District Business & Advisory Services
Judy Lee Kershaw, Director - DBAS: 408-453-6599

Bulletin: 18-006B

Date: October 17, 2017

To: District Chief Business Officers
District Fiscal Directors
Payroll and Human Resource Managers
Charter School Administrators

From: Nghia Do, Advisor – DBAS

Re: **Important Update**: Refund of Fiscal Year 2016-17 CalSTRS Excess Contributions

The purpose of this bulletin is to inform Districts that the deadline to process the annual refunds of CalSTRS excess contributions remains unchanged:

- For active employees, please process the refunds in the October end of month payroll (October 31, 2017)
- For retired, terminated or deceased employees, process the refunds in the November 10th of month payroll (November 10, 2017)

Please note that the attached updated document is a step-by-step instruction of how to process the refunds of STRS excess contributions. The refunds should be processed as a negative amount in the Employee column in the deduction (PD) screen using **Vol-Ded code 8113 ADD STRS PRIOR PERIOD ADJUSTM**.

If districts have already entered the refunds in employees' PD screen using Vol-Ded code 7460 STRS Excess Contribution as we previously instructed in error, please make correction accordingly or authorize the DBAS service team's specialist to perform a mass upload to correct the Vol-Ded code.

If you have any questions and/or concerns, please contact your service team's specialist or advisor

Please distribute this memo within your District as deemed appropriate.

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PROCESSING REFUNDS OF STRS EXCESS CONTRIBUTIONS

With the passage of the CalSTRS 2014 Full Funding Plan, enacted by AB 1469, contribution rates for the Defined Benefit Program are now greater than contribution rates for the Defined Benefit Supplement Program. Excess contributions commonly occur when a member works for more than one employer or performs extra duties above the contracted days or hours, accumulating service credit in excess of one year. The service credit and contributions in excess of one year cannot be reported in the CalSTRS Defined Benefit (DB) program. These excess contributions and service credit are reported in the Defined Benefit Supplement (DBS) program at contribution rates which are lower than that of the Defined Benefit Plan. Therefore, earnings transferred from DB to DBS accounts result in an overpayment of employer and employee contributions. Under this circumstance:

➢ Any excess contributions accumulated for members who refund, retire, receive a disability benefit or die will be returned to the employer when any one report source reached the $1,000.00 threshold.
➢ Excess contributions for active members will be returned annually in October.
➢ Interest is not paid on excess contributions as CalSTRS has no legal requirement or authority to pay interest on the return of excess contributions.

The table below illustrates the contribution rate differences between the DB and DBS accounts for FY2016-17.

FY2016 - 17			
	DB Contribution Rate	**DBS Contribution Rate**	**Difference (Excess)**
Employer	12.5800%	8.2500%	4.3300%
2% @ 60 Members	10.2500%	8.0000%	2.2500%
2% @ 62 Members	9.2050%	8.0000%	1.2050%

In the member's annual statement, CalSTRS has notified all members who should receive a refund of excess contributions by listing the refund as a separate line item.

District Business and Advisory Services (DBAS)'s Services and Responsibilities Related to Processing Refunds of CalSTRS Excess Contributions:

➡ **Annual Refund of CalSTRS Excess Contributions**

1. DBAS processes the total amount of excess employer and employee contributions received from CalSTRS in October to school districts via a cash transfer. Funds were transferred to the following fund-objects:

   • Dependent school districts: 010-9920
   • Fiscally Accountable/Independent school districts: 010-9920
   • Charter schools: payments through Automated Clearing House (ACH)

2. To further assist districts, DBAS identifies each employee's employment status in the current fiscal year as either active or terminated.

3. At the districts' request, for active employees, DBAS can perform a mass upload of refunds to the employees' QCC Deduction (PD) screen.

➕ **Refund of CalSTRS Excess Contributions when any one report source reaches the $1,000.00 threshold for members who refund, retire, receive a disability benefit or die**

1. DBAS processes the total amount of excess employer and employee contributions received from CalSTRS to school districts via a cash transfer.
2. DBAS provides Districts with the CalSTRS supporting details of the total refunds.

School Districts' Responsibilities:

➕ **Annual Refund of CalSTRS Excess Contributions**

1. Re-classify the refund of the employer contributions to an appropriate revenue object code since the refund of the prior fiscal year employer contribution expenditures should be accounted for as a revenue in the current fiscal year (CSAM Procedure 560).
2. Before using the data, districts confirm the accuracy of the information on each employee's employment status provided by DBAS.
3. Process the refunds of CalSTRS excess contributions as follow:
   ➢ For active employee – Mass upload by DBAS (if requested by districts)
      ▪ Authorize DBAS to perform a mass upload
      ▪ Process the refunds in End of Month (EOM) payroll
      ▪ Use "Vol-De code 8113 ADD STRS PRIOR PERIOD ADJUSTM" with a negative refund amount in the Employee column in the deduction (PD) screen
   ➢ For retiree and/or terminated employee
      ▪ Process the refunds in Tenth of Month (TENTH) payroll
      ▪ Create a penny (.01) pay line
         o Stat-Ded: **NNNN**
         o AC-P-C code: **00-0-0**
      ▪ Select '**Y – Yes, One Time**' for the option '**OK to Pay**?' in the Termination (TE) screen
      ▪ Use "Vol-Ded code 8113 ADD STRS PRIOR PERIOD ADJUSTM" with a negative refund amount in the Employee column in the deduction (PD) screen
      ▪ Use "Vol-Ded code 7308 MISC. COLLECIONS/REFUNDS" to collect a penny (.01) from the penny (.01) pay line. This penny (.01) will be posted to fund 010 object 9946 in District's ledger (OPTIONAL)

➕ **Refund of CalSTRS Excess Contributions when any one report source reaches the $1,000.00 threshold for members who refund, retire, receive a disability benefit or die**

1. Re-classify any refunds of the current fiscal year's employer contributions to an appropriate expenditure object code and/or re-classify the refunds of the prior fiscal year's employer contributions to an appropriate revenue object code

2. Process the refunds of CalSTRS excess contributions as follow:
   - ➢ For employees who have retired, terminated, receive a disability benefit, or are deceased:
     - ▪ Process the refunds in Tenth of Month (TENTH) payroll
     - ▪ Create a penny (.01) pay line
       - o Stat-Ded: **NNNN**
       - o AC-P-C code: **00-0-0**
     - ▪ Select '**Y – Yes, One Time**' for the option '**OK to Pay**?' in the Termination (TE) screen
     - ▪ Use "Vol-Ded code 8113 ADD STRS PRIOR PERIOD ADJUSTM" with a negative refund amount in the column Employee in the deduction (PD) screen
     - ▪ Use "Vol-Ded code 7308 MISC. COLLECIONS/REFUNDS" to collect a penny (.01) from the penny (.01) pay line. This penny (.01) will be posted to fund 010 object 9946 in District's ledger (OPTIONAL)

<mark>Important</mark>:

- ❖ The establishment of the 'penny pay line' for retired, terminated, deceased employees or those who receive a disability benefit must be performed at the district level whether the district processes refunds on its own or with authorization to the DBAS service team for support on making a mass upload of refund to the employees' PD screen.
- ❖ Refunds will be listed as a negative amount and displayed as "ADD STRS PRIOR PERIOD ADJUSTM"