

Employer Information Circular



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AB 820 AND PARTIAL REDEPOSITS

The purpose of this circular is to inform employers about issues regarding partial redeposits of previously refunded contributions under AB 820 (Chapter 1020, Statutes of 2000), IRS ruling 414(h)2, and Form AC-0194 (Irrevocable Payroll Authorization).

Currently, members may purchase service credit or redeposit previously refunded contributions by making monthly cash payments directly to CalSTRS, by using qualified rollover funds, or by signing an irrevocable agreement to make their payments via tax deferred payroll deductions.

Effective July 1, 2001, members may redeposit a portion of their previously refunded contributions. If any payment due for an election to redeposit previously refunded contributions becomes 120 days delinquent, the election will be cancelled. Upon cancellation, the member will receive credit for the payments made under the election or, at the request of the member, those payments shall be refunded. **Please note: due to an IRS Letter Ruling requirement, the provisions of AB 820 are not applicable to those members electing to purchase via tax deferred payroll deductions.**

CASH PAYMENTS OR POST TAX PAYROLL DEDUCTION

A member may choose to stop and append a partially paid receivable that was paid for exclusively with post tax dollars.

ROLLOVERS

Members who elect to redeposit their contributions with rollover money from qualified funds can terminate and receive pro-rated service credit as long as tax deferred payroll deductions have not begun.

TAX DEFERRED PAYROLL DEDUCTION

Members who elect to redeposit their contributions via tax deferred payroll deduction cannot terminate payments and receive service credit for the contributions paid up to that point.

CONTINUED . . .

The IRS has ruled that in order to defer federal income tax liability, the CalSTRS member and the employer must agree and sign an irrevocable payroll authorization form. The agreement is binding and irrevocable. There are no hardship exceptions.

If you have any questions regarding this information circular, please contact CalSTRS Accounting Division at (916) 229-3982.