Los Angeles County Office of Education

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Debra Duardo, M.S.W., Ed.D., *Superintendent*

INFORMATIONAL BULLETIN # 5227

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TO: Chief Business Officials
Chief Personnel Officials
HRS Coordinators
Payroll Managers
Los Angeles County K-12 Schools and Community College Districts
Regional Occupational Programs/Centers (ROP/Cs) and HRS Charter Schools

FROM: Talina Ornelas
Retirement Systems Coordinator
Division of School Financial Services

SUBJECT: **2020-2021 CalSTRS Rates**

The following are the California State Teachers' Retirement System (CalSTRS) rates for the 2020-2021 fiscal year. These rates are effective beginning with **July earnings/accruals**. CalSTRS revised the employer rate to 16.15% on July 2, 2020.

Normal DB Contribution Rate	**Old Rate**	**New Rate**
Employee -Member 2% at 60 (Classic)	**10.25%**	**10.25%**
Employee -Member 2% at 62 (PEPRA)	**10.205%**	**10.205%**
Regular Interest Rate	7.00%	7.00%

Normal DB Contribution Rate	**Old Rate**	**New Rate**
Employer - 2% at 60 (Classic)	**17.10%**	**16.15%**
Employer - 2% at 62 (PEPRA)	**17.10%**	**16.15%**
Interest Rate for Cash Balance Benefit	3.12%	2.44%
Interest Rate for Defined Benefit Supplement	3.12%	2.44%
Contribution Rate for Reduced Workload	17.10%	16.15%
Contribution Rate for Elected Officials	17.10%	16.15%
Factor Rate for Service Credit for Excess Sick Leave	0.333	0.335

DBS Contribution Rate	**Old Rate**	**New Rate**
Employee-Member 2% at 60 (Classic)	**8.00%**	**8.00%**
Employee-Member 2% at 62 (PEPRA)	**9.00%**	**9.00%**

DBS Contribution Rate	**Old Rate**	**New Rate**
Employer - 2% at 60 (Classic)	**8.25%**	**8.25%**
Employer - 2% at 60 (PEPRA)	**8.25%**	**8.25%**

The annual compensation limit for CalSTRS 2% at 60 DB members in effect for July 1, 2020, through June 30, 2021, is $**285,000.00**. The compensation limit for CalSTRS 2% at 62 DB members and CB participants subject to PEPRA effective July 1, 2020, through June 30, 2021, is $**151,837.00**.

If you have any questions, please contact Jay Oliver via e-mail at Oliver_Rhuena@lacoe.edu or Talina Ornelas via e-mail at Ornelas_Talina@lacoe.edu.

TO:sm
Attachments

Approved:
Sean Lewis, Assistant Director
School Financial Systems and Services

SFS-A87-2019-2020

CALSTRS
HOW WILL YOU SPEND YOUR FUTURE?

Employer Information Circular

Volume 36; Issue 03 **February 26, 2020**

PENSION PLAN LIMITS FOR TAX YEAR 2020

The purpose of this circular is to alert employers to the Internal Revenue Service pension plan limits for tax year 2020 and to inform employers of the creditable compensation limit under the Teachers' Retirement Law for California State Teachers' Retirement System (CalSTRS) members and participants who are subject to the California Public Employees' Pension Reform Act of 2013 (PEPRA). CalSTRS is not authorized to give tax advice; accordingly, if you have any questions about these or any other Internal Revenue Code (IRC) sections, please contact your tax advisor or the Internal Revenue Service.

The following limits apply to benefits paid and compensation creditable to the Defined Benefit, the Defined Benefit Supplement and the Cash Balance Benefit programs.

Internal Revenue Code Section 401(a)(17) Compensation Limit

IRC section 401(a)(17) limits creditable compensation that may be counted toward a CalSTRS retirement benefit for all persons who became a CalSTRS Defined Benefit member or Cash Balance Benefit participant on or after July 1, 1996.

The annual compensation limit in effect for July 1, 2019, through June 30, 2020, is $280,000. The annual compensation limit in effect for July 1, 2020, through June 30, 2021, is $285,000.

If you have an employee who will earn compensation in excess of this limit *and* the employee became a CalSTRS member or participant on or after July 1, 1996, please contact your CalSTRS employer representative for reporting instructions. Do not remit employer or member contributions to the Defined Benefit, Defined Benefit Supplement or Cash Balance Benefit programs on any compensation that exceeds the limit.

Creditable Compensation Limit for CalSTRS 2% at 62 Members and Cash Balance Benefit Participants Subject to the California Public Employees' Pension Reform Act of 2013

PEPRA limits creditable compensation that may be counted toward a CalSTRS retirement benefit for all CalSTRS Defined Benefit members and Cash Balance Benefit participants subject to the act. All persons first hired on or after January 1, 2013, are subject to PEPRA and are known as CalSTRS 2% at 62 members and Cash Balance Benefit participants subject to PEPRA.

The creditable compensation limit is applicable to compensation creditable to the Defined Benefit, Defined Benefit Supplement and Cash Balance Benefit programs combined and is based on 120% of the 2013 Social Security contribution and benefit base, adjusted annually for changes to the Consumer Price Index for All Urban Consumers: U.S. City Average.

The creditable compensation limit for CalSTRS 2% at 62 members and Cash Balance Benefit participants subject to PEPRA for July 1, 2019, through June 30, 2020, is $148,423.

If you have an employee who will earn creditable compensation in excess of this limit, please contact your CalSTRS employer representative for reporting instructions. Do not remit employer or member contributions to the Defined Benefit, Defined Benefit Supplement or Cash Balance Benefit programs on any compensation that exceeds the limit.

CalSTRS will publish a separate employer information circular to inform employers of the compensation limits for CalSTRS 2% at 62 members and Cash Balance Benefit participants subject to PEPRA that will be effective July 1, 2020.

Internal Revenue Code Section 415(b) Retirement Benefit Limit

IRC section 415(b) limits the amount of annual retirement benefits that may be received from a tax-qualified pension plan. The annual retirement benefits payable from the CalSTRS Defined Benefit and Cash Balance Benefit programs are subject to the dollar limits imposed by IRC section 415(b).

The limitation on the annual benefit for CalSTRS members or participants, age 65, who participate in the Defined Benefit or Cash Balance Benefit programs is $195,545 for the 2020 calendar year.

The limit assumes a 2% at 60 benefit formula and is actuarially adjusted for retirement before and after age 65. For example, the 2020 limit for members age 55 with less than 30 years of service is $116,122; the 2020 limit for members at age 55 with more than 30 years of service is $118,024; and the 2020 limit for members age 70 is $199,807.

Any retirement benefits in excess of the limit that are payable to CalSTRS 2% at 60 members and Cash Balance Benefit participants not subject to PEPRA are payable from the Replacement Benefits Program administered by CalSTRS. No action is required by employers to initiate payment of benefits under the Replacement Benefits Program.

Under federal law, if members or participants were paying the Medicare Part A payroll tax when employed, payments from the Replacement Benefits Program will also be subject to the payroll tax deduction. CalSTRS will work with the member regarding any tax deductions under this part. CalSTRS 2% at 62 members and Cash Balance Benefit participants subject to PEPRA are not eligible for the Replacement Benefits Program.

If you have any questions regarding this circular, please contact CalSTRS Employer Services at EmployerHelp@CalSTRS.com.

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Retirement System
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July 2, 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 (Amended)
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 employer contribution rates outlined in this amended directive are based on the 2020-21 state budget.

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%**	**16.15%***

*The 2020-21 state budget re-directs the supplemental payment paid by the state on behalf of employers as part of the 2019-20 state budget. The supplemental payment is now solely being used to reduce the contribution rate for employers for fiscal years 2019-20, 2020-21 and 2021-22. The 2021-22 employer contribution rate will be 2.18% of payroll less than the rate set by the board in the spring of 2021.

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 which the employee 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	16.15%	17.10%	22711
Reduced Workload Program	16.15%	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.

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