

## Working After Retirement

The postretirement earnings limit imposed on retired CalSTRS members has changed with the approval of Assembly Bill 178 on July 17, 2012. The new law increases the limit, extends and expands for one year a very narrow exemption from that limit and excludes employees of a third party from the limit and related provisions under limited circumstances. It also allows retired members to reinstate and re-retire within the same year. **There are no other exemptions to the earnings limit;** all previous exemptions ended July 1, 2012, under prior law.

### Postretirement Earnings Limit

Beginning July 1, 2012, the limit increases from \$31,020 to \$40,011 for the 2012–13 fiscal year. The new postretirement earnings limit formula is based on one-half of the median final compensation for recently retired members instead of what was approximately one-half the average annual salaries of all active members.

Retired members who exceed the limit will have their retirement earnings reduced dollar for dollar for any amount earned in excess of the limit up to their annual benefit amount.

#### Example

If you return to CalSTRS-covered employment during the 2012–13 fiscal year and earn a total of \$80,000, you exceed the earnings limit of \$40,011 by \$39,989. CalSTRS will reduce your retirement benefit by up to \$39,989. However, if your annual retirement benefit is \$38,000, CalSTRS will only collect \$38,000 of your excess earnings.

There is no change to the separation from service requirement applicable to members under age 60 in the first six months after their most recent retirement or until they reach age 60, whichever comes first. Members who retire and return to work in CalSTRS-covered

employment will have their retirement benefit reduced dollar for dollar, up to their annual benefit amount, for any compensation earned.

### Reinstatement and Re-retirement

You may also terminate your retirement and continue working with no earnings limitations. If you do so, you may accrue additional retirement benefits. Upon reinstatement from Service Retirement, members no longer need to wait one year to re-retire. Beginning July 17, 2012, members who terminate their retirement and are reinstated may now re-retire within the same year. However, reinstating members must keep the same retirement option, beneficiaries or unmodified benefit for one year.

CalSTRS encourages you to meet with a CalSTRS benefits counselor before you decide to terminate your retirement and return to active membership.

### Earnings Options

You can continue to receive your full CalSTRS retirement benefit, with no earnings limit, if you take a job outside of CalSTRS-covered employment. You may be subject to additional earnings limitations if you belong to another public retirement system and depending upon the type of work you perform.

### Exclusion When Working for a Third Party

Retired members employed by a third-party employer contracted to work with, or performing services for, a school district employer are excluded from the postretirement earnings limit and related provisions, provided they meet the following criteria:

- The activities performed are on a limited-term basis,
- The retired member is employed by a third-party employer does not participate in a California public pension system, and
- The activities performed are not normally performed by other employees of the school district employer.

### Exemption When Working In Distressed Schools

For the 12 months beginning July 1, 2012, an existing exemption previously available for specific, statutory appointments made by the State Superintendent of Public Instruction, the State Board of Education or a county superintendent of schools is extended and a similar exemption for appointment for specific statutory reasons by the Board of Governors of the California Community Colleges is established to assist schools that are in financial or academic distress as follows:

- Appointment by the State Superintendent as a trustee for a school district that has received an emergency apportionment. (Education Code §41320.1.)
- Appointment by a county superintendent as a fiscal adviser or fiscal expert for a school district that must revise its budget or that may or will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year(s). (Education Code §42127, 42127.6.)
- Appointment by the State Board of Education as a trustee or a receiver for a local educational agency that has been identified for corrective action under the federal No Child Left Behind Act of 2001. (Education Code §52055.57.)
- Appointment by the Board of Governors as a special trustee for a community college district that fails to achieve fiscal stability or that fails to comply with Board of Governors recommendations. (Education Code §84040.)

Before a retired member performs any activities listed as creditable service under these exemptions, the appointing authority must submit documentation to CalSTRS to substantiate the retired member's eligibility for the exemption.

The eligibility documentation must include certification that:

- The position was advertised to active or inactive members and no qualified person 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 what was advertised or is currently paid for that position.
- The appointment terminates no later than June 30, 2013.

### Earnings Reports

Employers must report retiree earnings to CalSTRS no later than 45 days after the end of the pay period. CalSTRS sends two letters reminding retired members how close they are to the earnings limit. However, retirees should also track their earnings to prevent exceeding the limit. If members exceed the earnings limit, CalSTRS sends a letter informing them of the excess earnings deductions from their retirement benefit.