



California State Teachers'  
Retirement System  
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April 13, 2016

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

FROM: Jack Ehnes  
Chief Executive Officer

SUBJECT: Employer Directive 2016-05  
Employer Direct Reporting

**PURPOSE**

This directive notifies employers about the newly adopted regulations that outline the direct reporting requirements that must be met in order to report directly to CalSTRS pursuant to Education Code section 23004 and Sections 27702 through 27705 in Article 1, of Chapter 3, Division 3, Title 5 of the California Code of Regulations (Regulations).

**SCOPE**

This directive contains information for local school districts and community colleges that wish to request to become a direct reporting source with CalSTRS. These regulations are effective for existing direct reports as well as future applicants moving forward.

**DISCUSSION**

Sections 27702 through 27705 of the Regulations clarify Education Code Section 23004, which authorizes the Teachers' Retirement Board to approve school districts and community colleges to directly report to CalSTRS.

**CalSTRS Employer Direct Reporting Objective**

The regulations specify the CalSTRS Employer Direct Reporting qualification criteria, which can be applied consistently to eligible applicants. This will provide school districts and community colleges with the opportunity to consistently report contributions on an independent basis.

The standards outlined in the regulations:

- Seek to ensure that local districts are compliant with state and federal laws.
- Require districts to demonstrate that they have the authority to act independently and provide the tools and resources necessary to report accurately.
- Require counties and local school districts to mutually agree to the direct reporting requirements for CalSTRS.

Section 23004 of the Education Code only allows school districts and community college districts to report directly to CalSTRS, if authorized by CalSTRS. As such, section 27700 of the Regulations, which clarifies section 23004, defines “direct report” to mean elementary, high school, unified school district and community college districts that are approved by the Teachers’ Retirement Board to report directly to CalSTRS. As a result, charter schools may not become direct reporters to CalSTRS,

#### CalSTRS Employer Direct Reporting Requirements

Section 27702 of the Regulations outlines the prerequisites school districts and community colleges must meet in order to apply to be a direct report. Section 27702 (b) outlines five requirements in order for an applicant to be approved:

1. Submission of the documentation required under Section 27703.
2. Demonstrates ability to successfully transmit specified files and information to the system.
3. If the district was previously terminated as a direct report, more than five fiscal years have elapsed.
4. An audit by the system that demonstrates full compliance with reporting mandatory membership, one-time or limited-term payments, outgrowth activities and providing information regarding the compensation to be paid to employees.
5. Sustained compliance with responding to requests for adjustments, providing acceptable annotations to employer-approved edits, reporting full-time minimum standards and timely reporting of information regarding compensation.

Sections 27703 through 27705 describe specified resolutions that applicants are required to submit, the criteria for permissive termination of the direct reporting relationship, and deadlines for applicants to request a review of CalSTRS decision to terminate the direct reporting relationship.

#### **ACTION**

Potential applicants are eligible to apply to become a direct reporter as of January 1, 2016. However, the effective date of becoming a new direct reporter with CalSTRS will be July 1<sup>st</sup> of the year specified in the resolution adopted by the district governing board.

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If you are unsure whether you meet the CalSTRS Employer Direct Reporting requirements, please contact your CalSTRS Member Account Services Employer Representative.

This employer directive does not take precedence over the regulations governing CalSTRS and the Teachers' Retirement Law (commencing at section 23000 of the Education Code). A copy of the Employer Direct Reporting Regulations is available on SEW under reference items, or online at [calstrs.com/general-information/employer-direct-reporting](http://calstrs.com/general-information/employer-direct-reporting).

If you have any questions regarding this employer directive, please contact the CalSTRS Member Account Services Training and Teachers' Retirement Law team by emailing [MASTrainingandTRL@calstrs.com](mailto:MASTrainingandTRL@calstrs.com) or calling toll free 844-679-7833.