

Employer Information Circular

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Recently Enacted Legislation

In 2004, legislation was enacted that directly affects either you, as the employer, or your employees who are members or participants of benefit programs administered by CalSTRS. The purpose of this circular is to highlight those changes. In some cases, additional information will need to be provided to you in order to implement these changes and will be distributed in subsequent communications.

Teachers' Retirement Board Elections

Sections 22200, 22224, 22225

Chapter 11, Statutes of 2004 (Assembly Bill 419—Committee on Public Employment, Retirement and Social Security) makes technical changes to the laws governing elections to the Teachers' Retirement Board (Board). The bill:

- Specifies Defined Benefit (DB) Program members and Cash Balance Benefit Program participants who work in both a K-12 school district and a community college must run for the Board seat in which the member or participant accrued the most service during the prior school year;
- Establishes the length of the staggered-term Board seats will be two, three and four years and that the terms of these appointed public members would thereafter run for four years;
- Includes elected Board members in the provisions that require school districts and community college districts to grant paid leave to their employees for the time they spend serving as appointed members of the Board.

Retirement Benefits for Specified Community College Employees

Section 22115

Chapter 442, Statutes of 2004 (AB 1586—Committee on Public Employment, Retirement and Social Security) allows CalSTRS to recalculate the retirement benefits of part-time or an adult education members of the DB Program who were employed by a community college prior to July 1, 1996, and retired on or after that date, to address a possible inadvertent reduction in benefits. *More information about the employer's role in the benefit recalculation and comparison is being developed and will be distributed to employers via an employer directive.*

Partial Lump-Sum Benefit

Section 24221

Chapter 935, Statutes of 2004 (AB 1852—Mullin) eliminates the age requirement for members wishing to receive a portion of their benefit in a lump-sum payment, in exchange for a reduced monthly allowance. The amount by which the monthly allowance is reduced is based on a factor adopted by the Board.

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**Restrictions on Post-Retirement Employment
under the Retirement Incentive Program**

Sections 22714, 22714.5

Chapter 935 also changed the restrictions on post-retirement employment for members who are granted a CalSTRS Retirement Incentive by their employer under Chapter 313, Statutes of 2003 (AB 1207—Corbett). Chapter 935 clarifies the intent of the Legislature to apply the restrictions on post-retirement employment equally to K-12 school districts, county offices of education and community colleges. Members who receive a CalSTRS Retirement Incentive from a community college or county office of education employer and retire on or after January 1, 2005 are now subject to the same 5-year restriction on returning to work for the granting employer that applies to K-12 school districts. It also removes one of the restrictions that require CalSTRS members who receive a retirement incentive to wait at least one year before returning to post-retirement employment with another school district.

More information about these post-retirement employment restrictions will be distributed to employers via an employer directive. The prohibitions on reinstating to active CalSTRS membership or receiving unemployment insurance, as outlined in *Employer Directive 2003-06 Retirement Incentive Programs, dated December 30, 2003*, still apply, regardless of where the member worked prior to retirement or where the member returns to work after reinstating.

CalSTRS will monitor the earnings of retired members who have been granted either retirement incentive.

Exemptions to the Post-Retirement Earnings Limit

Sections 24216, 24216.5, 24216.6

Chapter 934, Statutes of 2004 (AB 2554—Pavley) makes changes to the post-retirement earnings limit exemptions for retired DB Program members who return to perform service in the California public school system. DB Program members who retired by January 1, 2004, and return to a K-12 school to provide either (1) direct remedial instruction or (2) direct classroom instruction are exempt from the post-retirement earnings limit. In addition, the exemption that allows retired DB Program members to return to a K-12 school is broadened to include instruction in a special education or English language learner program, and is also extended from July 1, 2005, to January 1, 2008. Furthermore, the exemption that allows retired DB Program members to return to fill a vacant administrative position is limited to two years; retired members may return to fill a vacant administrative position for a period of up to two years, after which they will be subject to the post-retirement earnings limit. *More information about the employer's role will be distributed via an employer directive.*

**Mandatory Membership in the Defined Benefit Program
for Community College Employees**

Sections 22502, 22504

Chapter 474, Statutes of 2004 (AB 3076—Mullin) changes the criteria used to determine when membership in the CalSTRS DB Program becomes mandatory for community college employees by tying it to the employee's basis of employment, instead of the amount of service performed during one single pay period. Temporary employees as defined in Section 87482.5 of the Education Code hired to perform creditable service in a public school district, county office of

education or community college are not mandated as members of the DB Program; however, they may **elect** membership in the DB Program at any time during their employment. Temporary community college employees become mandatory members of the DB Program when their basis of employment, as defined by the employer, changes to be other than temporary. *More information about the employer's role in determining mandatory membership in the DB program is being developed and will be distributed to employers via an employer directive.*

Accumulated Unused Sick Leave

Section 22121

Chapter 911, Statutes of 2004 (SB 102—Burton) permits the use of a limited amount of accumulated unused sick leave in determining eligibility for career-based benefit enhancements. Members of the CalSTRS DB Program are eligible to have up to 2/10 of one year of unused sick leave added to their total service credit to qualify for one-year final compensation, the career factor and the longevity bonus.