

California State Teachers'  
Retirement System  
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June 14, 2005

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

**FROM:** EXECUTIVE OFFICE

**SUBJECT:** Employer Directive 2005-02  
Contribution and Interest Rates for Fiscal Year 2005-06

**PURPOSE**

The purpose of this directive is to inform employers of the regular interest and credited interest rates for the Defined Benefit (DB) Program, minimum interest rate for the Cash Balance (CB) Benefit Program, minimum interest rate for the Defined Benefit Supplement (DBS) Program, employer contribution rate for Reduced Workload Program and for elected officers of an employee organization, and the present value factor for unused excess sick leave service credit that were adopted by the Teachers' Retirement Board (Board) for the fiscal year beginning July 1, 2005, and ending June 30, 2006.

**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) DB and CB Benefit Programs.

**DISCUSSION**

Each employer must contribute to CalSTRS a specified percentage of the total creditable compensation earned by the employees who are members of the DB or participants of the CB Benefit Programs. The employer and member contribution rates for the CB Benefit Program may be negotiated through the collective bargaining process and may vary by employer. There are, however, statutory minimum contribution rates for the CB Benefit Program. The following member and employer contribution rates are set in statute for the DB Program and do not vary by fiscal year:

<b>Defined Benefit Program Contribution Rates</b>	<b>Rate</b>	<b>Education Code Section</b>
Member Contribution Rate	8.00%	22901
Employer Contribution Rate	8.25%	22950 and 22951

Each year, the Board adopts the regular interest and credited interest rates for the new fiscal year. The regular interest rate is used by CalSTRS to charge interest on previously refunded contributions when a member elects to redeposit, and to charge interest on the installment payments for a member's redeposit or purchase of additional service credit. The regular interest rate is also used to charge employers for late remittance of contributions to the DB Program and to penalize employers for late submission or submission of unacceptable Monthly Report of Retirement Contributions (F-496). Credited interest rate is the interest that is credited to members' DB accumulated retirement contributions for service performed after June 30, 1935, excluding all contributions that accumulate while being paid an allowance. For the CB Benefit and DBS Programs, the Board adopts a minimum interest rate that is used to credit employee and employer accounts during the plan year. The rates for 2005-06 are as follows:

	<b>Rate for FY 2005-06</b>	<b>Education Code Section</b>
Regular Interest Rate	4.25%	22162
Credited Interest Rate-Defined Benefit Program	2.75%	22216
Minimum Interest Rate-Cash Balance Benefit Program	5.00%	26604
Minimum Interest Rate-Defined Benefit Supplement Program	5.00%	25005
Interest Rate for Late Remittance Contributions	4.25%	23003
Penalty Rate for Late or Unacceptable Monthly Report	4.25%	23006

Each year, the Board adopts employer contribution rates for members who participate in the Reduced Workload Program and for members who are on a compensated leave of absence to serve as an elected officer of an employee organization during the new fiscal year. The rates are as follows:

	<b>Rate for FY 2005-06</b>	<b>Education Code Section</b>
Employer Contribution Rate- Reduced Workload Program	8.827%	22713
Employer Contribution Rate- Elected Officer of Employee Organization	8.827%	22711

The Board also adopts the present value factor used to calculate the cost of the member's allowance attributable to unused excess sick leave days. The cost of unused excess sick leave service credit must be paid to CalSTRS by the employer before the member can receive the benefit. The present value factor for unused excess sick leave service credit for 2005-06 is as follows:

	<b>Factor for FY 2005-06</b>	<b>Education Code Section</b>
Present Value Factor for Unused Excess Sick Leave Service Credit	0.273	22718

### **ACTION**

Please refer questions concerning the DB and DBS Programs to your CalSTRS Employer Services contact. Questions concerning the present value factor for unused excess sick leave service credit should be directed to CalSTRS Service Retirement at (916) 229-3582, and questions concerning the CB Benefit Program should be directed to your Cash Balance contact at (916) 229-0554.

  
 Jack Ehnes  
 Chief Executive Officer