



April 5, 2001

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

FROM: Executive Office

SUBJECT: Addendum to Administrative Directive 94-05
Golden Handshake Present Value Factors Effective January 1, 2001
(Supersedes Addendum dated October 29, 1998)

PURPOSE

The purpose of this addendum is to inform employers of the new Golden Handshake Present Value Factors that became effective January 1, 2001.

SCOPE

This addendum applies only to those school districts and agencies employing California State Teachers' Retirement System (CalSTRS) members who adopted a resolution on or before December 31, 1998 to offer Golden Handshake to future retirees. The new factors should be used for members retiring with Golden Handshake whose retirement effective date is on or after January 1, 2001.

DISCUSSION

Employers are required to pay to the Teachers' Retirement Fund of CalSTRS the entire cost of the Golden Handshake, which consists of:

- a. The present value amount for two years of service credit.
- b. The CalSTRS administrative fee.
- c. Interest at the rate in effect on the retirement date on:
 1. The present value amount, if deferred payment plan is selected, or
 2. The present value amount not paid within 30 days after the effective retirement date, if the full payment plan is selected.

California State Teachers' Retirement System, Executive Office, MS-01
7667 Folsom Boulevard, Post Office Box 15275, Sacramento, CA 95851-0275
(916) 229-3700

CalSTRS retirement law prescribes a service retirement formula which at age 60, provides 2 percent final compensation for each year of credited service. The 2 percent age factor is increased for each quarter year of age up to a maximum of 2.4 percent at age 63 or older.

Additionally, the percentage of final compensation used to compute the allowance is increased by a career factor of two-tenths of one percentage point for members who are at least age 50 and have thirty or more years of service credit at the time of retirement.

Finally AB 821, effective January 1, 2001, provides for the calculation of final compensation to be based on the highest 12 consecutive months of earnable salary if the member has 25 or more years of credited service excluding unused sick leave, Golden Handshake, and nonqualified (airtime) service credit.

Exhibit A provides the factors to be used for members with less than thirty years of service credit who are not eligible to receive the career factor. Exhibit B provides the factors to be used for members who have thirty or more years of service credit, which will allow them to receive the career factor. The 30 years of service credit to qualify for the career factor does not include unused sick leave, Golden Handshake or nonqualified service credit.

To calculate the present value if the member has 25 or more years of credited service or is a classroom teacher who is retiring from an employer who has agreed to pay the additional cost under Education Code Section 22135:

1. Determine the highest fiscal year of the retiree's earnable (contract) salary. For part-time employees, this would be the product of the individual's pay rate times the annual days or hours the individual would be required to work if employed full time.
2. Multiply the annual salary times the age factor from Exhibit A or B.
3. Enter the result on the Estimated Present Value Worksheet portion of the MS 187, and continue to calculate the amount due to CalSTRS according to the instructions on that form.

To calculate the present value if the member is not eligible for one-year final compensation:

1. Add the three highest fiscal years of the retiree's earnable (contract) salary. For part-time employees, this would be the product of the individual's pay rate times the annual days or hours the individual would be required to work if employed full time.
2. Divide the sum of the three years of salary by 3 to get an average yearly salary.
3. Multiply the average salary times the age factor from Exhibit A or B.

4. Enter the result on the Estimated Present Value Worksheet portion of the MS 187, and continue to calculate the amount due to CalSTRS according to the instructions on that form.

The new Golden Handshake present value factors (Exhibit A and Exhibit B) included in this addendum are effective for all members who retire with the Golden Handshake on or after January 1, 2001. The Golden Handshake factors provided in the previous addendum to Administrative Directive 94-05, dated October 29, 1998 remained in effect through December 31, 2000. All other provisions of the Golden Handshake program remain as described in Administrative Directive 94-05.

ACTION

Please distribute the addendum to personnel responsible for calculating Golden Handshake present value costs to ensure the correct factors are used in determining the cost of savings.

Employer questions regarding this addendum or procedures may be directed to Barbara Ponciano at (916) 229-0522. Present value billing inquiries should be directed to the Accounting Division, Amanda Cvitanov at (916) 229-4750 or Margo Romero at (916) 229-3977.

JAMES D. MOSMAN
Chief Executive Officer

Attachments

GOLDEN HANDSHAKE
ESTIMATED PRESENT VALUE ^a
WITHOUT CAREER BONUS
AS PERCENT OF ANNUAL SALARY
FOR 2 YEARS ADDITIONAL SERVICE CREDIT
EDUCATION CODE SECTION 22714
EFFECTIVE January 1, 2001

AGE IN YEARS	MONTHS OF AGE			
	0-2	3-5	6-8	9-11
50	32.8%	33.2%	33.5%	33.9%
51	34.2%	34.5%	34.9%	35.2%
52	35.5%	35.8%	36.2%	36.5%
53	36.8%	37.1%	37.4%	37.7%
54	38.0%	38.3%	38.5%	38.8%
55	39.1%	39.8%	40.5%	41.1%
56	41.8%	42.5%	43.1%	43.7%
57	44.4%	45.0%	45.6%	46.2%
58	46.8%	47.4%	48.0%	48.6%
59	49.1%	49.7%	50.2%	50.8%
60	51.3%	51.9%	52.5%	53.1%
61	53.7%	54.2%	54.8%	55.3%
62	55.9%	56.4%	56.9%	57.4%
63	57.9%	57.6%	57.3%	57.0%
64	56.6%	56.3%	56.0%	55.7%
65	55.4%	55.0%	54.7%	54.4%
66	54.0%	53.7%	53.4%	53.0%
67	52.7%	52.4%	52.0%	51.7%
68	51.4%	51.0%	50.7%	50.3%
69	50.0%	49.6%	49.3%	48.9%
70	48.6%	48.2%	47.9%	47.5%
71	47.2%	46.8%	46.5%	46.1%
72	45.7%	45.4%	45.0%	44.6%
73	44.2%	43.9%	43.5%	43.1%
74	42.7%	42.3%	41.9%	41.6%
75	41.2%	40.8%	40.4%	40.0%
76	39.6%	39.2%	38.8%	38.4%
77	38.0%	37.6%	37.1%	36.7%
78	36.3%	35.9%	35.5%	35.2%
79	34.8%	34.4%	34.0%	33.6%
80	33.3%	32.9%	32.5%	32.1%

a) Use to estimate for a member retiring with less than 30 years of service.

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AGE IN YEARS	MONTHS OF AGE			
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50	38.8%	39.1%	39.5%	39.8%
51	40.1%	40.4%	40.7%	41.0%
52	41.4%	41.7%	41.9%	42.2%
53	42.5%	42.8%	43.1%	43.4%
54	43.6%	43.9%	44.2%	44.4%
55	44.7%	45.3%	46.0%	46.7%
56	47.3%	47.9%	48.6%	49.2%
57	49.8%	50.4%	51.0%	51.6%
58	52.1%	52.7%	53.3%	53.8%
59	54.4%	54.9%	55.4%	55.9%
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61	58.7%	59.2%	59.8%	59.5%
62	59.2%	58.8%	58.5%	58.2%
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71	47.2%	46.8%	46.5%	46.1%
72	45.7%	45.4%	45.0%	44.6%
73	44.2%	43.9%	43.5%	43.1%
74	42.7%	42.3%	41.9%	41.6%
75	41.2%	40.8%	40.4%	40.0%
76	39.6%	39.2%	38.8%	38.4%
77	38.0%	37.6%	37.1%	36.7%
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79	34.8%	34.4%	34.0%	33.6%
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a) Use to estimate for a member retiring with 30 or more years of service.