



California State Teachers'
Retirement System
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December 28, 2011

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

FROM: Jack Ehnes
Chief Executive Officer

SUBJECT: Employer Directive 2011-05
Prohibition of Retired Defined Benefit Members from contributing to the Cash
Balance Benefit Program

PURPOSE

This directive is to notify employers of the change to Education Code section 24214 and the addition of section 26813 contained in Chapter 703, Statutes of 2011 (SB 349—Negrete McLeod) that become effective January 1, 2012.

SCOPE

Employers offering the Cash Balance (CB) Benefit Program who retains the services of a retired Defined Benefit member to perform creditable service cannot contribute to the CB Benefit Program. Compensation must be reported to CalSTRS Defined Benefit (DB) Program as postretirement earnings.

DISCUSSION

Effective January 1, 2012, Chapter 703 adds section 26813 to the Education Code, which clarifies the prohibition of making contributions to the CB Benefit Program by retired Defined Benefit members. All retired Defined Benefit members performing creditable service must have that service reported to the DB Program as postretirement earnings without contributions. All postretirement earnings are subject to the annual earnings limit as set forth in Education Code.

ACTION

Employers who hire retired Defined Benefit members to perform creditable service cannot contribute to the CB Benefit Program and all creditable compensation shall be reported to the DB Program.

All creditable compensation reported for retired Defined Benefit members is subject to postretirement earnings limitations set annually in Education Code sections 24116, 24214, and 24215. Employers are required by law in Education Code sections 22461 and 26813 to maintain accurate records of the retired member's earnings.

Education Code section 23004 requires employers to report creditable compensation monthly to CalSTRS. Postretirement earnings shall be reported to CalSTRS as Member Code 2 (non-member) and Assignment Code 61 (retired).

Edits implemented in the Secure Employer Web site will prevent employers from submitting contributions to the CB Benefit Program for a retired Defined Benefit member.

If you have any questions, please contact your CalSTRS Member Account Services Representative.