

## How the Separation-From-Service Requirement and Annual Earnings Limit Work Together

If you return to work and perform retired member activities, including substitute teaching, in the California public school system as an employee, an independent contractor or an employee of a third party during the first 180 calendar days after your most recent retirement date, your retirement benefit will be reduced dollar for dollar by the amount you earn up to your benefit amount payable during that period. The 180-day separation-from-service requirement also applies to all Cash Balance Benefit Program annuitants.

Any amount you earn in a CalSTRS-covered position during the first 180 calendar days of retirement will also count against the annual postretirement earnings limit for the fiscal year.



### Example

If you retire on June 30, 2018, with an annual retirement benefit of \$34,000 and return to perform retired member activities earning a total of \$26,000 in the first 180 calendar days following your retirement date, your benefit would be reduced dollar for dollar up to your retirement benefit amount payable during that same period, approximately \$17,000. CalSTRS would collect the excess earnings by withholding all of your gross monthly retirement benefit until the entire amount owed is collected in full. If you continue to work for the remainder of the school year and earn an additional \$24,000, your total earnings for the year of \$50,000 would exceed the 2018–19 annual postretirement earnings limit of \$45,022 by \$4,978. We would collect these excess earnings from you up to the amount of your annual retirement benefit of \$34,000 minus the previous \$17,000 reduction due to the separation-from-service requirement. In this case, we would collect an additional \$4,978, for total of \$21,978 of your \$34,000 annual retirement benefit.

If, however, you continued to work for the remainder of the school year and earned an additional \$44,000 instead of \$24,000, your total earnings for the year would be \$70,000 and exceed the postretirement earnings limit of \$45,022 by \$24,978. We would then collect excess earnings from you up to the amount of your annual retirement benefit of \$34,000—\$34,000 minus the initial \$17,000 due to the separation-from-service requirement. In this case, we would collect an additional \$17,000, for a total of \$34,000—the full amount of your annual retirement benefit.

## After You Retire

In this section, you'll learn what to expect after you retire from CalSTRS.

### Annual Benefit Adjustment

Under state law, you'll receive an automatic benefit increase equal to 2 percent of your initial benefit beginning September 1 after the first anniversary of your retirement. Your retirement date must be before September 1 to receive the annual benefit adjustment on September 1 of the next year.

The amount of your adjustment will appear in your October 1 payment. Adjustments are not compounded or tied to changes in the cost of living.

Under the CalSTRS Funding Plan, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014. The annual benefit adjustment for members who retired before January 1, 2014, is not contractually guaranteed—it can be reduced or eliminated by the Legislature, if economic conditions dictate. However, the Legislature has yet to reduce the annual benefit adjustment since first providing this adjustment in 1972.

### Purchasing Power Protection

Your retirement benefit has additional purchasing power protection. Purchasing power is a measurement of how your retirement benefit keeps pace with inflation. For example, if your benefit stays the same but prices double, your purchasing power is only 50 percent of what it originally was.

In addition to the annual benefit adjustment, supplemental benefit payments, paid in quarterly installments, support your retirement benefit's purchasing power. CalSTRS makes these payments to retired members and beneficiaries whose benefits have fallen below a certain level of purchasing power. The purchasing power protection level is currently set at 85 percent of your initial benefit (base allowance).

### Working After Retirement Restrictions

If you return to work after service retirement and perform retired member activities in the California public school system—including substitute teaching—as an employee of a public school system, an independent contractor or an employee of a third party, there are restrictions under state and federal law that apply to you. You cannot:

- Work in a classified position except, under certain circumstances, as a teacher's aide.
- Earn any pay without affecting your retirement benefit if you return to work before the 180-calendar day separation-from-service requirement.
- Earn more than the annual postretirement earnings limit without affecting your CalSTRS retirement benefit.

In addition, you cannot keep the additional service credit you received under the CalSTRS Retirement Incentive Program if you take any job within five years of retirement with the employer that offered the incentive.

When you retire, you will be subject to the annual postretirement earnings limit as well as the separation-from-service requirement.

Retired Defined Benefit members cannot contribute to the Cash Balance Benefit Program. All earnings are subject to the postretirement earnings limit.

## Separation-From-Service Requirement

The separation-from-service requirement applies to all members who return to work and perform retired member activities within the California public school system as an employee, an independent contractor or an employee of a third party. Both your monthly retirement and Defined Benefit Supplement benefits will be reduced dollar for dollar by the amount that you earn in CalSTRS-covered employment, including employer contributions to tax-sheltered annuities and other tax-favored products, during the first 180 calendar days following your most recent retirement effective date, up to your benefit amount payable during that period.

There is a very narrow exemption from the separation-from-service requirement if you have reached normal retirement age, your appointment is required to fill a critically needed position, the governing body of your employer approved your appointment by resolution at a public meeting, you did not receive any financial inducement to retire, and your termination of service was not the cause of the need to acquire your services. Your employer must submit the required documentation to CalSTRS substantiating your eligibility for the exemption. CalSTRS must receive an exemption request and required documentation before you begin working.

This requirement and narrow exemption also apply to Cash Balance Benefit participants who receive their retirement benefit as an annuity benefit. For Cash Balance Benefit participants who receive their retirement benefit as a lump-sum payment, their benefit payment will not be payable until 180 calendar days after the date they terminated employment (see page 36).

## Postretirement Earnings Limit

If you return to work after meeting the separation-from-service requirement and perform retired member activities as an employee of a public school system, an independent contractor, or an employee of a third party, you can earn up to the annual postretirement earnings limit without affecting your benefit unless you work for certain third-party employers under two conditions.

The earnings limit for fiscal year 2017–18 is \$43,755; for 2018–19, the limit is \$45,022. The Teachers' Retirement Board adjusts the earnings limit annually. If your earnings from CalSTRS-covered employment, including employer contributions to tax-sheltered annuities and other tax-favored products, exceed the postretirement earnings limit, CalSTRS will withhold all of your gross monthly retirement benefits—both your monthly retirement and Defined Benefit Supplement benefits—until we collect your excess earnings in full, up to the amount of your annual retirement benefit minus any previous reduction due to the separation-from-service requirement. For example, if you return to CalSTRS-covered work in the 2018–19 fiscal year and earn \$50,000, you will have exceeded the earnings limit of \$45,022 by \$4,978. CalSTRS will withhold \$4,978 from your benefit payments, if your annual retirement benefit is \$4,978 or more. If your annual retirement benefit is less than \$4,978, CalSTRS will withhold the entire amount.

## Certain Third-Party Employees Exclusion

If you work for a third-party employer that does not participate in a California public pension system, you may be excluded from both earnings limits and other postretirement employment requirements if the activities performed are not normally performed by employees of a CalSTRS employer, and the activities are performed for 24 months or less.

## Reinstating to Active Member Status

You may choose to terminate retirement and reinstate to active membership at any time. If you re-retire within one year of reinstating, you may not make changes to your retirement option or beneficiaries. If you re-retire after one year of reinstating, you may change or cancel your election before or at retirement, but your benefit will be subject to an assessment that may reduce your benefit for your lifetime. You may re-retire as early as one day after your reinstatement date.

### Reinstatement Process

If you plan to reinstate to active member status, make an appointment with a CalSTRS benefits specialist to discuss important considerations, including how your future benefits may be affected. You may also request an estimate of your future benefits by sending us a secure email using your *myCalSTRS* account or at [CalSTRS.com/contactus](https://CalSTRS.com/contactus), or by writing to us (in your letter, include your full name, Client ID, address and telephone number). Tell us if you currently have an option or intend to elect an option before your subsequent retirement and how long you plan to be an active member again, and provide us with your estimated salary.

To reinstate to active membership, submit the *Reinstatement After Retirement* form, available at [CalSTRS.com/forms](https://CalSTRS.com/forms). Your reinstatement date can be no earlier than the first day of the month in which CalSTRS receives your form. We must receive your *Reinstatement After Retirement* form no earlier than six months before your requested reinstatement date and no later than the last day of the month in which your reinstatement becomes effective. After we receive your request, your retirement and monthly benefit will end as of the effective date of your reinstatement. The deadline to cancel a reinstatement or change your reinstatement date is the last day of the month in which the reinstatement is effective.

### Other Important Considerations

If you're thinking about reinstatement, consider:

- **Disability and survivor benefits:** You must earn at least one year of service credit after the date of your reinstatement from service retirement before you qualify for disability or survivor benefits.
- **Retirement incentive:** If you reinstate, you'll lose any additional service credit you may have acquired by participating in the CalSTRS Retirement Incentive Program.
- **Preretirement election of an option:** You are not eligible to file a preretirement election of an option until one year has elapsed after the date of reinstatement from service retirement. However, if you retired with an option, that option will automatically become a preretirement election when you reinstate.
- **Coverage A or B:** For most members, if you retire and then reinstate, you will maintain the coverage you had prior to your retirement. Under certain circumstances, if you retired under Coverage A, your coverage may change to Coverage B for survivor and disability benefits: If you retired before January 1, 1996, you'll be under Coverage B when you reinstate; if you retired on or after January 1, 1996, you'll be under Coverage A. You must earn at least one year of service credit after reinstatement before you qualify for disability and survivor benefits. Contact CalSTRS for further information regarding your specific situation.
- **Separation-from-service requirement:** You'll be subject to the separation-from-service requirement during the first 180 calendar days after your most recent retirement.
- **Discontinuing deductions for health insurance premiums:** If CalSTRS is deducting health insurance premiums from your benefit and you decide to reinstate, you'll need to make premium payment arrangements with your health insurance carrier.

If you re-retire within one year of reinstatement, you must keep the same option and beneficiaries.

- **Discontinuing payment or deduction of Medicare premiums:** If CalSTRS is paying your Medicare Part A premiums or deducting your Medicare Part B premiums, you'll have to pay these premiums yourself when you reinstate. To arrange payment, contact the Social Security Administration at 800-772-1213. When you retire again, the CalSTRS Medicare Premium Payment Program will no longer be available to you, unless the board takes action in the future to extend the program. Currently, CalSTRS is not offering the program to members with retirement effective dates on or after July 1, 2012. Your most recent retirement date is used to determine eligibility. See also "CalSTRS Medicare Premium Payment Program," page 53.

## How Your Benefit Will Be Calculated If You Reinstate

### Reinstate for Fewer Than Two Years

If you service retire with fewer than two years of new service credit since your most recent reinstatement, your new retirement benefit will be equal to the sum of both the following:

- An amount equal to the monthly benefit you were eligible to receive immediately before reinstatement, increased by the 2 percent annual benefit adjustment that would have been applied to the benefit if you had not reinstated, **plus**
- An amount based on service credit earned since your last reinstatement, your age at the subsequent retirement and your final compensation.

For CalSTRS 2% at 60 members: If your total service credit is 30 or more years, you may be eligible for the career factor on the service credit earned following reinstatement. If you retired with 30 years of service credit on or before December 31, 2010, and reinstate, you may be eligible for the longevity bonus upon subsequent retirement.

**Example:** If you reinstate, then retire after earning one year of service credit, we will calculate your benefit using the one year of service credit, your age as of your subsequent retirement and your final compensation. This amount will be added to the benefit you received before reinstating, including any annual benefit adjustment.

### Reinstate for Two Years or More

If you service retire with two or more years of service credit after your most recent reinstatement, your monthly benefit will be equal to the total of:

- An amount based on the service credit you earned before your last retirement, an adjusted age factor and your highest final compensation, **plus**
- An amount based on the service credit you earned since your last reinstatement, your age at subsequent retirement and your highest final compensation.

**Example:** If you reinstate and retire after earning three years of service credit, your benefit will be recalculated by adding the three years of service credit to your service credit balance before reinstating, your age as of your subsequent retirement and your highest final compensation.

### For More Information

You'll find two benefit calculation scenarios if you reinstate under "How Will My New Service Credit Be Calculated?" at [CalSTRS.com/general-information/retirement-after-reinstatement](http://CalSTRS.com/general-information/retirement-after-reinstatement).