



July 11, 2001

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

FROM: Executive Office

SUBJECT: Draft Administrative Directive 2001-11
Cash Balance Benefit Program
Multiple Employer and Eligible Trustee Reporting

PURPOSE:

The purpose of this directive is to inform employers of the changes made to the eligibility for participation in the CB Benefit Program as a result of Chapter 1020, Statutes of 2000 (AB 820—PER&SS) and set forth the reporting procedures for those employers who offer the CB Benefit Program.

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 California State Teachers' Retirement System (CalSTRS) CB Benefit Program.

DISCUSSION

AB 820 made two important changes regarding the CB Benefit Program. First, Education Code Section 26401.5 is repealed. As a result, a part-time employee may elect to participate in the CB Benefit Program even if some or all of his/her other employers do not offer the CB Benefit Program. Second, Education Code Sections 26403, 26501.5 and 26503.5 are added to authorize persons who provide trustee service to participate in the CB Benefit Program if it is offered in their district. "Trustee service" means duties performed by a member of the governing body of an employer.

Prior to the passage of AB 820, a Defined Benefit (DB) Program member working part time was ineligible to participate in the CB Benefit Program for service performed for a district offering Cash Balance if he/she worked for other employers that did not offer the CB Benefit Program. In other words, all his/her employers were required to offer the CB Benefit Program before he/she could participate in it.

This is no longer the case. As long as the employee's basis of employment is less than 50 percent in a district offering the CB Benefit Program, he or she is eligible to participate for that service whether or not he or she is contributing to the DB Program for service performed at another district.

ACTION:

Eligible Trustees:

1. Treat an eligible trustee who elects to participate in the CB Benefit Program as you would a new part-time employee.
2. Establish the trustee with a transaction code 06 on the MR 87. Note: If the trustee is a full-time member of CalSTRS DB Program at a different school district, establish with a transaction code 09.
3. If the trustee is not a member of the Defined Benefit Program, report the trustee service as a non-member (02) on the F496. If the trustee is a member of DB Program, report the trustee as a member (01) on the F496 with the trustee compensation reported as contribution code 09.
4. Report the trustee's appropriate earnings, employer and employee contributions on the Voluntary Deduction File (VDF).

Eligible Employees:

1. The key determinant will be the employee's *basis of employment* with your district. If the *basis of employment* is under 50 percent, the employee is eligible for the CB Benefit Program. If the employee is a full-time employee at a different district, establish the employee on the MR 87 as a CB Benefit Program participant for service performed for you as overtime with a transaction code 09.
2. In all other circumstances, establish the participant with a transaction code 06 on the MR 87.
3. Report the participant's appropriate earnings, employer and employee contributions on the VDF.
4. If the employee's basis of employment changes to over 50 percent, contributions to Cash Balance shall no longer be made and shall be subject to coverage under the DB Program as of the first day of the pay period in which the change in the participant's basis of employment occurred.

Employer Directive 2001-11

July 11, 2001

Page 3

Questions regarding eligibility and reporting procedures for the CB Benefit Program should be directed to the Alternative and Supplemental Benefits Program Unit of CalSTRS at (916) 229-0554.

JAMES D. MOSMAN
Chief Executive Officer