

Sick Leave Adjustment

- The Sick Leave Can Be Adjusted By Inflating the Leave Balance
- Employee Has A Balance of 16 Days Of Sick Leave
- 16 Days Divided By 56% = 29 Days Of Adjusted Sick Leave to track
- See Calculation Worksheet Form – Page 31



State Retirement Issues SECTION 8



Which System?

Position Requires
Credential
Permit
Certificate

STRS



Examples:
Teachers
Administrators
Nurses
Psychologist

Non credential
Position meets
PERS
Qualification

PERS



Examples:
Bus Drivers
Office staff
Instructional Aid

Non Credential
Position
Does not meet
PERS/STRS
Requirements

Alternate Retirement
Or
Social Security



Examples: Part time
Employees Hired for less
Than 20 hours




PERS/STRS Retirement Systems

Defined Benefit Plan (DB) – promised benefit based on the following factors

Formula using


1. Age at time of retirement
2. Years of Service
3. Final Compensation level based on retirement tier

Note: DB plan is different than Defined Contribution (DC) plans like 457 (b) and 403(b) Plans




Retirement Contributions

- **Member Contributions**
 - CalSTRS
 - 2% @ 60 10.25%
 - 2% @ 62 9.205% (PEPRA)
 - DBS 8%
- CalPERS
- Classic Members 7%
- New Members 6.5% (PEPRA)



Retirement Contributions

- **District Contributions**
 - 14.43% for STRS
 - 14.43% for STRS Reduced Workload
 - 8.25% for DBS
- 15.531% for PERS
- PERS rate changes every fiscal year based on Actuarial assessment – PERS rate is a employer pool rate



CalSTRS COMPENSATION CAP

Section 401(a)(17) of the IRC provides earnings limits on annual compensation for some 2% at 60.

For 2017-2018 the CalSTRS Compensation Cap for CalSTRS 2% at 60 Members who became a CalSTRS DB member or CB participant on or after July 1, 1996-Employee portion only is \$270,000.00



CalSTRS COMPENSATION CAP

Compensation Cap for CalSTRS 2% at 62-Employee portion only

- Chapter 296 added section 7522.10 to the Government Code, which establishes a limit on compensation used to calculate benefits for CalSTRS 2% at 62, including compensation credited to the DBS Program. For CalSTRS 2% at 62, the cap on compensation is equal to 120 percent of the 2013 Social Security wage base and will be adjusted annually based on changes to the Consumer Price Index for All Urban Consumers.
- From July 1, 2017 to June 30, 2018, the compensation cap for CalSTRS 2% at 62 is \$143,082.



CalSTRS Membership Qualifications

As of January 1, 2013 under the Public Employees' Pension Reform Act of 2013 (PEPRA) employees who performed creditable service for CalSTRS prior to 1/1/2013 are considered 2% at 60 and employees who performed creditable service for CalSTRS after 1/1/2013 are considered 2% at 62.


- **Full-Time 100% Contract** Qualifies Immediately at Start of Contract
- **Part-Time 50%-99%** Qualifies 2nd Pay Period from Hire
- **Substitute-Long Term/Daily/Hourly**
 - Qualifies After 100 Days/600 Hrs.
 - Qualifies 1st of Following Pay Period
 - Qualifies With A Single District



CalSTRS Membership Qualifications

- Ed Code 22504
- Employed to Provide Creditable Service on a part time basis
 - Qualifies After 60 Hours/10 Days
 - Qualifies First of Following Pay Period
 - Qualifies With A Single District

If Funds are on deposit with STRS from previous employment – Compulsory membership regardless of the type of employment less than half time*



CalSTRS Membership Qualifications

- [Retirement Qualification Rules](#) – page 9



CalSTRS Membership Qualifications

- Permissive Election
 - Effective the Pay Period Following the Employee’s Signature. (effective 1/1/17)
 - Due to CalSTRS Within 30 Days from Employee’s Signature. (effective 1/1/17)
 - **Use ES 350 Form for Election**



Qualifying Elections

- CalSTRS Member Qualifying for Classified Position
 - 60 Days to Elect to stay in STRS
 - CalPERS member Qualifying for a Certificated Position
 - 60 Days to Elect to stay in CalPERS
- **USE FORM ES-372 FOR ELECTION**



Form ES 372 “Right to Elections”

- Education Code 22509 Districts are required to ensure that employees have been given the form within 10 working days of hire.
- It is recommended that districts retain the written acknowledgement from employees that they have been advised and given Form 372.
 - This has been a common audit finding by CalSTRS.
 - Due to Retirement Systems Within 30 Days from Employee’s Signature (effective 1/1/17)




Certificated Retirement Scenarios

- For examples see various Certificated Retirement Scenarios Section 8 / Pages 11 through 16




**STRS Creditable Compensation
Education Code Section 22119.5**

- Contributions on service in excess of one year will be creditable to the Define Benefit Supplemental (DBS) program and not used in the calculation of compensation earnable for final compensation purposes.
- Non Creditable Compensation if:
 - Position is not eligible for state apportionment **and**
 - Position does not require credential, certificate or permit from the Commission on Teacher Credentialing (CTC) **or**
 - Is not activities related to, and an outgrowth of the instructional and guidance program of CA Public Schools when performed for the same employer for which the member is performing creditable service.
 - Position does not meet community college standards




**STRS Creditable Compensation
CA Code of Regulations 27401**

- Possession or Attainment of a Certificate, License, Special Credential or Advanced Degree
- Career or Service Longevity
- Hiring, Transfer or Retirement (incentive)
- Employment in a Position that is Hazardous or Difficult to Staff
- Employment in an Assignment in which the Number of Students Enrolled Exceeds the Contractual Amount.
- Achievement of a Performance Benchmark
- Compensation that is paid Contingent upon Availability of Funds.




**STRS Creditable Compensation
CA Code of Regulations 27401**

- Remuneration That is Paid in Addition to Salary
 - Paid in Cash in Accordance with Publicly Available Written Agreement
 - Not Associated with the Performance of Additional Service
 - Paid to entire Class of Employees
 - In the same dollar amount, same percentage of salary or same percentage of amount being distributed




STRS Creditable Compensation
CA Code of Regulations 27401

- Remuneration in addition to Salary Does Not Include the Following:
 - Cash paid by an employer to an employee who receives cash in lieu of a fringe benefit, or cash in lieu of an expense paid or reimbursed by the employer
 - Cash paid by an employer on behalf of an employee for a fringe benefit, expense or reimbursement
 - Cash paid by an employer to an employee that is the remainder from money allocated for fringe benefits or expenses that are paid by the employer



STRS Creditable Compensation
Education Code Section 22119.3


- Creditable Compensation for members who are subject to the California Public Employees' Pension Reform Act of 2013
 - Remuneration that is paid **Each Pay Period** in which **Creditable Service is Performed for That Position**
 - Shall be paid in Cash by an employer to All Persons in the same class in accordance with a publicly available written contractual agreement.....
 - Does **Not** include any One-Time or Ad Hoc Payments made to a member



STRS Service Credit

- STRS service credit is calculated by STRS by dividing earnings by Pay Rates of pay lines reported as code "01" and "03"

Pay Rate: \$3000.00 Earnings: \$3000.00
 Service dates: 3/1/2017 – 3/31/2017
 Service Credit = $\$3000/\$3000 = 1 \text{ Month}$



CalSTRS and Temp Agency/ 3rd Party Work

- Earnings that are subject to Creditable Compensation are Required to be Reported if Retired from CalSTRS
- Earnings Limit is Applicable for this work



CalPERS Membership

Qualify If:

As of January 1, 2013 under the Public Employees' Pension Reform Act of 2013 (PEPRA) employees who were members of CalPERS or a reciprocal system prior to 1/1/2013 are considered Classic Members and employees who become members of CalPERS for the first time after 1/1/2013 are considered New Members.

- Permanent Full-Time (40 hours per week)
- Part-Time averaging at least 20 hours per week, for at last one year
- Full-time for a temporary appointment in excess of 6 months
- Currently a member of CalPERS- including membership established with another CalPERS agency



CalPERS Membership

- **CLASSIC VS. PEPRA NEW MEMBER SCHOOL SCENARIOS** – see attachment at the end of chapter.



CalPERS Membership

- Temporary, seasonal, on call, emergency, substitute, or irregular basis
 - Qualifies When Worked 1000 Hours or 125 days in a Fiscal Year
 - Overtime Hours Are Included for Qualifying Purposes
 - Work for All Divisions within the County are included for Qualifying Purposes
 - If they qualify in June enroll in membership



CalPERS and Temp Agency Work-Cir 200-065-14

- Temporary employees hired through a staffing or 3rd party agency and you have the right to control and direct their daily duties.
- Must Monitor for Membership Qualifications
- Report Earnings Based on a Publicly Available Salary Schedule for Members and Retired Annuitants
- Time Worked is Eligible for Purchase as Service Prior to Membership
- These employees are most likely considered employees of your agency and must be treated as if they were directly hired by your agency



CalPERS Membership-Reciprocity

Member Reciprocal Self-Certification Form (PERS-CASD-801)

This form is for employers to use to identify if new employees are classic members due to reciprocity. Employers need to properly identify the status of members at the time of hire.

See attached Circular Letter 200-063-12



CalPERS Membership-Reciprocity

- Reciprocity is an agreement among California Public Retirement Systems to allow members to move from one public employer to another within a specific time limit without losing some valuable retirement and related benefit rights.
- There is no transfer of funds or service credit between retirement systems when an employee establishes reciprocity. They become a member of both systems and are subject to the membership and benefit obligations and rights of each system (for example, minimum retirement age may vary between systems).
- Employees must retire on the same date from each public retirement system participating in a reciprocal agreement for all benefits of reciprocity to apply. Employees will receive a retirement check from both systems when they retire.
- Both systems will use the highest compensation earnable under any system in computing final compensation if retirement from all systems is concurrent.



CalPERS Membership-Reciprocity

- As a result of PEPPRA, effective January 1, 2013, CalPERS will consider movement between California Public Retirement Systems that are subject to reciprocity when they determine which benefit formula applies to our employees and they may be a Classic Member 2% @ 55 instead of a New Member 2% @ 62. This does not apply to CalSTRS.
- When an employee is hired into a CalPERS covered position they need to be asked if they are a member of another California Public Retirement System.
- There is no reciprocity established between CalPERS and CalSTRS, but there is an agreement with CalSTRS to provide similar benefits.
- For more information see CalPERS Publication 15, When You Change Retirement Systems




CalPERS Membership Exclusions

- Independent Contractors
- Elected or appointed officers (effective July 1, 1994)
- Students employed by a school district they attend in a position established for students only




CalPERS Compensation

- Pay Rate - a member's normal monthly rate of pay or base pay.
 - Report as earned according to the job classification,
 - Must be reflected in a publicly available pay schedule or bargaining unit agreement.



CalPERS Compensation


- Requirement For a Publicly Available Pay Schedule (CCR 570.5)
 - Has been duly approved and adopted by the employer's governing body in accordance with requirements of applicable public meeting laws.
 - Identifies the position title for every employee position
 - Shows the pay rate for each position
 - Indicates the time base for each pay rate
 - Indicates an effective date and date of any revisions
 - Schedule is publicly available and does not reference another document
 - Retained for 5 years



CalPERS Compensation Cap

Section 401(a)(17) of the IRC provides earnings limits on annual compensation for some 2% at 55 CalPERS Members.

The compensation cap for CalPERS Classic Members who became a CalPERS DB participant on or after July 1, 1996-Employee portion only is \$275,000.00.



CalPERS Compensation Cap

Compensation Cap for CalPERS New Members- Employee portion only


For New Members who participate in Social Security, compensation is capped at the Social Security Wage Base. For 2018 the compensation cap is \$121,388.

For New Members who do not participate in Social Security, compensation is capped at 120% of the Social Security Wage Base. For 2018 the compensation cap is \$145,666.




CalPERS Special Compensation

- Special Compensation – Additional pay that an employee receives for special skills or knowledge.
 - Limited to what is indicated by a labor policy or agreement to similarly situated members of a group or class of employment.
 - Reported in addition to and separately from pay rate.
 - Reported in Pay Periods when earned.




**Reportable Special Compensation
Cal. Code of Regulations 571 (a)**

- Incentive pay – includes bonus pay and longevity
- Educational pay – includes educational incentive pay but not cost of tuition, books, or registrations
- Premium/Temporary Upgrade pay (only applies to Classic Members)- includes working out of class pay



Reportable Special Compensation
Cal. Code of Regulations 571 (a)

- Holiday Pay- when employees are required to work during scheduled holidays and paid over and above the normal salary.



Reportable Special Compensation
Cal. Code of Regulations 571 (a)

- Uniform Allowances (only applies to Classic Members) - Compensation paid or reimbursed for the monetary value of purchasing, renting and maintaining required clothing
 - Clothing must be a substitute for personal attire clothing (per IRS definition)
 - Excludes items considered safety equipment such as protective vests, pistols, bullets, and steel-toed boots



Non-Reportable Compensation

- Automobile Allowance
- Overtime
- Cafeteria Plans



Reporting CalPERS Overtime
Government Code 20635.1

- Circular Letter #200-211-05 "Proper Reporting of Overtime Pay Rates for School Members"
- Employees paid "overtime" rates for hours between "full-time" and 40 hours/week
 - Report "straight-time" rate
 - Report "straight-time" earnings



CalPERS Service Credit

- A member in **full-time** employment will be credited one year of service credit
 - 10 Months of Work
 - 215 Days of Work
 - 1,720 Hours of Work in fiscal year
- SERVICE CREDIT= EARNINGS ÷ PAYRATE FOR EACH SERVICE PERIOD



ANY QUESTIONS ?



The End



The following instructions are to assist you and your employer in completing the *Retirement System Election form* (ES 0372). Please read the instructions and information for retirement system coverage before completing the form. Please type or print legibly in dark ink.

INFORMATION

A member of the CalSTRS Defined Benefit Program who becomes employed by a school district, a community college district, a county superintendent of schools, limited state departments, or the California Community Colleges Board of Governors to perform service that requires membership in a different public retirement system, may elect to receive credit under the CalSTRS Defined Benefit Program for such service by completing a *Retirement System Election form* (ES 0372) within 60 days after the hire date requiring membership in the other system, and CalSTRS must receive the completed form within 60 days of the signature date. If the CalSTRS member does not elect to continue as a member of CalSTRS, all service subject to coverage by the other public retirement system will be reported to that retirement system. (Education Code sections 22508, 22508.5 and 22509)

A member of CalPERS who was employed by a school employer, Board of Governors of the California Community Colleges, or State Department of Education within 120 days before the member's date of hire, or who has at least five years of CalPERS credited service, and who accepts employment to perform creditable service that requires membership by the CalSTRS Defined Benefit Program, may elect to receive credit under CalPERS for such service by submitting a *Retirement System Election form* (ES 0372) to CalPERS, within 60 days after the hire date of employment requiring membership in CalSTRS. If the CalPERS member does not elect to continue as a member of CalPERS, all CalSTRS creditable service will be reported to CalSTRS. (Government Code section 20309).

Education Code section 22509 requires that within 10 working days of hire, an employer must provide all employees who have the right to make this election with the information regarding their election rights and must make available written information about the retirement systems to assist the employee in making an election.

SECTION 1: MEMBER INFORMATION AND ELECTION

Section 1 must be completed by the employee with assistance from the employer. Please complete all entries in Section 1.

EMPLOYEE NAME and SOCIAL SECURITY NUMBER – Enter employee's full name, and full Social Security Number.

RETIREMENT SYSTEM COVERAGE:

If you are a member of CalSTRS and have accepted employment to perform service that requires membership in a different public retirement system, mark the box next to the coverage you elect.

If you are a member of CalPERS and have accepted employment to perform service that requires membership in CalSTRS, mark the box next to the coverage you elect.

EMPLOYEE SIGNATURE – Sign and date the form. By signing this document, you certify that you have received information from your employer regarding your right to the Retirement System Election. You also certify that you understand this election is irrevocable, and that it is a crime to fail to disclose a material fact or to make any knowingly false material statements for the purpose of altering a benefit administered by CalSTRS which may result in up to one year in jail and a fine of up to \$5,000. (Education Code section 22010)

Submit the signed and dated *Retirement System Election form* (ES 0372) to your employer. Retain a copy for your records.

For general membership information, contact CalSTRS by calling 800-228-5453, or write to CalSTRS at P.O. Box 15275, MS 17, Sacramento, CA 95851-0275.

SECTION 2: EMPLOYER CERTIFICATION

Section 2 must be completed by the employer and the County Office of Education. Please complete the employer certification only after the employee has completed Section 1. Employees must qualify for membership before they can retirement system elect.

EMPLOYER:

POSITION HIRE DATE – Enter the date the employee was hired in the position.

POSITION EFFECTIVE DATE – Enter the first date that service was/will be performed by the employee in the new position.

POSITION TITLE – Enter employee's new position title and check the box next to the applicable position type.

CO/DIST CODE/STATE DEPARTMENT – Enter the appropriate county and district codes. Example: Kern

County, Edison Elementary would be 15-012, and CA Department of Education would be 59-174.

EMPLOYER CERTIFICATION – Print school or state official's name, title and phone number, and sign and date the form.

Submit the completed form to the County Office of Education.

If you represent a state department, submit the form directly to CalSTRS and retain a copy of the employee's signed election form.

COUNTY OFFICE OF EDUCATION:

Print the County official's name, title and phone number, and sign and date the form.

Retain a copy for your and the employee's files.

SUBMIT THE FORM:

The *Retirement System Election* form (ES 0372) must be submitted to the retirement system elected by the employee. For additional requirements, please see the Information section.

Mail completed forms to:

CalSTRS
P.O. Box 15275, MS 17
Sacramento, CA 95851-0275

CalPERS
P.O. Box 942709 Sacramento, CA 94229-2709

CalSTRS also accepts the form by secure messaging via the Secure Employer Website.

Retirement System Election

ES 0372 REV 06/21

[For CalSTRS' Official Use Only]



California State Teachers' Retirement System
P.O. Box 15275, MS 17
Sacramento, CA 95851-0275
800-228-5453
CalSTRS.com

RETIREMENT SYSTEM ELECTION AND ACKNOWLEDGEMENT OF RECEIPT OF RETIREMENT SYSTEM INFORMATION

Please read the attached information and instructions before completing this form. Please type or print legibly in dark ink.

SECTION 1: Member Information and Election (to be completed by employee)

NAME (LAST, FIRST, MIDDLE INITIAL)	SOCIAL SECURITY NUMBER
------------------------------------	------------------------

A member of **CalSTRS** who becomes employed in a new position by the same or a different school district, a community college district, a county superintendent of schools, limited state employment or the Board of Governors of the California Community Colleges, as defined in Education Code sections 22508 and 22508.5, to perform service that *requires* membership in a different public retirement system will have that service credited with that other public retirement system unless the member files a written election (within 60 days after the date of hire) to have that service covered by CalSTRS, pursuant to Education Code section 22508(a) or 22508.5(a).

I am a member of CalSTRS who has accepted employment to perform service that *requires* membership in a different public retirement system and am eligible to elect to continue retirement system coverage under CalSTRS.

- I elect coverage in: (please choose one)
- CA State Teachers' Retirement System (CalSTRS)
 - CA Public Employee's Retirement System (CalPERS) *
 - A Different Public Retirement System identified here: _____

OR

A member of **CalPERS** who was employed by a school employer, Board of Governors of the California Community Colleges or State Department of Education within 120 days before the member's date of hire, or who has at least five years of CalPERS credited service, as defined in Government Code section 20309, and who is subsequently employed to perform creditable service that requires membership in the Defined Benefit Program of CalSTRS, will have that service credited with CalSTRS unless the member files a written election (within 60 days after the date of hire) to have the service credited with CalPERS, pursuant to Government Code section 20309.

I am a member of CalPERS who has accepted employment to perform service that requires membership in the CalSTRS Defined Benefit Program and am eligible to elect to continue coverage under CalPERS.

- I elect coverage in: (please choose one)
- CA State Teachers' Retirement System (CalSTRS)
 - CA Public Employee's Retirement System (CalPERS) *



With my signature below, I certify that I have received information from my employer regarding my eligibility to elect membership for this position as described on this form. I fully understand that this election is irrevocable. I understand it is a crime to fail to disclose a material fact or to make any knowingly false material statements for the purpose of altering or receiving a benefit administered by CalSTRS and it may result in up to one year in jail and/or a fine of up to \$5,000 pursuant to Education Code section 22010.

EMPLOYEE SIGNATURE

DATE

SECTION 2: Employer Certification (to be completed by employer and County Office of Education)

With my signature below, I certify that I have provided information to the above employee regarding his/her eligibility to elect membership for this position, pursuant to Education Code section 22509. I certify the employee meets the qualifications to make a retirement system election, pursuant to Education Code sections 22508 or 22508.5, or Government Code section 20309.

EMPLOYEE POSITION INFORMATION:

POSITION HIRE DATE

POSITION EFFECTIVE DATE

POSITION TITLE

SELECT ONE:

CREDENTIALLED

CLASSIFIED

STATE SERVICE

EMPLOYER INFORMATION:

CO/DIST/STATE DEPT NAME

CALSTRS REPORT UNIT CODE

SCHOOL/STATE OFFICIAL'S NAME

TITLE

PHONE NUMBER

SIGNATURE OF SCHOOL/STATE OFFICIAL

DATE

COUNTY OFFICIAL'S NAME

TITLE

PHONE NUMBER

SIGNATURE OF COUNTY OFFICIAL

*CALPERS EMPLOYER CODE

Hiring a CalPERS Retiree

Government Code Section 21224

- CalPERS retirees can be hired by the district if the retiree has the skills needed to perform work of limited duration or the employment is needed to prevent stoppage of public business.
- May be employed up to 960 hours per fiscal year for employment with all CalPERS employers combined. CalPERS considers it the equal responsibility of both the employer and retiree to ensure the retiree does not work more than 960 hours per fiscal year.
- The pay rate the retiree receives is within the pay rate range paid to other employees performing comparable duties as listed on the employer's publically available pay schedule.
- In addition to Pay Rate, the retiree cannot receive any benefit, incentive, compensation in lieu of benefits, or other form of compensation in addition to the hourly rate.



Hiring a CalPERS Retiree

- No retirement contributions are collected or paid for employed retirees.
- All retirees hired as retired annuitants must be enrolled and their payroll reported to CalPERS.
- **Note:** A retiree can be appointed once as an interim employee to a vacant position during the recruitment for a permanent replacement. The recruitment must be "opened" and in place before the retiree is appointed. All other retired annuitant requirements apply to interim appointments.



Hiring a CalPERS Retiree

- If the retiree is under "normal retirement age" at retirement, employment with a CalPERS employer is not allowed, even if an exception to the 180 day wait period applies, unless:
 - There must be no agreement to return to work between the member and the CalPERS employer prior to retirement and
 - There is a bona fide break in service of 60 calendar days between the retirement date and the date the retiree's employment will begin
- **All CalPERS members who retire January 1, 2013 or later must serve a 180 days wait period between the retirement date and the first day of post retirement employment. There are certain exceptions to this wait period requirement.**



Hiring a CalPERS Retiree

Termination of Retirement for Unlawful Employment

- Current Law Requires Reinstatement from Retirement, i.e., Termination of Retirement for ANY Violation, Minor or Major.
 - Retiree and Employer share Equal Responsibility in Preventing Violations.



Hiring a CalPERS Retiree

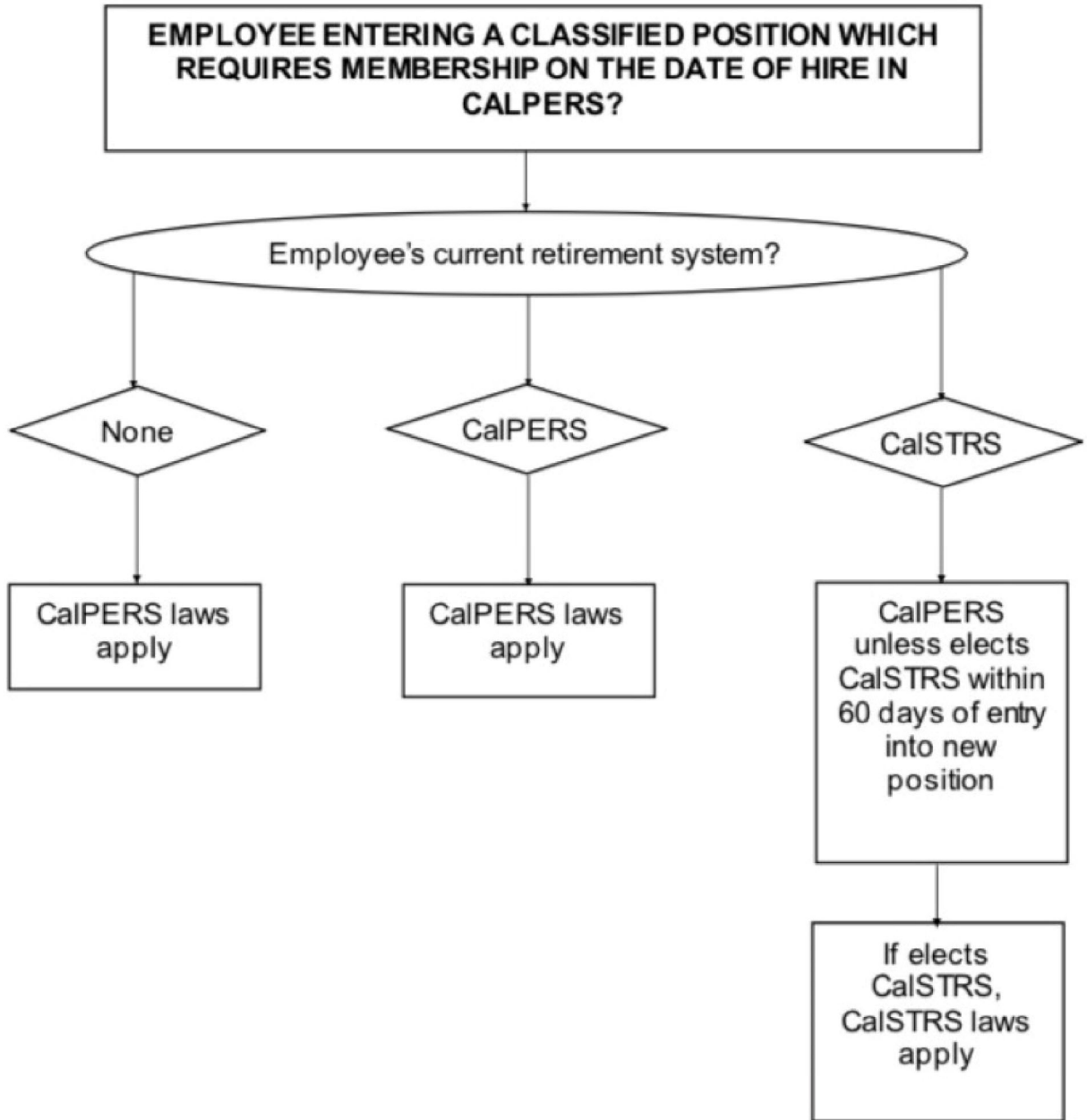
- CalPERS Retirees can be Employed in Other Public Retirement Systems Without Termination of Retirement, Including CalSTRS Certificated (Teaching) Positions
 - No Appointment in My|CalPERS
 - No Reporting Hours to CalPERS
 - No 180 Day Wait Period



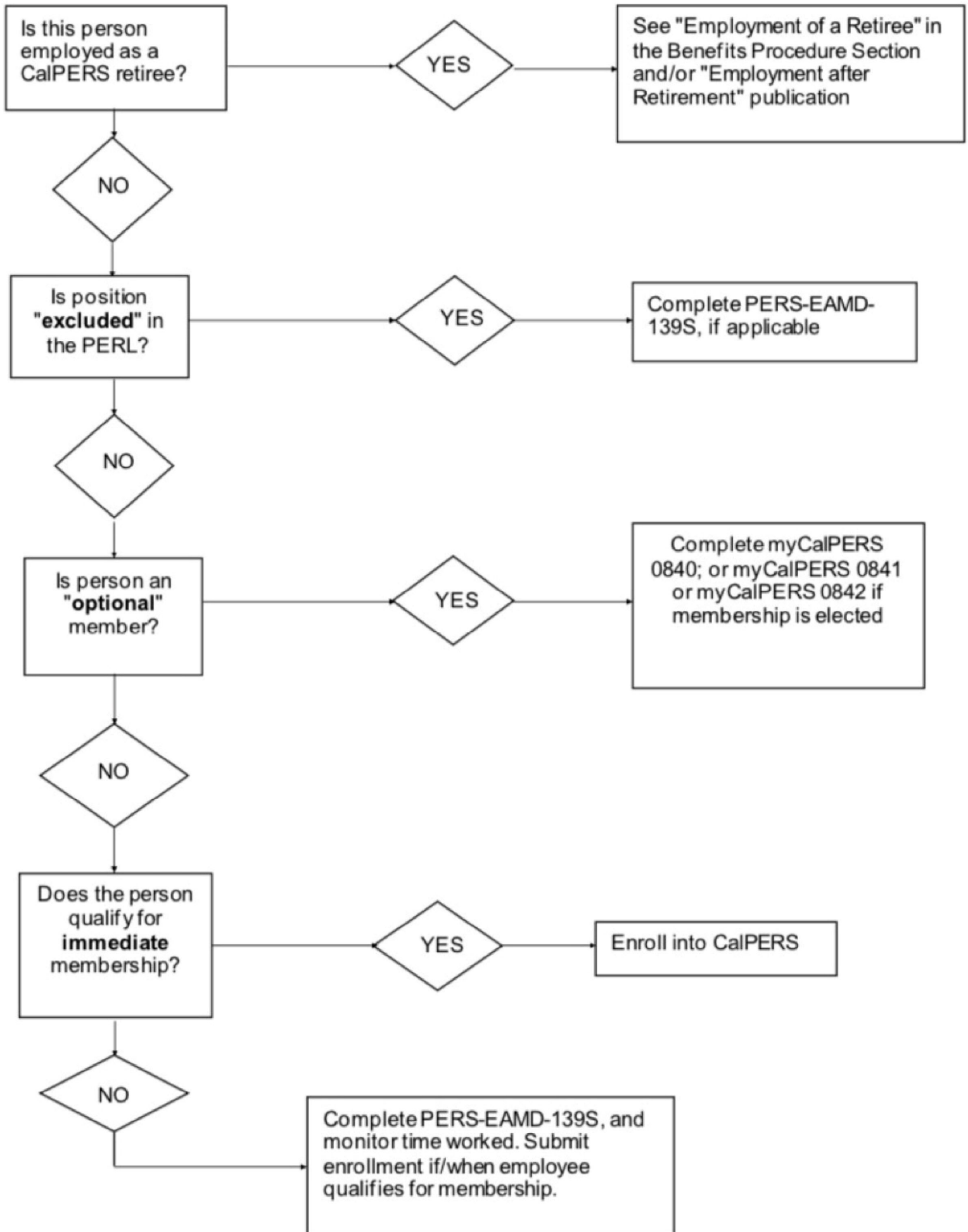
CalPERS Retiree/Unemployment

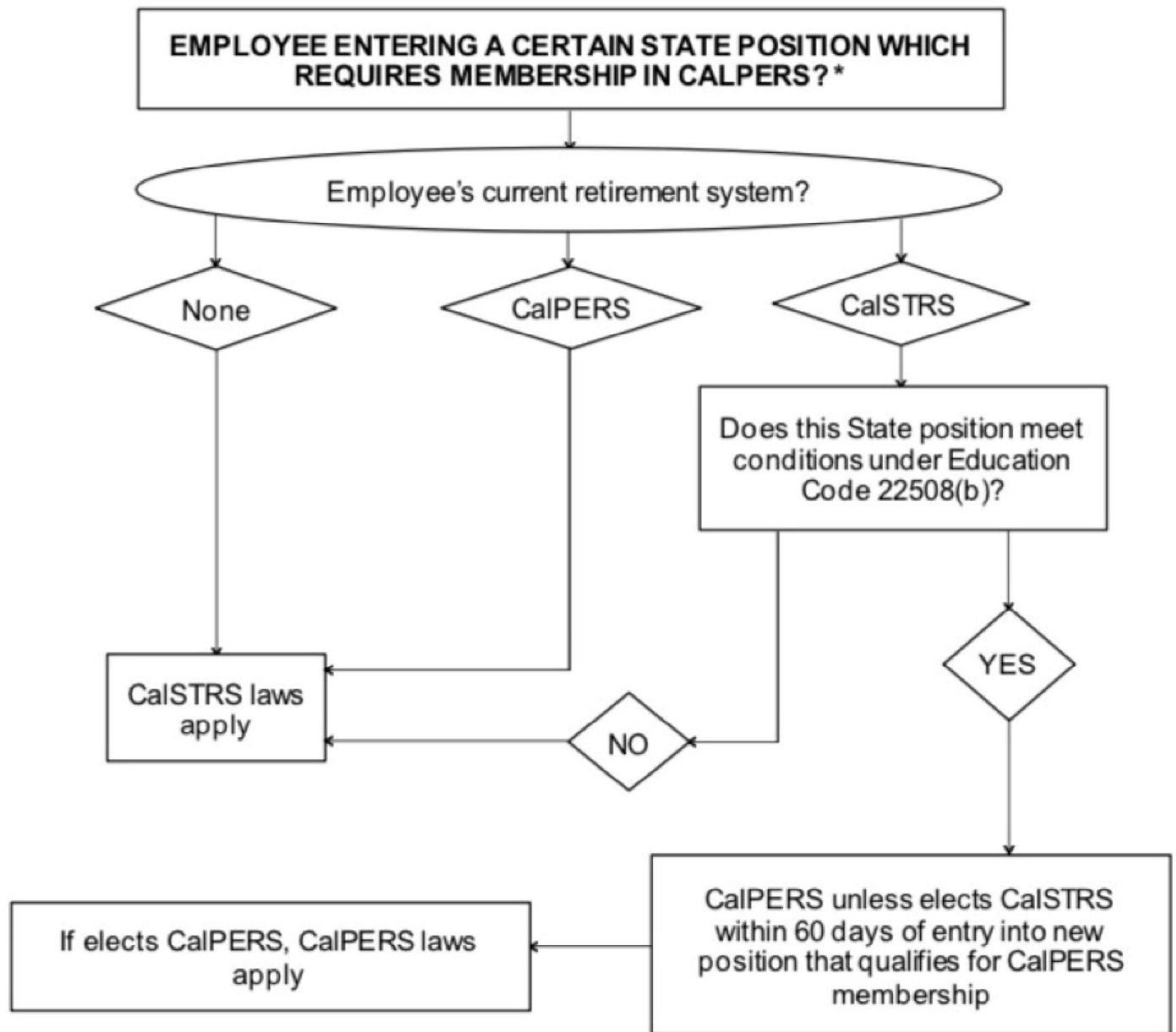
- CalPERS Circular Letter 200-265-05
 - Effective January 1, 2005, a district cannot hire a retired annuitant that received unemployment compensation for prior retired annuitant employment with any public employer during the 12 month period prior to reappointment.





DETERMINING MEMBERSHIP ELIGIBILITY

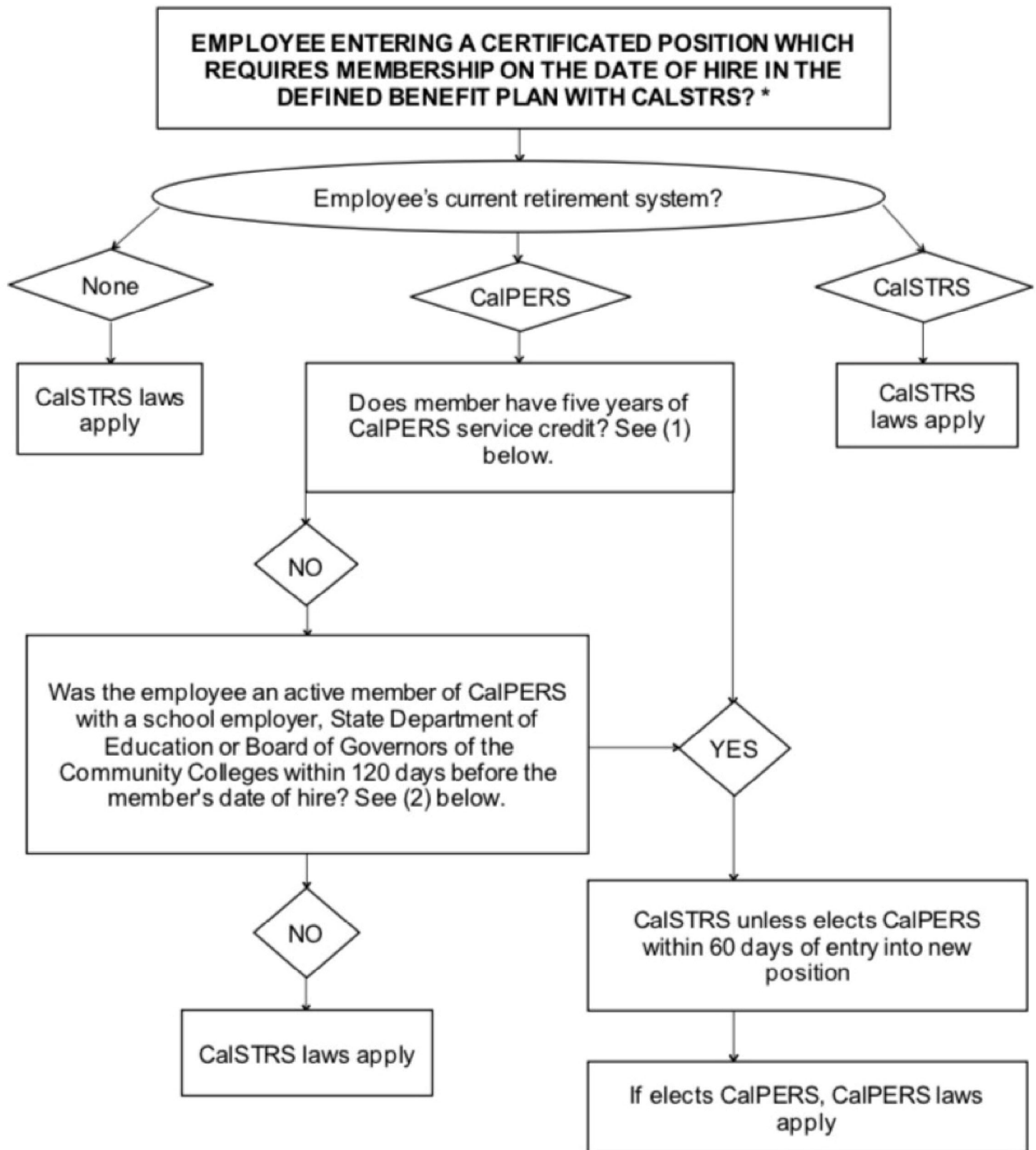




***Education Code 22508(b) Conditions:**

- (1) Represented by a state bargaining unit that represents educational consultants, professional educators, or librarians.
- (2) Excluded from the definition of "state employee" in subdivision (c) of section 3513 of the Government Code, but performing, supervising, or managing work similar to work performed by employees described in paragraph (1).
- (3) In a position not covered by civil service and in the executive branch of government, but performing, supervising, or managing work similar to work performed by employees described in paragraph (1).

CalPERS/CalSTRS Retirement System Election



*Substitute or part-time employment for employee who is not previously a CalSTRS member may not require membership. Please call CalSTRS prior to administering election.

(1) Gov. Code section 20309 (Chapter 77, Stats. 2001) effective 1-1-2002

(2) Gov. Code section 20309 (Chapter 880, Stats. 2000) effective 1-1-2001

the payroll system as a short-term or substitute employee. In these cases, retirees may not be considered “Independent Contractors” by the IRS or California EDD.

Incorrect misclassification can subject the district to federal and state penalties for improper tax withholding and reporting.

1) Hiring a CalSTRS Retiree

Should not exceed the Earnings Limitation set by CalSTRS

July 1, 2017 to June 30, 2018 the earnings limit is \$43,755.

Assembly Bill 340, Public Employees’ Pension Reform Act of 2013 (PEPRA):

CalSTRS members who retire on or after January 1, 2013 are subject to the \$0 earnings limit for the first 180 days after retirement regardless of age.

There is a very narrow exemption from this requirement if a retiree has reached normal retirement age; and their appointment is necessary to fill a critically needed position; the governing body of the employer, such as a school board, approves the appointment by resolution at a public meeting; the retiree did not receive any financial inducement to retire; and the termination of service was not the cause of the need to acquire the retiree’s services. All of these criteria have to be met, and the employer must submit the required documentation to CalSTRS substantiating the eligibility for this exemption. CalSTRS must receive the exemption request and required documentation before the retiree can begin working. If approved, this exemption only applies to the separation-from-service requirement—the postretirement earnings limit still applies.

Notification requirements and Reporting of Post-Retirement Earnings by Employer:

Section 22461 requires employers to notify retired CalSTRS members of the earnings limits and report earnings to CalSTRS each month.

STRS retirees are prohibited employment in a classified position while retired with the exception of employment as a Teachers’ Aide (*Education Code 45134*). This section is outside the Teachers’ Retirement Law and would be enforced by the Department of Education.

2) Hiring a CalPERS Retiree- Government Code Section 21224

A CalPERS retiree can be hired by a district for a temporary assignment if the employment is during an emergency to prevent stoppage of public business or the retiree has skills needed by the district for a limited duration.

- May be employed up to 960 hours per fiscal year
- Compensation shall not be less than minimum or greater than employees performing comparable duties.

Assembly Bill 340, Public Employees' Pension Reform Act of 2013 (PEPRA):

- A CalPERS member who retires and does not seek employment until after **January 1, 2013 must wait 180 days before returning to CalPERS covered employment.**

Note: A one-time per retiree extension of the 960 hour rule may be approved by CalPERS in an emergency situation. The request must be processed before the 960 hours has expired for the retiree.

Unemployment Insurance

A district cannot hire a retired annuitant that received unemployment insurance payments within the previous 12 months. Districts should have any CalPERS retirees fill out Form DPA 715. (See copy of form in this section)

CalPERS Employment After Retirement with a CalPERS Covered Employer

CalPERS Circular Letter #200-181-04 discusses the final regulations stating that a CalPERS member who has not reached normal retirement age must have a 60 calendar day separation in service prior to returning to employment as a retired

annuitant, and there must be no agreement to return to work between the member and the CalPERS employer prior to retirement. (See the Circular letter in this section)

3) Social Security and Medicare for Retirees

Retirees who retire from one of the state pension systems may be exempt in some situations from paying contributions into Social Security.

All retirees hired after March 31, 1986 are subject to Medicare tax withholding regardless of their age. The withholding tax applies even if they are eligible to receive Medicare benefits while working.

OBRA '90 specifically excludes a qualified retired annuitant from mandatory social security coverage if they are rehired with an employer that participates in the same retirement plan from which they retired. To be considered a qualified retired annuitant, the employee must be receiving retirement benefits or has reached normal retirement age under the retirement plan.

Example:

June 1, ~~2012~~2018, a teacher retires from a school district that participates in the State Teachers Retirement System and begins receiving retirement benefits from the plan. On January 14, 2019, the retiree is hired to substitute teach in a school district that also participates in the State Teachers Retirement System. The retiree is considered a qualified rehired annuitant and is not required to be covered by the OBRA 90' provisions of social security. The retiree would however qualify for Medicare coverage.