



California State Teachers'
Retirement System
Executive Office
PO Box 15275
Sacramento, CA 95851-0275
www.CalSTRS.com

June 27, 2011

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

FROM: Jack Ehnes
Chief Executive Officer

SUBJECT: Employer Directive 2011-01
Supersedes Employer Directive 2010-04
Interest and Contribution Rates and Present Value Factor for
Fiscal Year 2011-12

PURPOSE:

The purpose of this directive is to communicate the following rates and present value factor as adopted by the Teachers' Retirement Board (Board) in April 2011:

- Regular Interest Rate – Defined Benefit Program
- Credited Interest Rate – Defined Benefit Program
- Minimum Interest Rate – Cash Balance Benefit Program
- Minimum Interest Rate – Defined Benefit Supplement Program
- Permissive Service Credit and Nonqualified Service Credit Contribution Rate – Defined Benefit Program
- Employer Contribution Rate for Elected Officials of Employee Organizations
- Employer Contribution Rate for Reduced Workload Program
- Present Value Factor for Unused Excess Sick Leave Service Credit

SCOPE:

This directive applies to all county superintendents of schools, school districts, community college districts, charter schools and other employing agencies that employ persons to perform creditable service under the California State Teachers' Retirement System (CalSTRS) Defined Benefit (DB), Defined Benefit Supplement (DBS) and Cash Balance Benefit (CB) 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 Program or participants of the CB Program. The employer and member contribution rates for the CB Program may be negotiated through the collective bargaining process and may vary by employer. There are, however, statutory minimum contribution rates for the CB Program. The following member and employer contribution rates are set in statute for the DB Program and do not vary by fiscal year:

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

Chapter 249, Statutes of 2009 specifies that, beginning July 1, 2010, Regular Interest Rate means an interest rate that is equal to the actuarially assumed rate of return on investments on assets of the DB Program. This is significantly different than in previous years, when the Regular Interest Rate was based on interest that is compounded annually based upon the annual equivalent of prior year's average yield to maturity on the investment grade fixed-income securities. The Regular Interest Rate is adopted annually by the board as a plan amendment with respect to the DB Program.

The Regular Interest Rate is used by the DB Program to charge interest on (1) previously refunded retirement contributions when a member elects to redeposit those contributions, and (2) installment payments for the (a) redeposit of contributions or (b) purchase of additional service credit. This rate is also used to charge employers interest on delinquent contributions and for reporting penalties. Finally, if there is a delay in the initial allowance payment, CalSTRS pays the benefit recipient interest on the allowance payment at the Regular Interest Rate.

The board adopted the following contribution rates for the purchase of permissive service credit and nonqualified service credit based upon the age of member at the time of purchase effective July 1, 2011.

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 year.

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The rates for 2011-12 are as follows:

	Rate for FY 2011-12	Education Code Section
Regular Interest Rate	7.75%	22162
Credited Interest Rate: Defined Benefit Program	0.75%	22216
Minimum Interest Rate: Cash Balance Benefit Program	4.25%	26604
Minimum Interest Rate: Defined Benefit Supplement Program	4.25%	25005
Interest Rate for Late Remittance Contributions	7.75%	23003
Penalty Rate for Late or Unacceptable Monthly Reports	7.75%	23006
Permissive Service Credit and Nonqualified Service Credit Contribution Rate: Defined Benefit Program	<u>Age Rate</u> 20-29 15.5% 30-39 17.0% 40-49 20.3% 50-59 25.4% 60-69 29.2% 70 + 24.2%	22801, 22117, 22836

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:

	Rate for FY 2011-12	Education Code Section
Employer Contribution Rate: Reduced Workload Program	9.713%	22713
Employer Contribution Rate: Elected Officer of Employee Organization	9.713%	22711

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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 2011-12 is:

	Rate for FY 2011-12	Education Code Section
Present Value Factor for Unused Excess Sick Leave Service Credit	0.282	22718 and 22311.7

ACTION

Please refer questions concerning this directive to your CalSTRS Member Account Services Representative.