

# 1234

March 13, 2000

TO: County Superintendents of Schools  
District Superintendents of Schools  
Community College Districts  
Employing Agencies

SUBJECT: Employer Directive 00-02  
Earnings Limitation for the 2000-2001 School/Fiscal Year  
for Members Retired for Service from California State Teachers'  
Retirement System (CalSTRS).

## **PURPOSE**

The purpose of this Employer Directive is to:

- (1) inform employers of the adjusted post-retirement earnings limitation for the 2000-2001 school year,
- (2) refer to exemptions from the post-retirement earnings limitation under Education Code Sections 24216 and 24216.5, and
- (3) provide Education Code section references pertaining to members of the CalSTRS Defined Benefit Program who are retired for service and performing creditable service.

## **SCOPE**

This directive applies to county superintendents of schools, school districts, community college districts, and the employing agencies that employ CalSTRS' members retired for service to perform creditable service.

## **DISCUSSION**

NOTE: All section references are to the Education Code.

Section 22119.5 defines activities considered to be creditable service when performed for an employer under specified circumstances.

Section 24214 establishes a limitation on the amount of compensation that a member retired for service may earn for performing creditable service in the California public school system. The limitation is adjusted each year on July 1 to reflect the increase in the All Urban California Consumer Price Index. The limitation on post-retirement earnings for the 2000-2001 school year (July 1, 2000 through June 30, 2001) is \$19,650. The limitation applies regardless of whether a member retired for service performs creditable service as an employee of the employer, as an independent contractor, or as an employee of a third party.

Section 24214(f) requires CalSTRS to reduce the member's retirement allowance by the compensation earned in excess of the annual dollar limit. The amount of the reduction may be less than or equal to the gross monthly allowance payable, depending on the amount of the excess compensation earned. The member's allowance will be reduced dollar-for-dollar from the gross monthly allowance until the amount withheld equals the excess earnings amount, however, the reduction will be no more than the amount of the annual allowance.

EXAMPLE:

Mr. Taylor retires receiving a gross monthly allowance of \$2,000. He returns to employment in the California public school system in September 2000. By March 2001, he has earned \$15,300 from District 1 and \$9,350 from District 2, for a total of \$24,650, which is \$5,000 in excess of the earnings limitation (\$24,650-\$19,650=\$5,000). Assuming that Mr. Taylor stops working at the end of March 2001, his excess earnings of \$5,000 would be collected from his gross monthly retirement allowance as follows:

	MAY 2001	JUNE 2001	JULY 2001
Monthly retirement allowance	\$2,000	\$2,000	\$2,000
Excess earnings deduction at 100 percent of monthly allowance	<u>-2,000</u>	<u>-2000</u>	<u>-1000</u>
Allowance available to Mr. Taylor	-0-	-0-	\$1,000

\*Note the reduction in monthly allowance starts in May since the excess earnings were reported to CalSTRS in April of 2001.

Exemptions from the post-retirement earnings limitation are established in Sections 24216 and 24216.5. Section 24216 addresses the exemptions relating to limited-term or emergency appointments for administrators. CalSTRS Employer Directive 99-01 contains the forms and instructions for requesting an exemption under the provisions of Section 24216. The forms and instructions for certifying an exemption for Class-Size Reduction under Section 24216.5, are contained in CalSTRS Employer Directive 99-06.

**ACTION**

The employer is required to:

1. advise CalSTRS' retired members who perform creditable service of the annual limitation on post-retirement earnings for performing such service,
2. maintain accurate records of the retired member's earnings, and
3. report those earnings monthly to CalSTRS regardless of any exemptions, the method of payment or the fund(s) from which the payments were made.

The earnings should be reported as Member Code 2 and Assignment Code 61 for the members who retired for service and are:

- ❖ performing creditable service, or
- ❖ exempt under Section 24216 (Emergency /Limited Term Exemptions).

The earnings for members who are exempt under Section 24216.5 (Class Size Reduction) should be reported under Member Code 2 and Assignment Code 63.

All information provided to CalSTRS is subject to audit by CalSTRS Office of Audits pursuant to Section 22206.

Questions regarding the post-retirement earnings limitation should be directed to the Benefit Adjustments Unit of CalSTRS at (916) 229-4664.

JAMES D. MOSMAN  
Chief Executive Officer