



California State Teachers'
Retirement System
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June 28, 2004

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

FROM: EXECUTIVE OFFICE

SUBJECT: Employer Directive 2004-02
New Post-retirement Earnings Limitation for the 2004-05 School/Fiscal Year

PURPOSE

The purposes of this employer directive are as follows:

- (1) To inform employers of the increase in the post-retirement earnings limitation for the 2004-2005 school/fiscal year
- (2) To inform employers of the correct reporting code for post-retirement earnings that are exempt from the earnings limitation
- (3) To provide Education Code section references pertaining to post-retirement employment that is usually subject to the earnings limitation
- (4) To direct employers to the Education Code sections pertaining to exemptions from the post-retirement earnings limitation
- (5) To remind employers that retired employees may not be employed in classified positions in the public school system.

SCOPE

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

DISCUSSION

NOTE: All section references are to the Education Code.

The earnings limitation for the 2004-05 school/fiscal year is \$27,720. The earnings limitation is adjusted each year based on the percentage increase of the average earnable salary paid to Defined Benefit Program active members. (Section 24214)

All post-retirement earnings will be reported with member code 2 and assignment code 61, as shown on the attached matrix.

Activities considered to be creditable service and, therefore, subject to the earnings limitation are listed in Section 22119.5.

If a retired member exceeds the post-retirement earnings limitation, Section 24214(g) requires CalSTRS to reduce the member's retirement benefit by the excess amount. The amount of the reduction may be less than or equal to the gross monthly benefit payable, depending on the amount of the excess compensation earned. The member's benefit will be reduced dollar-for-dollar until the amount withheld equals the excess earnings amount. The total amount withheld, however, will be no more than the amount of the annual benefit.

EXAMPLE:

Mr. Smith retires receiving a gross monthly benefit of \$2,800. He returns to employment in the California public school system in September 2003. By March 2005, he has earned \$18,000 from District 1 and \$14,000 from District 2, for a total of \$32,000, which is \$4,280 in excess of the earnings limitation ($\$32,000 - 27,720 = 4,280$). Assuming that Mr. Smith stops working at the end of March 2005, his excess earnings of \$4,280 would be collected from his gross monthly retirement benefit as follows:

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	MAY 1, 2005	JUNE 1, 2005	JULY 1, 2005	TOTAL
Monthly retirement benefit	\$2,800	\$2,800	\$2,800	\$8,400 Paid
Excess earning deduction up to 100 percent of monthly benefit	-\$2,800	-\$1,480	\$ -0-	\$4,280 Collected
Benefit after deduction	\$ -0-	\$1,320	\$2,800	\$4,120 to member

Retired members may be exempt from the post-retirement earnings limitation if they meet the eligibility criteria. Please refer to the attached matrix for reference to the applicable employer directives.

A member who retired on or after January 1, 2004, with a retirement incentive under Section 22714 (“Retirement Incentive”) or under Section 22714.5 (“2+2”) will lose the increased retirement allowance attributable to either incentive under the following circumstances:

- ◆ The member earns income from a K-12 position in a California public school within one year of his or her retirement date, or
- ◆ The member earns income within five years from the same K-12 school district that granted the incentive.

A CalSTRS member who retires from a K-12 school district, a Community College district, or a County Office of Education with either retirement incentive may immediately accept post-retirement employment at a Community College or County Office of Education.

Additional information on both retirement incentives is available in Employer Directive 2003-06.

Those members receiving disability retirement allowances have a different earnings limit, and the basis for calculating it has not changed.

CalSTRS retirees may not be employed in classified positions in the public school system.

ACTION

The employer is required to maintain accurate records of the retired members’ earnings and to report those earnings monthly to CalSTRS and to the retired members regardless of the method of payment or the fund from which the payments were made.

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The employer is required by Section 22461 to inform CalSTRS retired members who perform creditable service about the annual earnings limitation.

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

If you have questions regarding the post-retirement earnings limitation, call 800-228-5453 to speak to CalSTRS staff or to access our Teletalk automated system. Teletalk calls are answered electronically. To access information available to touch tone callers, you enter a three-digit message code. To access Earnings Limitation After Service Retirement information, use code 372. You can also find information regarding the earnings limitation on the CalSTRS Web site: www.calstrs.com.

Jack Ehnes
Chief Executive Officer

Attachment

EXEMPTIONS TO THE POST-RETIREMENT EARNINGS LIMITATION

EDUCATION CODE	EMPLOYER DIRECTIVE	ELIGIBILITY	REQUIRED FORM/CERTIFICATE	REPORTING CODE
Section 24216.5 Effective: 7/1/2000 through 6/30/2005	# 2001-02 Exemptions to the CalSTRS Earnings Limitation for Retired Members Employed to Teach in Grades K – 12 or Participating in Teacher Preparation Programs	Any member retired for service on or before January 1, 2000, and employed to teach as specified.	Exemption Certification for Teacher Recruitment (SR 0126)	Report earnings subject to exemption as Member Code 2 and Assignment Code 61
Section 24214(e) Effective: 1/1/2001 through 12/31/2007	# 2001-03 Exemption to the Earnings Limitation for Retired Members Returning to Work After a break of Twelve (12) Consecutive Months	Any member retired for service who has not performed creditable service for at least 12 consecutive months after retirement	None	Report earnings for creditable service as Member Code 2 and Assignment Code 61.
Section 24216.6 Effective: 1/1/2001	# 2001-04 Exemptions to the Earnings Limitation for Retired Members Employed to Provide Direct Remedial Instruction to Pupils in Grades 2 – 12	Any member retired for service on or before July 1, 2000, employed to provide Remedial Instruction in Grades 2 – 12 as specified	Exemption Certification for Remedial Instruction (SR 0909)	Report earnings subject to exemption as Member Code 2 and Assignment Code 61.
Section 24216(a) Effective: 7/1/95 through 12/31/2007	# 99-01 Exemption to the Earnings Limitation for a Limited-Term Appointment – fiscal advisor for a insolvent school district	Any member retired for service unless member received CalSTRS Retirement Incentive from same employer and has not been retired for one calendar year	Exemption Certification for Limited-Term Appointment/Assignment (SR 0164)	Report earnings subject to exemption as Member Code 2 and Assignment Code 61.
Section 24216(b) Effective: 7/1/95 through 12/31/2007	# 99-01 Exemption to the Earnings Limitation for Employment in an Emergency Situation	Any member retired for service unless member received CalSTRS Retirement Incentive from same employer and has not been retired for one calendar year	Exemption Certification for Emergency Employment of Retired Member (SR 0165, Parts I & II)	Report earnings subject to exemption as Member Code 2 and Assignment Code 61.