



District Business & Advisory Services

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Bulletin: 13-023

Date: August 31, 2012

To: District Fiscal Directors

From: Joyce Shen

Re: CalSTRS Postretirement Compensation Limitations - Effective for Fiscal Year 2012-13

The purpose of this bulletin is to provide clarification of the statutory changes in California State Teachers Retirement System (CalSTRS) postretirement compensation based on Assembly Bill 178 (AB178) that was signed into law on July 17, 2012 and became effective immediately.

Background Information:

Retired CalSTRS members can return to a school agency, perform CalSTRS activities, and receive compensation up to a certain amount without having an impact on their pension benefit. There were exemptions from these earnings limitations in the past, for retirees age 60 and over, under certain circumstances; however several of these exemptions have expired.

AB178 was enacted to amend sections of California Educational Codes (EC) 24204, 24208 and 24214 where it relates to state teachers' retirement. AB178 extended some of the exemptions from the CalSTRS earnings limitations with more restrictions but eased reinstatement requirements.

The following exemptions expired as on July 1, 2012:

Exemption Type	Education Code
No creditable service performed for 12 consecutive months after retirement	24214(e)
Filling vacant administrative position in emergency situation	24216(b)
Appointment as trustee or administrator by statute or program requirement	24216(a)
Classroom instruction or teacher support	24216.5
Remedial instruction	24216.6

AB178 extended the exemptions for retirees who are working as Trustees, Administrators, or Fiscal Advisors appointed by the State Superintendent of Public Instruction, the California Community Colleges Board of Governors, or a County Superintendent of Schools, through the 2012-13 fiscal year. However, before a retired member performs any activities listed as creditable service under these exemptions, CalSTRS must receive a documentation certifying that:

- The position was advertised to active or inactive members and no qualified member was available to be appointed.
- The appointing authority made a good faith effort to hire a retired member who would reinstate.
- The salary being paid does not exceed the original advertised amount or the current salary for the position.
- The appointment ends no later than June 13, 2013.

The bill; however, does not address any other exemptions, such as for remedial instruction or filling a vacant administrative position in an emergency situation.

AB178 Tightens Restrictions for Retiree Earnings:

- The earnings limitation will be the amount equal to half of the medial final compensation of members that retired the previous year, which is increased from \$31,020 to \$40,011 for 2012-13.
- Any earnings above the limitation would cause a dollar-for-dollar reduction in the retiree's retirement allowance or the retiree would need to reinstate to active service.

AB178 eases reinstatement requirements and eliminates the requirement that a retiree who reinstates into active service wait a year before being allowed to retire again. It would prohibit the retiree from electing a different option or different set of beneficiaries if retiring within one year of reinstatement to active service.

For postretirement services performed by CalSTRS members, EC 24214 requires that the member "not make contributions to the retirement fund or accrue service credit based on compensation earned from that service." This Ed Code also requires the employer to "maintain accurate records of the earnings of the retired member and report those earnings monthly to the system and retired member as described in Section 22461."

Special Note: If you have any retirees working in your district, be sure to notify them of these provisions, and report the earnings to CalSTRS as required. The retiree, not the district, bears the risk from there.

Please distribute this memo within your District as deemed appropriate.

References:

AB178

http://leginfo.legislature.ca.gov/faces/billTextClient.xhtml;jsessionid=4c7fbf20580943956f0e16128afb?bill_id=201120120AB178

Ed Code Sections 24204, 24208, 24214

<http://www.leginfo.ca.gov/cgi-bin/displaycode?section=edc&group=24001-25000&file=24201-24221>

Ed Code Section 22461

<http://www.leginfo.ca.gov/cgi-bin/displaycode?section=edc&group=22001-23000&file=22450-22461>