

February 24, 2022

TO: All County Superintendents of Schools
District Superintendents of Schools
Community College Districts and
Other Employing Agencies remitting contributions to CalSTRS

FROM: Cassandra Lichnock
Chief Executive Officer

SUBJECT: Employer Directive 2022-02
Supersedes Employer Directive 2017-07
Reduced Workload Program

PURPOSE

This directive was updated to include direction about how employers should report remuneration in addition to salary compensation for 2% at 62 Reduced Workload Participants.

SCOPE

This directive contains information for county offices of education, school districts, charter schools, and community college districts.

DISCUSSION

Education Code section 22713 governs the Reduced Workload Program, which allows Defined Benefit Program members who meet eligibility requirements to reduce their workload from a full-time position to a part-time position that is at least 50% of the time the employer requires for the full-time position.

For each school year the member's workload is reduced in accordance with this program, the member will be paid for the reduced work schedule, but the member's CalSTRS contributions will be based on an amount the member would have contributed if the member had performed creditable service for that position on a full-time basis. The member will receive a full year of service credit for each year the member participates in the Reduced Workload Program. The member will also be entitled to have their final compensation calculated based on the final compensation the member would have earned if they had worked full time.

Employer Eligibility

To offer the Reduced Workload Program to members, an employer must:

- Adopt regulations pursuant to Education Code section 44922 or 87483.

- Maintain the necessary records to separately identify each member who participates in the Reduced Workload Program.

Member Eligibility

To be eligible to participate in the Reduced Workload Program, a member must:

- Be age 55 or older prior to the start of the school term of the first school year the member participates in the program.
- Have at least 10 years of CalSTRS service credit in the Defined Benefit Program prior to the start of the school term of the first school year the member participates in the program.
- Be employed by a county office of education, school district, charter school or community college district that offers the program.
 - If the member is employed by a school district or county office of education, the member must be a prekindergarten through grade 12 certificated employee who does not hold a position with a salary above the maximum salary of a school principal for the employer.
- Have been employed on a full-time basis to perform creditable service under the Defined Benefit Program for each of the five school years immediately preceding the first school year in which the member's workload is reduced, without having a break in service.
 - Service in multiple assignments cannot be aggregated for the purposes of determining full-time employment.
 - Employer-approved leaves of absence and unpaid absences from the performance of creditable service for personal reasons do not constitute a break in service.
 - The period of time during which a member previously participated in the Reduced Workload Program, if applicable, will be considered full-time employment provided the agreement to reduce the member's workload was not terminated during that year.
 - If the member previously service retired, the time during which the member was retired for service constitutes a break in service.

Agreement to Reduce Workload

Participation in the Reduced Workload Program must be exercised at the request of the member and documented in a written agreement between the member and employer. The agreement must be in effect prior to the start of the school term of the first school year for which the agreement applies and must include the following requirements:

- The total amount of time in which a member reduces their workload shall not exceed 10 school years.
- The reduced workload shall be equal to at least one-half of the time the employer requires for full time in that position.
- The member shall be paid creditable compensation that is the pro rata share of the creditable compensation the member would have been paid for that position had the member not reduced their workload.

- For each school year the member's workload is reduced, the member shall contribute to the Teachers' Retirement Fund the amount that the member would have contributed had the member performed creditable service for that position on a full-time basis.
- For each school year the member's workload is reduced, the employer shall contribute to the Teachers' Retirement Fund at a Reduced Workload Program contribution rate, adopted annually by the Teachers' Retirement Board, on the creditable compensation the member would have been paid had the member performed creditable service for that position on a full-time basis.

Participation in the Reduced Workload Program

The employer shall certify the member's eligibility for participation in the Reduced Workload Program on the *Reduced Workload Program Eligibility Certification Application* form (ES 1161). The current version of the application is available on CalSTRS.com/Forms or through the forms ordering system on the Secure Employer Website.

CalSTRS must receive and approve a completed *Reduced Workload Program Eligibility Certification Application* form prior to the start of the school term of the first school year during which the member's workload is reduced. CalSTRS will communicate the approval or denial of the application to the member, employer and report source.

Once CalSTRS approves a member's participation in the Reduced Workload Program, the employer must:

- Report the member's compensation for the position each school year using the applicable Reduced Workload Program Assignment Code listed in the F496 File Specification.
- Remit member contributions equal to the amount the member would have contributed had the member performed creditable service for the position on a full-time basis.
- Remit employer contributions at the Reduced Workload Program contribution rate for the applicable school year on the creditable compensation the member would have been paid had the member performed creditable service for that position on a full-time basis.

Reporting Remuneration in Addition to Salary for the Reduced Workload Program

In order to correctly calculate contributions due and retirement benefits payable, remuneration in addition to salary associated with a position for which the member is participating in the Reduced Workload Program should be reported as specified below.

Ongoing remuneration in addition to salary for CalSTRS 2% at 60 members should be reported with Assignment Code 36, an annual pay rate based on the remuneration in addition to salary the member would have earned had the member not reduced their workload, and earnings based on the actual amount earned.

For example, if a CalSTRS 2% at 60 member is working an 80% contract and the employer prorates the member's master's stipend from \$1,000 to \$800, the employer should report the \$800 earnings as remuneration in addition to salary with an annual pay rate of \$1,000.

Ongoing remuneration in addition to salary payments paid every pay period the creditable service is performed for CalSTRS 2% at 62 members should be reported with Assignment Code 72, an annual pay rate based on the remuneration in addition to salary the member would have earned had the member not reduced their workload, and earnings that match the annual pay rate so that contributions and benefits are calculated correctly.

For example, if a CalSTRS 2% at 62 member is working an 80% contract for a 10-month school term and the employer prorates the member's master's stipend from \$1000 to \$800, the employer should report the remuneration in addition to salary with earnings of \$100 and an annual pay rate of \$100.

Limited-term remuneration in addition to salary payments are only creditable for CalSTRS 2% at 60 members and should be reported with Assignment Code 71, an annual pay rate based on the remuneration in addition to salary the member would have earned had the member not reduced their workload, and earnings that match the annual pay rate so that contributions and benefits are calculated correctly. Do not report limited-term payments for CalSTRS 2% at 62 members.

For example, if a CalSTRS 2% at 60 member is working an 80% contract and the employer prorates the member's retirement bonus from \$1,000 to \$800, the employer should report the limited-term remuneration in addition to salary payment with earnings of \$1,000 and an annual pay rate of \$1,000.

Termination of Participation in the Reduced Workload Program

The agreement to participate in the Reduced Workload Program shall be terminated if any of the following occur:

- The member's employment is terminated prior to the end of the school term. Termination of employment includes, but is not limited to, retirement, resignation or death.
- The member performs less than 50% of the days or hours the employer requires for full time in that position pursuant to Education Code section 22138.5.
- The member and employer mutually agree to terminate participation.
 - Participation in the Reduced Workload Program is not automatically terminated if a member performs creditable service on a full-time basis when the member was supposed to have a reduced workload. Therefore, unless the member and employer have a mutual agreement to terminate participation in the program, the school years in which a member performs creditable service on a full-time basis will still included in the 10-school year maximum for which the member is permitted to participate in the program.

If an agreement to participate in the Reduced Workload Program is terminated, the employer must notify CalSTRS within 30 days of termination of the agreement. If the agreement is terminated before completion of a school term, the employer must also re-report the member's compensation for the school year in which the agreement was terminated so that member and employer contributions are due based on the actual compensation the member earned at the normal contribution rates.

If an employee whose agreement was terminated wishes to participate in the program again, any subsequent agreement to reduce the member's workload must meet all the eligibility requirements and a

new *Reduced Workload Program Eligibility Certification Application* (ES 1161) must be submitted to CalSTRS.

ACTION

To participate in the Reduced Workload Program, you must:

- Adopt regulations pursuant to Education Code section 44922 or 874 83.
- Enter into a written agreement with each eligible member who wants to participate in the Reduced Workload Program and who also meets the requirements to participate in the Reduced Workload Program.
- Maintain the necessary records to separately identify each member who participates in the Reduced Workload Program.
- Certify a member's eligibility to participate in the program to CalSTRS on the *Reduced Workload Program Eligibility Certification Application* form prior to the beginning of the school term of the first school year in which the employee's workload is reduced.

Once CalSTRS approves a member's participation in the Reduced Workload Program:

- Report compensation earned in the position for which the member's workload is reduced using the applicable Reduced Workload Program Assignment Code from the F496 File Specification.
- Remit member contributions equal to the amount the member would have contributed had the member performed creditable service for the position on a full-time basis.
- Remit employer contributions at the Reduced Workload Program contribution rate for the applicable school year on the creditable compensation the member would have been paid had the member performed creditable service for that position on a full-time basis.

If an agreement to reduce a member's workload is terminated:

- Notify CalSTRS within 30 days after the date the agreement is terminated.
- If the school term was not completed, re-report the member's compensation without the Reduced Workload Program Assignment Code so that contributions are due on the actual compensation the member earned at the normal contribution rates.

REFERENCES:

This Employer Directive does not take precedence over the law.

If you have any questions regarding this Employer Directive, please contact your CalSTRS Employer Services Representative.