

April 25, 2014

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

FROM: Jack Ehnes
Chief Executive Officer

SUBJECT: Employer Directive 2014-02
Supersedes Employer Directives 2013-03 and 2013-05
Interest and Contribution Rates and Present Value Factor for Fiscal Year 2014-15

PURPOSE

The purpose of this directive is to communicate the following rates and present value factor as adopted by the Teachers' Retirement Board:

- Employer and Member Contribution Rates – Defined Benefit Program
- Regular Interest Rate – Defined Benefit Program
- Credited Interest Rate – Defined Benefit Program
- Minimum Interest Rate – Cash Balance Benefit Program and Defined Benefit Supplement Program
- Penalties and Interest Rate – Defined Benefit Program and Cash Balance Program
- Permissive Service Credit Contribution Rate – Defined Benefit Program
- Employer Contribution Rate for Elected Officials of Employee Organizations
- Employer Contribution Rate for Reduced Workload Program
- Present Value Factor for Unused Excess Sick Leave Service Credit

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 Defined Benefit (DB) Program, Defined Benefit Supplement (DBS) Program and Cash Balance (CB) Benefit Program.

DISCUSSION

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.

For CalSTRS 2% at 60 Benefit Structure, employer and member contribution rates are set in statute for the DB Program and do not vary by fiscal year.

For CalSTRS 2% at 62 Benefit Structure, employer contribution rates are set in statute for the DB Program and do not vary by fiscal year. However, members are required to pay half of the normal cost of pension benefits. The normal cost of the pension benefits will be determined each fiscal year, and the member contribution rate will be adjusted if the normal cost has changed by more than one percent since the last adjustment in the member contribution rate.

	Rate	Education Code Section
Employer Contribution Rate: Defined Benefit Program	8.25%	22950 and 22951
<u>CalSTRS 2% at 60 Benefit Structure:</u> Member Contribution Rate: Defined Benefit Program	8.00%	22901
<u>CalSTRS 2% at 62 Benefit Structure:</u> Member Contribution Rate: Defined Benefit Program	8.00%	22901

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

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.

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

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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 contributions that accumulate while being paid an allowance. For the CB Benefit and DBS programs, the board adopts a minimum interest rate that is used to credit employee and employer accounts during the year.

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

The rates for Fiscal Year 2014-15 are as follows:

	New Rate for FY 2014-15	Old Rate for FY 2013-14	Education Code Section
Regular Interest Rate	7.50%	7.50%	22162
Interest Rate for Late Remittance Contributions	7.50%	7.50%	23003, 26303
Penalty Rate for Late or Unacceptable Monthly Reports	7.50%	7.50%	23006, 23008, 26301, 26302
Credited Interest Rate: Defined Benefit Program	0.32%	0.50%	22216
Minimum Interest Rate: Cash Balance Benefit Program	3.55%	3.00%	26604
Minimum Interest Rate: Defined Benefit Supplement Program	3.55%	3.00%	25005

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/paternity leave; and military leave. Prior to January 2013, eligible DB Program members could purchase nonqualified service credit, also known as air-time. Authorization to purchase nonqualified service credit was eliminated on January 1, 2013, under Chapter 296, Statutes of 2012 (AB 340).

The board adopted the following contribution rates for Fiscal Year 2014-15 for the purchase of permissive service credit for the DB Program based upon the age of member at the time of purchase.

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Age	CalSTRS 2 % at 60		CalSTRS 2 % at 62	
	New Rates for FY 2014-15	Old Rates effective January 1, 2014 – June 30, 2014	New Rates for FY 2014-15	Old Rates effective January 1, 2014 – June 30, 2014
Below 28	15.5%	15.8%	13.4%	13.7%
28	16.0%	16.1%	13.8%	13.9%
29	16.3%	16.2%	14.1%	14.0%
30	16.3%	16.4%	14.4%	14.0%
31	16.4%	16.5%	14.5%	14.1%
32	16.7%	16.7%	14.4%	14.4%
33	16.8%	16.8%	14.6%	14.6%
34	17.2%	17.2%	14.7%	14.9%
35	17.2%	17.2%	14.8%	14.9%
36	17.6%	17.6%	15.3%	15.2%
37	17.6%	17.6%	15.3%	15.2%
38	17.9%	17.8%	15.6%	15.5%
39	18.2%	18.1%	15.9%	15.8%
40	18.9%	18.6%	16.5%	16.2%
41	19.2%	19.0%	16.8%	16.6%
42	19.5%	19.4%	17.1%	16.9%
43	20.0%	19.8%	17.4%	17.3%
44	20.2%	20.1%	17.6%	17.5%
45	20.6%	20.5%	18.0%	17.9%
46	21.0%	20.7%	18.3%	18.1%
47	21.4%	21.2%	18.7%	18.5%
48	22.0%	21.8%	19.2%	19.1%
49	22.5%	22.3%	19.6%	19.4%
50	23.1%	22.8%	20.1%	19.9%
51	23.6%	23.4%	20.6%	20.4%
52	24.3%	24.0%	21.2%	20.9%
53	24.9%	24.7%	21.7%	21.5%
54	25.7%	25.5%	22.4%	22.2%
55	26.3%	25.9%	22.9%	22.6%
56	27.0%	26.7%	23.5%	23.2%
57	27.7%	27.3%	24.1%	23.8%
58	28.5%	28.1%	24.8%	24.5%
59	29.3%	28.9%	25.5%	25.2%
60	30.0%	29.6%	26.2%	25.8%
61	30.8%	30.4%	26.9%	26.6%
62	31.3%	30.8%	27.5%	27.0%
63	30.9%	30.9%	28.0%	28.0%
64	30.3%	30.3%	29.2%	29.2%
65	29.5%	29.6%	29.5%	29.6%
66	29.0%	29.0%	29.0%	29.0%

Fiscal Year 2014-15 permissive service credit contribution rates for the DB Program, continued:

Age	CalSTRS 2 % at 60		CalSTRS 2 % at 62	
	New Rates for FY 2014-15	Old Rates effective January 1, 2014 – June 30, 2014	New Rates for FY 2014-15	Old Rates effective January 1, 2014 – June 30, 2014
67	28.1%	28.1%	28.1%	28.1%
68	27.5%	27.5%	27.5%	27.5%
69	26.6%	26.7%	26.6%	26.7%
70	25.8%	25.8%	25.8%	25.8%
71	25.2%	25.3%	25.2%	25.3%
72	24.2%	24.2%	24.2%	24.2%
73 and above	22.1%	22.1%	22.1%	22.1%

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

	New Rate for FY 2014-15	Old Rate for FY 2013-14	Education Code Section
<u>CalSTRS 2% at 60 Benefit Structure</u> Employer Contribution Rate: Reduced Workload Program	10.259%	10.276%	22713
<u>CalSTRS 2% at 62 Benefit Structure</u> Employer Contribution Rate: Reduced Workload Program	Not Eligible Until 2018	N/A	22713
<u>CalSTRS 2% at 60 Benefit Structure</u> Employer Contribution Rate: Elected Officer of Employee Organization	10.259%	10.276%	22711
<u>CalSTRS 2% at 62 Benefit Structure</u> Employer Contribution Rate: Elected Officer of Employee Organization *Effective Immediately and for FY 2013-14	8.25%	8.25%	22711

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The board also adopts the present value factor used to calculate the cost of the member's allowance attributable to unused excess sick leave days. 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 for July 1, 2012 through June 30, 2015 is:

	Rate for July 1, 2012 – June 30, 2015	Education Code Sections
Present Value Factor for Unused Excess Sick Leave Service Credit	0.301	22311.7, 22718

ACTION

Please refer questions concerning this directive to your CalSTRS Member Account Services Representative.