

Working after Retirement

This document provides information related to CalSTRS retirees who return to work in the California public school system and perform retired activities pursuant to Education Code section 22164.5 or 26135.7. References to other Education Code (EDC) sections are provided where applicable.

Questions? Contact EmployerTraining@CalSTRS.com or send a secure message in the Secure Employer Website. Please include supporting documentation for review. For questions specific to exemptions from requirements, contact PostRetirement@CalSTRS.com.

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Is the employee performing retired activities?

Retired member activities and retired participant activities are creditable service activities described in EDC 22119.5 and 26113 performed by a retired member under the Defined Benefit Program or a retired participant under the Cash Balance Benefit Program in the California public school system as:

- An employee of a CalSTRS employer; or
- An employee of a third party (unless excluded); or
- An independent contractor.

Whether activities are retired member or retired participant activities depends on what CalSTRS program the employee retired under, not what program the employer offers. Activities included in retired member activities and retired participant activities differ from activities that are considered creditable service for active employees because the activities include those performed for a third-party and as an independent contractor and the activities do not need to meet the minimum requirements described in EDC 22119.5(a).

Third-party employment exclusion

An employee of a third-party may be eligible for an exclusion from reporting and limitations if all the following apply:

- The employee performs an assignment of 24 months or less.
- The third-party employer does not participate in a California public pension system.
- The activities performed by the individual are not normally performed by employees of a CalSTRS employer.

We do not have examples of positions that meet these requirements. If you have an employee who you believe meets the criteria, contact PostRetirement@CalSTRS.com.

Outgrowth activities

Outgrowth is a retired activity if it is performed in conjunction with another retired activity for the same employer during the same fiscal year.

Trustee service

Trustee service is a retired participant activity if the retiree elected Cash Balance Benefit Program coverage for the trustee service. If the employee did not elect Cash Balance Benefit Program coverage for the trustee service, the trustee service is not a retired participant activity. Trustee service is not a retired member activity under the Defined Benefit Program.

Service as an elected officer of an employee organization

Service as an elected officer of an employee organization is not a retired member activity or a retired participant activity.

Other retirement system service

Service that is creditable service for active employees due to a retirement system election or because the service was grandfathered as creditable service pursuant to EDC 22119.6 is not a retired member activity or a retired participant activity.

Volunteering

As described in EDC 24214 and 26812, retired members and retired participants cannot earn less than an active member or participant in a comparable position. For this reason, a CalSTRS retiree cannot volunteer in a position that would otherwise be reportable to CalSTRS.

Does the separation-from-service requirement apply? Or are they exempt?

Retired members (DB)

Employees cannot earn compensation for retired member activities during the first 180-calendar days after their most recent retirement date without affecting their benefit. There is a dollar-for-dollar reduction for any earnings in the first 180-calendar days, up to the benefit payable (excluding benefits from the Defined Benefit Supplement Program) for the 180-calendar day period per EDC 24214.5. This reduction applies to all retired members under the Defined Benefit Program unless exempt.

Retired participants (CB)

Employees cannot earn compensation for retired participant activities during the first 180-calendar days after their most recent retirement date without affecting their benefit. There is a dollar-for-dollar reduction for any earnings in the first 180-calendar days, up to the benefit payable for the 180-calendar day period pursuant to EDC 26812. This reduction only applies to retired participants who elect to receive their retirement benefit under the Cash Balance Benefit Program in the form of an annuity.

Lump-sum retirement benefits under the Cash Balance Benefit Program are not payable until 180-calendar days after termination of employment and will be cancelled if the employee earns compensation for retired participant activities during that period.

Exemption from separation-from-service requirement

You can hire a retired member or retired participant during the first 180-calendar days of their retirement and request an exemption from the separation-from-service requirement if you have a critically needed position that necessitates hiring them. You must have a board resolution from your governing board justifying the need.

For information about requesting an exemption, see [Employer Directive 2021-06](#) available at CalSTRS.com. Exemptions for the separation from service requirement in the 2021-2022 fiscal year may have been impacted by the Governor's executive orders. For more information, see [Employer Directive 2022-04](#) available at CalSTRS.com.

In the new system, employers request an exemption by submitting an Employee Change Request. For more information, see [the Employee Change Requests – SR Earnings Limit Exemption](#) job aid available at employersupport.calstrs.com.

Does the annual earnings limit apply?

Retired members (DB)

After the 180-calendar day separation-from-service requirement, retired members can earn up to the fiscal year postretirement earnings limit without impact to their benefit. If retired members exceed the annual earnings limit, CalSTRS will withhold any excess earnings up to the benefit payable from the members' retirement checks. The earnings limit for the 2021-22 fiscal year is \$48,428.

Retired participants (CB)

There is no annual earnings limit for retired participants.

Exemptions from the annual postretirement earnings limit

There are no exemptions from the limit.

Did they participate in the CalSTRS Retirement Incentive Program?

Pursuant to EDC 22714, members who retire under the CalSTRS Retirement Incentive Program will lose the ongoing increase in their benefit if they do any of the following:

- Take any job, including substitute teaching, an employee of third-party administrator, or as an independent contractor, within five years of retirement with the employer that offered the incentive.
- Receive unemployment benefits within one year of their retirement date.
- Reinstate to active membership.

What are my responsibilities as an employer?

Notification of impact to benefits

You must notify CalSTRS retirees hired to perform retired member activities or retired participant activities of the applicable separation-from-service requirement and annual earnings limitation, and, if applicable, the revocation of the increase associated with the CalSTRS Retirement Incentive Program.

Enrollment

F496 File format users do not need to submit an enrollment before submitting compensation associated with working after retirement in the current or new system.

In the new system, Contribution File format users must submit a new enrollment using the Employment File or the Employment Maintenance screen before they can report compensation associated with working after retirement. Enroll the employee using **Transaction Sub-Type Working after Retirement (WART)** and **Benefit Program Defined Benefit (DB)**.

Earnings reporting

You must maintain accurate records of the retiree's earnings and report their earnings to CalSTRS each month. You must also inform the retirees of the amount of monthly earnings reported to CalSTRS.

Earnings you report for retired members and retired participants differ from the creditable compensation you report for active employees. You must report payments made for the performance of retired member activities and retired participant activities, including payments:

- Paid in cash, excluding reimbursements paid by an employer for expenses incurred by the member in which payment of the expenses is substantiated.
- To participate in a deferred compensation plan.
- To purchase an annuity contract, tax-deferred retirement plan, or insurance program.
- For contributions to a plan that meets the requirements of Section 125, 401(a), 401(k), 403(b), 457(b), or 457(f) of Title 26 of the United States Code when the cost is covered by an employer.

Unlike compensation paid to active employees, compensation paid for the performance of retired member activities or retired participant activities should be reported for a DB 2% at 62 or CB Participant PEPRA member even if the compensation is not paid every pay period in which the service is performed.

In the current system and in the new system, F496 File format users report compensation associated with working after retirement using **Member Code Nonmember (2)**, **Assignment Code Retiree (61)**, and **Contribution Code Nonmember (0)**. Compensation is reported using the F496 File even if the employee is performing retired participant activities.

In the new system, Contribution File format users report compensation associated with working after retirement using **Benefit Program Member Code Nonmember (DB2)**, **Assignment Code Working after Retirement (61)**, and **Service Type Retired Activities (RETA)**.

Compensation is reported to the Defined Benefit Program regardless of whether the employee is performing retired member or retired participant activities. If you need to report a retroactive pay rate increase for a retiree working after retirement, report the compensation with **Transaction Type Adjustment** rather than **Transaction Type Retroactive Pay Rate**.

Example: Reporting line for a retiree

A CalSTRS retiree returns to work as a substitute teacher at a preK-12 school district. The retiree earns a daily substitute teacher rate of \$180 and works five days in August 2020. The full-time equivalent for the position is 175 days.

The Annualized Pay Rate for this position is \$31,500, calculated by multiplying the daily rate of \$180 by the full-time equivalent of 175 days. The retiree's earnings of \$900 are calculated by multiplying the daily rate of \$180 by five, which is the number of days worked in the August 2020 service period.

F496 File format users report the line as follows:

Member Code	Assignment Code	Pay Rate	Pay Code	Earnings	Contribution Code	Service Period Start	Service Period End
2	61	31500.00	0	900.00	0	08/01/2020	08/31/2020

Contribution File format users report the line as follows:

Benefit Program Member Code	Service Type	Assignment Code	Annualized Pay Rate	Earnings	Pay Period Start	Pay Period End
DB2	RETA	61	Blank	900.00	08/01/2020	08/31/2020