



**ORANGE COUNTY  
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OF EDUCATION**

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Date: October 17, 2016

To: Directors, Business Services  
Directors, Human Resources  
Managers, Payroll

From: Gary Stine, MPA, Director, Support Services

Subject: CalSTRS Defined Benefit Supplement Refunds

The California State Teachers' Retirement System (CalSTRS) has completed their review of compensation reported to the defined benefit (DB) program for fiscal year 2015-16 and has returned excess contributions associated with earnings which have been moved to members' defined benefit supplement (DBS) accounts.

Excess contributions are the result of the CalSTRS DBS program having contribution rates which are lower than that of the DB program. Earnings transferred from DB to DBS accounts result in an overpayment of contributions by school districts and their employees. The table below lists the contribution rates in effect during 2015-16 and the difference between DB and DBS contribution rates.

	DB Contribution Rate	DBS Contribution Rate	Difference (Excess)
Employer	10.73%	8.25%	2.48%
Employee	9.20%	8.00%	1.20%

The Orange County Department of Education (OCDE) has received payment from CalSTRS for all contributions to be refunded to Orange County districts and employees totaling \$4,337,382.53, along with a breakdown of refund amounts by employee.

**Two-Step Process for Refunding Contributions**

Step 1: Return all funds to districts

OCDE will transfer the total amount of excess contributions (employee and employer) to each school district. The total amount being refunded to each district has been provided in the attached report. Funds will be transferred to the following fund-objects:

- K-12 Districts 01-8699
- Community College Districts 01-8890
- Charter Schools 01-8699 or 09-8699

Step 2: Payroll adjustments to refund employee contributions

OCDE will create payroll adjustment entries within the County Payroll System to refund employee contributions and adjust taxable wages accordingly.

**Charter schools not processing payroll through OCDE will need to issue employee refunds and adjust taxable wages through their payroll service provider.**

OCDE will notify districts once fund transfers have been completed and after adjustment entries have been created in the County Payroll System. We expect that both steps in the refund process will occur by October 31, 2016. Our goal is to have the payroll adjustments processed on the 04A (10/31/2016) certificated payroll cycle.

### **Moving Forward**

It is our understanding that CalSTRS will distribute annual member statements in October 2016 and excess contributions (refunds) will be listed as a separate line item in these statements. As such, districts may receive calls from employees regarding the status of refunds. Employees receiving refunds will see the amount listed as "STRS DBS REFUND" on their 04A paystub. A sample employee notification memo has been attached for your reference and use.

Please note that in the future this process of refunding excess contributions may occur on a quarterly basis. CalSTRS has communicated that the agency expects to return excess contributions on a more frequent basis. OCDE is planning to process these refunds each quarter. The amount of excess contributions refunded each year will increase as DB contribution rates continue to increase until 2020-21, when employer contribution rates reach 19.1%.

### **Questions or Concerns**

Thank you in advance for support and understanding as we adjust to pension system requirements. For any questions or concerns regarding this matter, please contact Gary Stine at (714) 966-4253 or via email at [gstine@ocde.us](mailto:gstine@ocde.us).

Enclosures

CC: Assistant Superintendents, Business and Human Resources  
Vice Chancellors, Business and Human Resources

SCHOOL DISTRICT	REFUNDED CONTRIBUTIONS		
	EMPLOYEE (A)	EMPLOYER (B)	TRANSFER (A + B)
004 ANAHEIM ELEMENTARY SCHOOL DISTRICT	\$ 17,938.57	\$ 38,096.74	\$ 56,035.31
008 BUENA PARK ELEMENTARY	\$ 5,274.11	\$ 11,022.85	\$ 16,296.96
012 CENTRALIA ELEMENTARY	\$ 2,091.25	\$ 4,485.24	\$ 6,576.49
016 CYPRESS ELEMENTARY	\$ 1,544.10	\$ 3,338.99	\$ 4,883.09
020 FOUNTAIN VALLEY ELEMENTARY	\$ 4,019.99	\$ 8,391.63	\$ 12,411.62
022 FULLERTON ELEMENTARY	\$ 9,295.26	\$ 19,975.32	\$ 29,270.58
028 HUNTINGTON BEACH CITY ELEMENTARY	\$ 4,019.10	\$ 8,659.37	\$ 12,678.47
030 LA HABRA CITY ELEMENTARY	\$ 3,999.53	\$ 8,339.49	\$ 12,339.02
034 MAGNOLIA ELEMENTARY	\$ 5,147.28	\$ 10,917.89	\$ 16,065.17
038 OCEAN VIEW	\$ 5,230.03	\$ 11,232.66	\$ 16,462.69
052 SAVANNA ELEMENTARY	\$ 1,493.87	\$ 3,241.05	\$ 4,734.92
053 ORANGE COUNTY SCHOOL OF THE ARTS	\$ 5,826.18	\$ 12,530.53	\$ 18,356.71
054 JOURNEY CHARTER	\$ 10.53	\$ 21.76	\$ 32.29
055 EL SOL SANTA ANA SCIENCE AND ARTS ACADEMY	\$ 1,005.97	\$ 2,183.51	\$ 3,189.48
057 EDWARD B. COLE ACADEMY	\$ 324.18	\$ 674.54	\$ 998.72
058 ORANGE COUNTY EDUCATIONAL ARTS ACADEMY	\$ 117.58	\$ 269.38	\$ 386.96
060 WESTMINSTER ELEMENTARY	\$ 9,583.19	\$ 19,890.85	\$ 29,474.04
064 ANAHEIM UNION HIGH	\$ 64,126.82	\$ 134,539.35	\$ 198,666.17
066 BREA OLINDA UNIFIED SCHOOL DISTRICT	\$ 5,265.30	\$ 11,379.16	\$ 16,644.46
068 CAPISTRANO UNIFIED SCHOOL DISTRICT	\$ 91,057.06	\$ 192,092.46	\$ 283,149.52
070 FULLERTON JOINT UNION HIGH	\$ 35,418.11	\$ 74,570.84	\$ 109,988.95
072 GARDEN GROVE UNIFIED SCHOOL DISTRICT	\$ 83,091.98	\$ 178,239.21	\$ 261,331.19
074 HUNTINGTON BEACH UNION HIGH	\$ 34,438.06	\$ 72,258.34	\$ 106,696.40
075 IRVINE UNIFIED SCHOOL DISTRICT	\$ 49,264.77	\$ 105,813.72	\$ 155,078.49
076 LAGUNA BEACH UNIFIED SCHOOL DISTRICT	\$ 13,129.26	\$ 27,296.67	\$ 40,425.93
077 LOS ALAMITOS UNIFIED SCHOOL DISTRICT	\$ 10,329.72	\$ 22,731.92	\$ 33,061.64
078 NEWPORT-MESA UNIFIED SCHOOL DISTRICT	\$ 35,483.19	\$ 74,673.63	\$ 110,156.82
080 ORANGE UNIFIED SCHOOL DISTRICT	\$ 59,456.27	\$ 126,184.28	\$ 185,640.55
082 PLACENTIA-YORBA LINDA UNIFIED SCHOOL DISTRICT	\$ 36,837.00	\$ 77,790.18	\$ 114,627.18
083 SADDLEBACK VALLEY UNIFIED SCHOOL DISTRICT	\$ 48,702.21	\$ 102,490.79	\$ 151,193.00
084 SANTA ANA UNIFIED SCHOOL DISTRICT	\$ 168,597.93	\$ 356,520.79	\$ 525,118.72
087 TUSTIN UNIFIED SCHOOL DISTRICT	\$ 41,331.26	\$ 87,336.56	\$ 128,667.82
088 NORTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT	\$ 120,520.89	\$ 260,519.49	\$ 381,040.38
090 COAST COMMUNITY COLLEGE DISTRICT	\$ 103,280.30	\$ 219,838.66	\$ 323,118.96
092 RANCHO SANTIAGO COMMUNITY COLLEGE DISTRICT	\$ 128,790.91	\$ 275,484.94	\$ 404,275.85
093 NORTH ORANGE COUNTY REGIONAL OCCUPATIONAL PROGRAM	\$ 5,338.80	\$ 12,405.67	\$ 17,744.47
094 ORANGE COUNTY OFFICE OF EDUCATION	\$ 15,982.96	\$ 33,587.56	\$ 49,570.52
095 COASTLINE REGIONAL OCCUPATIONAL PROGRAM	\$ 3,734.48	\$ 7,999.55	\$ 11,734.03
096 SOUTH ORANGE COUNTY COMMUNITY COLLEGE DISTRICT	\$ 151,371.88	\$ 323,774.89	\$ 475,146.77
097 CAPISTRANO-LAGUNA BEACH ROP	\$ 1,739.61	\$ 3,794.41	\$ 5,534.02
201 CAPISTRANO CONNECTIONS ACADEMY CHARTER	\$ 1,897.75	\$ 2,670.66	\$ 4,568.41
205 NOVA ACADEMY EARLY COLLEGE HIGH	\$ 437.34	\$ 994.96	\$ 1,432.30
210 SBC- PACIFIC TECHNOLOGY SANTA ANA	\$ 21.18	\$ 49.43	\$ 70.61
215 THE ACADEMY	\$ 561.97	\$ 1,327.00	\$ 1,888.97
220 GOALS ACADEMY	\$ 124.39	\$ 270.28	\$ 394.67
225 VISTA HERITAGE CHARTER SCHOOL	\$ 72.78	\$ 150.43	\$ 223.21
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ORANGE COUNTY TOTAL:	\$ 1,387,324.90	\$ 2,950,057.63	\$ 4,337,382.53

## **Refund of Excess DBS Contributions**

As a member of the California State Teachers' Retirement System (CalSTRS), you may have received notification from CalSTRS through the mail or via email regarding excess member contributions having been reported to your Defined Benefit Supplement (DBS) account. A sample notification from CalSTRS has been included below for your reference.

Excess contributions are the result of changing CalSTRS contribution rates. CalSTRS notifies districts of the refund amounts due to staff members each year in October. Our district has worked closely with the Orange County Department of Education to expedite the processing of these refunds so that active staff members will receive them on the 11/10/2016 (04C) paycheck.

The refund amount will be displayed as **STRS DBS REFUND** on your paycheck in the box labeled **Other Deductions** (see example below).

Other Deductions	
Description	Amount
STRS DBS REFUND	5.00-

Excess contribution amounts were provided directly by CalSTRS. If you have questions or concerns regarding the amount being refunded, please review your CalSTRS Member Statement, Retirement Progress Report, or contact CalSTRS directly at 1-800-228-5453.

- Sample CalSTRS Notification -

### **Excess Member Contributions Reported**

Dear CalSTRS member,

Our records indicate you earned compensation for service in excess of one year in the 2014–15 school year. As a result, your member contributions made on this service in excess of the 8 percent contribution rate for Defined Benefit Supplement compensation will be returned to you by your employer.

Under the 2014 CalSTRS Funding Plan, approved by the Governor under AB 1469, member contribution rates for the Defined Benefit Program increased beginning July 1, 2014. The member contribution rate for compensation creditable to the Defined Benefit Supplement Program, which includes compensation earned for service in excess of one year, is still 8 percent and contributions made in excess of this amount must be returned to the employer. For more information about the CalSTRS Funding Plan, visit [CalSTRS.com/plan-funding](http://CalSTRS.com/plan-funding).

We will return excess contributions to your employer in October. Since you were in service retirement status on or before September 4, 2015, you will not receive a Retirement Progress Report this fall. You will find a report of your excess member contributions online on your myCalSTRS account (under the Services tab). Your employer is responsible for returning your excess member contributions to you, less any authorized adjustments or tax withholding. Keep in mind it may take 30 or more days for the excess member contributions to be transferred from CalSTRS to your employer. The return of your excess member contributions from your employer will vary. If you have any questions regarding the return of your excess contributions, please contact your employer.

Your returned pre-tax member contributions are considered taxable income in the year you receive the funds regardless of when you initially paid the contributions.

If you have any questions regarding this email, please send us a secure online message using your myCalSTRS account or at [CalSTRS.com/contact](http://CalSTRS.com/contact), or call us at 800-228-5453.

As a reminder, if you have any questions regarding the return of your excess member contributions, please contact your employer.

Sincerely,

CalSTRS Service Retirement