COMMUNITY COLLEGE BENEFITS TASK FORCE
Thursday, January 28, 2010
10:30 a.m. – 12:30 p.m.
CalSTRS Klamath River Conference Room
100 Waterfront Place
West Sacramento, CA 95605

AGENDA

Welcome and Review Agenda  
Ed Derman  
5 minutes

Social Security vs. Defined Benefit  
Virginia Johnson  
20 minutes

Annual Service Credit Limits –  
Federal Guidelines  
Julie Gallego  
5 minutes

Discussion: Alternative Plan Designs –  
Julie Gallego  
1 hour
  Alternative 1
  a. Service credit based on workload, as reported by employer
  b. How to determine load for additional duties
  c. Final Comp: Compensation earnable
  d. CalSTRS’ previous efforts to utilize load

  Alternative 2
  a. Colorado PERA model using minimum monthly earnings
  b. Final Comp: Average of actual earnings

Possible survey of Community College Employees  
Julie Gallego  
10 minutes

Future Agenda Items and Meeting Dates  
All  
10 minutes
Social Security – CalSTRS Defined Benefits Comparison

<table>
<thead>
<tr>
<th>Monthly final full-time salary</th>
<th>Low earnings</th>
<th>Medium earnings</th>
<th>High earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years of Service Credit</td>
<td>6.17</td>
<td>9.112</td>
<td>14.957</td>
</tr>
<tr>
<td>DB monthly benefit for CalSTRS time only</td>
<td>$ 463</td>
<td>$ 554</td>
<td>$ 1,637</td>
</tr>
<tr>
<td>Social Security benefit increase if both private sector and CalSTRS work included in SS benefit</td>
<td>$ 160</td>
<td>$ 148</td>
<td>$ 169</td>
</tr>
<tr>
<td>Monthly Difference</td>
<td>$ 303</td>
<td>$ 406</td>
<td>$ 1,468</td>
</tr>
</tbody>
</table>

Assumptions:
- Age 66 at retirement
- Worked in private sector for 35 years at the same salary rate as being paid in community college
- Worked half time in the community colleges (Therefore, twice the number of years as service credit)
- Salaries updated from 2008 Benefits Adequacy Study
- Salaries were discounted 4% each year from the final full-time salary
- Social Security formula used assumes the individuals are age 62 in 2010, but that they do not take the benefit until full retirement age, age 66. (Social Security reduces benefits of individuals if they take the benefit early. An individual who took his/her Social Security Benefit at age 62 would get 80% of the benefit at full retirement age.)
Section 415 of the Internal Revenue Code establishes annual limits on pension benefits and bases one year of service credit on the notion of a twelve-month period.

In addition, Treasury Regulations specify:
"...no more than one year of participation may be credited for any 12-month period..."
(Treas. Reg. sec. 1.415(b)-1(g)(l)(ii)(B))

This guidance has been provided by the CalSTRS federal tax counsel.
Measuring Service Credit by Load

A. What is load?
   Class load vs. Full-time load
   As shown in the table below:
   - Bargaining agreements might establish the number of weekly in-class hours required for a full-time classroom instructor
   - Some agreements establish individual weekly hour requirements based on type of course (i.e., Contra Costa Community College District)
   - Some agreements establish the load associated with one hour of in-class instruction for different disciplines (i.e., Contra Costa)
   - Some provide very little detailed information about full-time teaching loads and course loads (i.e., Peralta Community College District, Barstow Community College)
   - Some agreements also establish a weekly minimum number of hours for non-teaching assignments (i.e., Chaffey Community College, Peralta)

<table>
<thead>
<tr>
<th>Load Type</th>
<th>Barstow Community College</th>
<th>Chaffey Community College</th>
<th>Contra Costa Community College District</th>
<th>Peralta Community College District</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-time teaching load</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lecture course</td>
<td>15 hours per week</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lab course</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>English Comp-Type Course</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full-time nonscience load</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Load</td>
<td>.85</td>
<td>.80</td>
<td>.050</td>
<td>0.50</td>
</tr>
<tr>
<td>Lab load</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Full-time nonteaching base load</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-instructional assignment load</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
B. Load converted to Full-Time Equivalent
   - Part-time/temporary faculty limited to teaching 67% of a full-time load
   - Chaffey and Barstow agreements specify temporary faculty is limited to no more than .60 of a load each semester

C. Duties in addition to established load (i.e. office hours)
   The table below shows the office hour requirement established by these bargaining agreements
   - Agreements may specify office hour requirements for full-time, teaching instructional assignments
   - Some may also establish office hour requirements for non-instructional assignments

<table>
<thead>
<tr>
<th>OFFICE HOURS REQUIRED PER WEEK</th>
<th>Barstow Community College</th>
<th>Chaffey Community College</th>
<th>Contra Costa Community College District</th>
<th>Peralta Community College District</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full-time instructor w/</td>
<td>5</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>fill-time load</td>
<td>Full-time faculty with</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>less than full-time load</td>
<td></td>
<td>Pro rated</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Part-Time/Temporary</td>
<td></td>
<td></td>
<td>No office hour requirements</td>
<td></td>
</tr>
<tr>
<td>(instructional or non)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Part-time instructors w/</td>
<td></td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>2+ classes/40+ percent</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

D. Community College employer reporting of load
Measuring Service Credit by Minimum Earnings

A. The Colorado Public Employee Retirement Association grants service credit based on minimum monthly earnings

Member receives 1 month of service credit for each month the earned salary is $80 times the hourly federal minimum wage that is in effect at the time of service.

Beginning July 24, 2009, hourly federal minimum wage is $7.25

\[ 80 \times 7.25 = 580 \]

If the salary is less than this amount, the service credit is prorated.

For academic employees, whose pay pattern is typically 10 months, a full 12 months of service credit will be granted if the member receives the minimum pay during their 10 months of pay.

Final Compensation

Colorado PERA uses Highest Average Salary, which is one-twelfth of the average of the highest annual salaries that are associated with three periods of 12 consecutive months of service credit.

The three 12-month periods to not have to be consecutive and do not have to be the last three years of employment.

If the last three years of employment are used:
Increases in annual salaries used for final compensation are limited to 15 percent.

If another period of employment is used, there is no cap on annual increases.

"Salary" means:

a. Regular salary or pay;

b. Pay for-
   Administrative, sabbatical, annual, sick, vacation, or personal leave;
   Compensatory time or holidays;
   Performance or merit;
   Work-related injuries paid by the employer prior to termination of membership;

c. Amounts deducted from pay for-
   Tax-sheltered savings or retirement programs;
   A health savings account or retirement health savings account program;
d. Retroactive salary payments pursuant to court orders, arbitration awards, or litigation and grievance settlements
e. Payments by an employer from grants

"Salary" does not include:
a. Commissions
b. Compensation for unused sick leave converted at any time to cash payments
c. Compensation for unused sick, annual, vacation, administrative, or other accumulated paid leave contributed to a health savings account or retirement health savings program
d. Housing or uniform allowances
e. Automobile usage
f. Insurance premiums
g. Dependent care assistance
h. Reimbursement for expenses incurred
i. Tuition or any other fringe benefits, regardless of federal taxation
j. Bonuses for services not actually rendered, including but not limited to early retirement inducements, Christmas bonuses, cash awards, honorariums
k. Severance pay, of pay for damages, except for retroactive salary payments paid pursuant to court orders or arbitration awards or litigation and grievance settlements
l. Payments beyond the date of a member’s death
Examples of minimum earnings model for crediting service
- Part-time community college faculty monthly earnings
  - Used data reported by employers for July 2008-June 2009
  - Minimum monthly earnings required to earn 1.0 month service credit = $580
  - If earned less than $580, service credit is proportionate
- Must earn 10 months of service credit to receive one full year (1.000)

<table>
<thead>
<tr>
<th>MEMBER A</th>
<th>PAY PERIOD</th>
<th>Monthly Earnings</th>
<th>DB Service Credit</th>
<th>Service Credit based on Min. Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>JULY 08</td>
<td>$--</td>
<td>0.0</td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td>AUG 08</td>
<td>$371.25</td>
<td>0.0062</td>
<td>0.64</td>
<td></td>
</tr>
<tr>
<td>SEPT 08</td>
<td>$1,650.00</td>
<td>0.0277</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>OCT 08</td>
<td>$1,856.25</td>
<td>0.0312</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>NOV 08</td>
<td>$1,485.00</td>
<td>0.025</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>DEC 08</td>
<td>$742.50</td>
<td>0.0125</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>JAN 09</td>
<td>$--</td>
<td>0.0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FEB 09</td>
<td>$371.25</td>
<td>0.0062</td>
<td>0.64</td>
<td></td>
</tr>
<tr>
<td>MAR 09</td>
<td>$742.50</td>
<td>0.0125</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>APR 09</td>
<td>$742.50</td>
<td>0.0125</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>MAY 09</td>
<td>$742.50</td>
<td>0.0125</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>JUNE 09</td>
<td>$371.25</td>
<td>0.0062</td>
<td>0.64</td>
<td></td>
</tr>
</tbody>
</table>

Total DB service credit earned 08-09: 0.153 months
Total service credit for 08-09 (pro rated based on 10 months=1 yr): 0.892

Member A would have earned .739 more service credit in 2008-09 under this model

<table>
<thead>
<tr>
<th>Member B</th>
<th>PAY PERIOD</th>
<th>Monthly Earnings</th>
<th>DB Service Credit</th>
<th>Service Credit based on Min. Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>JULY 08</td>
<td>$1,807.49</td>
<td>0.05</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>AUG 08</td>
<td>$1,807.49</td>
<td>0.05</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>SEPT 08</td>
<td>$693.00</td>
<td>0.02</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>OCT 08</td>
<td>$2,225.42</td>
<td>0.061</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>NOV 08</td>
<td>$1,459.21</td>
<td>0.04</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>DEC 08</td>
<td>$1,459.21</td>
<td>0.04</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>JAN 09</td>
<td>$1,459.21</td>
<td>0.04</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>FEB 09</td>
<td>$729.60</td>
<td>0.02</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>MAR 09</td>
<td>$2,188.82</td>
<td>0.06</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>APR 09</td>
<td>$1,459.21</td>
<td>0.04</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>MAY 09</td>
<td>$1,459.21</td>
<td>0.04</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>JUNE 09</td>
<td>$2,101.92</td>
<td>0.04</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total DB service credit earned 08-09: 0.501 months
Total service credit for 08-09 (pro rated based on 10 months=1 yr): 1.000

Member B would have earned .499 more service credit in 2008-09 under this model
Member C
PAY Monthly DB Service
PERIOD Earnings Credit Service Credit based on Min. Earnings
JULY 08 $-- 0 0.00
AUG 08 $435.98 0.0152 0.75
SEPT 08 $809.50 0.0304 1.00
OCT 08 $907.56 0.0342 1.00
NOV 08 $812.62 0.0304 1.00
DEC 08 $527.80 0.019 0.91
JAN 09 $621.52 0.0228 1.00
FEB 09 $811.40 0.0304 1.00
MAR 09 $906.34 0.0342 1.00
APR 09 $797.10 0.0294 1.00
MAY 09 $526.58 0.019 0.91
JUNE 09 $227.86 0.0091 0.39

Total DB service credit earned 08-09 0.2741
Total service credit for 08-09 (pro rated 0.996 based on 10 months=1 yr)

Member C would have earned .722 more service credit in 2008-09 under this model

Member D
PAY Monthly DB Service
PERIOD Earnings Credit Service Credit based on Min. Earnings
JULY 08 $1,135.64 0.0 1.0
AUG 08 $396.00 0.0083 0.68
SEPT 08 $1,980.00 0.0416 1.0
OCT 08 $1,584.00 0.0333 1.0
NOV 08 $1,584.00 0.0333 1.0
DEC 08 $1,012.00 0.0212 1.0
JAN 09 $396.00 0.0083 0.68
FEB 09 $2,112.00 0.0444 1.0
MAR 09 $2,090.00 0.0904 1.0
APR 09 $1,276.00 0.0552 1.0
MAY 09 $2,728.00 0.118 1.0
JUNE 09 $-- 0.0 0.0

Total DB service credit earned 08-09 0.454
Total service credit for 08-09 (pro rated 1.000 based on 10 months=1 yr)

Member D would have earned .582 more service credit in 2008-09 under this model (the additional .0365 month of earnings would not be lost but would contribute to the final compensation)