



March 19, 2003

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

FROM: EXECUTIVE OFFICE

SUBJECT: Employer Directive 2003-01
New Earnings Limitation for the 2002-03 School/Fiscal Year
for Members Retired for Service from California State Teachers' Retirement
System (CalSTRS) due to the passage of Senate Bill 1983 and
Assembly Bill 2982

PURPOSE

The purpose of this employer directive is to:

- (1) Inform employers of the increase in the post-retirement earnings limitation for the 2002-03 school/fiscal year due to the enactment of Chapter 903, Statutes of 2002 (SB 1983).
- (2) Inform employers of the change in the sunset dates for the exemption to the earnings limitation for a limited-term appointment – fiscal advisor for a fiscally insolvent school district and the exemption to the earnings limitation for employment in an emergency situation as covered by Education Code Sections 24216(a) and 24216(b) due to the enactment of Chapter 375, Statutes of 2002 (AB 2982).
- (3) Inform employers of the change in the reporting codes for retired members employed to teach Grades K-12, and Remedial Instruction in Grades 2-12.
- (4) Inform employers of the impact of the changes made by Chapter 1021, Statutes of 2000 (Assembly Bill 2700) to Education Code Section 22119 and the effect on compensation earned by retired members for creditable service performed July 1, 2002, or later.
- (5) Provide Education Code section references pertaining to members of the CalSTRS Defined Benefit (DB) Program who are retired for service and performing creditable service.

California State Teachers' Retirement System, Service Retirement Division
MS #70, P.O. Box 15275, Sacramento, CA 95851-0275
(916) 229-3870 / Toll-Free: 1-800-228-5453 / TDD: (916) 229-3541; www.calstrs.ca.gov

Securing the financial future and sustaining the trust of California's educators

- (6) Refer to exemptions from the post-retirement earnings limitation under Education Code Sections 24214(e), 24216, 24216.5 and 24216.6.

SCOPE

This directive applies to 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 2002-03 school/fiscal year is \$24,934. The earnings limitation is adjusted annually by the Teachers' Retirement Board by the percentage increase in the average earnable salary of the active members of the DB Program.

The sunset date for the exemption to the earnings limitation for a limited-term appointment as a fiscal advisor for a fiscally insolvent school district was extended from June 30, 2003, to December 31, 2007, pursuant to Section 24216(a), due to the enactment of Chapter 903. The sunset date for the exemption to the earnings limitation for employment in an emergency situation, pursuant to Section 24216(b), was extended from June 30, 2003, to December 31, 2007, due to the enactment of Chapter 375.

The post retirement earnings reporting codes for retired members employed to teach in Grades K-12 or participating in teacher preparation programs, as provided by Section 24216.5 has been changed from assignment code 63 to code 61. The post retirement earnings reporting codes for retired members employed to provide direct remedial instruction to pupils in grades 2-12 has also been changed from assignment code 63 to code 61. Now, all post retirement earnings will be reported using member code 2 and assignment code 61, as shown on the attached matrix.

Changes to the definition of the creditable compensation as a result of Chapter 1021. In addition to the compensation earned by a retired member that previously had to be reported, compensation earned by a retired member who is not eligible for an exemption, but who performs the following creditable service on or after July 1, 2002, must also be reported to CalSTRS and monitored against the post-retirement earnings limitation:

- Summer school and intersession service;
- Additional duties that meet the definition of creditable service such as school activities that are related to, or an outgrowth of, the instructional and guidance program of the school;

- Creditable service that exceeds the full-time requirement for the position; and
- Additional duties that increase the total time assigned by the employer to some, but not all, members of the class of employees where the employer does not grant release time.

Education Code Section 22119.5 specifies activities that are creditable service when performed for an employer under specified circumstances.

Education Code Section 24214(g) 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. The reduction, however, will not be more than the amount of the annual allowance.

EXAMPLE:

Mr. Smith retires receiving a gross monthly allowance of \$2,800. He returns to employment in the California public school system in September 2002. By March 2003, he has earned \$18,000 from District 1 and \$14,000 from District 2, for a total of \$32,000, which is \$7,066 in excess of the earnings limitation ($\$32,000 - 24,934 = \$7,066$). Assuming that Mr. Smith stops working at the end of March 2003, his excess earnings of \$7,066 would be collected from his gross monthly retirement allowance as follows:

	MAY 2003	JUNE 2003	JULY 2003	TOTAL
Monthly retirement allowance	\$2,800	\$2,800	\$2,800	\$8,400 Paid
Excess earnings deduction up to 100 percent of monthly allowance	-\$2,800	-\$2,800	-\$1,466	\$7,066 Collected
Allowance after deduction	\$ -0-	\$ -0-	\$1,334	\$1,334 to member

* Note the reduction in monthly allowance starts in May since the excess earnings were reported to CalSTRS in April of 2003.

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.

Members receiving disability retirement allowances are subject to a different earnings limit, and the basis for calculating it has not changed.

ACTION

The employer is required to maintain accurate records of 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.

The employer is required by Education Code Section 22461 to advise CalSTRS retired members who perform creditable service of the annual limitation on earnings for performing such service.

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

Questions regarding the post-retirement earnings limitation should be directed to the Benefit Adjustments Unit of CalSTRS at (916) 229-4664, or to our Teletalk automated system at 1(800) 228-5453. Teletalk calls are answered electronically; when a call is answered, you enter a three-digit message code to access information available to touch tone callers. To access service retirement information, use code 350. To access Earnings Limitation After Service Retirement information, use code 372.

JACK EHNES
Chief Executive Officer

Attachment



EXEMPTIONS TO THE POST-RETIREMENT EARNINGS LIMITATION

EDUCATION CODE	EMPLOYER DIRECTIVE	ELIGIBILITY	REQUIRED FORM/CERTIFICATE	REPORTING CODE
Education 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.
Education Code 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.
Education Code 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.
Education Code 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 fiscally insolvent school district	Any member retired for service unless member received Golden Handshake 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.
Education Code 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 Golden Handshake 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.