



## District Business and Advisory Services

Bulletin: 23-024

Date: April 19, 2023

To: District Fiscal Directors  
District Human Resource & Payroll Personnel  
Charter School Administrators

From: Susan Ady, Director – District Business Services  
Nghia Do, Advisor - District Business Services

Re: 2023 CalPERS Updates: Governor’s Executive Order N-1-23 & 2023 Compensation Limits for Classic and PEPRA Members

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### Governor’s Executive Order N-1-23

California Public Employees’ Retirement System (CalPERS) is impacted by the Executive Order N-1-23 that was signed by Governor Gavin Newsom on January 4, 2023, to ensure adequate staffing during the state of emergency due to severe winter storms related to an atmospheric river event. The start day for the state of emergency was January 4, 2023 and the following suspensions will remain in place until the state of emergency is lifted:

- **Work Hour Limitation Exception:** Any hours worked by a retired annuitant will not count toward the 960-hour limit for the fiscal year.
- **Wait Period Exception:** The 180-day break in service requirement under Gov. Code section 7522.56(f) is suspended for retired annuitants hired during the state of emergency. In regard to Gov. Code section 7522.56(g) the 180-day wait period for retirees who accepted an incentive upon retirement is also suspended.

The county office of education (COE) and school districts must continue to enroll, and report retired annuitants to CalPERS. The director of the California Department of Human Resources (CalHR) must be notified of any individual employed pursuant to these waivers. The notification should be sent to [CAStateofEmergency@calhr.ca.gov](mailto:CAStateofEmergency@calhr.ca.gov).

For more details, please refer to CalPERS circular letter 200-11-23 dated March 21, 2023:

<https://www.calpers.ca.gov/page/employers/policies-and-procedures/circular-letters/200-011-23>

 **2023 CalPERS Compensation Limits for Classic and PEPRA Members**

CalPERS Compensation Limits	2022	2023	Changes
Classic Members	\$305,000	\$330,000	+\$25,000
PEPRA Members			
Social Security Participants	\$134,974	\$146,042	+\$11,068
Non-Social Security Participants	\$161,969	\$175,250	+\$13,281

**Notes:**

- Members with membership dates prior to July 1, 1996, are not impacted by these limits.
- The COE and school districts are responsible for monitoring when an employee meets or exceeds the limit.
- Classic and PEPRA members should not make contributions on compensation that exceed the limit for each calendar year. In addition, exclude items such as overtime, automobile allowances, and lump-sum payouts for all compensation reported.

For more details, please refer to the CalPERS circular letter 200-001-23 dated January 3, 2023:

<https://www.calpers.ca.gov/page/employers/policies-and-procedures/circular-letters/200-001-23>

*Please distribute this memo within your District as deemed appropriate.*



# 2023 Compensation Limits for Classic and PEPRA Members

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January 3, 2023

Circular Letter: 200-001-23

**Distribution: IV, V, VI, X, XII, XVI**

**To: All CalPERS Employers**

## Purpose

The purpose of this Circular Letter is to inform you of the 2023 compensation limits for classic and Public Employees' Pension Reform Act (PEPRA) members and provide guidelines for how to report payroll when Internal Revenue Code (IRC) or PEPRA limits have been reached in a calendar year. IRC section 401(a)(17) provides an annual compensation limit considered under a qualified retirement plan for some classic members. Government (Gov.) Code section 7522.10 of the PEPRA law provides the authority for the earnings limit for all PEPRA members.

You should notify all classic or PEPRA members who are subject to the compensation limit requirements.

## Compensation Limits

### Classic Members

The compensation limit for classic members for the **2023 calendar year is \$330,000**.

Employees with membership dates prior to July 1, 1996, are not impacted by these limits.

The compensation limits for classic members during calendar years 2019 through 2022 are:

2022	2021	2020	2019
\$305,000	\$290,000	\$285,000	\$280,000

## PEPRA Members

The compensation limit for PEPRA members for the 2023 calendar year is:

Year	Social Security Participants	Non-Social Security Participants
2023	\$146,042	\$175,250

The compensation limits for PEPRA members during calendar years 2019 through 2022 are:

Year	Social Security Participants	Non-Social Security Participants
2022	\$134,974	\$161,969
2021	\$128,059	\$153,671
2020	\$126,291	\$151,549
2019	\$124,180	\$149,016

## Reporting Guidelines

Compensation limits for both classic and PEPRA members do not limit the salary an employer can pay; they limit the amount of compensation that can be considered under the defined benefit plan.

For classic members, report compensation earnable to the California Public Employees' Retirement System (CalPERS); for PEPRA members, report pensionable compensation to CalPERS. For classic and PEPRA members, contributions should not be made on compensation that exceeds the limit for each calendar year. All contributions should be reported as earned and **not** when paid<sup>1</sup>. In addition, exclude items such as overtime, automobile allowances, and lump-sum payouts for all compensation reported.

You are responsible for monitoring when an employee meets or exceeds the limit. Once an employee reaches the compensation limit, you must continue reporting compensation as earned; however, employer and employee contributions should not be reported for the remaining calendar year. myCalPERS will track classic and PEPRA member earnings over multiple CalPERS contracting agencies. Therefore, if a member is hired in the middle of the year from another CalPERS agency, myCalPERS will notify the current employer when the member

reaches or exceeds the compensation limit. Monitoring and contribution reporting begin on January 1 of the calendar year. The end date of the payroll earned period determines which calendar year the period falls.

Federal law does not permit CalPERS to refund over-reported contributions to an active CalPERS member. You must report these adjustments and refund the money to the employee once the adjustments have posted.

## Impact on Final Compensation

For classic members, final compensation is the highest average annual compensation earnable for a 12- or 36-consecutive month employment period, depending on your contract.

Classic members' retirement allowances are subject to final compensation limits under IRC section 401(a)(17). The calculation of each 12-month period will be subject to the annual compensation limit in effect for the calendar year in which the 12-month period begins. If final compensation exceeds 12 months, each 12-month period is calculated based on the applicable annual compensation limit for that 12-month period.

For PEPRA members, final compensation is the average annual pensionable compensation for a 36-consecutive month employment period.

PEPRA members' retirement allowances are subject to pensionable compensation limits under Gov. Code section 7522.10. The pensionable compensation limit — used to calculate final compensation — is calculated based on the limit in effect for each calendar year and the number of days per year included in the final compensation period.

## Online Training & Resources

The myCalPERS Payroll: Reporting Earnings Over the Compensation Limit online class is available for employers. This class provides instruction on how to report payroll information when the compensation limit has been reached. To enroll in the class, log in to your myCalPERS [🔗](#) account and select the **Education** tab.

The Reported Compensation by Calendar Year Cognos reports can be used to identify and track employees nearing the compensation limits.

# Questions

If you have any questions, call our CalPERS Customer Contact Center at **888 CalPERS** (or **888-225-7377**).

Renee Ostrander, Chief  
Employer Account Management Division

<sup>1</sup>Pursuant to Gov. Code section 20630, when compensation is reported to the board, the employer shall identify the pay period in which the compensation was earned regardless of when reported or paid.

Updated: April 3, 2023



# Governor's Executive Order N-1-23

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March 21, 2023

Circular Letter: 200-011-23

**Distribution: IV**

**To: All California State Agencies**

## Purpose

The purpose of this Circular Letter is to inform you of the impact of Executive Order N-1-23 (PDF) [↗](#) on California Public Employees' Retirement System (CalPERS) retirees employed as retired annuitants with a California State agency or department with an assigned response and/or recovery role.

## Background

On January 4, 2023, Governor Gavin Newsom issued Executive Order N-1-23 due to severe winter storms related to an atmospheric river event beginning on December 24, 2022. Under this new executive order, the governor included the suspension of some requirements of Government Code (Gov.) sections 21220, 21224(a), and 7522.56(b), (d), (f), and (g) of the Public Employees' Retirement Law (PERL).

## Work Hour Limitation Exceptions

The limitation that a retiree may only work 960 hours per fiscal year per Gov. Code sections 7522.56(d) and 21224(a) is suspended for retired annuitants employed with a California State agency or department with an assigned response and/or recovery role. Any hours worked by a retired annuitant to ensure adequate staffing during the state of emergency will not count toward the 960-hour limit for the fiscal year.

# Wait Period Exceptions

Under this executive order, the 180-day break in service requirement under Gov. Code section 7522.56(f) is suspended for retired annuitants hired to ensure adequate staffing during the state of emergency. Gov. Code section 7522.56(g) regarding the 180-day wait period for retirees who accepted an incentive upon retirement is also suspended.

In addition, under the California Code of Regulations section 586.2(c), when the governor declares a state of emergency retirees are exempt from the 60-day bona fide separation in service requirement under Gov. Code section 21220.5. However, be aware that the prohibition under subdivision (a)(1) of CCR section 586.2 of any predetermined agreement between an employer and an impending retiree who has not attained normal retirement age, continues to remain in effect, consistent with federal law.

## Timeline

The start date for the state of emergency was January 4, 2023. The suspension of the retired annuitant work hour limitation and wait period exceptions will remain in place until the state of emergency is lifted.

## Continued Compliance

Agencies must continue to enroll, and report retired annuitants to CalPERS. The remaining working after retirement provisions in Gov. Code sections 7522.56(d) and 21224(a) will continue to apply:

- Compensation for the appointment shall not exceed the maximum monthly base salary paid to other employees performing comparable duties as listed on a publicly available pay schedule divided by 173.333 to equal an hourly rate.
- A retired annuitant shall not receive any benefit, incentive, compensation in lieu of benefits, or other form of compensation in addition to the hourly pay rate.

The executive order applies to work performed by a retired annuitant to ensure adequate staffing during the state of emergency. The director of the California Department of Human Resources (CalHR) must be notified of any individual employed pursuant to these waivers. Notification should be sent to [CAStateofEmergency@calhr.ca.gov](mailto:CAStateofEmergency@calhr.ca.gov).

CalPERS will send communication to confirm receipt of notification from CalHR that a retiree's post retirement employment is covered under this order. CalPERS will continue to monitor post retirement employment for all retired annuitants to ensure compliance with the PERL.



# Questions

If you have any questions, contact the CalPERS Customer Contact Center at **888 CalPERS** (or **888-225-7377** ).

Renee Ostrander, Chief  
Employer Account Management Division

Updated: March 21, 2023