



California State Teachers'
Retirement System
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December 16, 2003

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

FROM: EXECUTIVE OFFICE

SUBJECT: EMPLOYER DIRECTIVE 2003-05
New Earnings Limitation for the 2003-04 School/Fiscal Year from Members
Retired for Service from California State Teachers' Retirement System

PURPOSE

The purpose of this employer directive is to provide information about the following:

- (1) To inform employers of the increase in the post-retirement earnings limitation for the 2003-2004 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.

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 2003-04 school/fiscal year is \$25,740. The Teachers' Retirement Board adjusts the earnings limitation each year based on the percentage increase of the average earnable salary paid to DB Program active members. (Education Code section 24214)

The code used to report post-retirement earnings for retirees teaching 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 code used to report post-retirement earnings for retired members providing 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 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 Education Code Section 22119.5.

If a retired member exceeds the post-retirement earnings limitation, Education Code 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 2004, he has earned \$18,000 from District 1 and \$14,000 from District 2, for a total of \$32,000, which is \$6,260 in excess of the earnings limitation ($\$32,000 - \$25,740 = \$6,260$). Assuming that Mr. Smith stops working at the end of March 2004, his excess earnings of \$6,260 would be collected from his gross monthly retirement benefit as follows:

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	MAY 1, 2004	JUNE 1, 2004	JULY1, 2004	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	-\$2,800	-\$660	\$6,260 Collected
Benefit after deduction	\$ -0-	\$ -0-	\$2,140	\$2,140 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 22714.5 ("Golden Handshake" or "2+2") will lose the increased retirement allowance attributable to either incentive under the following circumstances:

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

Additional information on both retirement incentives will be available in the Employer Directive due to be completed in late December 2003.

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

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.

The employer is required by Education Code 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 Education Code 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

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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. 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
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 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.