

## Retirement Contribution Refunds

Employee refunds of PERS and STRS contributions are processed via payroll through the use of negative voluntary deductions and are entered into Galaxy by the Retirement Units in District Fiscal Services. Refunds are the result of three different processes:

- The monthly audit process of the retirement report
- Excess contributions (DB vs DBS)
- The return of service credit purchase deductions

Employees in active status receive the refund with their payroll earnings, when payroll is processed. Refunds for employees in a 700 status are returned to the former/current employing district for processing.

Negative voluntary deductions are given an effective ending date. Refunds that did not process before the effective end date are returned to the former/current employing district.

The **employer** portion of the retirement contribution refunds are processed via financial transactions to the designated employer holding accounts.

Please see page 801-3 for the Employee Contribution Refund Process.

Please see page 801-8 for the Employer Contribution Refund Process.

## Monthly Audit Refunds

Through the normal monthly audit process of the retirement records, DFS Retirement staff identifies the employees requiring a refund. These adjustments require monetary changes, which are recorded in each district's Control Sheet. Following the completion of each retirement report audit, Control Sheets are submitted to the affected districts with the financial transaction for the STRS Fixed Charges.

## CalSTRS Return of Excess Contributions DB vs DBS- Process Started in October of 2015

With the passage of the CalSTRS 2014 Full Funding Plan, enacted in AB 1469, contribution rates for the Defined Benefit (DB) Program are now greater than contribution rates for the Defined Benefit Supplement (DBS) Program. As a result, when contributions on compensation that is earned for service in excess of one school year (excess service credit) are transferred to the Defined Benefit Supplement Program, the contributions that exceed the required amount are deemed to be excess contributions and by law must be returned by CalSTRS.

Excess contributions for both members and employers will be returned to the employer that remitted the contributions associated with the excess service credit. It is the responsibility of employers to return excess member contributions to employees. The negative voluntary deduction process was developed to assist districts with the refund process. Returned pre-tax contributions will be considered taxable income in the year employees receive them regardless of when the contributions were initially paid.

On a monthly basis CalSTRS remits excess contribution refunds for those members who refund, retire, receive a disability benefit or die. Excess contributions for active members are returned annually around October. Interest is not paid on excess contributions as CalSTRS has no legal requirement or authority to pay interest on the return of excess contributions.

### **Service Credit Purchase Deduction Refunds**

Employees may purchase service credit or redeposit contributions for service they performed and subsequently requested a refund from CalSTRS. This is an agreement between the employee and CalSTRS. Once a service credit purchase is in effect, DFS receives a Payroll Deduction Notification requesting DFS to initiate payroll deductions as either pre- or post-tax.

If the employee changes employers, the service credit or redeposit deduction may continue to be taken under the new employer, if agreed upon by the three parties (the employee, the former, and the new employing district). The form "Assignment and Assumption of Irrevocable Payroll Authorization Agreement" must be completed and signed by the three parties.

If the terms of the agreement are not fulfilled because the employee retires or is no longer working, CalSTRS may refund all contributions previously made. The refund is made payable to the Riverside County Office of Education and DFS processes the refund according to how the deductions were taken (pre- or post-tax).

### **Post-Tax Service Credit/Redeposit Deductions Refunds**

If the deductions were post-tax, DFS will issue a commercial claim for the full amount payable to the employee. The claim is forwarded to the Payroll Supervisor at the district.

### **Pre-Tax Service Credit/Redeposit Deductions Refunds**

Pre-tax service credit refunds are done via the negative voluntary deduction process.

**Employee Contribution Refund Process**

1. The Retirement Unit in DFS will work directly with the IT Department to mass upload the negative voluntary deductions (refunds) to Galaxy.
  - Employees in a 700 status are immediately identified after the negative voluntary deductions are processed.
2. A financial transaction will be processed to transfer the funds to the district for employees in a 700 status. See sample of e-mail on page 801-8.
3. The negative voluntary deductions are uploaded to Galaxy once a month.
  - The negative voluntary deduction will automatically be transacted the next time the employee is paid in their normal pay frequency, A/B/M; no refunds will be processed on PODs.
4. Negative voluntary deductions that were uploaded to Galaxy, but were not processed by the effective ending date assigned to the negative voluntary deduction code, will be refunded to the district.
5. The employee's retirement contributions were originally taken pre-tax. The refunds are now taxable wages and should be processed as such when the district issues the refunds to employees.
6. Districts should issue claims through accounts payable by the December commercial warrant deadline for all employee contribution refunds that were returned to the district.
7. Refunds for former employees are processed through commercial claims and must be coded as Tax Type 9. For the refund of retirement contributions to correctly reflect an increase in taxable wages for former employees (paid on a commercial warrant):
  - Set-up each employee as a vendor; include the employee's social security number in the vendor's profile.
    - Setting up the vendor as tax type 9 does not process the employee refund properly
  - Check the commercial claim as Tax Type 9.
  - Please note the mass claim upload process with vendor number "0" will not create the proper record to generate a W-2 entry.
8. Refunds to a deceased employee's beneficiary are also processed through commercial claims and must be coded as Tax Type 2. This tax type may generate a 1099 MISC to the beneficiary if the refund is above the \$600 reporting limit for Box 3 (Other Income) in the calendar year that the commercial warrant was issued.
  - Set-up the beneficiary of record as a vendor.
  - Check the commercial claim as Tax Type 2.

***Please see next pages on how to properly issue tax type 9 claims and to verify if claims were issued properly.***

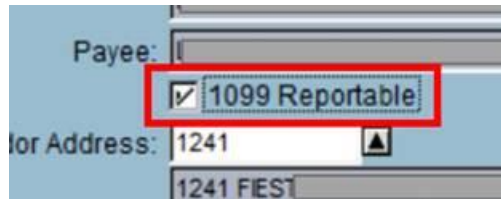
### Tax Type 9 Commercial Claim Issuance

Districts often must process claims to reimburse former district employees for retirement contributions (such as the DB vs. DBS refunds). These are taxable earnings reportable in the employees' W-2 form. Setting up the vendor as a tax type 9 does not properly process the employee's reimbursement; the claim itself should be identified as tax type 9.

Claims that have been entered and paid in can still be updated as tax type 9:

1. Go to the **Modify A/P Claim 1099/W2 Information** screen and find the claim number in question.
2. Click on the plus sign next to the claim number, under the claim number column.
3. Click on the **Add** button - this opens up fields where the tax type and the claim amount can be added (tax type must be entered as 09).

When processing new claims, make sure to check the "1099 Reportable" box:

A screenshot of a software interface showing a form. The form has a field labeled "Payee:" with a dropdown arrow. Below it, there is a checkbox labeled "1099 Reportable" which is checked and highlighted with a red rectangular box. Below the checkbox, there is a field labeled "for Address:" with the value "1241" and a dropdown arrow. Below that, there is a field with the value "1241 FIEST".

You will be prompted to choose the tax type at a later time. Should you have any questions, please feel free to call the Service Desk or Tracey Corso or Ana Lambert at (951) 826-6538.

#### Deadline Reminders:

- December XX, 2018: Last day to enter tax type 9 claims for earnings to be included in the employees' 2018 W-2 form.
- December XX - 31, 2018: Do not process any more tax type 9 claims for the calendar year. Any claims processed will generate a revised 2018 W-2 form.
- January 1, 2019 and forward: all earnings paid with tax type 9 will be included in the employees' 2019 W-2 form.

**W2 Reportable Tax Type 9- MicroStrategy Report**

To verify if your district has issued accounts payable claims for the employee retirement contributions returned to your district, you may access the above report in MicroStrategy following the path below:

Galaxy Countywide Reporting > Shared Reports > Business > Accounts Payable > **W2 Reportable Tax Type 9**

Select the fiscal year in question and the following report should appear:

Unified School District		<b>W2 Reportable Tax Type 9</b>				February 16, 2018					
		Calendar Year 2017									
Payee Name	Vendor Number	Employee	Employee Number	Employee Social Security	Claim Reference	Payment	Reportable Taxable (Type 09)	Tax Type 9 Total Taxable	Taxable Federal Report Box 1	Taxable State Report Box 16	Termination Date
J BROOK	12535	BROOK, J	505205	XXX-XX-8774	114281	12/18/2017	559.77	559.77	16,740.58	16,740.58	
MARIA	123456	ACEVEDO, MARIA	55172	XXX-XX-1318	114280	12/18/2017	60.59	60.59	27,030.42	27,030.42	08/31/17
<b>District __ Total:</b>							<b>620.36</b>	<b>620.36</b>	2,348,258,219.73	2,349,237,799.90	

**Negative Voluntary Deduction Codes for Employee Contribution Refunds: Monthly Audit Refunds**

Previously, the effective ending date on negative voluntary deductions related to the monthly audit were either May 31 or November 30. In an effort to refund employees in a more timely manner, the effective end dates have been changed as follows:

CalSTRS		
CODE	DESCRIPTION	EFFECTIVE END DATE
8350	<REFUND-STRS CONTRIB JAN>	<del>05/31/YY</del> 03/31/YY
8351	<REFUND-STRS CONTRIB FEB>	<del>05/31/YY</del> 04/30/YY
8352	<REFUND-STRS CONTRIB MAR>	<del>05/31/YY</del> 05/31/YY
8353	<REFUND-STRS CONTRIB APR>	<del>05/31/YY</del> 06/30/YY
8354	<REFUND-STRS CONTRIB MAY>	<del>11/30/YY</del> 07/31/YY
8355	<REFUND-STRS CONTRIB JUN>	<del>11/30/YY</del> 08/31/YY
8356	<REFUND-STRS CONTRIB JUL>	<del>11/30/YY</del> 09/30/YY
8357	<REFUND-STRS CONTRIB AUG>	<del>11/30/YY</del> 10/31/YY
8358	<REFUND-STRS CONTRIB SEP>	<del>11/30/YY</del> 11/30/YY
8359	<REFUND-STRS CONTRIB OCT>	<del>11/30/YY</del> 12/31/YY
8360	<REFUND-STRS CONTRIB NOV>	<del>05/31/YY</del> 01/31/YY
8361	<REFUND-STRS CONTRIB DEC>	<del>05/31/YY</del> 02/28/YY

Note: The month refers to the month in which the refund was uploaded to Galaxy. The upload is done after audit is completed, and, the audit is completed after payroll has processed.

Any negative voluntary deduction that did not process through payroll by the effective end date will be refunded to the employer. Employer must refund the contributions to the employee and code it as Tax Type 9 or 2. See page 801-3 for detailed instructions.

**Negative Voluntary Deduction Codes for Employee Contribution Refunds: DB vs. DBS**

The negative voluntary deduction code **8981 “Refund-STRS DB vs DBS”** is for the ongoing employee refunds for excess contributions from CalSTRS, which are processed throughout the year. The excess contributions for employees who refund, retire, or die are processed on a monthly basis. The excess contribution refunds for active members are processed in September and returned to the County Office in late September or October.

Negative Voluntary Deduction Codes for the refund of Excess STRS Employee Contributions – DB vs DBS				
CalSTRS				
CODE	DESCRIPTION	EFFECTIVE END DATE ANNUAL REFUNDS	EFFECTIVE END DATE MONTHLY REFUNDS	RESOURCE
8981	<REFUND-STRS DB VS DBS>	11/30/YY	Two months after initial setup	9819

Any negative voluntary deduction that did not process through payroll by the effective end date will be refunded to the employer. Employer must refund the contributions to the employee and code it as Tax Type 9 or 2. See page 801-3 for detailed instructions.

**When Employee Contributions are Returned to the District**

Employee contribution refunds are transferred to the district when an employee is in termed status or does not receive payroll earnings during the active period of the negative voluntary deduction. The following notification is sent to the affected districts along with the attachments shown on page 801-7.

Riverside County Office of Education  
 District Fiscal Services Payroll & Retirement  
**Retirement Refunds**

**DATE:** \_\_\_\_\_

**DISTRICT:** **Riverside County Office of Education**

\_\_\_\_\_ PERS Refund – Monthly Audit of Retirement Records

\_\_\_\_\_ STRS Refund – Monthly Audit of Retirement Records

\_\_\_\_\_ STRS Excess Contribution Annual DB vs DBS

\_\_\_\_\_ Terminated Employees. The employee is no longer in active status. DFS has processed a transfer to refund the contribution to the district’s holding program (see below). The MD # \_\_\_\_\_ is dated \_\_\_\_\_. Attached are the employees that will need to be issued a commercial warrant from the district before the calendar year end commercial claim issuance deadline and W-2 the claim as a tax type “9” Refunds – No Longer a District Employee. A W-2 will be issued for the refund. For deceased employees, issue a commercial warrant to the beneficiary of record and 1099 the claim as a tax type “2” Other. This tax type may generate a 1099MISC to the beneficiary if the refund is above the \$600 reporting limit for Box 3 (Other Income).

_____	Districts / Santa Rosa Academy	03-900-0999-0-0000-7200-3999
_____	Temecula	01-900-0999-0-0000-7200-3999
_____	Community Colleges	11-900-0999-0-0000-0000-3999
_____	Charters in Fund 62	62-900-0999-0-0000-7200-3999

\_\_\_\_\_ Remaining Balance. The employee was to receive a refund as a negative voluntary deduction through the payroll process. The employee was not paid on a regular scheduled payroll before the end of the specific time frame set for negative voluntary deduction code XXXX (##/##/##). DFS has processed a transfer to refund the contribution to the district’s holding program (see below). The MD # \_\_\_\_\_ is dated \_\_\_\_\_. Attached are the employees that will need to be issued a commercial warrant from the district before the calendar year end commercial claim issuance deadline and W-2 the claim as a tax type “9” Refunds – No Longer a District Employee. A W-2 will be issued for the refund. For deceased employees, issue a commercial warrant to the beneficiary of record and 1099 the claim as a tax type “2” Other. This tax type may generate 1099MISC to the beneficiary if the refund is above the \$600 reporting limit for Box 3 (Other Income).

_____	Districts / Santa Rosa Academy	03-900-0999-0-0000-7200-3999
_____	Temecula	01-900-0999-0-0000-7200-3999
_____	Community Colleges	11-900-0999-0-0000-0000-3999
_____	Charters in Fund 62	62-900-0999-0-0000-7200-3999

If you have any questions regarding these refunds, please contact Julie Portillo for PERS or Carolyn Yoakum for STRS related questions.



SCHOOL DISTRICT UNIFIED

**Negative Voluntary Deductions - No Longer in Active Status**

September 1, 2016

Deduction Code: 8981 (REFUND-STRS DB VS DBS)  
 Start Date: 10/09/2015  
 End Date: 10/09/2015

Note: The deduction amount is negative because the employee was to receive a refund as a negative voluntary deduction through the payroll process.

District Instructions: The employee is no longer in active status for the district. DFS will refund the contribution to the district. Please issue a commercial warrant before December 31st to the former employee and W-2 the claim as a tax type "9" Refunds - No Longer a District Employee. A W-2 will be issued for the refund in the calendar year that the commercial warrant was issued.

District Instructions for Deceased Employees: DFS will refund the contribution to the district. Please issue a commercial warrant before December 31st to the beneficiary of record and 1099 the claim as a tax type "2" Other. This tax type may generate a 1099 MISC to the beneficiary if the refund is above the \$600 reporting limit for Box 3 (Other Income) in the calendar year that the commercial warrant was issued.

Fund 78 WARRANT PASS THROUGH-STRS

Employee Number	Employee Name	Deduction Amount
2481:		-1.06
0608:		-0.58
1103:		-6.24
1068:		-2.40
0890:		-3.23
0723:		-0.74
1942:		-0.15
2310:		-0.05
2337:		-7.97
2402:		-4.85
2482:		-2.95
0480:		-11.17
1536:		-0.65
2196:		-0.89

Employee Count: 14 Total District Deductions: -42.93

DISTRICT UNIFIED SCHOOL

**Negative Voluntary Deductions - Employees with Remaining Balance**

September 1, 2016

Deduction Code: 8981 (REFUND-STRS DB VS DBS)  
 Start Date: 10/09/2015  
 End Date: 11/30/2015

Note: The deduction amount is negative because the employee was to receive a refund as a negative voluntary deduction through the payroll process.

District Instructions: The employee was not paid on a regular scheduled payroll before the end of the specific time frame (May for fiscal year-end and November for calendar year-end). DFS will refund the contribution to the district. Please issue a commercial warrant before December 31st to the employee and W-2 the claim as a tax type "9" Refunds - No Longer a District Employee. The refund will be included in the W2 issued.

District Instructions for Deceased Employees: DFS will refund the contribution to the district. Please issue a commercial warrant before December 31st to the beneficiary of record and 1099 the claim as a tax type "2" Other. This tax type may generate a 1099 MISC to the beneficiary if the refund is above the \$600 reporting limit for Box 3 (Other Income) in the calendar year that the commercial warrant was issued.

Fund 78 WARRANT PASS THROUGH-STRS

Employee Number	Employee Name	Deduction Amount
247		-0.31
183		-26.90
064		-0.36
056		-0.07
024		-24.29
177		-4.61
204		-0.41
060		-0.05
231		-0.36
064		-0.09
142		-0.23
006		-3.37

Employee Count: 12 Total District Deductions: -61.05

## Employer Contribution Refund Process

### Monthly Audit Refunds

Employer contribution refunds due to the normal monthly audit of the retirement reports are refunded via the STRS/PERS fixed charges financial transactions done every month. See section 901 for a sample of these transactions.

### CalSTRS Return of Excess Contributions DB vs DBS Refunds: Independent Districts and Charters

Refunds for independent districts and charters (agencies that do not use Galaxy) will be processed as follows:

- Independent Districts- a JV will be processed to transfer employee and employer excess contributions to your district and an Excel file will be e-mailed with all pertinent information.
- Independent Charters- commercial warrants will be processed to transfer employee and employer excess contributions to each charter and an Excel file will be e-mailed with all pertinent information.

### CalSTRS Return of Excess Contributions DB vs DBS Refunds: Galaxy Districts, Colleges and Charters

Districts will receive the employer portion through the multi-district transfer process. DFS will access the report and download the information for our county as soon as it is available. Funds will be posted to:

Districts/Santa Rosa Academy	01/03 XXX 0000 0 0000 0000 8699
Charters Fund 62	62 XXX 0000 0 0000 0000 8699
Community Colleges	11 XXX X000 0 0000 0000 8800

The employer portion of the excess contribution refund is returned to the district once the refund check has been received by RCOE via financial transactions to the designated employer holding accounts.

*Note: When there is a charge for an employee instead of a refund, RCOE will bill the employing district for the amount due. RCOE has no authority to collect funds from employees via payroll. The employer portion of the refunded contributions will be reduced by the amount due for the employee(s).*

Districts are notified via e-mail when financial transactions have been processed:

*“Excess contribution refunds have been processed by CalSTRS and the money has been received by RCOE. Attached is the financial transaction processed for the employer portion of the excess contributions and a file detailing the refund by employee.”*

*Please note your refund may have been reduced by charges for employees at your district. Please review the attached documents and contact Carolyn Yoakum if you have any questions.”*

E-mail attachment 1:

STRS Refund DB vs DBS 'ER Portion Excess Contrib. 01.06.2017			
Refund Received	09/19/16	MD#:	_____
Today's Date:	09/20/16	MD DATE:	_____
Prepared by:	Ana M. Lambert	E-mailed to Districts on:	_____
DIST#	Employer Excess Contributions	Employee Charges (not refunds)	Net Employer Excess Contributions
01			
03			
05			
07			
10			
13			
18			
21			
27			
30			
34			
39			
40			
41			
43			
45			
46			
49			
56			
58			
61			
64			
67			
71			
74			
81			
84			
88			
90			
99			
<b>Total</b>			<b>0.00</b>

DBDBS Employer Portion 01062017 / COD / MSJC / PVCC / RCC / ALV

If CalSTRS is processing an employee charge instead of a refund, the charges will be listed in this column for each district affected.

This financial transaction will only list the amount of the Excess Contribution Refund and only for the employer portion.

District financial transaction form tabs

FINANCIAL TRANSACTION FORM													
District	98/												
FY	16/17												
			Type Transaction						Transaction Date:				
			1 - Appropriation - Green    3 - Abatement of Exp - Orange 2 - Revenue - Pink            3 - Abatement of Rev - Yellow 2 - Expenditure - White       4 - Encumbrances - Blue						Transaction ID:				
Dist	Fund	School	Resource	PY	Goal	Function	Object	Type Trans.	Debit Amount	Credit Amount	Document Number	Accrual Number	Reference
01	11	000	0000	0	0000	0000	8800	2		0.00			STRS Refund DB vs DBS 'ER Portion Excess Contrib. 01.06.2017
98	78	900	9819	0	0000	0000	9620	2	0.00				STRS Refund DB vs DBS 'ER Portion Excess Contrib. 01.06.2017
TOTAL:(total of all pages)									0.00	0.00			
Reason for transaction: <b>STRS Refund DB vs DBS 'ER Portion Excess Contrib. 01.06.2017</b>													
Tracey Corso		09/20/16		Ana M. Lambert		09/20/16		1		1			
Signature of Authorizing Agent		Date		Prepared By:		Date		Page		of			

E-mail attachment 2:

Although this document lists both employee and employer excess contributions, only the employer portion is being refunded at this point. Districts can pull this report from the CalSTRS Secure Employer Website as well. Please utilize the Reference Items on SEW to obtain the job aid which has step-by-step instructions.

**Excess Contribution Return Report**  
**Report Source: 00033 - Riverside County Office of Education**  
**Payment/Invoice Date: 08/03/2016 ; 08/03/2016**  
 Claim Schedule # 1600188  
 Claim Schedule Date: 08/03/2016

Report Unit Number	EMP NUMBER	Member Client ID	Member Last Name	Member First Name	Excess Member Contributions	Excess Employer Contributions	Total Contributions
33099	111111	76	ROSARIO	JOHN	(76.51)	(158.14)	(234.65)
33099	222222	35	SCHUTTE	DONNA	(167.46)	(346.05)	(513.51)
33099	333333	06	BHATIA	SHAILESH	(299.00)	(617.94)	(916.94)
33099	444444	59	QUIN	CAROL	(112.25)	(231.85)	(344.10)
33099	555555	82	CONYERS	LISA	(75.42)	(155.84)	(231.26)
33099	666666	67	DEAN	LESLIE	(378.60)	(782.47)	(1,161.07)
33099	777777	13	GRIMES	JUDI	16.66	34.44	51.10
Total					(1,092.58)	(2,257.85)	(3,350.43)
Employee Refunds Uploaded as Negative Vol. Deductions					(1,109.24)		
Employer Excess Contribution Refunds						(2,241.19)	
Total Excess Contributions for the district							(3,350.43)

Employee portion of the refund uploaded to Galaxy by DFS as negative voluntary deductions. Districts will receive the employee portion only for those employees in terminated status and for those who did not receive the refund via payroll because no payroll earnings were processed during the period the negative voluntary deduction was in effect.

District portion of the refund. District's refund may be reduced by any employee charges CalSTRS calculated for an employee.