How the Separation-From-Service Requirement and Annual Earnings Limit Work Together

If you return to work and perform retired member activities, including substitute teaching, in the California public school system as an employee, an independent contractor or an employee of a third party during the first 180 calendar days after your most recent retirement date, your retirement benefit will be reduced dollar for dollar by the amount you earn up to your benefit amount payable during that period. The 180-day separation-from-service requirement also applies to all Cash Balance Benefit Program annuitants.

Any amount you earn in a CalSTRS-covered position during the first 180 calendar days of retirement will also count against the annual postretirement earnings limit for the fiscal year.

Example

If you retire on June 30, 2019, with an annual retirement benefit of $34,000 and return to perform retired member activities earning a total of $26,000 in the first 180 calendar days following your retirement date, your benefit would be reduced dollar for dollar up to the amount you earn for that period, approximately $17,000. CalSTRS would collect the excess earnings by withholding all of your gross monthly retirement benefit until the entire amount owed is collected in full. If you continue to work for the remainder of the school year and earn an additional $24,000, your total earnings for the year of $50,000 would exceed the 2019–20 annual postretirement earnings limit of $46,451 by $3,549. We would collect these excess earnings from you up to the amount of your annual retirement benefit of $34,000 minus the previous $17,000 reduction due to the separation-from-service requirement. In this case, we would collect an additional $3,549, for total of $20,549 of your $34,000 annual retirement benefit.

If, however, you continued to work for the remainder of the school year and earned an additional $44,000 instead of $24,000, your total earnings for the year would be $70,000 and exceed the postretirement earnings limit of $46,451 by $23,549. We would then collect excess earnings from you up to the amount of your annual retirement benefit of $34,000—$34,000 minus the initial $17,000 due to the separation-from-service requirement. In this case, we would collect an additional $17,000, for a total of $34,000—the full amount of your annual retirement benefit.
After You Retire

In this section, you’ll learn what to expect after you retire from CalSTRS.

Annual Benefit Adjustment
Under state law, you’ll receive an automatic benefit increase equal to 2 percent of your initial benefit beginning September 1 after the first anniversary of your retirement. Your retirement date must be before September 1 to receive the annual benefit adjustment on September 1 of the next year.

The amount of your adjustment will appear in your October 1 payment. Adjustments are not compounded or tied to changes in the cost of living.

Under the CalSTRS Funding Plan, the Legislature cannot reduce the 2 percent annual benefit adjustment for members who retire on or after January 1, 2014. The annual benefit adjustment for members who retired before January 1, 2014, is not contractually guaranteed—it can be reduced or eliminated by the Legislature, if economic conditions dictate. However, the Legislature has yet to reduce the annual benefit adjustment since first providing this adjustment in 1972.

Purchasing Power Protection
Your retirement benefit has additional purchasing power protection. Purchasing power is a measurement of how your retirement benefit keeps pace with inflation. For example, if your benefit stays the same but prices double, your purchasing power is only 50 percent of what it originally was.

In addition to the annual benefit adjustment, supplemental benefit payments, paid in quarterly installments, support your retirement benefit’s purchasing power. CalSTRS makes these payments to retired members and beneficiaries whose benefits have fallen below a certain level of purchasing power. The purchasing power protection level is currently set at 85 percent of your initial benefit (base allowance).

Working After Retirement Restrictions
If you return to work after service retirement and perform retired member activities in the California public school system—including substitute teaching—as an employee of a public school system, an independent contractor or an employee of a third party, there are restrictions under state and federal law that apply to you. You cannot:

- Work in a classified position except, under certain circumstances, as a teacher’s aide.
- Earn any pay without affecting your retirement benefit if you return to work before the 180-calendar day separation-from-service requirement.
- Earn more than the annual postretirement earnings limit without affecting your CalSTRS retirement benefit.

In addition, you cannot keep the additional service credit you received under the CalSTRS Retirement Incentive Program if you take any job within five years of retirement with the employer that offered the incentive.
When you retire, you will be subject to the annual postretirement earnings limit as well as the separation-from-service requirement.

Retired Defined Benefit members cannot contribute to the Cash Balance Benefit Program. All earnings are subject to the postretirement earnings limit.

**Separation-From-Service Requirement**

The separation-from-service requirement applies to all members who return to work and perform retired member activities within the California public school system as an employee, an independent contractor or an employee of a third party. Both your monthly retirement and Defined Benefit Supplement benefits will be reduced dollar for dollar by the amount that you earn in CalSTRS-covered employment, including employer contributions to tax-sheltered annuities and other tax-favored products, during the first 180 calendar days following your most recent retirement effective date, up to your benefit amount payable during that period.

There is a very narrow exemption from the separation-from-service requirement if you have reached normal retirement age, your appointment is required to fill a critically needed position, the governing body of your employer approved your appointment by resolution at a public meeting, you did not receive any financial inducement to retire, and your termination of service was not the cause of the need to acquire your services. Your employer must submit the required documentation to CalSTRS substantiating your eligibility for the exemption. CalSTRS must receive an exemption request and required documentation before you begin working.

This requirement and narrow exemption also apply to Cash Balance Benefit annuitants. For Cash Balance Benefit participants who receive their retirement benefit as a lump-sum payment, their benefit payment will not be payable until 180 calendar days after the date they terminated employment.


**Postretirement Earnings Limit**

If you return to work after meeting the separation-from-service requirement and perform retired member activities as an employee of a public school system, an independent contractor, or an employee of a third party, you can earn up to the annual postretirement earnings limit without affecting your benefit unless you work for certain third-party employers under two conditions. See "Certain Third-Party Employees Exclusion" below.

The earnings limit for fiscal year 2018–19 is $45,022; for 2019–20, the limit is $46,451. The Teachers’ Retirement Board adjusts the earnings limit annually. If your earnings from performing retired member activities, including employer contributions to tax-sheltered annuities and other tax-favored products, exceed the postretirement earnings limit, CalSTRS will withhold all of your gross monthly retirement benefits—both your monthly retirement and Defined Benefit Supplement benefits—until we collect your excess earnings in full, up to the amount of your annual retirement benefit minus any previous reduction due to the separation-from-service requirement. For example, if you earn $50,000 in the 2019–20 fiscal year, you will have exceeded the earnings limit of $46,451 by $3,549. CalSTRS will withhold $3,549 from your benefit payments, if your annual retirement benefit is $3,549 or more. If your annual retirement benefit is less than $3,549, CalSTRS will withhold the entire amount.

**Certain Third-Party Employees Exclusion**

If you work for a third-party employer that does not participate in a California public pension system, you may be excluded from both earnings limits and other postretirement employment requirements if the activities performed are not normally performed by employees of a CalSTRS employer, and the activities are performed for 24 months or less.

**Reinstating to Active Member Status**

You may choose to terminate retirement and reinstate to active membership at any time. If you re-retire within one year of reinstating, you may not make changes to your retirement option or beneficiaries. If you re-retire after one year of reinstating, you may change or cancel
your election before or at retirement, but your benefit will be subject to an assessment that may reduce your benefit for your lifetime. You may re-retire as early as one day after your reinstatement date.

**Reinstatement Process**

If you plan to reinstate to active member status, make an appointment with a CalSTRS benefits specialist to discuss important considerations, including how your future benefits may be affected. You may also request an estimate of your future benefits by sending us a secure email using your myCalSTRS account or at CalSTRS.com/contactus, or by writing to us (in your letter, include your full name, Client ID, address and telephone number). Tell us if you currently have an option or intend to elect an option before your subsequent retirement and how long you plan to be an active member again, and provide us with your estimated salary.

To reinstate to active membership, submit the Reinstatement After Retirement form, available at CalSTRS.com/forms. Your reinstatement date can be no earlier than the first day of the month in which CalSTRS receives your form. We must receive your Reinstatement After Retirement form no earlier than six months before your requested reinstatement date and no later than the last day of the month in which your reinstatement becomes effective. After we receive your request, your retirement and monthly benefit will end as of the effective date of your reinstatement. The deadline to cancel a reinstatement or change your reinstatement date is the last day of the month in which the reinstatement is effective.

**Other Important Considerations**

If you’re thinking about reinstatement, consider:

- **Disability and survivor benefits:** You must earn at least one year of service credit after the date you reinstate from service retirement before you qualify for disability or survivor benefits.

- **Retirement incentive:** If you reinstate, you’ll lose any additional service credit you may have acquired by participating in the CalSTRS Retirement Incentive Program.

- **Preretirement election of an option:** You are not eligible to file a preretirement election of an option until one year has elapsed after the date of reinstatement from service retirement. However, if you retired with an option, that option will automatically become a preretirement election when you reinstate.

- **Coverage A or B:** For most members, if you retire and then reinstate, you’ll keep the coverage you had before retirement. Under certain circumstances, if you retired under Coverage A, your coverage may change to Coverage B for survivor and disability benefits: If you retired before January 1, 1996, you’ll be under Coverage B when you reinstate; if you retired on or after January 1, 1996, you’ll be under Coverage A. You must earn at least one year of service credit after you reinstate before you qualify for disability and survivor benefits. Contact CalSTRS for information about your specific situation.

- **Separation-from-service requirement:** You’ll be subject to the separation-from-service requirement during the first 180 calendar days after your most recent retirement.

- **Discontinuing deductions for health insurance premiums:** If CalSTRS is deducting health insurance premiums from your benefit and you decide to reinstate, you’ll need to make premium payment arrangements with your health insurance carrier.

- **Discontinuing payment or deduction of Medicare premiums:** If CalSTRS is paying your Medicare Part A premiums or deducting your Medicare Part B premiums, you’ll have to pay these premiums yourself when you reinstate. To arrange payment, contact the Social Security Administration.

If you re-retire within one year of reinstatement, you must keep the same option and beneficiaries.
Security Administration at 800-772-1213. When you retire again, the CalSTRS Medicare Premium Payment Program will no longer be available to you, unless the board takes action in the future to extend the program. Currently, CalSTRS is not offering the program to members with retirement effective dates on or after July 1, 2012. Your most recent retirement date is used to determine eligibility. See also “CalSTRS Medicare Premium Payment Program,” page 53.

How Your Benefit Will Be Calculated If You Reinstate

Reinstate for Fewer Than Two Years
If you service retire with fewer than two years of new service credit since your most recent reinstatement, your new retirement benefit will be equal to the sum of both the following:

• An amount equal to the monthly benefit you were eligible to receive immediately before reinstatement, increased by the 2 percent annual benefit adjustment that would have been applied to the benefit if you had not reinstated, plus

• An amount based on service credit earned since your last reinstatement, your age at the subsequent retirement and your final compensation.

For CalSTRS 2% at 60 members: If your total service credit is 30 or more years, you may be eligible for the career factor on the service credit earned following reinstatement. If you retired with 30 years of service credit on or before December 31, 2010, and reinstate, you may be eligible for the longevity bonus upon subsequent retirement.

Example:
Ricardo first retired three years ago at age 57. At age 59, he reinstated from retirement, earned one year of service credit, and retired again at age 60. His new service retirement calculation will include his original service retirement benefit, plus three years of annual benefit adjustments:

$2,500 (original retirement benefit) + $150 (annual benefit adjustments) = $2,650

Plus an amount based on his service since reinstatement:

1 year service credit x 2% age factor x $6,000 new final compensation = $120 monthly increase

His total monthly benefit will be $2,770.

Reinstate for Two Years or More
If you service retire with two or more years of service credit after your most recent reinstatement, your monthly benefit will be equal to the total of:

• An amount based on the service credit you earned before your last retirement, an adjusted age factor and your highest final compensation, plus

• An amount based on the service credit you earned since your last reinstatement, your age at subsequent retirement and your highest final compensation.

Example:
Stacy first retired five years ago at age 58 with 20 years of service credit. At age 60, she reinstated and worked an additional three years. When she retires again at age 63, her benefit will be calculated as follows:

20 years service credit x 2.133% adjusted age factor (2.4% at age 63, minus two years of service retirement) x $6,000 new final compensation = $2,560

Plus:

3 years service credit x 2.4% age factor x $6,000 final compensation = $432

Her total monthly benefit will be $2,992.