

## Proposed Amendments to Format for Employer Reports

### **Title 5. Education. Division 3. Teachers' Retirement System.**

*The current chaptered regulations are shown in plain text. Originally proposed changes are shown in single underline for additions and single strikethrough for deletions. Additions to the changes originally proposed are shown in bold and double underlined, and deletions from the language originally proposed are shown in bold with double strikethrough.*

#### **Chapter 1. Teachers' Retirement System**

#### **Article 15.5. Penalties and Interest for Late Remittances and Late and Unacceptable Reporting by Employers**

##### **§ 27000. Format for Monthly Reports**

Employers shall file reports through CalSTRS' secure employer website as follows:

(a) Employers reporting information to the Defined Benefit ~~Plan Program~~ shall comply with Section 1.3 of CalSTRS' F496 File Specification, as revised on February 24, 2016, and hereby incorporated by reference, subject to the following exclusions.

(1) Information in the "Field Edits" column.

(2) The specific member contribution rates associated with field positions 53-56 and 91-94.

(b) Employers reporting information to the Cash Balance Benefit Program shall comply with Section 1.3 of CalSTRS' Voluntary Deduction File Specification, as revised on July 1, 2015, and hereby incorporated by reference.

(c) A field that contains a dollar value must be formatted as follows:

(1) The number is reported without decimal places with the last two field positions populated by the number of cents.

(2) Use leading zeroes to populate the full breadth of the field.

(3) To report a negative number, report the last field with an uppercase alphabetical character or a symbol, coded as follows: "J" for negative values ending in 1, "K" for negative values ending in 2, and so on, with "R" for negative values ending in 9. Use "{" for negative values ending in 0.

(4) Alphabetical characters or symbols may also be used to denote positive values, but are not required.

(d) This section shall become inoperative on the date specified by the board pursuant to Section 27800 and is repealed two years thereafter.

*NOTE: Authority cited: California Constitution, Article XVI, Section 17; and Sections 22207, 22213, 22214, 22250, ~~and~~ 22305 and 23004, Education Code. Reference: Sections 23004, 23006, 23008 and 26301, Education Code.*

##### **§ 27001. Acceptable Report—Defined Benefit Program**

(a) A monthly report for the Defined Benefit Program is acceptable if it is reported in compliance with Section 27000, subdivision (a). Reports that fail to comply shall be rejected by CalSTRS, and will not be received.

(b) A monthly report shall contain the information as specified in Section 27000 for all employees who perform creditable service for an employer during the month.

(c) Information reported pursuant to Section 27000, subdivision (a) for one or more employees from a prior month shall be aggregated and treated as a separate report for the month to which it relates.

(d) This section shall become inoperative on the date specified by the board pursuant to Section 27800 and is repealed two years thereafter.

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*NOTE:* Authority cited: California Constitution, Article XVI, Section 17; and Sections 22207, 22213, 22214, 22250, ~~and~~ 22305 and 23004, Education Code. Reference: Sections 23004, 23005 and 23006, Education Code.

### **§ 27002. Acceptable Report—Cash Balance Benefit Program**

(a) A report for the Cash Balance Benefit Program is acceptable if it is reported in compliance with ~~section~~ Section 27000, subdivision (b). Reports that fail to comply shall be rejected by CalSTRS, and will not be received.

(b) A report shall contain the information required by ~~section~~ Section 27000, for all employees who perform creditable service for an employer during the pay period.

(c) Information reported pursuant to Section 27000, subdivision (b) for one or more employees from a prior pay period shall be aggregated and treated as a separate report for the pay period to which it relates.

(d) This section shall become inoperative on the date specified by the board pursuant to Section 27800 and is repealed two years thereafter.

*NOTE:* Authority cited: California Constitution, Article XVI, Section 17; and Sections 22207, 22213, 22214, 22250, ~~and~~ 22305 and 26301, Education Code. Reference: Section 26301, Education Code.

## **Title 5. Education. Division 3. Teachers' Retirement System.**

### **Chapter 3. Employer Reporting**

#### **Article 1. Employer Direct Reporting**

### **§ 27702. Prerequisites to Approval**

(a) A district may apply to be a direct report to the system. The Teachers' Retirement Board may approve or may deny a district as a direct report based on the criteria in subdivisions (b) and (c).

(b) An applicant to become a direct report shall be in compliance with all of the following requirements. Failure to comply with the requirements of this subdivision shall result in the denial of the application to become a direct report.

(1) The district has submitted the applicable resolutions by the district's governing board and the county governing authority required under Section 27703, and there has been no change to the accuracy of each of the declarations therein.

(2) The district has demonstrated the ability to successfully transmit ~~the following~~ files to the system formatted pursuant to this division:

~~(A) An encrypted sample file formatted according to the F496 file format specifications incorporated by reference pursuant to Section 27000.~~

~~(B) An encrypted file containing member information related to accounts receivable to identify that a member is set up with automatic deduction to purchase service time through the employer.~~

~~(C) An encrypted file containing physical address details associated with the member.~~

(3) If the district was previously terminated as a direct report, more than five fiscal years have elapsed since the effective date of the termination.

(4) In the 36 months preceding its application to become a direct report, the district had an audit conducted by the system that demonstrated full compliance with reporting the following consistent with the Teachers' Retirement Law:

(A) Mandatory membership.

(B) One-time or limited-term payments reported to the Defined Benefit Supplement Program.

(C) Outgrowth activities as creditable service.

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(D) Information regarding the compensation to be paid to employees, including, but not limited to, employment contracts, written agreements, salary schedules, and board minutes.

(5) A review conducted by the system demonstrates sustained compliance with all of the following over the 12-month period preceding the district's application:

(A) Responding to the system's requests for adjustments within 60 days.

(B) Providing acceptable annotations to employer-approved edits in the ~~F496 file format~~ file layouts specified in this division electronically in an encrypted format provided by the system.

(C) Reporting full-time minimum standards consistent with a written agreement with an exclusive representative.

(D) Providing the system with information regarding the compensation to be paid to employees within 30 days of a request by the system.

(c) The board may deny an application to become a direct report if it finds any of the following:

(1) The district has any outstanding or unresolved audit findings from the system at any point during the application process.

(2) There are any accounts receivable 30 or more days past due to the system attributable to the district at any point during the application process.

(3) If the district was previously rejected by the system from entry as a direct report due to an audit or review finding under these regulations, and the rejection occurred within the previous five fiscal years.

(d) The board may, at its discretion, defer consideration of an application until a future fiscal year.

*NOTE:* Authority cited: Sections 22207, 22213, 22305 and 23004, Education Code. Reference: Section 22458 and 23004, Education Code.

### **§ 27703. Documentation Required with Application to Become a Direct Report**

(a) An applicant to become a direct report shall submit the following documentation with the following content:

(1) If contributions required to be paid by a member are picked up for the sole purpose of deferring taxes as authorized by Section 414(h)(2) of the Internal Revenue Code of 1986 (26 U.S.C.A Sec 414(h)(2)) and Section 17501 of the Revenue and Taxation Code, a resolution adopted by the district's governing board certifying its intent to pick up member contributions in compliance with those provisions and the Teachers' Retirement Law.

(2) A resolution adopted by the district's governing board resolving to become a direct report to the system and certifying each of the following.

(A) "[District] hereby elects to become a direct report to the California State Teachers' Retirement System, effective on July 1, [effective year]."

(B) "[District] has a payroll system independent of the county."

(C) The district is fiscally accountable, fiscally independent, or both, as demonstrated by including the relevant statements from either of the following subdivisions:

(i) For a school district: "[District] is [fiscally accountable as defined in Section 42647/ fiscally independent as defined in Section 42650/ both fiscally accountable and fiscally independent as defined in Sections 42647 and 42650] of the Education Code."

(ii) For a community college district: "[District] is [fiscally accountable as defined in Section 85266/ fiscally independent as defined in Section 85266.5/ both fiscally accountable and fiscally independent as defined in Sections 85266 and 85266.5] of the Education Code."

(D) "[District] has the ability to be in full compliance with the ~~F496 File Specifications~~ file layouts specified in Division 3 of Title 5 of the California Code of Regulations."

(E) "[District] is responsible for submitting contribution data and remitting contributions in accordance with the Teachers' Retirement Law."

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**(F)** “[District] is responsible for submitting contribution data and remitting contributions for all adjustments to contributions that relate to service performed prior to the effective date of the direct reporting relationship as requested by the system or as identified by the district.”

**(G)** “[District] is responsible for payment of any penalty assessments for contributions and data submitted as a direct report on or after the effective date of the direct reporting relationship.”

**(H)** “[District] is responsible for submitting all contribution data and remitting all contributions on and after the effective date of becoming a direct report.”

**(I)** “For the last five fiscal years, [District] has been issued an unqualified opinion on its annual financial audit pursuant to Section 41020 or 84040 of the Education Code.”

**(J)** The district has maintained a status of acceptable standing with the most current accrediting body by affirming the relevant statement from either of the following subdivisions:

**(i)** For a school district: “[District] has not been on probationary accreditation status nor had its accreditation status withheld by the most current accreditation body sanctioned by the California Department of Education in the last five fiscal years.”

**(ii)** For a community college district: “[District] has not been ordered to show cause or been subject to the equivalent strictest sanctions applied from the most current accreditation body sanctioned by the Board of Governors of the California Community Colleges in the last five fiscal years.”

**(K)** “[District] shall notify the system within three business days if its payroll operations are no longer independent of the county or if its fiscally accountable status or fiscal independence is revoked. If any of these occur, the district shall cease submitting contribution data and remitting contributions to the system directly and shall resume submitting contribution data and remitting contributions through [County] effective on the date following revocation.”

**(L)** The relevant statement from either of the following subdivisions:

**(i)** For a school district: “[District] shall notify the system within three business days if it is placed on one-year probationary accreditation status or has its accreditation status withheld or an equivalent status by the accrediting body.”

**(ii)** For a community college district, “[District] shall notify the system within three business days if it is ordered to show cause or is placed on an equivalent status or sanction by the accrediting body.”

**(M)** “If [district] is terminated as a direct report, [County] shall be responsible for submitting or remitting any missed reports, adjustments, contributions, penalties, and interest associated with the time period that the district was a direct report.”

**(N)** “[District] may terminate the direct reporting relationship only when the system, the district, and [County] have agreed to the employer terminating the relationship.”

**(3)** A resolution adopted by the county governing authority authorizing the district to become a direct report to the system and certifying each of the following:

**(A)** “On [date district’s governing board approved resolution], [District] elected to become a direct report to the system effective on July 1, [effective year].”

**(B)** “[District] meets the eligibility requirements of the system, as specified on a resolution adopted by the district’s governing board to become a direct report pursuant to paragraph (2) of subdivision (a) of Section 27703 of the California Code of Regulations.”

**(C)** “[County] is not responsible for submitting contribution data and remitting contributions, including adjustments to contribution data and contributions made prior to the effective date of [District] becoming a direct report.”

**(D)** “[County] is not responsible for any penalty or interest assessments for contributions and data submitted by [District] as a direct report on or after the effective date of becoming a direct report for the duration of the direct reporting relationship.”

**(E)** “If [District] is terminated as a direct report, [County] is responsible for submitting and remitting any and all reports, adjustments, contributions, penalties and interest to the system.”

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(F) “[County] shall notify the system within three business days of revocation should the district’s fiscally accountable status or fiscal independence be revoked, and shall resume submitting contribution data and remittance on behalf of the district on the revocation effective date.”

*NOTE:* Authority cited: Sections 22207, 22213, 23004 and 22305, Education Code. Reference: Section 23004, Education Code.

### Title 5. Education. Division 3. Teachers' Retirement System.

#### Chapter 3. Employer Reporting

#### Article 2. Format for Employer Reports

#### § 27800. Format for Employer Reports

Effective on a date specified by the board but no earlier than October 1, 2021, and with notice issued no later than 90 days prior to that date, employers shall file reports through CalSTRS’ secure employer website as follows:

~~(a)(1) Except as provided in paragraph (2), employers~~ **Employers** reporting identifying member information to establish a new account or to update existing member information shall submit such information by one of the following methods:

~~(A) (1) Complying with the CalSTRS’ Employment File Layout, as of June 18, 2019 ~~October 31, 2018~~,~~ and hereby incorporated by reference.

~~(B) (2) Entering the information specified in the CalSTRS’ Employment File Layout through CalSTRS’ secure employer website on a per-employee basis.~~

~~(2)(A) The information specified in the CalSTRS’ Employment File Layout when the data field is a “Transaction Type” that contains the following information shall be optional:~~

~~(i) “Annual Total Compensation.”~~

~~(ii) “Annual Total Compensation Correction.”~~

~~(B) This paragraph shall become inoperative on a date specified by the board with notice issued no later than 90 days prior to that date.~~

(b) Employers reporting contribution information for the Defined Benefit ~~Plan~~ **Program** monthly or the Cash Balance Benefit Program each pay period shall comply with CalSTRS’ Contribution File Layout, as of June 18, 2019 ~~October 31, 2018~~, and hereby incorporated by reference.

(c) Employers unable to comply with either subdivision (a) or (b) may submit a written request for a waiver to CalSTRS.

(1) The written request for a waiver shall include the following:

(A) The name and address of the employer making the request.

(B) The reason or reasons that prevent the employer from being able to comply.

(C) A plan for compliance, including the date by which the employer will be able to comply.

(D) Acknowledgement that the employer will be responsive to any inquiries made by CalSTRS regarding their plan for compliance.

(E) The signature of the superintendent, chancellor, president, or chief executive of the employer or a designee.

(2) A waiver that includes all the information required in paragraph (1) shall be approved by the board for a period of six months, beginning on the effective date of this section.

(3) The employer may submit a request for renewal of the waiver for an additional six-month period for up to ~~two three~~ additional times ~~six month periods~~.

(4) Upon approval of a waiver by the board from the requirements in subdivisions (a) and (b), the employer shall file reports as follows:

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(A) Employers reporting contribution information to the Defined Benefit ~~Plan~~ Program shall comply with Section 1.3 of CalSTRS' F496 File Specification, as revised on February 24, 2016, and hereby incorporated by reference, subject to the following exclusions:

(i) Information in the "Field Edits" column.

(ii) The specific member contribution rates associated with field positions 53-56 and 91-94.

(B) Employers reporting contribution information to the Cash Balance Benefit Program shall comply with Section 1.3 of CalSTRS' Voluntary Deduction File Specification, as revised on July 1, 2015, and hereby incorporated by reference.

(C) A field that contains a dollar value must be formatted as follows:

(i) The number is reported without decimal places with the last two field positions populated by the number of cents.

(ii) Use leading zeroes to populate the full breadth of the field.

(iii) To report a negative number, report the last field with an uppercase alphabetical character or a symbol, coded as follows: "J" for negative values ending in 1, "K" for negative values ending in 2, and so on, with "R" for negative values ending in 9. Use "{" for negative values ending in 0.

(iv) Alphabetical characters or symbols may also be used to denote positive values, but are not required.

**(d) This section prescribes the methods and formats by which information requested by CalSTRS shall be submitted. Unless a specific transaction is otherwise required by another statute or regulation, there is nothing within this section or referenced by this section that requires an employer to take any action.**

NOTE: Authority cited: California Constitution, Article XVI, Section 17; and Sections 22207, 22213, 22214, 22250, 22305, 22455, 23004 and 26301, Education Code. Reference: Sections 22455, 22457, 22717, 22717.5, 22718, 23004, 23006, 23008 and 26301, Education Code.

### § 27801. Acceptable Report

(a) Contribution information for the Defined Benefit ~~Plan~~ Program reported monthly or the Cash Balance Benefit Program reported each pay period to CalSTRS is acceptable if it is reported in compliance with subdivision (b) or (c) of Section 27800. Reports that fail to comply shall be rejected by CalSTRS, and will not be received.

(b) A report shall contain the information as specified in Section 27800 for all employees who perform creditable service for an employer during the month or pay period.

(c) Information reported pursuant to subdivision (b) or (c) of Section 27800 for one or more employees from a prior month or pay period shall be aggregated and treated as a separate report for the month or pay period to which it relates.

(d) This section shall become effective on the date specified by the board pursuant to Section 27800.

NOTE: Authority cited: California Constitution, Article XVI, Section 17; and Sections 22207, 22213, 22214, 22250, 22305, 23004 and 26301, Education Code. Reference: Sections 23004, 23005, 23006 and 26301, Education Code.