Cash Balance Benefit Program Participation

This document provides information about participation in the CalSTRS Cash Balance Benefit Program pursuant to Chapter 5 of Part 14 of the Teachers' Retirement Law for established Cash Balance Benefit Program employers. References to specific Education Code (EDC) sections are provided where applicable.

Special participation conditions exist when an employer first offers the Cash Balance Benefit Program or when an existing Cash Balance Benefit Program employer begins offering Social Security coverage to eligible employees. Contact us for more information if these circumstances apply.

Questions? Contact EmployerTraining@CalSTRS.com or send a secure message in the Secure Employer Website. Please include supporting documentation for review.

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Is the position eligible for participation?

Eligibility to participate in the Cash Balance Benefit Program depends on the employee's basis of employment to perform creditable service and whether the employer offers the Cash Balance Benefit Program. For more information, see the *Creditable Service* job aid available at employersupport.calstrs.com. We are unable to help you determine an employee's basis of employment.

Community College Districts

Persons employed as a temporary/adjunct employee pursuant to EDC 87474, 87478, 87480, 87481, 87482, or 87482.5 are eligible for participation.

All Other Employers

The following positions at a charter school, county office of education or school district are eligible for participation:

- Part-Time Employee for less than 50% of fulltime
- Part-Time Hourly Employee
- Part-Time Daily Employee
- Substitute Employee

Trustees

A person performing trustee service for an employer that offers the Cash Balance Benefit Program can elect to participate in the program for their service as a trustee but are not required to do so.

What if the employee is a Defined Benefit Program Nonmember?

Default to Cash Balance Benefit Program Coverage (EDC 26300, 26400)

Eligible employees default to coverage by the Cash Balance Benefit Program on the date of employment in the eligible position if no other election is made within the first 60 calendar days of employment.

If the employee requires coverage:

- Contribution File format users enroll the employee using **Benefit Program Cash Balance (CB)** and **Transaction Sub-Type Mandatory Coverage (MNCV)** and report creditable compensation using the **Benefit Program Member Code Cash Balance Member (CB1)** and the applicable Assignment Code and Time Base for the position.

- Voluntary Deduction File format users enroll the employee as a Cash Balance Benefit Program Participant using **Transaction Code 06** on the MR87 File or Remote Employer Access Program. Report and remit contributions to the Cash Balance Benefit Program using the VDF File. No Member Code is required on VDF contribution lines. Report compensation to the Defined Benefit Program using **Member Code Nonmember (2)** on the F496 File.

You must provide eligible employees information about the employee and employer rights, responsibilities, and benefits payable under the Cash Balance program within 10 working days following their employment date.

Permissive Election of Defined Benefit Membership (EDC 22515)

An eligible employee can permissively elect Defined Benefit Program membership at any time while employed to perform creditable service.

For more information, see the *Defined Benefit Program Membership* job aid available at employersupport.calstrs.com.

Right to Social Security / Alternative Retirement Plan Coverage (EDC 26300, 26400)

An eligible employee can elect coverage by Social Security or an alternative retirement plan offered by the employer in lieu of participating in the Cash Balance Benefit Program. The election must be made on the *Cash Balance Election* (CB 533) form (available on CalSTRS.com) within 60 calendar days of the date of employment and is effective on the employment date.

If this election is made:

- Submit the CB 533 form and retain a copy. We must receive it within 60 calendar days of the employee's signature date.

- Contribution File format users enroll the employee using **Benefit Program Cash Balance (CB)** and **Transaction Sub-Type Nonmember (NMBR)**. If you have already

enrolled the employee as a Cash Balance Benefit Program participant, you will first need to reverse any related payroll detail records and submit an enrollment using Transaction Sub-Type Close Enrollment Opened in Error (ENER) before you can submit the nonmember enrollment. Report creditable compensation using **Benefit Program Member Code Cash Balance Nonmember (CB2)** and the applicable Assignment Code and Time Base for the position.

- Voluntary Deduction File users enroll the employee as an **Alternative Retirement Program Participant** using **Transaction Code 87** on the Remote Employer Access Program. This transaction cannot be completed using the MR87 File. Report compensation to the Defined Benefit Program using **Member Code Nonmember (2)** on the F496 File.

You must provide eligible employees information about their right to the election and the employee and employer rights, responsibilities and benefits payable under the applicable plan(s) within 10 working days following the first day of creditable service.

Subsequent election for Cash Balance Benefit Program Coverage (EDC 26400)

An employee who elects Social Security or alternative retirement plan coverage can subsequently elect Cash Balance Benefit Program coverage for creditable service performed for that employer if the employer still offers the program and the employee is still eligible to participate. The election is made on the *Cash Balance Election* (CB 533) form (available on CalSTRS.com), can be effective no earlier than the first day of the pay period in which the election is made (the form is signed), and cannot be cancelled.

If this election is made:

- Submit the CB 533 form and retain a copy. We must receive it within 60 calendar days of the employee's signature date.

- Contribution File format users submit an enrollment using **Transaction Sub-Type Permissive Election (PMCV)** and **Benefit Program Cash Balance (CB)**. This will close the existing nonmember employment record and open a participant employment record for that employer. Report creditable compensation using **Benefit Program Member Code Cash Balance Member (CB1)** and the applicable Assignment Code and Time Base for the position.

  Voluntary Deduction File format users close the Alternative Retirement Program Participant subaccount using Transaction Code 82 on the Remote Employer Access Program. This transaction cannot be completed using the MR87 File. Then enroll the employee as a Cash Balance Benefit Program Participant using Transaction Code 06 on the MR87 File or Remote Employer Access Program. Report and remit contributions to the Cash Balance Benefit Program using the VDF File. No Member Code is required on VDF contribution lines. Report compensation to the Defined Benefit Program using Member Code Nonmember (2) on the F496 File.

What if the employee is a Defined Benefit Program member?

Election to Participate in Cash Balance Benefit Program (EDC 26300, 26401)

A Defined Benefit Program member employed by an employer in an eligible position can elect Cash Balance Benefit Program coverage for that employer provided the employee is not already subject to Defined Benefit Program coverage for that same employer. The election must be made on the *Cash Balance Election* (CB 533) form (available on CalSTRS.com) within 60 calendar days of employment and is effective on the date of employment.

If this election is made:

- Submit the CB 533 form and retain a copy. We must receive it within 60 calendar days of the employee's signature date.

- Contribution File format users enroll the employee using **Transaction Sub-Type Permissive Election (PMCV)** and **Benefit Program Cash Balance (CB)**. If you already enrolled the employee in the Defined Benefit Program, you will first need to reverse all payroll detail records and submit an enrollment using Transaction Sub-Type Close Enrollment Opened in Error (ENER) before you can submit the permissive Cash Balance Benefit Program enrollment. Report creditable compensation using **Benefit Program Member Code Cash Balance Member (CB1)** and the applicable Assignment Code and Time Base for the position.

- Voluntary Deduction File format users enroll the member as a Cash Balance Benefit Program Participant using **Transaction Code 86** on the MR87 File or Remote Employer Access Program. Report and remit contributions to the Cash Balance Benefit Program using the VDF File. Report compensation to the Defined Benefit Program using **Member Code Nonmember (2)** on the F496 File.

You must provide eligible members information about the employee and employer rights, responsibilities and benefits payable under the program within 10 working days following their employment date.

If a Cash Balance Benefit Program election is not made within 60 calendar days, the member defaults to Defined Benefit Program coverage.

Subsequent Election for Defined Benefit Program Coverage (EDC 26401)

A member who elects Cash Balance Benefit Program coverage can subsequently elect Defined Benefit Program coverage for creditable service performed for that employer at any time while employed to perform creditable service for that employer. The election must be made on the *Cash Balance Election* (CB 533) form (available on CalSTRS.com), is effective no earlier than the first day of the pay period in which the election is made (the form is signed) and is irrevocable.

If this election is made:

- Submit the CB 533 form and retain a copy. We must receive it within 60 calendar days of the employee's signature date.

- Contribution File format enroll the member using **Transaction Sub-Type Permissive Election (PMCV)** and **Benefit Program Defined Benefit (DB)**. This will close the participant employment record and open a member employment record for that employer. Report creditable compensation using **Benefit Program Member Code Defined Benefit Member (DB1)** and the applicable Assignment Code and Time Base for the position.

- Voluntary Deduction File format users enroll the employee as a Defined Benefit Program Member using **Transaction Code 81** on the MR87 File or Remote Employer Access Program. Report and remit contributions to the Defined Benefit Program using **Member Code Member (1)** on the F496 File.

What if the employee's basis of employment changes? (EDC 22501, 22502)

If a participant becomes employed by the employer in a position that is subject to mandatory Defined Benefit membership, creditable service for that employer requires Defined Benefit Program coverage as of the date of the change in employment.

If an employee requires coverage in the Defined Benefit Program:

- Contribution File format users submit an enrollment using **Transaction Sub-Type Mandatory Coverage (MNCV)** and **Benefit Program Defined Benefit (DB)**. This closes the existing employment record and opens a member employment record in its place for that employer. Report creditable compensation using **Benefit Program Member Code Defined Benefit Member (DB1)** and the applicable Assignment Code and Time Base for the position.

- Voluntary Deduction File format users enroll the employee as a Defined Benefit Program Member using **Transaction Code 11** on the MR 87 File or Remote Employer Access Program. This transaction automatically closes the employee's Cash Balance Benefit Program sub-account. Report and remit contributions to the Defined Benefit Program using **Member Code Member (1)** on the F496 File.

What if they are a Trustee? (EDC 26403)

A trustee can elect to participate in the Cash Balance Benefit Program for their trustee service. The election is made on the _Cash Balance Election_ (CB 533) form (available on CalSTRS.com) at any time while performing trustee service, is effective no earlier than the first day of the pay period in which the election is made (the form is signed) and is irrevocable.

If this election is made:

- Submit the CB 533 and retain a copy. We must receive it within 60 calendar days of the trustee's signature date.

- Contribution File format users enroll the employee using **Transaction Sub-Type Permissive Election (PMCV)** and **Benefit Program Cash Balance (CB)** and report creditable compensation **Benefit Program Member Code Cash Balance Member (CB1)**, **Service Type Trustee Service (TRST)** and the applicable Assignment Code and Time Base for the position.

- Voluntary Deduction File format users:

  o If an employee is a Defined Benefit program member, enroll the member as a Cash Balance Benefit Program Participant using **Transaction Code 86** on the MR87 File or Remote Employer Access Program. Report and remit contributions to the Cash Balance Benefit Program using the VDF File. Do not report compensation to the Defined Benefit Program because it is not creditable under the program.

  o If an employee is a Defined Benefit program nonmember, enroll the employee as a Cash Balance Benefit Program Participant using **Transaction Code 06** on the MR87 File or Remote Employer Access Program. Report and remit contributions to the Cash Balance Benefit Program using the VDF File. No Member Code is required on VDF contribution lines. Do not report compensation to the Defined Benefit Program because it is not creditable under the program.