



March 27, 2001

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

SUBJECT: Employer Directive 2001-03
Exemption to the California State Teachers' Retirement System (CalSTRS)
Earnings Limitation for Retired Members Returning to Work After a Break of
Twelve (12) Consecutive Months; Assembly Bill (AB) 1733 (Chapter 896,
Statutes of 2000)

PURPOSE

The purpose of this employer directive is to inform employers of the recent statutory changes that exempt a member from the post-retirement earnings limitation. AB 1733, effective January 1, 2001, exempts members retired for service who have not performed any creditable service for a period of at least twelve (12) consecutive months and return to work after the date of retirement.

These exemption provisions will sunset on December 31, 2007, unless a later enacted statute deletes or extends that date.

SCOPE

This directive provides information to the school districts that employ CalSTRS members retired for service who have not performed any creditable service, after the date of retirement, for a period of at least 12 consecutive months prior to returning to employment in the California public school system.

DISCUSSION

Education Code 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. Prior to the enactment of legislation last year, the limitation on post-retirement earnings limitation for the School/Fiscal Year 2000-01 was \$19,650. The limitation applies regardless of whether a member retired for service performs creditable service as an employee of an employer, as an employee of a third party, or as an independent contractor.

Retired members may qualify for exemption from the post-retirement earnings limitation under Education Code Sections 24214 (e), 24216, 24216.5 or 24216.6. For eligibility criteria, please refer to the matrix that was included with this and other related employer directives. Information is also available on CalSTRS website, www.calstrs.ca.gov.

AB 1733, effective January 1, 2001:

- increases the post-retirement earnings limitation from \$19,650 to \$22,000 for the School/Fiscal Year 2000-01 (see Addendum to Employer Directive 00-02); and
- exempts members retired for service who have not performed any creditable service for a period of at least 12 consecutive months, after the date of retirement, and return to work in the California public school system. The consecutive 12-month break may have occurred prior to or after January 1, 2001.

ACTION

The employer is required to:

- maintain accurate records of the retired members' earnings, and
- report those earnings monthly to CalSTRS as Member Code 2 and Assignment Code 61 regardless of any exemptions, the method of payment or the fund(s) from which the payments were made.

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