</tr>
<tr>
<td>Elected Officer of Employee Organization</td>
<td>12.58%</td>
<td>12.58%</td>
<td>10.73%</td>
</tr>
<tr>
<td>Reduced Workload Program</td>
<td>12.58%</td>
<td>N/A</td>
<td>10.73</td>
</tr>
</tbody>
</table>
STRS – Retirees

• STRS Post Retirement Employment

Earnings Limitation for 2016-17 = $41,732.

– Must wait 6 months (180 days) before returning to work with a CalSTRS employer

– Will reduce their retirement benefit dollar for dollar by an amount equal to their earnings

– Classified Position Restrictions: Ed Code 45134 precludes retired CalSTRS members from employment in classified positions. However, this section is outside of the Teachers Retirement Law and therefore outside the purview of CalSTRS.


Dated: February 9, 2016

(Supersedes Employer Directive 2015-01)
STRS – Retirees

Unused and Excess Sick Leave At Retirement

• Basic Sick Leave
  ✓ One Day’s Paid Leave of Absence per Pay Period

• Excess Sick Leave
  ✓ Number of Days in Excess of Basic Sick Leave
  ✓ Employer Pays Present Value for Excess Sick Leave

• Service Credit:
  ✓ \( \frac{(\text{Basic Days} + \text{Excess Days})}{\text{Contract Base Days}} \)

• Employers Required to Report Basic & Excess Separately at Retirement

(See Express Benefit Form SR0554E)
STRS – Retirees

• After January 1, 2013, Retiree Must Wait 6 Months (180 days) before They Can Return to Work with a CalPERS Employer or CalSTRS Employer

• Can Be Hired for Temp Assign during Emergency or Has Special Skills for Critically needed position. Must have approval from District Governing Board & SCOE

• Can NOT be hired back within same District if a Golden Handshake/ employer incentive has been given for 5 years
One of the most common Audit Findings are the incorrect usage of payroll reporting codes.

Please refer to the STRS/ESCAPE Retirement Code Chart provided.

If you are interested in finding out about other audit findings go to the CalSTRS website and refer to EIC Volume 31;Issue 3 dated July 22, 2015.
PERS - Contributions

- California Public Employees’ Retirement System (CalPERS)

- PEPRA – Public Employees’ Pension Reform Act of 2013
  - Classic Member Contributions 7%
  - New Members Contributions 6%

Employer Contributions
- 2015-16 = 11.847%
- 2016-17 = 13.05% (Projected)
PERS – Qualifications

Membership Qualifications:

• Permanent Full-Time (40 hours per week)
• Part-Time Averaging at Least 20Hrs/Wk for at least one school year with same employer
• Full-Time Temp Assignment in Excess of 6 Months
• Currently a Member

*(GC Section 20281)*
PERS – Qualifications

➢ Member Reciprocal Self-Certification Form (PERS-CASD-801)
  • Form is for employers to identify if new employees are classic members due to reciprocity
  • Employers need to properly identify status of members at the time of hire

(See Circular Letter 200-063-12)
PERS - Qualifications

- Temporary, Seasonal, On Call, Emergency, Substitute or Irregular Basis:
  - Qualifies When Worked 1000 Hours or 125 Days in a Fiscal Year
  - Overtime Hours are included for Qualifying Purposes
  - Employee must enroll within 90 days of qualifying event
  - *Escape Report Retire09*
Membership Exclusions:

- Independent Contractors
- Elected or Appointed Officers (Hired after July 1, 1994)
- Students employed by a school district they attend in a position established for students only

*(GC Section 20300)*
Required Procedures

- Log into CalPERS
  - Verify the employees PERS status
  - Verify employees enrollment level
  - **Determine Classic or New**
  - Print a snap shot of PERS record
- Log into Escape Employee Management
  - Go to Retirement Tab (Based on PERS info)
  - Setup employee’s retirement status & level
PERS–Enrollment/Change Form

Required Procedures

• Forward to Maria Aguayo in Business Services
• Required Prior to First Payroll
  • Run Pay22 – Check for PERS Errors
  • PERS snap shot of employees PERS status/level
  • Member Self-Certification Form
• PERS Enrollment/Change Form
  • Forms on Escape Home Page in Forms
Qualifying Elections:

• Cal-PERS member hired for qualifying certificated STRS position

• 60 days to elect to stay in Cal-PERS
  • Must meet other requirements

• Use *Form ES-372 (Revised March 2016)*
  • Not required to return form unless electing into

• Forward Forms to SCOE Business Services for Review
PERS - Compensation

Compensation:

• Pay Rate – Member’s Normal Rate of Pay or Base Pay

• Report as Earned According to Job Classification

• Must be Reflected in Pay Schedule or Bargaining Unit Agreement

• PERS Members Can Be Paid on Monthly Basis, Hourly Basis or Daily Basis
CalPERS Compensation Cap for New Members

- Members Participating in Social Security
  - Compensation Capped at the Social Security Wage Base
    - For 2016 the Compensation Cap is $117,020

- Members Not Participating in Social Security
  - Compensation Capped at 120% of the Social Security Wage Base
    - For 2016 the Compensation Cap is $140,424

CalPERS Compensation Cap for Classic Members

For 2016 the Compensation Cap is $265,000

(See Circular Letter 200-011-16)
Commonly used Special Comp Pay

- Educational Pay
  - Includes educational incentive pay
- Incentive Pay
  - Includes longevity and bonus pay* (*Not for PEPRA)
- Premium/Temporary Upgrade Pay
  - Includes working out of class* (*Not for PEPRA)
- Holiday Pay
  - When employees are required to work during scheduled holidays and paid over and above normal salary

*(See Circular Letter 200-064-14)*
PERS - Non-Reportable Compensation

Non-Reportable Compensation:

• Car/Mileage Allowance
• OT Over 40hrs in a Week
• Cafeteria Plans
• Cash in Lieu of Health Benefits
• Health Benefits/Fringe Benefits
• API Awards
• Lump Sum Vacation Payoffs (to clear books)
• Severance Pay
PERS – Reporting Overtime

- Employees paid “Overtime” rates for hours between “regular work week” and 40 hours/week
  - Report “straight-time” rate
  - Report “straight-time” earnings
  » Requires two different addons

Example:

Pay Rate $15.00 hr = Report to PERS up to 40 hrs/wk
OT Rate (.5) $ 7.50 hr = Do Not Report to PERS
Total OT Rate $22.50 hr

*(See Circular Letter 200-211-05)*
PERS - Service Credit

How Service Credit is Earned:

• Fiscal Year Basis: July 1 – June 30
• Earned by tenths: 10 Months = 1 Year
• Pro-rated for part-time employees based on 1,720 hours = 1 Year
• Service Credit = earnings divided by full time pay rate for each service period
• Report in month earned
Eligible for Retirement:

- **Cal-PERS Classic Members 2% @ 55**
  - Age = 50
  - Service Credit = 5 Years Full Service Credit
  - Compensation = Highest average 12 months or 36 months, depending on Bargaining Unit Agreement

- **Cal-PERS New Members 2% @ 62**
  - Age = 52 years
  - Service Credit = 5 Years Full Service Credit
  - Compensation = Highest average 36 months
PERS-Retiree

- Check List for Hiring a CalPERS Retiree
  *(See Circular Letter 200-002-14)*

- Guide to CalPERS Employment After Retirement
  [https://www.calpers.ca.gov/docs/forms-publications/employment-after-retirement.pdf](https://www.calpers.ca.gov/docs/forms-publications/employment-after-retirement.pdf)

  *Make sure the retiring employee is aware of rules before they retire.*
PERS-Retiree

• After January 1, 2013, Retiree Must Wait 6 Months (180 days) before They Can Return to Work with a CalPERS Employer or CalSTRS Employer

• Can Be Hired for Temp Assign during Emergency or Has Special Skills for Critically needed position. Must have approval from District Governing Board & SCOE

• No Exception if a Golden Handshake/employer incentive has been given

(See Circular Letter 200-002-14)
Cal-PERS Retiree

- There **Cannot** be an Agreement to Return to Work between the Member and the CalPERS Employer **Prior to Retirement**

- Can Work Up to 960 Hours in a Fiscal Year

- Compensation **must be comparable** to other employees doing similar duties

- Must be enrolled as retired annuitant
  - Pay rate with hours worked reported
PERS-Retiree/Unemployment:

- Cannot Hire Retired Annuitant that Received Unemployment Insurance Payments within the Previous 12 Months as Retired Annuitant

- Annuitant Must Sign Affidavit as Such

(See Circular Letter 200-076-06)
Disability Retiree:

• Temporary Position
  • 960 hours
  • No approval required

• Permanent Position:
  • Employment must be in a different position
  • CalPERS approval required before accepting employment
  • Earnings limitation applies
Retiree OASDI/Medicare

Retiree OASDI/Medicare Issues:

• STRS Retiree-rehired in a PERS position
  ✔ Yes Medicare and Yes OASDI

• PERS Retiree-rehired in a PERS position
  ✔ Yes Medicare and No OASDI

• PERS Retiree-rehired in a STRS position
  ✔ Yes Medicare and Yes OASDI
One of the most common Audit Findings are the incorrect usage of payroll reporting codes.

Please refer to the PERS/ESCAPE Retirement Code Chart provided.
Reference Materials

https://forms.calstrs.com/
CalSTRSOnlineFormRequestWebUI/Root/Pages/
Order.aspx

http://www.calpers.ca.gov/index.jsp?bc=/about/

Escape Help: helpdesk@scoe.org
Break Time

➢ Next: 3 scenarios

☐ 3 Hands On
☐ Quiz (Open Notes & Discussion)
☐ Evaluation