From: Lena Young-Gallardo
Sent: Sunday, October 22, 2023 9:47 PM
To: BSD-CBO List; BSD-FinMgrsMeet List; Persadmin List; Newpy List
Cc: BSD-ExecutiveStaffList
Subject: CalSTRS Excess Contribution Refunds, FY 2022-23
Attachments: Bulletin - CalSTRS Excess Contribution Refunds FY 2022-23.pdf

Good evening,

Please see the attached bulletin regarding the forthcoming CalSTRS refunds for excess employer and employee contributions made in fiscal year 2022-23.

Your affected CalSTRS employees will see the refunds on their November pay warrants and districts will see the cash transfers from our department no later than Friday, November 3rd. See the attached for more details.

Thanks,
Lena

Transforming lives through education
Lena Young-Gallardo, Director
District Financial Services
San Bernardino County Superintendent of Schools
760 E. Brier Drive, San Bernardino, CA 92408
P: 909.388.5701 | F: 909.388.5735
http://www.sbcss.k12.ca.us

San Bernardino County Superintendent of Schools
Transforming lives through education

Ted Alejandre
County Superintendent

DATE: October 22, 2023

TO: Chief Business Officials, Personnel Administrators, Fiscal Services Directors, and Payroll Staff
San Bernardino County School Districts, Community Colleges, County Office of Education, and Charter Schools

SUBJECT: **CalSTRS Excess Contribution Refunds for Fiscal Year 2022-23**

At the end of each fiscal year, CalSTRS analyzes its members' Defined Benefit (DB) program and if any member earns more than one year of service credit in any given school year, the contributions associated with the excess service credit are transferred from the member's DB account into the member's Defined Benefit Supplement (DBS) account.

Assembly Bill (AB) 1469, which became effective July 1, 2014, increased the contribution rates for both employees and employers for the CalSTRS Defined Benefit (DB) program; however, the contribution rates for the Defined Benefit Supplement (DBS) program were not increased. The employee contribution rates for compensation creditable to the DB program in fiscal year 2022-23 were 10.25 percent for 2% @ 60 members and 10.205 percent for 2% @ 62 members; whereas the employee contribution rates for compensation creditable to the DBS program remained at 8 percent for 2% @ 60 and 9 percent for 2% @ 62 CalSTRS members, pursuant to Education Code 22901. The employer contribution rate for compensation creditable to the DB program in fiscal year 2022-23 was 19.10 percent, whereas the employer contribution rate for compensation creditable to the DBS Program remained at 8.25 percent, pursuant to Education Code sections 22950 and 22951.

AB 1469 amended Education Code section 22905 to specify that because the amount of required employee and employer contributions creditable to the DBS Program remains pursuant to Education Code sections 22901, 22950 and 22951, if CalSTRS collects contributions in excess of these rates on compensation creditable to the member's DBS account, CalSTRS will return those excess member and employer contribution amounts to the employer, and the employer will return the excess member contributions to the employee.

CalSTRS has returned the excess contributions from FY 22-23 to District Financial Services (DFS). Like previous years, DFS worked with the Technology JPA to automate the refund process for active employees, in order to minimize the impact to districts. The excess contribution refunds were uploaded into the employee deduction program, and active CalSTRS members will receive the refund as a negative STRS contribution (which will add to their net pay) on payroll dated 10/31/23, 11/1/23 or 11/9/23. Refunding the excess contributions as a negative STRS contribution will increase the employee's taxable gross so that the refund will be reported on the employee's W-2. The negative STRS contribution will not reduce the employee's STRS contribution for the current pay cycle.

The employer portion of the excess contribution refund will be processed via a cash transfer, and districts should see the credit no later than Friday, November 3rd. A copy of the worksheet provided to us by CalSTRS detailing the employer refund by employee will be sent to each district at the time the cash transfer is processed.

DFS will process a cash transfer for employee contribution refunds for any employees deemed to be inactive or terminated. An employee would be considered inactive if they did not receive earnings on the 09/15, 09/30, 10/1, or 10/9/23 payroll. The district will be responsible for issuing accounts payable warrants to these employees. DFS will provide a copy of the cash transfer to each district no later than Friday, November 3rd for these employees. There will also be a worksheet listing all inactive and terminated employees and the amount of the contribution refund. The district will also need to process pay history adjustments for each warrant issued to an inactive or terminated employee. The pay history adjustment should increase the FIT Gross, SIT Gross, and Net Pay fields by the amount of the accounts payable warrant issued. The district can choose to enter a W-2 add on for these employees instead of processing a pay history adjustment.

If you have any questions, please contact Michelle Johnston at Michelle.Johnston@sbcss.net.

Sincerely,

Ted Alejandre
County Superintendent of Schools

Signed Lena Young-Gallardo
Lena Young-Gallardo, Director
District Financial Services

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