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Date: June 28, 2019

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

From: Gary Stine, MPA, Executive Director, Support Services

Subject: **2019-20 Employer Payroll Expense Rates**

The following is an estimate of 2019-20 payroll expense rates based on the most recent information available. Please note the change in CalSTRS and CalPERS employer rates based on budget bill passed by the Legislative Conference Committee. Official notices from CalSTRS and CalPERS are attached.

**Fiscal Year 2019-2020 California School Employer Rates**

<b>STRS Employer Contribution Rates</b>		
2% at 60 Members	Employer Rate	Maximum Wage Limit
Employer Contribution (Defined Benefit)	<b>17.1%</b> <sup>4</sup>	\$280,000 <sup>2</sup>
Employer Contribution (Supplement)	8.25% <sup>1</sup>	\$280,000 <sup>2</sup>
Reduced Workload	<b>17.1%</b> <sup>4</sup>	\$280,000 <sup>2</sup>
2% at 62 Members (PEPRA)	Employer Rate	Maximum Wage Limit
Employer Contribution (Defined Benefit)	<b>17.1%</b> <sup>4</sup>	\$146,230
Employer Contribution (Supplement)	8.25% <sup>1</sup>	\$146,230
Reduced Workload	<b>17.1%</b> <sup>4</sup>	\$146,230
<b>PERS Employer Contribution Rates</b>		
Classic Members	Employer Rate	Maximum Wage Limit
Employer Contribution	<b>19.721%</b> <sup>5</sup>	N/A <sup>2</sup>
New Members (PEPRA)	Employer Rate	Maximum Wage Limit
Employer Contribution (OASDI District)	<b>19.721%</b> <sup>5</sup>	\$124,180
Employer Contribution (Non-OASDI)	<b>19.721%</b> <sup>5</sup>	\$149,016
<b>Unemployment Insurance Rate</b>		0.05%

<sup>1</sup> Rates defined by Education Code § 22950 – 22951

<sup>2</sup> IRS 401(a)(17) pensionable wage limit applies to members hired after 7/1/1996

<sup>3</sup> PERS rates subject to action by the CalPERS Board of Administration at 4/16/2019 meeting

<sup>4</sup> 2019-20 State Budget buys down 1.03% of the CalSTRS Employer Rate (From 18.13% to 17.1%)

<sup>5</sup> 2019-20 State Budget buys down 1.012% of the CalPERS Employer Rate (From 20.733% to 19.721%)

**Calendar Year 2019 Federal Employer Rates and Limits**

<b>Federal Employer Rates</b>			
Payroll Tax	Employer Rate	Maximum Wage Limit	Tax Withholding Limit
OASDI	6.2%	\$132,900	\$8,239.80
Medicare	1.45%	N/A	N/A

**Calendar Year 2019 IRS Standard Mileage Rate**

IRS Standard Business Mileage	58 cents per mile
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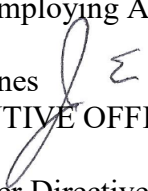
If you have any questions, please contact Veena Chaudhri at (714) 966-4280 or via email at vchaudhri@ocde.us.

Enclosures

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

June 27, 2019

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

FROM: Jack Ehnes   
EXECUTIVE OFFICE

SUBJECT: Employer Directive 2019-02 (Amended)  
***Supersedes Employer Directives 2018-02***  
Interest and Contribution Rates and Present Value Factor for Fiscal Year 2019-20

**PURPOSE:**

The purpose of this directive is to communicate the following rates and present value factors for the Defined Benefit (DB), Defined Benefit Supplement (DBS) and Cash Balance (CB) Benefit programs, as set forth by the Legislature and as adopted by the Teachers' Retirement Board:

- Member and Employer Contribution Rates – DB, DBS and CB Benefit programs
- Regular and Credited Interest Rates – DB Program
- Minimum Interest Rate – CB Benefit Program and DBS Program
- Penalties and Interest Rate – DB Program and CB Benefit Program
- Permissive Service Credit Contribution Rate – DB Program
- Employer Contribution Rates for Elected Officials of Employee Organizations and 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 and other employing agencies that employ persons to perform creditable service under the CalSTRS DB, DBS and CB Benefit programs.

**DISCUSSION:**

***Member and Employer Contribution Rates - DB Program:***

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 Benefit Program.

EMPLOYER DIRECTIVE 2019-02 (Amended)

June 27, 2019

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Member and employer contribution rates are set in Education Code sections 22901, 22950 and 22951 for the DB Program. Effective July 1, 2014, Chapter 47, Statutes of 2014 (AB 1469–Bonta), added Sections 22901.7 and 22950.5 to the Education Code, which mandate additional member and employer contributions for creditable compensation for service performed on or after July 1, 2014.

Pursuant to Chapter 47, Statutes of 2014 (AB 1469–Bonta), CalSTRS 2% at 60 member contributions will no longer increase after July 1, 2016. CalSTRS 2% at 62 members are required to pay one half of the normal cost of their benefits as a result of the Public Employees’ Pension Reform Act of 2013 (PEPRA), and CalSTRS is required to adjust the contribution rate accordingly.

Pursuant to Chapter 47, Statutes of 2014 (AB 1469–Bonta), the employer contribution rate will increase by a statutorily defined amount annually through 2020-21, after which time the board may make additional annual adjustments not to exceed a maximum amount of 20.25 percent.

Please refer to Employer Directive 2014-05 ([ED14-05](#)) for additional information on Chapter 47, Statutes of 2014 (AB 1469–Bonta).

The DB Program member and employer contribution rates are as follows:

<b>Fiscal Year Creditable Service Performed In</b>	<b>DB Member Contribution Rate CalSTRS 2% at 60</b>	<b>DB Member Contribution Rate CalSTRS 2% at 62</b>	<b>DB Employer Contribution Rate</b>
Prior to 7/1/2014	8.00%	8.00%	8.25%
2014-15	8.15%	8.15%	8.88%
2015-16	9.20%	8.56%	10.73%
2016-17	10.25%	9.205%	12.58%
2017-18	10.25%	9.205%	14.43%
2018-19	10.25%	10.205%	16.28%
<b>2019-20</b>	<b>10.25%</b>	<b>10.205%</b>	<b>17.10%*</b>
2020-21	10.25%	10.205%	18.40%*

\*The Budget Act of 2019 provides supplemental payments to CalSTRS to reduce the unfunded actuarial obligation of the system and reduce contribution rates for employers and the state. Based on the additional amounts paid to CalSTRS, the employer contribution rate has been adjusted to 17.10 percent for fiscal year 2019-20 and 18.40 percent for fiscal year 2020-21.

***Member and Employer Contribution Rates - DBS Program:***

Employer and member contribution rates are set in statute for the DBS Program. Effective July 1, 2014, Chapter 47, Statutes of 2014 (AB 1469–Bonta), specifies that the amount of required member contributions creditable to the DBS Program remains 8 percent for CalSTRS 2% at 60 members and remains half of the normal cost rate, as adopted by the board, for CalSTRS 2% at 62 members pursuant to Education Code section 22901.

The employer contribution rate for compensation that is creditable to the DBS Program for all CalSTRS members remains 8.25 percent pursuant to Education Code sections 22950 and 22951. Of this amount, 8 percent is credited to the member's DBS account, and 0.25 percent is credited to the DB Program to pay for the cost of service credit for unused sick leave.

If CalSTRS collects contributions in excess of the rates established in Education Code sections 22901, 22950 and 22951 on compensation creditable to the member's DBS account, CalSTRS is required to return the excess member and employer contribution amounts to the employer, and the employer is required to return the excess member contributions to the employee.

The DBS Program member and employer contribution rates are as follows:

	<b>Contribution Rates for 2% at 60</b>	<b>Contribution Rates for 2% at 62</b>	<b>Education Code Section</b>
DBS Employer Contribution Rate:	8.25%	8.25%	22905, 22950, 22951
DBS Member Contribution Rate:	8.00%	9.00%	22901, 22905

***Member and Employer Contribution Rates - CB Benefit Program:***

Pursuant to Education Code section 26504, the member and employer contribution rates for the CB Benefit Program may be negotiated through the collective bargaining process and may vary by employer, provided all the statutory minimum contribution rates for the CB Benefit Program are met.

Chapter 559, Statutes of 2013 (AB 1381–PER&SS), amended Education Code section 26504 to allow CB contribution rates that were bargained for prior to January 1, 2014, to remain in effect as outlined in the collective bargaining agreement for CB participants whose bargaining agreements were still in effect as of January 1, 2014. However, employers cannot negotiate new collective bargaining agreements or extend, renew or amend current bargaining agreements in which the employee contribution rate is less than the employer contribution rate.

***Interest Rates:***

*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 and 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 *Credited Interest Rate* is the interest that is credited to members' DB accumulated retirement contributions for service performed after June 30, 1935, excluding all accumulated contributions while being paid an allowance. The Credited Interest Rate is adopted annually by the board as a plan amendment with respect to the DB Program.

The *Minimum Interest Rate* is the rate used to credit interest to participant and member account balances with respect to the CB Benefit and DBS programs, respectively. The Minimum Interest Rate for both the CB Benefit and DBS programs is adopted annually by the board as a plan amendment.

CalSTRS shall assess penalties and interest on employers for late reports and late or insufficient contributions to the DB, DBS and CB Benefit programs. The interest is assessed at the Regular Interest Rate.

The rates for fiscal year 2019-20 are as follows:

	<b>Rate for FY 2019-20</b>	<b>Rate for FY 2018-19</b>	<b>Education Code Section</b>
Regular Interest Rate	7.00%	7.00%	22162
Credited Interest Rate: Defined Benefit Program	2.60%	1.54%	22216
Minimum Interest Rate: Cash Balance Benefit Program	3.12%	2.89%	26604
Minimum Interest Rate: Defined Benefit Supplement Program	3.12%	2.89%	25005
Interest Rate for Late Remittance Contributions	7.00%	7.00%	23003, 26303
Penalty Rate for Late or Unacceptable Monthly Reports	7.00%	7.00%	23006, 23008, 26301, 26302

***Permissive Service Credit Contribution Rate - DB Program:***

Members may purchase permissive service credit, which is service credit related to activities that were previously undertaken by the member. Examples of permissive service credit include, but are not limited to, teaching at a state college or university in California, employment in a public school in another state, maternity or paternity leave, and military leave. The board elected maintain, for fiscal year 2019-20, the permissive service credit rates that were in effect for fiscal year 2018-19.

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The permissive service credit contribution rates for fiscal year 2019-20 are as follows:

<b>Age</b>	<b>CalSTRS 2% at 60 Rates for FY 2018-19 &amp; FY 2019-20</b>	<b>CalSTRS 2% at 62 Rates for FY 2018-19 &amp; FY 2019-20</b>
Below 28	21.0%	18.1%
28	21.3%	18.5%
29	21.4%	18.6%
30	21.5%	18.7%
31	21.6%	18.8%
32	21.7%	18.9%
33	21.8%	19.0%
34	21.9%	19.1%
35	22.0%	19.2%
36	22.1%	19.3%
37	22.2%	19.4%
38	22.3%	19.5%
39	22.4%	19.6%
40	22.5%	19.7%
41	22.7%	19.8%
42	22.8%	19.9%
43	23.0%	20.0%
44	23.2%	20.2%
45	23.5%	20.4%
46	23.9%	20.7%
47	24.3%	21.0%
48	24.7%	21.3%
49	25.2%	21.7%
50	25.6%	22.1%
51	26.0%	22.6%
52	26.7%	23.1%
53	27.2%	23.6%
54	27.8%	24.1%
55	28.3%	24.5%
56	29.0%	25.1%
57	29.7%	25.8%
58	30.4%	26.4%
59	31.1%	26.9%
60	31.8%	27.6%
61	32.5%	28.3%
62	33.1%	29.0%
63	33.5%	29.8%

<b>Age</b>	<b>CalSTRS 2% at 60 Rates for FY 2018-19 &amp; FY 2019-20</b>	<b>CalSTRS 2% at 62 Rates for FY 2018-19 &amp; FY 2019-20</b>
64	32.9%	31.1%
65	32.3%	31.6%
66	31.7%	31.0%
67	30.9%	30.3%
68	30.3%	29.7%
69	29.5%	29.0%
70	28.7%	28.3%
71	28.0%	27.5%
72	27.2%	26.8%
73 and above	25.2%	24.8%

***Employer Contribution Rates for Elected Officials and Reduced Workload Program:***

Each year, the board adopts employer contribution rates for members who are on a compensated leave of absence to serve as an elected official of an employee organization and for members who participate in the Reduced Workload Program (RWP) during the new fiscal year.

Please note that because a DB Program member who wishes to participate in RWP must have been employed on a full-time basis to perform creditable service for at least 10 years prior to participation in the program, CalSTRS 2% at 62 members are not eligible to participate in RWP until at least 2023. Therefore, the board has not established a separate employer contribution rate at this time for CalSTRS 2% at 62 members.

The employer contribution rates for CalSTRS 2% at 60 and CalSTRS 2% at 62 Elected Officials and RWP participants are as follows:

	<b>Employer Rate for FY 2019-20</b>	<b>Employer Rate for FY 2018-19</b>	<b>Education Code Section</b>
Elected Officials of Employee Organization	17.10%*	16.28%	22711
Reduced Workload Program	17.10%*	16.28%	22713

\*The Budget Act of 2019 provides supplemental payments to CalSTRS to reduce the unfunded actuarial obligation of the system and reduce contribution rates for employers and the state. Based on the additional amounts paid to CalSTRS, the employer contribution rate for elected officials of employee organizations and the Reduced Workload Program has been adjusted to 17.10 percent for fiscal year 2019-20.

***Unused Excess Sick Leave Service Credit:***

The present value factor used to calculate the cost of a member's allowance attributable to unused excess sick leave days for July 1, 2019, through June 30, 2020, remains the same as the previous fiscal year. 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 is as follows:

	<b>Rate for 7/1/2019 – 6/30/2020</b>	<b>Rate for 7/1/2018 – 6/30/2019</b>	<b>Education Code Section</b>
Present Value Factor for Unused Excess Sick Leave Service Credit	0.333	0.333	22311.7, 22718

**ACTION:**

When reporting the member contribution rates for creditable compensation reported to the DB Program for creditable service performed on or after July 1, 2019, report the rates as follows on the F496:

- Retirement formula 2% at 60 rate of 10.25 percent: Report as 1025, blank or zeros
- Retirement formula 2% at 62 rate of 10.205 percent: Report as blank or zeros

This employer directive does not take precedence over the law. A copy of the current Teachers' Retirement Law is available on SEW under reference items or online at [calstrs.com/information-about-calstrs](http://calstrs.com/information-about-calstrs).

If you have any questions regarding this employer directive, please contact [EmployerHelp@CalSTRS.com](mailto:EmployerHelp@CalSTRS.com).





California Public Employees' Retirement System  
P.O. Box 942715 | Sacramento, CA 94229-2715  
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## Actuarial

# Circular Letter

June 27, 2019

Circular Letter: 200-029-19

Distribution: XII, XVI

**To: All School Employers**  
**Subject: 2019-20 School Employer and Employee Contribution Rates**

### Purpose

The purpose of this Circular Letter is to inform you of the following employer and employee pension contribution rates approved by the CalPERS Board of Administration on April 17, 2019 and modified by Senate Bill 90 (SB 90), which is anticipated to be signed by the Governor. This bill will add section 20825.2 to the Government (Gov.) Code. These rates become effective with the first payroll period that ends in July 2019 and are in effect for fiscal year (FY) 2019-20.

### Employer Contribution

The employer contribution rate for FY 2019-20 will be 19.721 percent. This represents a reduction of 1.012 percent in the employer contribution rate due to Gov. Code section 20825.2(a) from the 20.733 percent adopted by the Board on April 17, 2019.

### Employee (Member) Contributions

With the enactment of the California Public Employees' Pension Reform Act (PEPRA), PEPRA members are required to contribute at least 50 percent of the total annual normal cost of their pension benefit. PEPRA contains a provision that states when the total normal cost changes by more than 1 percent of the payroll, the member contribution rate must be adjusted to half of the new normal cost. For FY 2019-20, the total normal cost for PEPRA school members has not changed by more than 1 percent of payroll from the base total normal cost. As a result, the member contribution rate for PEPRA members will remain at 7 percent. Classic members will continue to contribute 7 percent of reportable compensation.

Additional information can be found on the CalPERS website in [Agenda Item 6d \(PDF\)](#) from the Finance & Administration Committee meeting held on April 16, 2019. The complete actuarial valuation report is expected to be available on the CalPERS website this summer.

## Questions

If you have any questions, please call our CalPERS Customer Contact Center at **888 CalPERS** (or **(888-225-7377)**)

Scott Terando, Chief Actuary  
Actuarial Office