

# Employer Information Circular

Volume 22; Issue 10

December 18, 2006

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## Closing Prior-Year Variances

On August 9, 2006, CalSTRS distributed Employer Information Circular-Volume 22; Issue 8 discussing changes for the employer remittance and variance processes in the 2006/07 fiscal year. This Employer Information Circular-Volume 22; Issue 10 provides further clarification regarding the closing of fiscal year variances and any existing prior-year variances.

### New Variance Process:

When contributions remitted to CalSTRS for the specified period do not equal contributions due as calculated from the data reported on the Report of Retirement Contributions (F496), employers may satisfy that period's variances in the subsequent period by either reducing the remittance for 'overpaid contributions' or increasing the remittance for 'underpaid contributions' when the remittance is deposited. With these 2006/07 fiscal year changes to the variance process, once CalSTRS receives the last Report of Retirement Contributions (F496) for the fiscal year, CalSTRS will close the fiscal year by either refunding any overpaid contributions or collecting any underpaid contributions. Employers will not be allowed to carry forward the fiscal year-end variances or prior year variances to the next fiscal year. CalSTRS is implementing this new process to eliminate inconsistent variance data and reduce the workload associated with resolving variances to ensure that contributions are remitted to the system in accordance with Education Code Section 23000 et. seq.

### Prior-Year Variances:

In the past, CalSTRS has allowed prior-year variances to be carried forward to the next fiscal year. In order to implement the new variance process CalSTRS will need to first implement the closing process for all prior-year variances accumulated through the 2005/06 fiscal year. Closing the prior-year variances will allow the 2006/07 fiscal year to begin with a zero balance and better enable CalSTRS to monitor and resolve outstanding current year variances. In early 2007, CalSTRS will send employers a notice of accumulated outstanding variances through the 2005/06 fiscal year, and employers will have a designated time period within which they will have an opportunity to respond to the notice. If an employer disagrees with the prior-year variances provided by CalSTRS, they will need to state the basis for their claim and support their claim with factual information and related records. CalSTRS will review all submitted information and work with employers to resolve discrepancies that may exist. If an employer fails to respond to the variance notice within the designated time period, CalSTRS will process a refund or billing statement accordingly.

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As always, CalSTRS strives to maintain a positive and cooperative working relationship with Employers and anticipates that these changes will improve the efficiency of the employer remittance and variance processes while further aligning us with our mission of “Securing the financial future and sustaining the trust of California's educators”.

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