

# Employer Information Circular

Volume 21; Issue 6

November 1, 2005

---

## **CLARIFICATION OF Employer Directive 2003-03 One-Year Final Compensation Benefit Enhancement**

The purpose of this circular is to inform employers of a clarification to Employer Directive 2003-03 *One-Year Final Compensation Benefit Enhancement* dated November 17, 2003.

Employer Directive 2003-03 addresses the laws, rules and procedures that allow CalSTRS employers to elect to provide employees who are members of the Defined Benefit (DB) Program and retire with less than 25 years of service credit a benefit enhancement that calculates their retirement benefit on their highest one-year compensation, instead of an average of their highest three-years of compensation. This benefit enhancement resulted from the enactment of Chapter 1184, Statutes of 1989, and Chapter 83, Statutes of 1990 and is not to be confused with the one-year final compensation enhancement that applies to all DB members who have 25 years of credited service. Employers are required to pay the present value cost of this benefit as well as an administrative fee of \$250.

Page 3, Section III A of Employer Directive 2003-03 states:

“The administrative fee is \$250 per applicant if paid in a lump sum. If paid over four years, the administrative fee is \$280.”

The cost for highest-year final compensation benefits cannot be deferred. We will only accept the \$250 lump sum administrative fee payments.

Keep in mind that this program only applies to DB members who retire with less than 25 years of service credit. There is no cost to the employer for their credentialed employees who retire with 25 years of service credit or more.